Taxing Wages

2019-2020

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

OECD

2021

Taxing Wages
2021

2019-2020

OECD
BETTER POLICIES FOR BETTER LIVES

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document, as well as any data and map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

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

Please cite this publication as:
OECD (2021), *Taxing Wages 2021*, OECD Publishing, Paris, *https://doi.org/10.1787/83a87978-en*.

ISBN 978-92-64-86842-7 (print)
ISBN 978-92-64-43818-7 (pdf)

Taxing Wages
ISSN 1995-3844 (print)
ISSN 2072-5124 (online)

Photo credits: Cover © Baseline Arts with elements from Shutterstock.

Corrigenda to publications may be found on line at: *www.oecd.org/about/publishing/corrigenda.htm*.

Foreword

This annual publication, *Taxing Wages*,[1] provides details of taxes paid on wages in the 37 member countries of the OECD.[2] The information contained in the Report covers the personal income tax and social security contributions paid by employees, the social security contributions and payroll taxes paid by their employers and cash benefits received by families. The objective of the Report is to illustrate how personal income taxes, social security contributions and payroll taxes are calculated and to examine how these levies and cash family benefits impact on net household incomes. The results also allow quantitative cross-country comparisons of labour cost levels and of the overall tax and benefit position of single persons and families.

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

The focus of the Report is the presentation of new data on the tax/benefit position of employees in 2020. In addition, the new data is compared with corresponding data for the year 2019. The average worker is designated as a full-time employee (including manual and non-manual) in either industry sectors B-N inclusive with reference to the International Standard Industrial Classification of All Economic Activities, Revision 4 (ISIC Rev.4) or industry sectors C-K inclusive with reference to the International Standard Industrial Classification of All Economic Activities, Revision 3 (ISIC Rev.3).

The Report is structured as follows:

- Part I (Tax burden comparisons and trends) includes 6 chapters:
  - Chapter 1 contains an overview of the main results for 2020.
  - Chapter 2 contains the Special Feature on “Impact of COVID-19 on the tax wedge in OECD countries”.
  - Chapter 3 reviews the main results for 2020, which are summarised in comparative tables and figures included at the end of that section.
  - Chapter 4 presents a graphical exposition of the estimated tax burden on labour income in 2020 for gross wage earnings between 50% and 250% of the average wage.
  - Chapter 5 reviews the main results for 2019, which are summarised in the comparative tables at the end of the chapter and compares them with the 2020 figures.
  - Chapter 6 focuses on the historical trends in the tax burden for the period 2000-2020.
- Part II contains individual country tables specifying the wage levels considered and the associated tax burdens for eight separate household types, together with descriptions of each country’s tax/benefit system.
- The Annex describes the methodology and its limitations.

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

Table of contents

Executive Summary

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

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

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

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

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

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

Key findings

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

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

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

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

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

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

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

2. Notes

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

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

Part I Tax burden comparisons and trends

1 Overview

This chapter presents the main results of the analysis of the taxation of labour income across OECD member countries in 2020. Most emphasis is given to the tax wedge – a measure of the difference between labour costs to the employer and the corresponding net take-home pay of the employee – which is calculated by expressing the sum of personal income tax, employee plus employer social security contributions together with any payroll tax, minus benefits as a percentage of labour costs. The calculations also focus on the net personal average tax rate. This is the term used when the personal income tax and employee social security contributions net of cash benefits are expressed as a percentage of gross wage earnings. The analysis focuses on the single worker, with no children, at average earnings and makes a comparison with the single earner married couple with two children, at the same income level. A complementary analysis focuses on the two earner couple with two children, where one spouse earns the average wage and the other 67% of it.

This Report provides unique information for each of the 37 OECD countries on the income taxes paid by workers, their social security contributions, the transfers they receive in the form of cash benefits, as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for one- and two-earner households[1], and the implied total labour costs for employers. These data are widely used in academic research and in the formulation and evaluation of social and economic policies. The taxpayer-specific detail in this Report complements the information provided annually in *Revenue Statistics*, a publication providing internationally comparative data on tax levels and tax structures in OECD countries. The methodology followed in this Report is described briefly in the introduction section below and in more detail in the Annex.

The tables and charts present estimates of tax burdens and of the tax 'wedge' between labour costs and net take-home pay for eight illustrative household types on comparable levels of income. The key results for 2020 are summarised in the second section below. Part I of the Report presents more detailed results for 2020, together with comparable results for 2019 and discusses the changes between the two years. Part I of the Report also reviews historical changes in tax burdens between 2000 and 2020.

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

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

Introduction

This section briefly introduces the methodology employed for *Taxing Wages*, which focuses on full-time employees. It is assumed that their annual income from employment is equal to a given percentage of the average full-time adult gross wage earnings for each OECD economy, referred to as the average wage (AW). This covers both manual and non-manual workers for either industry sectors C-K inclusive with reference to the International Standard Industrial Classification of All Economic Activities, Revision 3 (ISIC Rev.3) or industry sectors B-N inclusive with reference to the International Standard Industrial Classification of All Economic Activities, Revision 4 (ISIC Rev.4).[2] Further details are provided in Table 1.8 as well as in the Annex of this Report. Additional assumptions are made about the personal circumstances of these wage earners in order to determine their tax/benefit position.

In *Taxing Wages*, the term tax includes the personal income tax, social security contributions and payroll taxes (which are aggregated with employer social contributions in the calculation of tax rates) payable on gross wage earnings. Consequently, any income tax that might be due on non-wage income and other kinds of taxes – e.g. corporate income tax, net wealth tax and consumption taxes – is not taken into account. The transfers included are those paid by general government as cash benefits, usually in respect of dependent children.

For most OECD countries, the tax year is equivalent to the calendar year, the exceptions being Australia, New Zealand and the United Kingdom. In the case of New Zealand and the United Kingdom, where the tax year starts in April, the calculations apply a 'forward-looking' approach. This implies that, for example, the tax rates reported for 2020 are those for the tax year 2020-2021. However, in Australia, where the tax year starts in July, it has been decided to take a 'backward looking' approach in order to present more reliable results. So, for example, the year 2020 in respect of Australia has been defined to mean its tax year 2019-2020.

Taxing Wages presents several measures of taxation on labour. Most emphasis is given to the tax wedge – a measure of the difference between labour costs to the employer and the corresponding net take-home pay of the employee – which is calculated by expressing the sum of personal income tax, employee plus employer social security contributions together with any payroll tax, minus benefits as a percentage of labour costs. Employer social security contributions and – in some countries – payroll taxes are added to gross wage earnings of employees in order to determine a measure of total labour costs. The average tax wedge measures identify that part of total labour costs which is taken in tax and social security contributions net of cash benefits. In contrast, the marginal tax wedge measures identify that part of an increase of total labour costs that is paid in taxes and social security contributions less cash benefits. However, it should be notified that this measure only includes payments that are classified as taxes. Employees and employers may also have to make non-tax compulsory payments (NTCPs)[3] that may increase the indicators that are presented in the *Taxing Wages* publication. An accompanying paper to *Taxing Wages* that is available on the *OECD Tax Database* presents "compulsory payment indicators" that combine the burden of taxes and NTCPs: http://www.oecd.org/tax/tax-policy/non-tax-compulsory-payments.pdf.

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

Review of results for 2020

Tax Wedge

Table 1.1 shows that the tax wedge between the labour costs to the employer and the corresponding net take-home pay for single workers without children, at average earnings levels, varied widely across OECD countries in 2020 (see column 1). While in Austria, Belgium, France, Germany and Italy, the tax wedge was more than 45%, it was lower than 20% in Chile, Colombia and New Zealand. The highest tax wedge is observed in Belgium (51.5%) and the lowest in Colombia (0.0%). In Colombia, the single worker at the average wage level did not pay personal income taxes in 2020, whereas their contributions to pension, health and employment risk insurances are considered to be non-tax compulsory payments (NTCPs)[4] and therefore are not counted as taxes in the *Taxing Wages* calculations. Table 1.1 shows that the average tax wedge in OECD countries was 34.6% in 2020.

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

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

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

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

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

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

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

Table 1.2 and Figure 1.1 show the constituent components of the tax wedge in 2020, i.e. income tax, employee and employer social security contributions (including payroll taxes where applicable), as a percentage of labour costs for the average worker without children. The labour costs in Table 1.2 are expressed in US dollars with equivalent purchasing power.

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

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

Table 1.1. Comparison of total tax wedge

As % of labour costs, 2020

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

Note: Single individual without children at the income level of the average worker.
1. Countries ranked by decreasing total tax wedge.
2. Due to rounding, the changes in tax wedge in column (2) may differ by one-hundredth of a percentage point from the sum of columns (3)-(5). For Canada, Denmark and the United States, cash benefits contribute to the difference as they are not included in columns (3)-(5).
3. Includes payroll taxes where applicable.
Sources: Country submissions, OECD Economic Outlook Volume 2020 issue2.

StatLink https://stat.link/tjlb4f

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

As % of labour costs, 2020

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

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

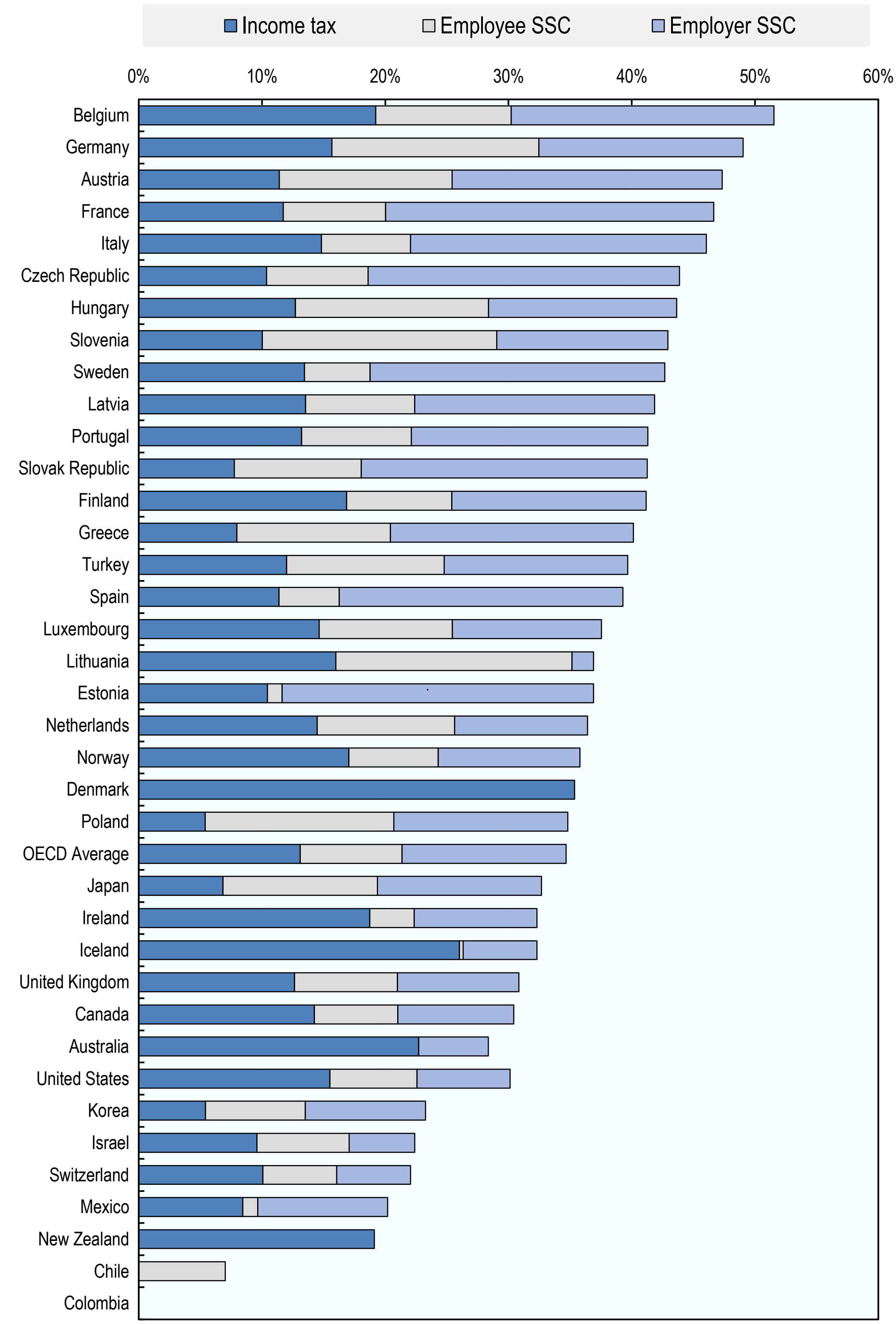
1. Countries ranked by decreasing labour costs.
2. Due to rounding, the total in column (1) may differ by one tenth of a percentage point from the sum of columns (2)-(4). For Canada, Denmark and the United States, cash benefits contribute to the difference as they are not included in columns (2)-(4).
3. Includes payroll taxes where applicable.
4. US dollars with equal purchasing power.

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

StatLink https://stat.link/9zwyni

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

As a % of labour costs



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

StatLink https://stat.link/z629v5

Personal average tax rates

The personal average tax rate is defined as income tax plus employee social security contributions as a percentage of gross wage earnings. Table 1.3 and Figure 1.2 show the personal average tax rates in 2020 for a single worker without children at the average earnings level. The average workers' gross wage earnings figures in Table 1.3 are expressed in terms of US dollars with equivalent purchasing power. Figure 1.2 provides a graphical representation of the personal average tax rate decomposed between income tax and employee social security contributions.

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

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

The overall ratio of aggregate tax revenues to Gross Domestic Product; and,

The share of personal income tax and social security contributions in national tax mixes.

The mix of income tax and social security contributions paid out of gross wage earnings also varies greatly between countries as illustrated in Figure 1.2.

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

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

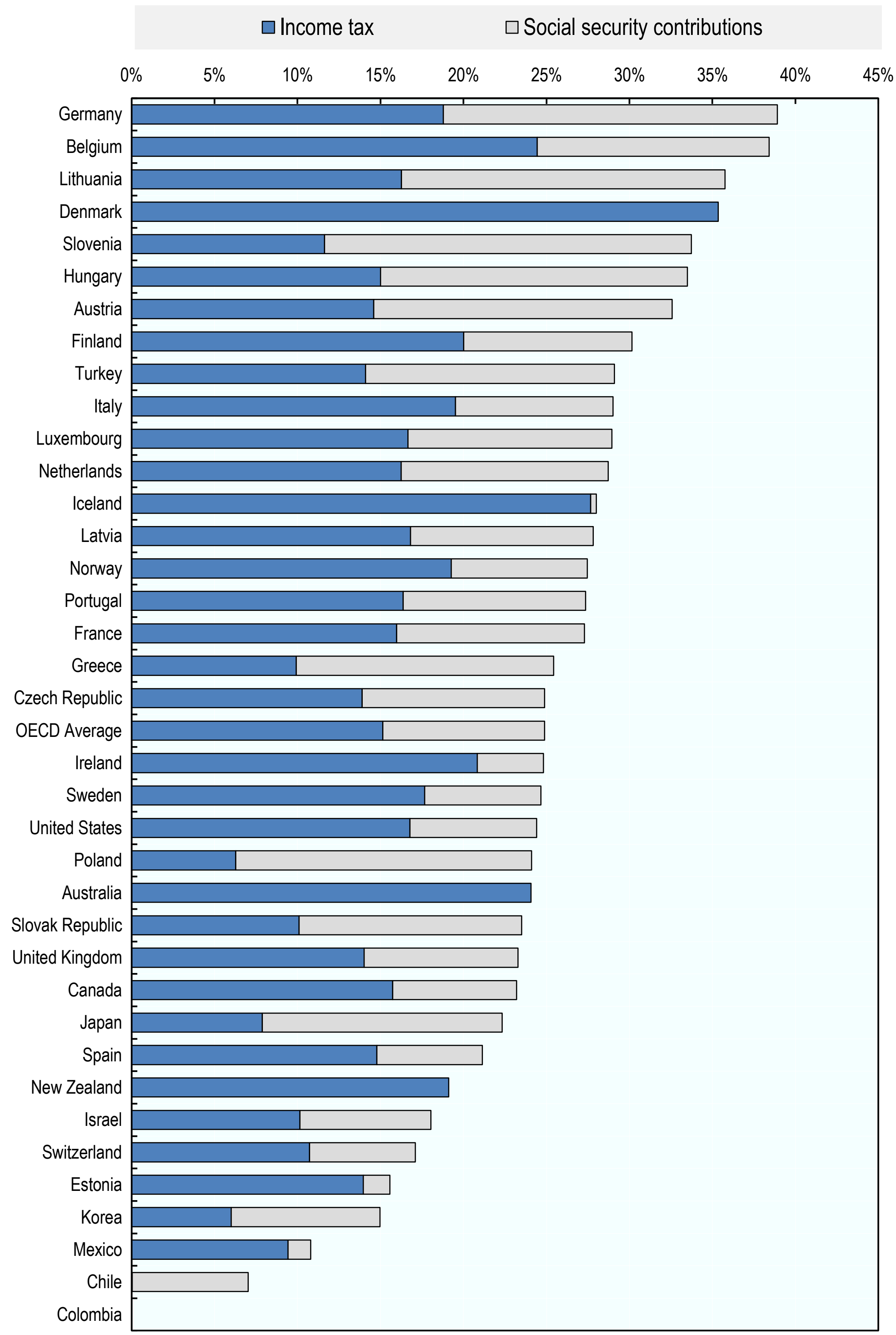
As % of gross wage earnings

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

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

StatLink https://stat.link/569y1q

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



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

StatLink https://stat.link/xjmd8o

Single versus one-earner couple taxpayers

Table 1.4 compares the tax wedges for a one-earner married couple with two children and a single individual without children, at average earnings levels. These tax wedges varied widely across OECD countries in 2020 (see columns 1 and 2). The size of the tax wedge for the couple with children is generally lower than the one observed for the individual without children, since many OECD countries provide a fiscal benefit to households with children through advantageous tax treatment and/or cash benefits. Hence, the OECD average tax wedge for the one-earner couple with two children was 24.4% compared to 34.6% for the single average worker. This gap has widened (by 0.7 percentage points) since 2019.

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

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

A comparison of the changes in tax wedges between 2019 and 2020 for one-earner married couples with two children and single persons without children, at the average wage level, is shown in column 5 of Table 1.4. The fiscal preference for families increased in 27 OECD countries: Australia, Austria, Belgium, Canada, Colombia, Czech Republic, Estonia, Finland, France, Germany, Greece, Iceland, Ireland, Israel, Italy, Japan, Korea, Latvia, Lithuania, Luxembourg, the Netherlands, Norway, Poland, the Slovak Republic, Spain, Switzerland and the United States. Additionally, the effects of changes in the tax system on the tax wedge were of the same magnitude for both household types only in Mexico. In four countries: Chile, Denmark, Portugal and the United Kingdom; the fiscal preference for families decreased, by less than 0.03 percentage points in each country.

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

As % of labour costs

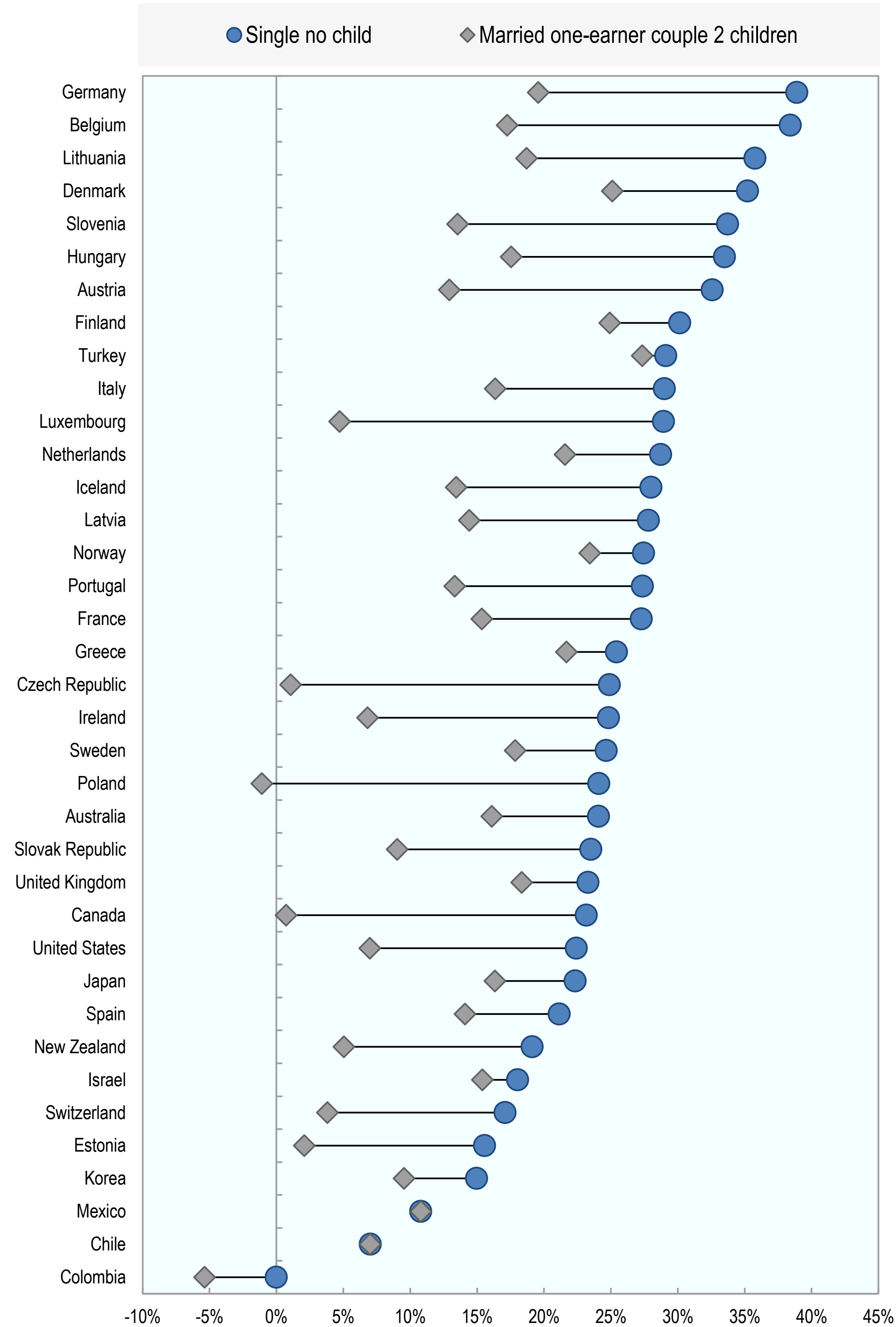
Country[1]	Family[2] Total Tax wedge 2020 (1)	Single[3] Total Tax wedge 2020 (2)	Annual change, 2020/19 (in percentage points)		
			Family Tax wedge (3)	Single Tax wedge (4)	Difference between single and family (4)-(3) (5)
Turkey	38.2	39.7	0.16	0.09	-0.08
France	37.9	46.6	-0.77	-0.56	0.21
Sweden	37.5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

1. Countries ranked by decreasing tax wedge of the family.
2. One earner married couple with two children and earnings at the average wage level.
3. Single individual without children and earnings at the average wage level.
Sources: Country submissions, OECD Economic Outlook Volume 2020 issue 2.

StatLink https://stat.link/k5wnz4

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

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



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

StatLink https://stat.link/vg0bd3

Figure 1.3 compares the net personal average tax rate for the average worker between a single individual and a one-earner married couple with two children at the same income level. These results show the same pattern as the tax wedge results. This is because employer social security contributions, which are not taken into account in the former but included in the latter, are independent of household type. Due to tax reliefs and cash benefits for families with children, the one-earner married couple's disposable income was higher than the single individual's by more than 20% of earnings in six countries – Poland (25.2%), Luxembourg (24.2%), the Czech Republic (23.8%), Canada (22.4%), Belgium (21.2%) and Slovenia (20.2%). At the lower end of the spectrum, the disposable income of the one-earner married couple was higher than the single individual by less than 10% of earnings in 14 countries – Australia (8.0%), the Netherlands (7.2%), Spain (7.0%), Sweden (6.8%), Japan (6.0%), Korea and Colombia (5.4%), Finland (5.2%), the United Kingdom (5.0%), Norway (4.0%), Greece (3.8%), Israel (2.6%), Turkey (1.8%) and Chile (0.03%). The disposable income was the same for both household types in Mexico, as their net personal average tax rates were identical.

Tax on labour income for two-earner couples

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

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

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

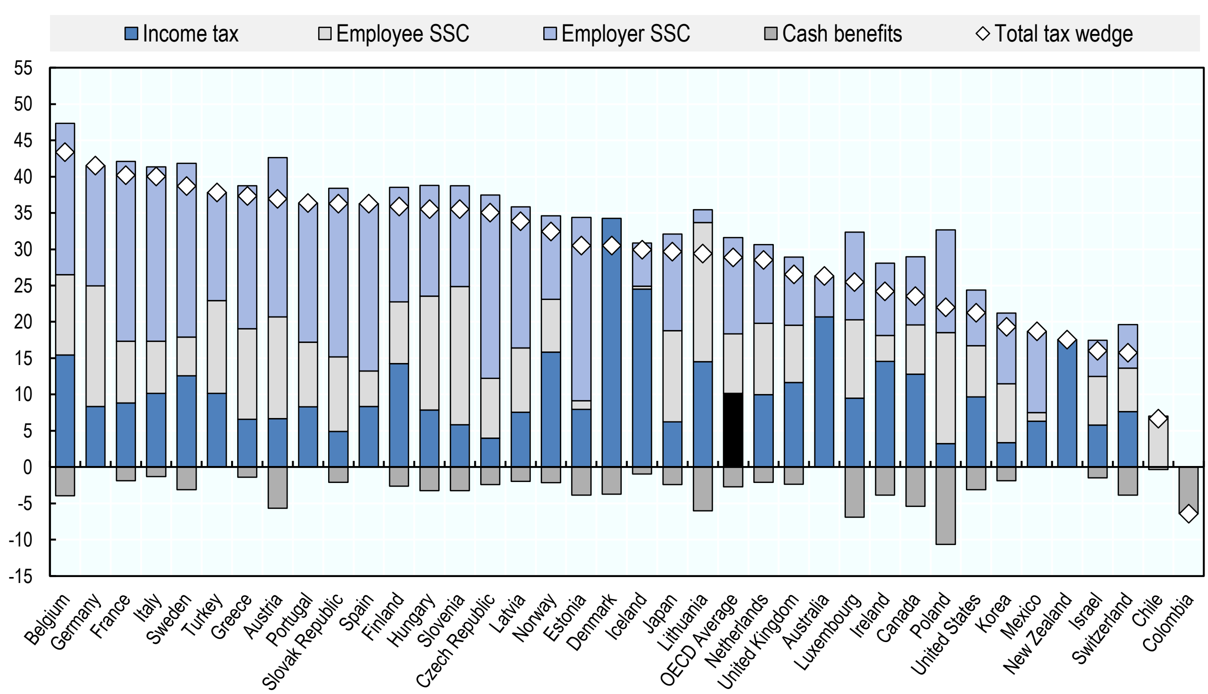
The cash benefits that are considered in the *Taxing Wages* publication are those universally paid to workers in respect of dependent children between the ages of six to eleven inclusive. In-work benefits that are paid to workers regardless of their family situation are also included in the calculations.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

Compared to 2019, the OECD average tax wedge of the two-earner couple decreased by 0.75 percentage points in 2020, as indicated in Table 1.5 (column 2) as a consequence of decreasing tax wedges in 31 out of 37 OECD countries. It increased in six countries only – Norway (0.07 percentage points), Portugal (0.09 percentage points), Sweden and Turkey (both by 0.16 percentage points), New Zealand (0.24 percentage points) and Australia (0.48 percentage points). In most countries with decreasing tax wedges for families with children between 2019 and 2020, the lower tax wedges resulted from changes in income tax systems and SSCs, as observed for the single workers, and also from increased cash benefits or tax provisions for dependent children between the two years. Decreases of more than one percentage point were observed in 15 countries – Poland (2.97 percentage points), the United States (2.78 percentage points), Lithuania (2.50 percentage points), Italy (1.75 percentage points), France (1.48 percentage points), Austria (1.33 percentage points), Latvia (1.31 percentage points), Luxembourg (1.30 percentage points), Belgium (1.23 percentage points), Colombia (1.22 percentage points), Ireland (1.20 percentage points), Iceland (1.13 percentage points), Greece and Korea (both by 1.11 percentage points) and Finland (1.10 percentage points). As observed for the one-earner couples with children in the previous section, among some of these countries, measures related to the COVID-19 crisis were introduced in 2020. Extra or one-off cash benefit or tax provision payments in response to the COVID-19 crisis were made to two-earner couples with children in Austria, Canada, Korea, Iceland, Lithuania and the United States. In addition to an extra child benefit payment in response to the COVID-19 crisis, a marginal income tax rate within the income tax schedule was reduced in Austria and a tax-exempt amount was increased in Lithuania. In Poland, which had the second largest increase in the cash benefit as a percentage of labour costs (2.24 percentage points) after the United States (3.12 percentage points) for two-earner couples with children, the increase was due to a reform of the family benefit system that was introduced in July 2019 and that was not related to the COVID-19 crisis.

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

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

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



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

StatLink https://stat.link/nlhgis

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

As % of labour costs

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

Note: Two-earner married couple, one at 100% and the other at 67% of the average wage, with 2 children.
1. Countries ranked by decreasing total tax wedge.
2. Due to rounding, the changes in tax wedge in column (2) may differ by one hundredth of a percentage point from the sum of columns (3)-(6).
3. Includes payroll taxes where applicable.
Sources: Country submissions, OECD Economic Outlook Volume 2020 issue 2.

StatLink https://stat.link/4y8pgh

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

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

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

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

StatLink https://stat.link/nqcd0i

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

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

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

Wages

Table 1.7 shows the gross wage earnings in national currency of the average worker in each OECD member country for 2019 and 2020. The figures for 2020 are estimated by the OECD Secretariat by applying the change in the compensation per employee in the total economy as presented in the *OECD Economic Outlook* (Volume 2020 issue 2) database to the final average wage values provided by OECD member countries. More information on the values of the average wage and the estimation methodology is included in the Annex of this Report.

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

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

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

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

When comparing wage levels, it is important to note that the definition of average wage earnings can vary between countries due to data limitations. For instance, some countries do not include the wages earned by supervisory and managerial workers or do not exclude wage earnings from part-time workers (see Table A.4 in the Annex). Furthermore, caveats related to the average wage figures in 2020 are discussed in Chapter 2, the special feature.

Table 1.8 provides more information on whether the average wages for the years 2000 to 2020 are based on industry sectors C-K inclusive with reference to the International Standard Industrial Classification of All Economic Activities, Revision 3 (ISIC Rev.3) or industry sectors B-N inclusive with reference to the International Standard Industrial Classification of All Economic Activities, Revision 4 (ISIC Rev.4).

Most OECD countries have calculated average wage earnings on the basis of sectors B-N in the ISIC Rev. 4 Industry Classification at least since 2008. Some countries have revised the average wage values for prior years as well. Average wage values based on the ISIC Rev. 4 Classification or any variant are available for years back to 2000 for Australia, Canada, the Czech Republic, Estonia, Finland, Greece, Hungary, Iceland, Italy, Japan, Latvia, Lithuania, the Slovak Republic, Slovenia, Spain and Switzerland.

Australia (for all years) and New Zealand (from 2004 onwards) have provided values based on the 2006 ANZSIC industry classification, divisions B to N, which substantially overlaps the ISIC Rev.4, sectors B to N. For New Zealand, the years prior to 2004 continue to be based on sectors C-K in ANZSIC. Turkey has provided values based on the NACE Rev.2 classification sectors B-N from 2007 onwards. Values for the years prior to 2007 are based on the average production worker wage (ISIC rev.3.1, sector D). The average wages are not based on the sectors B-N in the ISIC Rev. 4 Industry Classification for the Netherlands (from 2012 onwards) and Mexico (all years).

Table 1.7. Comparison of wage levels

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

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

StatLink https://stat.link/4up2hl

Table 1.8. Average Wage Industry Classification

	years for which ISIC Rev. 3.1 or any variant (Sectors C-K) has been used to calculate the AW	years for which ISIC Rev. 4 or any variant (Sectors B-N) has been used to calculate the AW
Australia[1]		2000-2020
Austria[2]	2004-2007	2008-2020
Belgium	2000-2007	2008-2020
Canada		2000-2020
Chile[3]	2000-2008	2009-2020
Colombia[4]	2000-2020	
Czech Republic		2000-2020
Denmark[5]	2000-2007	2008-2020
Estonia		2000-2020
Finland		2000-2020
France	2000-2007	2008-2020
Germany	2000-2005	2006-2020
Greece[6]		2000-2020
Hungary		2000-2020
Iceland[7]		2000-2020
Ireland[8]		2000-2020
Israel[9]	2000-2012	2013-2020
Italy		2000-2020
Japan		2000-2020
Korea[10]	2000-2007	2008-2020
Latvia[11]		2000-2020
Lithuania		2000-2020
Luxembourg	2000-2004	2005-2020
Mexico[12]		
Netherlands[13]	2000-2007	2008-2011
New Zealand[14]	2000-2003	2004-2020
Norway	2000-2008	2009-2020
Poland	2000-2006	2007-2020
Portugal	2000-2005	2006-2020
Slovak Republic[15]		2000-2020
Slovenia		2000-2020
Spain		2000-2020
Sweden	2000-2007	2008-2020
Switzerland		2000-2020
Turkey[16]		2007-2020
United Kingdom	2000-2007	2008-2020
United States	2000-2006	2007-2020

1. Australia: based on ANZSIC06 such that the categories substantially overlap with ISIC 4, sectors B-N.
2. Austria: 2000-2003 average wage values are not based on the NACE (ISIC) classification.
3. Chile: the values for 2000 to 2008 are estimates deriving from the annual changes in the average wages based on “CIIU Rev.3” (2009=100) between 2000 and 2008, and the average wage for 2009 based on CIIU Rev.4 (2016=100). From 2009, the values are based on ISIC4.CL2012 sectors B to R, excluding O (8422) “Defense Activities” and O (8423) “Public order and safety activities”.
4. Colombia: average wage values based on ISIC rev. 3. The “Agriculture, hunting and forestry”, “Other community, social and personal service activities” and “Activities not adequately defined” sectors are excluded.
5. Denmark: The AW values are based on sectors B-N and R-S (NACE rev 2).
6. Greece: the average annual earnings refer to full time employees for the sectors B to N of NACE Rev 2, including Division 95 and excluding Divisions 37, 39 and 75 for 2008 onwards.
7. Iceland: using national classification system that corresponds with the NACE rev. 2 classification system.
8. Ireland: Values from 2008 onwards are based on CSO table EHA05 for NACE rev.2 B-N. Values for prior years are the Secretariat's estimates, based on the growth rates of the average wages for sectors C to E in reference to NACE.
9. Israel: Information on data for Israel: http://oe.cd/israel-disclaimer.

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

StatLink https://stat.link/ms3wh1

Notes

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

[2] Not all national statistical agencies use ISIC Rev.3 or Rev.4 to classify industries. However, the Statistical Classification of Economic Activities in the European Community (NACE Rev.1 or Rev.2), the North American Industry Classification System (US NAICS 2012). The Australian and New Zealand Standard Industrial Classification (ANZSIC 2006) and the Korean Standard Industrial Classification (6th to 9th KISC) include a classification which broadly conforms either with industries C-K in ISIC Rev. 3 or industries B-N in ISIC Rev.4.

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

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

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

[6] See note 4.

[7] See note 4.

[8] See note 4.

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

Introduction

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

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

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

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

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

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

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

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

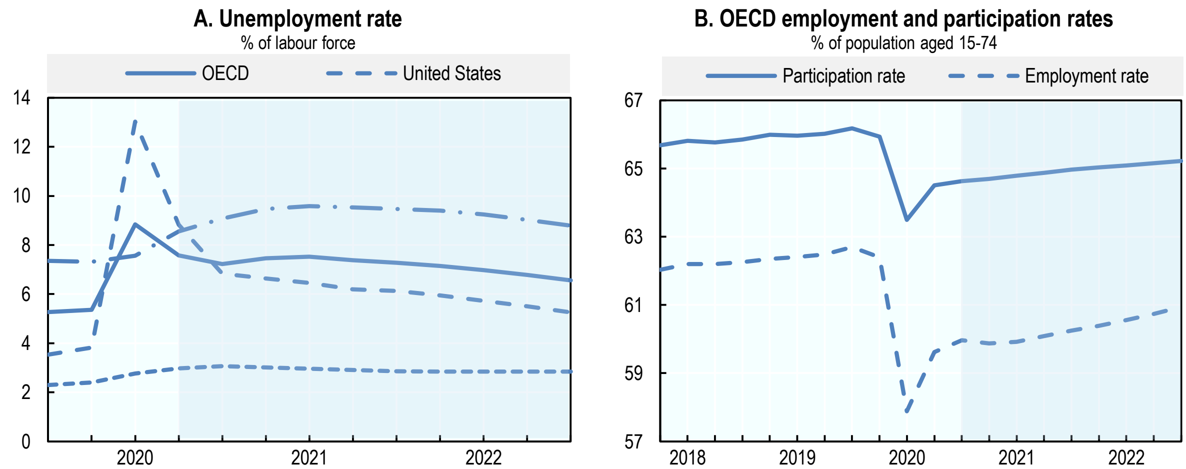
The labour taxes modelled as applying to these workers include personal income taxes, their social security contributions and those of their employer, and cash benefits that apply to all workers based on their financial and family circumstances (i.e. tax provisions or benefits targeted at particular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

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

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

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

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



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

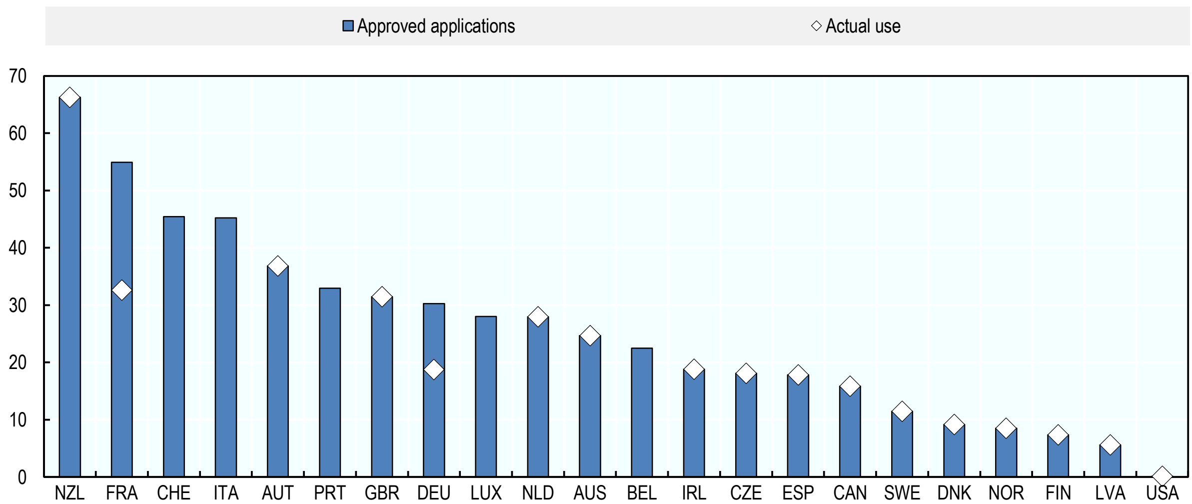
StatLink https://stat.link/jpku3g

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

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

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

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



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

StatLink https://stat.link/tlk7rq

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

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

- In some countries, teleworkers may be able to claim additional deductions for their “home office” or for materials bought to facilitate teleworking (for example, in Ireland, where a portion of broadband costs and other working from home costs are deductible; or in the United Kingdom, where tax reliefs are provided for some household costs (e.g. heating, water, insurance, business calls, broadband or equipment). Germany has also recently implemented a fixed deduction for teleworkers (Finanztip, 2021[9]). These deductions are not included in the Taxing Wages models as they do not meet the assumption of being a standard relief.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

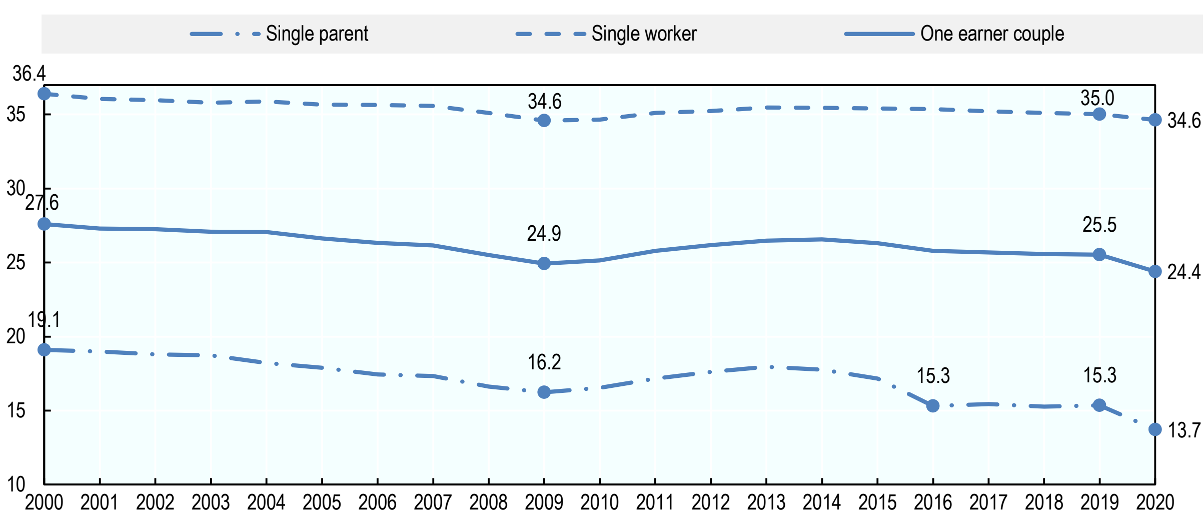
The remainder of the special feature considers the impact of these measures on the tax wedge for the single parent, single worker, and one-earner couple in these countries, as well as the OECD average. It is important to note that many countries provided significant support to households and businesses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

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

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

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

% of total labour costs



StatLink https://stat.link/5d0bgp

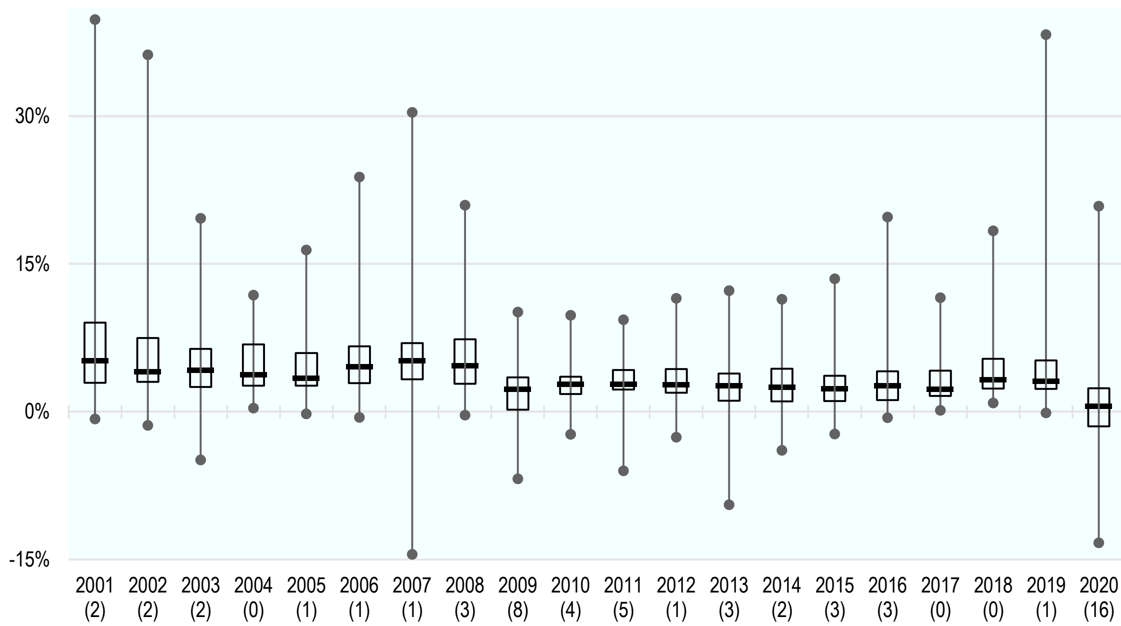
This section considers the drivers of the changes in the OECD and country tax wedges in 2020, exploring the impact of changes in the average wage and of specific COVID-19 tax or benefit provisions.

Impact of wage changes

As outlined in chapter 1, the annual nominal change in the average wage varied between -13.3% in Colombia to 20.9% in Turkey (Table 1.7), with an average change of 0.6%. Sixteen OECD countries had falls in the nominal average wage in 2020 relative to 2019, a level not previously seen in the period covered by *Taxing Wages* (Figure 2.4) and all the more striking in the presence of the composition effects noted earlier in this chapter. Even among the 21 countries that had higher nominal wages in 2020 relative to 2019, the increase was less than 4% in all but four countries. The average wage estimates for 2020 have been produced using the percentage changes in compensation per employee from the *OECD Economic Outlook Volume 2020, issue 2*.

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

% change in nominal average wage



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

StatLink https://stat.link/woxr4a

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

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

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

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

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

StatLink https://stat.link/1kleo0

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

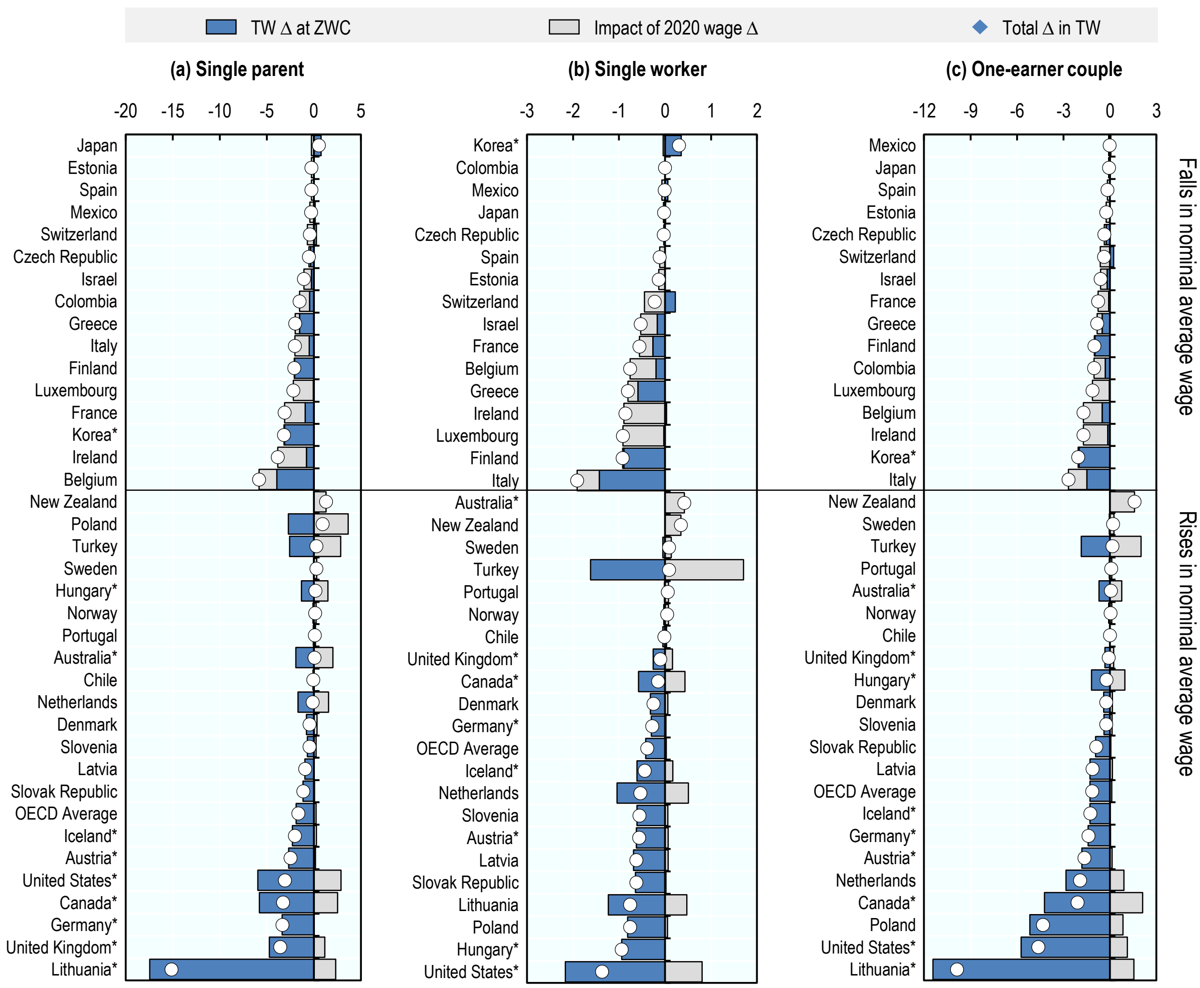
To further explore the impact of the changes in nominal wages in 2020 on country tax wedges, the tax wedge in each country was calculated for a zero-wage change (ZWC) scenario, i.e. at the level of 2019 average wages, using the tax rules applicable in 2020 (Figure 2.5). The difference between the ZWC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

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

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

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

Percentage points (p.p.).



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

StatLink https://stat.link/spg0ql

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

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

Impact of COVID-19 support measures on tax wedge changes

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

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

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

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

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

StatLink https://stat.link/1l52it

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

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

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

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

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

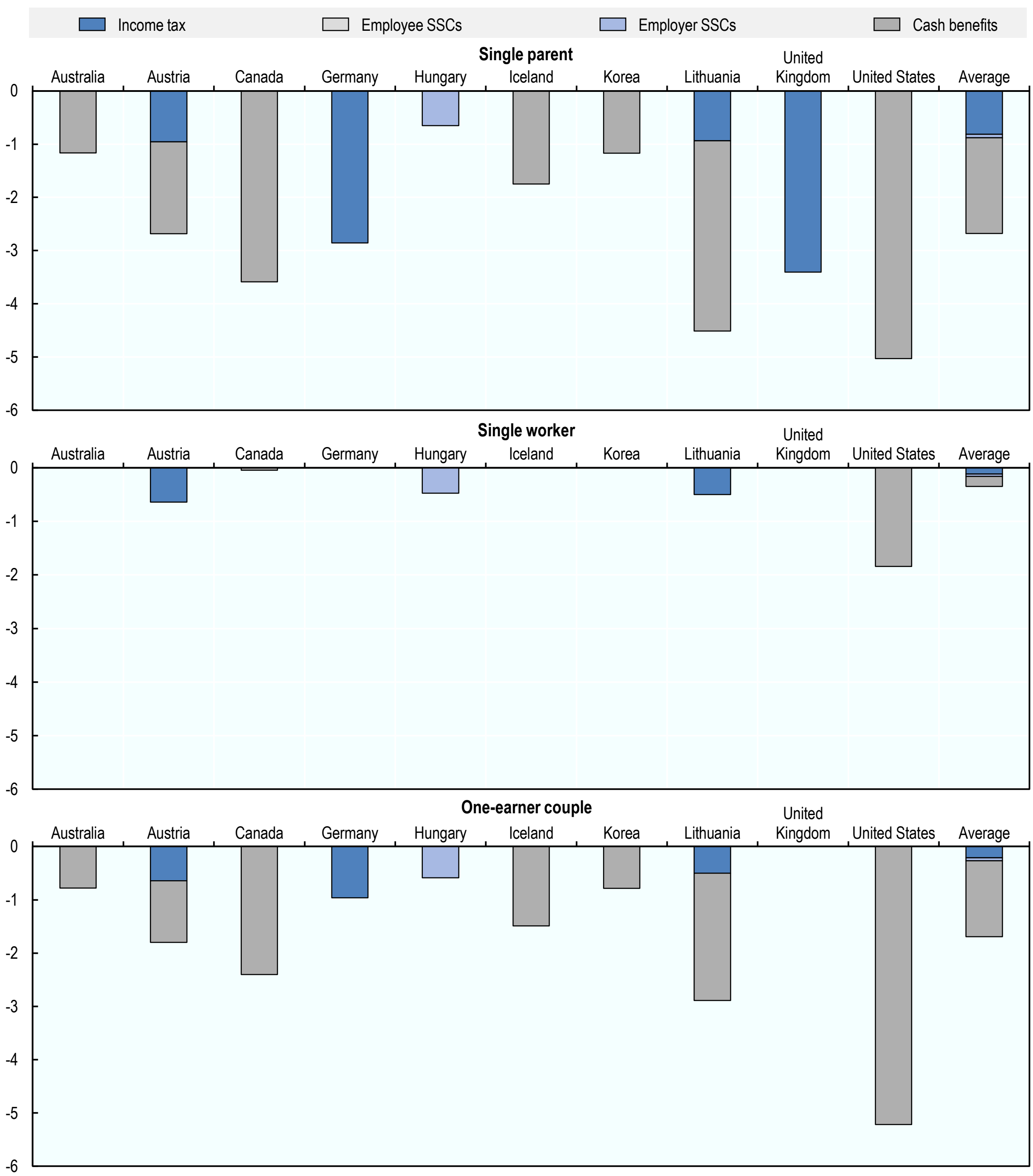
Table 2.5. OECD average tax wedges 2019-2020 and impact of wage changes and COVID-19 measures

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

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

Figure 2.6. Composition of COVID-19 support measures

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



StatLink https://stat.link/zk6fhg

Conclusions

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

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

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

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

References

Bundesministerium für Arbeit und Soziales (2021), *Antworten zu Kurzarbeit und Qualifizierung*, https://www.bmas.de/DE/Corona/Fragen-und-Antworten/Fragen-und-Antworten-KUG/faq-kug-kurzarbeit-und-qualifizierung.html#docd06882b7-5b55-4a9b-9268-fc69590b54f3bodyText6 (accessed on 17 February 2021). [8]

Cajner, T. et al. (2020), "The U.S. labor market during the beginning of the pandemic recession", *Brookings Papers of Economic Activity*, https://www.brookings.edu/wp-content/uploads/2020/06/Cajner-et-al-Conference-Draft.pdf (accessed on 26 January 2021). [4]

Crust, E., M. Daly and B. Hobijn (2020), *The Illusion of Wage Growth*, Economic Letter, Federal Reserve Bank of San Francisco, https://www.frbsf.org/economic-research/publications/economic-letter/2020/august/illusion-of-wage-growth/ (accessed on 26 January 2021). [5]

Deloitte (2020), *What impact will remote work have on employees' 2020 tax return deductions?*, https://www.taxathand.com/article/15820/Switzerland/2020/What-impact-will-remote-work-have-on-employees-2020-tax-return-deductions (accessed on 17 February 2021). [11]

Finanztip (2021), *30 Cent pro Kilometer für den Weg zur Arbeit*, https://www.finanztip.de/entfernungspauschale/ (accessed on 17 February 2021). [9]

Gardiner, L. and H. Slaughter (2020), *The effects of the coronavirus crisis on workers*, Resolution Foundation, https://www.resolutionfoundation.org/publications/the-effects-of-the-coronavirus-crisis-on-workers/ (accessed on 26 January 2021). [6]

ILO (2020), *Global Wage Report 2020-2021: Wages and Minimum Wages in the time of COVID-19*, International Labour Office, Geneva, https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_762534.pdf (accessed on 17 February 2021). [3]

OECD (2020), *Job retention schemes during the COVID-19 lockdown and beyond*, http://www.oecd.org/coronavirus/policy-responses/job-retention-schemes-during-the-covid-19-lockdown-and-beyond-0853ba1d/ (accessed on 14 February 2021). [7]

OECD (2020), *Labour Force Statistics in OECD Countries: Sources, Coverage and Definitions*, http://www.oecd.org/els/emp/LFS%20Definitions%20-%20Tables.pdf (accessed on 21 January 2021). [12]

OECD (2020), *OECD Economic Outlook, Volume 2020 Issue 2*, OECD Publishing, Paris, https://dx.doi.org/10.1787/39a88ab1-en. [2]

OECD (2020), *OECD Employment Outlook 2020: Worker Security and the COVID-19 Crisis*, OECD Publishing, Paris, https://dx.doi.org/10.1787/1686c758-en. [1]

OECD (2020), *Tax Policy Reforms 2020: OECD and Selected Partner Economies | en | OECD | OCDE*, OECD Publishing, Paris, http://www.oecd.org/fr/ctp/tax-policy-reforms-26173433.htm (accessed on 12 February 2021). [10]

Notes

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

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

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

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

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

3 2020 tax burdens

The 2020 tax burden results based on the eight model household types are presented in Tables 3.1 to 3.13 and Figures 3.1 to 3.7. The model household types vary by marital status, number of children and economic status: single taxpayers, without children, earning 67%, 100% and 167% of the average wage (AW); a single parent, with two children, earning 67% of the AW; a single earner couple at the AW level with two children; two-earner couples at 167% and 200% of the AW with two children; and a two-earner couple, without children, at 167% of the AW.
The chapter presents different measures for the average tax burdens (tax wedge, personal tax rate, net personal tax rate, personal income tax rate and employee social security contribution rate) and marginal rates **(**tax wedge and net personal tax rate**)**. The results for two measures of tax progressivity are also considered: tax elasticity on gross earnings and labour costs.

Average tax burdens

Table 3.1[1] and Figure 3.1 show the average tax wedge (combined burden of income tax, employee and employer social security contributions) taking into account the amount of cash benefits each specific household type is entitled to, in 2020. Total taxes due minus transfers received are expressed as a percentage of labour costs, defined as gross wage *plus* employers' social security contributions (including payroll taxes). In the case of a single person on average wage the tax wedge ranged from zero (Colombia) and 7.0% (Chile) to 49.0% (Germany) and 51.5% (Belgium). For a one-earner married couple, with two children, at the same wage level, the tax wedge was lowest in Colombia (-5.4%) and New Zealand (5.0%) and highest in Turkey (38.2%) and France (37.9%). As stated in Chapter 1, the tax wedge tends to be lower for a married couple, with two-children, at this wage level than for a single individual without children due to both receipt of cash benefits and/or more advantageous tax treatment. It is also interesting to note that the tax wedge for a single parent, with two children, earning 67% of the average wage was negative in New Zealand (-18.1%), Canada (-17.9%), Colombia (-8.0%) and Poland (-3.5%). Negative tax wedges are due to the cash benefits received by families, plus any applicable non-wastable tax credits, exceeding the sum of the total tax and social security contributions that are due.

Table 3.2 and Figure 3.2 present the combined burden of the personal income tax and employee social security contributions, expressed as a percentage of gross wage earnings (the corresponding measures for income tax and employee contributions separately are shown in Tables 3.4 and 3.5), in 2020. For single workers at the average wage level without children, the highest average tax plus contributions burdens were seen in Belgium (38.4%) and Germany (38.9%). The lowest average rates were in Colombia (0.0%), Chile (7.0%), Mexico (10.8%), Korea (15.0%), Estonia (15.6%), Switzerland (17.1%), Israel (18.0%) and New Zealand (19.1%).

Table 3.3 shows the combined burden of income tax and employee social security contributions, reduced by the entitlement to cash benefits, for each household type in 2020. Figure 3.3 illustrates this burden for single individuals without children and one-earner married couples with two children, with both household types on average earnings. Comparing Table 3.2 and Table 3.3, the average tax rates for families with children (columns 4 -7) are lower in Table 3.3 because most OECD countries support families with children through cash benefits.

Comparing Table 3.2 and Table 3.3, for single parents, with two children, earning 67% of the average wage, 33 countries provided cash benefits in 2020. In Canada, Poland and New Zealand these represented respectively 40.8%, 37.0% and 33.3% of income and they were also at least 25% of income in Lithuania (25.5%), France (26.6%) and Denmark (26.8 %). Thirty-two countries provided cash benefits for a one-earner married couple, with two children, earning the average wage level, although these were less generous relative to income, ranging up to 20.7% (Poland). The lower level of cash benefits for the married couple can be attributed to three reasons: single parents may be eligible for more generous treatment; the benefits themselves may be fixed in absolute amount; or the benefits may be subject to income testing.

Table 3.4 shows personal income tax due as a percentage of gross wage earnings in 2020. For single persons, without children, at the average wage (column 2) – the income tax burden varies between 0.0% (Colombia) and 35.3% (Denmark). In most OECD member countries, at the average wage level, the income tax burden for one-earner married couples with two children is lower than that faced by single persons (compare columns 2 and 5). These differences are clearly illustrated in Figure 3.4. In twelve OECD countries, the income tax burden faced by a one-earner married couple with two children is less than half that faced by a single individual (Austria, Belgium, Hungary, Ireland, Latvia, Luxembourg, Poland, Portugal, the Slovak Republic, Slovenia, Switzerland and the United States). In contrast, there was no difference in eight countries – Australia, Finland, Israel, Lithuania, Mexico, New Zealand, Norway and Sweden. In Chile, the one-earner married couple at the average wage level with children did not pay personal income tax, while the average single worker paid 0.03% of gross wage earnings. In Colombia, neither the single worker on the average wage nor the one-earner married couple at the average wage level paid personal income taxes.

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

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

An important consideration in the design of an income tax is the level of progressivity - the rate at which the income tax burden increases with income. A comparison of columns 1 to 3 in Table 3.4 provides an insight into the levels of progressivity in the income tax systems of OECD countries. Comparing the income tax burden of single individuals at the average wage level with their counterparts at 167% of the average wage (columns 2 and 3), the lower paid worker faced a lower tax burden in all countries except in Colombia and Hungary in 2020. In Colombia, neither the average single worker nor the counterpart at 167% of the average wage paid income tax. In Hungary, a flat tax rate is applied on labour income and all households without children paid the same percentage of income tax. Comparing single individuals at 67% of the average wage level with their counterparts at the average wage level (columns 1 and 2), the lower paid worker also faced a lower tax burden across all OECD countries, except Colombia and Hungary for the reasons previously mentioned. Finally, the burden faced by single individuals at 67% of the average wage level represented less than 25% of the burden faced by their counterparts at 167% in four OECD countries: Chile (0.0%), the Netherlands (21.0%), Korea (22.3%) and Greece (22.7%).

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

Table 3.5 shows employee social security contributions as a percentage of gross wage earnings in 2020. For a single worker without children at the average wage (column 2) the contribution rate varies between zero (Australia, Colombia, Denmark and New Zealand) and 22.1% (Slovenia). Australia, Denmark and New Zealand did not levy any employee social security contributions paid to general government. In Colombia, most of the social security contributions are paid to funds outside the general government and are considered to be non-tax compulsory payments. Therefore, they are not counted as social security contributions in the Taxing Wages calculations. There were three other countries with very low rates - Iceland (0.3%), Mexico (1.4%) and Estonia (1.6%). Social security contributions are usually levied at a flat rate on all earnings, i.e. without any exempt threshold. In a number of OECD member countries a ceiling applies. However, this ceiling usually applies to wage levels higher than 167% of the average wage. The flat rates result in a constant average burden of employee social security contributions for most countries between 67% and 167% of average wage earnings. Constant proportional burden for employee social security contributions for over the eight model household types, is observed in (in decreasing order of rates) Slovenia (22.1%), Lithuania (19.5%), Hungary (18,5%), Poland (17.8%), Greece (15.5%), Turkey (15.0%), the Slovak Republic (13.4%), the Czech Republic, Latvia and Portugal (all 11.0%), Norway (8.2%), the United States (7.7%), Chile (7.0%), Spain and Switzerland (both 6.4%), Ireland (4.0%) and Estonia (1.6%).

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

Marginal tax burdens

Table 3.6 and Figure 3.6 show the percentage of the marginal increase in labour costs that is deducted through the combined effect of increasing personal income tax, employee and employer (including payroll taxes) social security contributions and decreasing cash transfers, in 2020. It is assumed that the gross earnings of the principal earner rise by 1 currency unit. This is the marginal tax wedge. In most cases, it absorbs 25% to 55% of an increase in labour costs for single individuals on average wage without children. However, in five OECD countries these individuals faced marginal wedges above 55% in 2020 – Belgium (65.1%), Germany (59.6%), Austria (59.5%), France (58.2%) and Luxembourg (57.0%). By contrast, Chile (10.2%) had the lowest marginal tax wedge in 2020. For Colombia, no income tax was paid at the average wage level in 2020 and their social security contributions are considered as non-tax compulsory payments and not included in the *Taxing Wages* calculations.[2]

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

Table 3.7 and Figure 3.7 show the incremental change to personal income tax and employee social security contributions less cash benefits when gross wage earnings increase at the margin (it is assumed that the gross earnings of the principal earner rise by 1 currency unit) in 2020. As in the case of the tax wedge, in most cases personal income tax and employee social security contributions absorb 25% to 55% of a worker's pay rise for single individuals without children at the average wage level. The marginal tax rate for the average worker was higher than 55% only in Belgium (55.6%) and lower than 25% in Chile (10.2%), Mexico (19.5%) and Korea (23.2%). As previously mentioned for Colombia, no income tax was paid at the average wage level and their social security contributions are considered as non-tax compulsory payments and not included in the *Taxing Wages* calculations.

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

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

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

It is interesting to note that the elasticity exceeded one for a single individual at 167% of the average earnings in Austria (1.02), indicating that the income tax system at this point in the income scale was regressive. In other words, a percentage increase in gross pay led to an increase in net income in excess of the percentage increase in gross wage earnings.

Table 3.9 provides a different elasticity measure: the percentage increase in net income relative to the percentage increase in labour costs (i.e. gross wage earnings plus employer social security contributions and payroll taxes) when the latter rises by 1 currency unit in 2020.[4] In this case, taxes and social security contributions paid by employers are also part of the analysis. In twenty OECD countries the value of this elasticity lay between 0.50 and 0.97 for the eight selected household types. This elasticity was below 0.50 for single parents earning 67% of the average wage level in New Zealand (0.49), Belgium (0.47), the Netherlands (0.46), Australia (0.42), Canada (0.37), France (0.31), Ireland and the United Kingdom (both 0.26) and Poland (0.03), and for one-earner married couples at the average wage level with two children in New Zealand (0.47) and Canada (0.28). In contrast, the elasticity was between 0.98 and 1.0 for most of the household types in Chile and some household types in Colombia, Hungary, Mexico and Poland, and one household type in Estonia for the single worker earning 167% of the average wage (1.00). Under this elasticity measure the income tax system was regressive for a single individual at 167% of the average wage in Germany (1.14) and Austria (1.20).

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

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

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

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

As % of labour costs, by household type and wage level

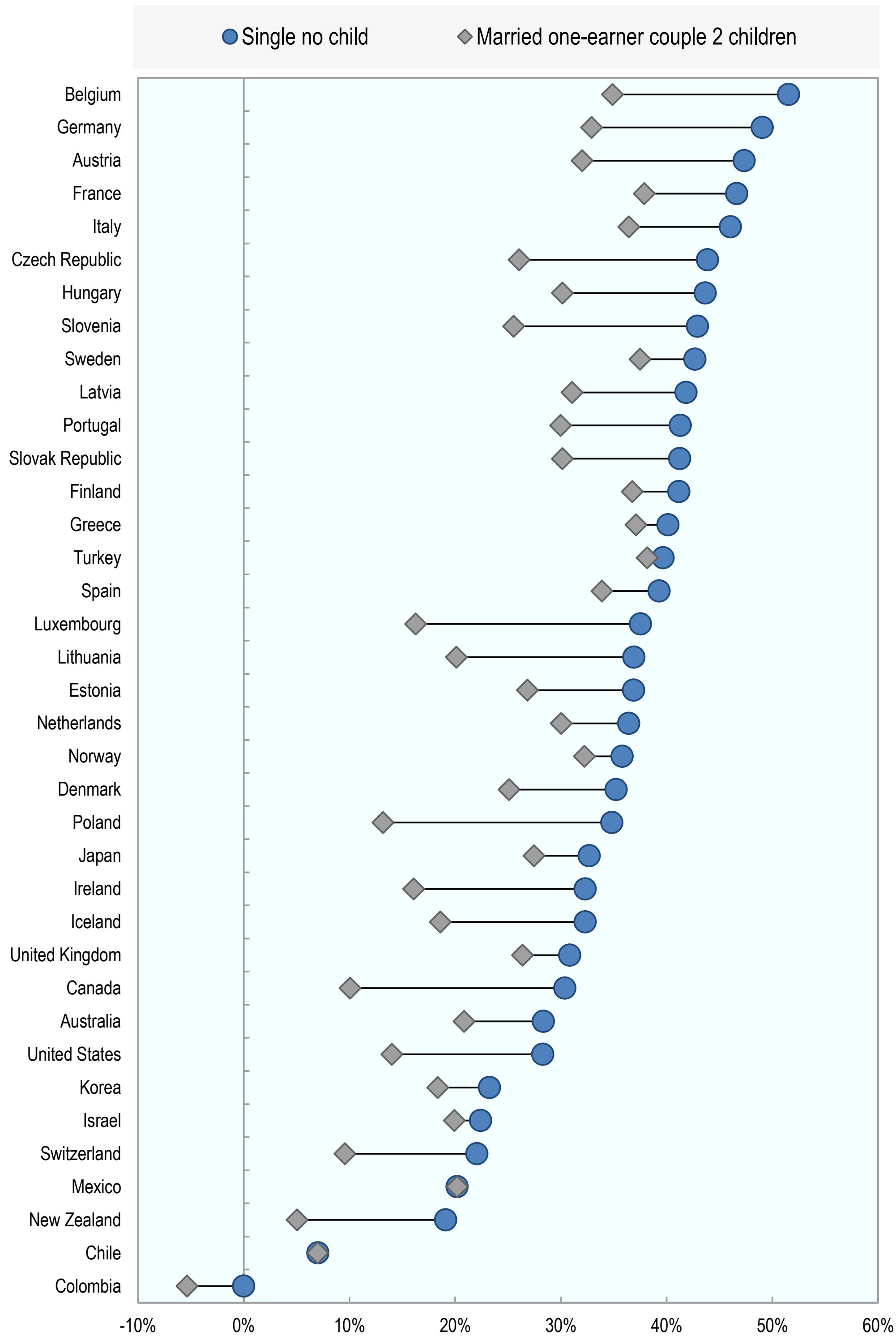
	Single no ch 67 (% AW)	Single no ch 100 (% AW)	Single no ch 167 (% AW)	Single 2 ch 67 (% AW)	Married 2 ch 100-0 (% AW)	Married 2 ch 100-67 (% AW)[1]	Married 2 ch 100-100 (% AW)[1]	Married no ch 100-67 (% AW)[1]
Australia	23.3	28.4	34.7	1.2	20.8	26.3	28.4	26.3
Austria	42.7	47.3	51.0	19.8	32.0	37.0	40.2	45.5
Belgium	44.1	51.5	58.1	25.5	34.9	43.4	47.1	48.6
Canada	24.5	30.4	31.7	-17.9	10.1	23.5	26.8	29.0
Chile	7.0	7.0	8.3	6.1	7.0	6.6	7.0	7.0
Colombia	0.0	0.0	0.0	-8.0	-5.4	-6.4	-5.4	0.0
Czech Republic	41.6	43.9	45.7	21.9	26.1	35.1	37.3	43.0
Denmark	32.4	35.2	40.8	4.0	25.1	30.5	32.2	34.1
Estonia	33.1	36.9	41.2	17.9	26.8	30.5	32.8	35.4
Finland	34.6	41.2	47.8	23.8	36.7	35.9	38.9	38.5
France	40.0	46.6	53.2	17.3	37.9	40.2	43.6	43.9
Germany	44.9	49.0	51.2	28.1	32.9	41.5	44.3	47.2
Greece	35.3	40.1	46.0	28.9	37.1	37.4	40.6	39.3
Hungary	43.6	43.6	43.6	22.6	30.1	35.6	36.9	43.6
Iceland	28.7	32.3	37.1	16.1	18.6	29.9	32.0	30.9
Ireland	24.1	32.3	41.2	1.3	16.1	24.2	29.1	28.1
Israel	15.3	22.4	32.0	2.7	19.9	16.0	19.2	19.1
Italy	40.0	46.0	53.7	23.9	36.4	40.0	43.4	43.6
Japan	31.2	32.7	35.2	17.4	27.5	29.7	30.7	32.1
Korea	20.0	23.3	26.1	13.9	18.3	19.3	21.0	22.0
Latvia	38.1	41.8	42.8	23.4	31.1	33.9	36.4	40.3
Lithuania	33.3	36.9	39.9	8.2	20.1	29.4	31.9	35.4
Luxembourg	29.9	37.5	45.1	6.1	16.3	25.5	30.4	32.4
Mexico	16.5	20.2	23.2	16.5	20.2	18.7	20.2	18.7
Netherlands	29.0	36.4	41.5	6.0	30.0	28.5	32.3	33.4
New Zealand	14.0	19.1	24.5	-18.1	5.0	17.6	19.1	17.1
Norway	32.8	35.8	41.5	22.4	32.2	32.5	34.0	34.6
Poland	34.1	34.8	35.4	-3.5	13.2	22.0	24.4	34.5
Portugal	37.1	41.3	46.7	23.4	30.0	36.4	38.8	39.4
Slovak Republic	38.8	41.2	43.2	28.9	30.1	36.3	37.9	40.3
Slovenia	40.1	42.9	45.9	14.3	25.5	35.5	38.6	41.8
Spain	35.8	39.3	43.8	24.5	33.9	36.3	37.9	37.9
Sweden	40.5	42.7	50.4	32.8	37.5	38.7	40.1	41.8
Switzerland	19.4	22.1	26.7	4.4	9.6	15.7	18.2	21.9
Turkey	36.4	39.7	42.9	35.1	38.2	37.8	39.2	38.4
United Kingdom	26.0	30.8	37.2	9.2	26.4	26.5	28.9	28.9
United States	24.9	28.3	34.5	7.0	14.0	21.3	24.1	26.2
Unweighted average								
OECD-Average	**30.6**	**34.6**	**39.0**	**13.7**	**24.4**	**28.9**	**31.3**	**33.0**
OECD-EU 22	**37.0**	**41.3**	**45.8**	**18.2**	**29.1**	**34.3**	**37.1**	**39.5**

Note: ch = children
1. Two-earner couple.

StatLink https://stat.link/905243

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

As a % of labour costs, by household type



Note: The household type 'single no child' corresponds to a wage level of 100% of average wage. The household type 'married one earner couple 2 children' corresponds to a combined wage level of 100%-0% of average wage.
Source: OECD calculations based on country submissions and OECD Economic Outlook, Volume 2020 issue 2.

StatLink https://stat.link/jgsbfa

Table 3.2. Income tax plus employee contributions, 2020

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

	Single no ch 67 (% AW)	Single no ch 100 (% AW)	Single no ch 167 (% AW)	Single 2 ch 67 (% AW)	Married 2 ch 100-0 (% AW)	Married 2 ch 100-67 (% AW)[1]	Married 2 ch 100-100 (% AW)[1]	Married no ch 100-67 (% AW)[1]
Australia	18.7	24.1	30.8	18.7	24.1	21.9	24.1	21.9
Austria	26.7	32.6	38.0	15.4	25.0	26.5	29.5	30.2
Belgium	30.1	38.4	46.8	23.9	25.8	33.5	36.9	35.1
Canada	19.1	23.2	26.5	10.7	18.7	21.6	23.2	21.6
Chile	7.0	7.0	8.3	7.0	7.0	7.0	7.0	7.0
Colombia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Czech Republic	21.9	24.9	27.4	3.6	6.5	16.3	18.8	23.7
Denmark	32.6	35.3	40.8	30.8	31.4	34.2	35.3	34.2
Estonia	10.5	15.6	21.3	7.2	10.7	12.2	14.5	13.5
Finland	22.3	30.2	38.0	22.3	30.2	27.0	30.2	27.0
France	23.3	27.3	33.4	20.8	20.8	23.0	25.2	25.5
Germany	34.0	38.9	43.3	13.9	19.6	29.9	33.2	36.7
Greece	19.4	25.4	32.8	18.6	26.0	23.7	26.0	24.3
Hungary	33.5	33.5	33.5	19.2	23.9	27.8	28.7	33.5
Iceland	24.2	28.0	33.1	24.2	20.9	26.5	28.0	26.5
Ireland	15.7	24.8	34.7	10.5	14.0	20.1	24.8	20.1
Israel	11.4	18.0	27.6	4.1	18.0	13.1	15.9	14.9
Italy	21.0	29.0	39.0	13.2	22.0	22.8	26.6	25.8
Japan	20.6	22.3	26.1	20.6	21.0	21.6	22.3	21.6
Korea	11.4	15.0	18.9	9.8	13.0	12.7	14.3	13.5
Latvia	23.1	27.8	29.0	11.0	18.5	20.4	23.2	25.9
Lithuania	32.1	35.8	38.8	32.1	35.8	34.3	35.8	34.3
Luxembourg	20.3	28.9	37.5	12.8	17.9	23.1	27.3	23.1
Mexico	4.9	10.8	15.4	4.9	10.8	8.4	10.8	8.4
Netherlands	20.3	28.7	36.8	12.5	27.7	22.2	26.1	25.4
New Zealand	14.0	19.1	24.5	15.2	19.1	17.6	19.1	17.1
Norway	24.0	27.5	33.9	21.3	27.5	26.1	27.5	26.1
Poland	23.3	24.1	24.8	16.5	19.6	21.6	22.3	23.8
Portugal	22.1	27.4	34.1	12.9	16.8	21.3	24.3	25.0
Slovak Republic	20.4	23.5	26.0	14.2	13.6	19.8	21.4	22.2
Slovenia	30.5	33.7	37.2	24.5	25.9	28.9	30.8	32.4
Spain	16.6	21.1	26.9	1.9	14.1	17.2	19.4	19.3
Sweden	21.8	24.7	34.8	21.8	24.7	23.5	24.7	23.5
Switzerland	14.3	17.1	22.0	8.6	10.7	14.5	16.4	16.9
Turkey	25.3	29.1	33.0	23.7	27.3	26.9	28.6	27.6
United Kingdom	19.0	23.3	29.6	7.1	22.7	21.6	23.3	21.6
United States	21.6	24.4	29.2	4.6	12.6	18.1	20.7	22.5
Unweighted average								
OECD-Average	**20.5**	**24.9**	**30.1**	**14.6**	**19.6**	**21.3**	**23.4**	**23.0**
OECD-EU 22	**23.7**	**28.7**	**34.3**	**16.4**	**21.4**	**24.1**	**26.6**	**26.6**

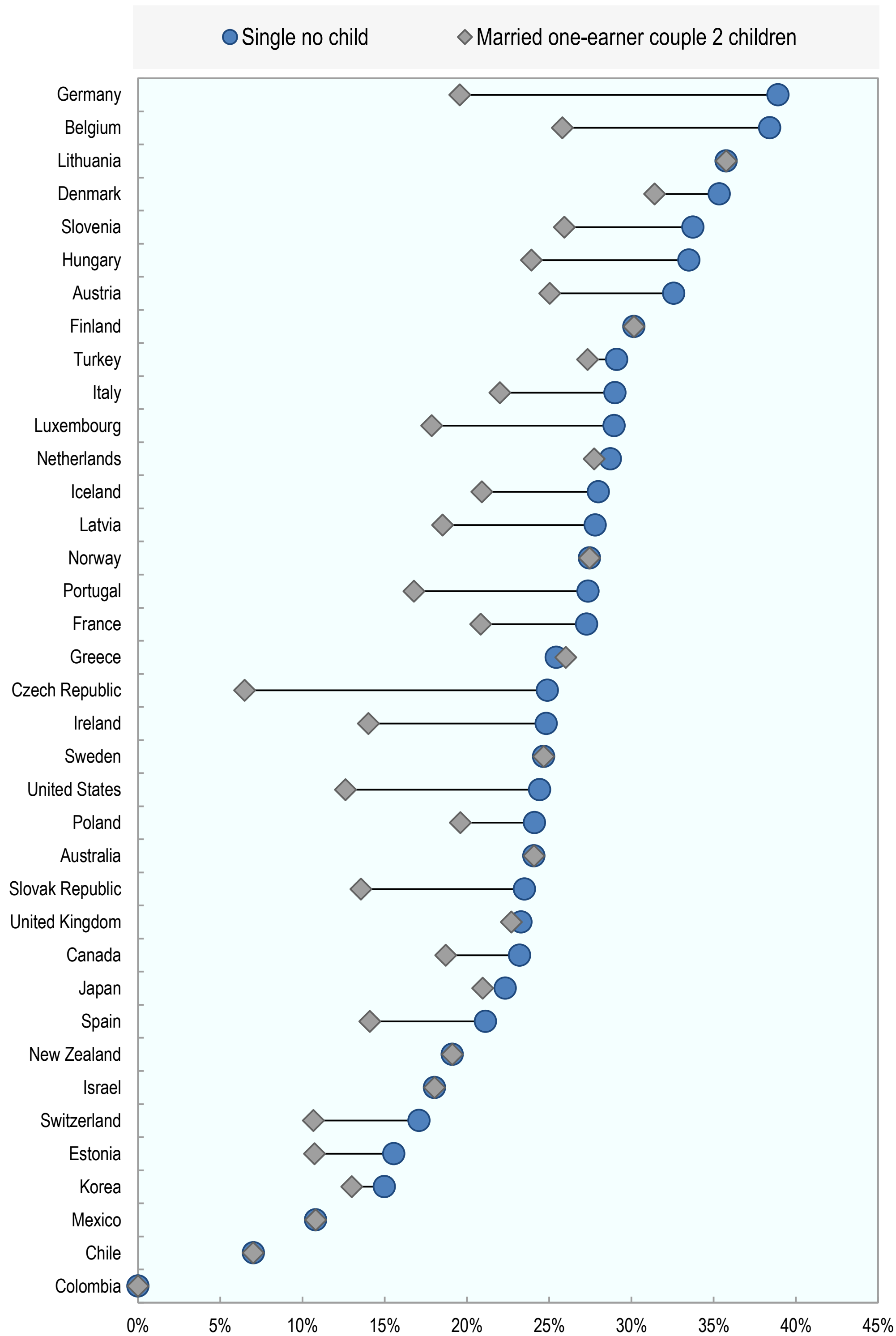
Note: ch = children

1. Two-earner couple.

StatLink https://stat.link/fzbh1s

Figure 3.2. Income tax plus employee contributions, 2020

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



Note: The household type 'single no child' corresponds to a wage level of 100% of average wage. The household type 'married one earner couple 2 children' corresponds to a combined wage level of 100%-0% of average wage.
Sources: country submissions, OECD Economic Outlook Volume 2020 issue 2.

StatLink https://stat.link/njguh9

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

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

	Single no ch 67 (% AW)	Single no ch 100 (% AW)	Single no ch 167 (% AW)	Single 2 ch 67 (% AW)	Married 2 ch 100-0 (% AW)	Married 2 ch 100-67 (% AW)[1]	Married 2 ch 100-100 (% AW)[1]	Married no ch 100-67 (% AW)[1]
Australia	18.7	24.1	30.8	-4.7	16.1	21.9	24.1	21.9
Austria	26.7	32.6	38.0	-2.6	12.9	19.3	23.4	30.2
Belgium	30.1	38.4	46.8	6.9	17.2	28.5	32.7	35.1
Canada	16.7	23.2	26.5	-30.1	0.7	15.6	19.2	21.6
Chile	7.0	7.0	8.3	6.1	7.0	6.6	7.0	7.0
Colombia	0.0	0.0	0.0	-8.0	-5.4	-6.4	-5.4	0.0
Czech Republic	21.9	24.9	27.4	-4.5	1.1	13.1	16.1	23.7
Denmark	32.4	35.2	40.8	4.0	25.1	30.5	32.2	34.1
Estonia	10.5	15.6	21.3	-9.8	2.1	7.0	10.1	13.5
Finland	22.3	30.2	38.0	9.6	24.9	23.9	27.5	27.0
France	23.3	27.3	33.4	-5.7	15.3	20.6	23.2	25.5
Germany	34.0	38.9	43.3	13.9	19.6	29.9	33.2	36.7
Greece	19.4	25.4	32.8	11.4	21.7	22.0	26.0	24.3
Hungary	33.5	33.5	33.5	8.6	17.6	24.0	25.5	33.5
Iceland	24.2	28.0	33.1	10.7	13.4	25.5	27.7	26.5
Ireland	15.7	24.8	34.7	-9.6	6.8	15.8	21.2	20.1
Israel	11.4	18.0	27.6	-1.8	15.4	11.6	14.6	14.9
Italy	21.0	29.0	39.0	-0.1	16.4	21.1	25.6	25.8
Japan	20.6	22.3	26.1	4.7	16.3	18.9	20.0	21.6
Korea	11.4	15.0	18.9	4.6	9.5	10.6	12.5	13.5
Latvia	23.1	27.8	29.0	4.9	14.4	17.9	21.1	25.9
Lithuania	32.1	35.8	38.8	6.6	18.7	28.2	30.7	34.3
Luxembourg	20.3	28.9	37.5	-6.8	4.7	15.2	20.8	23.1
Mexico	4.9	10.8	15.4	4.9	10.8	8.4	10.8	8.4
Netherlands	20.3	28.7	36.8	-5.5	21.6	19.9	24.1	25.4
New Zealand	14.0	19.1	24.5	-18.1	5.0	17.6	19.1	17.1
Norway	24.0	27.5	33.9	12.3	23.4	23.7	25.4	26.1
Poland	23.3	24.1	24.8	-20.5	-1.1	9.2	11.9	23.8
Portugal	22.1	27.4	34.1	5.3	13.3	21.3	24.3	25.0
Slovak Republic	20.4	23.5	26.0	7.4	9.0	17.1	19.2	22.2
Slovenia	30.5	33.7	37.2	0.5	13.5	25.1	28.7	32.4
Spain	16.6	21.1	26.9	1.9	14.1	17.2	19.4	19.3
Sweden	21.8	24.7	34.8	11.6	17.8	19.4	21.2	23.5
Switzerland	14.3	17.1	22.0	-1.7	3.8	10.4	13.0	16.9
Turkey	25.3	29.1	33.0	23.7	27.3	26.9	28.6	27.6
United Kingdom	19.0	23.3	29.6	0.6	18.3	19.0	21.1	21.6
United States	18.6	22.4	29.2	-0.8	7.0	14.7	17.9	20.1
Unweighted average								
OECD-Average	**20.3**	**24.8**	**30.1**	**0.8**	**12.9**	**18.1**	**20.9**	**23.0**
OECD-EU 22	**23.7**	**28.7**	**34.3**	**1.3**	**13.9**	**20.3**	**23.6**	**26.6**

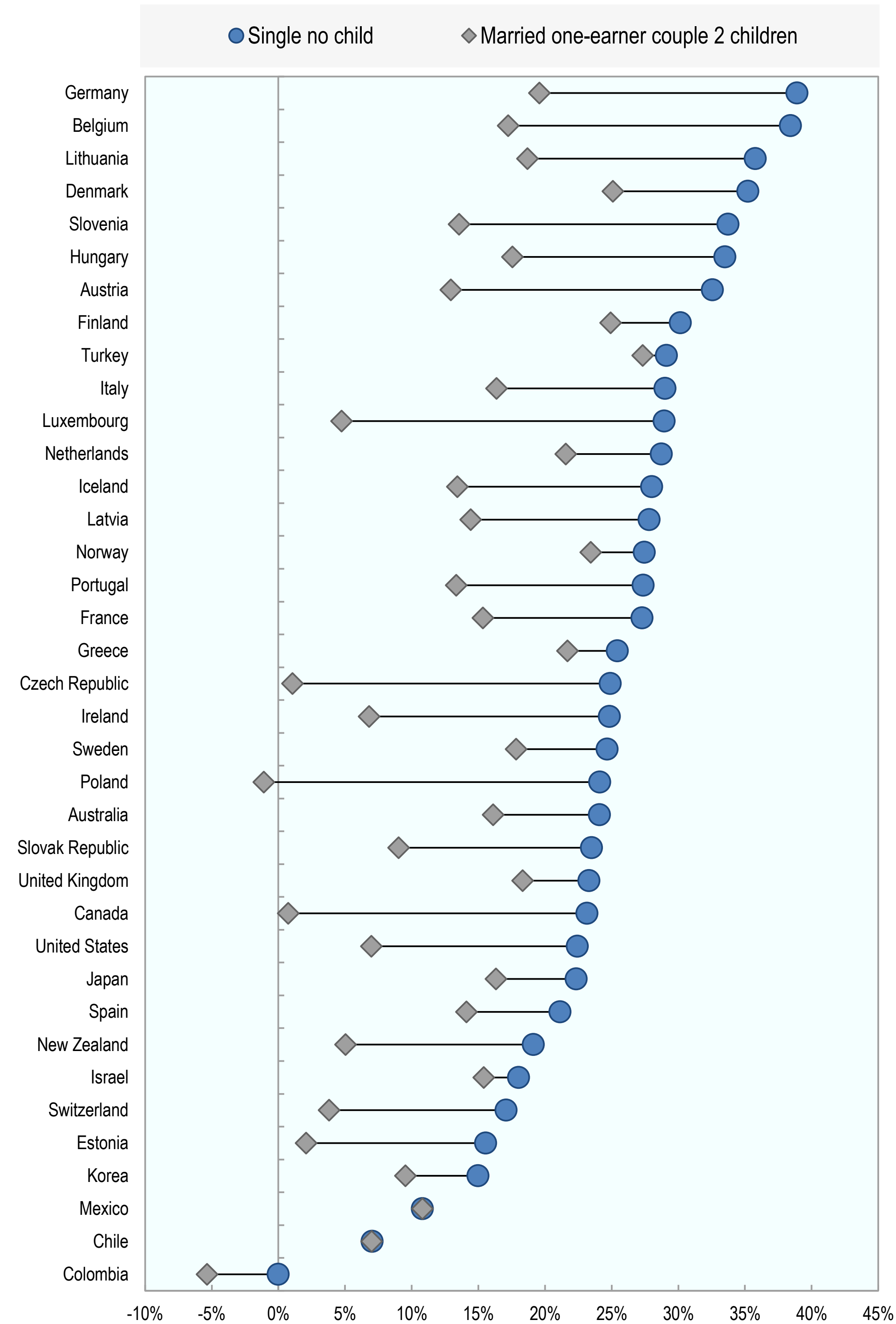
Note: ch = children

1. Two-earner couple.

StatLink https://stat.link/rjfizy

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

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



Note: The household type 'single no child' corresponds to a wage level of 100% of average wage. The household type 'married one earner couple 2 children' corresponds to a combined wage level of 100%-0% of average wage.
Source: OECD calculations based on country submissions and OECD Economic Outlook, Volume 2020 issue 2.

StatLink https://stat.link/23eykl

Table 3.4. Income tax, 2020

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

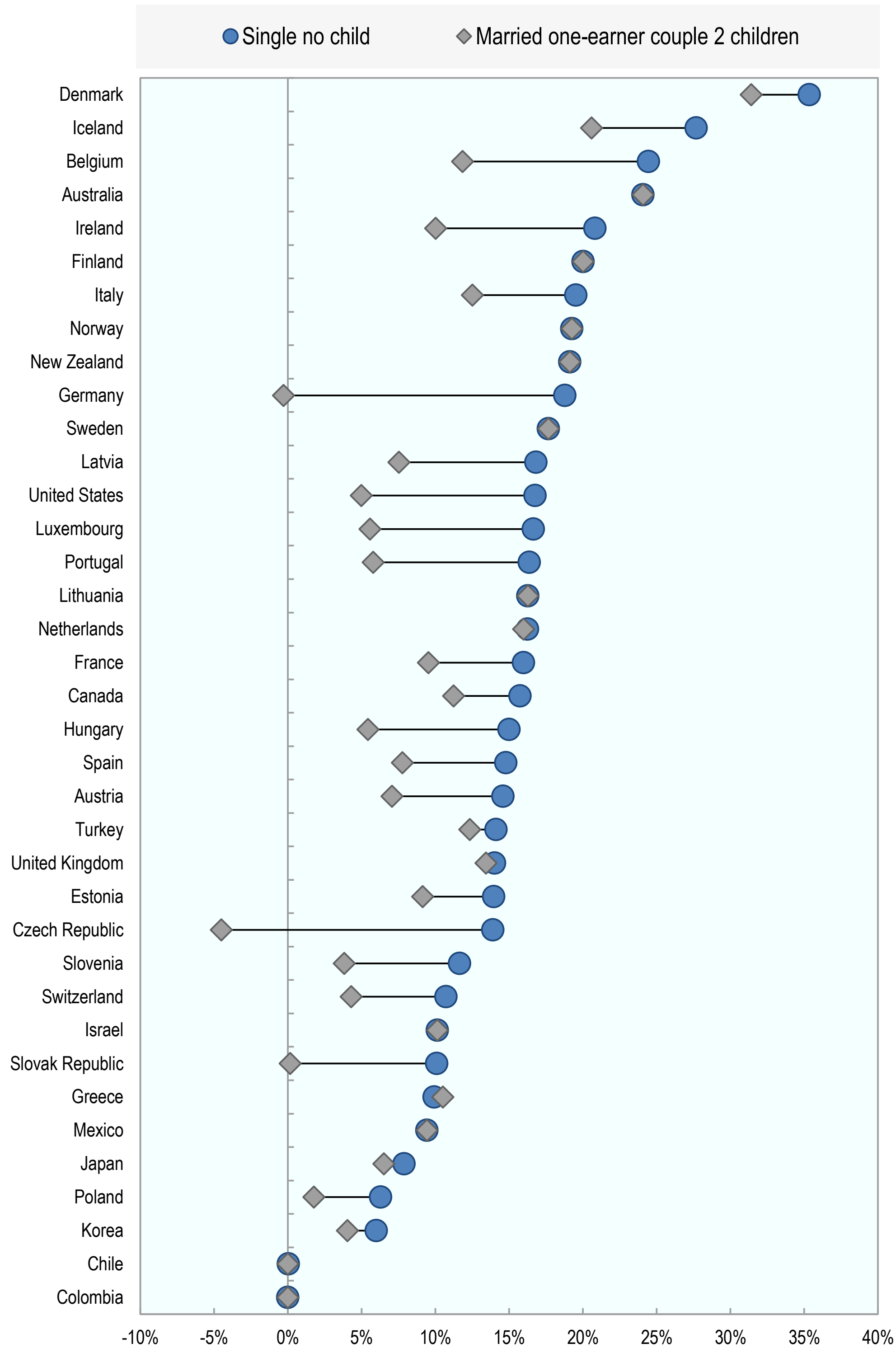
	Single no ch 67 (% AW)	Single no ch 100 (% AW)	Single no ch 167 (% AW)	Single 2 ch 67 (% AW)	Married 2 ch 100-0 (% AW)	Married 2 ch 100-67 (% AW)[1]	Married 2 ch 100-100 (% AW)[1]	Married no ch 100-67 (% AW)[1]
Australia	18.7	24.1	30.8	18.7	24.1	21.9	24.1	21.9
Austria	8.7	14.6	21.3	-2.6	7.1	8.5	11.5	12.2
Belgium	16.2	24.5	32.8	10.0	11.8	19.5	23.1	21.2
Canada	11.6	15.7	21.8	3.2	11.2	14.1	15.7	14.1
Chile	0.0	0.0	1.3	0.0	0.0	0.0	0.0	0.0
Colombia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Czech Republic	10.9	13.9	16.4	-7.4	-4.5	5.3	7.8	12.7
Denmark	32.6	35.3	40.8	30.8	31.4	34.2	35.3	34.2
Estonia	8.9	14.0	19.7	5.6	9.1	10.6	12.9	11.9
Finland	12.4	20.0	27.8	12.4	20.0	16.9	20.0	16.9
France	12.0	16.0	22.4	9.5	9.5	11.7	13.9	14.2
Germany	13.9	18.8	27.1	-6.0	-0.3	10.0	13.3	16.6
Greece	3.9	9.9	17.3	3.1	10.5	8.2	10.5	8.8
Hungary	15.0	15.0	15.0	0.7	5.4	9.3	10.2	15.0
Iceland	23.7	27.7	32.9	23.7	20.6	26.1	27.7	26.1
Ireland	11.7	20.8	30.7	6.5	10.0	16.1	20.8	16.1
Israel	5.5	10.1	18.1	-1.8	10.1	6.1	8.0	7.8
Italy	11.5	19.5	29.5	3.7	12.5	13.3	17.2	16.3
Japan	6.2	7.9	12.9	6.2	6.5	7.2	7.9	7.2
Korea	2.4	6.0	10.9	0.8	4.0	3.7	5.3	4.6
Latvia	12.1	16.8	18.0	0.0	7.5	9.4	12.2	14.9
Lithuania	12.6	16.3	19.3	12.6	16.3	14.8	16.3	14.8
Luxembourg	8.0	16.7	25.2	0.6	5.6	10.8	15.0	10.8
Mexico	3.7	9.4	13.9	3.7	9.4	7.1	9.4	7.1
Netherlands	5.7	16.2	26.9	3.6	16.0	11.2	15.6	12.0
New Zealand	14.0	19.1	24.5	15.2	19.1	17.6	19.1	17.1
Norway	15.8	19.3	25.7	13.1	19.3	17.9	19.3	17.9
Poland	5.4	6.3	7.0	-1.3	1.8	3.8	4.5	5.9
Portugal	11.1	16.4	23.1	1.9	5.8	10.3	13.3	14.0
Slovak Republic	7.0	10.1	12.6	0.8	0.2	6.4	8.0	8.8
Slovenia	8.4	11.6	15.1	2.4	3.8	6.8	8.7	10.3
Spain	10.2	14.8	20.6	-4.4	7.8	10.9	13.0	13.0
Sweden	14.9	17.7	29.9	14.9	17.7	16.5	17.7	16.5
Switzerland	7.9	10.7	15.6	2.2	4.3	8.1	10.0	10.5
Turkey	10.3	14.1	18.0	8.7	12.3	11.9	13.6	12.6
United Kingdom	11.1	14.0	22.1	-0.8	13.4	12.8	14.0	12.8
United States	13.9	16.8	21.6	-3.0	5.0	10.5	13.1	14.9
Unweighted average								
OECD-Average	**10.8**	**15.1**	**20.8**	**5.1**	**9.8**	**11.6**	**13.7**	**13.3**
OECD-EU 22	**11.5**	**16.6**	**22.7**	**4.4**	**9.3**	**12.0**	**14.6**	**14.4**

Note: ch = children
1. Two-earner couple.

StatLink https://stat.link/xg93vh

Figure 3.4. Income tax, by household type, 2020

As % of gross wage earnings



Note: The household type 'single no child' corresponds to a wage level of 100% of average wage. The household type 'married one earner couple 2 children' corresponds to a combined wage level of 100%-0% of average wage.
Source: OECD calculations based on country submissions and OECD Economic Outlook, Volume 2020 issue 2.
StatLink https://stat.link/nqltx4

Table 3.5. Employee contributions, 2020

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

	Single no ch 67 (% AW)	Single no ch 100 (% AW)	Single no ch 167 (% AW)	Single 2 ch 67 (% AW)	Married 2 ch 100-0 (% AW)	Married 2 ch 100-67 (% AW)[1]	Married 2 ch 100-100 (% AW)[1]	Married no ch 100-67 (% AW)[1]
Australia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Austria	18.0	18.0	16.6	18.0	18.0	18.0	18.0	18.0
Belgium	13.8	14.0	14.0	13.8	14.0	14.0	13.8	14.0
Canada	7.5	7.5	4.7	7.5	7.5	7.5	7.5	7.5
Chile	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Colombia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Czech Republic	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0
Denmark	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Estonia	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6
Finland	10.0	10.2	10.2	10.0	10.2	10.1	10.2	10.1
France	11.3	11.3	11.0	11.3	11.3	11.3	11.3	11.3
Germany	20.1	20.1	16.2	19.9	19.9	19.9	19.9	20.1
Greece	15.5	15.5	15.5	15.5	15.5	15.5	15.5	15.5
Hungary	18.5	18.5	18.5	18.5	18.5	18.5	18.5	18.5
Iceland	0.5	0.3	0.2	0.5	0.3	0.4	0.3	0.4
Ireland	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Israel	5.9	7.9	9.5	5.9	7.9	7.1	7.9	7.1
Italy	9.5	9.5	9.6	9.5	9.5	9.5	9.5	9.5
Japan	14.5	14.5	13.2	14.5	14.5	14.5	14.5	14.5
Korea	9.0	9.0	8.0	9.0	9.0	9.0	9.0	9.0
Latvia	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0
Lithuania	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5
Luxembourg	12.2	12.3	12.4	12.2	12.3	12.3	12.3	12.3
Mexico	1.3	1.4	1.5	1.3	1.4	1.3	1.4	1.3
Netherlands	14.7	12.5	9.9	8.9	11.8	11.0	10.5	13.4
New Zealand	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Norway	8.2	8.2	8.2	8.2	8.2	8.2	8.2	8.2
Poland	17.8	17.8	17.8	17.8	17.8	17.8	17.8	17.8
Portugal	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0
Slovak Republic	13.4	13.4	13.4	13.4	13.4	13.4	13.4	13.4
Slovenia	22.1	22.1	22.1	22.1	22.1	22.1	22.1	22.1
Spain	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4
Sweden	7.0	7.0	4.8	7.0	7.0	7.0	7.0	7.0
Switzerland	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4
Turkey	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
United Kingdom	7.9	9.3	7.5	7.9	9.3	8.7	9.3	8.7
United States	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7
Unweighted average								
OECD-Average	**9.7**	**9.7**	**9.3**	**9.5**	**9.7**	**9.7**	**9.7**	**9.7**
OECD-EU 22	**12.2**	**12.1**	**11.7**	**11.9**	**12.1**	**12.0**	**12.0**	**12.2**

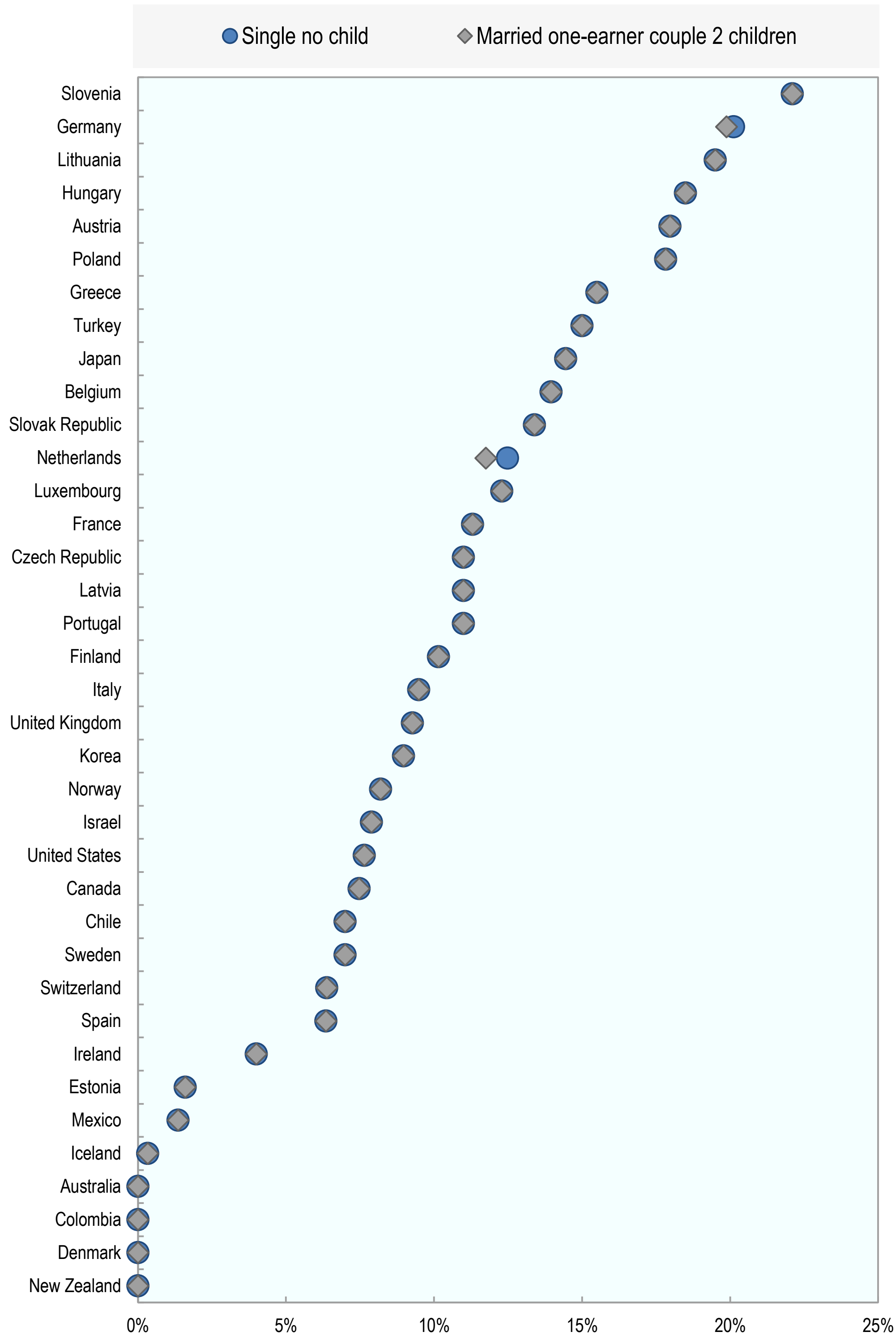
Note: ch = children

1. Two-earner couple.

StatLink https://stat.link/0mvs8d

Figure 3.5. Employee contributions, 2020

As % of gross wage earnings, by household type



Note: The household type 'single no child' corresponds to a wage level of 100% of average wage. The household type 'married one earner couple 2 children' corresponds to a combined wage level of 100%-0% of average wage.
Source: OECD calculations based on country submissions and OECD Economic Outlook, Volume 2020 issue 2.

StatLink https://stat.link/saml41

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

As % of labour costs, by household type and wage level

	Single no ch 67 (% AW)	Single no ch 100 (% AW)	Single no ch 167 (% AW)	Single 2 ch 67 (% AW)	Married 2 ch 100-0 (% AW)	Married 2 ch 100-67 (% AW)[1]	Married 2 ch 100-100 (% AW)[1]	Married no ch 100-67 (% AW)[1]
Australia	39.6	45.3	42.4	58.5	45.3	45.3	45.3	45.3
Austria	55.7	59.5	40.9	55.7	59.5	59.5	59.5	59.5
Belgium	65.3	65.1	67.8	65.3	60.7	65.1	64.2	65.1
Canada	47.2	43.6	39.1	56.9	75.2	44.3	44.3	39.1
Chile	7.0	10.2	10.2	7.0	7.0	7.0	7.0	10.2
Colombia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Czech Republic	48.5	48.5	48.5	48.5	48.5	48.5	48.5	48.5
Denmark	38.7	41.7	55.5	36.9	41.7	41.7	41.7	41.7
Estonia	41.2	49.5	41.2	41.2	49.5	49.5	49.5	49.5
Finland	44.9	55.0	58.1	44.9	55.0	55.0	55.0	55.0
France	64.6	58.2	59.4	74.6	64.5	50.6	58.2	47.9
Germany	55.1	59.6	44.3	52.6	51.8	57.1	59.4	57.3
Greece	47.1	49.9	55.9	47.1	49.9	49.9	49.9	49.9
Hungary	43.6	43.6	43.6	43.6	43.6	43.6	43.6	43.6
Iceland	39.5	39.5	47.7	49.9	48.6	46.3	39.5	39.5
Ireland	35.6	53.6	56.8	74.2	53.6	53.6	53.6	53.6
Israel	31.2	36.8	50.7	34.4	36.8	36.8	36.8	36.8
Italy	54.7	54.7	62.9	55.9	55.9	55.3	55.3	54.7
Japan	33.1	37.3	37.0	52.4	37.3	37.3	37.3	37.3
Korea	29.2	30.7	32.6	22.9	30.7	30.7	30.7	30.7
Latvia	49.5	49.5	45.0	28.3	49.5	49.5	49.5	49.5
Lithuania	44.3	44.3	44.3	44.3	44.3	44.3	44.3	44.3
Luxembourg	44.8	57.0	55.7	49.1	39.4	51.1	57.0	51.1
Mexico	17.5	25.2	28.4	17.5	25.2	25.2	25.2	25.2
Netherlands	51.6	51.6	51.8	57.2	57.2	51.6	51.6	51.6
New Zealand	17.5	30.0	33.0	42.5	55.0	30.0	30.0	30.0
Norway	41.9	41.9	52.6	41.9	41.9	41.9	41.9	41.9
Poland	36.3	36.3	36.3	96.9	36.3	36.3	36.3	36.3
Portugal	46.7	51.1	58.0	46.7	46.7	51.1	51.1	51.1
Slovak Republic	46.1	46.1	46.1	46.1	46.1	46.1	46.1	46.1
Slovenia	43.6	50.3	50.3	43.6	43.6	43.6	43.6	50.3
Spain	44.6	48.3	54.1	44.6	46.1	48.3	48.3	48.3
Sweden	45.3	48.5	66.0	45.3	48.5	48.5	48.5	48.5
Switzerland	26.5	30.3	36.7	19.0	22.2	29.5	32.8	30.3
Turkey	42.8	47.8	47.8	42.8	47.8	47.8	47.8	47.8
United Kingdom	40.2	40.2	49.0	76.3	40.2	40.2	40.2	40.2
United States	31.5	40.8	42.7	52.3	31.5	31.5	40.8	31.5
Unweighted average								
OECD-Average	**40.3**	**43.8**	**45.7**	**46.4**	**44.2**	**43.1**	**43.6**	**43.0**
OECD-EU 22	**47.6**	**51.0**	**51.9**	**51.9**	**49.6**	**50.0**	**50.7**	**50.2**

Note: ch = children

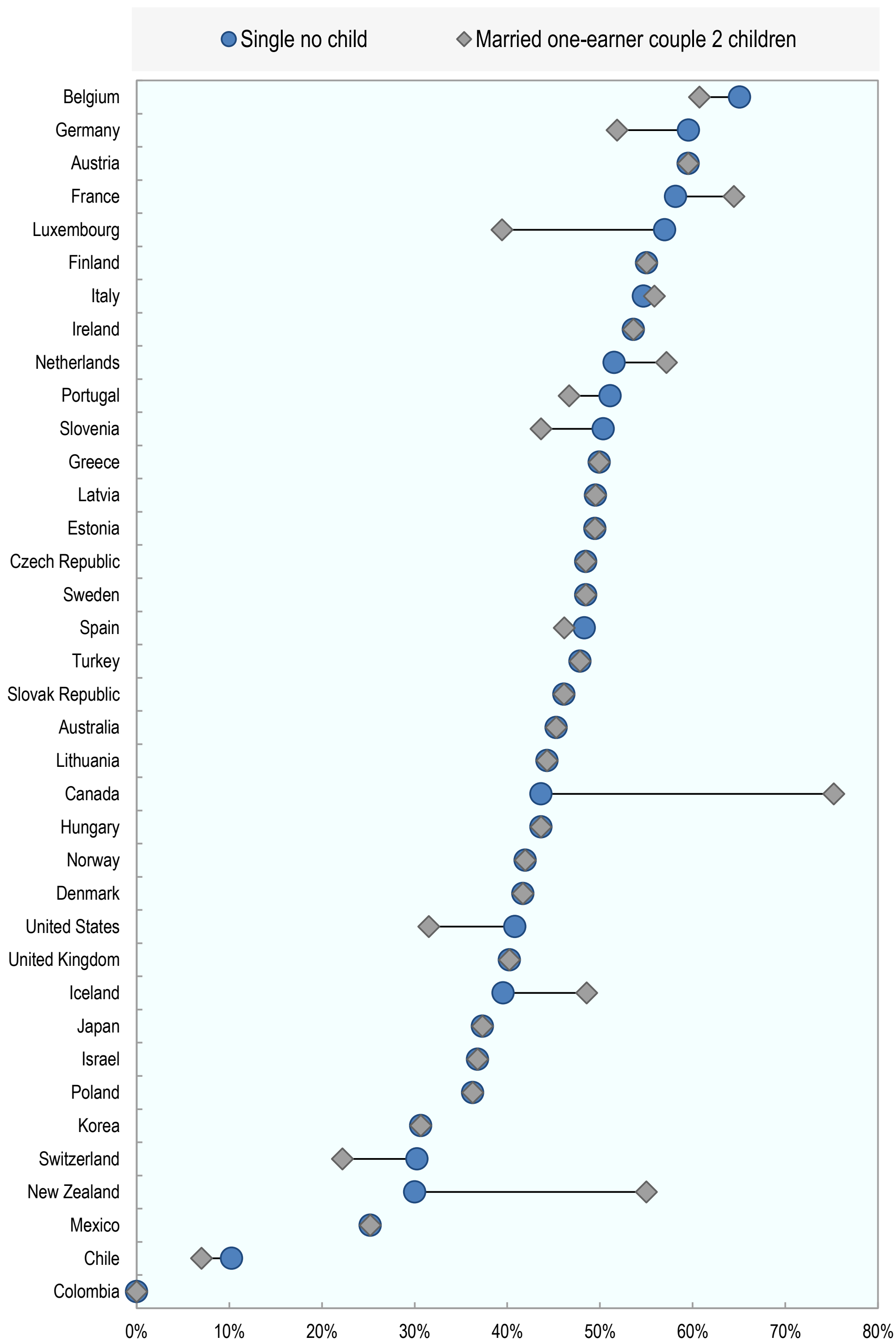
It is assumed that gross earnings of the principal earner in the household rise. The outcome may differ if the wage of the spouse goes up, especially if partners are taxed individually.

1. Two-earner couple.

StatLink https://stat.link/u1brga

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

As % of labour costs, by household type



Note: The household type ‘single no child’ corresponds to a wage level of 100% of average wage. The household type ‘married one earner couple 2 children’ corresponds to a combined wage level of 100%-0% of average wage.
Source: OECD calculations based on country submissions and OECD Economic Outlook, Volume 2020 issue 2.

StatLink https://stat.link/bv07ez

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

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

	Single no ch 67 (% AW)	Single no ch 100 (% AW)	Single no ch 167 (% AW)	Single 2 ch 67 (% AW)	Married 2 ch 100-0 (% AW)	Married 2 ch 100-67 (% AW)[1]	Married 2 ch 100-100 (% AW)[1]	Married no ch 100-67 (% AW)[1]
Australia	36.0	42.0	39.0	56.0	42.0	42.0	42.0	42.0
Austria	43.3	48.2	36.9	43.3	48.2	48.2	48.2	48.2
Belgium	51.0	55.6	59.1	51.0	50.1	55.6	54.5	55.6
Canada	41.5	38.8	37.9	52.2	73.1	39.5	39.5	33.8
Chile	7.0	10.2	10.2	7.0	7.0	7.0	7.0	10.2
Colombia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Czech Republic	31.1	31.1	31.1	31.1	31.1	31.1	31.1	31.1
Denmark	38.7	41.7	55.5	36.9	41.7	41.7	41.7	41.7
Estonia	21.3	32.4	21.3	21.3	32.4	32.4	32.4	32.4
Finland	34.6	46.6	50.2	34.6	46.6	46.6	46.6	46.6
France	32.6	43.0	42.2	51.6	51.6	32.6	43.0	29.0
Germany	46.2	51.5	44.3	43.2	42.3	48.6	51.3	48.9
Greece	34.1	37.6	45.1	34.1	37.6	37.6	37.6	37.6
Hungary	33.5	33.5	33.5	33.5	33.5	33.5	33.5	33.5
Iceland	35.7	35.7	44.4	46.7	45.3	42.9	35.7	35.7
Ireland	28.5	48.5	52.0	71.4	48.5	48.5	48.5	48.5
Israel	26.0	32.0	47.0	29.4	32.0	32.0	32.0	32.0
Italy	40.4	40.4	51.2	42.0	42.0	41.2	41.2	40.4
Japan	22.8	27.7	33.1	45.1	27.7	27.7	27.7	27.7
Korea	21.5	23.2	28.4	14.6	23.2	23.2	23.2	23.2
Latvia	37.4	37.4	31.8	11.0	37.4	37.4	37.4	37.4
Lithuania	43.3	43.3	43.3	43.3	43.3	43.3	43.3	43.3
Luxembourg	37.2	51.1	49.6	42.1	31.1	44.4	51.1	44.4
Mexico	12.1	19.5	22.9	12.1	19.5	19.5	19.5	19.5
Netherlands	45.8	45.8	51.8	52.1	52.1	45.8	45.8	45.8
New Zealand	17.5	30.0	33.0	42.5	55.0	30.0	30.0	30.0
Norway	34.4	34.4	46.4	34.4	34.4	34.4	34.4	34.4
Poland	25.8	25.8	25.8	96.3	25.8	25.8	25.8	25.8
Portugal	34.0	39.5	48.0	34.0	34.0	39.5	39.5	39.5
Slovak Republic	29.9	29.9	29.9	29.9	29.9	29.9	29.9	29.9
Slovenia	34.6	42.4	42.4	34.6	34.6	34.6	34.6	42.4
Spain	28.1	32.9	40.4	28.1	30.0	32.9	32.9	32.9
Sweden	28.1	32.3	55.3	28.1	32.3	32.3	32.3	32.3
Switzerland	21.8	25.8	32.7	13.9	17.3	25.0	28.5	25.9
Turkey	32.8	38.7	38.7	32.8	38.7	38.7	38.7	38.7
United Kingdom	32.0	32.0	42.0	73.0	32.0	32.0	32.0	32.0
United States	26.3	36.3	38.3	48.6	26.3	26.3	36.3	26.3
Unweighted average								
OECD-Average	**31.0**	**35.6**	**38.8**	**37.9**	**35.9**	**34.7**	**35.4**	**34.5**
OECD-EU 22	**35.4**	**40.5**	**42.8**	**40.6**	**38.9**	**39.2**	**40.1**	**39.4**

Note: ch = children

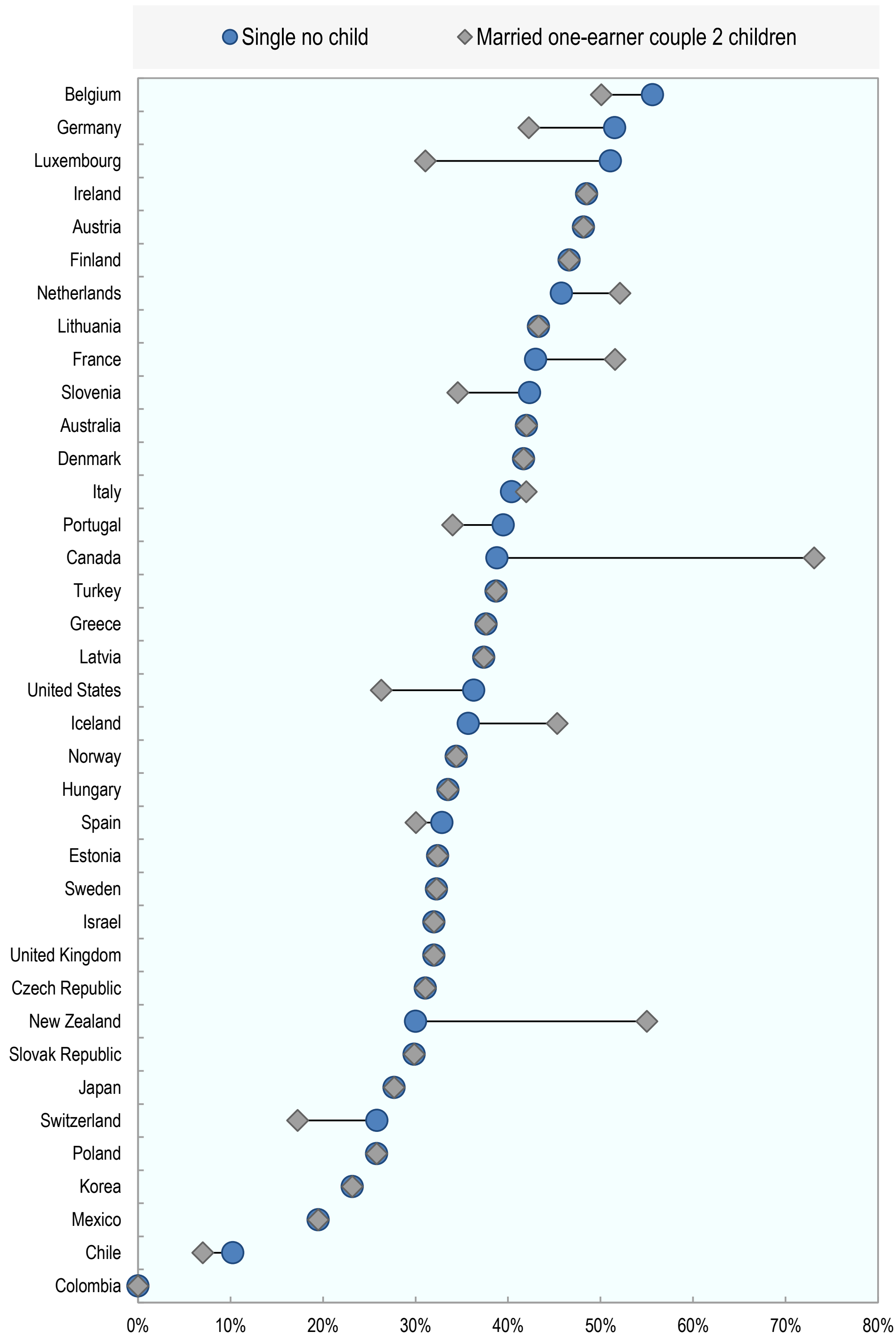
It is assumed that gross earnings of the principal earner in the household rise. The outcome may differ if the wage of the spouse goes up, especially if partners are taxed individually.

1. Two-earner couple.

StatLink https://stat.link/1zou37

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

As % of gross wage earnings, by household type



Note: The household type 'single no child' corresponds to a wage level of 100% of average wage. The household type 'married one earner couple 2 children' corresponds to a combined wage level of 100%-0% of average wage.
Source: OECD calculations based on country submissions and OECD Economic Outlook, Volume 2020 issue 2.

StatLink https://stat.link/bhi2ej

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

After an increase of 1 currency unit in gross wages, by household type and wage level

	Single no ch 67 (% AW)	Single no ch 100 (% AW)	Single no ch 167 (% AW)	Single 2 ch 67 (% AW)	Married 2 ch 100-0 (% AW)	Married 2 ch 100-67 (% AW)[1]	Married 2 ch 100-100 (% AW)[1]	Married no ch 100-67 (% AW)[1]
Australia	0.79	0.76	0.88	0.42	0.69	0.74	0.76	0.74
Austria	0.77	0.77	1.02	0.55	0.60	0.64	0.68	0.74
Belgium	0.70	0.72	0.77	0.53	0.60	0.62	0.68	0.68
Canada	0.70	0.80	0.84	0.37	0.27	0.72	0.75	0.84
Chile	1.00	0.97	0.98	0.99	1.00	1.00	1.00	0.97
Colombia	1.00	1.00	1.00	0.93	0.95	0.94	0.95	1.00
Czech Republic	0.88	0.92	0.95	0.66	0.70	0.79	0.82	0.90
Denmark	0.91	0.90	0.75	0.66	0.78	0.84	0.86	0.88
Estonia	0.88	0.80	1.00	0.72	0.69	0.73	0.75	0.78
Finland	0.84	0.76	0.80	0.72	0.71	0.70	0.74	0.73
France	0.88	0.78	0.87	0.46	0.57	0.85	0.74	0.95
Germany	0.82	0.79	0.98	0.66	0.72	0.73	0.73	0.81
Greece	0.82	0.84	0.82	0.74	0.80	0.80	0.84	0.82
Hungary	1.00	1.00	1.00	0.73	0.81	0.87	0.89	1.00
Iceland	0.85	0.89	0.83	0.60	0.63	0.77	0.89	0.87
Ireland	0.85	0.69	0.73	0.26	0.55	0.61	0.65	0.64
Israel	0.83	0.83	0.73	0.69	0.80	0.77	0.80	0.80
Italy	0.75	0.84	0.80	0.58	0.69	0.75	0.79	0.80
Japan	0.97	0.93	0.90	0.58	0.86	0.89	0.90	0.92
Korea	0.89	0.90	0.88	0.89	0.85	0.86	0.88	0.89
Latvia	0.81	0.87	0.96	0.94	0.73	0.76	0.79	0.85
Lithuania	0.83	0.88	0.93	0.61	0.70	0.79	0.82	0.86
Luxembourg	0.79	0.69	0.81	0.54	0.72	0.66	0.62	0.72
Mexico	0.92	0.90	0.91	0.92	0.90	0.88	0.90	0.88
Netherlands	0.68	0.76	0.76	0.45	0.61	0.68	0.71	0.73
New Zealand	0.96	0.87	0.89	0.49	0.47	0.85	0.87	0.84
Norway	0.86	0.90	0.81	0.75	0.86	0.86	0.88	0.89
Poland	0.97	0.98	0.99	0.03	0.73	0.82	0.84	0.97
Portugal	0.85	0.83	0.79	0.70	0.76	0.77	0.80	0.81
Slovak Republic	0.88	0.92	0.95	0.76	0.77	0.85	0.87	0.90
Slovenia	0.94	0.87	0.92	0.66	0.76	0.87	0.92	0.85
Spain	0.86	0.85	0.82	0.73	0.81	0.81	0.83	0.83
Sweden	0.92	0.90	0.69	0.81	0.82	0.84	0.86	0.89
Switzerland	0.91	0.89	0.86	0.85	0.86	0.84	0.82	0.89
Turkey	0.90	0.86	0.91	0.88	0.84	0.84	0.86	0.85
United Kingdom	0.84	0.89	0.82	0.27	0.83	0.84	0.86	0.87
United States	0.91	0.82	0.87	0.51	0.79	0.86	0.78	0.92
Unweighted average								
OECD-Average	**0.86**	**0.85**	**0.87**	**0.64**	**0.74**	**0.80**	**0.81**	**0.85**
OECD-EU 22	**0.85**	**0.83**	**0.87**	**0.61**	**0.71**	**0.76**	**0.78**	**0.83**

Note: ch = children

Net income is calculated as gross earnings minus personal income tax and employees' social security contributions plus family benefits. The increase reported in the Table represents a form of elasticity. In a proportional tax system the elasticity would equal 1. The more progressive the system at these income levels, the lower is the elasticity. The reported elasticities in Table 3.8 are calculated as (100 - METR) / (100 - AETR), where METR is the marginal rate of income tax plus employee social security contributions less cash benefits reported in Table 3.7 and AETR is the average rate plus employee social security contributions less cash benefits reported in Table 3.3.

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

StatLink https://stat.link/iuj5h6

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

After an increase of 1 currency unit in gross labour cost, by household type and wage level

	Single no ch 67 (% AW)	Single no ch 100 (% AW)	Single no ch 167 (% AW)	Single 2 ch 67 (% AW)	Married 2 ch 100-0 (% AW)	Married 2 ch 100-67 (% AW)[1]	Married 2 ch 100-100 (% AW)[1]	Married no ch 100-67 (% AW)[1]
Australia	0.79	0.76	0.88	0.42	0.69	0.74	0.76	0.74
Austria	0.77	0.77	1.20	0.55	0.60	0.64	0.68	0.74
Belgium	0.62	0.72	0.77	0.47	0.60	0.62	0.68	0.68
Canada	0.70	0.81	0.89	0.37	0.28	0.73	0.76	0.86
Chile	1.00	0.97	0.98	0.99	1.00	1.00	1.00	0.97
Colombia	1.00	1.00	1.00	0.93	0.95	0.94	0.95	1.00
Czech Republic	0.88	0.92	0.95	0.66	0.70	0.79	0.82	0.90
Denmark	0.91	0.90	0.75	0.66	0.78	0.84	0.86	0.88
Estonia	0.88	0.80	1.00	0.72	0.69	0.73	0.75	0.78
Finland	0.84	0.76	0.80	0.72	0.71	0.70	0.74	0.73
France	0.59	0.78	0.87	0.31	0.57	0.83	0.74	0.93
Germany	0.82	0.79	1.14	0.66	0.72	0.73	0.73	0.81
Greece	0.82	0.84	0.82	0.74	0.80	0.80	0.84	0.82
Hungary	1.00	1.00	1.00	0.73	0.81	0.87	0.89	1.00
Iceland	0.85	0.89	0.83	0.60	0.63	0.77	0.89	0.87
Ireland	0.85	0.69	0.73	0.26	0.55	0.61	0.65	0.64
Israel	0.81	0.81	0.72	0.67	0.79	0.75	0.78	0.78
Italy	0.75	0.84	0.80	0.58	0.69	0.75	0.79	0.80
Japan	0.97	0.93	0.97	0.58	0.86	0.89	0.90	0.92
Korea	0.89	0.90	0.91	0.89	0.85	0.86	0.88	0.89
Latvia	0.81	0.87	0.96	0.94	0.73	0.76	0.79	0.85
Lithuania	0.83	0.88	0.93	0.61	0.70	0.79	0.82	0.86
Luxembourg	0.79	0.69	0.81	0.54	0.72	0.66	0.62	0.72
Mexico	0.99	0.94	0.93	0.99	0.94	0.92	0.94	0.92
Netherlands	0.68	0.76	0.82	0.46	0.61	0.68	0.72	0.73
New Zealand	0.96	0.87	0.89	0.49	0.47	0.85	0.87	0.84
Norway	0.86	0.90	0.81	0.75	0.86	0.86	0.88	0.89
Poland	0.97	0.98	0.99	0.03	0.73	0.82	0.84	0.97
Portugal	0.85	0.83	0.79	0.70	0.76	0.77	0.80	0.81
Slovak Republic	0.88	0.92	0.95	0.76	0.77	0.85	0.87	0.90
Slovenia	0.94	0.87	0.92	0.66	0.76	0.87	0.92	0.85
Spain	0.86	0.85	0.82	0.73	0.81	0.81	0.83	0.83
Sweden	0.92	0.90	0.69	0.81	0.82	0.84	0.86	0.89
Switzerland	0.91	0.89	0.86	0.85	0.86	0.84	0.82	0.89
Turkey	0.90	0.86	0.91	0.88	0.84	0.84	0.86	0.85
United Kingdom	0.81	0.86	0.81	0.26	0.81	0.81	0.84	0.84
United States	0.91	0.83	0.87	0.51	0.80	0.87	0.78	0.93
Unweighted average								
OECD-Average	**0.85**	**0.85**	**0.89**	**0.63**	**0.74**	**0.80**	**0.81**	**0.85**
OECD-EU 22	**0.83**	**0.83**	**0.89**	**0.60**	**0.71**	**0.76**	**0.78**	**0.82**

Note: ch = children

Net income is calculated as gross earnings minus personal income tax and employees' social security contributions plus family benefits. The increase reported in the Table represents a form of elasticity. In a proportional tax system the elasticity would equal 1. The more progressive the system at these income levels, the lower is the elasticity. The reported elasticities in Table 3.9 are calculated as (100 - METR) / (100 - AETR), where METR is the marginal rate of income tax plus employee and employer social security contributions less cash benefits reported in Table 3.6 and AETR is the average rate plus employee and employer social security contributions less cash benefits reported in Table 3.1.

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

StatLink https://stat.link/ept681

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

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

	Gross		Single no ch 100 (% AW)		Single no ch 167 (% AW)		Single 2 ch 67 (% AW)	
	Total gross earnings before taxes	Net income after taxes	Total gross earnings before taxes	Net income after taxes	Total gross earnings before taxes	Net income after taxes	Total gross earnings before taxes	Net income after taxes
Australia	42 488	34 543	63 415	48 145	105 902	73 327	42 488	44 483
Austria	42 851	31 421	63 956	43 126	106 807	66 241	42 851	43 982
Belgium	42 682	29 845	63 704	39 233	106 386	56 602	42 682	39 733
Canada	32 519	27 076	48 536	37 296	81 055	59 586	32 519	42 319
Chile	16 113	14 985	24 050	22 358	40 163	36 820	16 113	15 127
Colombia	8 014	8 014	11 961	11 961	19 974	19 974	8 014	8 655
Czech Republic	21 183	16 554	31 616	23 745	52 799	38 346	21 183	22 138
Denmark	43 515	29 404	64 948	42 067	108 463	64 231	43 515	41 759
Estonia	21 100	18 881	31 492	26 592	52 592	41 400	21 100	23 178
Finland	35 966	27 933	53 680	37 490	89 646	55 586	35 966	32 531
France	34 830	26 718	51 985	37 801	86 816	57 840	34 830	36 821
Germany	47 204	31 152	70 454	43 041	117 658	66 685	47 204	40 665
Greece	25 966	20 921	38 755	28 898	64 721	43 504	25 966	22 994
Hungary	22 852	15 197	34 107	22 681	56 959	37 878	22 852	20 881
Iceland	44 173	33 480	65 930	47 469	110 103	73 629	44 173	39 434
Ireland	38 665	32 581	57 709	43 383	96 375	62 952	38 665	42 376
Israel	28 611	25 361	42 703	35 004	71 314	51 638	28 611	29 129
Italy	29 986	23 679	44 755	31 772	74 742	45 578	29 986	30 015
Japan	34 363	27 277	51 288	39 832	85 651	63 323	34 363	32 736
Korea	35 700	31 625	53 284	45 303	88 984	72 183	35 700	34 067
Latvia	17 706	13 615	26 427	19 077	44 133	31 327	17 706	16 843
Lithuania	24 426	16 594	36 456	23 416	60 881	37 265	24 426	22 821
Luxembourg	44 885	35 795	66 993	47 600	111 878	69 875	44 885	47 926
Mexico	9 324	8 863	13 917	12 414	23 241	19 660	9 324	8 863
Netherlands	46 373	36 949	69 213	49 331	115 586	73 004	46 373	48 919
New Zealand	29 140	25 058	43 493	35 177	72 633	54 820	29 140	34 416
Norway	42 368	32 183	63 236	45 873	105 604	69 819	42 368	37 157
Poland	22 739	17 447	33 939	25 757	56 678	42 627	22 739	27 391
Portugal	22 471	17 497	33 539	24 362	56 009	36 935	22 471	21 289
Slovak Republic	17 385	13 843	25 948	19 850	43 333	32 045	17 385	16 092
Slovenia	23 973	16 668	35 781	23 709	59 754	37 529	23 973	23 852
Spain	28 851	24 070	43 062	33 960	71 913	52 534	28 851	28 294
Sweden	35 626	27 845	53 173	40 060	88 798	57 901	35 626	31 476
Switzerland	51 535	44 187	76 918	63 770	128 453	100 192	51 535	52 399
Turkey	24 774	18 513	36 976	26 214	61 750	41 398	24 774	18 906
United Kingdom	38 763	31 396	57 855	44 379	96 618	67 995	38 763	38 518
United States	40 348	32 838	60 220	46 715	100 568	71 163	40 348	40 688
Unweighted average								
OECD-Average	**31 607**	**24 865**	**47 175**	**34 834**	**78 782**	**53 606**	**31 607**	**31 321**
OECD-EU 22	**31 420**	**23 846**	**46 895**	**33 043**	**78 315**	**50 358**	**31 420**	**30 999**

StatLink https://stat.link/5ifmj1

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

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

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

1. Two-earner couple.

StatLink https://stat.link/k8i2mo

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

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

	Single no ch 67 (% AW)		Single no ch 100 (% AW)		Single no ch 167 (% AW)		Single 2 ch 67 (% AW)	
	Total gross labour costs before taxes	Net income after taxes	Total gross labour costs before taxes	Net income after taxes	Total gross labour costs before taxes	Net income after taxes	Total gross labour costs before taxes	Net income after taxes
Australia	45 023	34 543	67 199	48 145	112 222	73 327	45 023	44 483
Austria	54 874	31 421	81 902	43 126	135 085	66 241	54 874	43 982
Belgium	53 366	29 845	80 965	39 233	135 211	56 602	53 366	39 733
Canada	35 879	27 076	53 570	37 296	87 238	59 586	35 879	42 319
Chile	16 113	14 985	24 050	22 358	40 163	36 820	16 113	15 127
Colombia	8 014	8 014	11 961	11 961	19 974	19 974	8 014	8 655
Czech Republic	28 342	16 554	42 302	23 745	70 645	38 346	28 342	22 138
Denmark	43 515	29 404	64 948	42 067	108 463	64 231	43 515	41 759
Estonia	28 231	18 881	42 136	26 592	70 368	41 400	28 231	23 178
Finland	42 688	27 933	63 713	37 490	106 401	55 586	42 688	32 531
France	44 532	26 718	70 841	37 801	123 698	57 840	44 532	36 821
Germany	56 586	31 152	84 456	43 041	136 544	66 685	56 586	40 665
Greece	32 335	20 921	48 262	28 898	80 597	43 504	32 335	22 994
Hungary	26 965	15 197	40 247	22 681	67 212	37 878	26 965	20 881
Iceland	46 978	33 480	70 117	47 469	117 095	73 629	46 978	39 434
Ireland	42 938	32 581	64 086	43 383	107 024	62 952	42 938	42 376
Israel	29 949	25 361	45 112	35 004	75 898	51 638	29 949	29 129
Italy	39 456	23 679	58 889	31 772	98 345	45 578	39 456	30 015
Japan	39 641	27 277	59 166	39 832	97 704	63 323	39 641	32 736
Korea	39 551	31 625	59 031	45 303	97 670	72 183	39 551	34 067
Latvia	21 980	13 615	32 802	19 077	54 774	31 327	21 980	16 843
Lithuania	24 863	16 594	37 109	23 416	61 971	37 265	24 863	22 821
Luxembourg	51 061	35 795	76 211	47 600	127 272	69 875	51 061	47 926
Mexico	10 620	8 863	15 555	12 414	25 591	19 660	10 620	8 863
Netherlands	52 036	36 949	77 594	49 331	124 786	73 004	52 036	48 919
New Zealand	29 140	25 058	43 493	35 177	72 633	54 820	29 140	34 416
Norway	47 876	32 183	71 456	45 873	119 332	69 819	47 876	37 157
Poland	26 475	17 447	39 515	25 757	65 990	42 627	26 475	27 391
Portugal	27 808	17 497	41 504	24 362	69 312	36 935	27 808	21 289
Slovak Republic	22 635	13 843	33 784	19 850	56 419	32 045	22 635	16 092
Slovenia	27 833	16 668	41 541	23 709	69 374	37 529	27 833	23 852
Spain	37 478	24 070	55 937	33 960	93 415	52 534	37 478	28 294
Sweden	46 819	27 845	69 879	40 060	116 699	57 901	46 819	31 476
Switzerland	54 821	44 187	81 822	63 770	136 642	100 192	54 821	52 399
Turkey	29 109	18 513	43 447	26 214	72 556	41 398	29 109	18 906
United Kingdom	42 434	31 396	64 161	44 379	108 273	67 995	42 434	38 518
United States	43 752	32 838	65 145	46 715	108 579	71 163	43 752	40 688
Unweighted average								
OECD-Average	**36 533**	**24 865**	**54 700**	**34 834**	**91 113**	**53 606**	**36 533**	**31 321**
OECD-EU 22	**37 855**	**23 846**	**56 756**	**33 043**	**94 527**	**50 358**	**37 855**	**30 999**

StatLink https://stat.link/ekbrj2

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

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

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

1. Two-earner couple.

StatLink https://stat.link/95ri1w

Notes

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

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

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

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

4 Graphical exposition of the 2020 tax burden

The chapter presents a graphical exposition of the tax burdens on labour income in 2020 for gross wage earnings ranging from 50% to 250% of the average wage. These are illustrated in separate graphs for each of four household types and for each OECD member country. The household types are single taxpayers without children; single parents with two children; one-earner married couples without children and one-earner married couples with two children.

The graphs are divided into two sets showing the average and the marginal tax wedge components as percentage of total labour costs (central and local income taxes; employee and employer social security contributions and cash benefits). The graphs also show the net personal average and marginal tax rates.

The graphs in this section show the tax burden on labour income in 2020 for gross wage earnings between 50% and 250% of the average wage (AW). For each OECD member country, there are separate graphs for four household types: single taxpayers without children, single parents with two children, one-earner married couples without children and one-earner married couples with two children. The net personal average and marginal tax rates ([the change in] personal income taxes and employee social security contributions net of cash benefits as a percentage of [the change in] gross wage earnings) are included in the graphs that show respectively the average and the marginal tax wedge.[1]

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

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

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

There are large variations in cash benefit levels across OECD countries. They represent about a quarter or more of total labour costs for low-income single parents and/or one-earner married couples with two children in Australia, Canada, Denmark, Ireland, Japan, Lithuania, New Zealand, Poland and Slovenia.

The marginal tax wedge is relatively flat across the earnings distribution in some countries because of the flat social security contribution and personal income tax rates. Single taxpayers without children face a flat marginal tax wedge all over the 50% to 250% of AW income range in the Czech Republic (48.5%) and Hungary (43.6%). For Colombia, the marginal tax wedge for the single worker without children, and for the other three household types, was equal to zero across the whole income range, as no personal income taxes were paid at these levels of earnings. Besides, their contributions to pension, health and employment risk insurances are considered to be non-tax compulsory payments (NTCPs)[3] and therefore are not counted as taxes in the *Taxing Wages* calculations The marginal tax wedge is also relatively constant in Iceland and Lithuania. In Iceland, the marginal tax wedge is 39.5% on earnings below 127% of the AW and then 47.7% on earnings from 128% of the AW to 250% of the AW. In Lithuania, it is 44.3% on earnings below 198% of the AW and 40.6% from 199% of the AW to 250% of the AW.

Social security contributions are levied at flat rates in many OECD countries. Some countries have an earnings ceiling above which no additional social security contributions have to be paid. The variations in the marginal social security contributions are in general the same for the four family types, since the contribution rates or income ceilings do not vary depending on the marital status or the number of dependent children. Nevertheless, in Hungary the marginal employee social security contributions are higher for the families with children, at low income levels, due to the impact of the withdrawal of the child tax allowance with increasing earnings. Families whose combined personal income tax base is not sufficient to claim the maximum amount of the family tax allowance can deduct the remaining sum from the health insurance and pension contributions. In contrast, in the Netherlands, the marginal employee social security contributions are lower for single parents at low income levels, as these households were eligible for a single parent tax credit that reached its maximum at 57% of the AW in 2020.

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

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

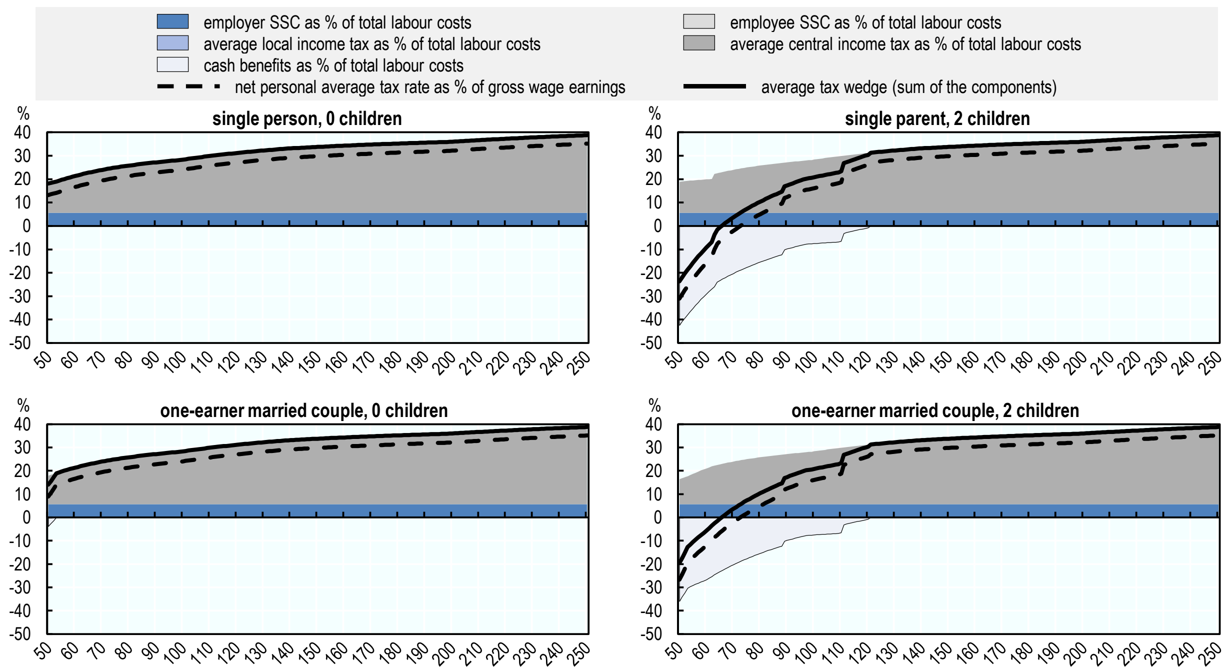
In Slovenia, the marginal employer social security contributions are negative up to 59% of the AW. This is because the employer pays additional contributions on earnings that are below the social security minimum income threshold. This penalty decreases as earnings increase and is completely exhausted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

Taxpayers face net personal marginal tax rates and wedges of about 70% or more in several of OECD countries at particular earnings levels. This is the case for taxpayers without children in Australia, Austria, Belgium, France, Italy, Japan, Mexico, Portugal, Turkey and the United Kingdom. They also apply to families with children in Australia, Austria, Belgium, Canada, Chile, the Czech Republic, France, Greece, Iceland, Ireland, Italy, Japan, Lithuania, Luxembourg, Mexico, Poland, Portugal, Slovenia, Spain, Turkey and the United Kingdom. In many countries, these high marginal tax rates are partly the result, as income rises, in reductions in benefits, allowances or tax credits that are targeted at low-income taxpayers.

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

Australia 2020: average tax wedge decomposition

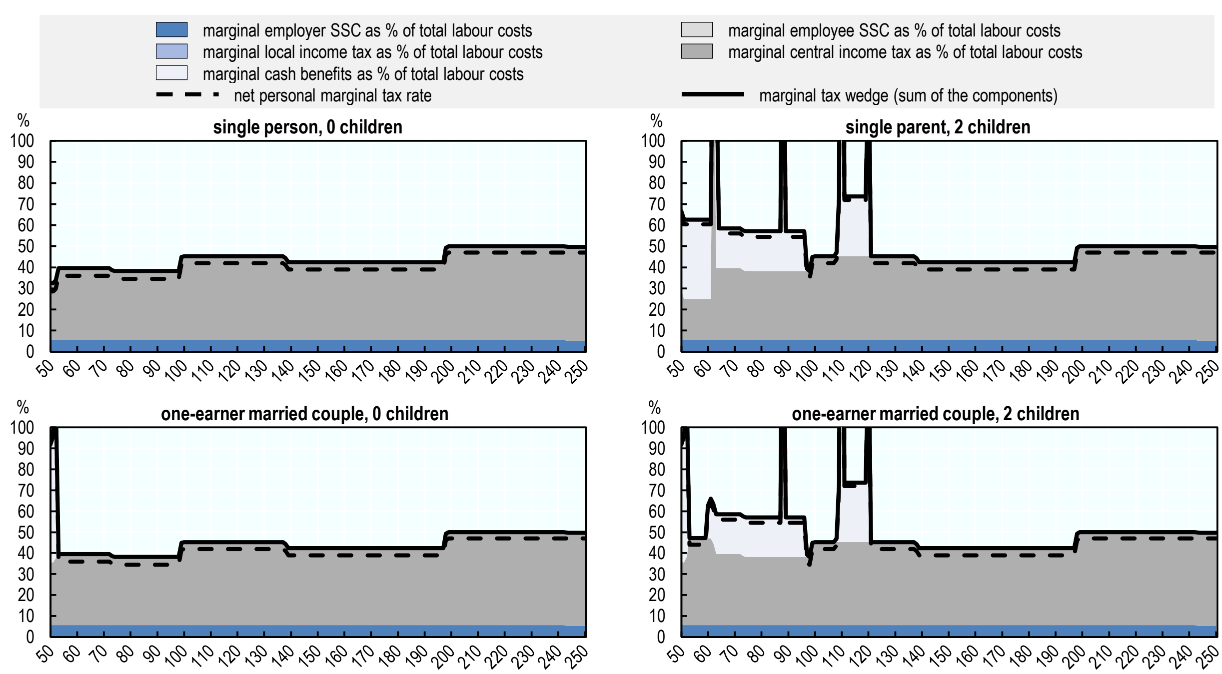
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/7ip0nc

Australia 2020: marginal tax wedge decomposition

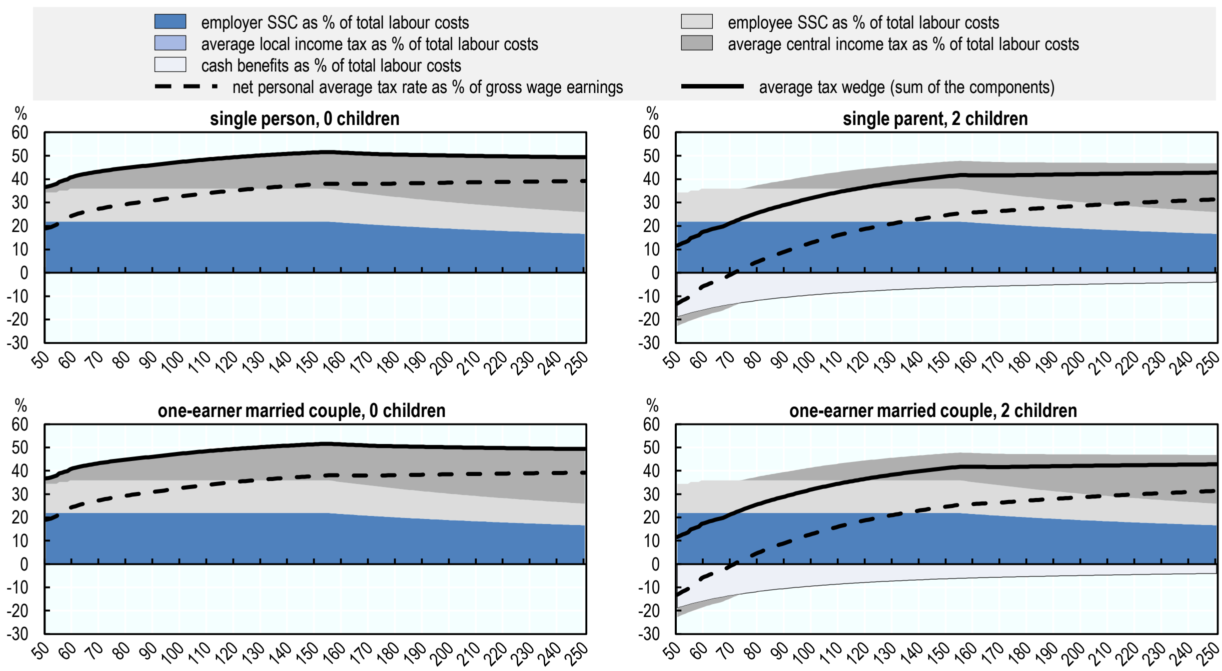
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/fp5o8k

Austria 2020: average tax wedge decomposition

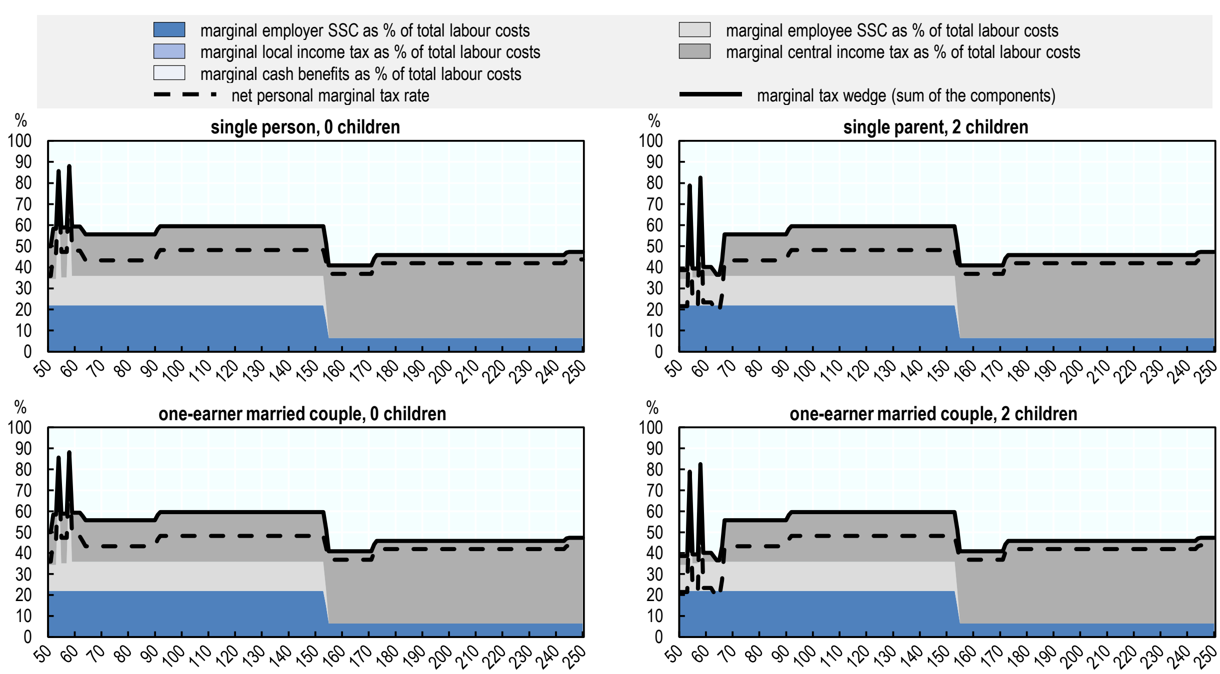
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/5ofq4l

Austria 2020: marginal tax wedge decomposition

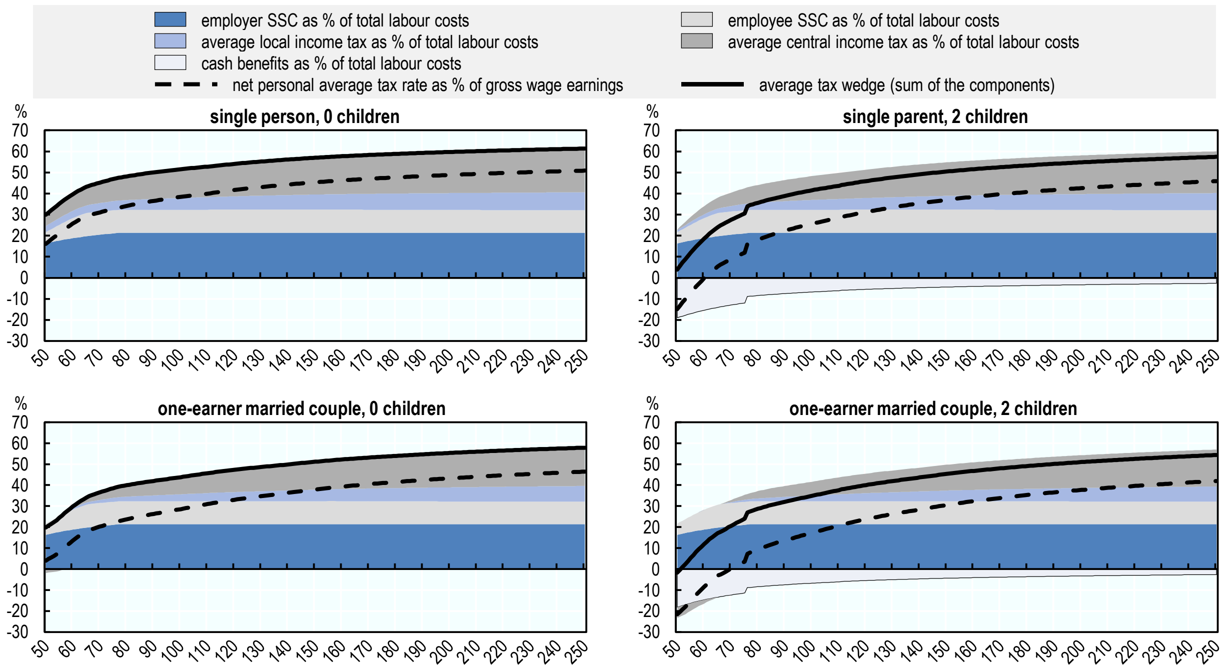
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/4mto37

Belgium 2020: average tax wedge decomposition

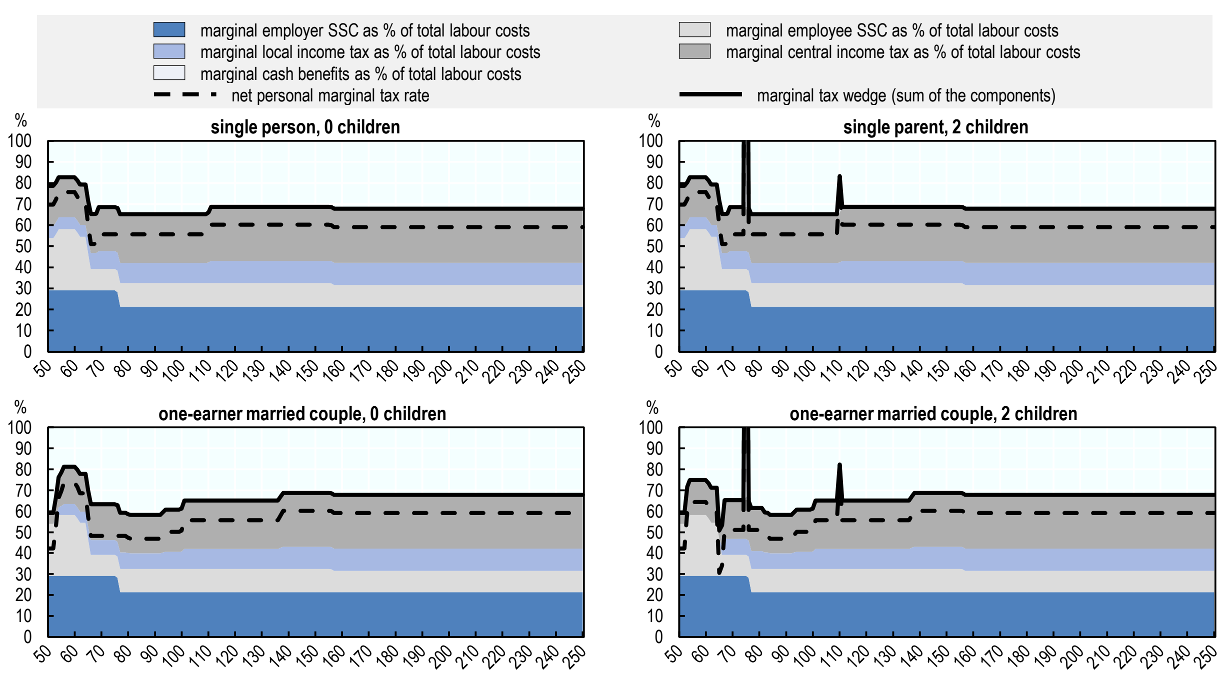
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/yo13a7

Belgium 2020: marginal tax wedge decomposition

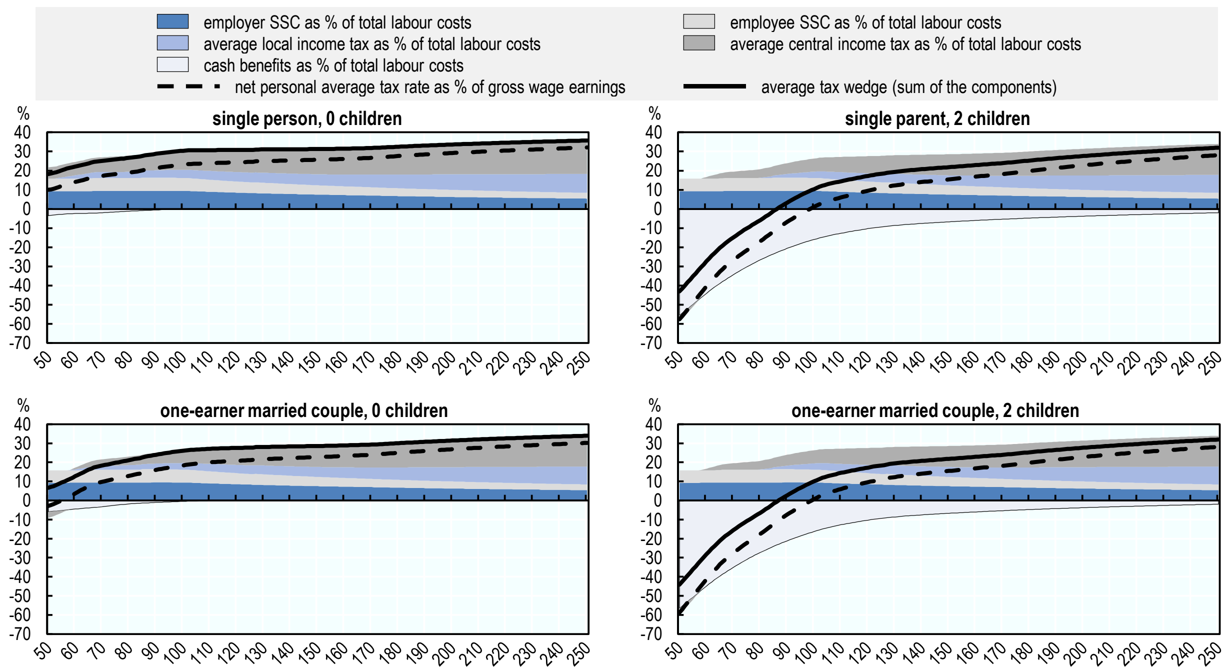
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/arb9qc

Canada 2020: average tax wedge decomposition

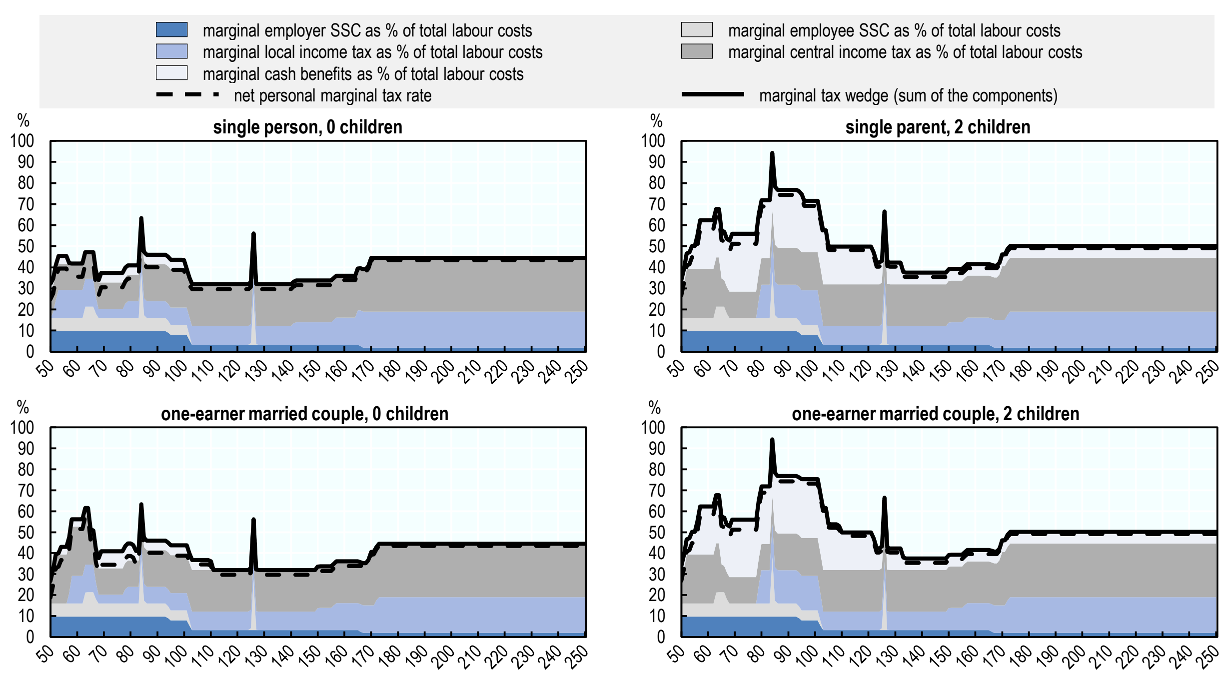
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/obwgq3

Canada 2020: marginal tax wedge decomposition

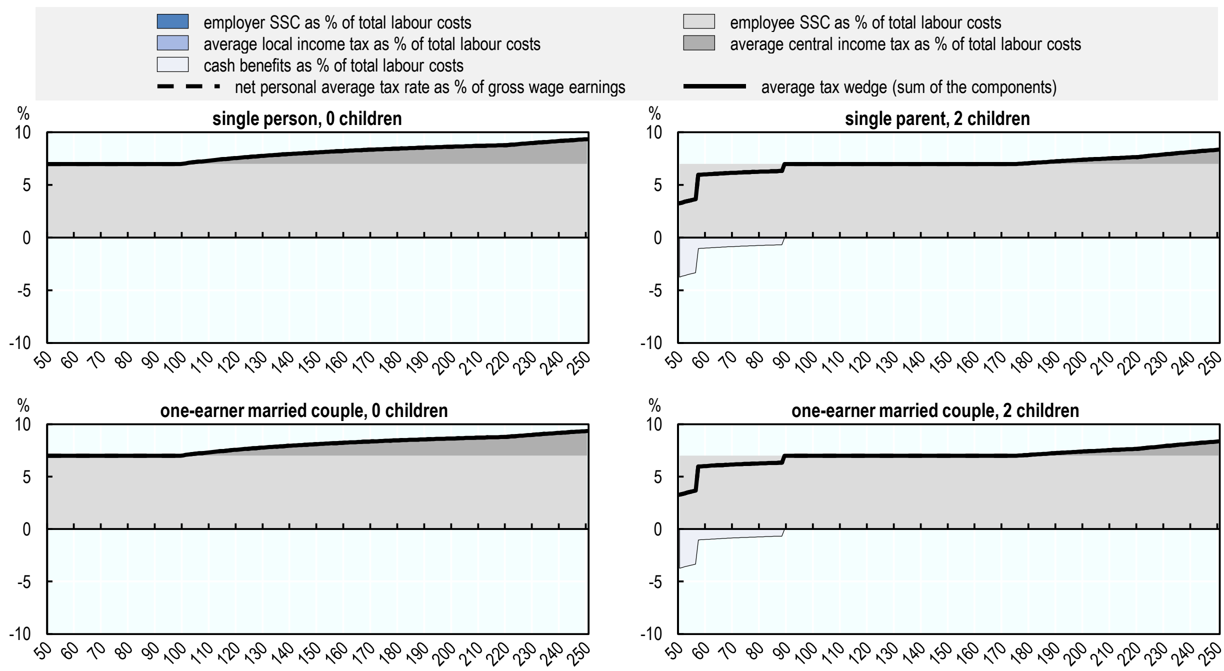
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/8p4b91

Chile 2020: average tax wedge decomposition

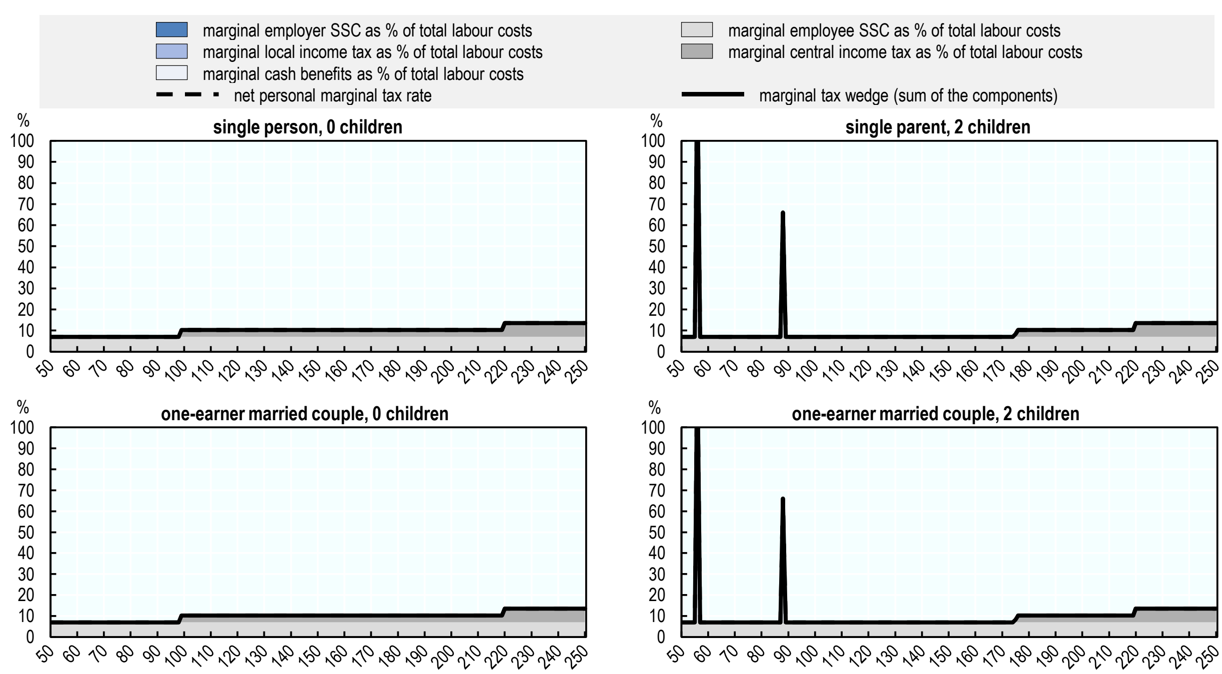
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/34iv2m

Chile 2020: marginal tax wedge decomposition

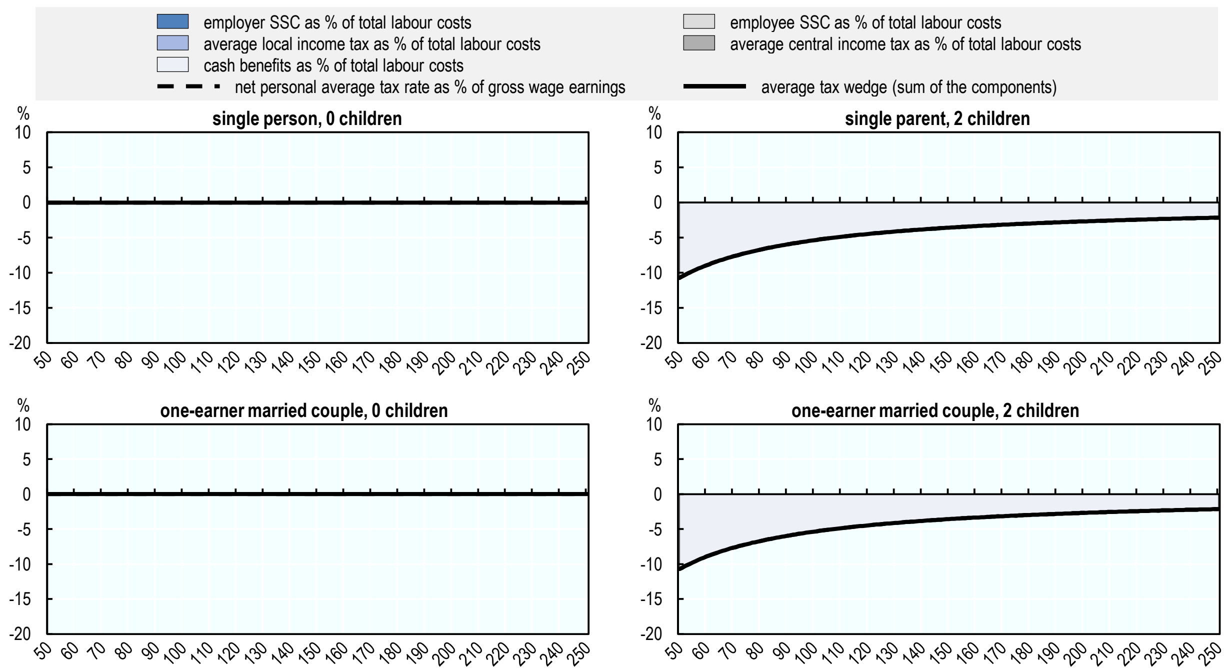
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/nxyadk

Colombia 2020: average tax wedge decomposition

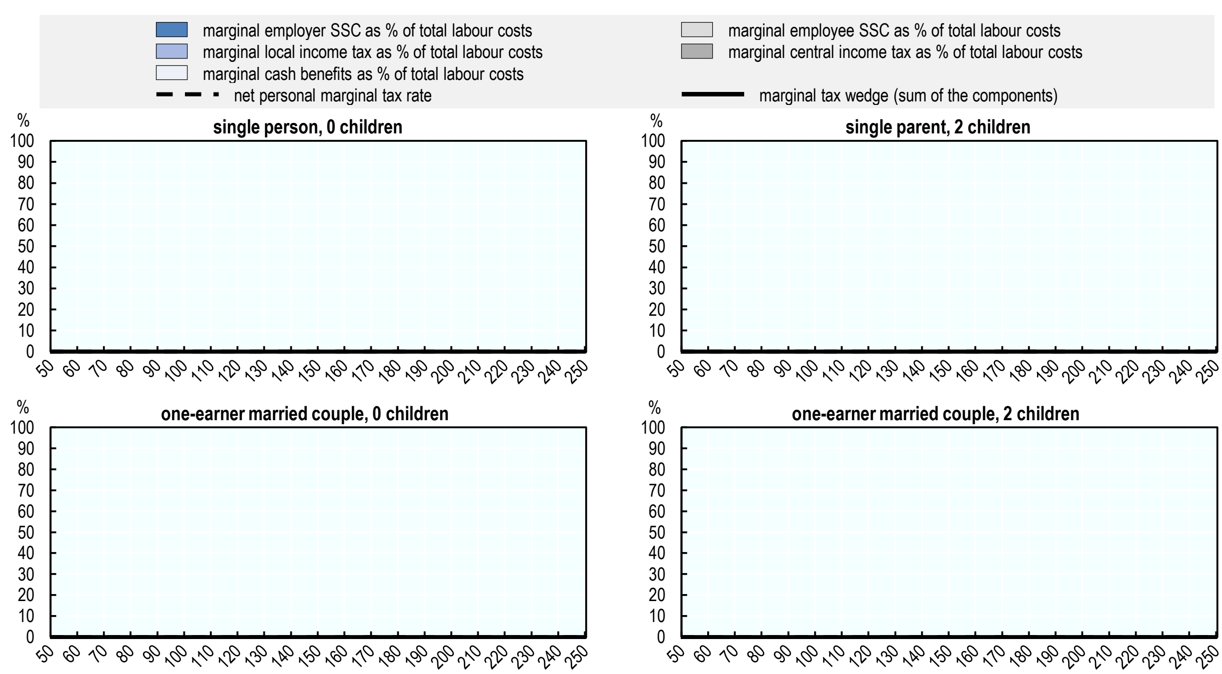
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/3otd2b

Colombia 2020: marginal tax wedge decomposition

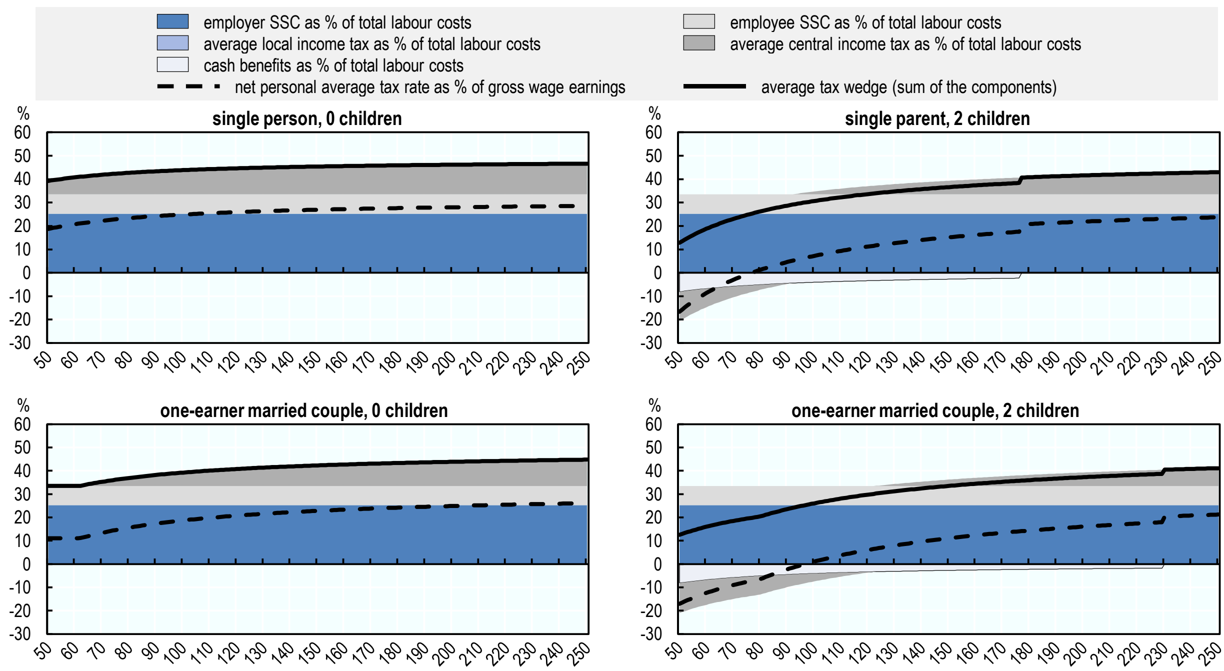
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/jamg5x

Czech Republic 2020: average tax wedge decomposition

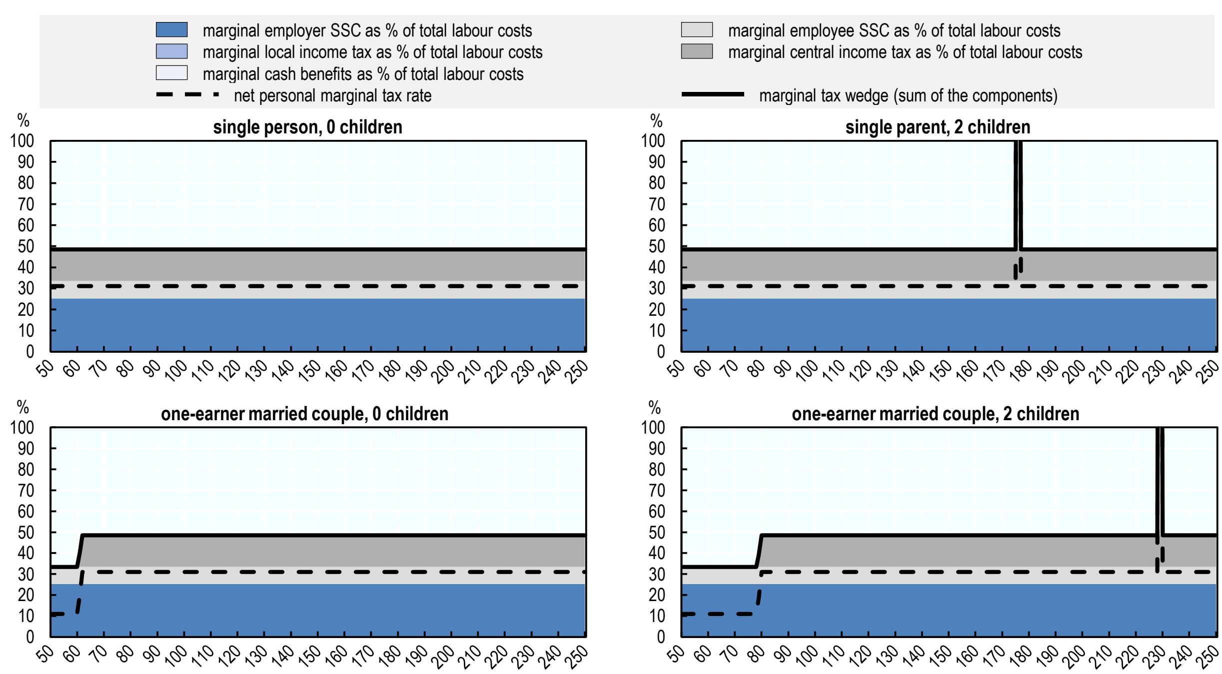
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/vkfn9c

Czech Republic 2020: marginal tax wedge decomposition

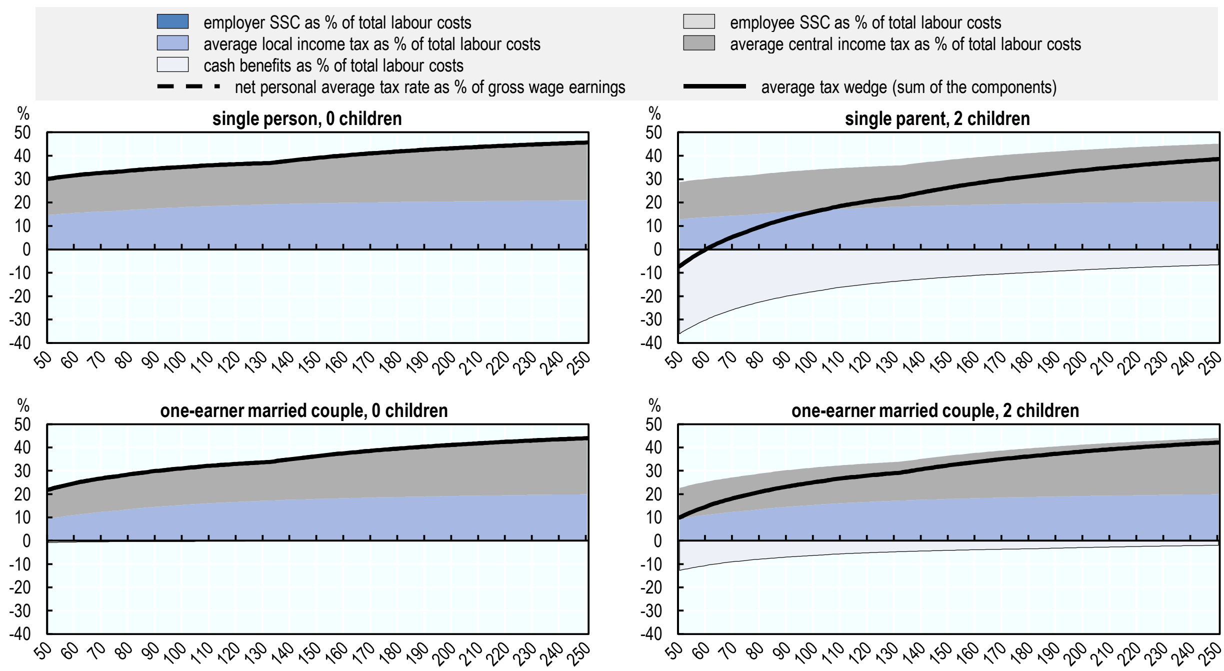
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/eos1hv

Denmark 2020: average tax wedge decomposition

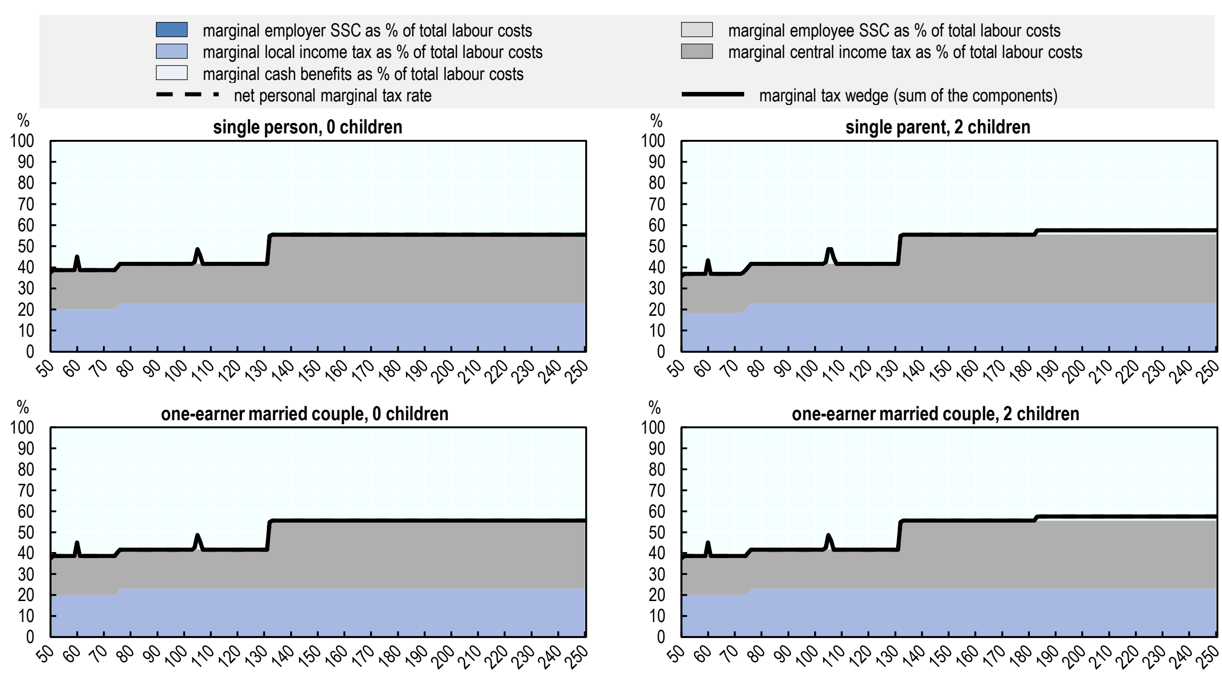
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/t5rs9a

Denmark 2020: marginal tax wedge decomposition

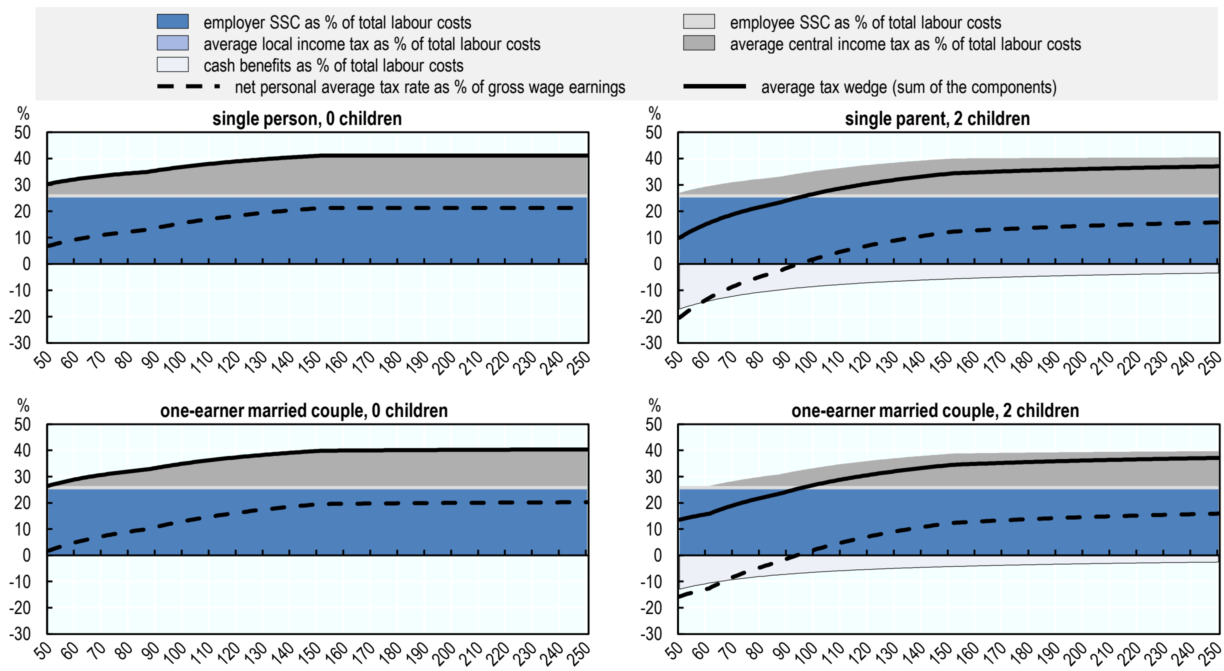
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/eyg4fk

Estonia 2020: average tax wedge decomposition

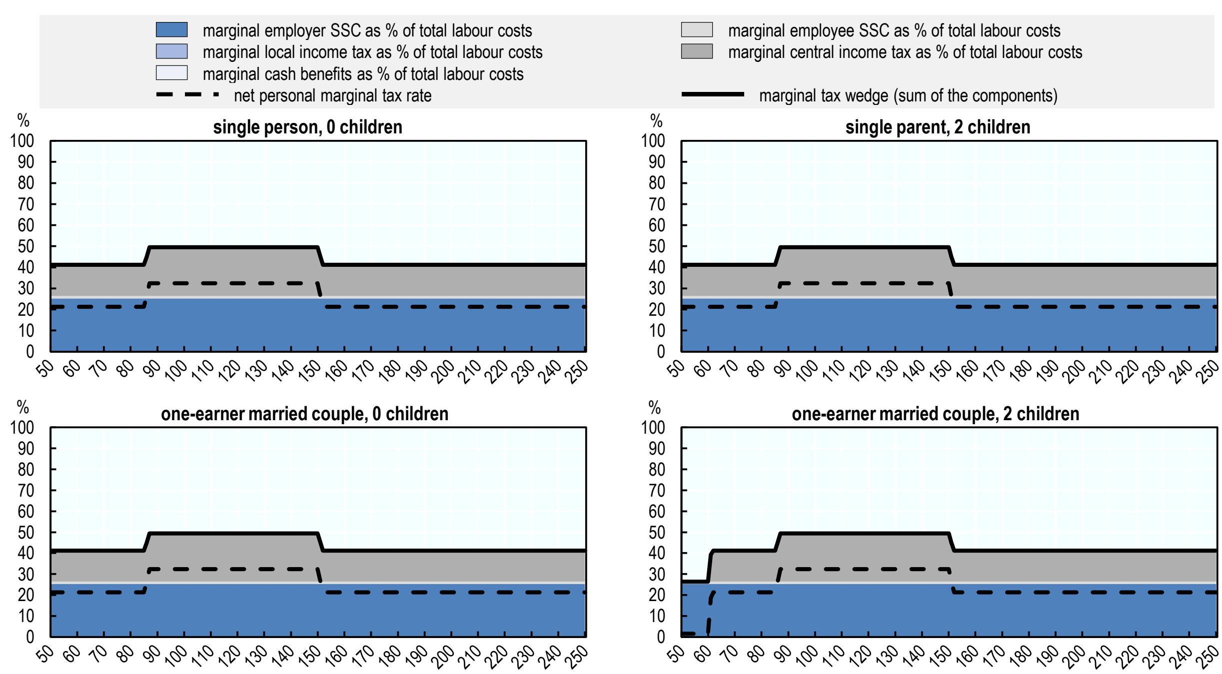
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/39azy5

Estonia 2020: marginal tax wedge decomposition

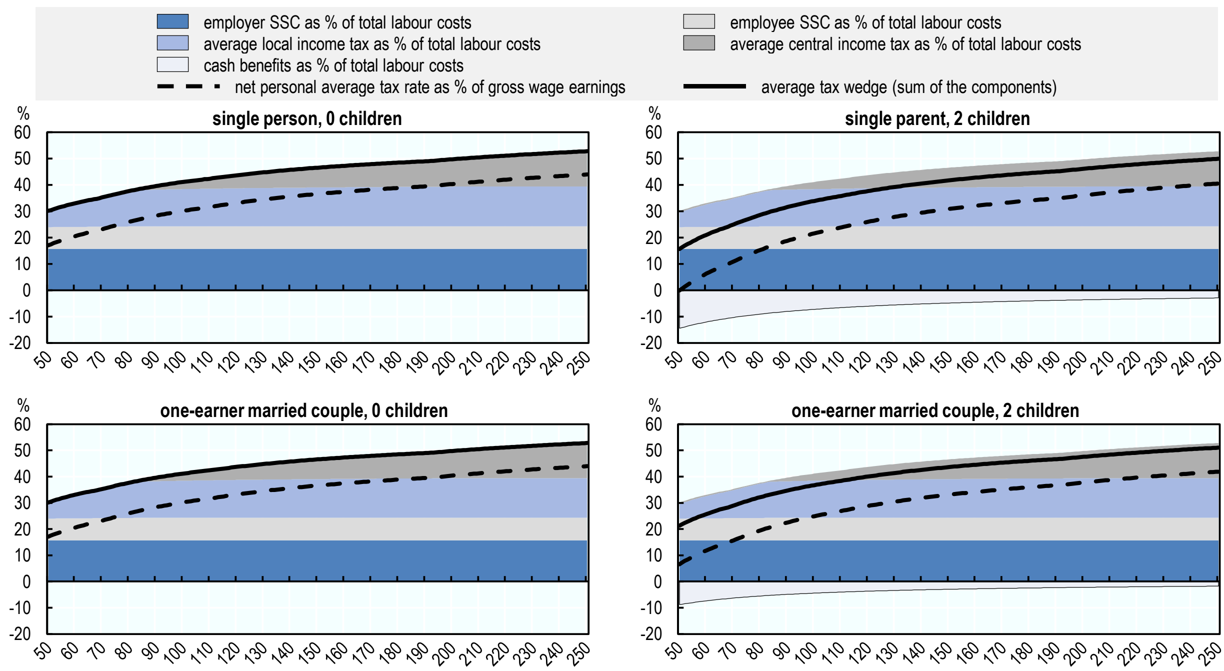
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/yu8t25

Finland 2020: average tax wedge decomposition

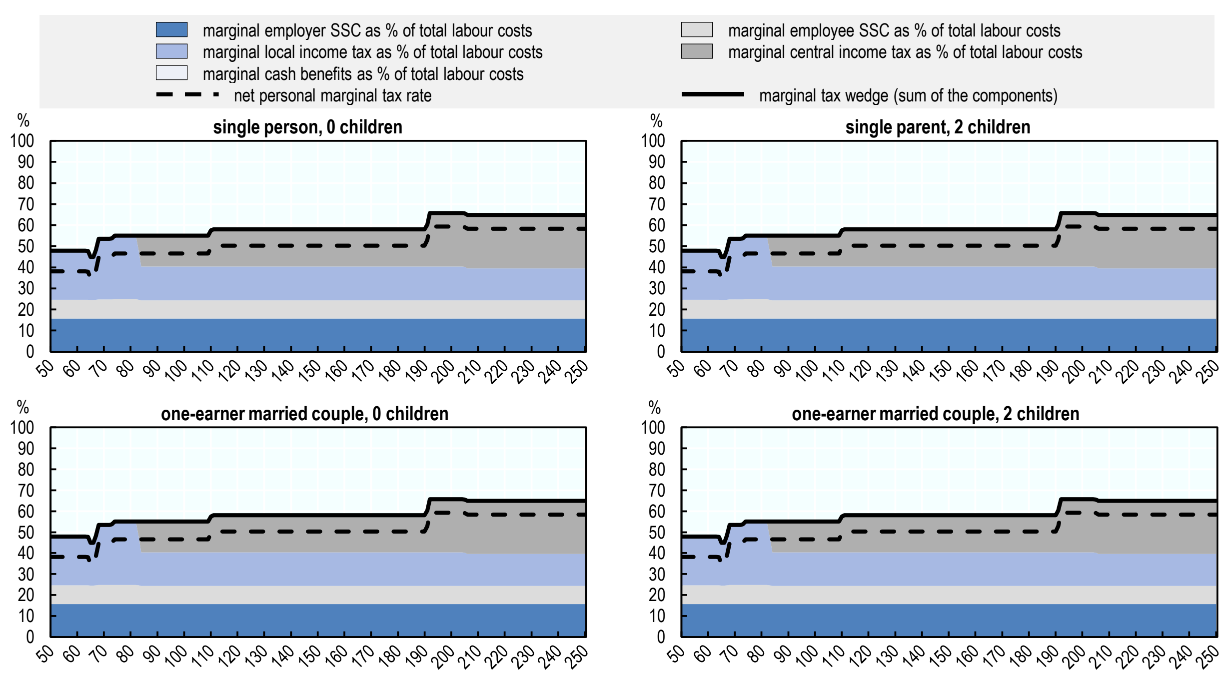
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/od8rfp

Finland 2020: marginal tax wedge decomposition

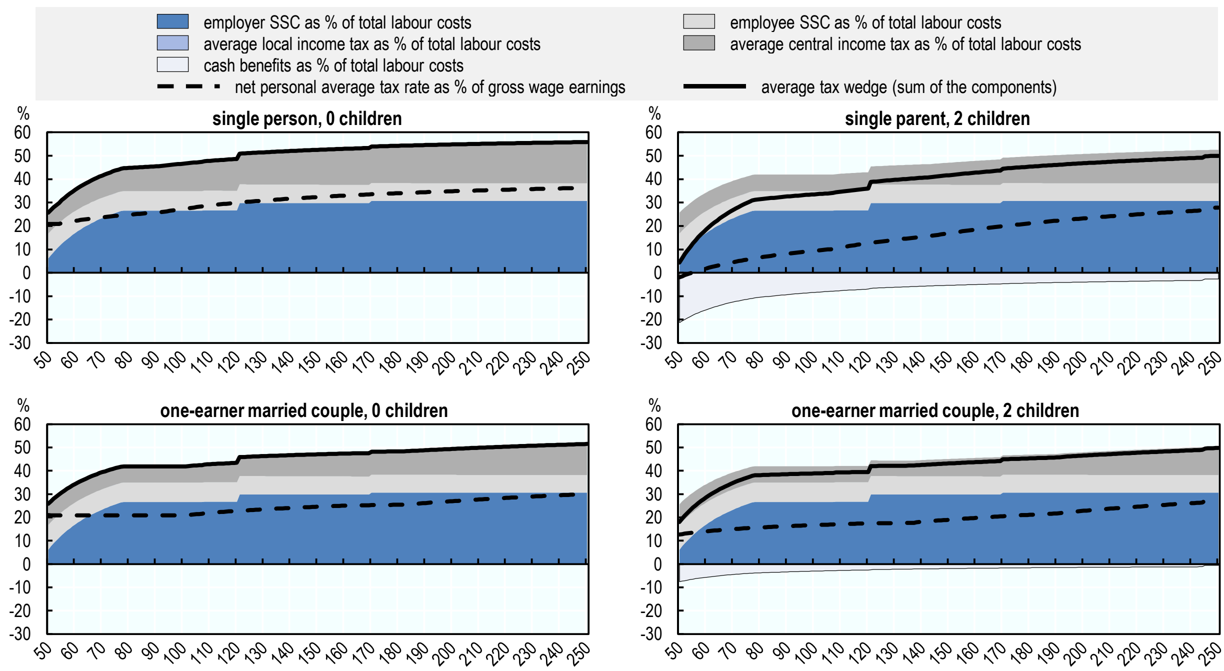
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/ze0oca

France 2020: average tax wedge decomposition

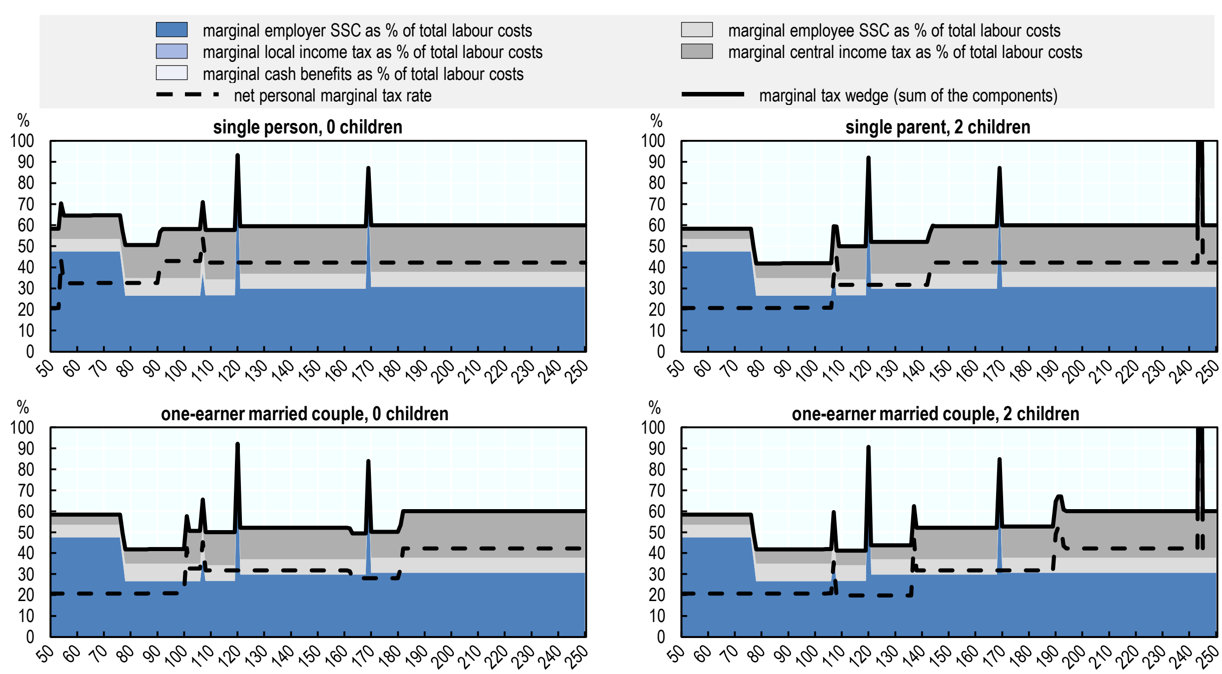
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/v9ge6j

France 2020: marginal tax wedge decomposition

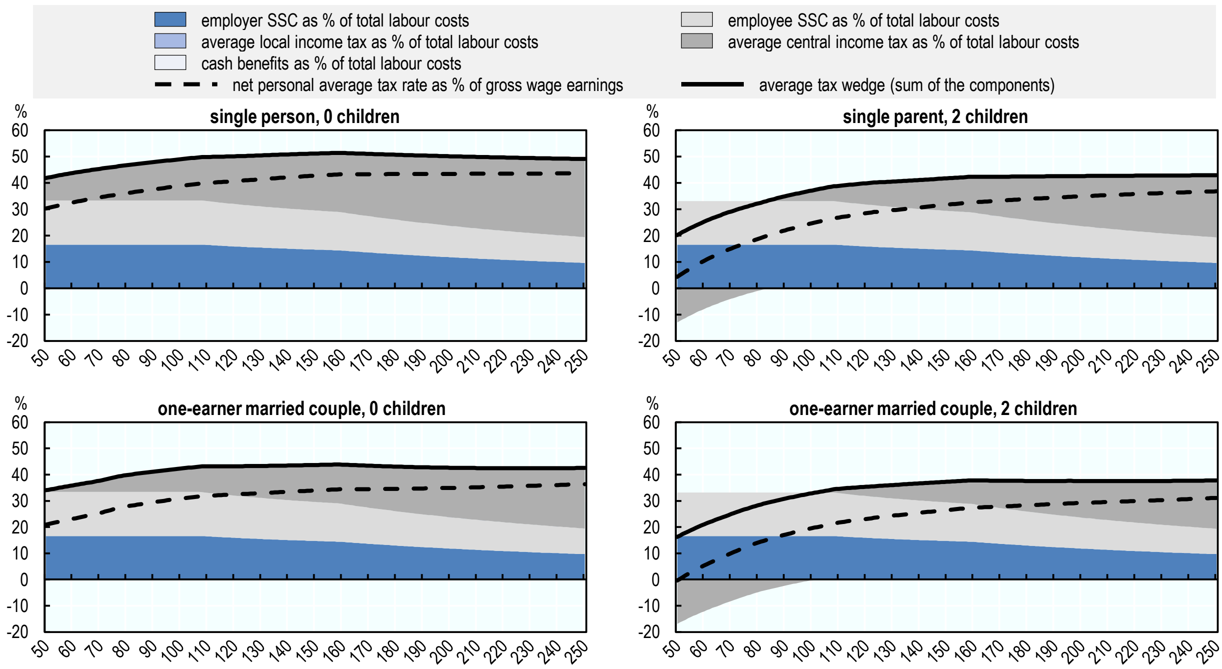
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/whf8gv

Germany 2020: average tax wedge decomposition

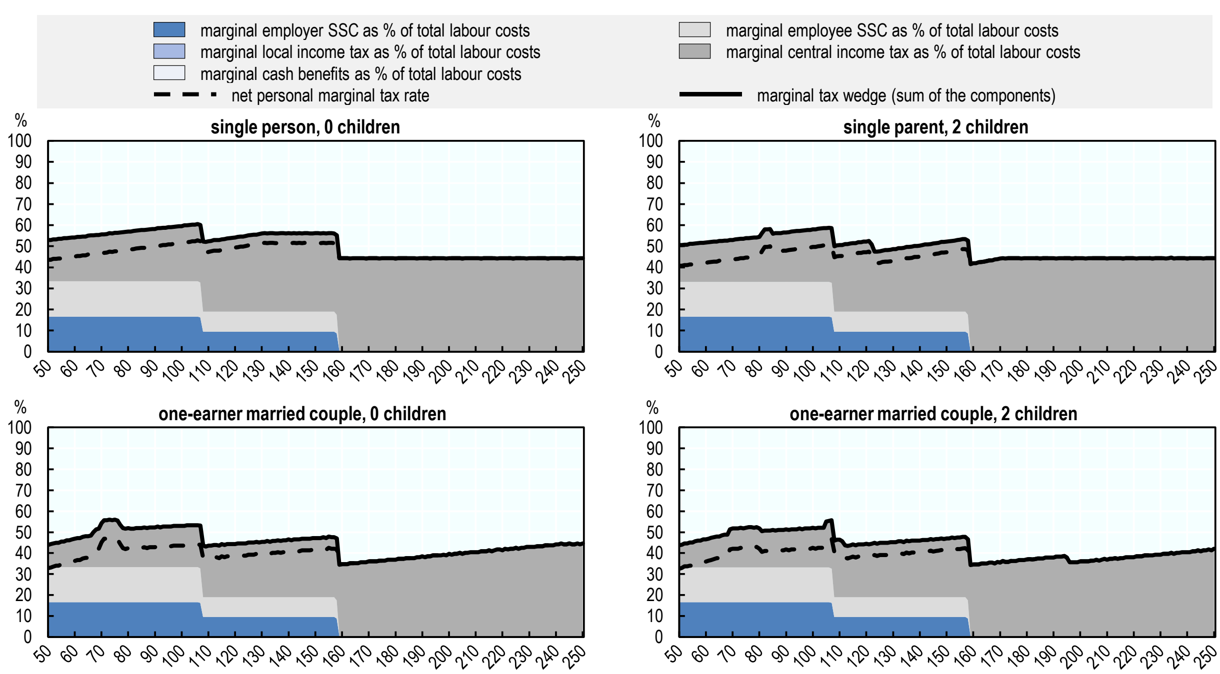
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/x7i3fb

Germany 2020: marginal tax wedge decomposition

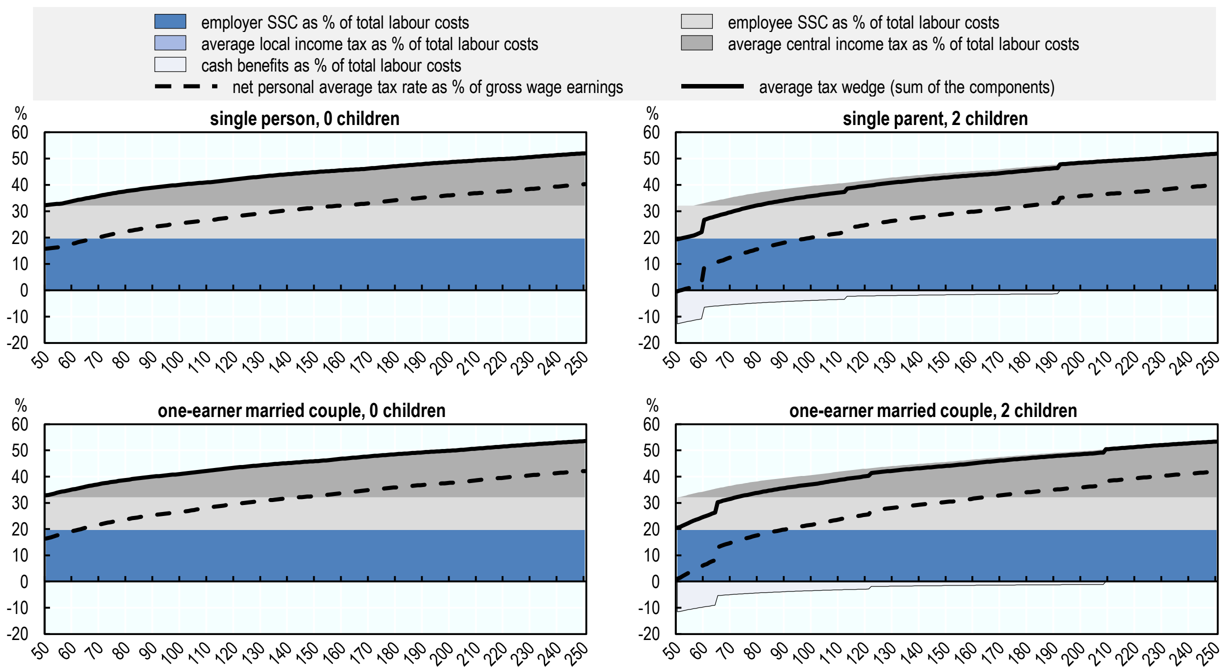
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/eifn3w

Greece 2020: average tax wedge decomposition

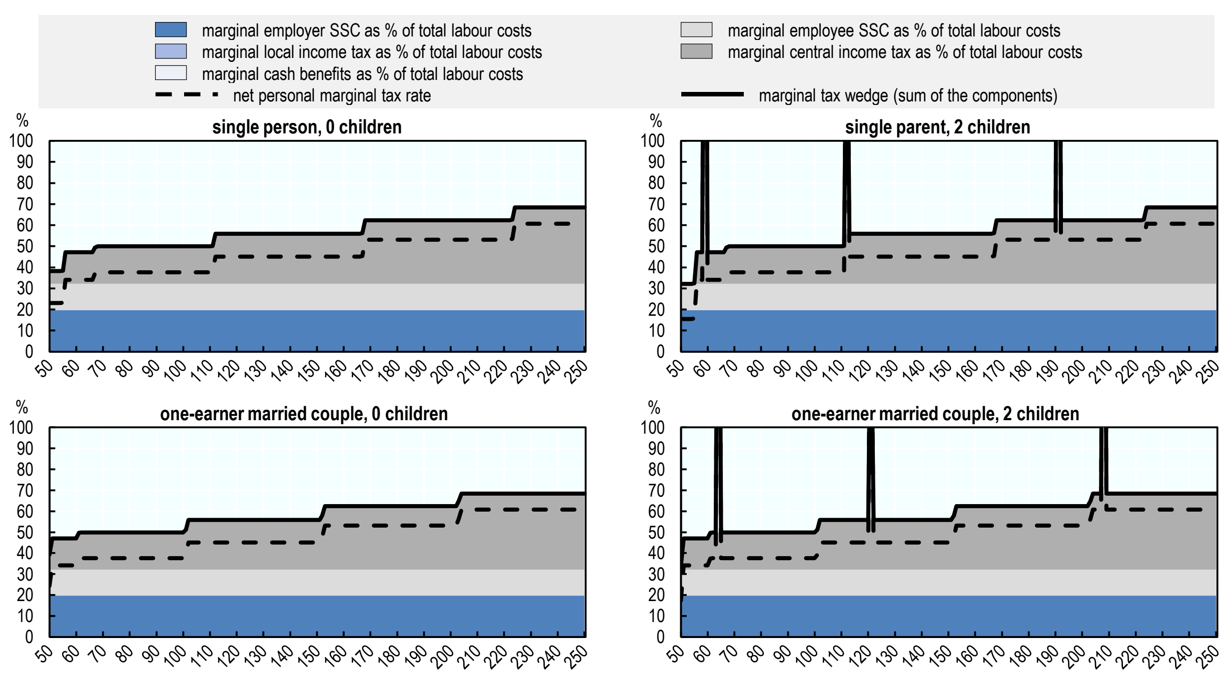
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/tbw3zu

Greece 2020: marginal tax wedge decomposition

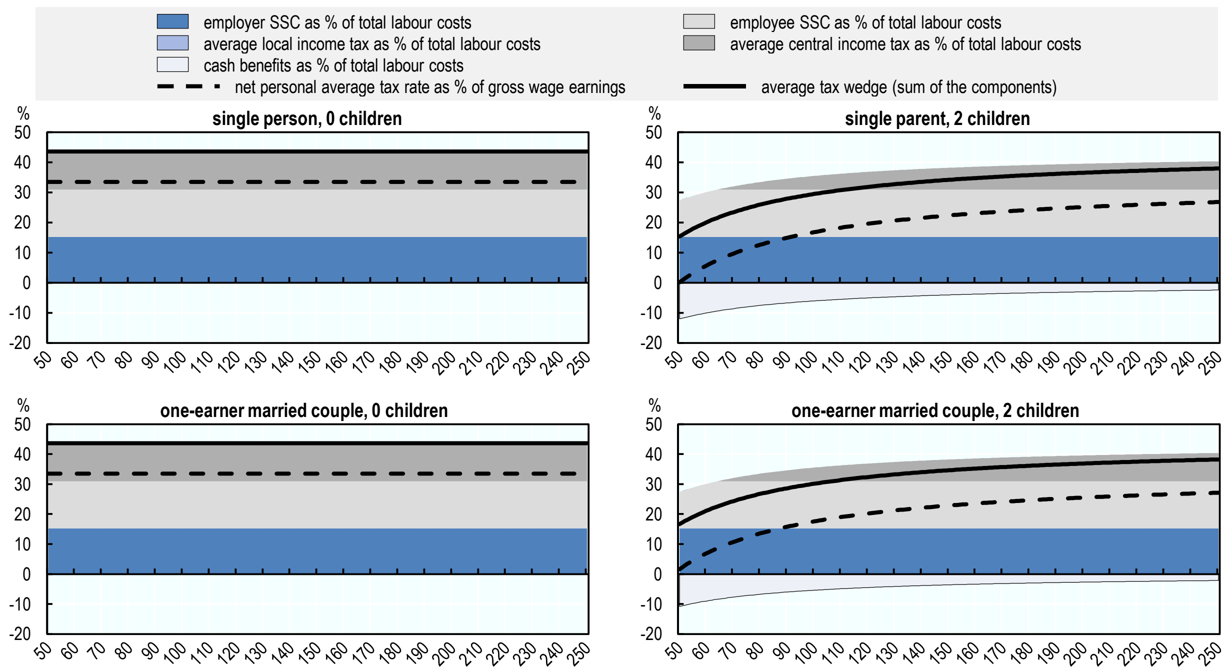
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/on2lsf

Hungary 2020: average tax wedge decomposition

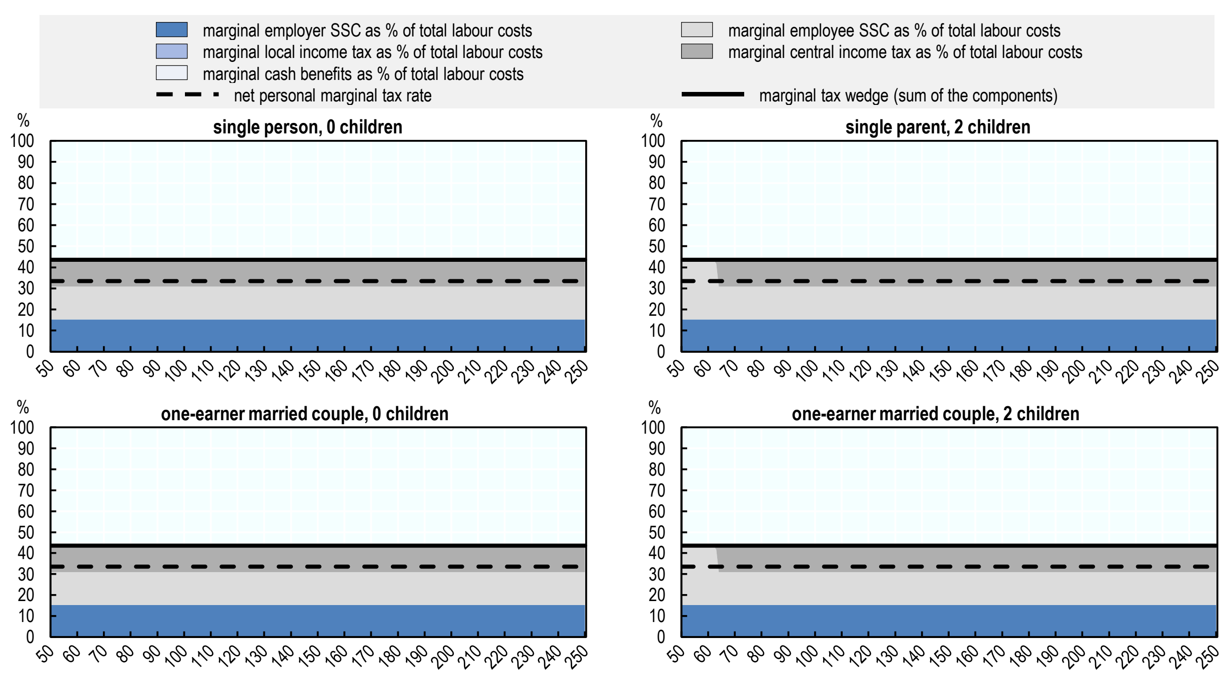
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/0iu6g1

Hungary 2020: marginal tax wedge decomposition

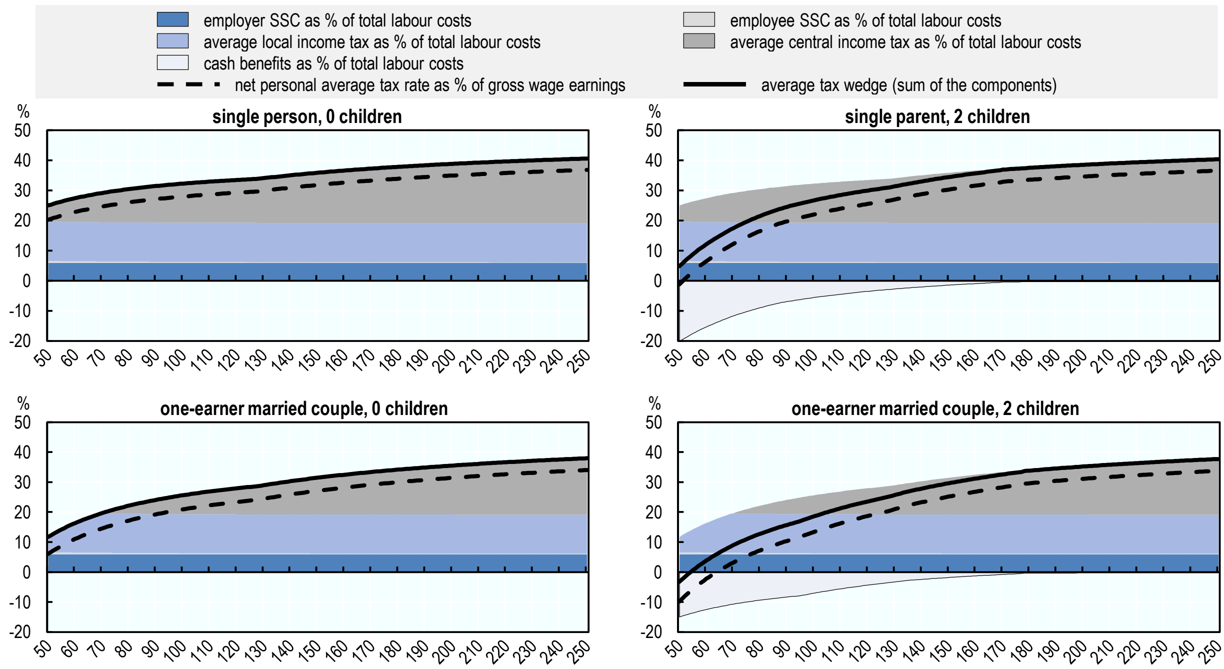
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/ghwsfc

Iceland 2020: average tax wedge decomposition

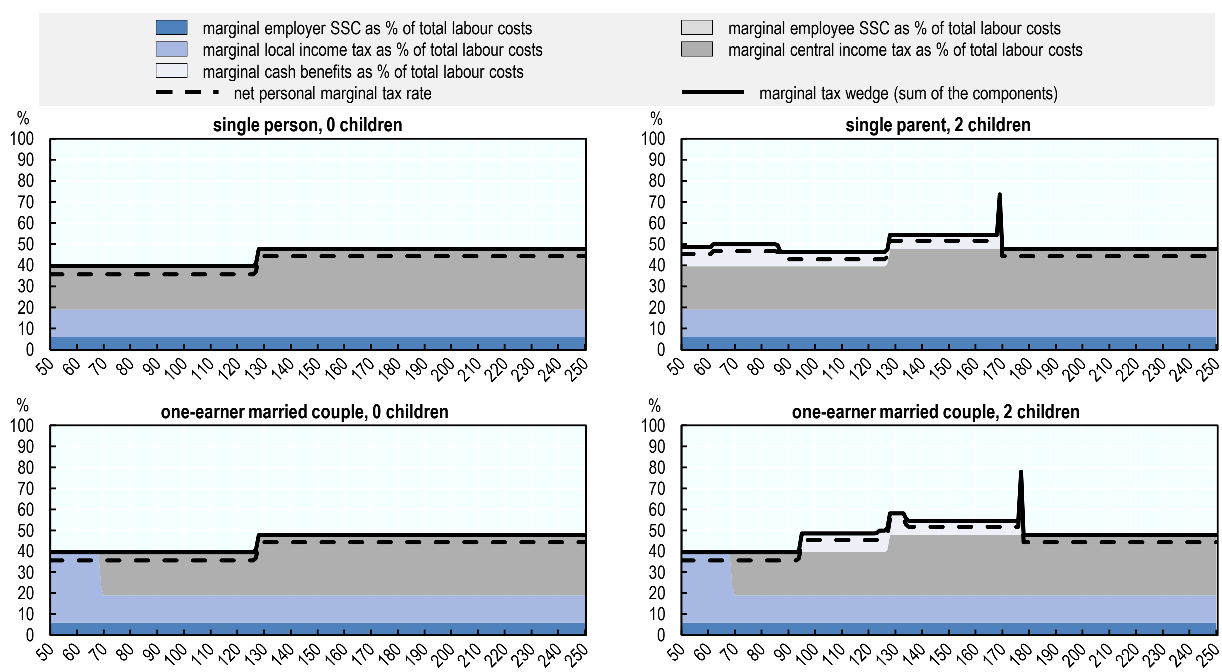
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/h3nxb5

Iceland 2020: marginal tax wedge decomposition

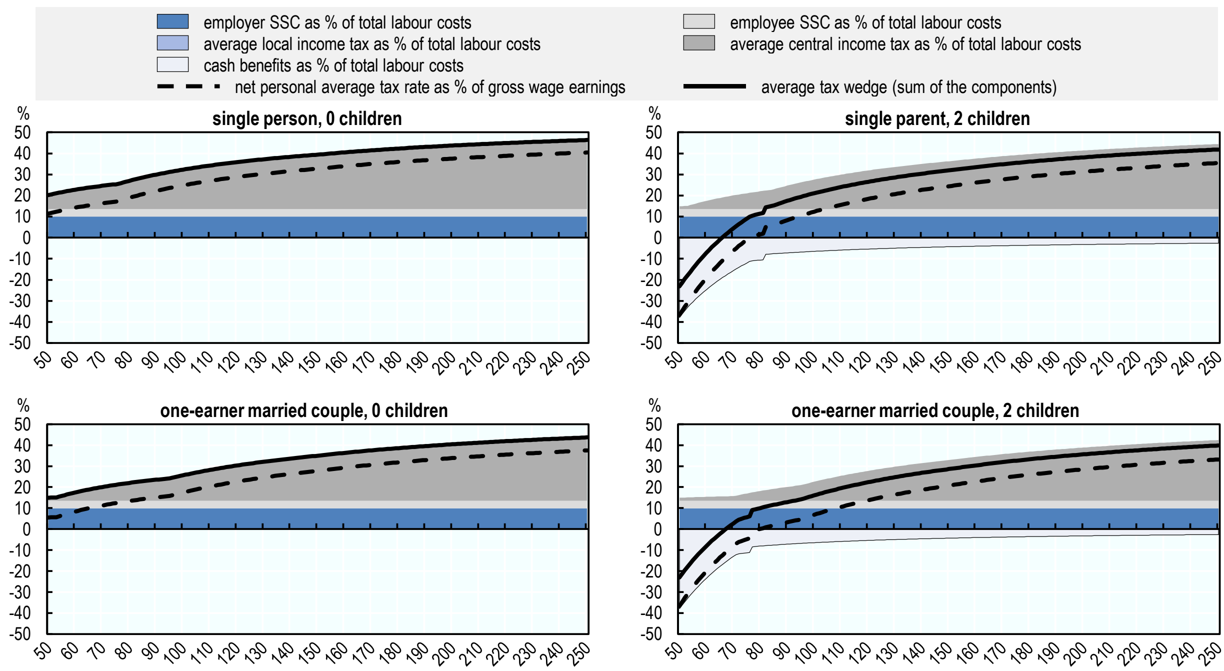
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/fyzplt

Ireland 2020: average tax wedge decomposition

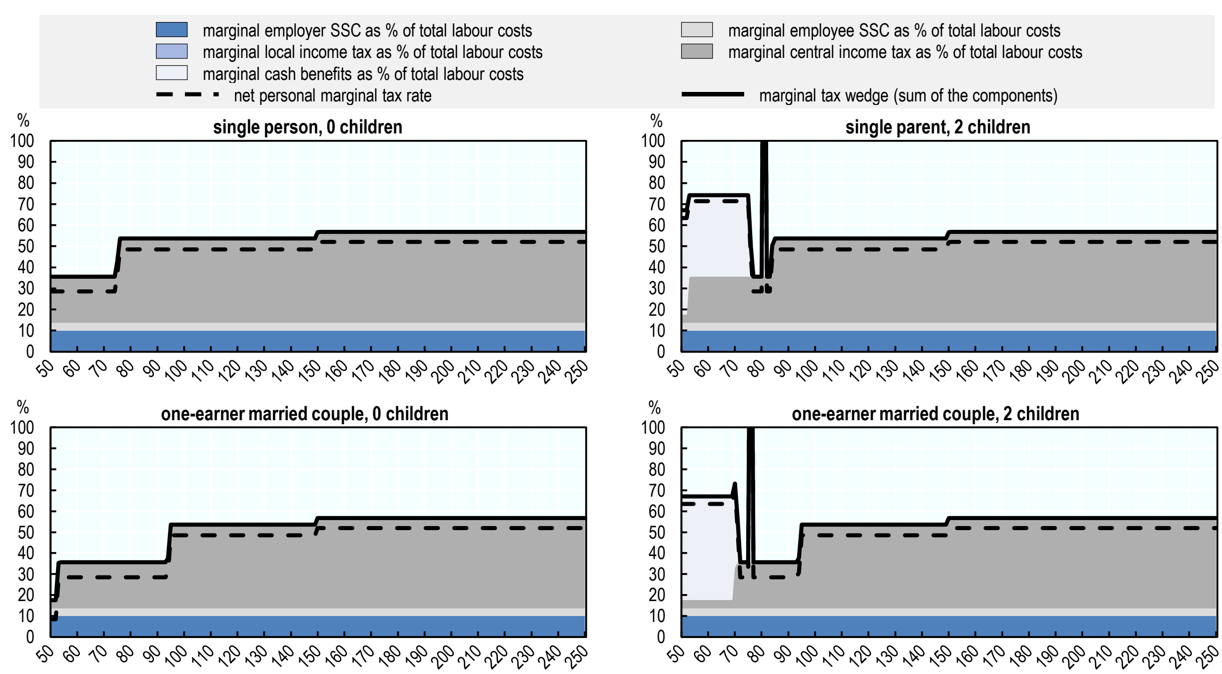
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/era3hg

Ireland 2020: marginal tax wedge decomposition

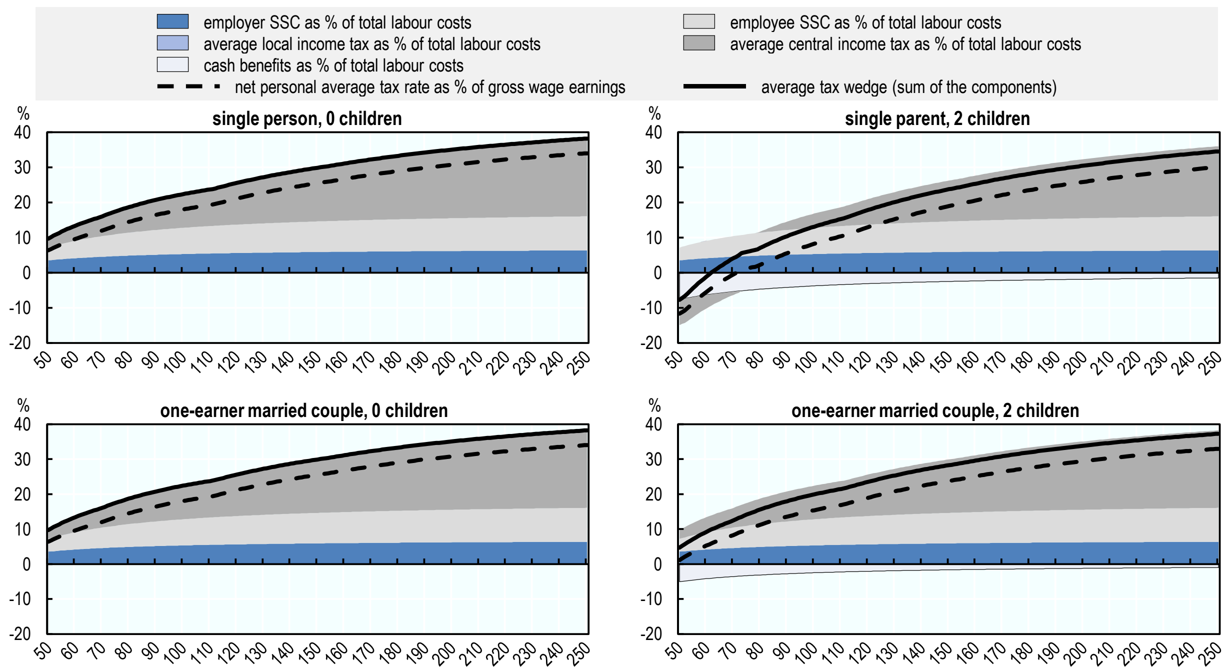
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/6bs2a8

Israel 2020: average tax wedge decomposition

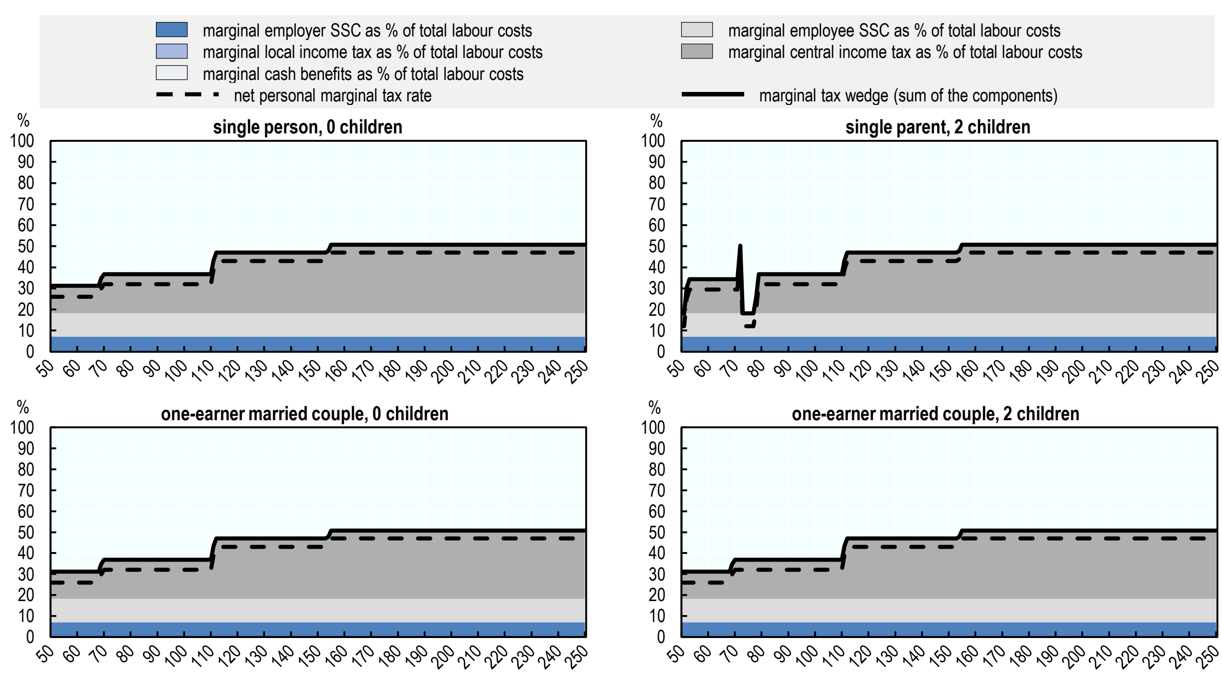
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/trpynf

Israel 2020: marginal tax wedge decomposition

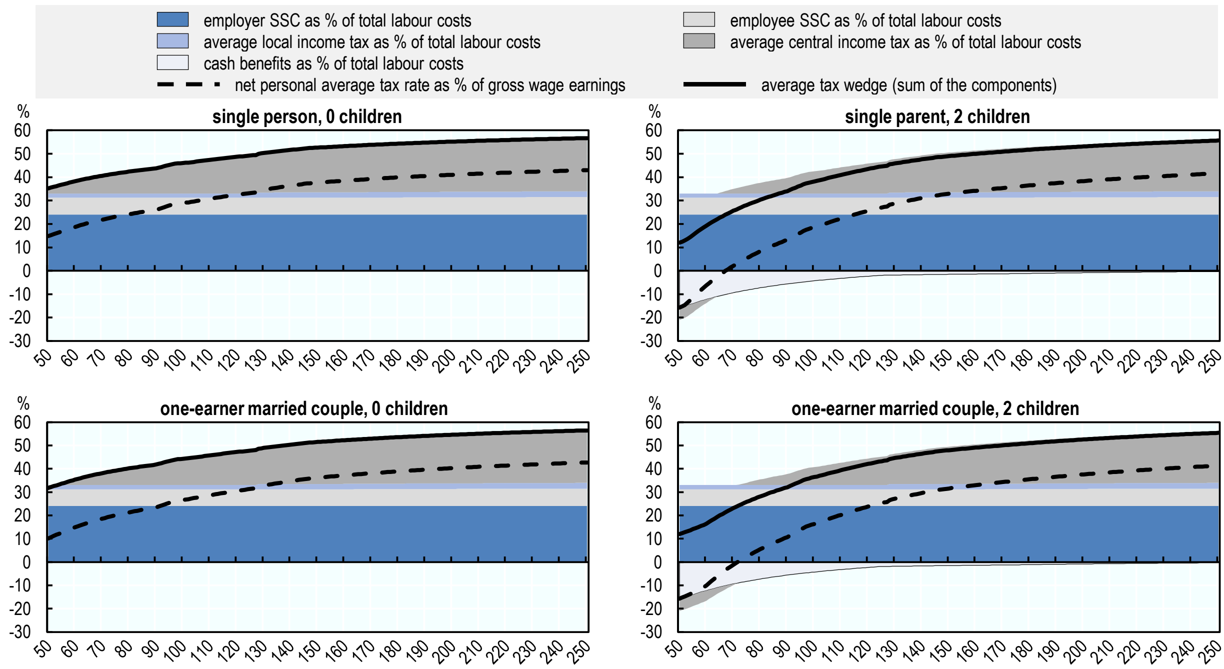
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/uk90bs

Italy 2020: average tax wedge decomposition

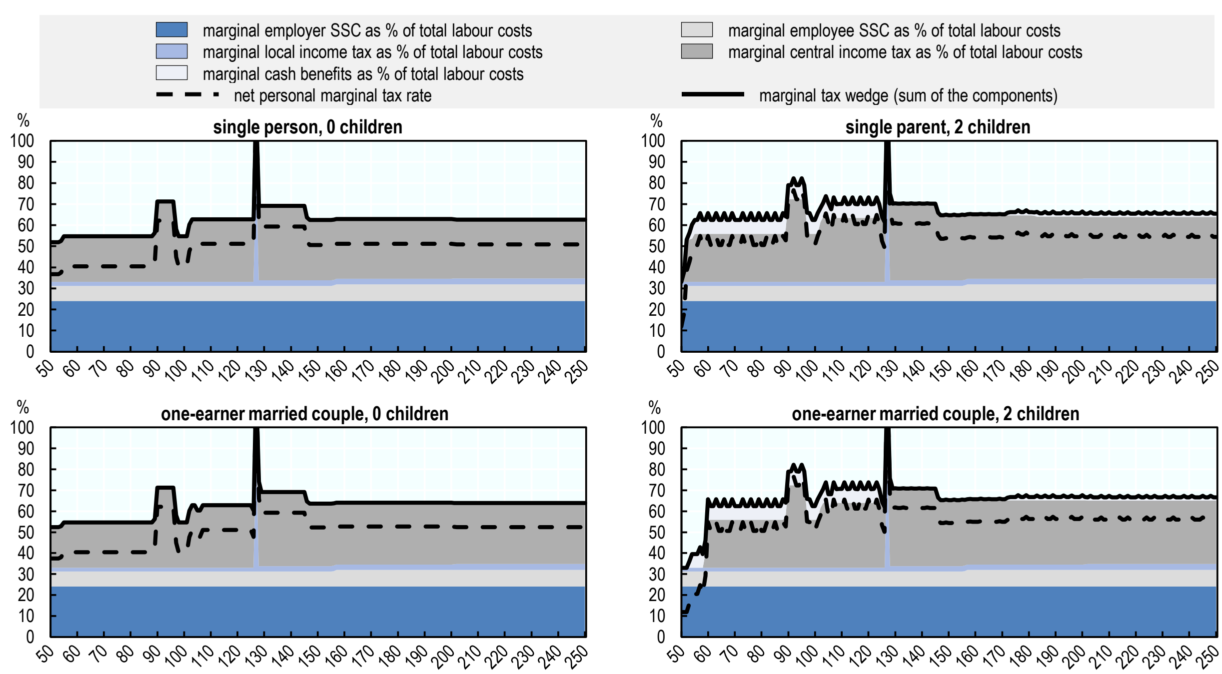
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/5u3fjb

Italy 2020: marginal tax wedge decomposition

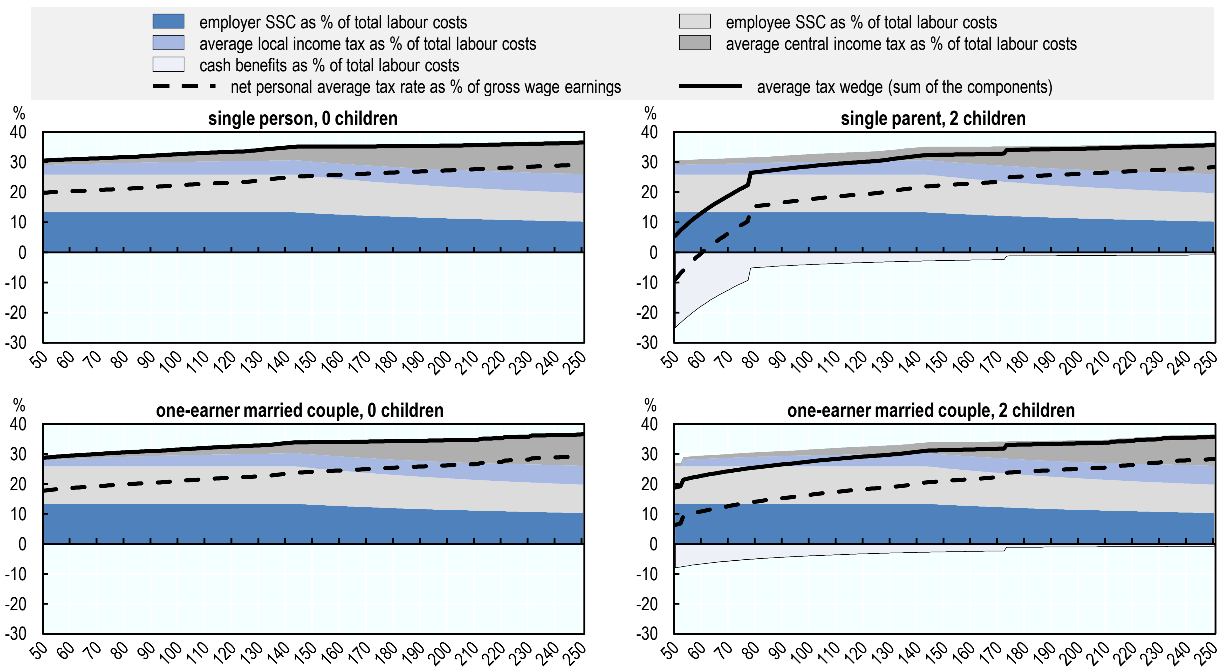
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/586tof

Japan 2020: average tax wedge decomposition

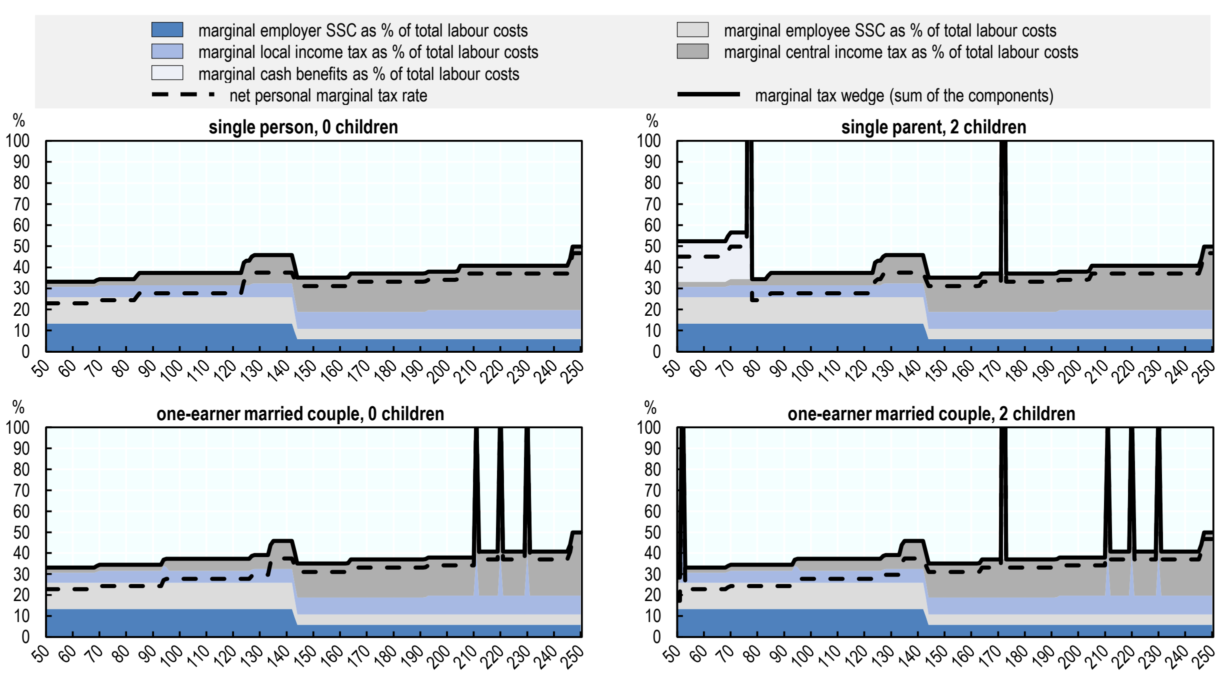
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/mcil9b

Japan 2020: marginal tax wedge decomposition

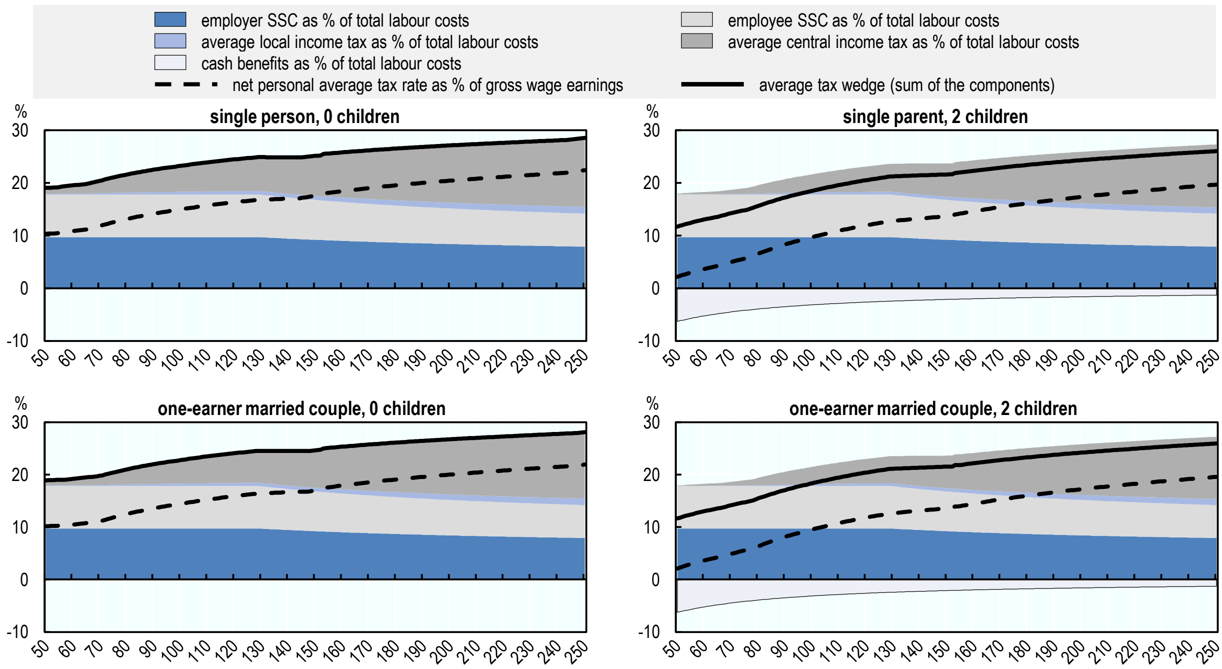
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/qvbi0z

Korea 2020: average tax wedge decomposition

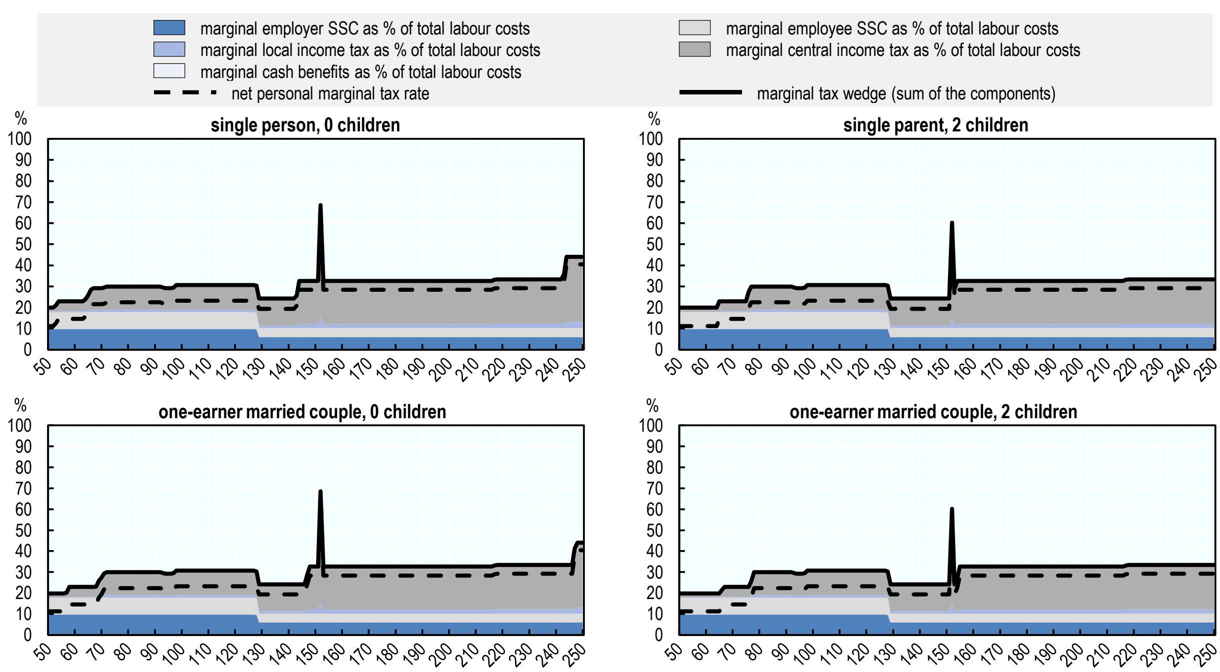
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/72lzmc

Korea 2020: marginal tax wedge decomposition

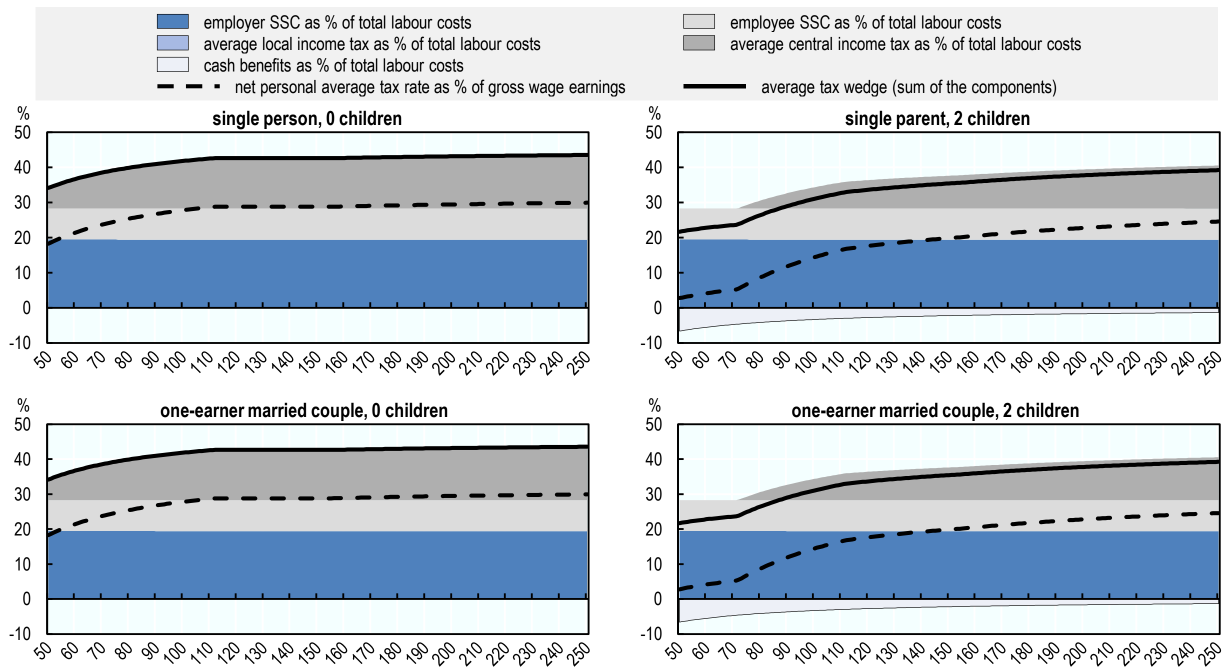
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/ukn2jr

Latvia 2020: average tax wedge decomposition

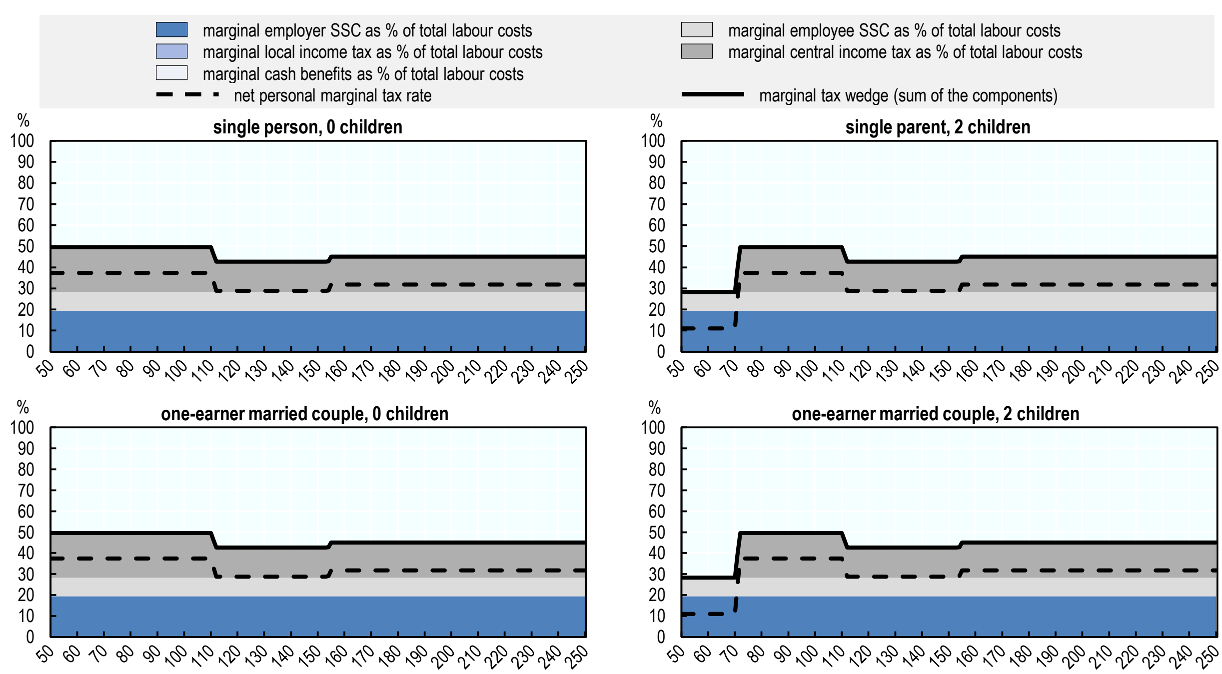
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/kphs7e

Latvia 2020: marginal tax wedge decomposition

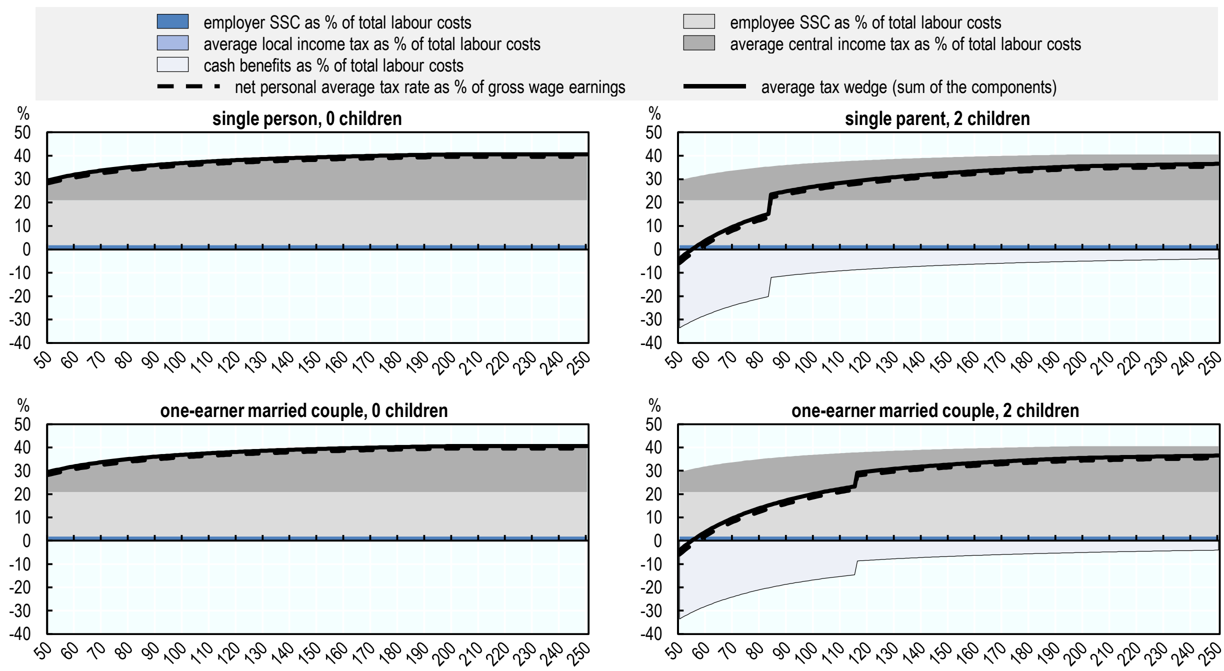
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/qr36od

Lithuania 2020: average tax wedge decomposition

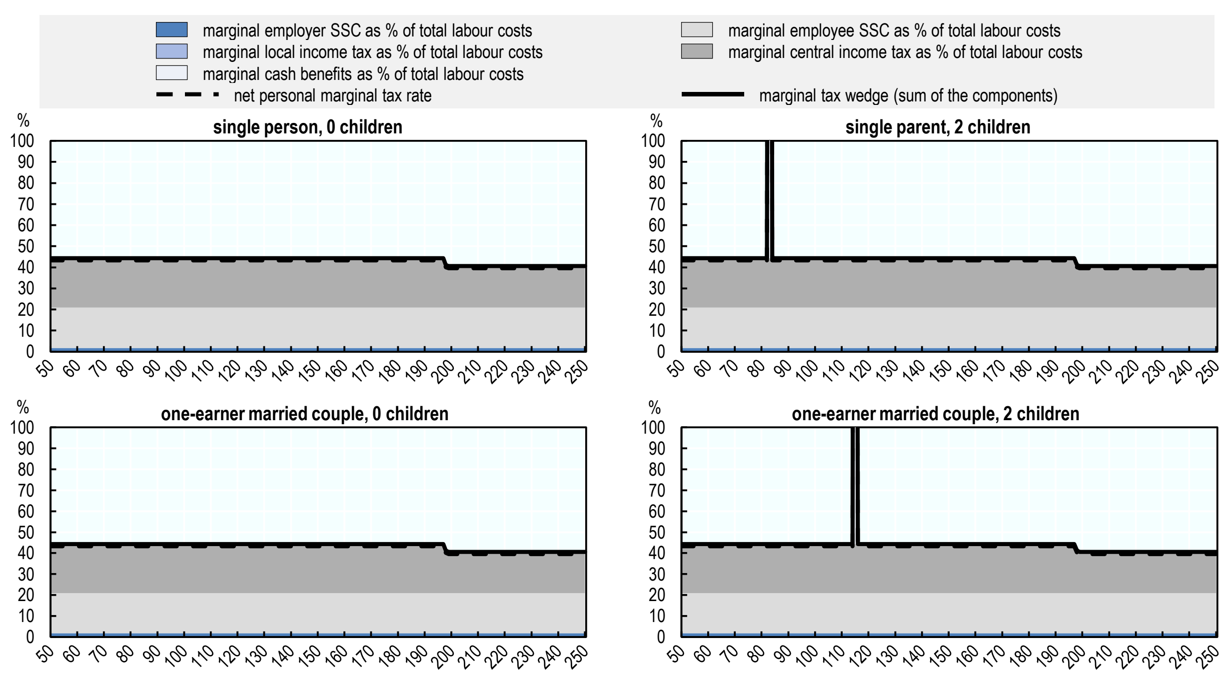
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/svx9wt

Lithuania 2020: marginal tax wedge decomposition

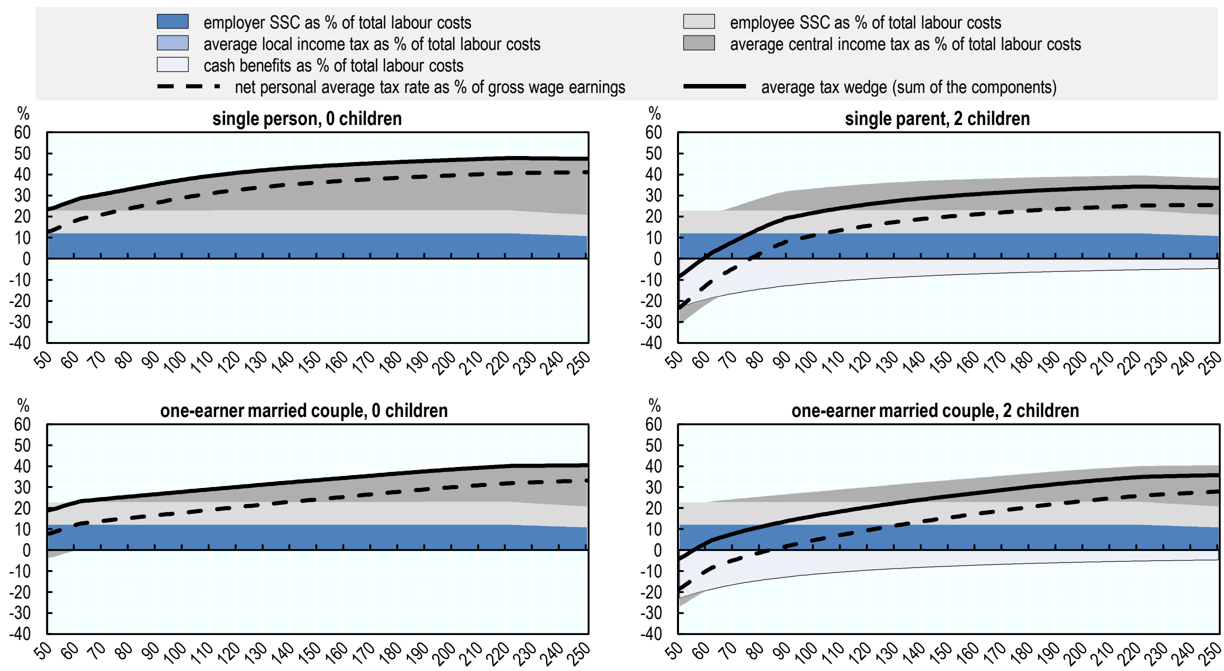
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/m327qy

Luxembourg 2020: average tax wedge decomposition

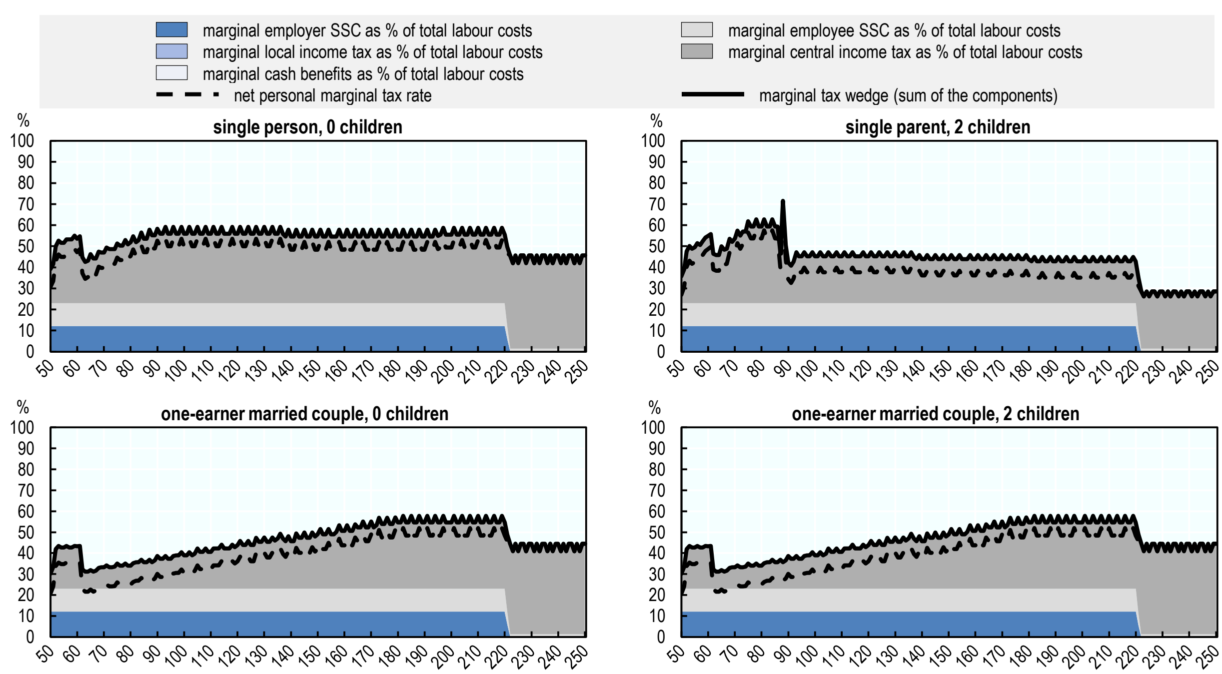
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/f7n04m

Luxembourg 2020: marginal tax wedge decomposition

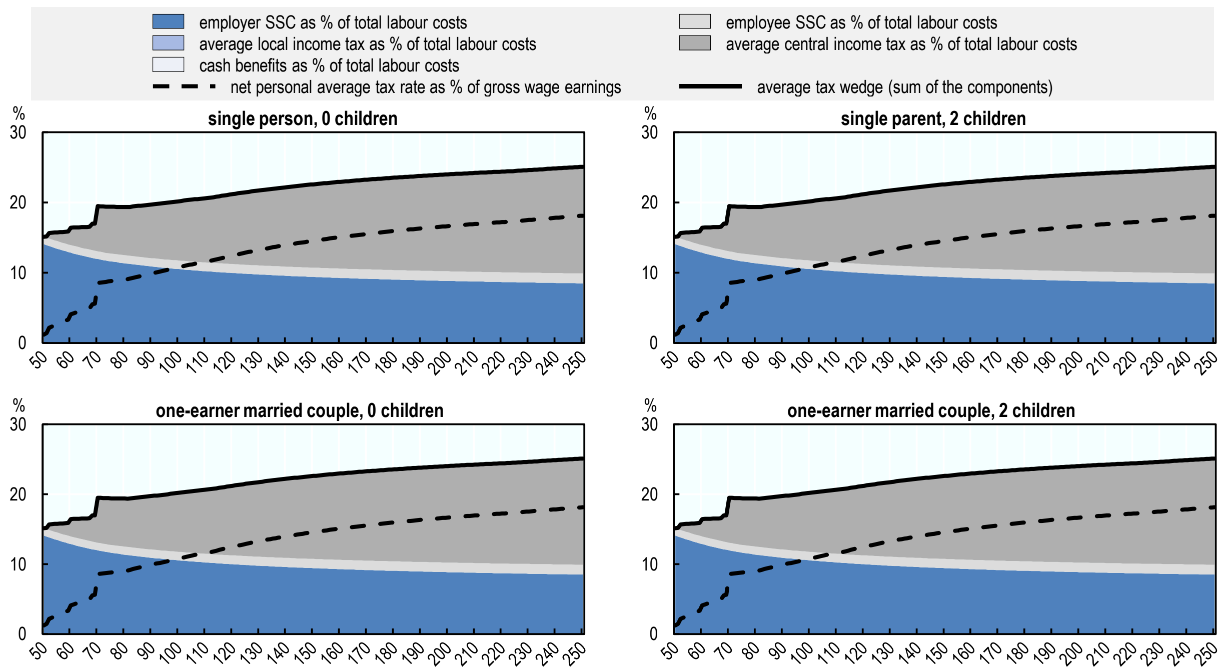
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/9yrj4x

Mexico 2020: average tax wedge decomposition

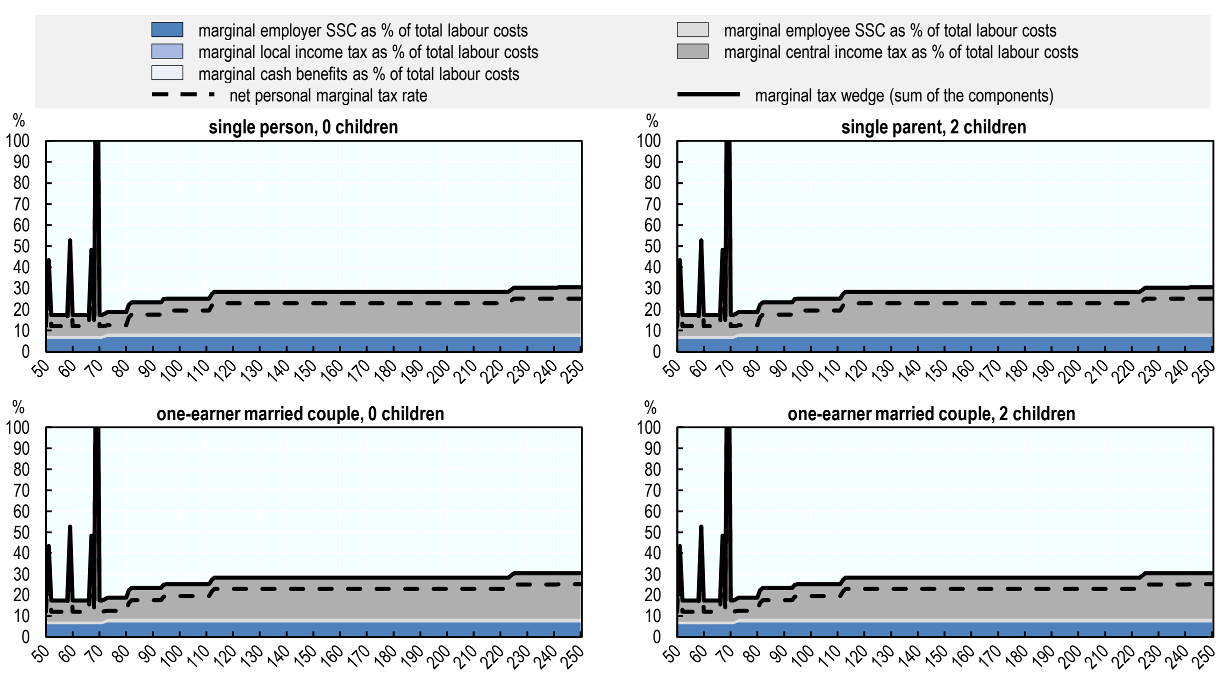
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/xm3q15

Mexico 2020: marginal tax wedge decomposition

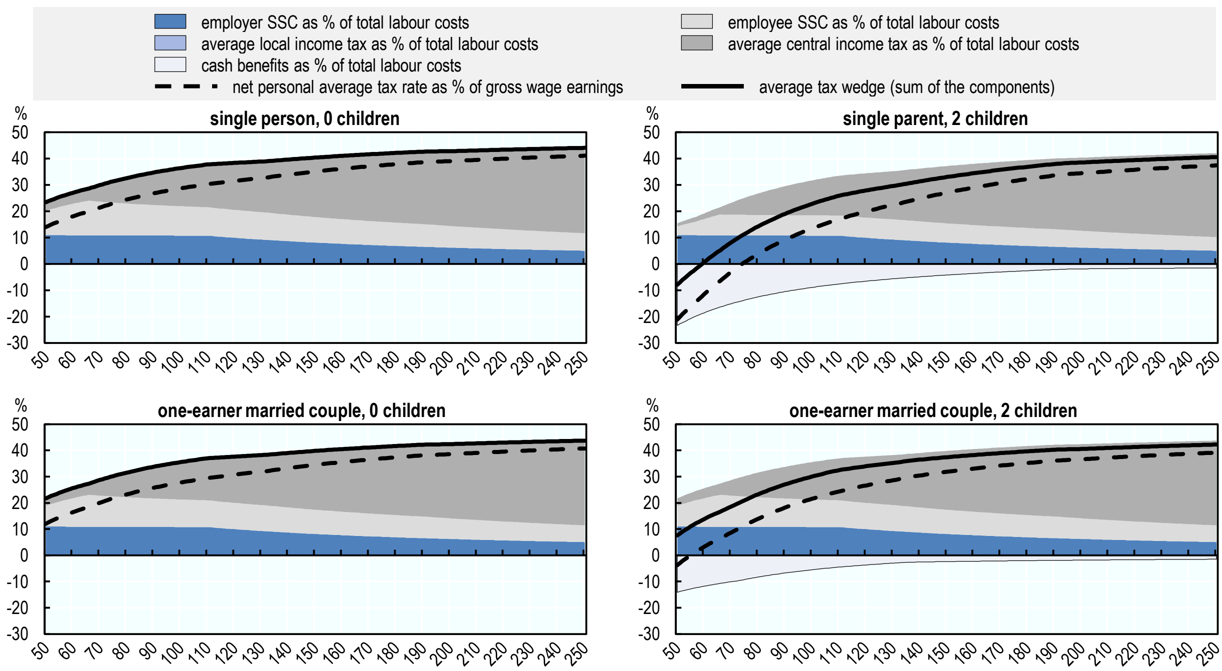
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/l1k8nz

Netherlands 2020: average tax wedge decomposition

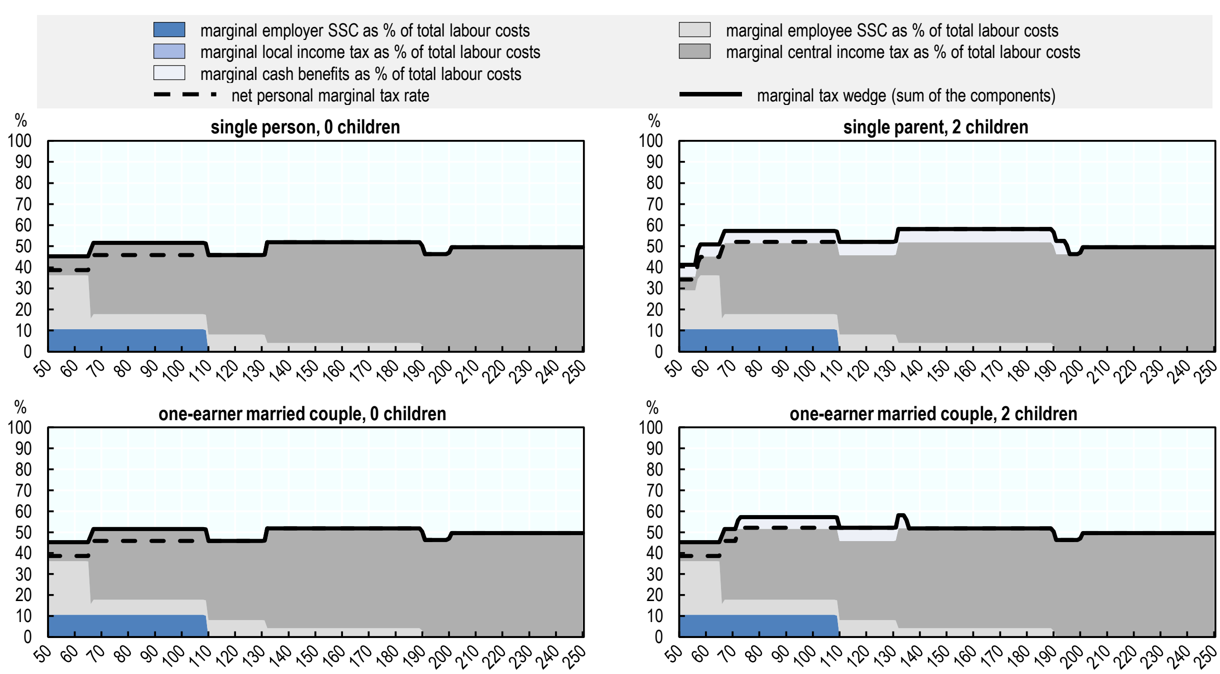
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/1doe59

Netherlands 2020: marginal tax wedge decomposition

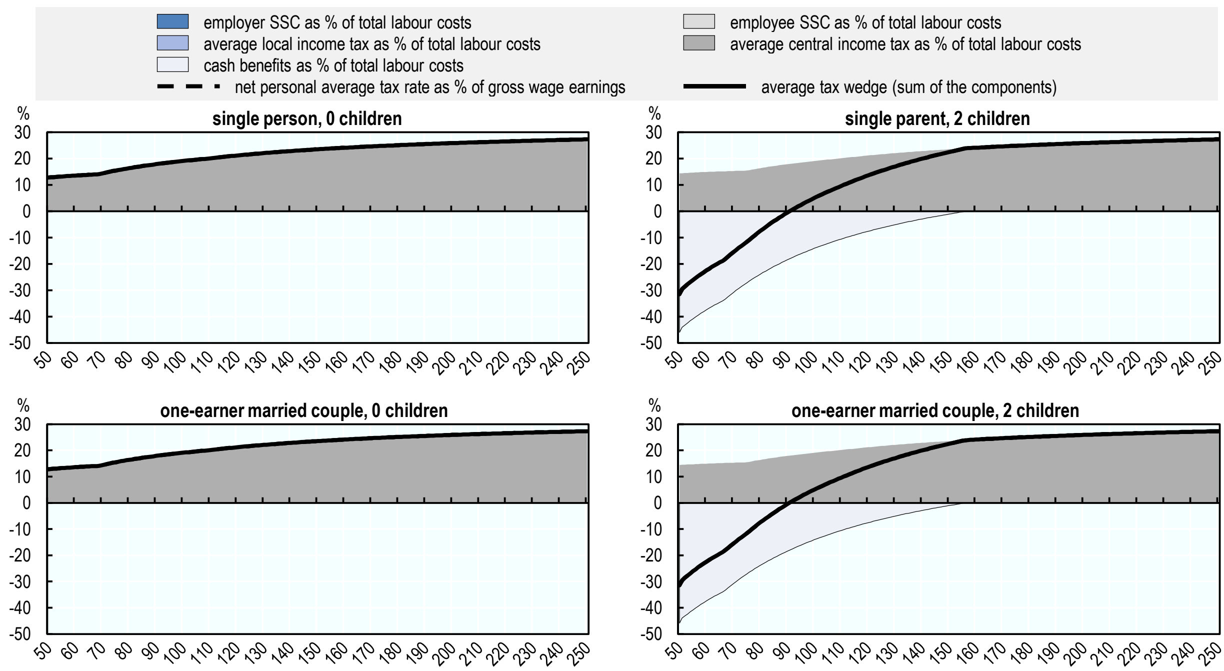
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/cnt9r5

New Zealand 2020: average tax wedge decomposition

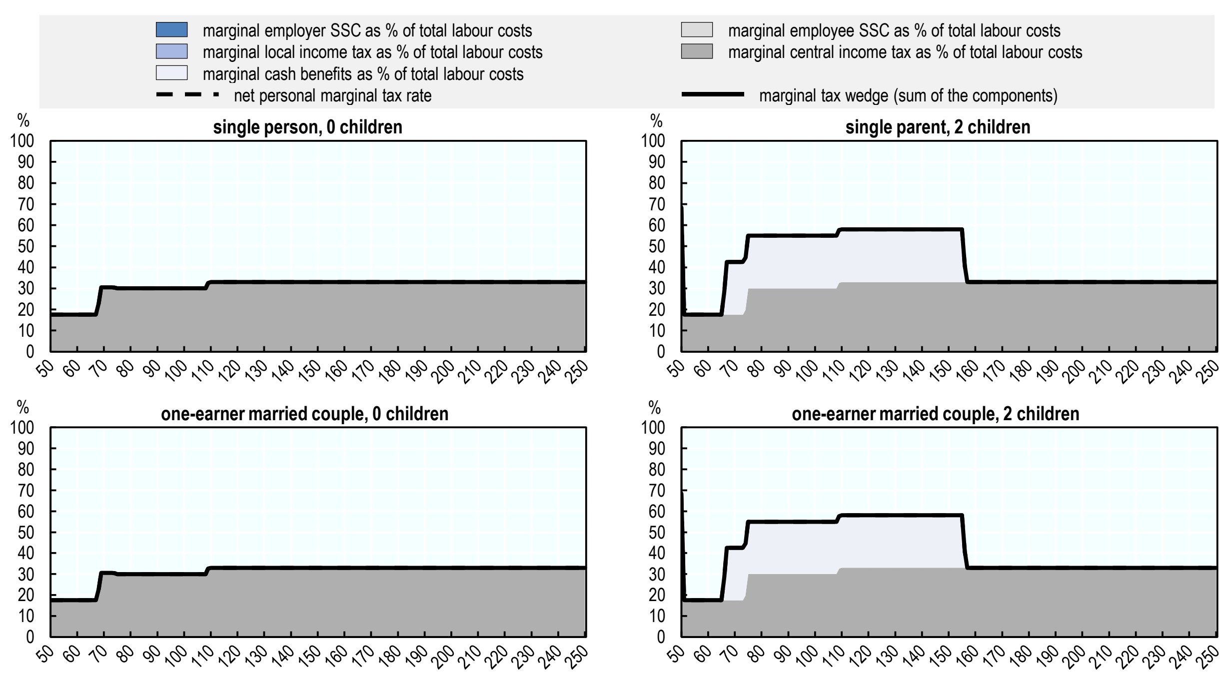
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/wl2ajy

New Zealand 2020: marginal tax wedge decomposition

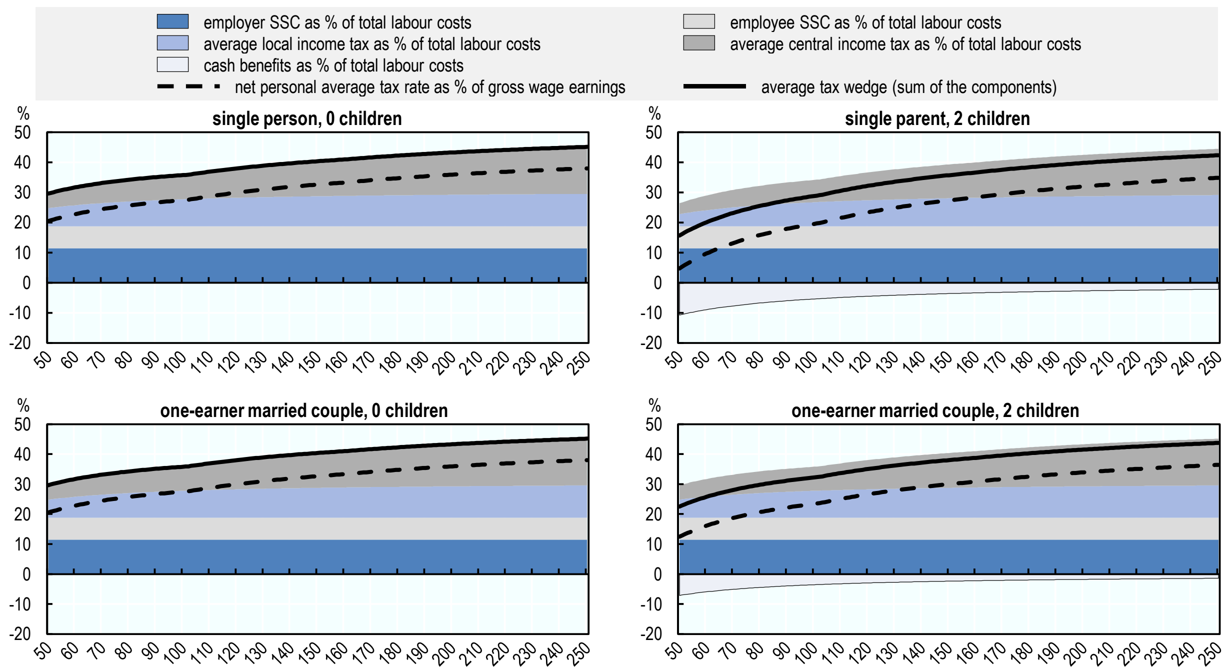
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/1gjmlf

Norway 2020: average tax wedge decomposition

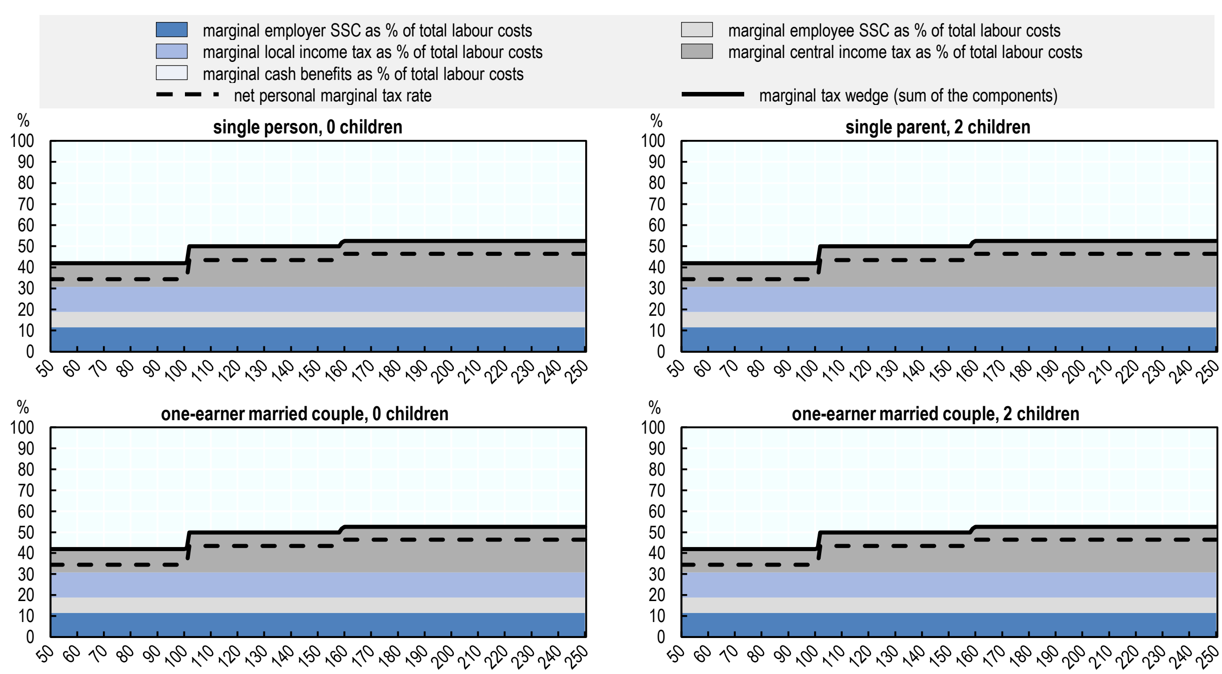
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/m7kqau

Norway 2020: marginal tax wedge decomposition

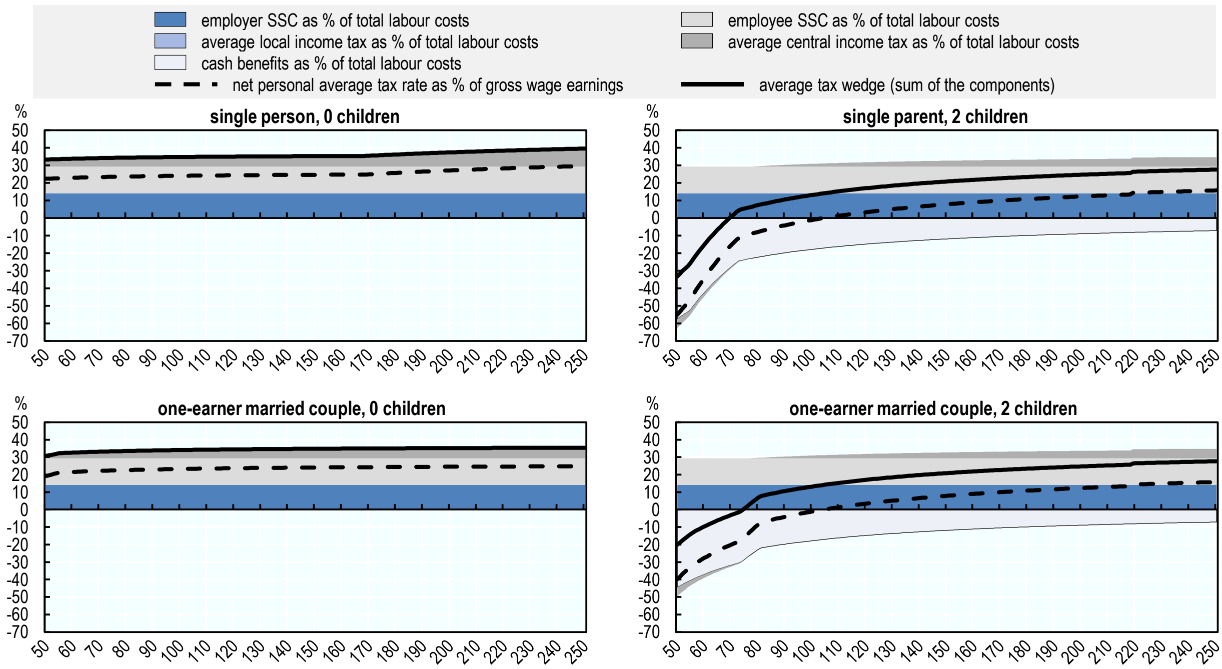
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/dps5c8

Poland 2020: average tax wedge decomposition

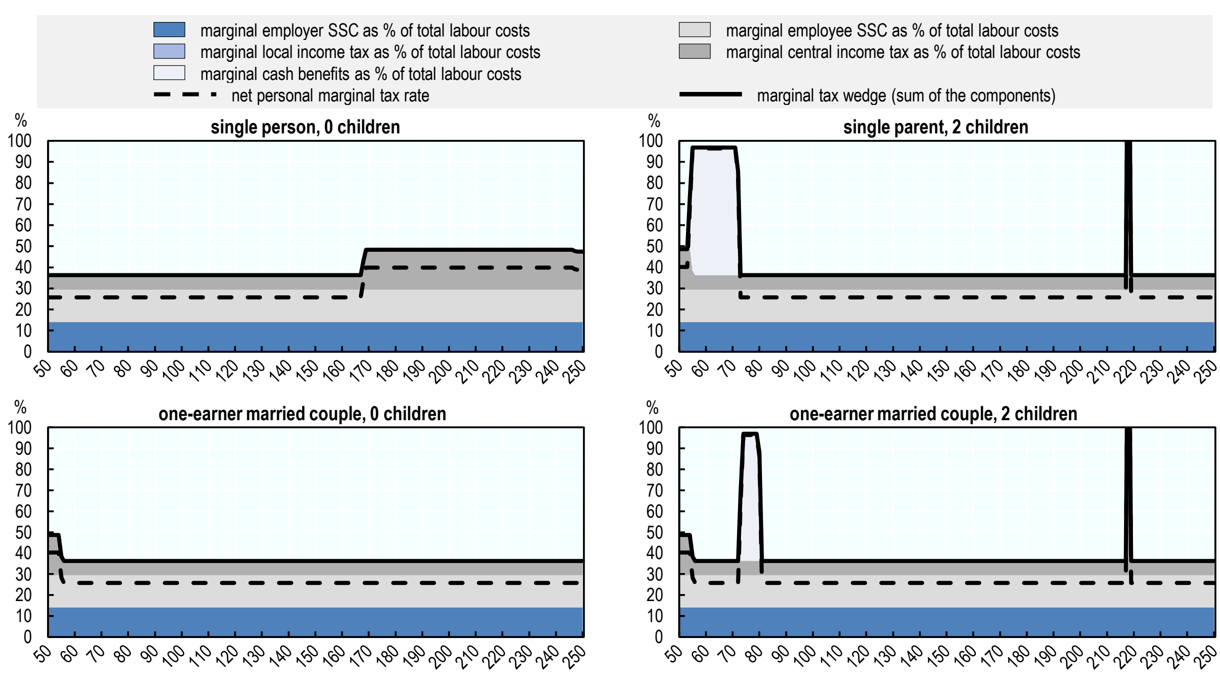
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/5lozy2

Poland 2020: marginal tax wedge decomposition

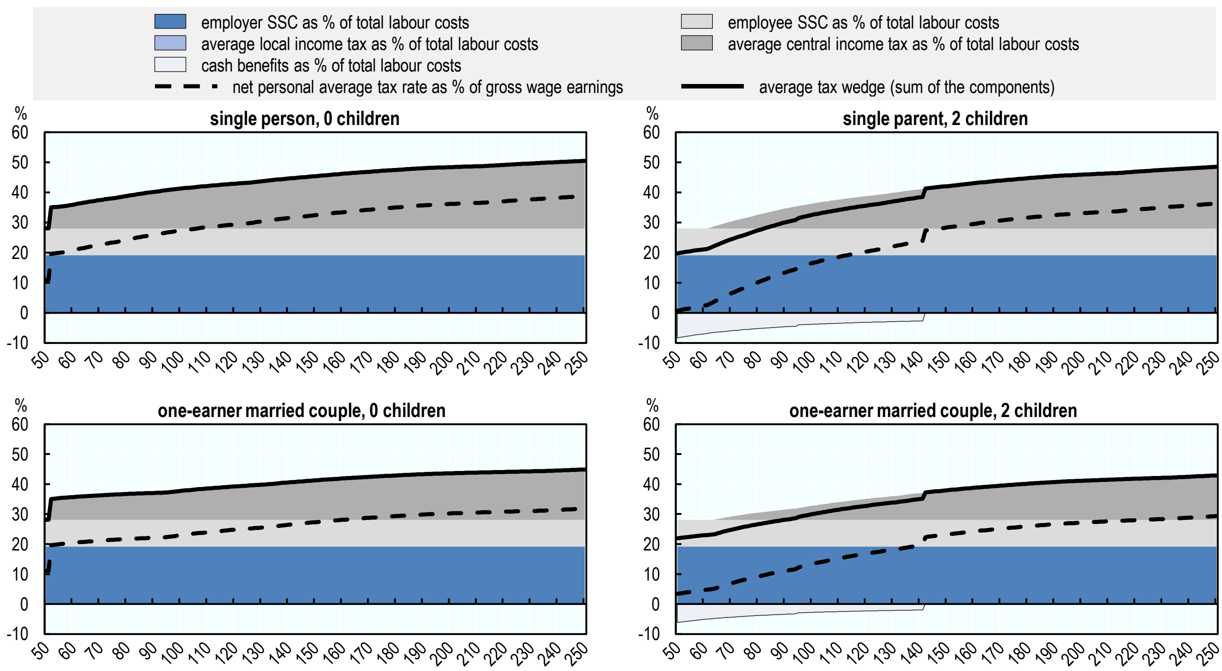
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/7edu6l

Portugal 2020: average tax wedge decomposition

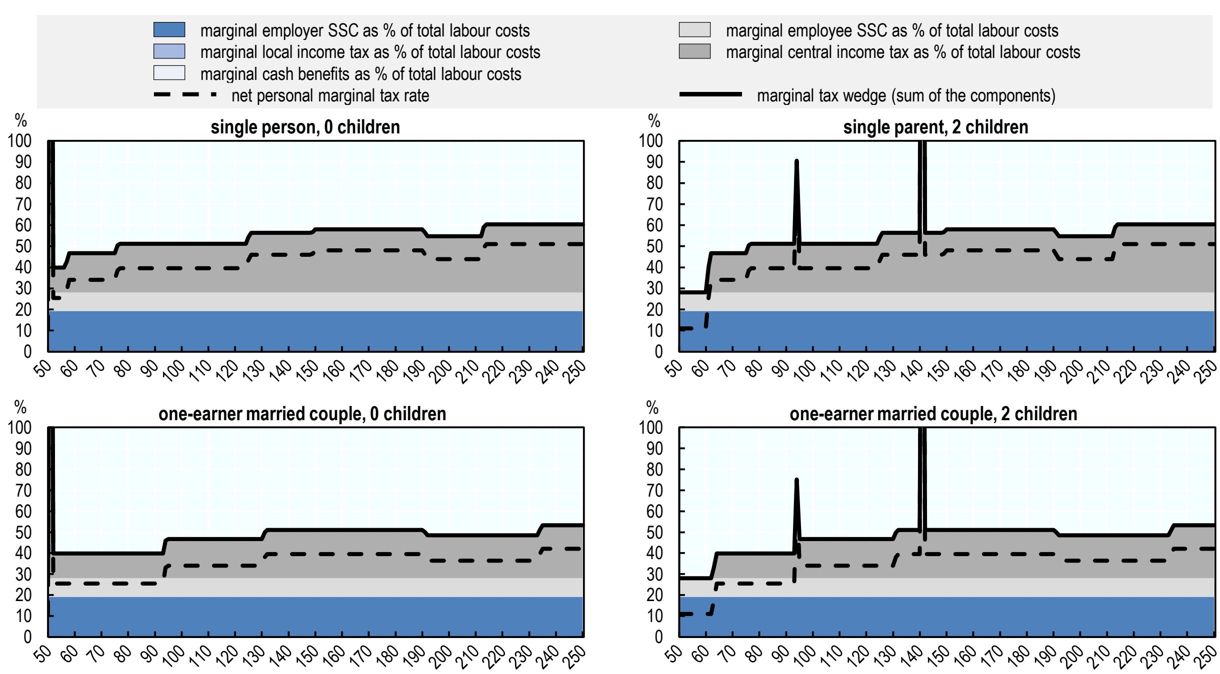
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/fy96gn

Portugal 2020: marginal tax wedge decomposition

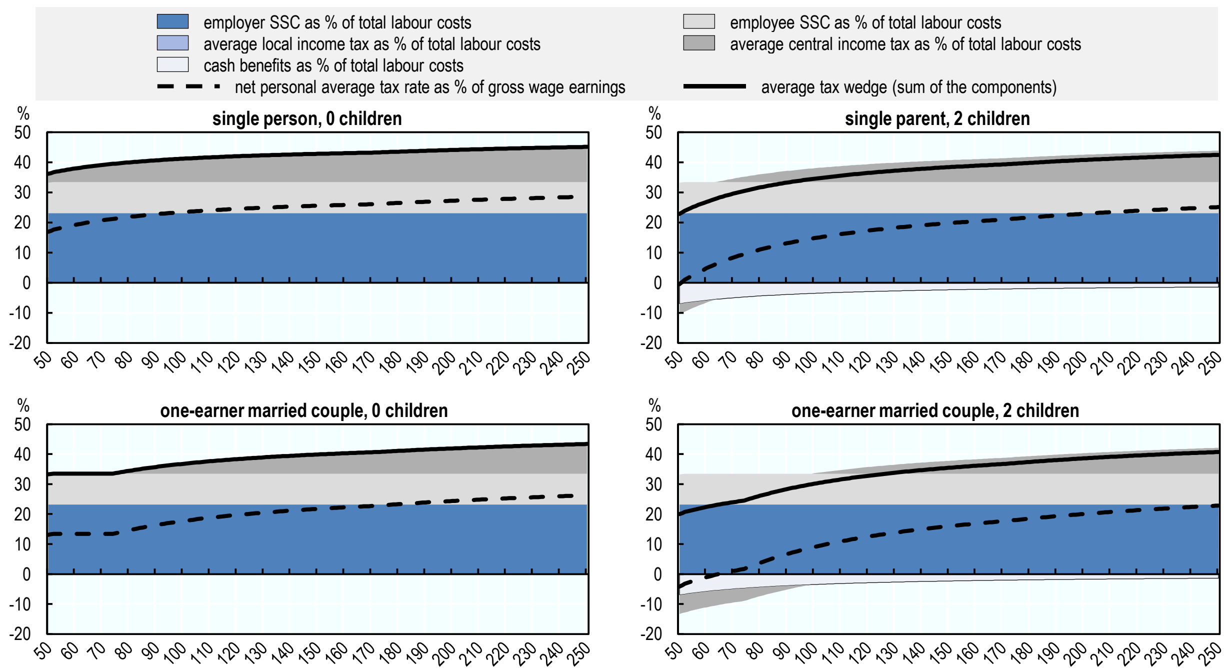
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/6pw5mo

Slovak Republic 2020: average tax wedge decomposition

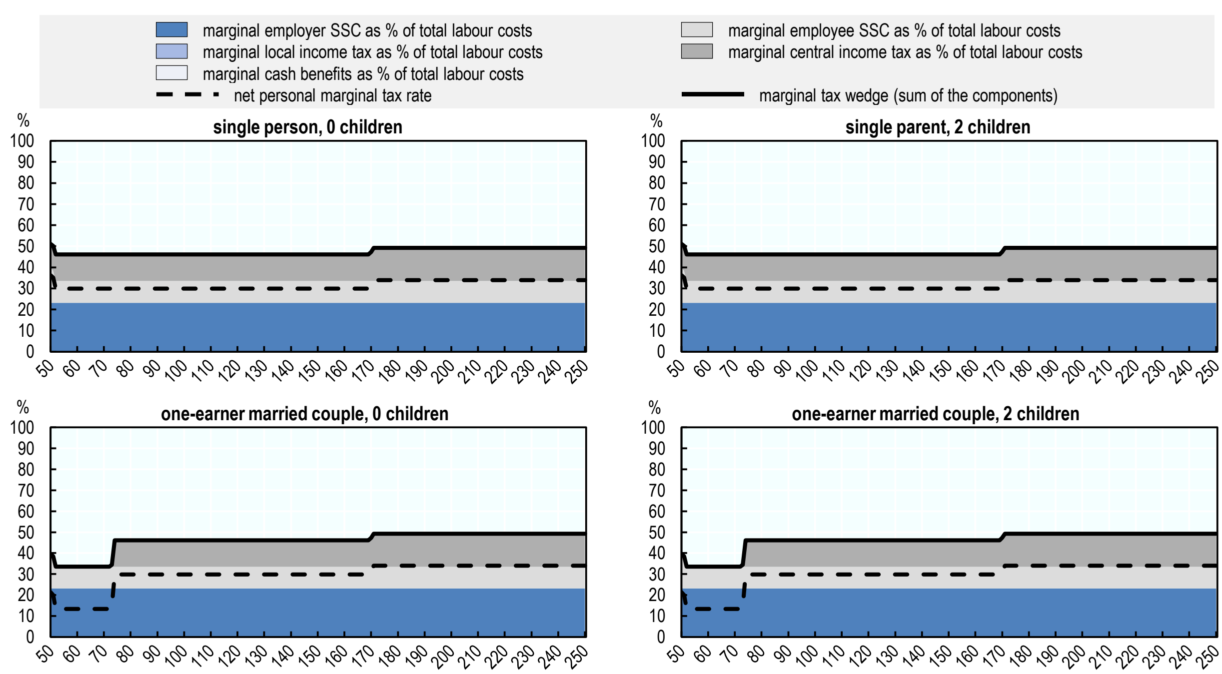
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/1xdet3

Slovak Republic 2020: marginal tax wedge decomposition

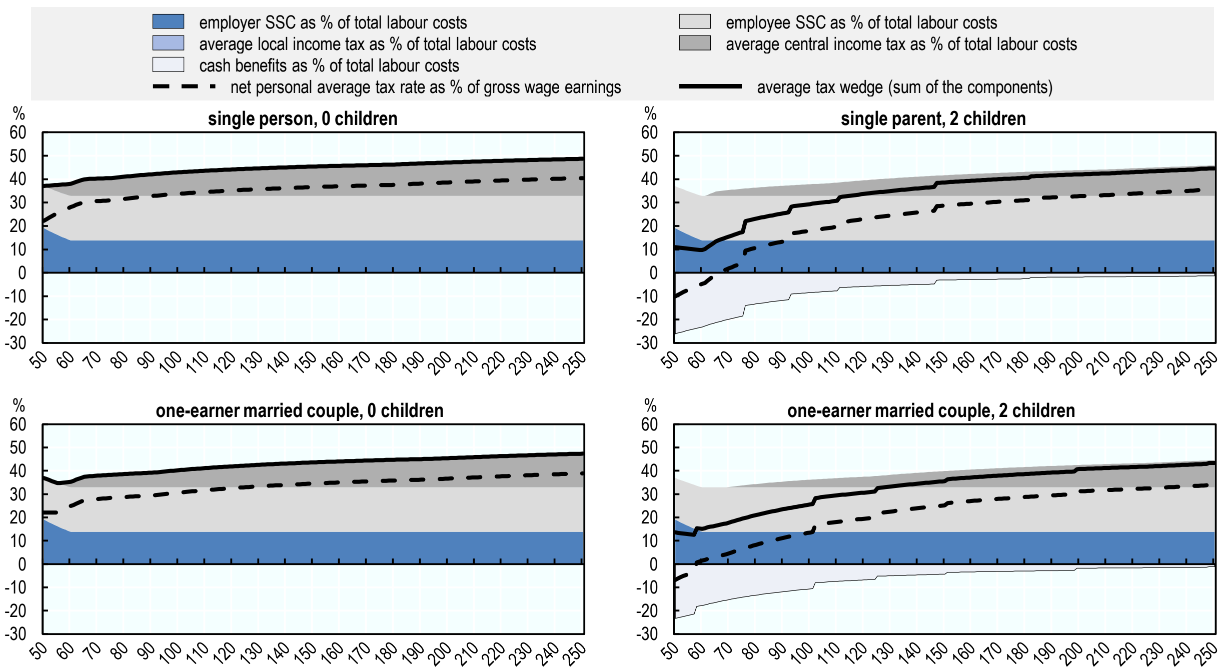
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/av0z9o

Slovenia 2020: average tax wedge decomposition

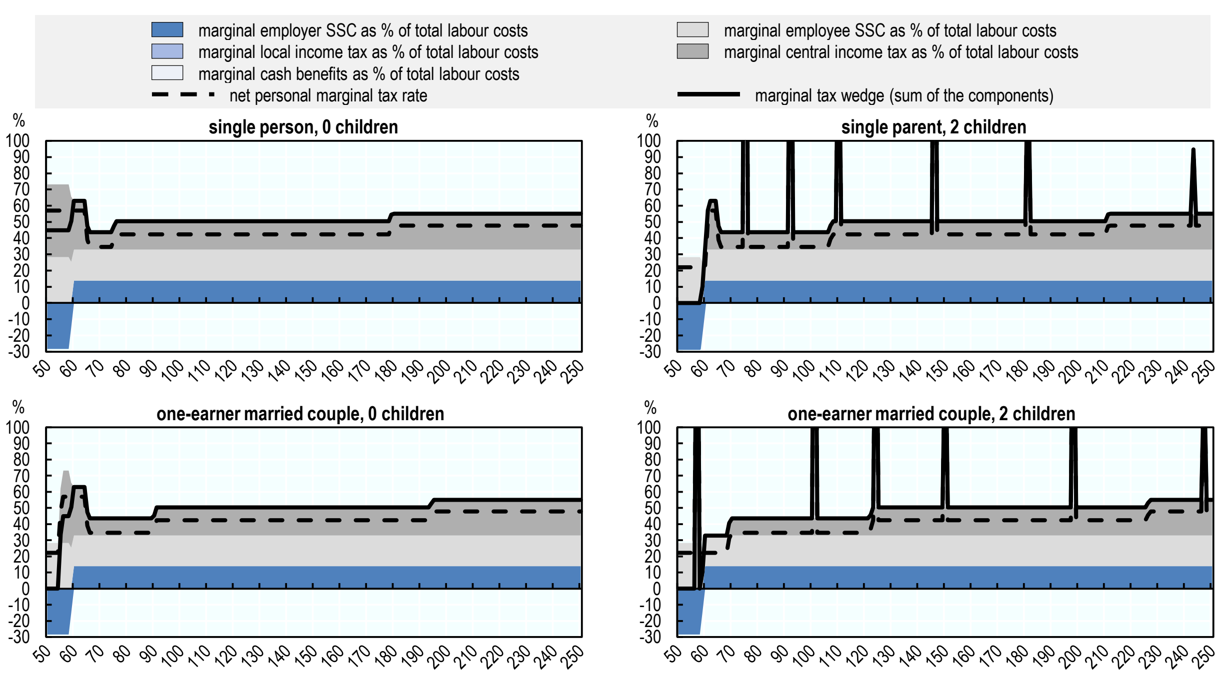
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/e2154l

Slovenia 2020: marginal tax wedge decomposition

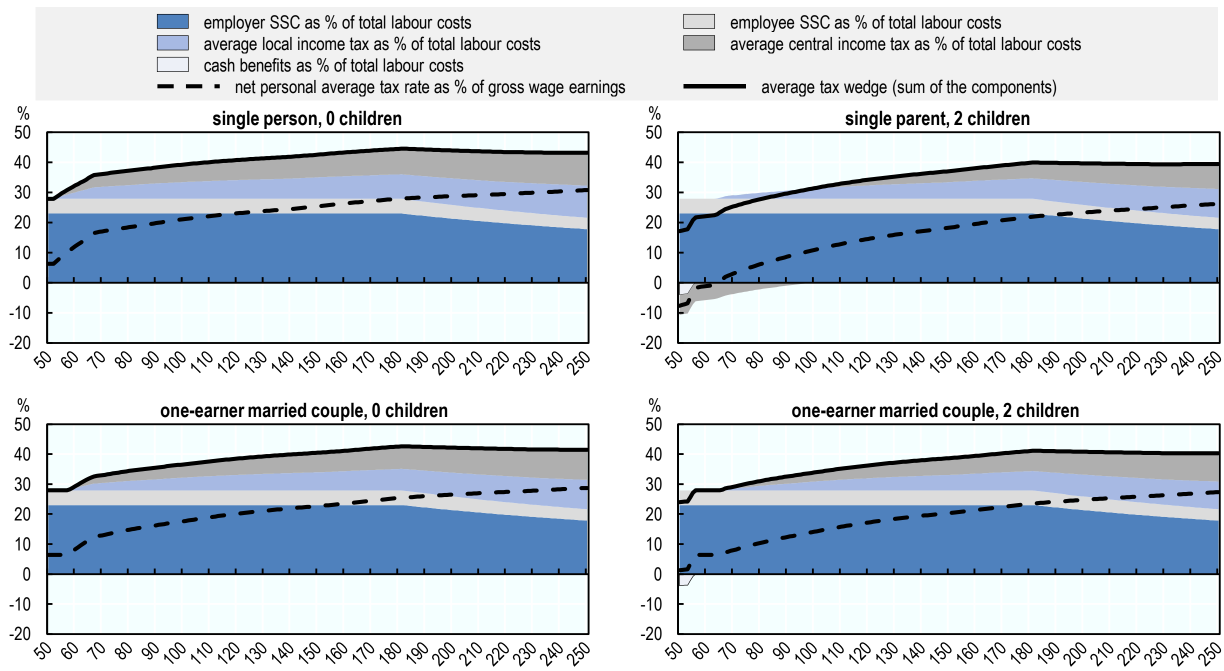
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/lb17sx

Spain 2020: average tax wedge decomposition

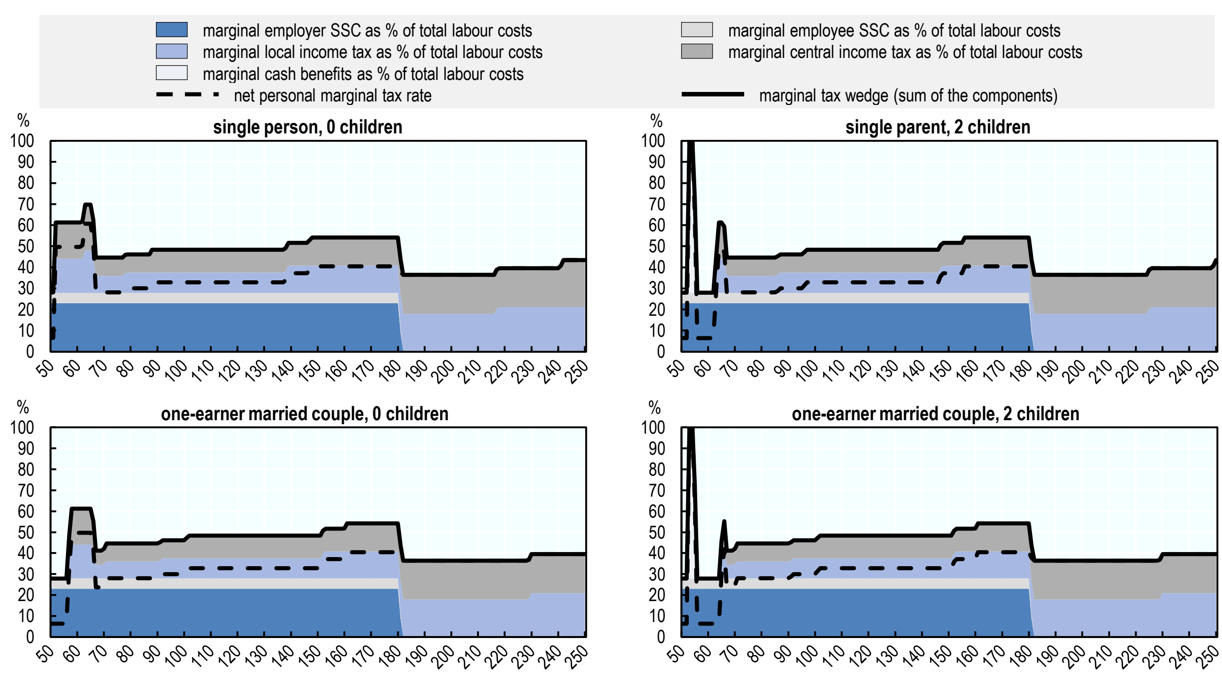
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/jufh87

Spain 2020: marginal tax wedge decomposition

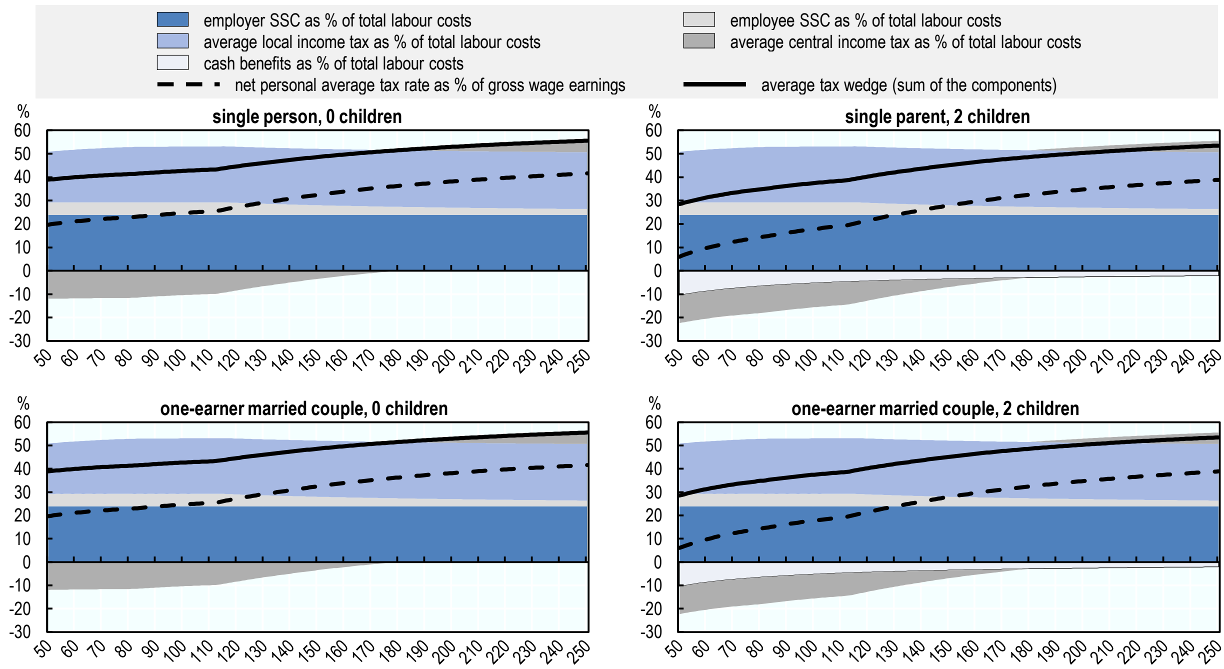
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/96l2x1

Sweden 2020: average tax wedge decomposition

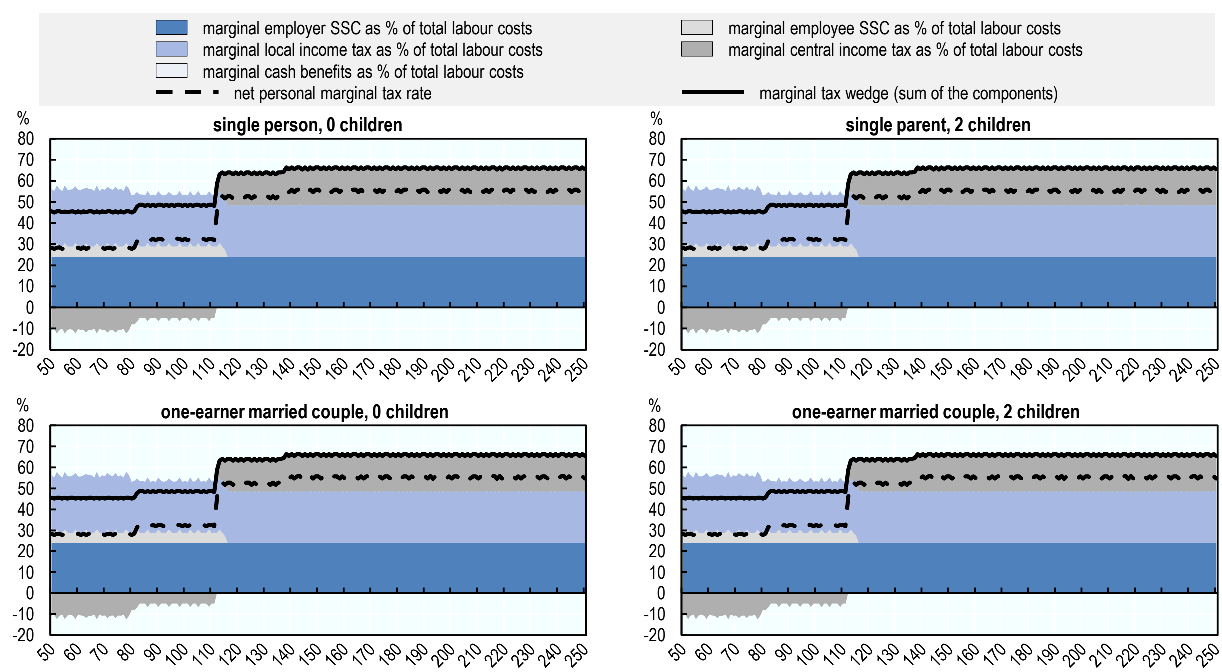
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/81h5wf

Sweden 2020: marginal tax wedge decomposition

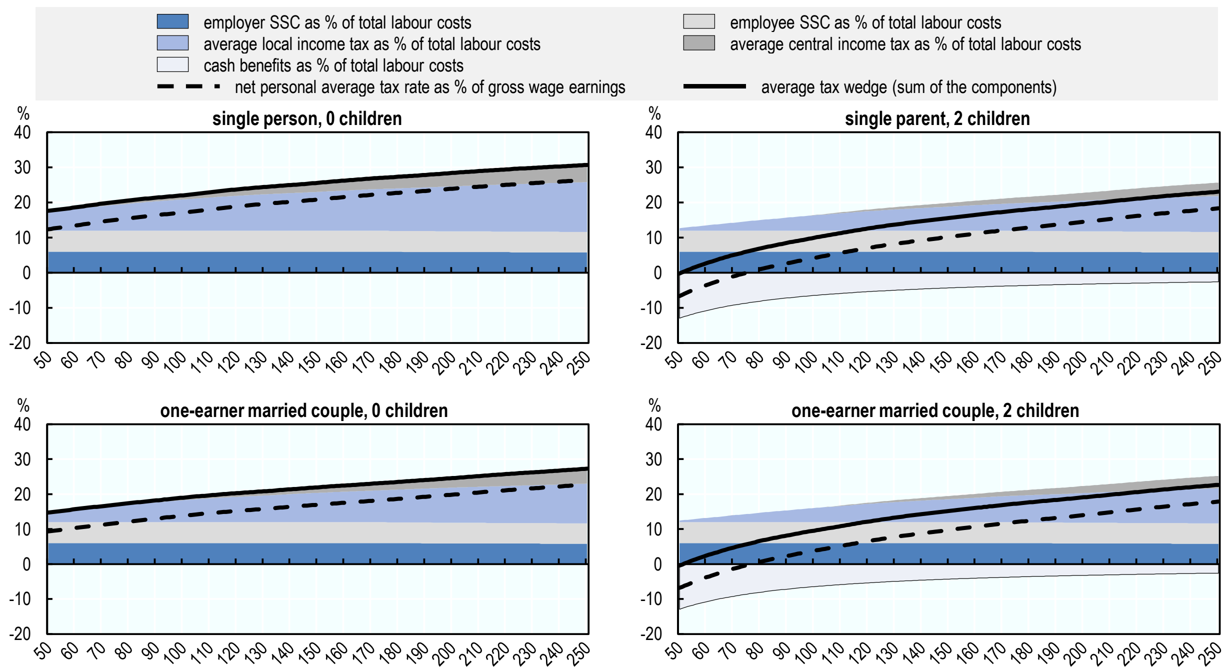
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/f61zd3

Switzerland 2020: average tax wedge decomposition

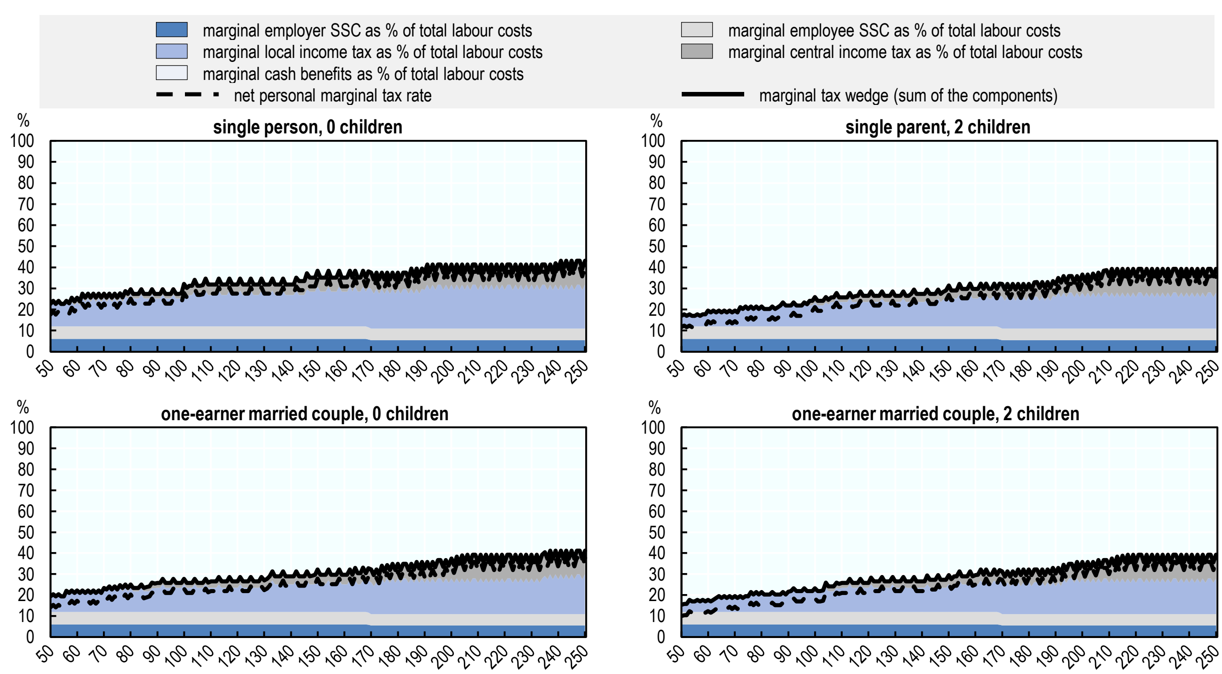
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/uiw8se

Switzerland 2020: marginal tax wedge decomposition

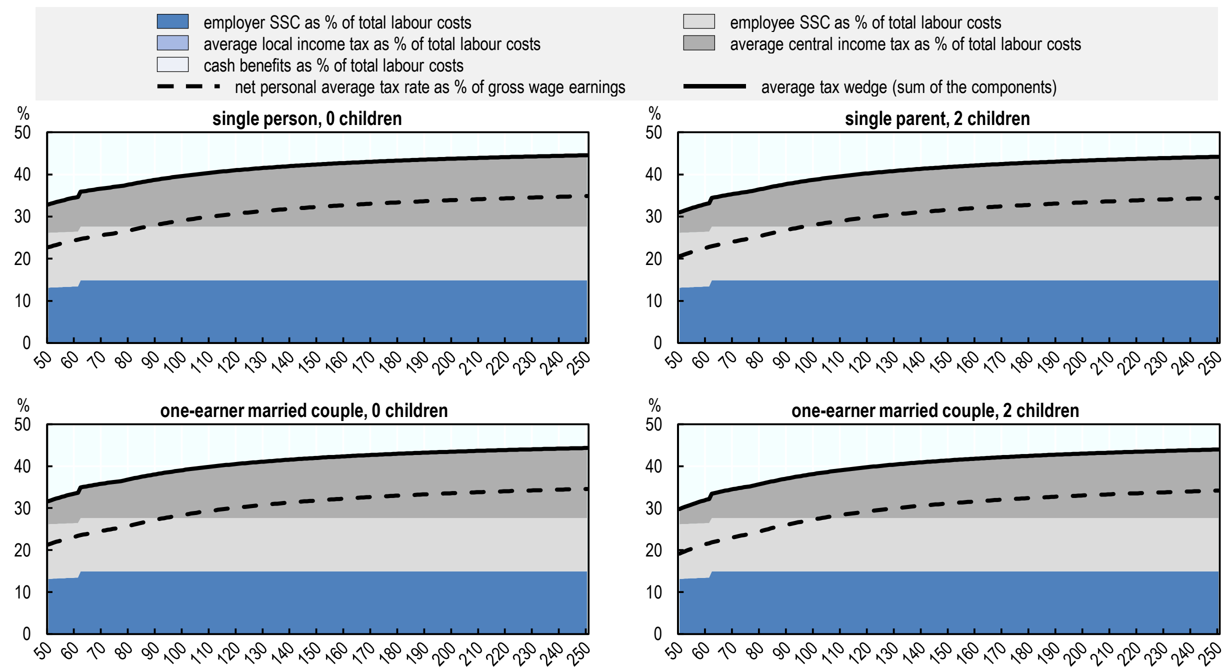
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/gov0z7

Turkey 2020: average tax wedge decomposition

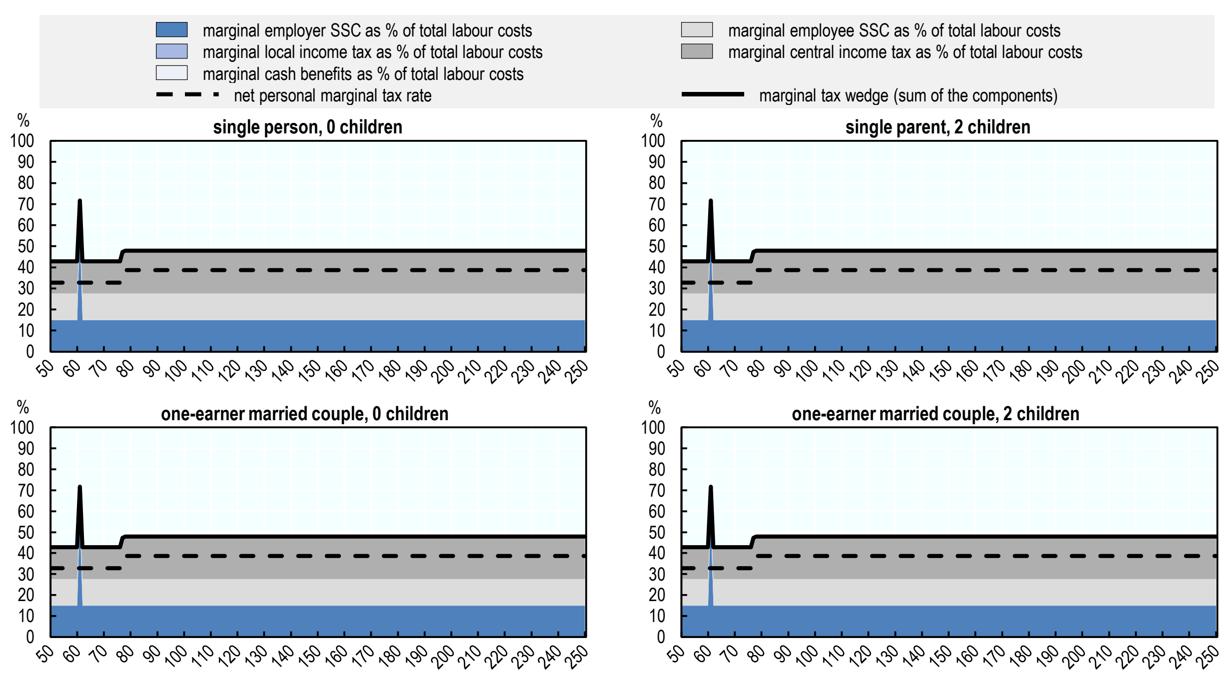
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/poh85c

Turkey 2020: marginal tax wedge decomposition

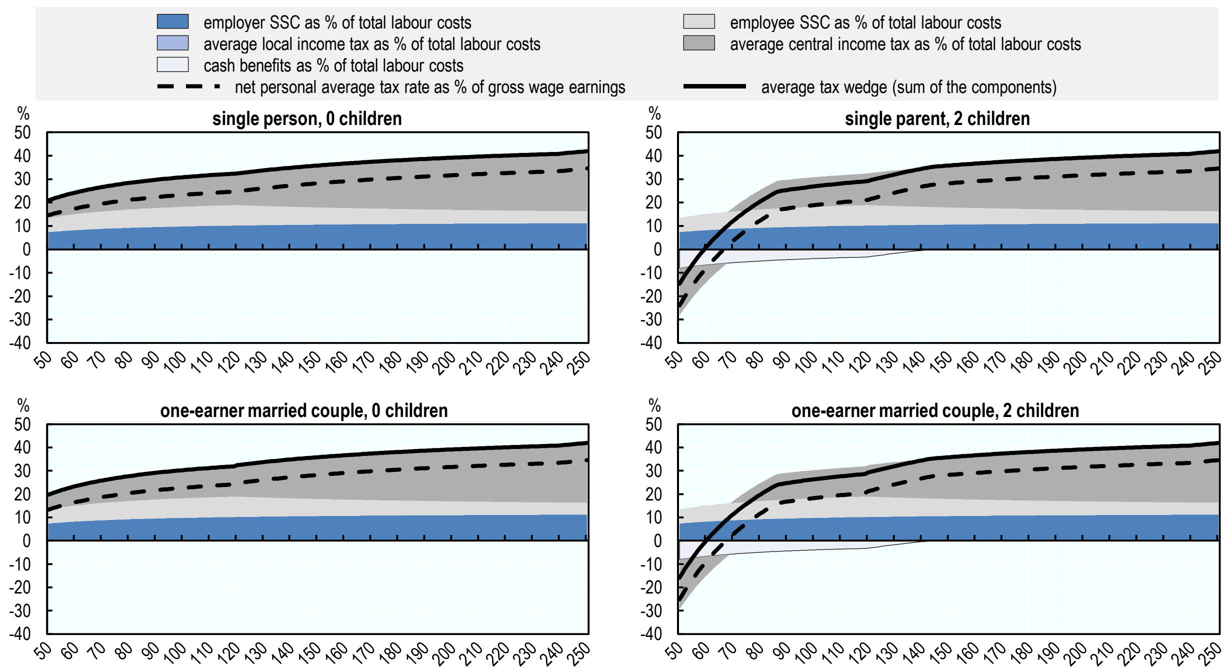
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/1qgy7r

United Kingdom 2020: average tax wedge decomposition

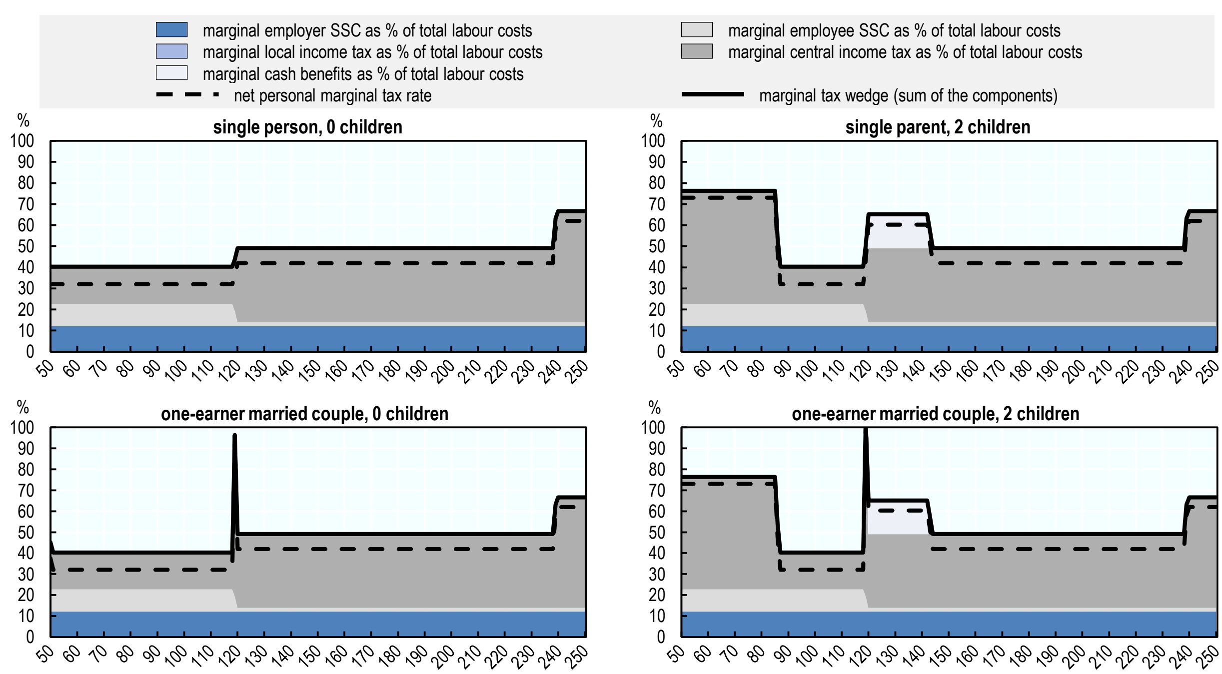
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/s1jv39

United Kingdom 2020: marginal tax wedge decomposition

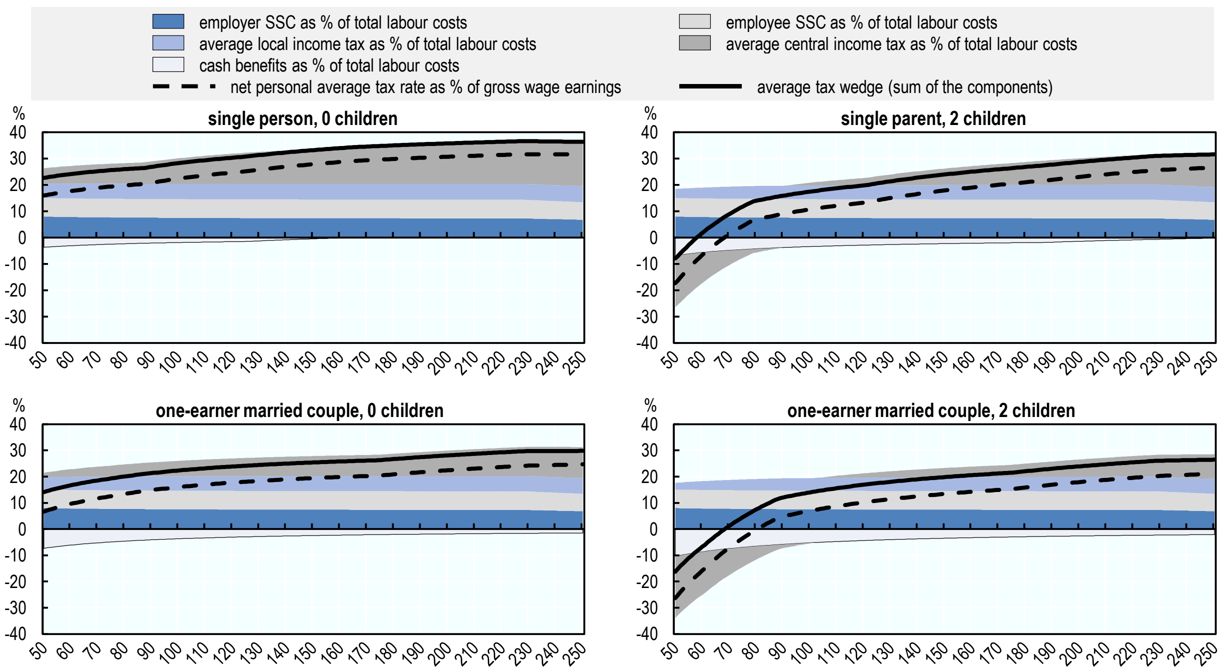
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/4m8q6r

United States 2020: average tax wedge decomposition

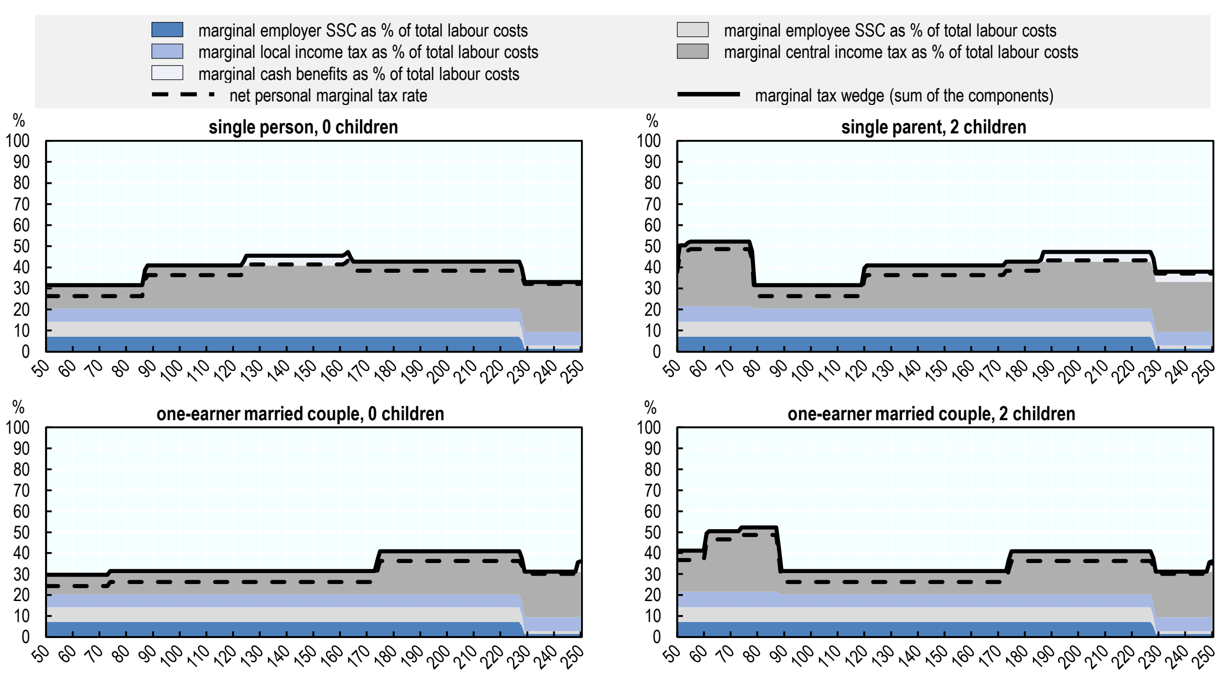
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/kd4s62

United States 2020: marginal tax wedge decomposition

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



StatLink https://stat.link/i1hgco

Notes

[1] The marginal tax wedges in the graphs are calculated in a slightly different manner than the marginal tax rates that are included in the rest of the Taxing Wages publication. In Taxing Wages, marginal rates are usually calculated by increasing gross earnings by one currency unit (except for the spouse in the one-earner married couple whose earnings increase by 67% of the average wage). However, the '+1 currency unit' approach requires the calculation of marginal rates for every single currency unit within the income range included in the graphs. It otherwise would not be correct to draw a line through the different data points because the data for the income levels in between the different points would be missing. In order to reduce the required number of calculations, the marginal rates that are shown in the graphs are calculated by increasing gross earnings by 1 percentage point – each line in the graph therefore consists of 200 data points – instead of 1 currency unit.

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

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

5 2019 tax burdens (and changes to 2020)

The chapter presents the results of tax burden measures on labour income for the eight model household types for 2019. The chapter includes Tables 5.1 to 5.13 that show a number of measures of the average tax burdens (tax wedge, personal tax rate, net personal tax rate, personal income tax rate and employee social security contribution rate) and the marginal rates (tax wedge and net personal tax rate). The results for two measures of tax progressivity are also considered: tax elasticity on gross earnings and labour costs.
The table formats are identical to Tables 3.1 to 3.13 which are discussed in Chapter 3 on tax burden results on labour income for 2020. This chapter compares the two sets of tables and analyses the changes in tax burden between 2019 and 2020.

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

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

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

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

Table 5.2 shows the combined burden of personal income tax and employee social security contributions in the form of personal average tax rates as a percentage of gross wage earnings in 2019. For single workers on average wage, it decreased by more than one percentage point between 2019 and 2020 in Luxembourg (1.01[2] percentage point), Ireland (1.02 percentage points) and Italy (2.5 percentage points). For one-earner couples with two children, personal average tax rates decreased by more than one percentage point for Latvia (1.4 percentage points), Belgium (1.6 percentage points), Ireland and Germany (both by 1.7 percentage points) and Italy (2.8 percentage points). In Latvia, the decline resulted from increases in the basic tax allowance and tax allowance for dependent children. In Germany, a one-time bonus in the child tax credit was made in response to the COVID-19 crisis. In Belgium, the combined effect of increased tax reliefs and a decline in the average wage caused a decrease in the personal average tax rate. For Italy, the reason for the decreases in the personal average tax rates for the single average worker and the one-earner couple with two children is similar to the one previously mentioned for the change in the tax wedge. Finally, in Ireland and Luxembourg, the decreases in the personal average tax rates were mainly due to a reduction in the average wages between 2019 and 2020.[3] There was no increase of more than one percentage point in the personal average tax rates for the single workers or the one-earner couples with two children across OECD countries.

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

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

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

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

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

Table 5.8 shows the percentage increase in net income relative to the percentage increase in gross wages when the latter increases by 1 currency unit.[5] Table 5.9 provides the percentage increase in net income relative to the percentage increase in labour costs (i.e. gross wage earnings plus employer social security contributions and payroll taxes) when the latter rises by 1 currency unit.[6] The results shown in these two tables are directly dependent upon the marginal and average tax rates that have been discussed in the paragraphs above. Table 5.10 to Table 5.13 report background information on levels of labour costs plus gross and net wages in 2019.

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

As % of labour costs, by household type and wage level

	Single no ch 67 (% AW)	Single no ch 100 (% AW)	Single no ch 167 (% AW)	Single 2 ch 67 (% AW)	Married 2 ch 100-0 (% AW)	Married 2 ch 100-67 (% AW)[1]	Married 2 ch 100-100 (% AW)[1]	Married no ch 100-67 (% AW)[1]
Australia	22.7	27.9	34.4	1.1	20.8	25.8	27.9	25.8
Austria	43.6	47.9	51.0	22.3	33.7	38.3	41.3	46.2
Belgium	45.5	52.3	58.7	31.4	36.6	44.6	48.0	49.6
Canada	25.4	30.5	31.8	-14.7	12.2	24.1	27.2	29.0
Chile	7.0	7.0	8.3	6.2	7.0	6.7	7.0	7.0
Colombia	0.0	0.0	0.0	-6.5	-4.3	-5.2	-4.3	0.0
Czech Republic	41.6	43.9	45.7	22.4	26.4	35.3	39.5	43.0
Denmark	32.7	35.5	41.2	4.5	25.3	30.8	32.5	34.4
Estonia	33.2	37.0	41.2	18.1	27.1	30.7	33.0	35.5
Finland	35.8	42.1	48.4	25.9	37.7	37.0	39.9	39.6
France	42.0	47.2	54.1	20.4	38.6	41.7	44.3	45.5
Germany	45.2	49.3	51.0	31.5	34.3	42.4	44.7	47.4
Greece	37.0	40.9	46.7	30.9	37.9	38.5	41.3	40.2
Hungary	44.6	44.6	44.6	22.4	30.3	36.1	37.5	44.6
Iceland	29.4	32.7	37.4	18.1	19.9	31.1	32.7	31.4
Ireland	24.6	33.2	41.8	5.1	17.8	25.4	30.1	29.1
Israel	16.0	22.9	32.6	3.8	20.5	16.5	19.8	19.7
Italy	41.0	48.0	54.0	25.9	39.1	41.8	45.5	45.2
Japan	31.2	32.7	35.1	16.9	27.5	29.7	30.7	32.1
Korea	19.7	22.9	25.6	17.0	20.4	20.4	21.9	21.7
Latvia	39.6	42.5	42.8	24.3	32.2	35.2	37.3	41.3
Lithuania	34.8	37.7	40.0	23.3	30.0	31.9	33.8	36.5
Luxembourg	30.7	38.5	45.6	8.3	17.4	26.8	31.6	33.3
Mexico	16.8	20.2	23.2	16.8	20.2	18.8	20.2	18.8
Netherlands	29.7	37.0	42.2	6.1	32.0	29.0	32.8	34.0
New Zealand	13.9	18.8	24.3	-19.4	3.5	17.3	18.8	16.8
Norway	32.7	35.8	41.6	22.3	32.2	32.4	34.0	34.5
Poland	35.0	35.6	36.1	-4.4	17.5	25.0	26.9	35.3
Portugal	37.0	41.2	46.6	23.3	29.9	36.3	38.7	39.3
Slovak Republic	39.7	41.9	43.6	30.0	31.0	37.1	38.6	41.0
Slovenia	40.3	43.5	47.0	14.8	25.8	35.7	39.0	42.2
Spain	35.9	39.4	43.9	24.8	34.0	36.4	38.1	38.0
Sweden	40.4	42.6	50.7	32.5	37.3	38.5	39.9	41.7
Switzerland	19.5	22.3	26.9	4.8	9.9	16.2	18.7	22.0
Turkey	36.2	39.6	42.9	34.8	38.0	37.7	39.1	38.2
United Kingdom	26.2	30.9	37.2	12.8	26.4	26.7	29.0	29.0
United States	27.5	29.7	34.1	10.1	18.6	24.0	26.1	28.3
Unweighted average								
OECD-Average	**31.2**	**35.0**	**39.3**	**15.3**	**25.5**	**29.6**	**32.0**	**33.4**
OECD-EU 22	**37.7**	**41.9**	**46.2**	**20.2**	**30.5**	**35.2**	**37.9**	**40.1**

Note: ch = children
1. Two-earner couple.

StatLink https://stat.link/g1pc0t

Table 5.2. Income tax plus employee contributions, 2019

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

	Single no ch 67 (% AW)	Single no ch 100 (% AW)	Single no ch 167 (% AW)	Single 2 ch 67 (% AW)	Married 2 ch 100-0 (% AW)	Married 2 ch 100-67 (% AW)[1]	Married 2 ch 100-100 (% AW)[1]	Married no ch 100-67 (% AW)[1]
Australia	18.1	23.6	30.5	18.1	23.6	21.4	23.6	21.4
Austria	27.7	33.2	38.1	16.3	25.6	27.3	30.1	31.0
Belgium	31.4	39.4	47.5	25.5	27.4	34.6	37.9	36.2
Canada	18.8	23.3	26.5	11.1	18.8	21.6	23.3	21.6
Chile	7.0	7.0	8.3	7.0	7.0	7.0	7.0	7.0
Colombia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Czech Republic	21.9	24.9	27.4	4.2	6.9	16.6	19.0	23.7
Denmark	32.9	35.6	41.2	31.1	31.6	34.5	35.6	34.5
Estonia	10.6	15.7	21.3	7.3	11.0	12.4	14.6	13.7
Finland	22.7	30.2	37.8	22.7	30.2	27.2	30.2	27.2
France	24.2	28.0	33.8	20.8	20.8	24.2	26.0	26.9
Germany	34.3	39.3	43.4	17.9	21.3	31.0	33.8	37.0
Greece	21.3	26.2	33.4	20.6	26.7	24.8	26.7	25.3
Hungary	33.5	33.5	33.5	18.2	23.2	27.4	28.4	33.5
Iceland	24.8	28.3	33.3	24.8	20.8	26.9	28.3	26.9
Ireland	16.3	25.8	35.4	11.3	15.7	21.4	25.8	21.4
Israel	11.9	18.5	28.2	4.8	18.5	13.6	16.5	15.4
Italy	22.4	31.5	39.5	14.9	24.9	25.0	29.3	27.8
Japan	20.6	22.4	26.1	20.6	21.0	21.7	22.4	21.7
Korea	11.2	14.8	18.6	9.5	12.8	12.5	14.1	13.4
Latvia	25.0	28.6	29.0	12.2	20.0	22.0	24.3	27.2
Lithuania	33.6	36.5	38.9	33.6	36.5	35.4	36.5	35.4
Luxembourg	21.1	30.0	38.1	14.3	18.5	24.1	28.4	24.1
Mexico	5.5	10.9	15.5	5.5	10.9	8.8	10.9	8.8
Netherlands	21.2	29.4	37.6	13.2	28.2	22.9	26.7	26.1
New Zealand	13.9	18.8	24.3	15.1	18.8	17.3	18.8	16.8
Norway	23.9	27.4	34.0	21.2	27.4	26.0	27.4	26.0
Poland	24.3	25.0	25.6	22.9	20.3	22.4	23.1	24.7
Portugal	22.1	27.3	34.0	12.8	16.7	21.2	24.2	24.9
Slovak Republic	21.4	24.2	26.4	15.3	14.4	20.6	22.1	23.0
Slovenia	30.7	34.4	38.4	24.7	26.0	29.0	31.2	32.9
Spain	16.7	21.3	27.1	2.3	14.3	17.4	19.6	19.5
Sweden	21.7	24.5	35.2	21.7	24.5	23.4	24.5	23.4
Switzerland	14.5	17.5	22.4	8.7	10.9	14.9	16.9	17.2
Turkey	25.0	29.0	32.9	23.4	27.1	26.7	28.4	27.4
United Kingdom	19.2	23.4	29.6	11.1	22.8	21.7	23.4	21.7
United States	21.4	23.9	28.9	2.4	11.9	17.7	20.0	22.4
Unweighted average								
OECD-Average	**20.9**	**25.2**	**30.3**	**15.3**	**19.9**	**21.7**	**23.8**	**23.4**
OECD-EU 22	**24.4**	**29.3**	**34.7**	**17.4**	**22.0**	**24.8**	**27.2**	**27.2**

Note: ch = children

1. Two-earner couple.

StatLink https://stat.link/ex25pn

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

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

	Single no ch 67 (% AW)	Single no ch 100 (% AW)	Single no ch 167 (% AW)	Single 2 ch 67 (% AW)	Married 2 ch 100-0 (% AW)	Married 2 ch 100-67 (% AW)[1]	Married 2 ch 100-100 (% AW)[1]	Married no ch 100-67 (% AW)[1]
Australia	18.1	23.6	30.5	-4.8	16.0	21.4	23.6	21.4
Austria	27.7	33.2	38.1	0.4	15.0	20.9	24.8	31.0
Belgium	31.4	39.4	47.5	13.6	19.4	29.8	33.9	36.2
Canada	17.6	23.3	26.5	-26.6	3.0	16.2	19.6	21.6
Chile	7.0	7.0	8.3	6.2	7.0	6.7	7.0	7.0
Colombia	0.0	0.0	0.0	-6.5	-4.3	-5.2	-4.3	0.0
Czech Republic	21.9	24.9	27.4	-3.8	1.6	13.4	19.0	23.7
Denmark	32.7	35.5	41.2	4.5	25.3	30.8	32.5	34.4
Estonia	10.6	15.7	21.3	-9.5	2.4	7.2	10.4	13.7
Finland	22.7	30.2	37.8	10.7	25.0	24.1	27.6	27.2
France	24.2	28.0	33.8	-4.1	16.4	21.8	24.0	26.9
Germany	34.3	39.3	43.4	17.9	21.3	31.0	33.8	37.0
Greece	21.3	26.2	33.4	13.6	22.5	23.1	26.7	25.3
Hungary	33.5	33.5	33.5	6.9	16.4	23.3	25.0	33.5
Iceland	24.8	28.3	33.3	12.7	14.6	26.5	28.3	26.9
Ireland	16.3	25.8	35.4	-5.2	8.8	17.2	22.4	21.4
Israel	11.9	18.5	28.2	-0.9	16.0	12.0	15.2	15.4
Italy	22.4	31.5	39.5	2.6	19.9	23.4	28.3	27.8
Japan	20.6	22.4	26.1	4.1	16.4	18.9	20.1	21.7
Korea	11.2	14.8	18.6	8.2	12.0	12.0	13.6	13.4
Latvia	25.0	28.6	29.0	6.0	15.8	19.5	22.2	27.2
Lithuania	33.6	36.5	38.9	22.0	28.7	30.7	32.6	35.4
Luxembourg	21.1	30.0	38.1	-4.3	6.0	16.7	22.2	24.1
Mexico	5.5	10.9	15.5	5.5	10.9	8.8	10.9	8.8
Netherlands	21.2	29.4	37.6	-5.2	23.8	20.5	24.7	26.1
New Zealand	13.9	18.8	24.3	-19.4	3.5	17.3	18.8	16.8
Norway	23.9	27.4	34.0	12.2	23.4	23.6	25.4	26.0
Poland	24.3	25.0	25.6	-21.5	3.9	12.7	14.9	24.7
Portugal	22.1	27.3	34.0	5.1	13.2	21.2	24.2	24.9
Slovak Republic	21.4	24.2	26.4	8.7	10.0	18.0	19.9	23.0
Slovenia	30.7	34.4	38.4	1.0	13.8	25.3	29.1	32.9
Spain	16.7	21.3	27.1	2.3	14.3	17.4	19.6	19.5
Sweden	21.7	24.5	35.2	11.3	17.6	19.2	21.1	23.4
Switzerland	14.5	17.5	22.4	-1.1	4.3	11.0	13.6	17.2
Turkey	25.0	29.0	32.9	23.4	27.1	26.7	28.4	27.4
United Kingdom	19.2	23.4	29.6	4.5	18.4	19.1	21.2	21.7
United States	21.4	23.9	28.9	2.4	11.9	17.7	20.0	22.4
Unweighted average								
OECD-Average	**20.8**	**25.2**	**30.3**	**2.5**	**14.1**	**18.9**	**21.6**	**23.4**
OECD-EU 22	**24.4**	**29.3**	**34.7**	**3.3**	**15.5**	**21.2**	**24.5**	**27.2**

Note: ch = children

1. Two-earner couple.

StatLink https://stat.link/8nk4cs

Table 5.4. Income tax, 2019

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

	Single no ch 67 (% AW)	Single no ch 100 (% AW)	Single no ch 167 (% AW)	Single 2 ch 67 (% AW)	Married 2 ch 100-0 (% AW)	Married 2 ch 100-67 (% AW)[1]	Married 2 ch 100-100 (% AW)[1]	Married no ch 100-67 (% AW)[1]
Australia	18.1	23.6	30.5	18.1	23.6	21.4	23.6	21.4
Austria	9.7	15.2	21.9	-1.6	7.7	9.3	12.1	13.0
Belgium	17.5	25.4	33.5	11.6	13.4	20.7	24.1	22.2
Canada	11.6	15.8	21.7	3.8	11.4	14.3	15.8	14.3
Chile	0.0	0.0	1.3	0.0	0.0	0.0	0.0	0.0
Colombia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Czech Republic	10.9	13.9	16.4	-6.8	-4.1	5.6	8.0	12.7
Denmark	32.9	35.6	41.2	31.1	31.6	34.5	35.6	34.5
Estonia	9.0	14.1	19.7	5.7	9.4	10.8	13.0	12.1
Finland	12.9	20.4	28.0	12.9	20.4	17.4	20.4	17.4
France	12.9	16.7	22.8	9.5	9.5	12.9	14.7	15.6
Germany	14.3	19.2	27.7	-1.9	1.4	11.2	13.9	16.9
Greece	5.4	10.4	17.6	4.7	10.8	9.0	10.8	9.5
Hungary	15.0	15.0	15.0	0.0	4.7	8.9	9.9	15.0
Iceland	24.3	28.0	33.1	24.3	20.5	26.5	28.0	26.5
Ireland	12.3	21.8	31.4	7.3	11.7	17.4	21.8	17.4
Israel	5.7	10.4	18.5	-1.3	10.4	6.2	8.4	8.1
Italy	12.9	22.0	29.9	5.4	15.4	15.5	19.8	18.4
Japan	6.2	7.9	13.0	6.2	6.5	7.2	7.9	7.2
Korea	2.5	6.1	11.1	0.8	4.1	3.8	5.4	4.7
Latvia	14.0	17.6	18.0	1.2	9.0	11.0	13.3	16.2
Lithuania	14.1	17.0	19.4	14.1	17.0	15.9	17.0	15.9
Luxembourg	8.9	17.7	25.7	2.1	6.2	11.9	16.1	11.9
Mexico	4.3	9.6	14.0	4.3	9.6	7.5	9.6	7.5
Netherlands	5.6	16.3	27.2	3.6	16.0	11.2	15.6	12.0
New Zealand	13.9	18.8	24.3	15.1	18.8	17.3	18.8	16.8
Norway	15.7	19.2	25.8	13.0	19.2	17.8	19.2	17.8
Poland	6.4	7.2	7.8	5.1	2.5	4.6	5.3	6.9
Portugal	11.1	16.3	23.0	1.8	5.7	10.2	13.2	13.9
Slovak Republic	8.0	10.8	13.0	1.9	1.0	7.2	8.7	9.6
Slovenia	8.6	12.3	16.3	2.6	3.9	6.9	9.1	10.8
Spain	10.4	14.9	20.8	-4.1	8.0	11.0	13.2	13.1
Sweden	14.8	17.6	30.4	14.8	17.6	16.4	17.6	16.4
Switzerland	8.2	11.2	16.2	2.5	4.7	8.6	10.7	11.0
Turkey	10.0	14.0	17.9	8.4	12.1	11.7	13.4	12.4
United Kingdom	10.9	13.9	21.8	2.8	13.3	12.7	13.9	12.7
United States	13.7	16.2	21.2	-5.2	4.3	10.1	12.3	14.7
Unweighted average								
OECD-Average	**11.2**	**15.5**	**21.0**	**5.8**	**10.2**	**12.0**	**14.1**	**13.7**
OECD-EU 22	**12.2**	**17.2**	**23.0**	**5.5**	**9.9**	**12.7**	**15.2**	**15.1**

Note: ch = children

1. Two-earner couple.

StatLink https://stat.link/eoni7l

Table 5.5. Employee contributions, 2019

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

	Single no ch 67 (% AW)	Single no ch 100 (% AW)	Single no ch 167 (% AW)	Single 2 ch 67 (% AW)	Married 2 ch 100-0 (% AW)	Married 2 ch 100-67 (% AW)[1]	Married 2 ch 100-100 (% AW)[1]	Married no ch 100-67 (% AW)[1]
Australia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Austria	18.0	18.0	16.3	18.0	18.0	18.0	18.0	18.0
Belgium	13.9	14.0	13.9	13.9	14.0	13.9	13.8	13.9
Canada	7.2	7.4	4.7	7.2	7.4	7.3	7.4	7.3
Chile	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Colombia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Czech Republic	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0
Denmark	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Estonia	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6
Finland	9.8	9.8	9.8	9.8	9.8	9.8	9.8	9.8
France	11.3	11.3	11.0	11.3	11.3	11.3	11.3	11.3
Germany	20.1	20.1	15.7	19.8	19.8	19.8	19.8	20.1
Greece	15.9	15.9	15.9	15.9	15.9	15.9	15.9	15.9
Hungary	18.5	18.5	18.5	18.2	18.5	18.5	18.5	18.5
Iceland	0.5	0.3	0.2	0.5	0.3	0.4	0.3	0.4
Ireland	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Israel	6.2	8.1	9.7	6.2	8.1	7.3	8.1	7.3
Italy	9.5	9.5	9.6	9.5	9.5	9.5	9.5	9.5
Japan	14.5	14.5	13.1	14.5	14.5	14.5	14.5	14.5
Korea	8.7	8.7	7.5	8.7	8.7	8.7	8.7	8.7
Latvia	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0
Lithuania	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5
Luxembourg	12.2	12.3	12.4	12.2	12.3	12.3	12.3	12.3
Mexico	1.3	1.4	1.5	1.3	1.4	1.3	1.4	1.3
Netherlands	15.6	13.1	10.3	9.6	12.2	11.7	11.1	14.1
New Zealand	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Norway	8.2	8.2	8.2	8.2	8.2	8.2	8.2	8.2
Poland	17.8	17.8	17.8	17.8	17.8	17.8	17.8	17.8
Portugal	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0
Slovak Republic	13.4	13.4	13.4	13.4	13.4	13.4	13.4	13.4
Slovenia	22.1	22.1	22.1	22.1	22.1	22.1	22.1	22.1
Spain	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4
Sweden	7.0	7.0	4.8	7.0	7.0	7.0	7.0	7.0
Switzerland	6.2	6.2	6.2	6.2	6.2	6.2	6.2	6.2
Turkey	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
United Kingdom	8.2	9.5	7.8	8.2	9.5	9.0	9.5	9.0
United States	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7
Unweighted average								
OECD-Average	**9.7**	**9.8**	**9.3**	**9.6**	**9.7**	**9.7**	**9.7**	**9.7**
OECD-EU 22	**12.2**	**12.1**	**11.6**	**11.9**	**12.1**	**12.1**	**12.0**	**12.2**

Note: ch = children

1. Two-earner couple.

StatLink https://stat.link/zj0y18

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

As % of labour costs, by household type and wage level

	Single no ch 67 (% AW)	Single no ch 100 (% AW)	Single no ch 167 (% AW)	Single 2 ch 67 (% AW)	Married 2 ch 100-0 (% AW)	Married 2 ch 100-67 (% AW)[1]	Married 2 ch 100-100 (% AW)[1]	Married no ch 100-67 (% AW)[1]
Australia	39.6	38.2	42.4	58.5	38.2	38.2	38.2	38.2
Austria	55.7	59.6	40.9	55.7	59.6	59.6	59.6	59.6
Belgium	68.5	65.1	67.8	68.5	65.1	64.2	64.2	64.2
Canada	47.2	39.0	35.2	56.9	75.2	44.2	44.2	39.0
Chile	7.0	10.2	10.2	7.0	7.0	7.0	7.0	10.2
Colombia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Czech Republic	48.5	48.5	48.5	48.5	48.5	48.5	48.5	48.5
Denmark	39.0	41.8	55.6	37.2	41.8	41.8	41.8	41.8
Estonia	41.2	49.5	41.2	41.2	49.5	49.5	49.5	49.5
Finland	53.7	55.1	58.1	53.7	55.1	55.1	55.1	55.1
France	69.4	58.2	60.0	73.9	64.5	60.4	58.2	49.5
Germany	55.4	60.0	44.3	53.5	52.0	55.1	57.4	57.7
Greece	48.9	48.9	62.6	48.9	56.2	56.2	56.2	56.2
Hungary	44.6	44.6	44.6	44.6	44.6	44.6	44.6	44.6
Iceland	39.5	39.5	47.8	49.8	48.5	46.2	39.5	39.5
Ireland	35.6	53.6	56.7	74.2	53.6	53.6	53.6	53.6
Israel	31.2	36.8	50.7	34.4	36.8	36.8	36.8	36.8
Italy	54.7	61.7	62.9	55.9	62.8	62.2	62.2	61.7
Japan	33.1	37.3	35.1	52.3	37.3	37.3	37.3	37.3
Korea	28.8	30.3	32.3	22.6	30.3	30.3	30.3	30.3
Latvia	48.2	48.2	45.0	48.2	48.2	48.2	48.2	48.2
Lithuania	43.5	43.5	43.5	43.5	43.5	43.5	43.5	43.5
Luxembourg	47.8	57.0	55.7	55.4	41.1	52.8	57.0	52.8
Mexico	17.5	25.2	28.4	17.5	25.2	25.2	25.2	25.2
Netherlands	51.7	51.7	54.0	57.4	57.4	51.7	51.7	51.7
New Zealand	17.5	30.0	33.0	17.5	55.0	30.0	30.0	30.0
Norway	41.9	49.9	52.6	41.9	49.9	49.9	49.9	49.9
Poland	36.8	36.8	36.8	96.9	36.8	36.8	36.8	36.8
Portugal	46.7	51.1	58.0	46.7	46.7	51.1	51.1	51.1
Slovak Republic	46.2	46.2	46.2	46.2	46.2	46.2	46.2	46.2
Slovenia	43.6	51.0	55.7	43.6	43.6	43.6	43.6	51.0
Spain	44.6	48.3	54.1	44.6	46.1	48.3	48.3	48.3
Sweden	45.3	48.4	69.7	45.3	48.4	48.4	48.4	48.4
Switzerland	26.2	31.8	35.8	18.8	24.3	29.3	33.4	30.1
Turkey	42.8	47.8	47.8	42.8	47.8	47.8	47.8	47.8
United Kingdom	40.2	40.2	49.0	76.3	40.2	40.2	40.2	40.2
United States	31.5	40.8	40.8	52.3	31.5	31.5	40.8	31.5
Unweighted average								
OECD-Average	**40.9**	**43.9**	**46.0**	**46.8**	**44.8**	**43.7**	**44.0**	**43.4**
OECD-EU 22	**48.6**	**51.3**	**52.8**	**53.8**	**50.5**	**51.0**	**51.2**	**50.9**

Note: ch = children

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

1. Two-earner couple.

StatLink https://stat.link/4gy69d

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

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

	Single no ch 67 (% AW)	Single no ch 100 (% AW)	Single no ch 167 (% AW)	Single 2 ch 67 (% AW)	Married 2 ch 100-0 (% AW)	Married 2 ch 100-67 (% AW)[1]	Married 2 ch 100-100 (% AW)[1]	Married no ch 100-67 (% AW)[1]
Australia	36.0	34.5	39.0	56.0	34.5	34.5	34.5	34.5
Austria	43.3	48.2	36.9	43.3	48.2	48.2	48.2	48.2
Belgium	55.6	55.6	59.1	55.6	55.6	54.5	54.5	54.5
Canada	41.4	33.7	33.9	52.2	73.1	39.4	39.4	33.7
Chile	7.0	10.2	10.2	7.0	7.0	7.0	7.0	10.2
Colombia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Czech Republic	31.1	31.1	31.1	31.1	31.1	31.1	31.1	31.1
Denmark	39.0	41.8	55.6	37.2	41.8	41.8	41.8	41.8
Estonia	21.3	32.4	21.3	21.3	32.4	32.4	32.4	32.4
Finland	44.2	45.9	49.5	44.2	45.9	45.9	45.9	45.9
France	43.3	43.0	42.2	51.6	51.6	46.0	43.0	31.2
Germany	46.5	52.0	44.3	44.2	42.5	46.2	49.0	49.3
Greece	36.2	36.2	53.3	36.2	45.3	45.3	45.3	45.3
Hungary	33.5	33.5	33.5	33.5	33.5	33.5	33.5	33.5
Iceland	35.5	35.5	44.4	46.5	45.1	42.7	35.5	35.5
Ireland	28.5	48.5	52.0	71.4	48.5	48.5	48.5	48.5
Israel	26.0	32.0	47.0	29.4	32.0	32.0	32.0	32.0
Italy	40.4	49.5	51.2	42.0	51.1	50.3	50.3	49.5
Japan	22.8	27.7	31.1	45.0	27.7	27.7	27.7	27.7
Korea	21.3	22.9	28.2	14.4	22.9	22.9	22.9	22.9
Latvia	35.8	35.8	31.8	35.8	35.8	35.8	35.8	35.8
Lithuania	42.5	42.5	42.5	42.5	42.5	42.5	42.5	42.5
Luxembourg	40.6	51.1	49.6	49.3	33.0	46.3	51.1	46.3
Mexico	12.1	19.5	22.9	12.1	19.5	19.5	19.5	19.5
Netherlands	46.1	46.1	54.0	52.4	52.4	46.1	46.1	46.1
New Zealand	17.5	30.0	33.0	17.5	55.0	30.0	30.0	30.0
Norway	34.4	43.4	46.4	34.4	43.4	43.4	43.4	43.4
Poland	26.5	26.5	26.5	96.3	26.5	26.5	26.5	26.5
Portugal	34.0	39.5	48.0	34.0	34.0	39.5	39.5	39.5
Slovak Republic	29.9	29.9	29.9	29.9	29.9	29.9	29.9	29.9
Slovenia	34.6	43.1	48.6	34.6	34.6	34.6	34.6	43.1
Spain	28.1	32.9	40.4	28.1	30.0	32.9	32.9	32.9
Sweden	28.1	32.2	60.2	28.1	32.2	32.2	32.2	32.2
Switzerland	21.7	27.5	32.2	13.7	19.6	24.9	29.2	25.8
Turkey	32.8	38.7	38.7	32.8	38.7	38.7	38.7	38.7
United Kingdom	32.0	32.0	42.0	73.0	32.0	32.0	32.0	32.0
United States	26.3	36.3	36.3	48.6	26.3	26.3	36.3	26.3
Unweighted average								
OECD-Average	**31.8**	**35.7**	**39.1**	**38.5**	**36.6**	**35.4**	**35.7**	**35.1**
OECD-EU 22	**36.8**	**40.8**	**43.7**	**42.8**	**39.9**	**40.4**	**40.6**	**40.3**

Note: ch = children

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

1. Two-earner couple.

StatLink https://stat.link/8jdxew

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

After an increase of 1 currency unit in gross wages, by household type and wage level

	Single no ch 67 (% AW)	Single no ch 100 (% AW)	Single no ch 167 (% AW)	Single 2 ch 67 (% AW)	Married 2 ch 100-0 (% AW)	Married 2 ch 100-67 (% AW)[1]	Married 2 ch 100-100 (% AW)[1]	Married no ch 100-67 (% AW)[1]
Australia	0.78	0.86	0.88	0.42	0.78	0.83	0.86	0.83
Austria	0.78	0.78	1.02	0.57	0.61	0.66	0.69	0.75
Belgium	0.65	0.73	0.78	0.51	0.55	0.65	0.69	0.71
Canada	0.71	0.86	0.90	0.38	0.28	0.72	0.75	0.85
Chile	1.00	0.97	0.98	0.99	1.00	1.00	1.00	0.97
Colombia	1.00	1.00	1.00	0.94	0.96	0.95	0.96	1.00
Czech Republic	0.88	0.92	0.95	0.66	0.70	0.80	0.85	0.90
Denmark	0.91	0.90	0.76	0.66	0.78	0.84	0.86	0.89
Estonia	0.88	0.80	1.00	0.72	0.69	0.73	0.75	0.78
Finland	0.72	0.78	0.81	0.62	0.72	0.71	0.75	0.74
France	0.75	0.79	0.87	0.47	0.58	0.69	0.75	0.94
Germany	0.81	0.79	0.98	0.68	0.73	0.78	0.77	0.81
Greece	0.81	0.86	0.70	0.74	0.71	0.71	0.75	0.73
Hungary	1.00	1.00	1.00	0.71	0.80	0.87	0.89	1.00
Iceland	0.86	0.90	0.83	0.61	0.64	0.78	0.90	0.88
Ireland	0.85	0.69	0.74	0.27	0.56	0.62	0.66	0.65
Israel	0.84	0.83	0.74	0.70	0.81	0.77	0.80	0.80
Italy	0.77	0.74	0.81	0.60	0.61	0.65	0.69	0.70
Japan	0.97	0.93	0.93	0.57	0.86	0.89	0.90	0.92
Korea	0.89	0.90	0.88	0.93	0.88	0.88	0.89	0.89
Latvia	0.86	0.90	0.96	0.68	0.76	0.80	0.83	0.88
Lithuania	0.87	0.91	0.94	0.74	0.81	0.83	0.85	0.89
Luxembourg	0.75	0.70	0.81	0.49	0.71	0.64	0.63	0.71
Mexico	0.93	0.90	0.91	0.93	0.90	0.88	0.90	0.88
Netherlands	0.68	0.76	0.74	0.45	0.62	0.68	0.72	0.73
New Zealand	0.96	0.86	0.88	0.69	0.47	0.85	0.86	0.84
Norway	0.86	0.78	0.81	0.75	0.74	0.74	0.76	0.76
Poland	0.97	0.98	0.99	0.03	0.77	0.84	0.86	0.98
Portugal	0.85	0.83	0.79	0.70	0.76	0.77	0.80	0.81
Slovak Republic	0.89	0.93	0.95	0.77	0.78	0.86	0.88	0.91
Slovenia	0.94	0.87	0.84	0.66	0.76	0.88	0.92	0.85
Spain	0.86	0.85	0.82	0.74	0.82	0.81	0.83	0.83
Sweden	0.92	0.90	0.61	0.81	0.82	0.84	0.86	0.89
Switzerland	0.92	0.88	0.87	0.85	0.84	0.84	0.82	0.90
Turkey	0.90	0.86	0.91	0.88	0.84	0.84	0.86	0.84
United Kingdom	0.84	0.89	0.82	0.28	0.83	0.84	0.86	0.87
United States	0.94	0.84	0.90	0.53	0.84	0.90	0.80	0.95
Unweighted average								
OECD-Average	**0.86**	**0.86**	**0.87**	**0.64**	**0.74**	**0.79**	**0.82**	**0.85**
OECD-EU 22	**0.84**	**0.84**	**0.86**	**0.60**	**0.71**	**0.76**	**0.79**	**0.82**

Note: ch = children

Net income is calculated as gross earnings minus personal income tax and employees' social security contributions plus family benefits. The increase reported in the Table represents a form of elasticity. In a proportional tax system the elasticity would equal 1. The more progressive the system at these income levels, the lower is the elasticity. The reported elasticities in Table 5.8 are calculated as (100 - METR) / (100 - AETR), where METR is the marginal rate of income tax plus employee social security contributions less cash benefits reported in Table 5.7 and AETR is the average rate plus employee social security contributions less cash benefits reported in Table 5.3.

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

StatLink https://stat.link/cmifbk

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

After an increase of 1 currency unit in gross labour cost, by household type and wage level

	Single no ch 67 (% AW)	Single no ch 100 (% AW)	Single no ch 167 (% AW)	Single 2 ch 67 (% AW)	Married 2 ch 100-0 (% AW)	Married 2 ch 100-67 (% AW)[1]	Married 2 ch 100-100 (% AW)[1]	Married no ch 100-67 (% AW)[1]
Australia	0.78	0.86	0.88	0.42	0.78	0.83	0.86	0.83
Austria	0.78	0.78	1.20	0.57	0.61	0.66	0.69	0.75
Belgium	0.58	0.73	0.78	0.46	0.55	0.65	0.69	0.71
Canada	0.71	0.88	0.95	0.38	0.28	0.73	0.77	0.86
Chile	1.00	0.97	0.98	0.99	1.00	1.00	1.00	0.97
Colombia	1.00	1.00	1.00	0.94	0.96	0.95	0.96	1.00
Czech Republic	0.88	0.92	0.95	0.66	0.70	0.80	0.85	0.90
Denmark	0.91	0.90	0.76	0.66	0.78	0.84	0.86	0.89
Estonia	0.88	0.80	1.00	0.72	0.69	0.73	0.75	0.78
Finland	0.72	0.78	0.81	0.62	0.72	0.71	0.75	0.74
France	0.53	0.79	0.87	0.33	0.58	0.68	0.75	0.93
Germany	0.81	0.79	1.14	0.68	0.73	0.78	0.77	0.81
Greece	0.81	0.86	0.70	0.74	0.71	0.71	0.75	0.73
Hungary	1.00	1.00	1.00	0.71	0.80	0.87	0.89	1.00
Iceland	0.86	0.90	0.83	0.61	0.64	0.78	0.90	0.88
Ireland	0.85	0.69	0.74	0.27	0.56	0.62	0.66	0.65
Israel	0.82	0.82	0.73	0.68	0.80	0.76	0.79	0.79
Italy	0.77	0.74	0.81	0.60	0.61	0.65	0.69	0.70
Japan	0.97	0.93	1.00	0.57	0.86	0.89	0.90	0.92
Korea	0.89	0.90	0.91	0.93	0.88	0.88	0.89	0.89
Latvia	0.86	0.90	0.96	0.68	0.76	0.80	0.83	0.88
Lithuania	0.87	0.91	0.94	0.74	0.81	0.83	0.85	0.89
Luxembourg	0.75	0.70	0.81	0.49	0.71	0.64	0.63	0.71
Mexico	0.99	0.94	0.93	0.99	0.94	0.92	0.94	0.92
Netherlands	0.69	0.77	0.79	0.45	0.63	0.68	0.72	0.73
New Zealand	0.96	0.86	0.88	0.69	0.47	0.85	0.86	0.84
Norway	0.86	0.78	0.81	0.75	0.74	0.74	0.76	0.76
Poland	0.97	0.98	0.99	0.03	0.77	0.84	0.86	0.98
Portugal	0.85	0.83	0.79	0.70	0.76	0.77	0.80	0.81
Slovak Republic	0.89	0.93	0.95	0.77	0.78	0.86	0.88	0.91
Slovenia	0.94	0.87	0.84	0.66	0.76	0.88	0.92	0.85
Spain	0.86	0.85	0.82	0.74	0.82	0.81	0.83	0.83
Sweden	0.92	0.90	0.61	0.81	0.82	0.84	0.86	0.89
Switzerland	0.92	0.88	0.88	0.85	0.84	0.84	0.82	0.90
Turkey	0.90	0.86	0.91	0.88	0.84	0.84	0.86	0.84
United Kingdom	0.81	0.87	0.81	0.27	0.81	0.81	0.84	0.84
United States	0.94	0.84	0.90	0.53	0.84	0.90	0.80	0.96
Unweighted average								
OECD-Average	**0.85**	**0.86**	**0.88**	**0.64**	**0.74**	**0.79**	**0.82**	**0.85**
OECD-EU 22	**0.82**	**0.84**	**0.88**	**0.59**	**0.71**	**0.76**	**0.79**	**0.82**

Note: ch = children

Net income is calculated as gross earnings minus personal income tax and employees' social security contributions plus family benefits. The increase reported in the Table represents a form of elasticity. In a proportional tax system the elasticity would equal 1. The more progressive the system at these income levels, the lower is the elasticity. The reported elasticities in Table 5.9 are calculated as (100 - METR) / (100 - AETR), where METR is the marginal rate of income tax plus employee and employer social security contributions less cash benefits reported in Table 5.6 and AETR is the average rate plus employee and employer social security contributions less cash benefits reported in Table 5.1.

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

StatLink https://stat.link/0kedyj

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

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

	Single no ch 67 (% AW)		Single no ch 100 (% AW)		Single no ch 167 (% AW)		Single 2 ch 67 (% AW)	
	Total gross earnings before taxes	Net income after taxes	Total gross earnings before taxes	Net income after taxes	Total gross earnings before taxes	Net income after taxes	Total gross earnings before taxes	Net income after taxes
Australia	40 841	33 454	60 957	46 548	101 798	70 780	40 841	42 798
Austria	42 678	30 872	63 699	42 545	106 377	65 820	42 678	42 503
Belgium	44 164	30 317	65 916	39 972	110 080	57 809	44 164	38 177
Canada	31 126	25 638	46 457	35 655	77 582	57 062	31 126	39 403
Chile	16 164	15 033	24 126	22 426	40 290	36 934	16 164	15 166
Colombia	9 188	9 188	13 713	13 713	22 901	22 901	9 188	9 784
Czech Republic	21 794	17 019	32 529	24 419	54 323	39 441	21 794	22 629
Denmark	43 494	29 273	64 917	41 882	108 411	63 696	43 494	41 548
Estonia	20 691	18 491	30 882	26 021	51 572	40 598	20 691	22 660
Finland	36 224	28 015	54 065	37 730	90 289	56 158	36 224	32 353
France	35 891	27 206	53 568	38 546	89 459	59 216	35 891	37 354
Germany	47 260	31 035	70 537	42 840	117 797	66 681	47 260	38 809
Greece	26 003	20 470	38 810	28 638	64 812	43 145	26 003	22 458
Hungary	22 237	14 787	33 189	22 071	55 426	36 858	22 237	20 713
Iceland	44 360	33 369	66 209	47 469	110 569	73 798	44 360	38 745
Ireland	40 994	34 305	61 185	45 371	102 179	65 985	40 994	43 141
Israel	29 263	25 778	43 677	35 591	72 940	52 381	29 263	29 513
Italy	31 434	24 404	46 917	32 129	78 351	47 402	31 434	30 630
Japan	34 477	27 362	51 459	39 945	85 936	63 535	34 477	33 052
Korea	36 050	32 000	53 807	45 850	89 857	73 112	36 050	33 080
Latvia	17 340	12 997	25 880	18 483	43 220	30 689	17 340	16 299
Lithuania	22 740	15 098	33 941	21 538	56 681	34 614	22 740	17 745
Luxembourg	48 298	38 092	72 087	50 489	120 385	74 503	48 298	50 398
Mexico	9 582	9 051	14 302	12 737	23 884	20 174	9 582	9 051
Netherlands	45 285	35 680	67 590	47 707	112 875	70 475	45 285	47 639
New Zealand	28 666	24 681	42 784	34 752	71 450	54 119	28 666	34 227
Norway	41 832	31 830	62 436	45 323	104 268	68 787	41 832	36 748
Poland	22 506	17 043	33 591	25 195	56 097	41 747	22 506	27 351
Portugal	22 847	17 808	34 101	24 795	56 948	37 598	22 847	21 678
Slovak Republic	17 445	13 718	26 038	19 745	43 483	31 982	17 445	15 928
Slovenia	24 009	16 645	35 834	23 515	59 843	36 839	24 009	23 760
Spain	29 181	24 301	43 553	34 281	72 734	53 005	29 181	28 517
Sweden	34 862	27 284	52 033	39 262	86 895	56 287	34 862	30 920
Switzerland	53 485	45 744	79 828	65 898	133 312	103 438	53 485	54 070
Turkey	22 512	16 877	33 600	23 855	56 111	37 652	22 512	17 252
United Kingdom	40 502	32 738	60 451	46 304	100 953	71 099	40 502	38 660
United States	37 907	29 797	56 577	43 066	94 484	67 213	37 907	36 984
Unweighted average								
OECD-Average	**31 712**	**24 795**	**47 331**	**34 765**	**79 043**	**53 609**	**31 712**	**30 858**
OECD-EU 22	**31 699**	**23 857**	**47 312**	**33 053**	**79 011**	**50 480**	**31 699**	**30 600**

Note: ch = children

StatLink https://stat.link/d3je6t

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

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

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

Note: ch = children

1. Two-earner couple.

StatLink https://stat.link/6nia7u

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

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

	Single no ch 67 (% AW)		Single no ch 100 (% AW)		Single no ch 167 (% AW)		Single 2 ch 67 (% AW)	
	Total gross labour costs before taxes	Net income after taxes	Total gross labour costs before taxes	Net income after taxes	Total gross labour costs before taxes	Net income after taxes	Total gross labour costs before taxes	Net income after taxes
Australia	43 278	33 454	64 594	46 548	107 873	70 780	43 278	42 798
Austria	54 717	30 872	81 668	42 545	134 213	65 820	54 717	42 503
Belgium	55 627	30 317	83 796	39 972	139 940	57 809	55 627	38 177
Canada	34 365	25 638	51 320	35 655	83 625	57 062	34 365	39 403
Chile	16 164	15 033	24 126	22 426	40 290	36 934	16 164	15 166
Colombia	9 188	9 188	13 713	13 713	22 901	22 901	9 188	9 784
Czech Republic	29 161	17 019	43 524	24 419	72 685	39 441	29 161	22 629
Denmark	43 494	29 273	64 917	41 882	108 411	63 696	43 494	41 548
Estonia	27 684	18 491	41 320	26 021	69 004	40 598	27 684	22 660
Finland	43 646	28 015	65 143	37 730	108 789	56 158	43 646	32 353
France	46 933	27 206	73 003	38 546	129 084	59 216	46 933	37 354
Germany	56 629	31 035	84 521	42 840	136 153	66 681	56 629	38 809
Greece	32 481	20 470	48 479	28 638	80 960	43 145	32 481	22 458
Hungary	26 684	14 787	39 827	22 071	66 511	36 858	26 684	20 713
Iceland	47 288	33 369	70 579	47 469	117 866	73 798	47 288	38 745
Ireland	45 483	34 305	67 885	45 371	113 368	65 985	45 483	43 141
Israel	30 675	25 778	46 184	35 591	77 671	52 381	30 675	29 513
Italy	41 361	24 404	61 733	32 129	103 094	47 402	41 361	30 630
Japan	39 766	27 362	59 352	39 945	97 964	63 535	39 766	33 052
Korea	39 869	32 000	59 506	45 850	98 326	73 112	39 869	33 080
Latvia	21 526	12 997	32 124	18 483	53 641	30 689	21 526	16 299
Lithuania	23 147	15 098	34 548	21 538	57 696	34 614	23 147	17 745
Luxembourg	54 968	38 092	82 042	50 489	137 011	74 503	54 968	50 398
Mexico	10 884	9 051	15 960	12 737	26 274	20 174	10 884	9 051
Netherlands	50 749	35 680	75 677	47 707	121 831	70 475	50 749	47 639
New Zealand	28 666	24 681	42 784	34 752	71 450	54 119	28 666	34 227
Norway	47 270	31 830	70 552	45 323	117 822	68 787	47 270	36 748
Poland	26 204	17 043	39 110	25 195	65 313	41 747	26 204	27 351
Portugal	28 274	17 808	42 200	24 795	70 473	37 598	28 274	21 678
Slovak Republic	22 757	13 718	33 966	19 745	56 724	31 982	22 757	15 928
Slovenia	27 874	16 645	41 603	23 515	69 478	36 839	27 874	23 760
Spain	37 906	24 301	56 576	34 281	94 482	53 005	37 906	28 517
Sweden	45 816	27 284	68 381	39 262	114 197	56 287	45 816	30 920
Switzerland	56 814	45 744	84 797	65 898	141 586	103 438	56 814	54 070
Turkey	26 451	16 877	39 480	23 855	65 931	37 652	26 451	17 252
United Kingdom	44 340	32 738	67 042	46 304	113 133	71 099	44 340	38 660
United States	41 124	29 797	61 223	43 066	102 029	67 213	41 124	36 984
Unweighted average								
OECD-Average	**36 737**	**24 795**	**54 953**	**34 765**	**91 562**	**53 609**	**36 737**	**30 858**
OECD-EU 22	**38 324**	**23 857**	**57 366**	**33 053**	**95 593**	**50 480**	**38 324**	**30 600**

Note: ch = children

StatLink https://stat.link/67uv3q

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

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

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

Note: ch = children

1. Two-earner couple.

StatLink https://stat.link/hq6ptl

Notes

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

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

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

[4] See note 1.

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

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

6 Evolution of the tax burden (2000-20)

The chapter presents the evolution of the tax burdens on labour income between 2000 and 2020. The chapter contains Tables 6.1 to 6.24 that are grouped by tax measures for the eight household types: Tables 6.1 to 6.8 containing the (average) tax wedge comprising income taxes plus employee and employer social security contributions (including any applicable payroll taxes) less cash benefits; Tables 6.9 to 6.16 providing the (average) burden of personal income taxes; and the Table 6.17 to 6.24 depicting the (average) burden of income taxes plus employee social security contributions less cash benefits (net personal average tax rates).

Historical trends

The evolution of the tax burden for the eight household types over the period 2000 to 2020 is presented in Tables 6.1 to 6.24 in the last section of this chapter titled "Tables showing income taxes, social security contributions and cash benefits". Each of the Tables 6.1 to 6.24 corresponds to a tax burden measure for a particular household type.

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

Important trends

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

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

Tax wedge

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

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

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

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

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

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

Average personal income tax rate

Between 2000 and 2020, the average personal income tax burden (Table 6.9 to Table 6.16) decreased for the eight household types in fifteen of the OECD countries: Belgium, Canada, Estonia, Finland, Germany, Hungary, Ireland, Israel, Latvia, Lithuania, Slovenia, Sweden, Switzerland, Turkey and the United Kingdom. Among those countries, there were decreases of more than 5 percentage points in the personal income tax rates. The most significant reductions affecting most of the household types are noted in Hungary where there were decreases exceeding 10 percentage points for three of the household types; i.e. by 15.3 percentage points for the single worker earning 167% of the AW, 12.9 percentage points for the one-earner married couple earning the AW with children and 10.6 percentage points for the two-earner couple with total wage earnings at 200% of the AW with two children. . In Estonia, the average personal income tax rate decreased by between 8.0 and 14.3 percentage points for seven of the household types. The largest decrease was observed for the single parent on 67% of the AW. The only household type with a decrease that was lower than 5 percentage points was the single worker on 167% of the AW (3.9 percentage points). In Sweden, most of the household types had decreases of between 9.1 and 9.8 percentage points, the exception being the single taxpayer earning 167% of the AW (reduction of 6.4 percentage points). In Lithuania, the average personal income tax rates decreased by between 9.4 and 9.6 percentage points for most of the household types, the exception being the single parent on 67% of the AW (3.7 percentage points). In the United Kingdom, the single parent on 67% of the AW experienced the largest decrease (9.4 percentage points). In Finland, it decreased by between 6.2 and 8.5 percentage points over the eight household types. In Israel, the average personal income tax rate decreased by 6.4 to 8.2 percentage points for most of the household types, the exception being the single parent at 67% of the AW who experienced a reduction of 2.9 percentage points. Other decreases of more than 5 percentage points are observed in Belgium for six of the household types (up to 7.0 percentage points) and Latvia for the single parent earning 67% of the AW (5.4 percentage points).

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

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

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

Net personal average tax rate

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

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

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

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

Progressivity

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

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

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

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

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

Families

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

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

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

The evolution of the income taxes, social security contributions and cash benefits for the eight household types across the OECD over the period 2000 to 2020 is presented in Tables 6.1 to 6.24.

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

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

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

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

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

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

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

StatLink https://stat.link/vrt7qc

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

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

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

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

StatLink https://stat.link/sgu9ym

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

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

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

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

StatLink https://stat.link/om8ecw

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

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

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

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

StatLink https://stat.link/ztwf42

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

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

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

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

StatLink https://stat.link/g6qevu

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

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

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

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

StatLink https://stat.link/5cmboa

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

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

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

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

StatLink https://stat.link/ijqeov

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

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

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

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

StatLink https://stat.link/sdy418

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

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

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

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

StatLink https://stat.link/f7emkx

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

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

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

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

StatLink https://stat.link/4u1brw

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

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

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

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

StatLink https://stat.link/fpahve

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

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

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

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

StatLink https://stat.link/oel2sw

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

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

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

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

StatLink https://stat.link/tn0wv6

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

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

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

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

StatLink https://stat.link/4wi6s9

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

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

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

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

StatLink https://stat.link/f5a89p

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

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

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

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

StatLink https://stat.link/i0jnbq

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

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

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

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

StatLink https://stat.link/2otbec

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

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

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

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

StatLink https://stat.link/sacuhr

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

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

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

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

StatLink https://stat.link/ekhn1c

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

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

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

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

StatLink https://stat.link/4p8367

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

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

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

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

StatLink https://stat.link/h1l0rz

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

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

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

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

StatLink https://stat.link/dgpxjf

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

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

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

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

StatLink https://stat.link/whctge

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

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

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

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

StatLink https://stat.link/v1odyw

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

In US dollars using PPP

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

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

StatLink https://stat.link/j6nzlh

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

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

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

StatLink https://stat.link/j5n7im

Notes

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

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

Part II Country details, 2020

Australia
(2019-2020 Income tax year)

This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.
Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the public sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.

Australia 2020

The tax/benefit position of single persons

	Wage level (per cent of average wage)	67	100	167	67
	Number of children	none	none	none	2
1.	**Gross wage earnings**	60 877	90 861	151 738	60 877
	Principal Gross wage earnings	60 877	90 861	151 738	60 877
	Spouse Gross wage earnings	0	0	0	0
2.	**Standard tax allowances**				
	Basic allowance				
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes				
	Work-related expenses				
	Other				
	Total	0	0	0	0
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**	60 877	90 861	151 738	60 877
5.	**Central government income tax liability (exclusive of tax credits)**				
	Income tax	11 332	21 116	43 640	11 332
	Medicare Levy	1 218	1 817	3 035	1 218
	Total	12 550	22 933	46 675	12 550
6.	**Tax credits**				
	Basic credit	1 167	1 054	0	1 167
	Married or head of family	0	0	0	0
	Children				
	Other				
	Total	1 167	1 054	0	1 167
7.	**Central government income tax finally paid (5-6)**	11 383	21 879	46 675	11 383
8.	**State and local taxes**	0	0	0	0
9.	**Employees' compulsory social security contributions**	0	0	0	0
10.	**Total payments to general government (7 + 8 + 9)**	11 383	21 879	46 675	11 383
11.	**Cash transfers from general government**				
	For head of family	0	0	0	0
	For two children	0	0	0	14 241
	Total	0	0	0	14 241
12.	**Take-home pay (1-10+11)**	49 494	68 982	105 063	63 736
13.	**Employers' payroll tax (assumes NSW-based employer with more than $!**	3 633	5 422	9 055	3 633
14.	**Average rates**				
	Income tax	18.7%	24.1%	30.8%	18.7%
	Employees' social security contributions	0.0%	0.0%	0.0%	0.0%
	Total payments less cash transfers	18.7%	24.1%	30.8%	-4.7%
	Total tax wedge including employer payroll taxes	23.3%	28.4%	34.7%	1.2%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	36.0%	42.0%	39.0%	56.0%
	Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner	39.6%	45.3%	42.4%	58.5%
	Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.

Australia 2020

The tax/benefit position of married couples

		Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
		Number of children	2	2	2	none
1.	**Gross wage earnings**		90 861	151 738	181 722	151 738
	Principal Gross wage earnings		90 861	90 861	90 861	90 861
	Spouse Gross wage earnings		0	60 877	90 861	60 877
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other					
		Total	0	0	0	0
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		90 861	151 738	181 722	151 738
5.	**Central government income tax liability (exclusive of tax credits)**					
	Income tax		21 116	32 448	42 231	32 448
	Medicare Levy		1 817	3 035	3 634	3 035
		Total	22 933	35 482	45 866	35 482
6.	**Tax credits**					
	Basic credit		1 054	2 221	2 108	2 221
	Married or head of family					
	Children					
	Other		0	0	0	0
		Total	1 054	2 221	2 108	2 221
7.	**Central government income tax finally paid (5-6)**		21 879	33 261	43 757	33 261
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**		0	0	0	0
10.	**Total payments to general government (7 + 8 + 9)**		21 879	33 261	43 757	33 261
11.	**Cash transfers from general government**					
	For head of family		0	0	0	0
	For two children		7 247	0	0	0
		Total	7 247	0	0	0
12.	**Take-home pay (1-10+11)**		76 229	118 477	137 965	118 477
13.	**Employers' payroll tax (assumes NSW-based employer with more than $9**		5 422	9 055	10 845	9 055
14.	**Average rates**					
	Income tax		24.1%	21.9%	24.1%	21.9%
	Employees' social security contributions		0.0%	0.0%	0.0%	0.0%
	Total payments less cash transfers		16.1%	21.9%	24.1%	21.9%
	Total tax wedge including employer payroll taxes		20.8%	26.3%	28.4%	26.3%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		42.0%	42.0%	42.0%	42.0%
	Total payments less cash transfers: Spouse		30.6%	36.0%	42.0%	36.0%
	Total tax wedge: Principal earner		45.3%	45.3%	45.3%	45.3%
	Total tax wedge: Spouse		34.5%	39.6%	45.3%	39.6%

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

1. Personal income tax system

1.1. Federal income tax

1.1.1. Tax unit

Members of the family are taxed separately.

1.1.2. Tax allowances and credits

1.1.2.1. Standard tax reliefs

- Basic reliefs: Income earned up to AUD 18 200 by resident taxpayers is subject to tax at a zero rate.
- Standard marital status reliefs: No relief available.
- Relief(s) for children: See Section 4.2 for more detail on transfers related to dependent children.
- Relief for social security contributions and other taxes: No such contributions are levied.
- Reliefs for low income earners: A tax offset worth a maximum of AUD 445 is available for low income earners called the Low Income Tax Offset. Taxpayers whose taxable income was less than AUD 37 000 in 2019-2020 are eligible to receive the full amount of the offset. The offset is reduced by AUD 0.015 for every AUD 1 by which a taxpayer’s taxable income exceeds AUD 37 000 and is no longer available once a taxpayer’s taxable income exceeds AUD 66 667.
- Reliefs for Low and Middle Income Earners: A tax offset worth a maximum of AUD 1080 is available for taxpayers with earnings up to AUD 126 000 called the Low and Middle Income Tax Offset. Taxpayers whose taxable income was less than AUD 37 000 in 2019-2020 are eligible to receive AUD 255. The offset is increased by AUD 0.075 for every AUD 1 by which a taxpayer’s taxable income exceeds AUD 37 000 up to a maximum of AUD 1 080 when the taxpayer’s earnings are between AUD 48 000 and AUD 90 000. The offset is then reduced by AUD 0.03 for every AUD 1 by which a taxpayers earnings exceed AUD 90 000 and is no longer available once a taxpayer’s taxable income exceeds AUD 126 000.
- Relief for mature age workers: No relief available.
- Relief for recipients of certain social security benefits: The Beneficiary Tax Offset is available for those who receive certain taxable social security benefits called ‘rebatable benefits’. It ensures that a person who is wholly or mainly dependent on rebatable benefits, and does not have any other taxable income, is not liable for income tax. The amount of the Beneficiary Tax Offset available to an individual is determined by the total amount of the rebatable benefit(s) they receive in an income year.
- Relief for taxpayers who maintain a dependant who is genuinely unable to work: A taxpayer who maintains a dependant who is genuinely unable to work due to invalidity or carer obligations may be eligible for the Dependent (Invalid and Carer) Tax Offset. This tax offset is worth a maximum of AUD 2 766 in 2019-2020. To qualify for the offset in 2019-2020, the combined adjusted taxable income of the taxpayer and their spouse (where one exists) should not exceed AUD 100 000. The amount of offset that may be received is reduced by AUD 1 for every AUD 4 by which the dependant's adjusted taxable income exceeds AUD 282 and is no longer available once the

dependant's adjusted taxable income exceeds AUD 11 346. This offset is not included in the Taxing Wages model.

- Relief for pensioners and seniors. The Seniors and Pensioners Tax Offset (SAPTO) is available to recipients of taxable Government Pensions, including Parenting Payment Single. SAPTO is also available to Australians who meet all of the Age Pension eligibility criteria except the income and/or asset tests. SAPTO is worth up to AUD 2 230 for a single taxpayer, up to AUD 1 602 for each member of a senior couple not separated by illness and AUD 2 040 for each member of a senior couple separated by illness. The offset is withdrawn at the rate of AUD 0.125 for every AUD 1 that a recipient's income exceeds their relevant shade out threshold dependent on their circumstances. For a single taxpayer, this means that the offset is withdrawn from AUD 32 279 and is no longer available once income reaches AUD 50 119. For members of a couple not separated by illness, the offset is withdrawn from a combined income of AUD 57 948 and is no longer available once combined income reaches AUD 83 580.
- Other: No other standard relief available.

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

- Relief for superannuation: Contributions to a low income spouse's superannuation attract an 18% rebate up to a maximum rebate of AUD 540. In 2019-2020, the Low Income Superannuation Tax Offset matches AUD 0.15 for each AUD 1 of concessional contributions from at least AUD 10 up to AUD 500 a year for eligible individuals with annual incomes up to AUD 37 000. In addition in 2019-2020, eligible individuals with incomes not exceeding AUD 53 564 can make non-concessional contributions and receive a co-contribution of 50%, up to a maximum of AUD 500.
- Relief for private health insurance: For the 2019-2020 income year, there are different rebate amounts depending on age and income. For individuals below 65 years without dependants and with annual income for surcharge purposes below AUD 90 000 the rebate is 25.059% of the cost of cover for eligible private health care. For families (couples and individuals with at least one dependent child) below 65 years with annual income for surcharge purposes below AUD 180 000, the rebate is 25.059% of the cost of cover for eligible private health care. The threshold is increased by AUD 1 500 for each dependent child after the first.

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

- Other non-standard reliefs provided as deductions are:
    - subscriptions paid in respect of membership of a trade, business or professional association or union;
    - charitable contributions of AUD 2 or more to specified funds, authorities and institutions, including public benevolent institutions, approved research institutes for scientific research, building funds for schools conducted by non-profit organisations etc.; and
    - work-related expenses including cost of replacement of tools of trade, cost of provision and of cleaning protective clothing and footwear, travelling between jobs or travelling in the course of employment.

1.1.3. Tax schedule

General rates of tax - resident individuals

Taxable income (AUD)		
Not less than	Not more than	Tax at general rates on total taxable income
0	18 200	NIL
18 201	37 000	NIL + 19c for each AUD in excess of AUD 18 200
37 001	90 000	AUD 3 572 + 32.50c for each AUD in excess of AUD 37 000
90 001	180 000	AUD 20 797 + 37c for each AUD in excess of AUD 90 000
180 001 and over		AUD 54 097 + 45c for each AUD in excess of AUD 180 000

To nominally contribute towards the cost of basic medical and hospital care a Medicare Levy is imposed on the taxable incomes of resident taxpayers. In 2019-2020 the levy applied at the rate of 2.0% of the taxable income of an individual.

Certain thresholds are applied before the levy is imposed. For taxpayers aged under Age Pension age in 2019-2020, an individual was not liable for the levy where their taxable income did not exceed AUD 22 801. A taxpayer in a couple or sole parent family who is not receiving Parenting Payment, (see section 4.2), does not pay the levy if the taxable family income does not exceed AUD 38 474. The threshold is increased by AUD 3 533 for each dependent child. Where an individual's taxable income exceeds AUD 22 801, or a family's income exceeds AUD 38 474 (plus AUD 3 533 for each dependent child), the levy shades in at a rate of 10% of the excess of taxable income over the threshold, until the levy is equal to 2.0% of the individual's or family's taxable income.

For 2019-2020, individual senior Australians of Age Pension age were not liable to pay the levy where their taxable income did not exceed AUD 36 056. Where taxable income exceeded AUD 36 056 but did not exceed AUD 45 070, the levy liability was equal to 10% of the excess of taxable income over AUD 36 056. Pensioner families (including couples and sole parents on Parenting Payment) and senior Australian families of Age Pension age, did not become liable to pay any Medicare levy until their combined income in 2019-2020 exceeded AUD 50 191 (plus AUD 3 533 for each dependent child).

Individual taxpayers who had income for surcharge purposes greater than AUD 90 000 in 2019-2020 (or if a couple had a combined income greater than AUD 180 000) but who did not have a complying private health insurance policy, were liable for the Medicare levy surcharge, which is applied as a flat rate on their taxable income and reportable fringe benefits. The surcharge rates are 1%, 1.25% and 1.5% depending on the taxpayer's income for surcharge purposes above these thresholds. However, affected taxpayers typically purchase a complying policy as the cost of such a policy is generally less than the surcharge. The surcharge is therefore not included in this publication.

1.2. State and local income taxes

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

2. Social security contributions

2.1. Employees' contributions

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

2.2. Employers' contributions

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

Part of Australia's retirement income system is the provision of compulsory employer contributions (the Superannuation Guarantee system). In 2019-2020 the Superannuation Guarantee required employers to pay 9.5% on top of employees' gross ordinary time earnings to an approved superannuation fund, provided they earn more than AUD 450 per month (they may also choose to make contributions for workers earning less than this threshold). This threshold is not indexed. There is also a limit to the Superannuation Guarantee. In each quarter any earnings beyond a threshold are not covered by the Superannuation Guarantee. This threshold is indexed to a measure of average earnings. In the 2019-2020 tax year this threshold was AUD 55 270 per quarter. The Superannuation Guarantee rate will remain at 9.5% until 2020-2021, then increase by 0.5 percentage points each year until it reaches 12% in 2025-26.

These contributions are not reflected in the 'Taxing Wages' calculations because they are not a form of taxation (they are not an unrequited transfer to general government). While employers are legislatively required to make contributions to approved superannuation funds, superannuation funds are private, although subject to regulation. Employers' contributions are generally made to individual accounts and form part of employees' personal superannuation assets. Some defined benefit schemes for public sector employees and private defined benefit schemes also exist. The employee may take superannuation benefits as either a lump sum payment or pension on retirement. Accordingly, superannuation contributions are reflected in the Non-Tax Compulsory Payment calculations.

3. Other taxes

3.1. Pay-roll tax

Australian State Governments levy pay-roll taxes on wages, cash or in kind, provided by larger employers to their employees. The rates of pay-roll tax, thresholds and deductions differ between States. In New South Wales, the State with the largest population, the pay-roll tax rate in 2019-2020 was 5.45% for employers with total Australian wages in excess of AUD 900 000. Employers are entitled to an exemption from tax, or a pro-rated pay-roll tax threshold, on wages paid in New South Wales up to a maximum of AUD 900 000. The exempt amount is reduced based on the proportion of the employer's New South Wales pay-roll to its total Australian pay-roll.

4. Universal cash transfers

4.1. Transfers related to marital status

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

4.2. Transfers related to dependent children

- Family Tax Benefit (FTB) Part A is paid to a parent, guardian or an approved care organisation to help families meet the costs of raising children. For 2019-2020, the base rate of FTB(A) is payable where the combined adjusted taxable income of the family does not exceed AUD 98 988. The payment shades out at the rate of AUD 0.30 per AUD 1 of income over the ceiling until the payment is nil. The base rate of payment is AUD 1 558.55 per annum for dependent children aged under 18 and for dependent full time students aged 16 to 19. A higher FTB(A) benefit is available for lower income earners, and the value of this benefit is dependent on the age and number of children. For 2019-2020 families may receive a maximum payment of AUD 4 854.50 for each child aged under 13 years and AUD 6 314.50 for each child aged 13 to 15 years and for each child aged 16 to 19 in full time secondary school. For 2019-2020 an end of year supplement of AUD 766.50 per child is also available for families with a combined adjusted taxable income of less than AUD 80 000. For 2019-2020, the higher benefit tapers out at the rate of AUD 0.20 for each dollar of income over AUD 54 677 until the base payment is reached. However, people receiving any social security allowances or pensions automatically qualify for the maximum higher benefit. The attached calculations assume each dependant is between 5 and 12 years of age.

- Family Tax Benefit Part B (FTB(B)) is targeted at single income couple and sole parent families. Eligibility for FTB(B) is contingent upon having a child under the age of 16 or a qualifying dependent full-time student up to of the end of the calendar year they turn 18. There are two separate income tests applied to the parent(s). The parent earning the higher amount (or the sole parent, in the case of single parent families) must have an adjusted taxable income less than AUD 100 000 for the financial year for the family to be eligible. A secondary earner income threshold is also applied to the parent earning the lower amount. For 2019-2020, this threshold is AUD 5 694, above which the entitlement is reduced by AUD 0.20 for each dollar of income. There is no secondary earner income test applied to sole parents. For 2019-2020, the maximum payment is AUD 3 255.80 if the youngest dependent child is aged between 5 and 15 (or up to the end of the calendar year they turn 18 years if the dependent child is a full-time student), and AUD 4 500.45 if there is at least one child under 5 years. The attached calculations assume each dependant is between 5 and 12 years of age
- Recipients of the Family Tax Benefit may elect to receive the benefit in fortnightly instalments or as an end of year lump sum payment.
- A Newborn Supplement and Newborn Upfront Payment may be paid to families for each baby born from 1 March 2014. To be eligible families will need to be eligible for FTB(A) and not be accessing Parental Leave Pay for that child. For multiple births, Parental Leave Pay may be payable for one child and Newborn Supplement for the other child or children. The total value of the Newborn Supplement and Newborn Upfront Payment in 2019-2020 is up to AUD 2 239.86 for the first child (and all multiple births) and up to AUD 1 120.56 for subsequent children. This supplement and upfront payment replace the previous Baby Bonus.
- On 1 January 2011 Australia's first Paid Parental Leave scheme commenced. The scheme provides two government-funded payments: Parental Leave Pay and Dad and Partner Pay. Parental Leave Pay (PLP) provides the primary carer of a child with 18 weeks' pay at the national minimum wage (AUD 740.80 per week before tax in 2019-2020), in the year following the child's birth or adoption. The primary carer must have worked for at least 10 of the 13 months prior to the birth or adoption, and for at least 330 hours in that 10 month period with no more than an eight week gap between two working days. The primary carer's adjusted taxable income must be AUD 150,000 or less in the financial year prior to the date of claim or date of birth or adoption, whichever is earlier. PLP and Newborn Supplement cannot be paid for the same child. A person cannot claim FTB(B) or the dependent spouse, child housekeeper and housekeeper tax offsets while they are receiving PLP.
- Dad and Partner Pay (DAPP) provides the father or partner of the primary carer of a child with two weeks' pay at the national minimum wage (AUD 740.80 per week before tax in 2019-20), in the year following the child's birth or adoption. The father or partner must have worked for at least 10 of the 13 months prior to the birth or adoption and for at least 330 hours in that 10 month period with no more than an eight week gap between two working days. The father or partner's adjusted taxable income must be AUD 150,000 or less in the financial year prior to the date of claim or date of birth or adoption, whichever is earlier. DAPP and PLP may be paid for the same child.

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

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

4.3. Other transfers

Energy Supplement

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

Single Income Family Supplement

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

5. Recent changes in the tax/benefit system

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

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

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

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

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

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

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

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

6. Memorandum items

6.1. Identification of an average worker

The source of the information used in replying to the questionnaire was the Australian Bureau of Statistics publication Average Weekly Earnings — Australia, catalogue number 6302.0. The survey is now conducted on a biannual basis (it was previously conducted on a quarterly basis up to the June 2012 quarter) and is based on a representative sample of employers in each industry. As a result of this change in frequency, average weekly earnings for the 2019-2020 income tax year have been calculated as the average of the two biannual figures (November 2019 and May 2020 (released in August 2020)).

In August 2009 the Australian Bureau of Statistics (ABS) redesigned the survey and replaced the industry classification based on the 1993 edition of the Australian and New Zealand Standard Industrial Classification (ANZSIC), which had been in use since 1994, with the 2006 edition of ANZSIC. The 2006 edition of ANZSIC was developed to provide a more contemporary industrial classification system, taking into account issues such as changes in the structure and composition of the economy, changing user demands and compatibility with major international classification standards. Accordingly, the average wage figure for 2010 and later years is inconsistent with that provided for previous years.

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

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

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

- casual employees who did not receive pay during the reference period;
- employees on leave without pay who did not receive pay during the reference period;
- employees on strike, or stood down, who did not receive pay during the reference period;
- directors who are not paid a salary;

- proprietors/partners of unincorporated businesses;
- self-employed persons such as subcontractors, owner/drivers, consultants;
- persons paid solely by commission without a retainer; and
- employees paid under the Parental Leave Pay Scheme.

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

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

Earnings comprise weekly ordinary time earnings and weekly overtime earnings.

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

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

6.2. Employers' contribution to private health and pension scheme

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

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

2020 Parameter values

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

income limit 2	NSA_lim2	6 604	
Senior Australian and Pensioner Tax Offset	SAPTO	2 230	
Senior Australian and Pensioner Tax Offset single threshold	SAPTO_thresh	32 279	
Senior Australian and Pensioner Tax Offset taper rate	SAPTO_taper	0.125	
Telephone allowance	Tele_A	120.20	

2020 Tax Equations

The equations for the Australian system in 2020 are mostly repeated for each individual of a married couple. However, the spouse credit is relevant only to the calculation for the principal earner and the calculation of the Medicare levy uses shading-in rules which depend on the levels of earnings of the spouses. The basis of calculation is shown by the Range indicator in the table below.

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

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings	earn		
2.	Allowances	tax_al	B	0
3.	Credits in taxable income:			
	Credits in taxable income of principal	taxbl_cr_princ	P	IF(AND(Children>0,Married=0),Taper(PPS,earn_princ,PPS_lim+PPS_ch_lim*(Children-1),PPS_taper),IF(AND(Children=0,Married=0),taper2(NSAS,earn_princ,NSA_lim1,NSA_lim2,NSA_taper1,NSA_taper2),IF(Married>0,taper3(NSAP,earn_princ,earn_spouse,NSA_lim1,NSA_lim2,NSA_taper1,NSA_taper2, 0),,0)))
	Credits in taxable income of spouse	taxbl_cr_spouse	S	IF(AND(Children>0,Married=0),0,IF(AND(Children=0,Married=0),0,IF(Married>0,taper3(NSAP,earn_spouse,earn_princ,NSA_lim1,NSA_lim2,NSA_taper1,NSA_taper2, NSAP_CES),0)))
4.	CG taxable income	tax_inc	B	earn+taxbl_cr
5.	CG tax before credits			
	Medicare Levy	med_levy	B	medicare(tax_inc,sing_lim,m_lim,SAPTO_lim,ch_lim,shade_rate,medic_rate,Married,tax_inc_oth,Children)
	Tax liability	liab	P	Tax(tax_inc, tax_sch)
6.	Tax credits :			
	Low income credit	low_cr	B	Taper(low_inc_cr,tax_inc,low_inc_lim,low_inc_redn)
	Senior Australian and Pensioner Tax Offset	sap_cr	P	IF(AND(taxbl_cr_princ>0,NOT(AND(Children>0,Married=0))),Tax(taxbl_cr_princ,tax_sch),IF(taxbl_cr_princ>0,Taper(SAPTO,tax_inc,SAPTO_thresh,SAPTO_taper),0)
	Low and Middle Income Tax Offset	lmito_cr	B	MAX(0,IF(Tax_Inc<LMITO_Thr1,LMITO_Base,MAX(IF(Tax_Inc<LMITO_Thr2,MIN(LMITO_Max,LMITO_Base+(Tax_Inc-LMITO_Thr1)*LMITO_Taper1),LMITO_Max-(Tax_Inc-LMITO_Thr2)*LMITO_Taper2))))
	Beneficiary tax offset	ben_cr	B	IF(AND(taxbl_cr>0, NOT(AND(Children>0, Married=0))), Tax(taxbl_cr, tax_sch), 0)
	Total	tax_cr	B	low_cr+sap_cr+ben_cr+lmito_cr
7.	CG tax	CG_tax	B	Positive(liab-tax_cr) + med_levy
8.	State and local taxes	local_tax	B	0
9.	Employees' soc security	SSC	B	0

11.	Cash transfers:			
	Family Tax Benefit (Part A)	ftbA	P	IF(PA>0,((FTB_A_max+FTB_A_CES_max+IF(princ_earn+spouse_earn<FTB_A_supp_lim,FTB_A_supp,0))*Children+IF(Children>2,(Children-2)*FTB_A_large,0)),MAX(((FTB_A_max+FTB_A_CES_max+IF(princ_earn+spouse_earn<FTB_A_supp_lim,FTB_A_supp,0))*Children-Positive((princ_earn+taxbl_cr+spouse_earn+taxbl_cr_spouse)-FTB_A_lim1)*FTB_A_taper1),Positive((FTB_A_base+FTB_A_CES_basic)*Children-Positive((princ_earn+taxbl_cr+spouse_earn+taxbl_cr_spouse)-(FTB_A_lim2+(Positive(Children-1))*FTB_A_child))*FTB_A_taper2)))
	Family Tax Benefit (Part B)	ftbB	J	IF(earn_princ<FTB_B_lim_p,IF(Children>0,Taper(FTB_B+FTB_B_CES_5, earn_spouse+taxbl_cr_spouse,FTB_B_lim,FTB_B_taper),0),0)
	Economic Supplement		J	IF(OR(ftbA>0,ftbB>0),Eco_supp)
	Pharmaceutical Allowance	PA	J	AND(Children>0,Married=0)*IF(Taper(PPS+PA+PPS_CES,earn_princ, PPS_lim+PPS_ch_lim*(Children-1),PPS_taper)>0,PA,0)
	Telephone Allowance	TeleA	P	IF(Married=0,IF(Children>0,IF(Taper(PPS+PA+PPS_CES,earn_princ,PPS_lim+PPS_ch_lim*(Children-1),PPS_taper)>0,Tele_A,0),0),0)
		cash_trans	J	ftbA+ftbB+taxbl_cr_princ+PA+taxbl_cr_spouse+Tele_A +CEA=CES+SKB+SIFS+Eco_supp
13.	Employer's State pay-roll tax	tax_empr	B	earn*Pay_roll_rate

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

Austria

This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.
Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.

Austria 2020

The tax/benefit position of single persons

		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1.	**Gross wage earnings**		32 601	48 658	81 259	32 601
2.	**Standard tax allowances**					
	Basic allowance		60	60	60	60
	Married or head of family					
	Dependent children		0	0	0	0
	Deduction for social security contributions and income taxes		5 861	8 747	13 515	5 861
	Work-related expenses		132	132	132	132
	Other		0	0	0	0
		Total	6 053	8 939	13 707	6 053
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		26 548	39 719	67 552	26 548
5.	**Central government income tax liability (exclusive of tax credits)**		3 235	7 501	17 747	3 235
6.	**Tax credits**					
	Basic credit		0	0	0	0
	Married or head of family		0	0	0	669
	Children		0	0	0	3 000
	Other		400	400	400	400
		Total	400	400	400	4 069
7.	**Central government income tax finally paid (5 - 6)**		2 835	7 101	17 347	- 834
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		5 861	8 747	13 515	5 861
	Taxable income					
		Total	5 861	8 747	13 515	5 861
10.	**Total payments to general government (7 + 8 + 9)**		8 696	15 848	30 863	5 027
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	5 888
		Total	0	0	0	5 888
12.	**Take-home pay (1-10+11)**		23 905	32 810	50 396	33 462
13.	**Employer's wage dependent contributions and taxes**					
	Employer's compulsory social security contributions		6 898	10 295	15 907	6 898
	payroll taxes		2 249	3 357	5 607	2 249
		Total	9 147	13 653	21 514	9 147
14.	**Average rates**					
	Income tax		8.7%	14.6%	21.3%	-2.6%
	Employees' social security contributions		18.0%	18.0%	16.6%	18.0%
	Total payments less cash transfers		26.7%	32.6%	38.0%	-2.6%
	Total tax wedge including employer's social security contributions		42.7%	47.3%	51.0%	19.8%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		43.3%	48.2%	36.9%	43.3%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		55.7%	59.5%	40.9%	55.7%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Austria 2020

The tax/benefit position of married couples

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

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

1. Personal Income Tax

1.1. Central government income tax

1.1.1. Tax unit

Each person is taxed separately.

1.1.2. Tax allowances

1.1.2.2. Standard tax reliefs

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

1.1.2.2. Non-standard tax reliefs

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

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

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

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

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

1.1.3. Rate Schedule

Since 2020 the tax schedule is:

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

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

There is a special taxation other than the normal tax schedule for Christmas and leave bonus to the extent that their sum does not exceed two average monthly payments (1/6 of current income) or EUR 83 333. Otherwise the tax amount is calculated according to the following formula:

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

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

1.1.4. Tax credits

The following tax credits exist:

- Non-payable family tax credit of EUR 1 500 each child (EUR 500 if the child is older than 18 years). The parents can split up the tax credit one half each for each child separately.
- Traffic (commuting) tax credit of up to EUR 800. If the overall income tax liability of current income is negative, a refund of social security contributions applies. The refund amounts to the absolute value of the negative result of the tax calculation for current income, limited to 50% of overall social security contributions paid, respectively up to EUR 800. For commuters with a traffic allowance (see 1.1.2.2.) the maximum refund of social security contribution is EUR 1090. In the case of positive tax liability, the tax credit is faded out to EUR 400.
- Additional traffic tax credit in case of entitlement to traffic relief according to the distance between home address and working place (see 1.1.2.2.). In this case employees are entitled to an additional traffic tax credit of EUR 2 per km distance from home to working place.
- Sole earner and single parent tax credit for families with children. The sole earner credit is not given when a spouse's income exceeds EUR 6 000. This tax credit is EUR 494 for one child and increases by EUR 175 for the second child and by EUR 220 for the third and every additional child. This tax credit is non-wastable and can be paid as a negative income tax (in addition to the refund of social security contributions in respect of the traffic tax credit).
- Child tax credit of EUR 700.8 (58.40 per month) per child. This tax credit is paid together with child allowances and is not connected with an income tax assessment. Therefore, it is treated as a transfer in this Report (similar treatment as in Revenue Statistics).

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

1.2. State and local income taxes

None.

2. Compulsory Social Security Contributions to Schemes Operated within the Government Sector

2.1. Employee and Employer Social Security Contributions

	Ceilings (EUR)		Rates (%)	
	Regular wage per month	Christmas and leave bonus	Employee (2)	Employer (3)
Health insurance	5370	10740	3.87	3.78
Unemployment insurance	5370	10740	(4)	3.00
Pension insurance	5370	10740	10.25	12.55
Accident insurance	5370	10740	--	1. 20
Contribution to the labour chamber	5370	(1)	0.50	--
Contribution for the promotion of residential building	5370	(1)	0.50	0.50
Addition to secure wage payments in the case of bankruptcy	5370	10740	--	0.2

1. No contribution on Christmas and leave bonus. In Revenue Statistics, the contribution to the labour chamber is accounted under Taxes on Income of Individuals (1110).The total of contributions for the promotion of residential buildings is included in Taxes on payroll (3000).
2. There is an income threshold for employee contributions of EUR 460.66 per month.
3. A new program has been introduced on 1 January 2004 for severance payments. Employers are required to pay 1.53% of gross wages for employees whose employment started after 1 January 2003. of if the employer and employee opt to participate in the new program. This contribution is seen as a non-tax compulsory wage-related payment.
4. Employees' unemployment insurance rate is lower for small incomes. In 2020, it is zero for monthly earnings up to EUR 1 733, 1% up to EUR 1 891, 2% up to EUR 2 049 and 3% above.

2.2. Payroll taxes

There are two payroll taxes which are levied on employers for all private sector employees with a monthly gross wage total of more than EUR 1 095: the contribution to the Family Burden Equalisation Fund (3.9%) and the Community Tax (3%). The wage-dependent part of the contribution to the Austrian Economic Chamber (listed under heading 1000, taxes on profits, Revenue Statistics), which is levied, together with the contributions to the Family Burden Equalisation Fund, at different rates depending upon the Länder Chamber (average rate is approximately 0.4%), is not taken into account. The contribution for the promotion of residential buildings (listed under heading 3000, taxes on payroll, Revenue Statistics) is included in the social security contributions shown above and it is levied by the Health Insurance Companies on monthly income (current) along with the other social security contribution amounts.

3. Universal Cash Transfers

3.1. Transfers related to marital status

No recurrent payments.

3.2. Transfers for dependent children

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

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

The child tax credit (EUR 58.40 per month, see § 1.14) is paid together with the family allowance and therefore treated as a transfer.

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

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

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

4. Main Changes in Tax/Benefit Systems Since 2004

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5. Memorandum Items

5.1. Calculation of Earnings Data

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

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

2020 Parameter values

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

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

2020 Tax equations

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

Bn	Variable	code for docn equations	Excel-Function
3	earnings (%AW)	percent	0, 33%, 67%, 1 or 167% in Taxing Wages output tables (but model can be applied to all earnings levels)
4	number of children	child	0 or 2 in Taxing Wages output tables
5	Gross earnings	earn	=Ave_earn*percent
6	Current income	cearn	=(1-non_cur_pc)*earn
7	Basic allowance	allow	=(earn>14*SSC_low)*Basic_al
8	SSC on curr.inc.	SSCc	='(empl_14+unemp(earn,unemp_rate)+others_rate)*' MIN(12*SSC_ceil;cearn)*(cearn>12*SSC_low)
9	Work related expenses	work_rel	=(earn>14*SSC_low)*work_rel
10	Tax-free income	taxfrinc	=tax_free*earn
11			
11	Tax base for schedule	ctbase	='(cearn-allow-Child_al_princ-' SSCc-work_rel-taxfrinc)+max(0;ncearn-SSCnc-nci_base_max)
12	Gross tax on current income	gtaxcur	=Tax(ctbase;tax_sch)
13	Basic tax credit	btaxcr	=0
14	Married or head of family	headcr	IF(Married=0,(Children>0)*((Children>0)*dsole1_cr+(Children>1)*dsole2_cr+(Children>2)*(Children-2)*dsole3_cr),IF(cearn_s-SSCc_s-work_rel_s<=IF(Children>0, sole_lim1,0), ((Children>0)*dsole1_cr+(Children>1)*dsole2_cr+(Children>2)*(Children-2)*dsole3_cr), 0))+MAX(0,Children*fam_cr_sole-gtaxcur_p)
15	Children	fam_cr	=Max(gtaxcr;fam_cr*child) in the case of single person =MaxFABO(gtaxcur principal;gtaxcur spouse;1) in the case of parents
16	Other	othcr	=(earn>14*SSC_low)*(wage_cr+traffic_cr*0,5+MIN(1;MAX(0;(traffic_cr_ul-ctbase)/(traffic_cr_ul-traffic_cr_ll)))*traffic_cr*0,5)
17	Interm. tax on current income	itcur	=gtaxcur-btaxcr-headcr-othcr
18	Net tax on current income	ntaxcur	=max(gtaxcur-btaxcr-other;-neg_wage_cr_rate*SSC;-neg-wage_cr)-child>0)-headcr
19	Non current income	ncearn	=earn-cearn
20	SSC on non-curr. inc.	SSCnc	=(health_rate+unemp(earn,unemp_rate)+pension_rate)* MIN(2*SSC_ceil;ncearn)*(ncearn>2*SSC_low)
21	Non current income-SSC	ncearn_adj1	=min(ncearn-SSCnc;nci_base_max)
22	Tax schedule	nci_sch	=min(ncearn-SSCnc;nci_base_max)
23	Taxable income	taxinc	=ctbase+ncearn_adj1
2	Tax liability excl. tax credits	inctax_ex	=gtaxcur+taxnc
25	Income tax finally paid	inctax	=ntaxcur+taxnc
26	Employee's SSC	SSC	=SSCc+SSCnc

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

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

Belgium

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

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

Belgium 2020

The tax/benefit position of single persons

	Wage level (per cent of average wage)	67	100	167	67
	Number of children	none	none	none	2
1. Gross wage earnings		31 973	47 720	79 693	31 973
2. Standard tax allowances					
Basic allowance					
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes		4 179	6 237	10 416	4 179
Work-related expenses		4 880	4 880	4 880	4 880
Other					
	Total	9 059	11 117	15 296	9 059
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		22 914	36 603	64 397	22 914
5. Central government income tax liability (exclusive of tax credits)		7 150	13 269	26 944	7 150
6. Tax credits					
Basic credit		0	0	0	0
Married or head of family		2 248	2 248	2 248	2 655
Children		0	0	0	1 461
Other					
	Total	2 248	2 248	2 248	4 116
7. Central government income tax finally paid (5-6)		3 679	8 271	18 533	2 277
8. State and local taxes		1 511	3 398	7 613	935
9. Employees' compulsory social security contributions					
Gross earnings		4 179	6 237	10 416	4 179
Taxable income		247	425	731	247
	Total	4 426	6 662	11 147	4 426
10. Total payments to general government (7 + 8 + 9)		9 616	18 331	37 292	7 638
11. Cash transfers from general government					
For head of family					
For two children		0	0	0	5 429
	Total	0	0	0	5 429
12. Take-home pay (1-10+11)		22 357	29 389	42 401	29 764
13. Employer's compulsory social security contributions		8 004	12 930	21 593	8 004
14. Average rates					
Income tax		16.2%	24.5%	32.8%	10.0%
Employees' social security contributions		13.8%	14.0%	14.0%	13.8%
Total payments less cash transfers		30.1%	38.4%	46.8%	6.9%
Total tax wedge including employer's social security contributions		44.1%	51.5%	58.1%	25.5%
15. Marginal rates					
Total payments less cash transfers: Principal earner		51.0%	55.6%	59.1%	51.0%
Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner		65.3%	65.1%	67.8%	65.3%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Belgium 2020

The tax/benefit position of married couples

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

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

1. Personal income tax system

1.1. Federal government income tax

1.1.1. Tax unit

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

1.1.1.1. Schedule

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

1.1.2. Tax allowances

1.1.2.1. Deduction of social security contributions

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

1.1.2.2. Work-related expenses

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

For self-employed professionals:

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

Gross earnings less social insurance contributions (EUR)	Rate (%)
Below 6 210	28.70
Between 6 210 and 12 330	10
Between 12 330 and 20 530	5
Above 20 530	3

Paid company directors are also entitled to a standard deduction for work-related expenses; this is equal to 3% of gross income (less social insurance contributions) and may not exceed EUR 2 580 per spouse.

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

Actual expenses incurred in order to acquire or retain earned income are deductible if they exceed the standard deduction. The deductibility of certain categories of work-related expenses (cars, clothing, restaurant meals and business gifts) is limited, however. Taxpayers who report actual expenses may deduct EUR 0.24 per kilometre, up to 100 km per single journey, for travel between their home and their workplace by means other than private car.

1.1.2.3. Non-earning spouse allowance (quotient conjugal)

A notional amount of income can be transferred between spouses if one of them earns no more than 30% of the couple's combined earned income. In this case, the amount transferred is limited to 30% of aggregate net earned income, less the individual income of the spouse to whom the notional share is transferred. This allowance is limited to EUR 11 090.

1.1.2.4. Exempt income

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

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

Dependent child exemptions in excess of available income give rise to a reimbursable tax credit. This reimbursable tax credit is calculated at the marginal rate for the spouse with the highest income and capped at EUR 470 per dependent child.

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

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

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

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

1.1.2.5. Schedule

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

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

1.2. Regional and local government taxes

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

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

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

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

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

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

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

1.3. Tax credits

Refundable tax credit for low-income workers

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

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

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

2.1. Rates and ceiling

a) Payroll deductions

The rates of employer and employee contributions are set by law. The applicable rates (in %) are as follows (for businesses having 20 or more employees) :

The schedule applicable as from 01.01.2020 is as follows:

2020	Employee	Employer	Total
Unemployment	0.87	3.16	4.03
Health insurance indemnities	1.15	2.35	3.5
Health care	3.55	3.8	7.35
Placement services		0.05	0.05
Family allowances		7	7
Pensions	7.50	8.86	16.36
Child care		0.05	0.05
Work-related illnesses		1.01	1.01
Work-related accidents		0.32	0.32
Education leave		0.05	0.05
Business closures		0.26	0.26
Wage restraint		5.23	5.23
Tax shift 2017		-5.04	-5.04
Total	13.07	27.10	40.17

The schedule applicable as from 01.07.2020 is as follows:

2020	Employee	Employer	Total
Unemployment	0.87	3.16	4.03
Health insurance indemnities	1.15	2.35	3.5
Health care	3.55	3.8	7.35
Placement services		0.05	0.05
Family allowances		7	7
Pensions	7.50	8.86	16.36
Child care		0.05	0.05
Work-related illnesses		1.00	1.00
Work-related accidents		0.32	0.32
Education leave		0.05	0.05
Business closures		0.26	0.26
Wage restraint		5.23	5.23
Tax shift 2017		-5.04	-5.04
Total	13.07	27.09	40.16

Vacation pay is not subject to the social security contributions applicable to salaries, but a social security levy of 13.07% is deducted when the money is attributed.

b) Reduction of employer contributions

The schedule applicable as from 01.01.2019 is as follows:

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

The schedule applicable as from 01.04.2020 is as follows:

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

c) Reduction of individual social security contributions

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

The schedule applicable as from 01.09.2018 is as follows:

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

The schedule applicable as from 01.03.2020 is as follows:

Gross annual salary (S) in EUR	Reduction in Euros
0 < S < 20 093.76	2 467.80
20 093.76 < S < 31 341.36	Min (2 467.80, (2 467.80–0.2194 (S–20 093.76))
S > 31 341.36	0

d) Special social security contribution

All persons totally or partially subject to the social security scheme for salaried workers are liable for this special contribution. In theory, the amount of the contribution is determined according to aggregate household income. Aggregate household income is equal to combined gross earnings less ordinary social security contributions and work-related expenses. The special social security contribution is not deductible for PIT purposes. The amount of the contribution is as follows:

Taxable income (EUR)	Amount due on the lower limit	% above the lower limit
from 0 to 18 592.02	0	0
from 18 592.02 to 21 070.96	0	9
from 21 070.96 to 60 161.85	223.10	1.3
60 161.85 and above	731.29	0

e) Work accidents

All employers are required to insure their employees against accidents that occur in the workplace or while travelling to or from the workplace. The insurance is written by a private company. The premiums depend on the wage level as well as on sectoral risk indicators. A minimum (+/- 14% of AW in 2018) and maximum (89% of AW) wage applies. The usual premiums are approximately 1% of the capped gross pay for office workers and 3.3% for labourers. Higher rates apply in certain industries in which risks are greater. The premium rate for construction workers, for example, varies between 7% and 8%.

2.2. Deductions according to family status or gender

None.

3. Universal cash transfers

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

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

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

3.1. New regional system – Brussels-Capital region

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

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

Age supplement:

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

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

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

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

Single parent supplement, per child:

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

Annual supplement, per child

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

3.2. Old system

Family allowances are granted for children. The annual amounts of these benefits (in euro) are as follows:

	<5 years	5–6 years	7–10 years	11–12 years	12–16 years	17–18 years	>18 years
1st child	1 189.20	1 199.40	1 402.98	1 423.38	1 529.82	1 529.82	1 577.18
2nd child	2 183.04	2 193.24	2 599.30	2 619.70	2 834.06	2 834.06	3 002.46
3rd child	3 249.34	3 259.54	3 665.60	3 686.00	3 900.36	3 900.36	4 068.76

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

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

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

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

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

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

5. Memorandum Items

5.1. Identification of AW and valuation of earnings

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

2020 Parameter values

	Ave_earn	47 720	Secretariat estimate		
Work-related expenses	work_rel_max	4 880			
	work_rel_sch	0	0		
		0	0		
		0.3			
Tax credits (exempt income)	single_cr	8 990			
	Married_cr	8 990			
	Supp_cr_base	0			
	supp_cr_thrsh1	0			
One child	child_cr1	1 630			
Two children	child_cr2	4 210			
Single parents	s_parent_cr	1 630			
Maximum Child Credit Payment	child_cr_max	470			
Basic Credit	basic_cr_base	0			
	basic_cr_thrsh1	5 400			
	basic_cr_thrsh2	7 200			
	basic_cr_thrsh3	18 810			
	basic_cr_thrsh4	23 410			
Basic exemption plus any additional exemption schedule		Ex_rate1			
	Ex_sch	0.25	9 450		
		0.30	13 440		
		0.40	22 400		
		0.45	41 060		
		0.50			
Income tax schedule		tax_rate1			
	tax_sch	0.00	0		
		0.25	13 440		
		0.40	23 720		
		0.45	41 060		
		0.50			
	quote_max	11 090			
	quote_rate	0.3			
Regional tax	red_rate	0.24957			
	reg_tax_rate	0.32591			
Local tax	local_rate	0.064			
	add_local_rate	0.00			
Unemployment	unemp_rate	0.0087			
Medical care	med_rate	0.0115			
Sickness	sickness_rate	0.0355			
Pension	pension_rate	0.0750			
Employee contribution	SSC_rt	0.1307			
	SSC_redn	0	0	2 459.74	0
	(annual)	20 028.04	20 028.04	2 459.74	0.2194
		31 328.94	20 028.04	2 459.74	0.2194
		31 328.94	0	0	0
		99 999 999	0		0
Special annual contribution	SSC_special	0.000	18 592.02		
		0.090	21 070.96		

		0.013		60 161.85		
		0.000				
Employer contributions	SSC_empr_rt	0.27095				
	SSC_empr_red	0		0	0.1400	36 682.10
		36 682.10		0	0	0
		36 682.10		0	0	0
		9 999 999		0		0
Structural reduction on the withholding tax on wages	PrP_redn	0.000				
Low-income credit	LIC_rate	0.3314				
	LIC_max	830.00				
Child benefit (age 7-10) old system	CB_1	1 423.38				
second child (age 7-10) old system	CB_2	2 599.30				
third child (age 7-10) old system	CB_3	3 665.60				
Child benefit (age 6-12) (new sytem)	CB	1738.6				
Social supplement (children < 12)	Number of children		0	1	2	3
	CS_social	0	0	488	854	1342
		31516.67	0	0	305	878.4
		45750	0	0	0	0
		99999999	0	0	0	0
Single parent supplement	CS_Single	0	0	0	122	244
		31516.67	0	0	0	0
		99999999	0	0	0	0

2020 Tax equations

The equations for the Belgian system in 2020 are mostly calculated on an individual basis. But central government tax for a married couple is calculated on two bases and the lower value is used. One of the bases takes account of the combined income of the couple. Also, tax credits may be used against the tax liability of the secondary earner if the principal earner is unable to use them.

The functions which are used in the equations (Taper, Tax etc.) are described in the technical note about tax equations. Variable names are defined in the table of parameters above or are the standard variables "married" and "children". A reference to a variable with the affix "total" indicates the sum of the relevant variable values for the principal and spouse. And the affixes "princ" and "spouse" indicate the value for the principal and spouse respectively. Equations for a single person are as shown for the principal with "_spouse" values taken as 0.

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings	earn		
2.	Allowances:	tax_al	B	MIN(work_rel_max, Tax(earn-SSC, work_rel_sch))+SSC
3.	Credits in taxable income	taxbl_cr	B	0
4.	CG taxable income	tax_inc_int	B	earn-tax_al
	Quote part	Q	J	IF(married, Positive(MIN(tax_inc_int_total*quote_rate, quote_max)-tax_inc_int_spouse), 0)
	CG adjusted taxable income - principal	tax_inc_adj_princ	P	Positive(tax_inc_int_princ – Q)
	CG adjusted taxable income - spouse	tax_inc_adj_spouse	S	Positive(tax_inc_int_spouse + Q)
5.	CG tax before credits	CG_tax_excl	J	Tax(tax_inc_adj, tax_sch)
6.	Calculation of credits			
	Child exemption amount	child_ex_inc	P	(children=1)*child_cr1+(children=2)*child_cr2
	Family exemption amount	fam_ex_inc	B	IF(Married,married_cr,single_cr+(Children>0)*s_parent_cr)+IF(tax_inc_adj<=0,0,IF(tax_inc_adj<=supp_cr_thrsh1,supp_cr_base,MAX(0,supp_cr_base+supp_cr_thrsh1-tax_inc_adj)))
	Initial exempt income - principal	ex_inc_int_princ	P	child_ex_inc+fam_ex_inc_princ
	Initial exempt income - spouse	ex_inc_int_spouse	S	fam_ex_inc_spouse
	Transferable amount	ex_inc_tran	J	married*IF(ex_inc_int_princ<tax_inc_adj_princ, MIN(MAX((ex_inc_int_spouse-tax_inc_adj_spouse), 0), tax_inc_adj_princ-ex_inc_int_princ), -(MIN(MAX((ex_inc_int_princ-tax_inc_adj_princ), 0), MAX(0, tax_inc_adj_spouse-ex_inc_int_spouse))))
	Final exempt income - principal	ex_inc_fin_princ	P	ex_inc_int_princ+ex_inc_tran
	Final exempt income - spouse	ex_inc_fin_spouse	S	ex_inc_int_spouse-ex_inc_tran
	Tax credits	tax_credits	J	Tax(ex_inc_fin, Ex_sch)
	Basic Credit	basic_cr	B	basic_cr_base*IF(tax_inc<='basic_cr_thrsh1,' 0, IF(tax_inc<='basic_cr_thrsh2,' (tax_inc-basic_cr_thrsh1)/(basic_cr_thrsh2-basic_cr_thrsh1), IF(tax_inc<='basic_cr_thrsh3,' 1, IF(tax_inc<='basic_cr_thrsh4,' (basic_cr_thrsh4-tax_inc)/(basic_cr_thrsh4-basic_cr_thrsh3), 0))))+IF(tax_inc='0;0;MIN(LIC_rate*(MIN(VLOOKUP(' earn, SSC_redn,3), VLOOKUP(earn, SSC_redn, 3)-VLOOKUP(earn, SSC_redn, 4)*(earn-VLOOKUP(earn, SSC_redn, 2)))));LIC_max))
7.	CG tax			
	Tax prior to non-wasteable credits	CG_tax_init	B	Positive(CG_tax_incl-tax_credits) *(1-red_rate)
	Non-wasteable child credit	child_credit_nw	J	MIN(Tax(MIN((children=1)*child_cr1+(children='2)*Parameters!child_cr2),' (positive(ex_inc_int-tax_inc_int), tax_sch), children*child_cr_max)
	Final CG tax	CG_tax_final	J	CG_tax_init-basic_cr_total-child_credit_nw

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

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

Notes

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

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

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

Canada

This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.
Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.

Canada 2020

The tax/benefit position of single persons

		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1.	**Gross wage earnings**		38 385	57 292	95 677	38 385
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		105	161	166	105
	Work-related expenses					
	Other					
		Total	105	161	166	105
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		38 281	57 130	95 511	38 281
5.	**Central government income tax liability (exclusive of tax credits)**		5 742	9 042	16 910	5 742
6.	**Tax credits**					
	Basic credit		2 171	2 171	2 171	2 171
	Married or head of family		0	0	0	1 984
	Other(CPP & EI)		350	528	538	350
		Total	2 521	2 699	2 709	4 505
7.	**Central government income tax finally paid (5-6)**		3 221	6 343	14 201	1 237
8.	**State and local taxes**		1 249	2 671	6 637	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		2 438	3 680	3 754	2 438
	Taxable income (Provincial Health Care Levy)		437	600	750	437
		Total	2 875	4 280	4 504	2 875
10.	**Total payments to general government (7 + 8 + 9)**		7 345	13 295	25 342	4 111
11.	**Cash transfers from general government**					
	For head of family		920	27	0	939
	For two children		0	0	0	14 740
		Total	920	27	0	15 679
12.	**Take-home pay (1-10+11)**		31 961	44 024	70 335	49 953
13.	**Employer's compulsory social security contributions**		3 966	5 942	7 298	3 966
14.	**Average rates**					
	Income tax		11.6%	15.7%	21.8%	3.2%
	Employees' social security contributions		7.5%	7.5%	4.7%	7.5%
	Total payments less cash transfers		16.7%	23.2%	26.5%	-30.1%
	Total tax wedge including employer's social security contributions		24.5%	30.4%	31.7%	-17.9%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		41.5%	38.8%	37.9%	52.2%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		47.2%	43.6%	39.1%	56.9%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Canada 2020

The tax/benefit position of married couples

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

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

1. Personal Income Tax Systems

1.1. Central/federal government income taxes

1.1.1. Tax unit

Under the present system, tax is levied on individuals separately; certain tax reliefs depend on family circumstances.

1.1.2. Tax allowances and credits

1.1.2.1. Standard reliefs

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

17 348 for families. This is the default national design; provinces may choose to propose jurisdiction-specific changes to this design, subject to certain principles.

- Canada Employment Tax Credit: A tax credit of up to CAD 186.75 on employment income.

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

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

- Medical expenses credit: Taxpayers are entitled to a 15% tax credit for an amount of eligible medical expenses that exceeds the lesser of 3% of net income or CAD 2 397.
- Charitable donations credit: The credit is 15% on the first CAD 200 of eligible charitable donations and 29% on eligible donations in excess of CAD 200, with the exception of donors with taxable income exceeding CAD 214 368, who may claim a 33% tax credit on the portion of total annual donations over CAD 200 made from taxable income greater than CAD 214 368. Eligible donations are those made to registered charities, to a maximum of 75% of net income.
- Registered pension plan contributions: Employees who are members of a registered pension plan are entitled to deduct their contributions to the plan. Employee contributions required to fund the actuarial benefit liabilities under a defined benefit registered pension plan are permitted (annual benefit accruals are limited to a maximum of 2% of earnings up to a dollar amount of CAD 3 092). Employee contributions to a defined contribution registered pension plan are limited to 18% of earned income up to a maximum of CAD 27 830.
- Registered retirement savings plan (RRSP) premiums: Individuals can deduct their contributions to an RRSP up to a limit of 18% of the previous year's earned income, to a maximum of CAD 27 230 a year, unless they are also accruing benefits under a registered pension plan or a deferred profit sharing plan. Members of those other plans are limited to RRSP contributions of 18% of the previous year's earned income to a maximum of CAD 27 230, minus a pension adjustment amount based on pension benefits accrued in the previous year.
- Union and professional dues: Individuals with annual dues paid to a trade union or an association of public servants or paying dues required to maintain a professional status recognised by statute are allowed to deduct such fees in computing taxable income.
- Moving expenses: Eligible moving expenses are deductible from income if the taxpayer moves at least 40 kilometres closer to a new place of employment.
- Child care expenses: A portion of child care expenses is deductible if incurred for the purpose of earning business or employment income, studying or taking an occupational training course or carrying on research for which a grant is received. The lower income spouse must generally claim the deduction. The amount of the deduction is limited to the least of:
    1. the expenses incurred for the care of a child;
    2. two thirds of the taxpayer's earned income; and
    3. CAD 8 000 for each child who is under age seven, and CAD 5 000 per child between seven and sixteen years of age (or older if has a mental or physical impairment, but not eligible for the Disability Tax Credit). The amount for a child who is eligible for Disability Tax Credit is CAD 11 000.

1.1.3. Tax schedule

2020 Federal Income Tax Rates

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

1.2. State and local income taxes

1.2.1. General description

All provinces and territories levy their own personal income taxes. All, with the exception of Quebec, have a tax collection agreement with the federal government, and thus use the federal definition of taxable income. They are free to determine their own tax brackets, rates and credits. Quebec collects its own personal income tax and is free to determine all of the tax parameters, including taxable income. In practice, its definition of taxable income is broadly similar to the federal definition.

1.2.2. Tax regime selected for this study

The calculation of provincial tax for the average worker study assumes the worker lives in Ontario, the most populous of the 10 provinces and 3 territories. The main features of the Ontario tax system relevant to this report are summarised below:

Tax Schedule

Income Bracket (CAD)	Rate (%)
0—44 740	5.05
44 740 —89 482	9.15
89 482—150 000	11.16
150 000—220 000	12.16
Over 220 000	13.16

Surtax

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

Wastable tax credits

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

Tax Reduction

An earner is entitled to claim a tax reduction where the initial entitlement is equal to CAD 249 plus CAD 460 for each dependent child under the age of 19. Where someone has a spouse, only the spouse with the higher net income can claim the dependent child tax reduction. If this amount is greater or equal to the liable provincial tax, then no tax is due. If the amount is less than the liable tax, then the actual tax reduction is equal to twice the initial entitlement amount less the liable tax (if this calculation is zero or negative, the reduction is equal to zero).

2. Compulsory Social Security Contributions to Schemes Operated Within the Government Sector

2.1. Employees' contributions

2.1.1. Pensions

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

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

2.1.2. Sickness

There is no national sickness benefit plan administered by the federal government. However, all provinces have provincially administered health care insurance plans. Three provinces, Quebec, Ontario, and British Columbia, levy health premiums on individuals separately from the personal income tax to help finance their health programmes.

In the case of Ontario, the premium is determined based on taxable income. Individuals who earn up to CAD 20 000 are exempt. The premium is phased-in with a number of different rates to a maximum of CAD 900 for taxable income levels greater than CAD 200 600. The following table provides further details on the structure that is applicable in 2020.

The Ontario Health Premium		
Taxable Income	Fixed Component (CAD)	Variable Component
0—CAD 20 000	0	
CAD 20 000—CAD 25 000	0	6% of the taxable income in excess of CAD 20 000
CAD 25 000—CAD 36 000	300	
CAD 36 000—CAD 38 500	300	6% of the taxable income in excess of CAD 36 000
CAD 38 500—CAD 48 000	450	
CAD 48 000—CAD 48 600	450	25% of the taxable income in excess of CAD 48 000
CAD 48 600—CAD 72 000	600	
CAD 72 000—CAD 72 600	600	25% of the amount of taxable income in excess of CAD 72 600
CAD 72 600—CAD 200 000	750	
CAD 200 000—CAD 200 600	750	25% of the amount of taxable income in excess of CAD 200 000
Over CAD 200 600	900	

2.1.3. Unemployment

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

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

2.1.4. Work injury

See section 2.2.4.

2.2. Employers' contributions

2.2.1. Pensions

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

2.2.2. Sickness

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

2.2.3. Unemployment

Employers are required to contribute to the employment insurance scheme. The general employer contribution is 1.4 times the employee contribution, that is, 2.21% of insurable earnings (outside Quebec). Premiums are adjusted for employers who provide sick pay superior to payments provided under the employment insurance regime. All employment insurance contributions are deductible from the employer's income subject to tax.

2.2.4. Work injury

There is no national work injury benefit plan administered by the federal government. However, employers are required to contribute to a provincial workers' compensation plan which pays benefits to workers (or their families in case of death) for work related illness or injury. The employer contribution rates, which vary by industry and province, are related to industry experience of work related illness and injury. Premiums are deductible from the employer's income subject to tax. In the case of Ontario, employers broadly corresponding to industry Sectors B-N inclusive pay, on average, 1.40% of the wages paid to each employee to a maximum of CAD 95 400.

3. Universal Cash Transfers

3.1. Transfers related to marital status

None.

3.2. Transfers for dependent children

3.2.1. Federal

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

3.2.2. Provincial

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

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

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

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

4.1.1. CCB: extra payment

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

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

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

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

5. Memorandum Items

5.1. Identification of an Average Worker

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

5.2. Employer contributions to private health and pension schemes

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

2020 Parameter values

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

Province: Ontario				
Tax Credits	P_basic_crd	544.54		
Spouse	P_spouse_crd	462.38		
withdrawal rate	P_sp_crd_wd	0.0505		
threshold	P_sp_crd_thr	915		
Social security tax credit rate	P_ssc_tc_rt	0.0505		
Surtax rate 1	P_sur_rt1	0.20		
threshold	P_sur_thr1	4 830		
rate 2	P_sur_rt2	0.36		
threshold	P_sur_thr2	6 182		
Tax reduction	P_tax_red	249		
amount per dependent	P_tr_chld	460		
Low-income Individuals and Families Tax Credit (LIFT)				
amount	P_LIFT_crd	850		
threshold for singles	P_LIFT_sg_thr	30000		
threshold for couples	P_LIFT_cp_thr	60000		
phase-in rate	P_LIFT_phzn_rt	0.0505		
phase-out rate	P_LIFT_phzout_rt	0.1		
Provincial tax schedule	Prov_sch	0.0505	44 740	
		0.0915	89 482	
		0.1116	150 000	
		0.1216	220 000	
		0.1316		
Ontario Child Benefit				
amount per child	P_ch_amt	1 490		
threshold	P_ch_thresh	22 749		
reduction rate	P_ch_redn_rate	0.08		
Sales tax credits				
sales tax credit adult	P_sales_cred	320		
sales tax credit child	P_salcr_chd	320		
threshold	P_ps_thresh	24 597		
threshold seniors/families	P_ps_thr_sen	30 746		
reduction rate	P_ps_red_rt	0.04		
Ontario Health Premium	P_hlth_sch	20 000	0	0
		25 000	0.06	0
		36 000	0	300
		38 500	0.06	300
		48 000	0	450
		48 600	0.25	450
		72 000	0	600
		72 600	0.25	600
		200 000	0	750
		200 600	0.25	750
maximum	P_hlth_max	900		
Employer Health Tax	emp_healthtax	0.0195		
Employer Workers Compensation Levy	emp_workcomp	0.0140		
Employer Workers Compensation Levy Ceiling	emp_workcomp_ceil	95 400		

2020 Tax equations

The equations for the Canadian system are mostly repeated for each individual of a married couple. But the spouse credit is relevant only to the calculation for the principal earner and the non-wastable credits are calculated only once. This is shown by the Range indicator in the table below.

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

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

			S	(net_inc_spouse>0)*(P_ssc_tc_rt*SSC_spouse)+ OR(Married=1,Children>0)*P_basic_crd
	Provincial surtax	Prov_surtax	B	P_sur_rt1*Positive(Prov_tax_sch-Prov_tax_cred-P_sur_thr1)+P_sur_rt2*Positive(Prov_tax_sch-Prov_tax_cred-P_sur_thr2)
	Provincial tax reduction	Prov_tax_redn	B	MAX(2*(P_tax_red+Children*P_tr_chld)-(Prov_tax_sch-Prov_tax_cred+Prov_surtax), 0)
	Low-income Individuals and Families Tax Credit (LIFT)	Prov_LIFT_crd	J	IF(Married=1,MIN(Taper(MIN(P_LIFT_crd,earn*P_LIFT_phzn_rt), net_inc_total, P_LIFT_cp_thr, P_LIFT_phzout_rt), Taper(MIN(P_LIFT_crd,earn*P_LIFT_phzn_rt),net_inc,P_LIFT_sg_thr,P_LIFT_phzout_rt)),Taper(MIN(P_LIFT_crd,net_inc*P_LIFT_phzn_rt),net_inc,P_LIFT_sg_thr,P_LIFT_phzout_rt))
	Liable provincial tax	Prov_tax	B	Positive(Prov_tax_sch - Prov_tax_cred + Prov_surtax -Prov_tax_redn – Prov_LIFT_crd)
9.	Employees' soc security:			
	Canada Pension Plan contribution (creditable portion)	CPP_cred	B	CPP_rate*MINA(Positive(earn-CPP_ex),(CPP_up-CPP_ex))
	Canada Pension Plan (total)	CPP	B	CPP_deduc+CPP_cred
	Unemployment insurance	Unemp	B	MIN(Unemp_rate*earn,Unemp_max)
	State health premium	Prov_health	B	MIN(Hstep(tax_inc,P_hlth_sch),P_hlth_max)
	Total Employees' soc security	SSC	B	CPP+Unemp+Prov_health
11.	Cash transfers (nonwastable)			
	Canada Child Benefit	CCB	P	Taper(Taper(Children*ccb_credit2,MINA(net_inc_total, ccb_crd_thrsh2), ccb_crd_thrsh1, IF(children=1, ccb_1st _redn1, IF(children=2, ccb_1st _redn2, IF(children=3, ccb_1st _redn3, IF(children>3, ccb_1st _redn4, 0))))), net_inc_total, ccb_crd_thrsh2, IF(children=1, ccb_2nd _redn1, IF(children=2, ccb_2nd _redn2, IF(children=3, ccb_2nd _redn3, IF(children>3, ccb_2nd _redn4, 0)))))
	Canada Child Benefit with COVID measures	CCB COVID	P	Taper(Taper(Children*(ccb_credit2 + 300),MINA(net_inc_total, ccb_crd_thrsh2), ccb_crd_thrsh1, IF(children=1, ccb_1st _redn1, IF(children=2, ccb_1st _redn2, IF(children=3, ccb_1st _redn3, IF(children>3, ccb_1st _redn4, 0))))), net_inc_total, ccb_crd_thrsh2, IF(children=1, ccb_2nd _redn1, IF(children=2, ccb_2nd _redn2, IF(children=3, ccb_2nd _redn3, IF(children>3, ccb_2nd _redn4, 0)))))
	GST Credit - Total	GST_cr	P	Taper((GST_crd_ad+(Married=1)*(GST_crd_ad+Children*GST_crd_ch)+(Married=0)*(Children>0)*(GST_crd_ad+GST_crd_sgsp+Positive(Children-1)*GST_crd_ch)+(Married=0)*(Children=0) *Positive(MIN(GST_crd_sgsp, (net_inc_total-GST_sgsp_thrsh)*GST_sgsp_rate))), net_inc_total, GST_crd_thrsh, GST_crd_redn)
	GST Credit – Total with COVID measures	GST_cr COVID	P	Taper(2*(GST_crd_ad+(Married=1)*(GST_crd_ad+Children*GST_crd_ch) +(Married=0)*(Children>0)*(GST_crd_ad+GST_crd_sgsp+Positive(Children-1)*GST_crd_ch)+(Married=0)*(Children=0) *Positive(MIN(GST_crd_sgsp, (net_inc_total-GST_sgsp_thrsh)*GST_sgsp_rate))), net_inc_total, GST_crd_thrsh, GST_crd_redn)
	GST Credit - Adult	GST_cr_adult	P	Taper((GST_crd_ad+(Married=1)*(GST_crd_ad)+(Married=0)*Positive(MIN(GST_crd_sgsp, (net_inc_total-GST_sgsp_thrsh) *GST_sgsp_rate))), net_inc_total, GST_crd_thrsh, GST_crd_redn)
	GST Credit – Adult with COVID measures	GST_cr_adult COVID	P	Taper(2*(GST_crd_ad+(Married=1)*(GST_crd_ad)+(Married=0)*Positive(MIN(GST_crd_sgsp, (net_inc_total-GST_sgsp_thrsh) *GST_sgsp_rate))), net_inc_total, GST_crd_thrsh, GST_crd_redn)
	GST Credit - Child	GST_cr_child	P	GST_cr-GST_cr_adult
	GST Credit – Child with COVID measures	GST_cr_child COVID	P	GST_cr COVID - GST_cr_adult COVID
	Ontario Child Benefit	Prov_child_ben	P	Taper(Children*P_ch_amt,net_inc_total,P_ch_thresh,P_ch_redn_rate)
	Ontario sales tax credit	Prov_sales_cr	P	Taper(IF(Married=1,2,1)*P_sales_cred+Children*P_salcr_chd,net_inc_total,IF(Married+Children=0, P_ps_thresh,P_ps_thr_sen), P_ps_red_rt)

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

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

Notes

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

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

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

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

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

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

Chile

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

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

Chile 2020

The tax/benefit position of single persons

		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1.	**Gross wage earnings**		6 887 288	10 279 535	17 166 823	6 887 288
2.	**Standard tax allowances**					
	Basic allowance		0	0	0	0
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		482 110	719 567	1 201 678	482 110
	Work-related expenses					
	Other		810 634	1 209 901	2 020 535	810 634
		Total	1 292 744	1 929 469	3 222 213	1 292 744
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		5 594 544	8 350 066	13 944 611	5 594 544
5.	**Central government income tax liability (exclusive of tax credits)**		0	3 335	227 117	0
6.	**Tax credits**					
	Basic credit					
	Married or head of family					
	Children		0	0	0	255 819
	Other					
		Total	0	0	0	255 819
7.	**Central government income tax finally paid (5-6)**		0	3 335	227 117	0
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		482 110	719 567	1 201 678	482 110
	Taxable income					
		Total	482 110	719 567	1 201 678	482 110
10.	**Total payments to general government (7 + 8 + 9)**		482 110	722 902	1 428 794	482 110
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	60 612
		Total	0	0	0	60 612
12.	**Take-home pay (1-10+11)**		6 405 178	9 556 633	15 738 029	6 465 790
13.	**Employer's compulsory social security contributions**		0	0	0	0
14.	**Average rates**					
	Income tax		0.0%	0.0%	1.3%	0.0%
	Employees' social security contributions		7.0%	7.0%	7.0%	7.0%
	Total payments less cash transfers		7.0%	7.0%	8.3%	6.1%
	Total tax wedge including employer's social security contributions		7.0%	7.0%	8.3%	6.1%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		7.0%	10.2%	10.2%	7.0%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		7.0%	10.2%	10.2%	7.0%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Chile 2020

The tax/benefit position of married couples

		Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
		Number of children	2	2	2	none
1.	**Gross wage earnings**		10 279 535	17 166 823	20 559 070	17 166 823
2.	**Standard tax allowances**					
	Basic allowance		0	0	0	0
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		719 567	1 201 678	1 439 135	1 201 678
	Work-related expenses					
	Other		1 209 901	2 020 535	2 419 803	2 020 535
		Total	1 929 469	3 222 213	3 858 937	3 222 213
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		8 350 066	13 944 611	16 700 133	13 944 611
5.	**Central government income tax liability (exclusive of tax credits)**		3 335	3 335	6 669	3 335
6.	**Tax credits**					
	Basic credit					
	Married or head of family					
	Children		255 819	255 819	255 819	0
	Other					
		Total	255 819	255 819	255 819	0
7.	**Central government income tax finally paid (5-6)**		0	0	0	3 335
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		719 567	1 201 678	1 439 135	1 201 678
	Taxable income					
		Total	719 567	1 201 678	1 439 135	1 201 678
10.	**Total payments to general government (7 + 8 + 9)**		719 567	1 201 678	1 439 135	1 205 012
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	60 612	0	0
		Total	0	60 612	0	0
12.	**Take-home pay (1-10+11)**		9 559 968	16 025 758	19 119 935	15 961 811
13.	**Employer's compulsory social security contributions**		0	0	0	0
14.	**Average rates**					
	Income tax		0.0%	0.0%	0.0%	0.0%
	Employees' social security contributions		7.0%	7.0%	7.0%	7.0%
	Total payments less cash transfers		7.0%	6.6%	7.0%	7.0%
	Total tax wedge including employer's social security contributions		7.0%	6.6%	7.0%	7.0%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		7.0%	7.0%	7.0%	10.2%
	Total payments less cash transfers: Spouse		6.1%	7.0%	7.0%	7.0%
	Total tax wedge: Principal earner		7.0%	7.0%	7.0%	10.2%
	Total tax wedge: Spouse		6.1%	7.0%	7.0%	7.0%

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

Taxes allowances and tax thresholds for the personal income tax system and upper earnings limits for social security contributions are determined using and expressed in CPI-indexed units. As of June 30, 2020, the following currency values applied to these units:

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

1. This amount is subject to daily adjustment in line with the CPI and is compared with monthly earnings in the assessment of social security contributions

1. Personal income tax system

1.1. Central/federal government income taxes

1.1.1. Tax unit

Each family member declares and pays taxes separately.

1.1.2. Tax allowances and credits

1.1.2.1. Standard tax reliefs

- Education tax credit: Parents with children attending preschool, primary, special or secondary education, with a total annual taxable income (both parents) of up to CLP 23 023 701 (UF 792), are entitled to a tax credit of CLP 127 909 (UF 4.4) per child, for expenses related to education. Children shall have a minimal school attendance of 85% and the school must be recognized by the State. This tax credit can be claimed by both parents, or only by one of them.
- Relief for social security contributions: Employee's compulsory social insurance contributions are deductible for income tax purposes regardless of whether they are paid to government or private health insurers. (See section 2.1 below).

1.1.2.2. Main non-standard tax reliefs

- Voluntary contributions and APV (Voluntary Pension Fund Savings): Voluntary contributions to pension funds and voluntary pension savings fund (APV) may be deducted from taxable income, with an annual upper limit of CLP 17 224 848 (UF 600.)
- Mortgage Interest: Taxpayers whose annual income falls below CLP 55 111 320 (UTA 90) may deduct from their taxable income 100% of interest paid within a year for mortgage loans. This percentage is reduced in the case of taxpayers with higher incomes up to CLP 91 852 200 (UTA 150). This relief cannot be granted along-side the DFL2 Housing Mortgage Loan Payments benefit, and cannot exceed CLP 4 898 784 (UTA 8) per annum.

1.1.3. Tax schedule

Tax rates are applied on monthly income and these taxes are retained and paid by employers. In order to estimate taxes, tax rates are applied on an annual basis, on the annual average income (starting of 1

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

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

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

Taxable income (UTA)	Taxable income (CLP thousands)	Tax rates
0–13.5	0 – 8 267	exempt
13.5–30	8 267 – 18 370	4%
30–50	18 370 – 30 617	8%
50–70	30 617 – 42 864	13.5%
70–90	42 864 – 55 111	23%
90–120	55 111 – 73 482	30.4%
120 – 150	73 482 – 91 852	35%
150 and over	91 852 – and over	40%

1.2. State and local income taxes

No taxes apply to income at state or local government level.

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

2.1. Employees' contributions

Employees have mandatorily to contribute 7% of their income to a health insurance plan subject to an upper earnings limit of CLP 27 628 656 (UF 962.4). They are free to choose whether to pay into a government-managed plan or alternatively to a private insurer[2] (Isapres). The public insurance is based on a joint system that, in general, operates on an equal basis for all its beneficiaries, irrespective of the risk and the amount of the individual contribution. Its financing is partly covered by the contributions and partly by way of a government subsidy. Premiums paid to the plans offered by Isapres are based on the contributors' individual risk and these plans are exclusively financed with the employees' contributions. Public insurance contributions are included in the modelling as the majority of employees pay into plans managed by the government sector.

Employee social security contributions in respect of pensions and unemployment are not classified as taxes in this report; though they are included in modelling as deductions for income tax.

- The mandatory contributions to pension funds and unemployment insurance plans are not classified as taxes, since the payments are made to private institutions. In 1980, the public social security system was replaced with a privately managed individual capitalisation system. This system is obligatory to all employees who have joined the labour force since 1983 and free-lance workers since 2012, and of a voluntary nature to all contributing to the former system. The contributions to the old government operated pension fund system are not included in the modelling because they relate to a minority of employees and the system will eventually disappear once the contributions and related benefit payments to those individuals remaining in it have ceased.

- The modelling allows that the contributions to pension funds and unemployment insurance managed by private institutions are deducted from gross income. In the case of their pension funds, these payments amount to 10% of their gross income, with an upper earnings limit of CLP 27 628 656 (UF 962.4). Added to that is an amount that varies depending on the managing company that covers the management of each pension fund account.[3] The monthly unemployment insurance premium is 0.6% of the employee's gross income, with an upper earnings limit of CLP 41 477 434 (UF 1 444.8). Employees do not pay the monthly unemployment insurance premium when they have a fixed-term contract or after 11 years of labour relationship.
- There are also mandatory contributions to managed funds by members of the police force and the army which are classified as taxes but are not included in the modelling as they relate to a minority of the overall workforce.
- If the employee has a high risk job, that person has to make an additional contribution of 2% (heavy work) or 1% (less heavy work) of the gross income with an upper earnings limit of CLP 27 628 656 (UF 962.4), to the pension fund account.

The pension and unemployment contributions are not included in the Taxing Wages calculations, as they are not considered as taxes in the report. However, information on "non-tax compulsory payments" as well as "compulsory payment indicators" is included in the OECD Tax Database, which is accessible at www.oecd.org/ctp/tax-database.htm.

2.2. Employers' contributions

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

- Employers make mandatory payments of 0.90% of their employees' gross income for an occupational accident and disease insurance policy subject to an upper earnings limit. For the majority of employees the payments are made to employers' associations of labour security which are private non-profit institutions. Those remaining are made to the Social Security Regularisation Unit (ISL). Although this latter organisation is controlled by the government, the funds are invested on the private institutions market. The employers also pay an additional contribution which depends on the activity and risk associated to the enterprise (it cannot exceed 3.4% of the employees' gross earnings). This additional contribution could be reduced, down to 0%, depending on the safety measures the employer implements in the enterprise. If health and safety conditions at work are not satisfactory, this additional contribution could be applied with a surcharge of up to 100%.
- As of April 1st, 2017, employers shall make a mandatory contribution based on employees' gross income to a fund which will finance insurance coverage for working parents of children aged 1 to 15, or ages 1-18, whichever applies, that have a serious health condition, so that the parents can take a leave of absence from their work in order to accompany and take care of them; therefore, during this period the parents shall have the right to assistance financed by said fund (in Spanish, "Fondo SANNA") that will replace, in total or partially, their monthly earnings. During 2019 the rate is 0.02%, and will reach a final value of 0.03% in force as of January 1, 2020. The collection of this contribution is initially delegated to the ISL and to the employers' association of labour security.

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

3. Universal cash transfers

3.1. Marital status-related transfers

No such transfers are paid.

3.2. Transfers related to dependent children

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

- Adopted children as well as those born to the parents;
- Children up to the age of 18 or 24 years provided they are single and are regular students in an elementary, secondary, technical, specialised or higher education establishment
- The amount of the payment depends on the number of dependent children and the beneficiary's level of income according to the table below. The modelling assumes that the benefit is assessed on the spouse with the lower earning level where both spouses are working.

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

4. Recent changes in the tax/benefit system

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

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

5. Memorandum items

5.1. Identification of an average worker

- The source of information is a survey conducted by the National Statistics Institute (INE) to determine the Salary and Labour Cost Index. This nationwide survey is carried out on a monthly sample and gathers information on salaries and labour costs. It applies to companies with at least 5-worker payrolls grouped in accordance with ISIC4.CL 2012[6], covering workers in industry sectors B to R[7].
- The average gross earning was obtained by multiplying the average hourly wage by the average number of hours worked. It covers both full and part-time workers.

5.2. Employers' contribution to private health and pension schemes

- In Chile very few employers make any contributions towards health schemes for their employees, and the relevant information is not available.

2020 Parameter values

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

2020 Tax equations

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

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings	earn		
2.	Allowances:	Tax_al	B	Min(Basic_al,earn)
3.	Credits in taxable income	taxbl_cr	B	0
4.	CG taxable income	tax_inc	B	Positive(earn-tax_al)
5.	CG tax before credits	CG_tax_excl	B	Tax(tax_inc, tax_sch)
6.	Tax credits :	tax_cr	P	IF(taxinc_princ+taxinc_spouse<='edu_tax_cre_lim,IF(taxinc_spouse' =0,edu_tax_cre*Children,edu_tax_cre*Children*0.5),0)
			S	IF(AND(taxinc_princ+taxinc_spouse<=edu_tax_cre_lim,taxinc_spouse>0),edu_tax_cre*Children*0.5,0)
7.	CG tax	CG_tax	B	Positive(CG_tax_excl-tax_cr)
8.	State and local taxes	local_tax	B	0
9.	Employees' soc security	SSC	B	Tax(earn, SSC_sch)
11.	Family allowance	cash_trans	P/S	IF(Children='0,0,' IF(earn_spouse>0, VLOOKUP (earn_spouse, CTR_child) , VLOOKUP (earn_princ, CTR_child)) * children)
13.	Employer's soc security	SSC_empr		0

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

Notes

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

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

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

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

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

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

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

Colombia

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

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

COLOMBIA 2020

The tax/benefit position of single persons

		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1.	**Gross wage earnings**		10 742 271	16 033 240	26 775 511	10 742 271
2.	**Standard tax allowances**					
	Basic allowance		2 470 722	3 687 645	6 158 367	2 202 166
	Married or head of family					
	Dependent children		0	0	0	1 074 227
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other		859 382	1 282 659	2 142 041	859 382
		Total	3 330 104	4 970 304	8 300 408	4 135 774
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		7 412 167	11 062 936	18 475 102	6 606 497
5.	**Central government income tax liability (exclusive of tax credits)**		0	0	0	0
6.	**Tax credits**					
	Basic credit					
	Married or head of family					
	Children		0	0	0	0
	Other					
		Total	0	0	0	0
7.	**Central government income tax finally paid (5-6)**		0	0	0	0
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		0	0	0	0
	Taxable income					
		Total	0	0	0	0
10.	**Total payments to general government (7 + 8 + 9)**		0	0	0	0
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	859 637
		Total	0	0	0	859 637
12.	**Take-home pay (1-10+11)**		10 742 271	16 033 240	26 775 511	11 601 908
13.	**Employer's compulsory social security contributions**		0	0	0	0
14.	**Average rates**					
	Income tax		0.0%	0.0%	0.0%	0.0%
	Employees' social security contributions		0.0%	0.0%	0.0%	0.0%
	Total payments less cash transfers		0.0%	0.0%	0.0%	-8.0%
	Total tax wedge including employer's social security contributions		0.0%	0.0%	0.0%	-8.0%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		0.0%	0.0%	0.0%	0.0%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		0.0%	0.0%	0.0%	0.0%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

COLOMBIA 2020

The tax/benefit position of married couples

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

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

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

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

1. Personal income tax system

1.1. Central/federal government income taxes

1.1.1. Tax unit

Each family member declares and pays taxes separately.

1.1.2. Tax allowances and credits

1.1.2.1. Standard tax reliefs

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

1.1.2.2 Main non-standard tax reliefs

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

1.1.3. Tax schedule

Because Law 1943 of 2018 was deemed unconstitutional by the Constitutional Court at October 2019, at the end of that year the Congress approved the Law 2010, which kept the income tax regime to individuals in the same way as it was established in the previous tax reform. This tax regime split the individual's income in three "baskets": a general basket, that covers labor, capital and non-labor income; a pension basket, and a dividends basket.

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

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

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

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

1.2. State and local income taxes

No taxes apply to income at state or local government level.

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

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

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

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

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

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

2.1. Employees' contributions

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

2.2. Employers' contributions

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

3. Universal cash transfers

3.1. Marital status-related transfers

None.

3.2. Transfers related to dependent children

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

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

4. Main Changes in Tax/Benefit Systems Since 2019

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

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

5. Memorandum items

5.1. Identification of an average worker and calculation of earnings

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

2020 Parameter values

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

2020 Tax equations

The equations for the Colombian system are mostly on an individual basis. But the Family Allowance is assessed on both principal and spouse when they are working at the same time and the sum of their gross earnings doesn't exceed the limit to receive this subsidy, and otherwise on the principal's earnings. This is shown by the Range indicator in the table below.

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

Line in country table and intermediate steps	Variable name	Range	Equation
1. Earnings	earn		
2. Total reliefs:	total_rel	B	tax_allow + non_taxable_income
Dependent Children	dependent children	P/S	IF(earn_princ>=earn_spouse;IF((earn_princ*0,1)>depend_child;depend_child;earn_princ*0,1)*(IF(children>0;1;0));0))
Exempt Labor Income	exempt labor income	B	IF((positive(earn_princ-(non taxable income ntcp+dependent children))*0,25)>exempt_labor_income_limit;exempt_labor_income_limit;(positive(earn_princ-(non taxable income ntcp+dependent children))*0,25))
Allowed Allowances	tax_allow	B	IF((40%*(earn_princ-non taxable income ntcp))>='upper_limit_ex_and_ded;' IF((dependent children+exempt labor income)>='upper_limit_ex_and_ded;upper_limit_ex_and_ded;' (dependent children+exempt labor income)); IF((dependent children+exempt labor income)>(40%*(earn_princ-non taxable income ntcp));40%*(earn_princ-non taxable income ntcp);(dependent children+exempt labor income)))
Non taxable income NTCP	non_taxable_income	B	IF(earn_princ<low_limit_income_ntc_hlth_pens;0;tax(earn_princ;ntc_hlth_pens))+(IF(earn_princ>upper_limit_income_ntc_solid_fund;(upper_limit_income_ntc_solid_fund*ntc_solid_fund_r6);IF(earn_princ>ntc_solid_fund_w5;(earn_princ*ntc_solid_fund_r6);IF(earn_princ>ntc_solid_fund_w4;(earn_princ*ntc_solid_fund_r5);IF(earn_princ>ntc_solid_fund_w3;(earn_princ*ntc_solid_fund_r4);IF(earn_princ>ntc_solid_fund_w2;(earn_princ*ntc_solid_fund_r3);IF(earn_princ>ntc_solid_fund_w1;(earn_princ*ntc_solid_fund_r2);IF(earn_princ>ntc_solid_fund_w0;(earn_princ*ntc_solid_fund_r1);(earn_princ*ntc_solid_fund_r0))))))))
3. Credits in taxable income	taxbl_cr	B	0
4. CG taxable income	tax_inc	B	Positive(earn_princ- Total reliefs+ cred_tx_inc)
5. CG tax before credits	CG_tax_excl	B	Tax(tax_inc, tax_sch)
6. Tax credits	tax_cr	B	0
7. CG tax	CG_tax	B	Positive(CG tax before credits- tax_cr)
8. State and local taxes	local_tax	B	0
9. Employees' soc security	SSC	B	n.a.
11. Cash transfer	cash_trans	J	IF(children=0;0;IF(earn_spouse>0;IF((earn_princ+earn_spouse)>ctr_child_limit2;0;IF((earn_princ+earn_spouse)>=ctr_child_limit1;ctr_child*children;IF((earn_princ+earn_spouse)>0;ctr_child*children*2)));IF(earn_princ>ctr_child_limit1;0;ctr_child*children)))
12. Employer's soc security	SSC_empr	B	n.a.

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

6. Notes

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

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

Czech Republic

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

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

Czech Republic 2020

The tax/benefit position of single persons

		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1.	**Gross wage earnings**		269 515	402 261	671 776	269 515
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other					
		Total	0	0	0	0
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3 + 13)**		360 611	538 225	898 837	360 611
5.	**Central government income tax liability (exclusive of tax credits)**		54 092	80 734	134 825	54 092
6.	**Tax credits**					
	Basic credit					
	Married or head of family					
	Children					
	Other		24 840	24 840	24 840	74 048
		Total	24 840	24 840	24 840	74 048
7.	**Central government income tax finally paid (5-6)**		29 252	55 894	109 985	- 19 956
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		29 647	44 249	73 895	29 647
	Taxable income					
		Total	29 647	44 249	73 895	29 647
10.	**Total payments to general government (7 + 8 + 9)**		58 898	100 143	183 881	9 690
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	21 840
		Total	0	0	0	21 840
12.	**Take-home pay (1-10+11)**		210 617	302 119	487 895	281 665
13.	**Employer's compulsory social security contributions**		91 096	135 964	227 060	91 096
14.	**Average rates**					
	Income tax		10.9%	13.9%	16.4%	-7.4%
	Employees' social security contributions		11.0%	11.0%	11.0%	11.0%
	Total payments less cash transfers		21.9%	24.9%	27.4%	-4.5%
	Total tax wedge including employer's social security contributions		41.6%	43.9%	45.7%	21.9%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		31.1%	31.1%	31.1%	31.1%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		48.5%	48.5%	48.5%	48.5%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Czech Republic 2020

The tax/benefit position of married couples

	Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
	Number of children	2	2	2	none
1. Gross wage earnings		402 261	671 776	804 522	671 776
2. Standard tax allowances					
Basic allowance					
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes					
Work-related expenses					
Other					
	Total	0	0	0	0
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3 + 13)		538 225	898 837	1 076 451	898 837
5. Central government income tax liability (exclusive of tax credits)		80 734	134 825	161 468	134 825
6. Tax credits					
Basic credit					
Married or head of family					
Children					
Other		98 888	74 048	74 048	24 840
	Total	98 888	74 048	74 048	24 840
7. Central government income tax finally paid (5-6)		- 18 154	35 937	62 580	85 145
8. State and local taxes		0	0	0	0
9. Employees' compulsory social security contributions					
Gross earnings		44 249	73 895	88 497	73 895
Taxable income					
	Total	44 249	73 895	88 497	73 895
10. Total payments to general government (7 + 8 + 9)		26 095	109 833	151 077	159 041
11. Cash transfers from general government					
For head of family					
For two children		21 840	21 840	21 840	0
	Total	21 840	21 840	21 840	0
12. Take-home pay (1-10+11)		398 007	583 783	675 285	512 735
13. Employer's compulsory social security contributions		135 964	227 060	271 929	227 060
14. Average rates					
Income tax		-4.5%	5.3%	7.8%	12.7%
Employees' social security contributions		11.0%	11.0%	11.0%	11.0%
Total payments less cash transfers		1.1%	13.1%	16.1%	23.7%
Total tax wedge including employer's social security contributions		26.1%	35.1%	37.3%	43.0%
15. Marginal rates					
Total payments less cash transfers: Principal earner		31.1%	31.1%	31.1%	31.1%
Total payments less cash transfers: Spouse		31.1%	31.1%	31.1%	31.1%
Total tax wedge: Principal earner		48.5%	48.5%	48.5%	48.5%
Total tax wedge: Spouse		48.5%	48.5%	48.5%	48.5%

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

1. Personal Income Tax System

1.1. Central government income taxes

1.1.1. Tax unit

- The tax unit is the individual.

1.1.2. Tax allowances and tax credits

1.1.2.1. Standard reliefs

- Relief for social and health security contributions. Employees' social security contributions (see Section 2.1.) are not deductible for income tax purposes.

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

- Charitable donations allowance: A tax allowance of up to 10% of taxable income is available for donations made to municipalities or legal entities for the financing of social, health, cultural, humanitarian, religious, ecological and sport activities. The minimum limit for donations is the lesser of 2% of taxable income or CZK 1 000. A similar procedure shall apply for gratuitous performance to finance the removal of the consequences of a natural disaster occurring in the territory of an EU Member State, Norway or Iceland. The total deduction may not exceed 15% of the tax base. As gratuitous performance for healthcare purposes, the value of one blood donation from an unpaid donor is valued at a sum of CZK 2 000 and the value of an organ donation from a living donor is valued at a sum of CZK 20 000.
- Interest payments: Taxpayers may claim an allowance of up to CZK 300 000 for mortgage interest payments or other interest payments related to the purchase or the improvement of their house. The total sum of interest by which the tax base is reduced on all credits of payers in the same jointly managed household must not exceed CZK 300 000.
- Supplementary pension scheme contributions: In a period of taxation, the tax base may be reduced by a contribution, in the maximum total amount of CZK 24 000, paid by a taxpayer to their supplementary pension insurance with a State contribution under a contract on supplementary pension insurance with a State contribution entered into between the payer and a pension company; the sum that may be deducted in this manner equals the total amount of contributions paid by the payer for their supplementary pension insurance with a State contribution in the period of taxation, reduced by CZK 24 000.
- Private life insurance premiums: Taxpayers may claim an allowance of up to CZK 12 000 for premiums paid according to a contract between the taxpayer and an insurance company if the benefit (lump sum or recurrent pension) is paid out 60 months after the signature of the contract and in the year in which the taxpayer reaches the age of 60.

1.1.2.3. Tax schedule

From January 2008, a progressive system of taxation is replaced by a single rate of 15%. The tax base, reduced by the non-taxable part of the tax base (see 1.1.2.2. - Main non-standard tax reliefs), rounded down to whole hundreds of CZK is subject to tax at the rate of 15%. After that, tax credits (see 1.1.2.4.) can be used to directly reduce a person´s tax liability.

1.1.2.4. Tax credits

- Credit of CZK 24 840 per taxpayer.
- Credit of CZK 24 840 per spouse (husband or wife) living with a taxpayer in a common household provided that the spouse’s own income does not exceed CZK 68 000 in the taxable period.
- Credit of CZK 15 204 for first child, credit of CZK 19 404 for second child, credit of CZK 24 204 for third and each additional child (irrespective of the child’s own income) living with a taxpayer in a common household on the territory of a Member State of the EU, Norway or Iceland, if the child satisfies one or more of the following criteria (in force since July 1, however, with retroactive effect from January 1):
    - age below 18 year of age,
    - age below 26 year of age and receiving full-time education,
    - age below 26 year of age and physically or mentally disabled provided that the child is not in receipt of a state disability payment

    If the child is a “ZTP-P” card holder (the child with a certain type of disabilities), the tax credit is doubled. The taxpayer can claim the tax credit in the form of tax reliefs or tax bonuses or their combination.
- Credit of CZK 2 520 if the taxpayer is in receipt of a partial disability pension or is entitled to both an old-age pension and a partial disability pension
- Credit of CZK 5 040 if the taxpayer is in receipt of a full disability pension, or another type of pension conditional on his full disability pension, or if the taxpayer is entitled to both old-age pension and full disability pension or deemed to be fully disabled under statutory provisions, but his application for a full disability pension was rejected for reasons other than that he was not fully disabled (handicapped).
- Credit of CZK 16 140 if the taxpayer is a “ZTP-P” card holder.
- Credit of CZK 4 020 if the taxpayer takes part in a systematic educational or training programme under statutory provisions in order to prepare for his future vocation (profession) by means of such studies or prescribed training until completion of his/her 26 or 28 years (Ph.D. programme).
- The annual tax credit for placing a child into a preschool child care institution in the amount of the expenditure proven to be incurred for attending the preschool, up to the amount of the minimum wage for each placed child (for the year 2020: MW CZK 14 600)

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

1.2. State and local income tax

There are no regional or local income taxes.

2. Compulsory Social Security Contributions to Schemes Operated within the Government Sector

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

2.1. Employees' contributions

Compulsory contributions of 11% of gross wages and salaries are paid by all employees into government operated schemes. The total is made up as follows (in %):

Health insurance	4.5
Social insurance	6.5

2.2. Employers' contributions

The total contribution for employers is 33.8% of gross earnings.

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

3. Universal Cash Transfers

3.1. Transfers related to marital status

None.

3.2. Transfers for dependent children

Non-taxable child allowances are the basic income-tested benefit provided to a dependent child with the objective to contribute to the coverage of costs incurred in his upbringing and sustenance. Entitlement to the child allowance is bound with certain income criteria. The central government pays this allowance in respect of each dependent child based on the family income level and provided that family's income does not exceed 2.7 times the relevant family's living minimum (LM) and simultaneously fulfils the minimum income condition of CZK 3860/monthly/one of parents.. Family income includes the earnings of both parents net of income tax and the employees' social security and health insurance contributions. Child allowances are provided at three levels depending on the age of the child and are paid as follows:

Family Income	up to 2.7 LM
Age of child	Total payment CZK per month
below 6 year of age	800
6–15 years	910
15–26 years	1000

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

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

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

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

3.3. Additional transfers

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

4. Main Changes in Tax/Benefit Systems since 2020

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

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

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

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

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

No changes

5. Memorandum Items

5.1. Identification of AW and valuation of earnings

The Ministry of Finance estimates the average earnings of the AW based on the data supplied by the Czech Statistical Office. The calculation of the average earnings is made by CZ-NACE division, which is compatible with ISIC classifications Ver. 4.

5.2. Employers' contributions to private pension, health and related schemes

There are supplementary private pension schemes only, but employers ‘contributions vary. Relevant information is not available.

2020 Parameter values

	Ave_earn	402 261	Secretariat's estimate
Income tax rate	tax_rate	0.15	
Social security – social insurance	SSs_rate	0.065	
Social security – health insurance	SSh_rate	0.045	
Employers - social insurance	SSs_empr_rate	0.248	
Employers - health insurance	SSh_empr_rate	0.09	
Child Tax credit - first child	child_cr_1	15 204	
- second child	child_cr_2	19 404	
- third child	child_cr_3	24 204	
Tax credit for individuals	tax_cr_base	24 840	
Tax credit for spouse	tax_cr_spo	24 840	
Tax credit for spouse income ceiling	Tax_cr_spo_inc_ceil	68 000	
Living minimum (LM)			
	basic_adult	3 860	
	basic_household	6 750	
	basic_child	2 420	
	house_exp	1	3 860
		2	6 750
		3	8 720
		4	11 140
		5	13 910
Cash transfers	transf_1	910	
Social security, social insurance - ceiling	soc_sec_si_ceil	1 672 080	
Minimum Wage	tax_cr_preschool	14 600	

2020 Tax equations

The equations for the Czech system are on an individual basis. But the spouse tax credit is relevant only to the calculation for the principal earner and cash transfers are calculated only once. This is shown by the Range indicator in the table below.

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

		Variable name	Range	Equation
1.	Earnings	earn	B	
2.	CG taxable income	tax_inc_princ	B	Earn+(earn*SSC_empr_rate)
3.	CG tax before credits			
	CG tax before credits principal	CG_tax_excl_princ	B	Tax(tax_inc_princ, tax_rate)
4.	Tax credits:			
	Tax credit for children	tax_cr_ch	P	If (number of children>3; (number of children - 3)*child_cr_3+child_cr_1+child_cr_2+child_cr_3; If (number of children>2;child_cr_1 +child_cr_2 + child_cr_3; If (number of children>1;child_cr_1+child_cr_2; If (number of children=0;0)))))
	Tax preschool credit	Tax_cr_preschool	B	tax_cr_preschool*positive(children-1)
	Basic tax credit	tax_cr_bas	B	tax_cr_bas
	Tax credit for spouse	tax_cr_spouse	P	Married*tax_cr_spo
5.	CG tax			
	CG tax principal	CG_tax_princ	B	Max(CG_tax_excl_princ - tax_cr_bas_princ - tax_cr_spo-tax_cr-preschool , 0) - tax_cr_ch
6.	State and local taxes	local_tax	B	0
7.	Employees' social security	SSs SSh	B B	MIN(earn,soc_sec_si__ceil)*SSs_rate earn*SSh_rate
8.	Cash transfers			
	Net family income	net_inc	J	earn_total-CG_tax_total-SSC_total
9.	Living minimum (monthly)	LM	J	(1-Married)*basic_adult+Married*basic_household +Children*basic_child+ VLOOKUP((1+Married+Children), house_exp, 2, FALSE)
10.	Total cash transfers	cash_trans	J	Children*IF(net_inc<='(2.7)*LM*12,' transf_1*12)
11.	Employer's social security	SSs_empr SSh_empr	B B	MIN(earn,soc_sec_sir_ceil)*SSs_empr_rate earn*SSh_empr_rate

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

Notes

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

Denmark

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

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

Denmark 2020

The tax/benefit position of single persons

	Wage level (per cent of average wage)	67	100	167	67
	Number of children	none	none	none	2
1.	**Gross wage earnings**	292 853	437 094	729 947	292 853
2.	**Standard tax allowances**				
	Basic allowance				
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes	23 428	34 968	58 396	23 428
	Work-related expenses	0	0	0	0
	Other				
	Total	23 428	34 968	58 396	23 428
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
	Earnings tax credit deduction	34 943	39 400	39 400	55 742
	Total	- 34 943	- 39 400	- 39 400	- 55 742
4.	**Central government taxable income (1 - 2 + 3)**	234 482	362 726	632 151	213 683
5.	**Central government income tax liability (exclusive of tax credits)**	32 627	48 698	102 402	32 627
6.	**Tax credits**				
	Basic credit	7 476	8 065	9 261	7 476
	Married or head of family				
	Children				
	Other				
	Total	7 476	8 065	9 261	7 476
7.	**Central government income tax finally paid (5-6)**	48 580	75 600	151 537	48 580
8.	**State and local taxes**	46 909	78 911	146 143	41 719
9.	**Employees' compulsory social security contributions**				
	Gross earnings	0	0	0	0
	Taxable income				
	Total	0	0	0	0
10.	**Total payments to general government (7 + 8 + 9)**	95 489	154 511	297 680	90 299
11.	**Cash transfers from general government**				
	For head of family				
	For two children	0	0	0	77 716
	Green check	525	525	0	765
	Total	525	525	0	78 481
12.	**Take-home pay (1-10+11)**	197 889	283 108	432 266	281 035
13.	**Employer's compulsory social security contributions**	0	0	0	0
14.	**Average rates**				
	Income tax	32.6%	35.3%	40.8%	30.8%
	Employees' social security contributions	0.0%	0.0%	0.0%	0.0%
	Total payments less cash transfers	32.4%	35.2%	40.8%	4.0%
	Total tax wedge including employer's social security contributions	32.4%	35.2%	40.8%	4.0%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	38.7%	41.7%	55.5%	36.9%
	Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner	38.7%	41.7%	55.5%	36.9%
	Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.

Denmark 2020

The tax/benefit position of married couples

			100-0	100-67	100-100	100-67
		Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
		Number of children	2	2	2	none
1.	**Gross wage earnings**		437 094	729 947	874 188	729 947
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		34 968	58 396	69 935	58 396
	Work-related expenses		0	0	0	0
	Other					
		Total	34 968	58 396	69 935	58 396
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
	Earnings tax credit deduction		39 400	39 400	39 400	39 400
		Total	- 39 400	- 39 400	- 39 400	- 39 400
4.	**Central government taxable income (1 - 2 + 3)**		362 726	597 208	725 453	597 208
5.	**Central government income tax liability (exclusive of tax credits)**		48 698	81 325	97 395	81 325
6.	**Tax credits**					
	Basic credit		19 327	15 541	16 130	15 541
	Married or head of family					
	Children					
	Other					
		Total	19 327	15 541	16 130	15 541
7.	**Central government income tax finally paid (5-6)**		69 969	124 180	151 200	124 180
8.	**State and local taxes**		67 308	125 820	157 822	125 820
9.	**Employees' compulsory social security contributions**					
	Gross earnings		0	0	0	0
	Taxable income					
		Total	0	0	0	0
10.	**Total payments to general government (7 + 8 + 9)**		137 277	250 000	309 023	250 000
11.	**Cash transfers from general government**					
	For head of family					
	For two children		26 004	26 004	26 004	0
	Green check		1 570	1 290	1 290	1 050
		Total	27 574	27 294	27 294	1 050
12.	**Take-home pay (1-10+11)**		327 391	507 241	592 459	480 997
13.	**Employer's compulsory social security contributions**		0	0	0	0
14.	**Average rates**					
	Income tax		31.4%	34.2%	35.3%	34.2%
	Employees' social security contributions		0.0%	0.0%	0.0%	0.0%
	Total payments less cash transfers		25.1%	30.5%	32.2%	34.1%
	Total tax wedge including employer's social security contributions		25.1%	30.5%	32.2%	34.1%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		41.7%	41.7%	41.7%	41.7%
	Total payments less cash transfers: Spouse		38.6%	38.7%	41.7%	38.7%
	Total tax wedge: Principal earner		41.7%	41.7%	41.7%	41.7%
	Total tax wedge: Spouse		38.6%	38.7%	41.7%	38.7%

The national currency is the Kroner (DKK). In 2020, DKK 6.57 were equal to USD 1. In that year, the average worker earned DKK 437 094 (Secretariat estimate), which is calculated on the background of the extrapolated average worker income with the expected 2020 growth rate of wages on 0.969%.

1. Personal income tax system

In the Danish personal income tax system, the income of the individual taxpayer is split into three categories:

- Personal income, which consists of employment income, business income, pensions, unemployment benefits etc. and with fully deductibility of Labour Market Contributions and pension contributions (except lump sum savings).
- Capital income (e.g. interest income and some capital gains) is calculated as a net amount (the sum of positive and negative capital income net of interest expenses). Dividend income and the property value of owner-occupied dwellings are taxed at different tax rates.
- Taxable income – the aggregate of personal income and capital income less deductions (e.g. work-related expenses etc.).

All three categories are relevant for various tax rates, see Section 1.2.1.

Regarding the tax unit, the earned income of each spouse is taxed separately. However, as is mentioned in Section 1.2.1, some unutilised personal allowances can be transferred between them.

1.1. Tax allowances and tax credits

1.1.1. Standard reliefs

Wage or salary earners can deduct certain expenses with some relation to earning their income (e.g. transport expenses, trade union membership dues, unemployment premiums) from taxable income.

Certain standard tax allowances are automatically issued. Working taxpayers receives an employment allowance of 10.5% of earned income (including pension contributions) to a maximum of DKK 39 400 when calculating taxable income. Single parents get an extra employment allowance of 6.25% in 2020 with a maximum allowance of DKK 22 900. The effective value of the credit is equal to the average municipality tax (24.96%) multiplied by the value of the allowance.

Additionally from 2018, working taxpayers with an income (including pension contributions) of at least DKK 195 800 receives a job allowance of 4.50% on taxable income. The maximum allowance of DKK 2 600 is achieved at an income of DKK 253 578 and the effective value of the credit is equal to about DKK 650 (24.95% x DKK 2 600 = DKK 650).

Pension contributions are deductible in personal income (however not relieved from labor market tax). From 2018, taxpayers receive an extra pension allowance in their taxable income based on pension contributions. Even though pension contributions are an NTCP, the related allowance is considered a standard tax relief. Pension contributions are made to privately managed funds and are annually around 12% of the total wage (i.e. pension contribution formula: gross wage earnings / 0,88 * 0,12) where employees pay 4% and employers pay 8%. The allowance is 12% of the pension contributions for employees with more than 15 years to retirement and 32% for employees with less than 15 years to retirement.

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

- Interest payments are fully deductible from capital income.
- The non-standard deduction for wage and salary earners: The work-related expenses are deductible from taxable income, however case law is quite strict in requiring that the expense is necessary for employees' earning of income in the third category ("other costs"). The main items are:
    - The actual costs to contributions to unemployment insurance and trade unions (limit for the latter DKK 6 000);
    - Expenses to transportation to the workplace are deductible at standardised rates: Up to 24 km. per day: no deduction. 25–120 km.: DKK 1.96 per km. Above 120 km.: DKK 0.98 per km. as a standard, but transport from municipalities placed in the outskirts of the country gives a credit of DKK 1.96 per km. also above 120 km. The deduction is only applicable for the days, where the transport is actually performed;
    - Other costs above DKK 6 300, if the costs are necessary in order to earn income.
- Contributions/premiums paid to private pension saving plans except lump sum savings are deductible from personal income. From 1999 onwards, contributions/premiums paid to private pension saving plans with sum payments are no longer deductible from income subject to the top tax bracket rate. From 2013 onwards, contributions/premiums paid to private pension saving plans with sum payments are no longer deductible.
- Other reliefs:
    - Alimonies, if according to contract, are deductible from taxable income;
    - Contributions to certain non-profit institutions are deductible from taxable income (limit DKK 16 600);
    - Losses incurred from unincorporated business in earlier years are, in principle, deductible from personal income.

1.1.3. Tax credits

Each individual is granted a personal allowance, which is converted into a wastable tax credit by applying the marginal tax rate of the first bracket of the income tax schedule. For taxpayers who are 18 years of age or are older, the tax credit amounts to:

For central government income tax	12.11% of DKK 46 500 = DKK 5 631
For municipal income tax	24.954% of DKK 46 500 = DKK 11 604

Special personal allowance for an individual younger than 18: DKK 36 100.

If a married person cannot utilise the personal allowance, the unutilised part is transferred to the spouse.

1.2. Central government income taxes

1.2.1. Tax schedule

Individuals pay an 8% Labour Market Contribution levied on the gross wage or other income from work before the deduction of any allowance.

Before 2008, the revenue was earmarked for certain social security expenditures through the Labour market Fund, but this system was abolished from 2008, and the tax enters the budget in the same way as any other income taxes. From 2011 the last links regarding social security of the tax were removed making all taxpayers working in Denmark pay the labour market contribution. The labour market contribution is thus treated as a PIT in Taxing Wages from 2008.

Low tax bracket to the central government is assessed on the aggregate of personal income and positive net capital income at the rate of 12.11%.

From 2010 and onwards the medium tax bracket was abolished.

Top tax bracket to the central government is assessed on the excess of DKK 531 000 of the aggregate of personal income and positive net capital income in excess of DKK 53 300 at the rate of 15%. If a married individual cannot utilise the total allowance of DKK 531 000, the unutilised part is not transferred to the spouse.

If the marginal tax rate including local tax exceeds 52.06%, the top tax bracket rate is reduced by the difference between the marginal tax rate and 52.06%.

1.3. State and local income taxes

1.3.1. General description

Local income taxes are levied only by the municipalities. The rates vary across jurisdictions.

1.3.2. Tax base

The tax base is taxable income (see Section 1). Tax credit varies with tax rates. The average amount is given below.

1.3.3. Tax rates

- Lowest rate: 22.8% (municipalities);
- Highest rate: 27.8% (municipalities);
- Average rate: 24.95% (municipalities);

The average rate is used in this study. It is applied to the tax base less personal allowances (see Section 1.1).

2. Compulsory Social Security Contributions to Schemes Operated Within the Government Sector

2.1. Employees' contributions

Employees make a contribution of DKK 11 899 for unemployment insurance. From 1999 onwards, the contribution for unemployment insurance is split into two: one part consists of the contribution for unemployment insurance (DKK 4 260) while the other part consists of a voluntary contribution to an early retirement scheme (DKK 6 096). In addition an administration fee of DKK 1 543 on average is added.

Contributions to unemployment funds are not mandatory. Nevertheless, these payments have up until the implementation of ESA 2010 and the major revision of the Danish national accounts in the autumn 2014 been defined as social security contributions and classified as taxes in the Danish national accounts because there is no direct link between what members pay to the schemes and what they receive and the funds are subsidized by the state. The contributions to the unemployment funds and the church tax are no longer classified as taxes in the Danish national accounts.

3. Universal Cash Transfers

The transfers for each dependent child are as follows:

Age group	Quarterly amount (DKK) for each child
0–2	4 596
3–6	3 639
7–17	2 862

The transfer is reduced when the tax base of the top-bracket tax of a parent exceeds DKK 800 100. There are additional special amounts for single parents: the transfer for each dependent child is DKK 5 880 per year and a yearly transfer of DKK 5 992 regardless of the number of children. In addition, there is a state transfer of DKK 16 980 per year for each dependent child in case an 'absent parent' does not contribute (this amount) to the family. This transfer is included in this Report's calculations for single parents.

Individuals older than 18 years receive a 'green check' of DKK 525; this amount is increased with DKK 120 per child for up to two children. Only one partner in a married couple receives the increased 'green check' for children. The 'green check' is nominally fixed and is phased out at a rate of 7.5% for income above DKK 421 700. If the yearly income of the individuals is lower than DKK 242 400 the individuals receive an 'additional green check' of DKK 280.

4. Main Changes in Tax/Benefit Systems

From 2000 to 2002, the low tax bracket rate has been reduced from 7% to 5.5%. The low tax bracket is assessed on the aggregate of personal income and positive net capital income.

After the parliamentary elections in 2001, the Conservative/Liberal government adopted a tax freeze policy, which implied that tax rates could not be increased, either in nominal or relative terms, during that government term. Taxes were therefore not increased during the period 2002-2005. After the parliamentary elections in February 2005, the Conservative/Liberal government and the tax freeze policy were confirmed.

In order to respect the "tax freeze", the low tax bracket has been reduced by 0.36% from 2004 to 2010 as a compensation for increases in local income taxes from 33.31% in 2004 to 33.66% in 2011.

In the spring of 2003, the government agreed with one of the opposition parties to implement a tax package. The aim of this package was to decrease the level of labour taxation in Denmark, and thereby to reduce the distortions in the labour market and to improve the incentives to work. The package contained two main elements: an increase of the threshold for the medium tax bracket of nearly DKK 50 000 and the introduction of a tax credit scheme whereby the taxpayer can deduct 2.5% of earned income to a maximum of DKK 7 500 (in 2007) in the calculation of taxable income.

Before 2004, a compulsory contribution of 1% of employees' gross earnings was paid to an individual Labour Market Supplementary Pension Scheme established for the employee – this contribution is not considered as a social security contribution but rather as savings being made by the individual. However, from 2004 to 2010, this contribution was suspended and finally abolished and the deposits paid out as of April 2010.

In September 2007, the tax cuts from the 2003-package was extended. The threshold for the medium tax bracket was to be raised with DKK 57 900 in 2009 to meet with the top tax bracket threshold. The deductible tax credit was increased to 4.0% of earned income in 2008 and to 4.25% in 2009; thus raising the maximum to 12 300 in 2008 and to 13 600 in 2009. The effective value of the credit and of the personal income allowance is equal to the local income tax rate, the church tax plus the health care tax rate (31.63% on average in 2013) multiplied by the value of the deduction.

From the 1st of January 2007 a Local Government Reform has come into force, which changes the structure of labour taxation. The reform however had only a minimal impact on the overall level of taxation. The number of municipalities has been cut from 270 to 98 and five regions have replaced the 14 counties. The regions will not impose taxes but will be financed through state subsidies and by contributions from the municipalities. The reform implied an increase in the average municipal tax rate from 22.1% in 2006 to 24.577% in 2007. Since then, there has been a further increase in the average municipal tax to 24.907% in 2013. The county tax has been replaced by a new health care tax of 8% which is levied by central government. The health care tax rate is decreased to 6% in 2013. The levels of taxation have thus been reduced from three to two: only the central and local governments now levy taxes.

In the spring of 2009, the government and one of the opposition parties agreed upon a major tax reform to be phased in from 2010 to 2019. The reform aims at reducing the high marginal tax rates on personal income and thus to stimulate labour supply in the medium to long-term. The reform decreases income taxes by DKK 29 billion in 2010. The tax reform is planned to be revenue neutral as a whole, but was underfinanced in the short run (2010-12) in order to stimulate the economy. The main measures taken in 2010 include the reduction of the rate of the bottom tax bracket from 5.26% to 3.67%, abolition of the medium tax bracket with the 6% rate altogether, and increase the top tax bracket threshold by DKK 28 800 to DKK 389 000. The reform will decrease the lowest marginal tax rate from 42.4% to 41.0% and the highest marginal tax rate on labour income from 63.0% to 56.1%. The marginal tax rate on positive net capital income (up to 51.5 after abolition of the middle tax bracket) is further reduced for the vast majority by introduction of an extra allowance of DKK 40 000 (DKK 80 000 for married couples) for positive net capital income in the top bracket tax.

The reform is partly financed by higher energy, transport and environmental taxes to support the energy and climate policy objectives of the government, and also by increases of excise rates on health-related goods (fat, candy, sugary drinks, tobacco). These increases are partly compensated by giving a ‘green check’ to households (see section 3). The tax reform is also partly financed by base broadening measures. The measures include a gradual reduction from 2012 to 2019 of the tax value (from 33.5% to 25.5%) of assessment oriented deductions and limitations of the tax deductibility of net interest payments over a nominal threshold of DKK 50 000 (DKK 100 000 for married couples). Also the deductibility of payments above DKK 100 000 a year to individual pension insurance schemes with less than life-long coverage has been limited, as well as tightening of the tax treatment of company cars and other fringe benefits. Furthermore, a 6% tax is imposed from 2011 on pension payments exceeding DKK 362 800.

To consolidate the budget, a *Fiscal Consolidation Agreement* was reached in May 2010, somewhat modifying the prescriptions of the Spring Package of 2009.

The specific provisions of the *Fiscal Consolidation Agreement* include:

- The suspension from 2011 until 2013 of automatic adjustments in various tax thresholds (including personal allowances).
- Postponing from 2011 to 2014 the increase of the threshold for the top income tax rate (15%) from DKK 389 900 to 409 100 (EUR 52 316 to 54 892). The increase was an element of the 2009 tax reform.
- The labour union membership fees’ tax deductibility is limited to DKK 3 000 (EUR 403) from the year 2011. The threshold is not adjusted.
- From 2011, the annual amount of child allowance is limited to DKK 35 000 (EUR 4 696), irrespective of the number of children. This was abolished by the new government by 2012. Child allowances will be gradually reduced by 5% until 2013.

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

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

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

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

Growth Plan 2014 contained measures to reduce the public service obligation on electricity and roll back an increase in excise duty on fossil fuel. As part of the financing of Growth Plan 2014 the low tax bracket rate is increased by 0.28 percentage point over the next five years, including 0.25 percentage point in 2015, with a parallel increase in the tax ceiling. Also, the green check and the supplementary green check are reduced over the next five years, starting in 2015.

In the autumn 2014, the new ESA 2010 guidelines (European System of National and Regional Accounts) and a major revision of the Danish national accounts were implemented which changed the classification of a few taxes. For example, the church tax and contributions to the unemployment fund are no longer classified as taxes, but as volunteer contributions (see Section 2.1).

As part of the Finance Act 2015 the tax deductibility of labour union membership fees is increased from DKK 3 000 to DKK 6 000 in 2015.

The Finance Act of 2016 included an abolishment of the so-called PSO-excise duty. To finance the abolishment the tax rate for the bottom tax bracket will be increased with 0.05 percentage point from 2018 increasing to 0.09 percentage point in 2022. Fully phased-in the tax rate for the bottom tax bracket will be 12.20% in 2022. Additionally, the tax ceiling will be increased from 51.95% in 2017 to 52.07% in 2022. The 'green check' will be reduced with 190 DKK from 2018 increasing to 380 DKK in 2022. The 'additional green check' will be lowered proportionally. Low-income earners such as senior citizens and early retirees are exempt from the decrease in the 'green check'.

In February 2018, an agreement on lower tax on labour income and larger deductions for pension payments was made. The agreement will gradually be introduced from 2018 to 2020 and consists of the following elements: 1) Additional tax deductions for pension payments. The deduction will be 12% for persons with more than 15 years until they reach state pension age and 32% if they have 15 years or less - up to DKK 70,000. 2) A new job allowance of 4.5% of labour on income over DKK 187 500 to a maximum of DKK 2 500. 3) Expansion of the basis of the employment allowance to also cover pension payments. 4) Increase of the ceiling for the employment allowance from DKK 37 400 to 38 400. 5) Lowering of the bottom-bracket tax rate with 0.02 percentage points.

In March 2018 it was agreed to gradually abolish the media license towards 2022. The agreement was financed by reducing personal allowance for persons over the age of 18 by DKK 2 900.

The Finance Act of 2019 and 2020 included a reduction of the bottom tax of 0.03 percentage points each as compensation for an increase in the municipal tax.

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

By Act No. 871 of 14 June 2020, the Danish Parliament introduced several temporary amendments to the income taxation legislation due the covid-19 pandemic. The aim of the amendments is generally to ensure that extended stays in or outside Denmark due to the covid-19 pandemic do not have severe consequences in terms of tax.

A person who is resident in Denmark or a non-resident who is staying in Denmark more than 180 days within a period of 12 months will be fully liable to taxation in Denmark. One of the amendments entails that a non-resident who was staying in Denmark under the national lock down caused by the covid-19 pandemic may choose not to be fully liable to taxation in Denmark provided that the stay was from 9 March to 30 June 2020. In addition, personal income from work performed in Denmark from 9 March to 30 June 2020 may be taxable to Denmark. The effect of this rule may be limited by Danish agreements for the avoidance of double taxation.

Residents in Denmark who primarily are working abroad may, under certain conditions, are exempted from the payment of income taxation in Denmark. One of the other temporary amendments entails that the resident may stay in Denmark from 9 March to 30 June 2020 without forfeiting the right to the tax exemption.

Finally, some temporary amendments are related to the conditions for applying the Tax Scheme for Foreign Researchers and Highly-paid Employees (27 per cent tax scheme).

5. Memorandum Items

5.1. Identification of an AW

The AW is identified as an average worker employed at firms which are members of the Danish Employers' Confederation.

5.2. Employer and employee's contribution to private schemes

Employees typically participate in a private occupational (labour market) pension scheme to which both the employee and the employer contribute. The employee's contribution is deductible for income tax purposes until payment. The employer's contribution is not included in the gross wage income of the employee.

2020 Parameter values

	Ave_earn	437 094	Secretariat estimate
	Ave_pens	59604	
Central taxes	Health_tax_rate	0	
	Low_rate	0.1211	
	Medium_thrsh	0	
	Medium_rate	0	
	Top_thrsh	531 000	
	Top_rate	0.15	
	Marg_rate_ceil	0.5206	
	Adj_top_rate	0.15	
	Temp_tax_rate	0	
	Temp_tax_thrsh	0	
	Personal_al	46 500	
	Job_deduc_min	195 800	
	Job_deduc_rate	0.0450	
	Job_deduc_max	2 600	
Pension payments tax credit scheme	Pens_deduc_rate_o_15	0.12	
	Pens_deduc_rate_u_15	0.32	
	Pens_deduc_max	73 100	
The green check	green_check	525	
	1 child	120	
	child max	240	
	Green_check_thrsh	421 700	
	Green_check_taper_rate	0.075	
	Extra_green_check	280	
	Extra_green_check_thrsh	242 400	
Local taxes	gener_rate	0.24954	
	church_rate	0	
total local tax rate	Local_rates	0.24954	
Earned income tax credit scheme	earncredit_rate	0.105	
	earncredit_max	39 400	
for single parents	Sing_par_earncredit_rate	0.0625	
	Sing_par_earncredit_max	22 900	
Child transfers	Child_3to6	14 556	
	Child_7to14	11 448	
	Child_limit	800 100	
	Child_red	0.02	
for single parents	Sing_par_basic	5 992	
	Sing_par_ch	22 860	
Labour Market Contribution	Labour_market_rate	0.08	

2020 Tax equations

The equations for the Danish system in 2020 are mostly on an individual basis but there is an interaction in the calculation of Central Government tax between spouses and the child benefit is calculated only once. This is shown by the Range indicator in the table below.

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

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings	Earn		
2.	Allowances:	tax_al	B	Labour_market_contr
		earncredit	B	Min((earn+((earn/Pension_base_adjust)-earn))*earncredit_rate, earncredit_max)+(Children>0)*(Married=0)*Min((earn+((earn/Pension_base_adjust)-earn))*Sing_par_earncredit_rate; Sing_par_earncredit_max)
3.	Credits in taxable income	taxbl_cr	B	0
4.	CG taxable income	tax_inc	B	Positive(earn-tax_al-earncredit+taxbl_cr)
	Personal income	pers_inc	B	Positive(earn-Labour_market_contr)
5.	CG tax before credits	CG_tax_excl_princ	P	Low_rate*tax_inc_princ+Medium_rate*Positive(tax_inc_princ-Medium_thrsh-Married*Positive(Medium_thrsh-pers_inc_spouse))+Adj_top_rate*Positive(tax_inc_princ-Top_thrsh)
		CG_health_tax_excl_princ	P	Health_tax_rate*tax_inc_princ
		CG_tax_excl_spouse	S	Low_rate*tax_inc_spouse+Medium_rate*Positive(tax_inc_spouse-Medium_thrsh)+Adj_top_rate*Positive(tax_inc_spouse-Top_thrsh)
		CG_health_tax_excl_spouse	S	(Married=1)*Health_tax_rate*tax_inc_spouse
6.	Tax credits :	tax_cr_princ	P	Personal_al*Low_rate+Married*Positive(Personal_al-pers_inc_spouse)*Low_rate+(MIN(Positive((earn_princ+((earn_princ/Pension_base_adjust)-earn_princ))-Job_deduc_min)*Job_deduc_rate,Job_deduc_max)+ +MIN(((earn_princ/ Pension_base_adjust)-earn_princ)*Pens_deduc_rate_o_15,Pens_deduc_max))*(gener_rate+Health_tax_rate)
		health_tax_cr_princ	P	Health_tax_rate*(Personal_al+Married*Positive(Personal_al-tax_inc_spouse))
		tax_cr_spouse	S	Personal_al*Low_rate+(MIN(Positive((earn_spouse+((earn_spouse/Pension_base_adjust)-earn_spouse))-Job_deduc_min)*Job_deduc_rate,Job_deduc_max) +MIN(((earn_spouse/ Pension_base_adjust)-earn_spouse)*Pens_deduc_rate_o_15,Pens_deduc_max))*(gener_rate+Health_tax_rate)
		health_tax_cr_spouse	S	(Married=1)*Health_tax_rate*Personal_al
	Labour Market Contribution	Labour_market_contr	B	Labour_market_rate*earn
7.	CG tax	CG_tax	B	Positive(CG_tax_excl-tax_cr)+Positive(CG_health_tax_excl-health_tax_cr)+Labour_market_contr
8.	State and local taxes	local_tax_princ	P	Positive((Local_rates)*(tax_inc_princ-Personal_al-Married*Positive(Personal_al-tax_inc_spouse)))
		local_tax_spouse	S	(Local_rates)*Positive(tax_inc_spouse-Personal_al)
9.	Employees' soc security	SSC_total	B	0

	Line in country table and intermediate steps	Variable name	Range	Equation
10.	Total payments	tot_payments	J	Positive(CG_tax_total+local_tax_total+SSC_total)
11.	Cash transfers	cash_trans	J	Positive(((Children>0)*(Child_3to6+(Children>1)*(Children-1)*Child_7to17+(Married=0)*(Sing_par_basic+Children*Sing_par_ch)))-(Positive(earn_princ-Child_limit)*Child_red)-(Positive(earn_spouse-Child_limit)*Child_red))+IF(Married=1,(Taper(green_check,pers_inc_princ,Green_check_thrsh,Green_check_taper_rate)+Taper(green_check+MIN(Children*_1_child,child_max),pers_inc_spouse,Green_check_thrsh,Green_check_taper_rate)),Taper(green_check+MIN(Children*_1_child,child_max),pers_inc_princ, Green_check_thrsh,Green_check_taper_rate))+ IF(Married=1,(IF(pers_inc_princ<Extra_green_check_thrsh, Extra_green_check,0)+IF(pers_inc_spouse<Extra_green_check_thrsh,Extra_green_check,0)),IF(pers_inc_princ<Extra_green_check_thrsh,Extra_green_check,0))
13.	Employer's soc security	SSC_empr	B	0

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

Estonia

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

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

Estonia 2020

The tax/benefit position of single persons

		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1.	**Gross wage earnings**		11 147	16 637	27 783	11 147
2.	**Standard tax allowances**					
	Basic allowance		6 000	4 757	0	7 848
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		178	266	445	178
	Work-related expenses					
	Other					
		Total	6 178	5 024	445	8 026
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		4 968	11 613	27 339	3 120
5.	**Central government income tax liability (exclusive of tax credits)**		994	2 323	5 468	624
6.	**Tax credits**					
	Basic credit					
	Married or head of family					
	Children		0	0	0	0
	Other					
		Total	0	0	0	0
7.	**Central government income tax finally paid (5-6)**		994	2 323	5 468	624
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		178	266	445	178
	Taxable income					
		Total	178	266	445	178
10.	**Total payments to general government (7 + 8 + 9)**		1 172	2 589	5 912	802
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	1 900
		Total	0	0	0	1 900
12.	**Take-home pay (1-10+11)**		9 975	14 048	21 871	12 245
13.	**Employer's compulsory social security contributions**		3 768	5 623	9 391	3 768
14.	**Average rates**					
	Income tax		8.9%	14.0%	19.7%	5.6%
	Employees' social security contributions		1.6%	1.6%	1.6%	1.6%
	Total payments less cash transfers		10.5%	15.6%	21.3%	-9.8%
	Total tax wedge including employer's social security contributions		33.1%	36.9%	41.2%	17.9%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		21.3%	32.4%	21.3%	21.3%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		41.2%	49.5%	41.2%	41.2%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Estonia 2020

The tax/benefit position of married couples

		Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
		Number of children	2	2	2	none
1.	**Gross wage earnings**		16 637	27 783	33 273	27 783
2.	**Standard tax allowances**					
	Basic allowance		8 765	12 605	11 363	10 757
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		266	445	532	445
	Work-related expenses					
	Other					
		Total	9 032	13 050	11 895	11 202
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		7 605	14 733	21 378	16 581
5.	**Central government income tax liability (exclusive of tax credits)**		1 521	2 947	4 276	3 316
6.	**Tax credits**					
	Basic credit					
	Married or head of family					
	Children		0	0	0	0
	Other					
		Total	0	0	0	0
7.	**Central government income tax finally paid (5-6)**		1 521	2 947	4 276	3 316
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		266	445	532	445
	Taxable income					
		Total	266	445	532	445
10.	**Total payments to general government (7 + 8 + 9)**		1 787	3 391	4 808	3 761
11.	**Cash transfers from general government**					
	For head of family					
	For two children		1 440	1 440	1 440	0
		Total	1 440	1 440	1 440	0
12.	**Take-home pay (1-10+11)**		16 290	25 832	29 905	24 023
13.	**Employer's compulsory social security contributions**		5 623	9 391	11 246	9 391
14.	**Average rates**					
	Income tax		9.1%	10.6%	12.9%	11.9%
	Employees' social security contributions		1.6%	1.6%	1.6%	1.6%
	Total payments less cash transfers		2.1%	7.0%	10.1%	13.5%
	Total tax wedge including employer's social security contributions		26.8%	30.5%	32.8%	35.4%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		32.4%	32.4%	32.4%	32.4%
	Total payments less cash transfers: Spouse		14.4%	21.3%	32.4%	21.3%
	Total tax wedge: Principal earner		49.5%	49.5%	49.5%	49.5%
	Total tax wedge: Spouse		36.0%	41.2%	49.5%	41.2%

The Estonian currency is the Euro (EUR). In 2020, EUR 0.88 was equal to USD 1. In 2020, the average worker in Estonia earned EUR 16 637 (Secretariat estimate).

1. Personal income tax system

1.1. Central government income tax

1.1.1. Tax unit

The tax unit is the individual since January 1st 2017.

1.1.2. Tax allowances

1.1.2.1. Standard tax reliefs

- A general (basic) allowance of EUR 6000 is deductible from individual income in 2020. It starts declining from income of 14 400 and reaches EUR 0 at EUR 25 200. From 1 January 2017, the supplementary basic allowance for the spouse came into force. The spouse's yearly income must be below EUR 2 160 and the family`s total yearly income must be below EUR 50 400.
- A child allowance of EUR 1 848 is also deductible from income for each of the second and EUR 3 048 for third any subsequent children up to and including the age of 16.
- Relief for social security contributions: Employee's compulsory contributions for unemployment insurance are deductible for income tax purposes.
- Tax credits: was abolished from 2017.

1.1.2.2. Non – standard tax reliefs applicable to income from employment

- II pillar pension contributions: In 2020, these represent compulsory payments to private funds for employees born in 1983 or after and are paid at a rate of 2% of earnings. In December 2020, these payments will become wholly voluntary and remain so till August 31, 2021. In impact estimation we have assumed that 1/3 will stop their payments.
- Housing loan interest, educational costs, gifts and donations are deductible from taxable income within upper limits of EUR 1 200 and 50% of taxable income per year. Housing loan interest deductions upper limit is EUR 300 within that EUR 1 200 from 2017.
- Voluntary pension contributions (III pillar): Contributions paid by a resident to the provider of a pension plan based in Estonia or in another EU Member State according to a pension plan that is approved and entered into a special register in accordance with the pension legislation are deductible from taxable income. In 2020 such deductions are subject to an annual limit of a sum equal to 15% and maximum of EUR 6 000 of the employee's, public servant`s or members of legal person management or control body income in a calendar year.

1.1.3. Tax schedule

The rate of 20% applies for all levels of taxable income.

1.2. Regional and local income tax

There are no regional or local income taxes.

2. Compulsory social security insurance system

The compulsory social security insurance system consists of three schemes as follows:

- pension insurance;
- health insurance;
- unemployment insurance.

2.1. Employees' contributions

Employees pay 1.6% of their earnings in contributions for unemployment insurance. The taxable base is the total amount of the gross wage or salary including vacation payments, fringe benefits and remuneration of expenses related to work above a certain threshold. The assessment period is the calendar month.

2.2. Employers' contributions

Social security insurance contributions are also paid by employers on behalf of their employees. The taxable base and the assessment period are the same as for employees' contributions. The employers' contribution rates are applied in two parts:

- Unemployment insurance – 0.8% of employee earnings.
- Pension and health insurance – as follows for monthly earnings above EUR 540.

Scheme name	Rate of contribution (%)
Pension insurance	20.00
Health insurance	13.00
Total	33.00

In addition there is a lump sum payment for each employee of EUR 178.20 per month (split between pensions and health insurance on a 20:13 basis).

3. Payroll tax

None.

4. Universal cash transfers

4.1. Transfers related to marital status

None.

4.2. Transfers for dependent children

Estonia's family benefits are designed to provide partial coverage of the costs families incur in caring for, raising and educating their children.

The state pays family benefits to all children until they reach the age of 16. Children enrolled in basic or secondary schools or vocational education institutions operating on the basis of basic education have the right to receive family benefits until the age of 19. Applications for the allowance are made on an annual basis and the payments are not taxable. The values of these benefits in 2020 are shown in the table below. The single parent child allowance is paid for each child. From 1st of July 2017 the parents allowance for families with three to six children was introduced, EUR 300 per month. Parents allowance for families with seven or more children was increased from EUR 168.74 per month to EUR 400 per month from 1st of July 2017.

In addition, there are nine other types of family benefits for which payment depends on either the age of the child(ren) and/ or the status of the person(s) looking of them: parental benefit; additional parental benefit for fathers and 30 days of paternity leave, childbirth allowance and allowance for multiple birth of three or more children; maintenance allowance, conscript's child allowance; adoption allowance (single payment), guardianship allowance, child care allowance. These are not included in the modelling.

Type of benefit	Annual amount of benefit (in EUR)
Child allowance (paid until children turn 16 or until the end of the academic year in which they turn 19 if they continue studying).	
- For the first and second child	720.00
- For the third and any subsequent children	1 200.00
- Single parent's child allowance	230.16
- Parents allowance for families with three to six children	3 600.00
- Parents allowance for families with seven or more children	4 800.00

In addition to existing benefits, from 1st of July, 2013 the need-based child benefits were introduced. Need-based family benefit income threshold was based on Statistical Office relative poverty threshold published by the 1st of March in a year before current budget year. In 2017 the need based threshold was EUR 394 in a month for the first household member. For every other at least 14-years old member the threshold was EUR 197 and for the younger members EUR 118.2 in a month. Need-based family benefit was in 2017 EUR 45 in a month for single child family and EUR 90 for families with two or more children. These need-based benefits were abolished from 2018.

5. Main changes in tax/benefit system since 2005

- The personal income tax rate was steadily reduced from 24% in 2005 to 21% in 2008. In 2015 it was reduced to 20%.
- The child tax allowance applied for the third and subsequent children for 2005 and the second and subsequent children in 2006 and 2007. It applied to all children in 2008 and then returned to the 2007 position in 2009.
- The employee unemployment contribution rate was reduced from 1% to 0.6% in 2006 and then raised in 2 stages to 2.8% at the end of 2009. The corresponding rates for employers were a reduction from 0.5 % to 0.3% in 2006 increasing to 1.4%. In 2013 the employee unemployment contribution rate was reduced from 2.8% to 2.0% and the corresponding rate for employers from 1.4% to 1.0%. In 2015 the employee unemployment contribution rate was reduced from 2.0% to 1.6% and the corresponding rate for employers from 1.0% to 0.8%.
- In addition to existing benefits, from 1st of July, 2013 the need-based child benefits were introduced. Further details in section 4.2 on cash transfers. These were abolished from 2018.
- From 2016, a non-payable tax credit for low-income earners ("madalapalgaliste tagasimakse") was introduced. Further details in section 1.1.2. on tax allowances. It was abolished from 2017.
- From 2017 the possibility to use spouse`s basic tax-free allowance was reformed. From 1st of January 2017, the supplementary basic allowance for the spouse came into force. The spouse's yearly income must be below EUR 2 160 and the family`s total yearly income must be below EUR 50 400.
- From 2020 the additional child allowance for third any subsequent children up to and including the age of 16 was increased to EUR 3 048 per year.

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

Labour taxation did not change but there were some measures supporting self-employed, employees and employers:

- The state pays the advance payment of social tax for self-employed persons for the first quarter of 2020.
- Temporary cancellation of social tax minimum for employers for three months. Here social tax minimum is the lump sum payment for each employee of EUR 178.20 per month mentioned above. The employer was released of this obligation for three months (March, April and May 2020) and social tax had to be paid from actual payment to employee. It included the unpaid vacation and part-time work.
- Temporary suspension of contributions to the second pillar pension funds. The state will suspend pension payments to the second pillar, that are made at the expense of social tax from 1 July this year until 31 August 2021. In October 2020, everyone who has joined the mandatory funded pension, will be able to decide whether to waive their contribution as well. To do this, an application must be submitted in October and payments will be stopped from December. There is a compensation mechanism for people who decide to continue their contributions.
- Unemployment Insurance Fund measure for labor market support within 2 months (wage support measure). Wage support measure will help to maintain the income of employees during the emergency situation.
- State reimbursement of sick days for workers from the first to the third day of sickness insurance (currently without pay) from March to May 2020.

6. Memorandum items

6.1. Average gross annual wage earnings calculation

In Estonia the gross earnings figures cover wages and salaries paid to individuals in formal employment including payment for overtime. They also include bonus payments and other payments such as pay for annual leave, paid leave up to seven days, public holidays, absences due to sickness for up to 30 days, job training, and slowdown through no fault of the person in formal employment.

The average gross wage earnings figures of all adult workers covering industry sectors B–N by NACE Rev.2 are estimated with average wage growth rate forecast of Estonian Ministry of Finance.

6.2. Employer contributions to private pension and health schemes

Some employer contributions are made to private health and pension schemes but there is no relevant information available on the amounts that are paid.

2020 Parameter values

Average earnings/yr	Ave_earn	16 637	Secretariat estimate
Allowances	Basic_al	6 000	
	Basic_al_thrs_1	14400	
	Basic_al_thrs_2	25200	
	Suppl_al	2160	
	Incoome_lim	50 400	
	Child_al	1 848	
Income tax	Tax_rate	0.20	
Employers SSC	SSC_rate1	0.33	
	Threshold	6 480	
	lump_sum	2138.4	
	SSC_rate2	0.008	
Employees SSC	SSC_rate3	0.016	
Child allowances			
First & second child	CA_first&second	720	
Other children	CA_others	1 200	
Additional for children of lone parents	CA_onepar	230.16	
Days in tax year	numdays	365	

2020 Tax equations

The equations for the Estonian system are mostly on an individual basis.

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

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings	earn		
2.	Allowances:	tax_al	P	MINA(Positive(Basic_al-(Positive(earn-Basic_al_thrs_1)*(Basic_al/(Basic_al_thrs_2-Basic_al_thrs_1))))+IF(spouse_earn<Suppl_al,IF(AND(household_earn<income_lim,Married>0),Positive(Suppl_al-spouse_earn),0),0)+SSC_empee+(Children>1)*(Child_al*(Children-1)),earn)
			S	MINA(IF(earn>0,Positive(Basic_al-(Positive(earn-Basic_al_thrs_1)*(Basic_al/(Basic_al_thrs_2-Basic_al_thrs_1)))),0)+SSC_empee,earn)
3.	Credits in taxable income	taxbl_cr	B	0
4.	CG taxable income	tax_inc	B	Positive(earn-tax_al)
5.	CG tax before credits	CG_tax_excl	B	Tax_inc*tax_rate
6.	Tax credits :	tax_cr	B	0
7.	CG tax	CG_tax	B	CG_tax_excl
8;	State and local taxes	local_tax	B	0
9.	Employees' soc security	SSC_empee	B	earn*SSC_rate3
11.	Cash transfers	cash_trans	J	IF(Children<3,CA_firstsecond*Children,(2*CA_firstsecond)+(CA_other*(Children-2)))+(Married='0)*Children*CA_onepar
13.	Employer's soc security	SSC_empr	B	IF(earn>0,IF(earn>threshold,earn*SSC_rate1,lump_sum),0)+earn*SSC_rate2

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

Finland

This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.
Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.

Finland 2020

The tax/benefit position of single persons

		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1.	**Gross wage earnings**		30 632	45 719	76 350	30 632
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		2 935	4 380	7 314	2 935
	Work-related expenses		750	750	750	750
	Other					
		Total	3 685	5 130	8 064	3 685
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		26 947	40 589	68 286	26 947
5.	**Central government income tax liability (exclusive of tax credits)**		539	2 864	8 581	539
6.	**Tax credits**					
	Basic credit		1 770	1 550	986	1 770
	Married or head of family					
	Children		0	0	0	0
	Other					
		Total	1 770	1 550	986	1 770
7.	**Central government income tax finally paid (5-6)**		163	1 477	7 758	163
8.	**State and local taxes**		3 620	7 671	13 477	3 620
9.	**Employees' compulsory social security contributions**					
	Gross earnings		2 935	4 380	7 314	2 935
	Taxable income		123	261	459	123
		Total	3 058	4 641	7 773	3 058
10.	**Total payments to general government (7 + 8 + 9)**		6 841	13 789	29 008	6 841
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	3 916
		Total	0	0	0	3 916
12.	**Take-home pay (1-10+11)**		23 790	31 930	47 342	27 706
13.	**Employer's compulsory social security contributions**		5 725	8 545	14 270	5 725
14.	**Average rates**					
	Income tax		12.4%	20.0%	27.8%	12.4%
	Employees' social security contributions		10.0%	10.2%	10.2%	10.0%
	Total payments less cash transfers		22.3%	30.2%	38.0%	9.6%
	Total tax wedge including employer's social security contributions		34.6%	41.2%	47.8%	23.8%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		34.6%	46.6%	50.2%	34.6%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		44.9%	55.0%	58.1%	44.9%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Finland 2020

The tax/benefit position of married couples

Wage level (per cent of average wage)		100-0	100-67	100-100	100-67
Number of children		2	2	2	none
1.	**Gross wage earnings**	45 719	76 350	91 438	76 350
2.	**Standard tax allowances**				
	Basic allowance				
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes	4 380	7 314	8 760	7 314
	Work-related expenses	750	1 500	1 500	1 500
	Other				
	Total	5 130	8 814	10 260	8 814
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**	40 589	67 536	81 178	67 536
5.	**Central government income tax liability (exclusive of tax credits)**	2 864	3 402	5 727	3 402
6.	**Tax credits**				
	Basic credit	1 550	3 320	3 100	3 320
	Married or head of family				
	Children	0	0	0	0
	Other				
	Total	1 550	3 320	3 100	3 320
7.	**Central government income tax finally paid (5-6)**	1 477	1 640	2 954	1 640
8.	**State and local taxes**	7 671	11 291	15 342	11 291
9.	**Employees' compulsory social security contributions**				
	Gross earnings	4 380	7 314	8 760	7 314
	Taxable income	261	384	522	384
	Total	4 641	7 699	9 282	7 699
10.	**Total payments to general government (7 + 8 + 9)**	13 789	20 630	27 578	20 630
11.	**Cash transfers from general government**				
	For head of family				
	For two children	2 397	2 397	2 397	0
	Total	2 397	2 397	2 397	0
12.	**Take-home pay (1-10+11)**	34 327	58 117	66 256	55 720
13.	**Employer's compulsory social security contributions**	8 545	14 270	17 090	14 270
14.	**Average rates**				
	Income tax	20.0%	16.9%	20.0%	16.9%
	Employees' social security contributions	10.2%	10.1%	10.2%	10.1%
	Total payments less cash transfers	24.9%	23.9%	27.5%	27.0%
	Total tax wedge including employer's social security contributions	36.7%	35.9%	38.9%	38.5%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	46.6%	46.6%	46.6%	46.6%
	Total payments less cash transfers: Spouse	22.3%	34.6%	46.6%	34.6%
	Total tax wedge: Principal earner	55.0%	55.0%	55.0%	55.0%
	Total tax wedge: Spouse	34.6%	44.9%	55.0%	44.9%

The national currency is the Euro (EUR). In 2020, EUR 0.88 was equal to USD 1. In that year, the average worker earned EUR 45 719 (Secretariat estimate).

1. Personal Income Tax System

1.1. Central government income taxes

1.1.1. Tax unit

Spouses are taxed separately for earned income.

1.1.2. Standard tax allowances and tax credits

1.1.2.1. Standard reliefs

- Work-related expenses: A standard deduction for work related expenses equal to the amount of wage or salary, with a maximum amount of EUR 750 is granted.
- Tax credit: An earned income tax credit is granted against the central government income tax. If the credit exceeds the amount of central government income tax, the excess credit is deductible from the municipal income tax and the health insurance contribution for medical care. The credit is calculated on the basis of taxpayers’ income from work. The credit amounts to 12,5% of income exceeding EUR 2 500, until it reaches its maximum of EUR 1 770. The amount of the credit is reduced by 1.84% of the earned income minus work related expenses exceeding EUR 33 000. The credit is fully phased out when taxpayers’ income is about EUR 130 000.

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

- Interest: Interest on loans associated with the earning of taxable income, 15% of the interest on loans for the purchase of owner-occupied dwellings, and student loans guaranteed by the state can be deducted against capital income. Of the excess of interest over capital income, 30% (32% for first-time homebuyers) can be credited against income tax up to a maximum of EUR 1 400.
- Membership fees: Membership fees paid to employees' organisations or trade unions.
- Travelling expenses: Travelling expenses from the place of residence to the place of employment using the cheapest means in excess of EUR 750 up to a maximum deduction of EUR 7 000.
- Double housing expenses: If the place of employment is located too far from home in order to commute (distance > 100km), the taxpayer can deduct the costs of hiring a second dwelling located near the place of work up to EUR 450 per month. This deduction can be claimed only by one person per household.
- Other work-related outlays: Outlays for tools, professional literature, research equipment and scientific literature, and expenses incurred in scientific or artistic work (unless compensated by scholarships).

Travelling expenses and other work related outlays are deductible only to the extent that their total amount exceeds the amount of the standard deduction for work related expenses.

1.1.3. Rate schedule

Central government income tax:

Taxable income (EUR)	Tax on lower limit (EUR)	Tax on excess income in bracket (%)
18 100-27 200	8	6
27 200-44 800	554	17.25
44 800-78 500	3 590	21.25
78 500	10 751.25	31.25

1.2. Local income tax

1.2.1. Tax base and tax rates

The tax base of the local income tax is taxable income as established for the income tax levied by central government.

Municipal tax is levied at flat rates. In 2020 the tax rate varies between 17.00 and 23.50%, the average rate being approximately 19.97%.

Municipal tax is not deductible against central government taxes. Work-related expenses and other non-standard deductions are deductible, as for purposes of the central government income tax.

1.2.2. Tax allowances in municipal income taxation

- An earned income tax allowance is calculated on the basis of taxpayer's income from work. The allowance amounts to 51% of income between EUR 2 500 and EUR 7 230 and 28% of the income exceeding EUR 7 230, until it reaches its maximum of EUR 3 570. The amount of the allowance is reduced by 4.5% on earned income minus work related expenses exceeding EUR 14 000.
- A basic tax allowance is granted on the basis of taxable income remaining after the other allowances have been subtracted. The maximum amount, EUR 3 540, is reduced by 18% on income exceeding the aforementioned amount.

2. Compulsory Social Security Contributions to Schemes Operated within the Government Sector

2.1. Employee contributions

2.1.1. Rate and ceiling

In 2020, the rate of the health insurance contribution for medical care paid by an employee is 0.68%. The tax base for this contribution is net taxable income for municipal income tax purposes.

In addition there is an employees' pension insurance contribution which amounts to 7.15% of gross salary, an employees' unemployment insurance contribution equal to 1.25% of gross salary and a health insurance contribution for daily allowance equal to 1.18% of gross salary. For employees aged 53 to 62, the pension insurance contribution amounts to 8.65% of gross salary. These contributions are deductible for income tax purposes.

2.1.2. Distinction by marital status or sex

The rates do not differ.

2.2. Employers' contributions

The average rate of the employers' social security contribution in 2020 is 18.69% of gross wage.

	Contribution rates (%)
Health insurance	1,34
Unemployment insurance (avg)	1,26
Earnings-related pension insurance	15,22
Accident insurance (avg)	0,8
Group life insurance (avg)	0,07
Total	18,69

3. Universal Cash Transfers

3.1. Amount for marriage

None.

3.2. Amount for children

The central government pays in 2020 the following allowances (EUR):

For the first child	1 138.56
For the second child	1 258.08
For the third child	1 605.48
For the fourth child	1 958.88
Fifth and subsequent child	2 192.28

The child subsidy for a single parent is increased by an annual amount of EUR 759.6 for each child.

4. Main Changes in the Tax/Benefit System since 2019

Adjustments for inflation and rise of earnings levels were made to the central government tax scale in 2020.

The maximum amount of the basic allowance in municipal taxation was raised from EUR 3 305 to EUR 3 540. The maximum amount of the earned income tax credit in state taxation was raised from EUR 1 630 to EUR 1 770.

Home-loan interest counts at 15%, down from 25%, as deductible/creditable interest.

The amount of child subsidy for the fourth and fifth and subsequent child, as well as the increase for a lone parent, were increased by EUR 10/month.

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

There are no specific personal income tax measures due to the covid-19 pandemic. Financial support for individuals and households has been granted in the form of direct benefits rather than through tax measures.

The Finnish tax deferral scheme concerning payment arrangements with eased terms was based on a temporary legislative amendment, which allowed for a late-payment interest rate of 2.5% (lowered from the standard 7%) to be applied on all and any taxes (incl. PITs and SSCs) included in a payment arrangement that fell due between 1 March and 31 August 2020 as well as on repaid VAT. In addition, the temporary amendment allowed for the first payment instalment to be postponed until three months after the start of the arrangement.

5. Memorandum Items

5.1. Calculation of average gross annual wage

The Finnish figures are generally calculated as follows:

- Gross annual earnings are calculated at an individual level on the basis of the hour's usually worked, average hourly pay for the fourth quarter, and the share of annual periodic bonuses.
- The earnings exclude sickness and unemployment compensations, but include all normal overtime compensations, bonuses, holiday remunerations and remunerations for public holidays.

5.2. Employer contributions to private pension and health schemes

No information is available.

2020 Parameter values

Average earnings	Ave_earn	45 719	Secretariat estimate
Expenses	Work_exp_max	750	
	Work_exp_rate	1	
Allowances	al_SSC_rate	0.0958	
State tax	Tax_min	8	
Tax schedule	Tax_sch	0	18100
		0.06	27200
		0.1725	44800
		0.2125	78500
		0.3125	
Broadcasting tax	brdcst_tax_rate	0.025	
	brdcst_tax_thres	14000	
	brdcst_tax_max	163	
Earned income tax credit	eitc_thrsh	2 500	
	eitc_rate	0.125	
	eitc_redn_thrsh	33 000	
	eitc_redn_rate	0.0184	
	eitc_max	1770	
Child tax credit	child_cr	0	
	child_thres	0	
	child_red	0	
Earned income tax allowance	al_thrsh	2 500	
	al_thrsh2	7 230	
	al_rate	0.51	
	al_rate2	0.28	
	al_redn_thrsh	14 000	
	al_redn_rate	0.045	
	al_max	3 570	
low income	SL_max	3540	
	SL_rate	0.18	
Local intax	Local_rate	0.1997	
	Church_rate	0	
	Local_tot	0.1997	
Soc sec taxpayer	SSC_rate	0,0068	
soc.sec empr	SSC_empr	0.1869	
Cash transfer	ch_1	1138.56	
	ch_2	1258.08	
	ch_3	1605.48	
	ch_4	1958.88	
	ch_5	2192.28	
	ch_small	0	
	ch_lone	759.6	

2020 Tax equations

The equations for the Finnish system are mostly on an individual basis except for the child benefit which is calculated only once. This is shown by the Range indicator in the table below. The functions which are used in the equations (Taper, MIN, Tax etc) are described in the technical note about tax equations. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables “married” and “children”. A reference to a variable with the affix “_total” indicates the sum of the relevant variable values for the principal and spouse. And the affixes “_princ” and “_spouse” indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with “_spouse” values taken as 0.

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings	earn		
	Work related expenses	work_rel	B	MIN(Work_exp_max, Work_exp_rate*earn)
	SSC deduction	SSC_al	B	earn*al_SSC_rate
2.	Allowances:	tax_al	B	work_rel+SSC_al
3.	Credits in taxable income	taxbl_cr	B	0
4.	CG taxable income	tax_inc	B	Positive(earn-tax_al)
5.	CG tax before credits	CG_tax_excl	B	='Tax(tax_inc,' Tax_sch)+Tax_min* (tax_inc>Tax_thrsh)
6.	Tax credits :	tax_cr	B	MINA(eitc_max,eitc_rate*Positive(earn-eitc_thrsh))-MINA(eitc_max,eitc_redn_rate*Positive(earn-work_rel-eitc_redn_thrsh))
	Child tax credit	child_cr	P	taper(child_cr*(1+(married=0))*children,earn_p-work_rel,child_thres,child_red)
			S	If(tax_inc_s>0,taper(child_cr*children,earn_s-work_rel,,child_thres,child_red),0)
		broadcasting_tax	B	IF((earn-(work_rel+brdcst_tax_thrsh))*brdcst_tax_rate<0,0,IF((earn--(work_rel+brdcst_tax_thrsh))*brdcst_tax_rate>brdcst_tax_max,brdcst_tax_max,(earn---(work_rel+brdcst_tax_thrsh))*brdcst_tax_rate))
7.	CG tax	CG_tax	B	Positive(CG_tax_excl - tax_cr-child_cr)+broadcasting_tax
	Earned income allowance	earninc_al	B	MIN(al_max, IF(earn>al_thrsh2, al_rate*(al_thrsh2-al_thrsh1)+al_rate2*(earn-al_thrsh2), Positive(earn-al_thrsh)))-MIN(al_max, al_redn_rate* Positive(earn-work_rel-al_redn_thrsh))
	Low income	low_inc	B	Positive(MIN(earn-work_rel-low_al-SSC_al, SL_max)-SL_rate*Positive(earn- work_rel- low_al-SSC_al-SL_max))
	Taxable income (local)	tax_inc_l	B	tax_inc-earninc_al-low_inc
8.	State and local taxes	local_tax	B	Positive(tax_inc_l*Local_tot- (local_tot/(local_tot+SSC_rate))*If((Tax_cr-CG-tax_excl)>0,(Tax_cr-CG-tax_excl)+child_cr,0)
9.	Employees' soc security	SSC	B	Positive(SSC_rate*tax_inc_l -(SSC_rate/(local_tot+SSC_rate))*IF((Tax_cr-CG-tax_excl)>0,(Tax_cr-CG-tax_excl)+child_cr,0)) + SSC_prog_rate* Positive(tax_inc_l-SSC_prog_thrsh)+SSC_al
11.	Cash transfers	cash_trans	J	(Children>0)*ch_1+(Children>1)*ch_2+ (Children>2)*ch_3+(Children>3)*ch_4+ Positive(Children-4)*ch_4 +(Married=0)*Children*ch_lone
13.	Employer's soc security	SSC_empr	B	earn*SSC_empr

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

France

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

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

France 2020

The tax/benefit position of single persons

	Wage level (per cent of average wage)	67	100	167	67
	Number of children	none	none	none	2
1.	**Gross wage earnings**	25 586	38 188	63 774	25 586
2.	**Standard tax allowances**				
	Basic allowance				
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes	4 603	6 870	11 292	4 603
	Work-related expenses	2 098	3 132	5 248	2 098
	Other				
	Total	6 701	10 002	16 541	6 701
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**	18 885	28 186	47 233	18 885
5.	**Central government income tax liability (exclusive of tax credits)**	3 066	6 101	14 254	2 438
6.	**Tax credits**				
	Basic credit				
	Married or head of family				
	Children				
	Other	0	0	0	0
	Total	0	0	0	0
7.	**Central government income tax finally paid (5-6)**	3 066	6 101	14 254	2 438
8.	**State and local taxes**	0	0	0	0
9.	**Employees' compulsory social security contributions**				
	Gross earnings	2 894	4 319	7 032	2 894
	Taxable income				
	Total	2 894	4 319	7 032	2 894
10.	**Total payments to general government (7 + 8 + 9)**	5 959	10 420	21 285	5 332
11.	**Cash transfers from general government**				
	In-work benefit (Gross)	0	0	0	2 443
	For two children (Gross)	0	0	0	4 386
	CRDS Deducted	0	0	0	- 34
	Total	0	0	0	6 795
12.	**Take-home pay (1-10+11)**	19 627	27 768	42 489	27 049
13.	**Employers' compulsory social security contributions**	7 127	13 851	27 094	7 127
14.	**Average rates**				
	Income tax	12.0%	16.0%	22.4%	9.5%
	Employees' social security contributions	11.3%	11.3%	11.0%	11.3%
	Total payments less cash transfers	23.3%	27.3%	33.4%	-5.7%
	Total tax wedge including employer's social security contributions	40.0%	46.6%	53.2%	17.3%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	32.6%	43.0%	42.2%	51.6%
	Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner	64.6%	58.2%	59.4%	74.6%
	Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.

France 2020

The tax/benefit position of married couples

	Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
	Number of children	2	2	2	none
1.	**Gross wage earnings**	38 188	63 774	76 376	63 774
2.	**Standard tax allowances**				
	Basic allowance				
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes	6 870	11 473	13 740	11 473
	Work-related expenses	3 132	5 230	6 264	5 230
	Other				
	Total	10 002	16 703	20 004	16 703
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**	28 186	47 071	56 372	47 071
5.	**Central government income tax liability (exclusive of tax credits)**	3 639	7 476	10 632	9 037
6.	**Tax credits**				
	Basic credit				
	Married or head of family				
	Children				
	Other	0	0	0	0
	Total	0	0	0	0
7.	**Central government income tax finally paid (5-6)**	3 639	7 476	10 632	9 037
8.	**State and local taxes**	0	0	0	0
9.	**Employees' compulsory social security contributions**				
	Gross earnings	4 319	7 213	8 638	7 213
	Taxable income				
	Total	4 319	7 213	8 638	7 213
10.	**Total payments to general government (7 + 8 + 9)**	7 958	14 689	19 270	16 250
11.	**Cash transfers from general government**				
	In-work benefit (Gross)	520	0	0	0
	For two children (Gross)	1 590	1 590	1 590	0
	CRDS Deducted	- 11	- 8	- 8	0
	Total	2 100	1 582	1 582	0
12.	**Take-home pay (1-10+11)**	32 329	50 667	58 688	47 524
13.	**Employers' compulsory social security contributions**	13 851	20 977	27 702	20 977
14.	**Average rates**				
	Income tax	9.5%	11.7%	13.9%	14.2%
	Employees' social security contributions	11.3%	11.3%	11.3%	11.3%
	Total payments less cash transfers	15.3%	20.6%	23.2%	25.5%
	Total tax wedge including employer's social security contributions	37.9%	40.2%	43.6%	43.9%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	51.6%	32.6%	43.0%	29.0%
	Total payments less cash transfers: Spouse	28.3%	32.6%	43.0%	29.0%
	Total tax wedge: Principal earner	64.5%	50.6%	58.2%	47.9%
	Total tax wedge: Spouse	43.9%	64.6%	58.2%	62.7%

The national currency is the Euro (EUR). In 2020, EUR 0.88 equalled USD 1. In that year, the average worker earned EUR 38 188 (Secretariat estimate).

1. Personal income tax system

1.1. Tax levied by the central government on 2020 income

1.1.1. Tax unit

The tax unit is aggregate family income, but children over 18 are included only if their parents claim them as dependants. Other persons may be fiscally attached on certain conditions: unlike spouses, who are always taxed jointly, children over 18 and other members of the household may opt to be taxed separately. Beginning with the taxation of 2004 income, the law provides for joint taxation of partners in a French civil union (pacte civil de solidarité, or PACS), as soon as the PACS is signed. Reporting obligations for "PACSed" partners are similar to those of married couples.

Earned income is reported net of compulsory employer and employee payroll deductions, except for 2.4 percentage points worth of CSG (contribution sociale généralisée) and the 0.5% CRDS (contribution pour le remboursement de la dette sociale), which are not deductible from the income tax base.

1.1.2. Tax reliefs and tax credits

1.1.2.1. Standard tax reliefs

- Work-related expenses, corresponding to actual amounts or a standard allowance of 10% of net pay (with a minimum of EUR 442 and a ceiling of EUR 12 652 per earner).
- Family status: The "family quotient" (quotient familial) system takes a taxpayer's marital status and family responsibilities into account. It involves dividing net taxable income into a certain number of shares [two shares for a married (or "PACSed") couple, one share for a single person, one half-share for each dependent child, an additional share for the third and each subsequent dependent child, an additional half-share for single parent, and so on]: the total tax due is equal to the amount of tax corresponding to one share multiplied by the total number of shares. The tax benefit for a half-share is limited, however, to EUR 1 570 per half-share in excess of two shares for a couple, or one share for a single person, except for the first two half-shares granted for the first child of a single parent, in which case the maximum benefit is EUR 3 704.

1.1.2.2. Main non-standard reliefs available to the average worker

Certain expenditures to improve or maintain the taxpayer's primary residence, including outlays for heat insulation or heating adjustments, major capital expenditures and money spent to equip a home to produce energy from a renewable source (30% tax credits, subject to a multi-year maximum); compensatory allowances in case of divorce if paid in a lump sum (25% reduction, capped at EUR 30 500); child care costs for children under six (50% reduction, up to annual expenditure of EUR 2 300); dependent children attending secondary school or in higher education; donations to charities or other organisations assisting those in needs; trade union dues, etc. The exemption of the employer's participation to the collective contracts of supplementary health cover is abolished in the budget act for 2014 (i.e. income earned in 2013).

1.1.3. Tax schedule

	Fraction of taxable income (1 share, in Euros)	Rate (in %)
1st bracket	Up to 10 084	0
2nd bracket	From 10 085 to 25 710	11
3rd bracket	From 25 711 to 73 516	30
4th bracket	From 73 517 to 158 122	41
5th bracket	From 158 122	45

A special rebate for taxpayers with a low tax liability is applied to the amount of tax resulting from the above schedule before reductions and tax credits. To be eligible, the tax on the household's income must be less than EUR 1 722 for single households and less than 2 849 for the couples. The rebate is equal to 45.25 % of the difference between this ceiling and the amount of tax before the rebate.

The Budget Act of 2020 (article 2) introduced a reform of the personal income system. The reform provides a significant lowering of income tax rate for an amount of around 5 billion euros. 16.9 million taxpayers are benefitting from this reduction from the 1st January, for an estimated average gain of around EUR 300. The changes are the following:

- the marginal rate of 14% is reduced at 11%;
- the tax rebate is reduced from three quarters to 45.25%;
- the special 20% tax reduction rate is removed.

If the final tax is less than EUR 61, no tax is payable.

1.1.4. Exceptional contribution on high revenues

An exceptional contribution on high revenues is based on the reference taxable income ("revenu fiscal de référence"). The tax rates are 3% from EUR 250 000 to EUR 500 0000 (single person), 4% over EUR 500 0000 (single person), 3% from EUR 500 000 to EUR 1 000 000 (married couple or civil union) and 4% over EUR 1 000 000 (married couple or civil unions).

1.2. Taxes levied by decentralised authorities

Local taxes levied on working households are:

- Residency tax (taxe d'habitation), which is set by local authorities;
- Property taxes on developed and undeveloped land;
- There are common rules for each type of tax, to which certain municipalities make certain adjustments.

These local taxes, the rates of which vary widely, depending on the municipality, are not assessed here.

1.3. Universal social contribution (contribution sociale généralisée, or CSG)

The universal social contribution (CSG) was introduced on 1 February 1991. Since 1 January 2018, the rate of CSG has been 9.2%. This rate has been applied to a base of 98.25% as of 1st January 2012. The CSG is deductible against taxable income, but at a lower rate of 6.8%.

1.4. Contribution to the reimbursement of social debt (contribution au remboursement de la dette sociale, or CRDS)

The contribution to the reimbursement of social debt has been in effect since 1 February 1997. Like the universal social contribution, its base has passed to 98.25% of gross pay as of 1st January 2012. The rate is set at 0.5%. Unlike social security contributions, CRDS payments are not deductible from taxable income.

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

Some contributions are levied on a capped portion of monthly earnings. Since 1997, this ceiling has been adjusted once a year on 1 January. In January 2020, the ceiling was EUR 3 428 (or EUR 41 136 per year).

2.1. Employee contributions

2.1.1. Pension

- 6.9% on earnings up to the ceiling (after 6.9% in 2019).
- 0.4% on total earnings (after 0.4% in 2019).

2.1.2. Illness, pregnancy, disability, death

- 0.0% on total earnings (0,0% in 2019)

2.1.3. Unemployment

- 0.0% on earnings since 1st October 2018.

2.1.4. Others

- Supplemental pension[1] for non-managers and managers: minimum 3.15% up to the ceiling and 8.64% between one and eight times the ceiling.
- The CEG ("Contribution d'Équilibre Général") is a new contribution that replace AGFF and GMP. The rate of this contribution is, for non-managerial workers and managers, 0.86% of earnings up to the social security ceiling and 1.08% between one and eight times the ceiling.
- The CET ("Contribtion d'Équilibre Technique"): a contribution of 0.14% on total earnings up to eight times the ceiling, for employees who earnings exceed one time the ceiling.

2.2. Employer contributions

2.2.1. Pensions

8.55% (8.55% in 2019) of gross pay, up to the ceiling, plus a 1.90% (1.90% in 2019) levy on total pay.

2.2.2. Illness, pregnancy, disability, death

13.0% of total earnings (after 13.0% in 2019). The rate has been reduced to 7.0% up to 2.5 times the minimum wage since 1st January 2019 with the conversion of the CICE into a permanent cut in social contributions.

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

2.2.3. Unemployment

4.05% of earnings (4.05% in 2019) (4.5%, 5.5% or 7% for some temporary contracts), up to four times the ceiling; in addition, 0.15% (0.15% in 2019) up to four times the ceiling to endow the salary guarantee fund (AGS).

2.2.4. Work-related accidents

Contribution rates for work-related accidents vary by line of business and are published annually in the official gazette (Journal officiel de la République française). In 2020, the average rate is 2.21% (after 2.22% in 2019).

2.2.5. Family allowances

5.25% of total pay. The rate has been reduced to 3.45% up to 1.6 times the minimum wage from 2015 with the responsibility pact, up to 3.5 times the minimum wage from April 2016.

2.2.6. Others

- Supplemental pension: for non-managers and managers, 4.72% up to the ceiling and 12.95% between one and eight times the ceiling.
- The CEG ("Contribution d'Équilibre Général") contribution is 1.29% up to the ceiling, 1.62% between one and eight times the ceiling for managers and non-managers. In the table, this is combined with the rates for supplemental pensions.
- The CET ("Contribution d'Equilibre Technique"), a contribution of 0.21% on total earnings up to eight times the ceiling for employees who earnings exceed one time the ceiling.
- Others (construction, housing, apprenticeship, further training): 2.646% of pay (for enterprises with more than 20 employees). The transport tax is not included because it varies geographically. Contributions to finance a fund dedicated to workers exposed to distressing work conditions ("Fonds Pénibilité") vary with the levels of exposure of each worker and are therefore not included.

2.2.7. Reduction of employer-paid social insurance contributions

Act No. 2003-47 of 17 January 2003 on salaries, working time and the development of employment (the "Fillon Act") amended how the reduction of contributions is calculated.

As a result, since 1 July 2005 the maximum reduction has been 26% (in companies with more than 20 employees) for a worker paid the minimum wage. It then declines gradually to zero at 160% of the annual minimum wage. It applies irrespective of the number of hours worked. Since 1st October 2019, the maximum reduction is at 32.54%. For companies with less than 20 employees, it is 32.14% since October 2019.

The Budget Act for 2007 (Article 41 V) bolsters this measure for very small enterprises with effect from 1 July 2007. For employers with between 1 and 19 employees, the maximum deduction was raised to 28.1% at the minimum wage, declining gradually – here too – to zero at 160% of the minimum wage.

In 1 January 2011 the "Fillon act" was modified and included an annualized calculation of the general tax reliefs of employer contributions. For part-time wage-earners, the relief is computed using an equivalent full-time salary and is then adjusted proportionally to the number of hours paid.

From 2015, the Responsibility Pact (Phase 1) includes new reductions of the labour cost: total exemption of all URSSAF employer contributions on the minimum wage (except unemployment contributions);

reduction of 1.8 point on employer-paid contributions for family allowance (3.45% instead of 5.25% for salary up to 1.6 times the minimum wage, and up to 3.5 times from April 2016).

The gross annual minimum wage (for 1 820 hours) in 2020 was an estimated EUR 18 473.

2.2.8. Competitive tax credit (CICE - Crédit d'impôt pour la compétitivité et l'emploi)

As for 2015, the competitive tax credit (CICE - Crédit d'impôt pour la compétitivité et l'emploi) will benefit all businesses, regardless of their legal status or economic sector, that employ salaried workers and be liable for either corporation tax or income tax, based on actual profits.

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

Since the 1st January 2019, the CICE has been converted into a permanent cut in social contributions.

3. Universal cash transfers

3.1. Main minimum social benefits

The RSA (revenu de solidarité active) is the minimum income benefit. However, the eight family types studied here earn too high an income to benefit from this benefit.

3.2. Main family benefits (in respect of dependent children)

Family allowances: monthly base for family allowances (BMAF) = EUR 413.16 between 1st January and 1st April 2020, since 1st April, the BMAF is EUR 414.40. The CRDS is levied on family allowances at a rate of 0.5% (no deduction). The amounts in % of BMAF are before CRDS.

- The family allowances, granted to families with two or more children, are subject to revenue conditions since 1 July 2015:
  - Up to EUR 69 309 (+EUR 5 775 per child after the second child), the rate is 32% for two children and 41% per additional child. An extra amount of 16% of the BMAF is reversed if the child is over 14 (the extra amount is not incorporated into the model).
  - Between EUR 69 309 (+EUR 5 775 per child after the second child) and EUR 92 381 (+EUR 5 775 per child after the second child), the above rates are divided by 2.
  - Beyond EUR 92 381 (+EUR 5 775 per child after the second child), the above rates are divided by 4.
- ASF (Allocation de soutien familial): extra child benefit for isolated parent is at most 28.13 % of the BMAF per month. It is reduced by the amount of child support paid by the other parent to the family.
- ARS (Allocation de Rentrée Scolaire): The amount payable depends on the age of the child to reflect needs. The allowance is payable to families or persons with children aged 6 to 18 attending school, and whose income is below a certain level (not incorporated into the model).

Age of the child	Percentage of the BMAF in 2020
6–10 years	89.72%
11–14 years	94.67%
15–18 years	97.95%

- Family supplement (Complément Familial): 41.65% of the BMAF. Subject to revenue ceilings, this is paid to families as of the third child. An extra amount (20.83% of BMAF) is reversed for families whose incomes are below a given threshold (not incorporated into the model).
- Early childhood benefit (not incorporated in the model) known as PAJE (Prestation d'Accueil du Jeune Enfant): subject to revenue ceilings. It includes:
  - A birth grant of 229.75% of the BMAF received at the 2nd month following the birth.
  - A benefit ("allocation de base") of 41.65% (or 20.825% depending on the family income) of the BMAF a month from the birth of the child until three years of age.

3.3. Housing benefits

The housing benefits are not included in the model.

3.4. In-work benefit

The November 2014 Supplementary Budget Act eliminated the earned income tax credit (Prime pour l'emploi, PPE) so that it could be merged with the in-work income supplement (RSA Activité) and become a single in-work benefit. The in-work benefit was created by the Act of 17 August 2015 on Labour-Management Dialogue and Employment, and has been in place since 1 January 2016. The in-work benefit is better targeted to promote a return to full-time work for low-paid workers.

The amount of in-work benefit is equal to a targeted income, less the maximum between resources and a lump sum.

The targeted income is determined as the sum of three elements:

- A lump sum of EUR 553.16 (before CRDS) modulated according to the composition of the household. For instance, it is increased by 50% for couple, then 30% for each child until two (EUR) and 40% for each additional child (EUR). The amount may be increased for a temporary period[2] for an isolated parent (28.412% of the basic lump sum for the adult and then 42.804% for each child).
- An individual bonus of 29.101% of the basic lump sum is planned for persons whose net income exceeds around 100% of the net minimum wage; this bonus grows linearly if the net income is between around 50% and 100% of the net minimum wage[3].
- 61% of the net professional income of the household.

Then ressources are assessed as the sum of the household income, plus the benefits (family benefits and others, except RSA and housing benefits)[4]. A lump sum depending on the composition of the household (12% of the basic lump sum (EUR 553.16) for a single person, 16% for a couple, 16.5% for three persons or plus) is used to take into account the housing benefits[5].

4. Main changes in the tax system and social benefits regime since the taxation of 2015 income

- Tax system (2020 income)
  - New tax schedule following the personal income tax reform (Budget Act 2020)
- Increase of 1.7 points of CSG deductible (2018)
- Social benefits regime
  - Increased reduction of employer-paid contributions for family allowance: 3.45% instead of 5.25% for salary up to 3.5 times the minimum wage from April 2016 (1.6 times before).

- Removal of sickness and unemployment employee contribution
- Creation of a new cash transfer benefit for low income workers ("prime d'activité") which replace the PPE and the "RSA activité"[6].

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

The French government has launched several measures **in order to address companies' need for liquidity**:

- Postponement of social and tax liabilities for all companies upon request for March, April and May. Possibility to spread the payment of social security contributions over a period of up to 36 months. For large companies (or companies that are members of a large group), requests for postponement of tax and social security contributions payments are now conditional to the non-payment of dividends and the non-repurchase of shares between 27 March and 31 December 2020.
- Tax relief on a case-by-case basis : Cancellation of social security charges for companies with less than 10 employees that had to close down by administrative decision;
- Exemption from social security contributions for SMEs and VSEs during the administrative closure, in particular in tourism, hotels, cafés and restaurants, events and culture sectors.

The French government has also launched measures for **enhancing labour flexibility and household income support**:

- Implementation of an exceptional and massive short time activity scheme with eligibility extended including to domestic workers, day workers, child care assistants and sales representatives. Employees receive an allowance of 70% of their gross salary (approximately 84% of their net salary), and 100% for minimum-wage workers. Earnings are exempted from social security contributions and the CSG rate is lower (6.2% instead of 9.2%).
- Exemption from income tax and social security contributions for overtime worked by employees, from 16 March until the end of the state of health emergency, up to a maximum of EUR 7 500 per year (currently EUR 5 000);
- Removal of the obligation to sign a profit-sharing agreement for the payment of an exceptional bonus exempt from tax and social charges up to a limit of EUR 1 000 in 2020. In the case of a profit-sharing agreement, the amount of the exceptional bonus is up to EUR 2 000.

5. Memorandum items

To assess the degree of comparability between countries, the following additional information should be taken into account:

- Coverage is of the private and semi-public sectors of NACE sections C to K up to 2007 and NACE rev.2 sections B to N from 2008.
- The category "employees" encompasses all full-time dependent employees (excluding apprentices and interns).
- The figures presented are obtained by applying income tax and social contribution scales to gross salaries as listed in annual social data reports (DADS) in NACE.

There is a break in the average wage time-series starting with the year 2016. That year, the National Statistics Office (INSEE) changed their methodology for the calculations of the average wage.

2020 Parameter values

APW earnings	Ave_earn	38 188	Secretariat estimate
Income tax			
Work expenses	work_rel_fl	442	
	work_rel_ceil	12 652	
	work_rel_rate	0.1	
Tax schedule	tax_sch	0	10 084
		0.11	25 710
		0.3	73 516
		0.41	158 122
		0.45	
	limit_demipart	1570	
	limit_sp_demipart1	3704	
Décote value	decote_sing	1722	
	decote_mar	2849	
	decote_pente	0.4525	
Tax reduction	red_taux	0	
	red_seuil_1	0	
	red_seuil_2	0	
	red_seuil_dp	0	
	tax_min	61	
CEHR	cehr_rate1	0.03	
	cehr_rate2	0.04	
	cehr_ceil1	250000	
	cehr_ceil2	500000	
CSG+CRDS	CSG_CRDS_abat	0.0175	
	CSG_rat_noded	0.0240	
	CRDS_rat_noded	0.0050	
	CSG_CRDS_rat_noded	0.0290	
	CSG_rat_ded	0.0680	
	CRDS_special	0.0050	
Employee contributions			
	pension_rate	0.069	
	pension_rate2	0.004	
Sickness	sickness_rate	0.0000	
Unemployment	unemp_rate	0.0000	
Extra pension (non-cadres) (incl. AGFF)	pens_rate_ex	0.0401	
	pens_rate_ex2	0.0972	
	pens_rate_ex3	0.0014	
Employer contributions			
	pens_empr1	0.0855	
	pens_empr2	0.0190	
Sickness	sickness_empr	0.0700	
	Sickness_emp2	0.1300	
Authonomous Solidarity Contribution	CSA	0.0030	
Unemployment (incl. "garantie de salaire")	unemp_empr	0.0420	
Accidents	accidents_empr	0.0221	
Family Allowance	fam_empr	0.0525	
	fam_empr_2	0.0345	

Extra pension (incl. AGFF)	pens_empr_ex	0.060144	
	pens_empr_ex2	0.14574	
	pens_empr_ex3	0.0021	
Others	others_empr	0.02646	
CS reduction & corporate tax credit			
Employer SSC reduction rate	SSC_empr_redrate2	0.6	
Employer SSC reduction maximum	SSC_empr_red_max	0.32540	
Employer SSC reduction SMIC reference	SSC_empr_SMIC_ref	1.6	
	SSC_empr_SMIC2	3.5	
	SSC_empr_SMIC3	2.5	
Taux de réduction CICE	cice_red	0,00	
	cice_max	2.5	
Social transfers			
Child benefit (second child)	CB_2	1590	
third & subsequent before CRDS	CB_3	2037	
First ceiling for CB	CB_c1	69309	
Second ceiling for CB	CB_c2	92381	
Increase of ceiling per child	CB_ceiling_extra_child	5775	
Extra child benefit for isolated parent	CB_isol	1398	
Prime d'activité	pa_forf	553	
	pa_maj1	0.50	
	pa_maj2	0.30	
	pa_maj3	0.40	
	pa_maj_isol1	0.28412	
	pa_maj_isol2	0.42804	
	pa_pct	0.61	
	pa_bonus	0.29101	
	pa_bonus1	0.3890	
	pa_bonus2	0.79121	
	pa_forf_logement1	0.12	
	pa_forf_logement2	0.16	
	pa_forf_logement3	0.165	
Others			
Social security contributions	SSC_ceil	41136	
Derivation of minimum income	SMIC_horaire	10.15	
	SMIC_heures	1820	
	SMIC	18473	

2020 Tax equations

The equations for the French system are mostly calculated on a family basis. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables "married" and "children". A reference to a variable with the affix "_total" indicates the sum of the relevant variable values for the principal and spouse. And the affixes "_princ" and "_spouse" indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with "_spouse" values taken as 0.

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings	Earn		
	Quotient for tax calculation	Quotient	J	1+Married+IF(Children<3, Children/2, Children-1)+0.5*(Married=0)*(Children>0)
2.	Allowances			
	CSG deductible	CSG_ded	B	CSG_rat_ded*((1-CSG_CRDS_abat)*MIN(earn;4*SSC_ceil)+Positive(earn-4*SSC_ceil))
	Salary net	earn_dec	B	earn-SSC-CSG_ded
	Work related	work_exp	B	MIN(work_rel_ceil, MAX(work_rel_rate* earn_dec, MIN(work_rel_fl, earn_dec)))
	Basic	basic_al	B	0
3.	Credits in taxable income	taxbl_cr	B	0
4.	CG taxable income	tax_inc	J	Positive(earn_dec_total-work_exp)
5.	CG tax before credits			
	Calculation according to schedule	sch_tax	J	MAX(quotient*Tax(tax_inc/quotient, tax_sch), IF(Married, 2*Tax(tax_inc/2, tax_sch)-limit_demipart*(quotient-2), Tax(tax_inc, tax_sch)-(Children>0)* (limit_sp_demipart1+limit_demipart*(quotient-2))))++cehr_rate1* MIN((cehr_ceil2-cehr_ceil1)*(1+Married);MAX(tax_inc-cehr_ceil1*(1+Married);0))+cehr_rate2 * MAX(tax_inc-cehr_ceil2*(1+Married);0)
	Adjusted for decote	adj_tax	J	SI(Married;Positive(MINA(tax_sch; (1+decote_pente)*tax_sch-decote_pente*decote_mar));Positive(MINA(tax_sch;(1+decote_pente)*tax_sch-decote_pente*decote_sing)))
	Tax liable	inc_tax	J	(adj_tax>=tax_min)*adj_tax
	CSG+CRDS (non-deductible)	CSG_CRDS_noded	B	CSG_CRDS_rat_nod*((1-CSG_CRDS_abat)*MIN(earn;4*SSC_ceil)+Positive(earn-4*SSC_ceil))
	CSG deductible	CSG_ded	B	CSG_rat_ded*((1-CSG_CRDS_abat)*MIN(earn;4*SSC_ceil)+Positive(earn-4*SSC_ceil))
6.	Tax credits :	tax_cr	J	adj_tax*SI((tax_inc<=red_seuil_1*(1+Married)+red_seuil_dp*Children);red_taux;SI(tax_inc<='red_seuil_2*(1+Married)+red_seuil_dp*Children;(tax_inc*red_taux'/(red_seuil_1*(1+Married)+red_seuil_dp*Children-(red_seuil_2*(1+Married)+red_seuil_dp*Children)))+(red_taux*(red_seuil_2*(1+Married)+red_seuil_dp*Children))/(red_seuil_2*(1+Married)+red_seuil_dp*Children-(red_seuil_1*(1+Married)+red_seuil_dp*Children));0))
7.	CG tax	CG_tax	J	inc_tax+CSG_CRDS_noded+CSG_ded-tax_cr
8.	State and local taxes	local_tax	J	0
9.	Employees' soc security	SSC	B	((sickness_rate+pension_rate2)*earn + (pension_rate + pens_rate_ex)*MINA(earn;SSC_ceil) + unemp_rate*MINA(earn;4*SSC_ceil) + pens_rate_ex2* MAX(MIN(earn;8*SSC_ceil) -SSC_ceil;0))+SI(earn<SSC_ceil;0;SI(earn>8*SSC_ceil;8*SSC_ceil*pens_rate_ex3;pens_rate_ex3*earn))
11.	Cash transfers	cash_transf_gross	J	SI(Children<2;0;(CB_2+(Children-2)*CB_3)*SI(tax_inc<=(CB_c1+CB_ceiling_extra_child*(Children-

				2));1;SI(tax_inc<=(CB_c2+CB_ceiling_extra_child*(Children-2));0,5;0,25)))+SI(Isolated=1;CB_isol*Children;0)
		in_work_benefit_gross	J	MAX(SI((Isolated='1);'12*pa_forf*(1+pa_maj_isol1+pa_maj_isol2*Children);12*pa_forf*(1+SI(Married=1;pa_maj1;0)+pa_maj2*SI(Children<=2;Children;0)+pa_maj3*SI(Children>2;Children-2;0)))+pa_pct*(earn_dec-CSG_CRDS_noded)+pa_bonus*pa_forf/(pa_bonus2-pa_bonus1)*12*SI(ET(pa_bonus1*SMIC<(earn_dec_princ-CSG_CRDS_noded_princ);pa_bonus2*SMIC>(earn_dec_princ-CSG_CRDS_noded_princ));(earn_dec_princ-CSG_CRDS_noded_princ)/SMIC-pa_bonus1;0)+pa_bonus*pa_forf/(pa_bonus2-pa_bonus1)*12*SI(ET(pa_bonus1*SMIC<(earn_dec_spouse-CSG_CRDS_noded_spouse);pa_bonus2*SMIC>(earn_dec_spouse-CSG_CRDS_noded_spouse));(earn_dec_spouse-CSG_CRDS_noded_spouse)/SMIC-pa_bonus1;0)+pa_bonus*pa_forf*12*SI((earn_dec_princ-CSG_CRDS_noded_princ)>=pa_bonus2*SMIC;1;0)+pa_bonus*pa_forf*12*SI((earn_dec_spouse-CSG_CRDS_noded_spouse)>=pa_bonus2*SMIC;1;0)-MAX(earn_dec-CSG_CRDS_noded+(family_benefit_gross-SI(Isolated='1;CB_isol*Children;0)*(1-(22,5%'/28,15%)))+((Married+Children='0)*'pa_forf_logement1*pa_forf*12+(Married+Children='1)*pa_forf_logement2*pa_forf*1,5*12' +(Married+Children>='2)*pa_forf_logement3*pa_forf*1,8*12);'SI(ET((Married='0);(Children>0));'12*pa_forf*(1+pa_maj_isol1+pa_maj_isol2*Children);pa_forf*12*(1+SI(Married=1;pa_maj1;0)+pa_maj2*SI(Children<=2;Children;0)+pa_maj3*SI(Children>2;Children-2;0))));0)
		crds_cash_transf	J	cash_transf_gross*-1*CRDS_special
		cash_transf_net	J	cash_transf_gross+crds_cash_transf
13.	Employer's soc security	SSC_empr_gross	B	(CSA + pens_empr2 + accidents_empr+others_empr)*earn + pens_empr1*MINA(earn;SSC_ceil) + pens_empr_ex*MINA(earn;SSC_ceil) + pens_empr_ex2* MAX(MIN(earn;8*SSC_ceil) - SSC_ceil;0) + unemp_empr*MIN(earn;4*SSC_ceil) +SI(earn<SSC_empr_SMIC2*SMIC; fam_empr_2*earn; fam_empr*earn)+SI(earn<SSC_ceil;0;SI(earn>8*SSC_ceil;8*SSC_ceil*pens_empr_ex3;pens_empr_ex3*earn))+SI(earn<SSC_empr_SMIC3*SMIC;sickness_empr*earn;sickness_empr2*earn)
		SSC_empr_reduction	B	IF(OR(earn>SSC_empr_SMIC_ref*SMIC,earn='0),0,-MIN'(SSC_empr_red_max*earn,(SSC_empr_red_max/SSC_empr_redrate2)*(SSC_empr_SMIC_ref*SMIC/earn-1)*earn)) -IF(earn<cice_max*SMIC;earn*cice_red)
		SSC_empr_final	B	SSC_empr_gross+SSC_empr_reduction

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

Notes

[1] The social protection scheme is named ARRCO for non-managers and AGIRC for managers. The two protection schemes have been merged since the 1st January 2019.

[2] During at most 12 months over a 18-months period ; or, if there is a child under three in the family, until the child is three.

[3] The boundaries are defined as : minimum of 59 hours paid at gross minimum wage per hour per month and maximum of 120 hours paid at gross minimum wage per hour per month.

[4] Capital income, unemployment benefits, pensions or minimum old-age pensions are not taken into account in this model.

[5] The complete formula uses the minimum of this lump sum tax and the amount of housing benefits, if the family is a tenant. As the model does not include housing benefits, we only use the lump sum in the formula. This method tends to minimize the amount of “prime d’activité” served.

[6] In the previous model, for 2015 revenues, this reform only affects the income tax (no PPE in 2016) but not the benefits, since the “prime d’activité” will be served as from the beginning of 2016.

Germany

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

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

Germany 2020

The tax/benefit position of single persons

		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2.00
1.	**Gross wage earnings**		34 910	52 104	87 013	34 910
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family		0	0	0	4 248
	Dependent children		0	0	0	0
	Deduction for social security contributions and income taxes		5 848	8 728	11 398	5 761
	Work-related expenses		1 000	1 000	1 000	1 000
	Other		36	36	36	36
		Total	6 884	9 764	12 434	11 045
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		28 026	42 340	74 579	23 865
5.	**Central government income tax liability (exclusive of tax credits)**		4 846	9 787	23 589	3 394
6.	**Tax credits**					
	Basic credit					
	Married or head of family					
	Children		0	0	0	5 496
	Other					
		Total	0	0	0	5 496
7.	**Central government income tax finally paid (5-6)**		4 846	9 787	23 589	- 2 102
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		7 026	10 486	14 108	6 938
	Taxable income					
		Total	7 026	10 486	14 108	6 938
10.	**Total payments to general government (7 + 8 + 9)**		11 871	20 273	37 697	4 836
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	0
		Total	0	0	0	0
12.	**Take-home pay (1-10+11)**		23 038	31 831	49 317	30 073
13.	**Employers' compulsory social security contributions**		6 938	10 356	13 967	6 938
14.	**Average rates**					
	Income tax		13.88%	18.78%	27.11%	-6.02%
	Employees' social security contributions		20.13%	20.13%	16.21%	19.88%
	Total payments less cash transfers		34.01%	38.91%	43.32%	13.85%
	Total tax wedge including employer's social security contributions		44.95%	49.04%	51.16%	28.14%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		46.20%	51.53%	44.31%	43.19%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		55.12%	59.57%	44.31%	52.61%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Germany 2020

The tax/benefit position of married couples

		Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
		Number of children	2	2	2	none
1.	**Gross wage earnings**		52 104	87 013	104 208	87 013
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family		0	0	0	0
	Dependent children		0	0	0	0
	Deduction for social security contributions and income taxes		8 598	14 359	17 196	14 576
	Work-related expenses		1 000	2 000	2 000	2 000
	Other		72	72	72	72
		Total	9 670	16 431	19 268	16 648
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		42 434	70 582	84 940	70 365
5.	**Central government income tax liability (exclusive of tax credits)**		5 338	14 211	19 380	14 403
6.	**Tax credits**					
	Basic credit					
	Married or head of family					
	Children		5 496	5 496	5 496	0
	Other					
		Total	5 496	5 496	5 496	0
7.	**Central government income tax finally paid (5-6)**		- 158	8 715	13 884	14 403
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		10 356	17 294	20 711	17 511
	Taxable income					
		Total	10 356	17 294	20 711	17 511
10.	**Total payments to general government (7 + 8 + 9)**		10 198	26 009	34 595	31 914
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	0
		Total	0	0	0	0
12.	**Take-home pay (1-10+11)**		41 906	61 004	69 612	55 099
13.	**Employers' compulsory social security contributions**		10 356	17 294	20 711	17 294
14.	**Average rates**					
	Income tax		-0.30%	10.02%	13.32%	16.55%
	Employees' social security contributions		19.88%	19.88%	19.88%	20.13%
	Total payments less cash transfers		19.57%	29.89%	33.20%	36.68%
	Total tax wedge including employer's social security contributions		32.91%	41.52%	44.27%	47.18%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		42.26%	48.59%	51.27%	48.87%
	Total payments less cash transfers: Spouse		45.29%	48.59%	51.27%	48.87%
	Total tax wedge: Principal earner		51.83%	57.12%	59.35%	57.35%
	Total tax wedge: Spouse		54.36%	57.12%	59.35%	57.35%

The national currency is the Euro (EUR). In 2020, EUR 0.88 was equal to USD 1. The average worker earned EUR 52 104 (Secretariat estimate).

1. Personal Income Tax Systems

1.1. Central/federal government income taxes

1.1.1. Tax unit

Spouses may choose between two options: Joint assessment or individual assessment. The vast majority of couples benefits financially from the joint assessment by minimizing the tax burden of the household. The income of dependent children is not assessable with that of the parents. The calculations in this Report are therefore based on the assumption of joint taxation for spouses.

1.1.2. Tax allowances and tax credits:

1.1.2.1. Standard reliefs and work related expenses

- Basic reliefs: None.
- Standard marital status reliefs: In the case of joint assessment, specific allowances are doubled. The income tax liability for spouses who are assessed jointly is computed as follows:
- Splitting method:
  - First step: Calculating the tax base: All incomes of the spouses are summed up and the sum is divided by two.
  - Second step: The tax rate is applied to this tax base.
  - Third step: The amount calculated in step 2 is doubled.

Results: Given the progressive income taxation the resulting tax liability for the household is lower than the sum of individual taxation. The household as a unit benefits from this solution otherwise both parts of the couple would opt out. Principal and second earners have the same average and marginal income tax rates.

The splitting effect decreases by increasing convergence of the incomes of principal earner and the spouse.

- Relief(s) for children: In 2020, there are increased tax credits of EUR 2 448 for the first and the second child, of EUR 2 520 for the third child and of EUR 2 820 for the fourth and subsequent children. There is a tax allowance of EUR 2 586 for the subsistence of a child and an additional EUR 1 320 for minding and education or training needs (EUR 3 906). The amount of this allowance is doubled in case of jointly assessed parents. If the value of the tax credit is less than the relief calculated applying the tax allowances, the taxpayer obtains the tax allowance instead of the tax credit. It is also doubled for lone parents in cases where the other parent does not pay alimony. This is the assumption in the calculations presented in this Report.
- In 2020, families with children will receive a one-time bonus benefit payment of EUR 300 per child. The bonus will not be offset against basic income support for jobseekers. However, in the case of households with higher incomes, the bonus will be offset against the tax allowance for children.
- Relief for lone parents: As of 1 January 2015, taxpayers who live alone with at least one child that entitles them to the tax allowances or tax credits for children, receive a standard additional allowance of EUR 1 908 (formerly EUR 1 308). This additional allowance is increased by EUR 240 for each child in case of more than one child living in the household.

The standard tax allowance for lone parents will be raised temporarily to EUR 4 008 in the years 2020 and 2021 in order to stabilise the income of single parents.

- Reliefs for social security contributions and life insurance contributions: Social security contributions and other expenses incurred in provision for the future (e.g. life insurance) are deductible up to specific ceilings. In 2005, a new calculation scheme came into force:
  - Step 1: all contributions made to pension funds (i.e. both employee's and employer's contributions) are added up. Step 2: the resulting amount is limited to the equivalent of the maximum contribution rate to miners' pension insurance scheme, rounded up to the nearest euro (in 2020: EUR 25 046). Step 3: a certain percentage is applied to this amount (starting from 60% in 2005, this percentage will be increased by 2 percentage points each year; it will reach 100% in 2025). Step 4: the resulting amount, diminished by the (tax-free) contributions of the employer, is deductible from income.
  - The tax treatment of social security expenses (health, unemployment and care insurance) changed as of 1 January 2010. Employees' annual contributions to statutory health insurance excluding sickness benefit (assumed to amount to 96% of statutory health contributions) and employees' contributions to mandatory long-term care insurance are deductible from the tax base. In case these contributions do not exceed EUR 1 900/3 800 (single/married couples), contributions to unemployment insurance and other insurances premiums can be deducted in addition up to this ceiling.
- Work related expenses: EUR 1 000 lump sum allowance per gainfully employed person.
- Special expenses: Lump sum allowance (EUR 36/72 (singles/couples)) for special expenses, e.g. for tax accountancy. The actual expenses will be fully deductible from taxable income if the taxpayer proves that these expenses exceed the lump sum allowance.

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

- Contributions to pensions, life insurance, superannuation schemes: Other expenses than the compulsory contributions to social security are deductible as reliefs for (voluntary) social security contributions up to specific ceilings (see section 1.1.2.1.).
- Medical expenses: Partially deductible if not covered by insurance.
- Other: Work related expenses that exceed the lump-sum allowance are fully deductible (no ceiling).

1.1.3. Tax schedule

The German tax schedule is formula based. Taxable income is rounded down (to the EUR).

- X is the taxable income,
- T is the income tax liability,
- As of 1 January 2020 the following definitions are used in the income tax liability formulas:

$$Y = \frac{X - 9\,408}{10\,000}$$

$$Z = \frac{X - 14\,532}{10\,000}$$

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

1. $T = 0 \; for \; X \leq 9\,408$
2. $T = (972.87\;Y + 1\,400)Y \; for \; 9\,409 \leq X \leq 14\,532$
3. $T = (212.02\;Z + 2\,397)Z + 972.79 \; for \; 14\,533 \leq X \leq 57\,051$

4. $T = 0.42\,X - 8\,963.74 \;\; for\; 57\,052 \le X \le 270\,500$

5. $T = 0.45\,X - 17\,078.74 \;\; for\;\; 270\,501 \le X$

These formulas are used to calculate the income tax for single individuals and married couples too.

If families choose the option of being assessed separately these formulas are applied to the individual taxable income of the principal earner and the spouse. In the case of jointly assessed families these rates are applied to half of the joint taxable income (see point 1.1.2.1. Splitting method).

1.1.4. Solidarity surcharge

The solidarity surcharge is levied at 5.5% of the income tax liability subject to an exemption limit of EUR 972/1 944 (singles/couples). The income tax liability is calculated applying the tax allowance for children. If the income tax liability exceeds the exemption limit, the solidarity surcharge will be phased in at a higher rate of 20% of the difference between the income tax liability and the exemption limit until it equals 5.5% of the total liability.

1.2. State and local income taxes

None.

2. Compulsory Social Security Contributions to Schemes Operated Within the Government Sector

The amount of social security contributions depends on the wage and the insurance contribution rate. All contributions are subject to a contribution ceiling, i.e. the maximum income for which statutory insurance contributions are calculated. The contribution rates for pension, health, care and unemployment insurances are fixed by the government.

2.1. Employees' contributions

In general, earnings up to EUR 4 800 per year were free of employee social security contributions until 31 December 2012. As of 1 January 2013, some essential changes came into effect concerning minimally paid employment. The earnings limit increased from EUR 400 to EUR 450 per month. Persons whose mini-job started before 2013 and do not exceed the previous earnings limit of EUR 400 stay contribution-free in all classes of social insurance. Otherwise, persons who take up a new mini-job are generally subject to mandatory insurance coverage in the statutory pension scheme with the full pension contribution rate of 18.6% (in 2020). If the earnings are below the amount of EUR 175 (minimum contribution limit), a minimum contribution of EUR 32.55 has to be paid (18.6% of EUR 175). The employer's share amounts to 15% of the whole pay whereas the employee's part adds up to 3.6% (or the difference between minimum contribution and employer share). By applying for an exemption from obligatory insurance coverage the mini-job holder may reduce his share to EUR 0.

As of 1 April 2003, there was an additional concession for employees with monthly income between EUR 400.01 and EUR 800 per month (the so-called 'sliding pay scale', EUR 4 800.12 and EUR 9 600 per year). Due to the new regulations mentioned above the earnings limits shifted to EUR 450.01 and EUR 850.00 per month (EUR 5 400.12 and EUR 10 200 per year). As of 1 July 2019, provisions for the newly-created so-called 'transition band' extend the upper earnings limit from EUR 850 per month to EUR 1 300 per month (EUR 15 600 per year). If the employee's income falls within this range, part of the income is exempt from social insurance contributions. However, employers are still required to pay the regular contributions on the employee's earnings. The arrangement is purely intended to relieve the financial burden on employees. The employees' contributions to social insurance rise on a straight-line basis over the income band reaching the full rate at EUR 1 300 per month . Within the 'transition band', employees' reduced contribution rates to statutory pension insurance will not minimise their pension entitlements any more. Details on social security contributions for workers earning more than EUR 15 600 per year are provided below.

2.1.1. Pensions

Employers and employees pay each half of the contribution rate of 18.6% in 2020, that is 9.3% of the employee's gross wage earnings, up to a contribution ceiling of EUR 82 800.

2.1.2. Sickness

As of 1 January 2015, the applicable contribution rate is 14.6% on principle (portion of 7.3% for employers and employees). Depending on the financial situation of each sickness fund, employees only were obliged to pay a supplementary contribution to the sickness fund until December 2018. Since January 2019, employees and employers have been required to pay part of this supplementary contribution which amounts to 1.1% on average in 2020 (portion of 0.55% for employers and employees). Therefore, the contribution rate averages 7.85% for employees and employers in 2020. The contribution ceiling in 2020 is EUR 56 250. While all calculations shown in this Report assume membership in the public health insurance, workers with earnings above the contribution ceiling may opt out of the mandatory public health insurance system and may choose a private insurance provider instead (those opting for a private health insurance provider are required to obtain private long-term care insurance as well).

2.1.3. Unemployment

Employees pay half of the insurance contributions; the employer pays the other half. In 2020, the contribution rate is 2.4% of assessable income. Employee and employer each pay 1.2%. The contribution ceiling is EUR 82 800.

2.1.4. Care

A long-term care insurance (a 1% contribution rate) went into effect on 1 January 1995. The rate was raised to 1.7% of the gross wage when home nursing care benefits were added six months later. As of 1 July 2008, the rate was increased to 1.95%. In 2013 and 2014, the contribution rate amounted to 2.05%. In 2015 and 2016, the contribution rate added up to 2.35%. As of 1 January 2017, the contribution rate was augmented to 2.55%. Since January 2019, the contribution rate has amounted to 3.05%.The employers pay half of the contributions for long-term care insurance. In other words, employers and employees both pay a rate of 1.525%. The assessable income is scaled according to the gross wage earnings but there is a contribution ceiling of EUR 56 250 in 2020.

As from 1 January 2005, child-raising is given special recognition in the law relating to statutory long-term care insurance. Childless contribution payers are required to pay a supplement of 0.25%, raising the contribution rate paid by a childless employee from 0.975% to 1.225% as of 1 July 2008. In 2013 and 2014, the contribution rate of a childless employee added up to 1.275%. In 2015 and 2016, the contribution rate amounted to 1.425% for a childless employee. As of 1 January 2017, the contribution rate was raised to 1.525% for a childless employee. Since January 2019, a childless employee has had to pay a contribution rate of 1.775%.

2.1.5. Work injury

Employer only.

2.1.6. Family allowances

None.

2.1.7. Others

None.

2.2. Employers' contributions

See Section 2.1.

2.2.1. Pensions, sickness, unemployment, care:

See Section 2.1.

2.2.2. Work injury

Germany has established a statutory occupational accident insurance. It is provided by industrial, agricultural and public-sector employers' liability insurance funds. This insurance protects employees and their families against the consequences of accidents at work and occupational illnesses. It is funded through the contributions paid by employers only. The amount of the employer's contributions depends on the sum total of employee's annual pay and the employer's respective hazard level. As it is not possible to identify a representative contribution rate, these amounts are not considered in this Report.

2.2.3. Family allowances

None.

2.2.4. Others

None.

3. Universal Cash Transfers

3.1. Transfers related to marital status

None.

3.2. Transfers for dependent children

None.

4. Main Changes in Tax/Benefit Systems Since 1997

The following table shows changes in the tax credit and the tax allowance for children since 1997:

Year	Child credit				Child allowance
	First child	Second child	Third child	Fourth and subsequent children	
1997	1 350	1 350	1 841	2 147	3 534
1999	1 534	1 534	1 841	2 147	3 534
2000	1 657	1 657	1 841	2 147	5 080
2002	1 848	1 848	1 848	2 148	5 808
2009*1	1 968	1 968	2 040	2 340	6 024
2010	2 208	2 208	2 280	2 580	7 008
2015	2 256	2 256	2 328	2 628	7 152
2016	2 280	2 280	2 352	2 652	7 248
2017	2 304	2 304	2 376	2 676	7 356
2018	2 328	2 328	2 400	2 700	7 428
2019	2 388	2 388	2 460	2 760	7 620
2020*2	2 448	2 448	2 520	2 820	7 812

*1 plus EUR 100 one-off child credit payment for each child.
*2 plus EUR 300 one-time bonus benefit payment per child

Up to 2004, the calculation of the relief for social security contributions and other expenses proceeded in three steps. First, EUR 3 068/6 136 (singles/couples) was deducted. These amounts were, however, lowered by 16% of gross wages (serving as a proxy for employers' social security contributions). This deduction was provided as a partial compensation for the self-employed who do not receive tax-free employers' social security contributions. Second, the remaining expenses were deductible up to EUR 1 334/2 668 (singles/couples). Third, half of the remaining expenses were deductible up to EUR 667/1 334 (singles/couples).

In 2004, the tax rate was reduced and the formula for calculating the income tax was changed. The relief for lone parents was reduced to EUR 1 308, the lump sum allowance for work related expenses was reduced to EUR 920.

As from 1 January 2005, the final stage of the 2000-tax reform came into effect. The bottom and top income tax rates were further reduced to 15% and 42%. Since 1998, both the bottom and top income tax rate have been reduced by about 11 percentage points while the personal allowance has been raised from EUR 6 322 to EUR 7 664. The tax cuts reduce the tax burden for all income taxpayers, affording the greatest relief to employees and families with low and medium incomes as well as to small- and medium-sized unincorporated businesses.

On 1 January 2005, the law regulating the taxation of pensions and pension expenses entered into force. The law provides a gradual transition to ex-post taxation of pensions paid by the statutory pensions insurance. In the long run, the tax treatment of capital-based employee pension schemes based on a contract between employer and employee will be reformed in the same way as the tax treatment in respect of the state pension scheme. In addition to the increased deductibility of contributions to the state and certain private pension schemes, the law contains rules which are intended to increase the attractiveness of private capital-based pension schemes and to encourage individuals to invest privately for their old-age pension.

Up to 30 June of 2005, employees paid half of the sickness insurance contributions; the employer paid the other half. As from 1 July 2005, members of the statutory health insurance scheme also pay an income-linked contribution of 0.9% to which employers do not contribute. As from 1 July 2005, all statutory health insurance funds have reduced their contribution rates by 0.9 percentage points.

In 2007, a new top income tax rate of 45% was introduced for taxable income above EUR 250 000 (EUR 500 000 for jointly assessed spouses).

In 2009, the bottom income tax rate was reduced to 14%. The basic allowance was increased to EUR 7 834. All thresholds were increased by EUR 400.

Since 1 January 2010, the basic allowance has been augmented to EUR 8 004 and all thresholds have been increased by EUR 330. Furthermore, new legislation improves the tax treatment of expenditure on health insurance and long-term care insurance. As of 1 January 2013, the basic allowance rose to EUR 8 130. As of 1 January 2014, the basic allowance was increased to EUR 8 354. As of 1 January 2015, the basic allowance amounted to EUR 8 472. The standard relief for lone parents adds up to EUR 1 908. Lone parents are entitled to an extra allowance of EUR 240 for the second and each subsequent child. The standard tax allowance for lone parents will be raised temporarily from EUR 1 908 to EUR 4 008 in the years 2020 and 2021 in order to stabilise the income of single parents.

Since 1 January 2016, the basic allowance has been risen to EUR 8 652. As of 1 January 2017, the basic allowance was enhanced to EUR 8 820. Since 1 January 2018, the basic allowance has been augmented to EUR 9 000. As of 1 January 2019, the basic allowance was raised to EUR 9 168. In 2020, the basic allowance amounts to EUR 9 408.

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

In 2020, families with children will receive a one-time bonus benefit payment of EUR 300 per child. The bonus will not be offset against basic income support for jobseekers. However, in the case of households with higher incomes, the bonus will be offset against the tax allowance for children.

The standard tax allowance for lone parents will be raised temporarily from EUR 1 908 to EUR 4 008 in the years 2020 and 2021 in order to stabilise the income of single parents.

5. Memorandum Items

5.1. Average gross annual earnings calculation

- Source of calculation: Federal Statistical Office.
- Excluding sickness and unemployment, including normal overtime and bonuses.

5.2. Employer's contributions to private pension, etc. schemes

No information available, though such schemes do exist.

2020 Parameter values

Average earnings/yr	Ave_earn	52 104	Secretariat estimate
Tax allowances	Child_al	7 812	
Lone Parents, first child	Lone_al	4 008	
Lone parents, subsequent child	Lone_al_add	240	
Work related	Work_rel_al	1 000	
SSC allowance	SSC_dn	0	
	SSC_dn_rt	0.16	
	SSC_dn_lim	1 334	
	SSC_dn_lump_rt	0.2	
Allow. for special expenses	SE_al	36	
Church tax rate	Ch_tax_rt	0	
Tax formula	Tax_rate2	0.42	
	Tax_rate3	0.45	
	Tax_thrsh1	9 408	
	Tax_thrsh2	14 532	
Top Rate Tax Reduction	Reduction	8 963.74	
	Reduction2	17 078.74	
Tax Equation Rates			
tax_eqn_rates	Squared	Single	Constant
Z	212.02	2 397	972.79
Y	972.87	1 400	0
Income tax rate stage	tax_first_stage	9 408	
	tax_second_stage	14 532	
	tax_third_stage	57 051	
	tax_fourth_stage	270 500	
Solidarity Surcharge	surcharge	0.055	
Solidarity Exemption Limit	surcharge_limit	972	
Alternative Surcharge Rate	surcharge_alt	0.2	
Child credit	Ch_cred		
	1. ch.	2 448 + 300	
	2. ch.	2 448 + 300	
	3.ch.	2 520 + 300	
	4.ch.	2 820 + 300	

2020 Parameter values

social security	Sickness	Pension	Unemployment	Care	Alternative employer rate	SSC Factor F
period_1	12	12	12	12	12	12
period_2	0	0	0	0		
sum (Month's)	12	12	12	12	12	12
employer_1	0.0785	0.093	0.012	0.01525	0.3	0.7547
employer_2	0	0	0	0		
employee_1	0.0785	0.093	0.012	0.01525	0.036	0.7547
employee_2	0	0	0	0		
childless_1	0.0785	0.093	0.012	0.01775	0.036	0.7547
childless_2	0	0	0	0		
ceil	56 250	82 800	82 800	56 250	2 100	
SSC Floor	SSC_floor	15 600				
Intermediate SSC Ceiling	SSC_floor1	5 400				
SSC miners' pension ceiling	SSC_pension_miners_ceil	101 400				
SSC miners' contribution rate	SSC_pension_miners_rate	0,247				

2020 Tax equations

The equations for the German system in 2020 are mostly calculated on a family basis.
The standard functions which are used in the equations are described in the technical note about tax equations. The function acttax carries out a rounded calculation for the tables but the unrounded version purtax is used in calculating the marginal rates.
For a taxpayer with children, either the child allowance is given in the tax calculation or the cash transfer is given if this is more beneficial. In practice, therefore, it is necessary to make two calculations - with and without the child allowance. Nevertheless, the calculation of solidarity surcharge is always based on the calculation which does assume that the child tax allowance is given.
Variable names are defined in the table of parameters above, within the equations table, or are the standard variables "married" and "children". The affixes "_princ" and "_spouse" on Variable names in functions indicate that the values have to be calculated for the principal and spouse, respectively. The parameter year in function SSC_Allowance is the year for which you calculate the Allowance.

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings	earn		
	Quotient for tax calculation	quotient	J	1+Married
2.	Allowances:			
	Children	children_al	J	Children*Child_al
	Lone parent	lone_allce	J	Children>0)*(Married=0)*Lone_al+(Children>0)*(Married=0)*(Children-1)*Lone_al_add
	Soc sec contributions	SSC_al	J	Function: SSC_Allowance(earn_princ, earn_spouse , SSC_princ + SSC_spouse , Quotient, SSC_dn, SSC_dn_rt, SSC_dn_lim, SSC_dn_lump_rt, If(Children>0; "employee"; "childless"), year, rounded)
	Work related	work_al	J	Work_rel_al+MIN(earn_spouse,Work_rel_al)
	Allow. for special expenses	SE_al	J	SE_al*quotient
	Total	tax_al	J	children_al+SSC_al+work_al+ lone_allce + SE_al
3.	Credits in taxable income	taxbl_cr	J	0
4.	CG taxable income	tax_inc	J	earn-tax_al
5.	CG tax before credits			
	adjusted taxable income	adj	J	tax_inc/quotient
	Formula based tax schedule	tax_formula	J	Function: acttax(taxinc, rate, reduction, threshold1, threshold2, threshold3, equationrate, tax_first_stage, tax_second_stage, tax_third_stage, tax_fourth_stage, rate2, reduction2)
	Adjust for the quotient	tax_adj	J	Quotient*tax_formula
	Include solidarity surcharge	sol_surch	J	MIN(tax_adj * surcharge, Positive(tax_adj - surcharge_limit*Quotient) * surcharge_alt)
	Tax paid	CG_tax_excl	J	tax_adj+sol_surch
6.	Tax credits :	tax_cr	J	0
7.	CG tax	CG_tax	J	CG_tax_excl
8.	State and local taxes	local_tax	J	0
9.	Employees' soc security	SSC	B	Function: SSC (earn_princ, If(Children>0; "employee"; "childless"), rounded) + SSC (earn_spouse, If(Children>0; "employee"; "childless"), rounded)
11.	Cash transfers	Cash_tran	J	Children*ch_cred
13.	Employer's soc security	SSC_empr	B	Function: SSC (earn_princ, "employer", rounded) + SSC (earn_spouse, "employer", rounded)

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

Greece

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

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

Greece 2020

The tax/benefit position of single persons

	Wage level (per cent of average wage)	67	100	167	67
	Number of children	none	none	none	2
1.	**Gross wage earnings**	14 163	21 139	35 302	14 163
2.	**Standard tax allowances**				
	Basic allowance				
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes	2 196	3 278	5 474	2 196
	Work-related expenses				
	Other				
	Total	2 196	3 278	5 474	2 196
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**	11 967	17 862	29 829	11 967
5.	**Central government income tax liability (exclusive of tax credits)**	1 333	2 630	5 852	1 333
6.	**Tax credits**				
	Basic credit	777	660	420	900
	Married or head of family				
	Children				
	Other				
	Total	777	660	420	900
7.	**Central government income tax finally paid (5-6)**	556	2 099	6 099	433
8.	**State and local taxes**	0	0	0	0
9.	**Employees' compulsory social security contributions**				
	Gross earnings	2 196	3 278	5 474	2 196
	Taxable income				
	Total	2 196	3 278	5 474	2 196
10.	**Total payments to general government (7 + 8 + 9)**	2 752	5 376	11 573	2 629
11.	**Cash transfers from general government**				
	For head of family				
	For two children	0	0	0	1 008
	Total	0	0	0	1 008
12.	**Take-home pay (1-10+11)**	11 411	15 763	23 730	12 542
13.	**Employer's compulsory social security contributions**	3 474	5 185	8 660	3 474
14.	**Average rates**				
	Income tax	3.9%	9.9%	17.3%	3.1%
	Employees' social security contributions	15.5%	15.5%	15.5%	15.5%
	Total payments less cash transfers	19.4%	25.4%	32.8%	11.4%
	Total tax wedge including employer's social security contributions	35.3%	40.1%	46.0%	28.9%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	34.1%	37.6%	45.1%	34.1%
	Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner	47.1%	49.9%	55.9%	47.1%
	Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.

Greece 2020

The tax/benefit position of married couples

Wage level (per cent of average wage)		100-0	100-67	100-100	100-67
Number of children		2	2	2	none
1. Gross wage earnings		23 253	38 833	46 506	38 833
2. Standard tax allowances					
Basic allowance					
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes		3 605	6 021	7 211	6 021
Work-related expenses					
Other					
	Total	3 605	6 021	7 211	6 021
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		19 648	32 812	39 295	32 812
5. Central government income tax liability (exclusive of tax credits)		3 023	4 619	6 045	4 619
6. Tax credits					
Basic credit		747	1 624	1 494	1 378
Married or head of family					
Children					
Other					
	Total	747	1 624	1 494	1 378
7. Central government income tax finally paid (5-6)		2 444	3 189	4 887	3 435
8. State and local taxes		0	0	0	0
9. Employees' compulsory social security contributions					
Gross earnings		3 605	6 021	7 211	6 021
Taxable income					
	Total	3 605	6 021	7 211	6 021
10. Total payments to general government (7 + 8 + 9)		6 049	9 210	12 098	9 456
11. Cash transfers from general government					
For head of family					
For two children		1 008	672	0	0
	Total	1 008	672	0	0
12. Take-home pay (1-10+11)		18 212	30 295	34 408	29 377
13. Employer's compulsory social security contributions		5 704	9 526	11 408	9 526
14. Average rates					
Income tax		10.5%	8.2%	10.5%	8.8%
Employees' social security contributions		15.5%	15.5%	15.5%	15.5%
Total payments less cash transfers		21.7%	22.0%	26.0%	24.3%
Total tax wedge including employer's social security contributions		37.1%	37.4%	40.6%	39.3%
15. Marginal rates					
Total payments less cash transfers: Principal earner		37.6%	37.6%	37.6%	37.6%
Total payments less cash transfers: Spouse		20.9%	37.6%	37.6%	37.6%
Total tax wedge: Principal earner		49.9%	49.9%	49.9%	49.9%
Total tax wedge: Spouse		36.5%	49.9%	49.9%	49.9%

The national currency is the Euro (EUR). In 2020, EUR 0.88 was equal to USD 1. In 2020, the estimated gross earnings of the average worker are EUR 21 139 (Secretariat estimate).

1. Personal income tax system

1.1. Central government income tax

1.1.1. Tax unit

Individuals are subject to national income tax. Every individual who derives income from sources in Greece is subject to tax irrespective of his nationality, place of domicile or residence. Moreover, every individual with domicile in Greece (more than 183 days) is subject to tax on his/her worldwide income irrespective of the individual's nationality. Due consideration is given to bilateral conventions designed to obviate double taxation.

All individuals who have completed 18 years of age are obliged to file a tax return regardless of having taxable income or not. Regarding income derived by minor children, the parent who has the custody is liable for filing a tax return. The income of minor children is added to the income of the parent who has the custody and is taxed in the name of the parent who is in principle liable for tax filing. This provision does not apply to the following types of income, in respect of which the minor child has a personal tax obligation: a) employment income and b) pensions due to the death of his father or mother.

Spouses file a joint return but each spouse is liable for the tax payable on his or her share of the joint income. A joint return can also file persons who have entered into a civil union – partnership. In this case the two parts have the same tax treatment as married couples. Losses incurred by one spouse or one part of a civil union-partnership may not be set off against the income of the other spouse or part. Spouses or parts of a civil union – partnership file a return separately if a) they have been divorced or have terminated the civil partnership at the time of the tax filing or b) one of the spouses or one part of the civil partnership is bankrupt or has been subject to guardianship.Taxpayer's spouse can be considered as a dependent member, provided that he/she does not have any taxable income.

Single children under the age of 18, children who are adults up to 25 years old and study at the university, or serve their military service or are registered as unemployed to the Manpower Employment Organisation (OAED), taxpayers' ascendants and spouses' relatives (up to the 3rd degree) who are orphans are deemed to be borne by the taxpayer provided that they cohabit with the taxpayer and their annual taxable income does not exceed the amount of EUR 3 000 (alimony and disability benefits and similar allowances are not included). Single disabled children (>=67%) or spouses' disabled siblings (>=67%) are also considered as dependent members, except if their annual income exceeds the amount of EUR 6 000 (alimony and disability benefits and similar allowances are not included).

1.1.2. Tax allowances and tax credits

1.1.2.1. Standard tax reliefs

- Social security contributions: all compulsory social security contributions and optional contributions to legally constituted funds are fully deductible from taxable gross income.
- The tax arising by the tax scale for employees and pensioners is reduced as following:
    - by EUR 777 for annual income up to EUR 12000, for taxpayers with no dependent children
    - by EUR 810 for annual income up to EUR 12000 for taxpayers with one dependent child

- by EUR 900 for annual income up to EUR 12000 for taxpayers with two dependent children
- by EUR 1120 for annual income up to EUR 12000 for taxpayers with 3 dependent children;
- by EUR 1340 for annual income up to EUR 12000 for taxpayers with 4 dependent children
- for taxpayers with more than 4 dependent children, the above mentioned tax credit is increased by EUR 200 per child
- for income exceeding EUR 12000 , the above mentioned tax credit is being reduced by EUR 20 for every EUR 1 000 of taxable income

In order to maintain the above tax reduction under this, the taxpayer is required to make payments of acquiring goods and receiving services within the country or in Member States of the European Union or EEA, which have been paid through electronic payments, the minimum amount of which is 30% of taxable income, and up to EUR 20.000

Should the value of the above payments is less than the one required, a penalty of 22% is imposed to the remaining amount.

- The amount of tax derived on the basis of all scales is reduced by EUR 200 for the taxpayer himself as well as for each dependent member, provided that the taxpayer or his dependents are disabled (over 67%) or disabled soldiers or military personnel injured in the course of their duties or war victims or victims of terrorist attacks or in case they receive pension by the State as war victims or as disabled.

If from the joint tax return submitted the wife has no taxable income declared then the deduction of point C of this paragraph is attributed to the payable tax of the other spouse.

Note: Taxpayers who reside abroad but derive taxable income from sources in Greece are not eligible for these deductions, with the exemptions of residents of the EU Member States who derive at least 90% of their total income from sources in Greece.

1.1.2.2. Non-Standard tax credits

The payable amount of tax is reduced by 20% on the donations to certain bodies, as well as to political parties, party alliances and candidates for the National Parliament and the European Parliament, since the donations exceed during the tax year the amount of EUR 100. The total amount of donations cannot exceed 5% of taxable income.

1.1.2.3. Exemptions

Some forms of income, specified by Law are exempt from the tax.

Examples:

- on condition of reciprocity, income of all kinds derived abroad by foreign ambassadors and diplomatic representatives, consulate agents and employees of embassies and consulates that have the nationality of the represented State as well as by individuals working in the EU Institutions or other International Organizations;
- alimony received by the beneficiary according to the Court adjudication or notary Document;
- all forms of pensions and relief provided to war victims and their families, as well as to soldiers and military personnel injured in the course of their duties in times of peace;
- benefits and similar allowances provided to special categories of disabled persons;

- salaries, pensions etc. paid to disabled persons (over 80%);
- unemployment benefits granted by the National Employment Organisation (OAED) provided that the total annual income of the beneficiary does not exceed the amount of EUR 10 000;
- financial aid to recognized political refugees, to persons residing temporarily in Greece for humanitarian reasons and to persons that have submitted the relevant application to the competent Greek authorities, paid by bodies carrying out refugee aid schemes financed by the UN and the EU;
- the benefit for hazardous labour provided to employees working in the armed forces, the police, the fire and port departments as well as the special allowance to medical, nursing and ambulance staff up to 65%;
- the fees paid by the World Association of Disabled Artists (VDM.FK) to the members of foot and mouth painters, who are tax residents of Greece, exclusively for the work of painting paid by the Union with exchange.

1.1.2.4. Tax calculation

Taxable income is derived from the following sources:

a) Income from employment and pensions.
b) Income from business activities which includes income from agricultural activity although taxed differently.
c) Investment income which includes income from dividends, interests and loyalties and income from immovable property (rental income).
d) Income from capital gains, which includes income deriving on transfer of real estate or securities.

Net income is computed separately within each category with tax rules that vary across income categories.

Taxpayer is subject to an alternative minimum tax when his imputed income is higher than his total declared income. In this case, the difference between imputed and actual income is added to the taxable income. Imputed income is calculated on the basis of the taxpayer’s and his dependents’ living expenses.

Employment income is subject to withholding tax. The tax is withheld by the employer and is calculated by applying the taxpayer’s progressive income tax schedule. The employer calculates the withholding tax on the basis of the taxpayer’s annual net salary (net of social security contributions). The resulting tax is the annual tax due, 1/14 of which constitutes the monthly withholding tax for the private sector’s employees (every employee in the private sector receives 14 monthly salaries per year, i.e. 12 monthly wages plus 1 salary as Christmas bonus, ½ salary as Easter bonus and ½ salary as summer vacation bonus). For the employees of the public sector, the monthly withholding tax is calculated as 1/12 of the annual tax due, because of the fact that bonuses in the public sector have been eliminated. If the taxpayer's final tax liability (derived from the annual declared income) exceeds the aggregate of the amounts already withheld or prepaid, the remaining tax is generally payable in three equal bimonthly instalments. Any excess tax paid or withheld will be refunded.

1.1.3. Rate schedule

Depending on the income category the following tax schedules apply:

Income from employment and pensions is pooled together with income from business activity and is taxed at the following rates:

Income bracket (EUR)	Tax rate (%)	Tax bracket (EUR)	Total amount	
			Income (EUR)	Tax (EUR)
10000	9%	900	10 000	900
10000	22%	2200	20 000	3100
10000	28%	2800	30 000	5900
10000	36%	3600	40 000	9500
Excess	44%			

The above tax scale does not apply for employment income acquired by:

- Officers working in ships of the merchant marine, whose income is taxed at a 15% flat rate and
- Low-income crew working in ships of the merchant marine, whose income is taxed at a 10% flat rate.

For deductions see above section 1.1.2.1.Income from agricultural business is taxed independently but with the same tax schedule. The previously described tax credit is granted to farmers as well. In the case where a farmer is earning income from employment / pension, only one tax credit is given.

Income from dividends is taxed with a 5% flat rate, and income from interests is taxed with a 15% flat rate. Income from royalties is taxed at a 20% flat rate.

Income from immovable property (Rental Income) is taxed at the following rates:

Income	Tax Rate
0-12.000	15%
12.001 – 35.000	35%
35.001-	45%

From 1 January 2017, with the above tax scale is taxed, under certain conditions, income deriving from short term rentals of sharing economy (if it is not considered as a business activity).

Income from capital gains is taxed at a 15% flat rate.

In the total taxable income, the Special Solidarity Contribution is additionally imposed. Income up to EUR 12 000 is not subject to the solidarity contribution. For income exceeding EUR 12 000, the solidarity contribution applies with the following marginal rates:

Solidarity Contribution Marginal Tax Rates

Income	Tax Rate
0 – 12.000	0%
12.001 - 20.000	2,2%
20.001 - 30.000	5,00%
30.001 - 40.000	6,50%
40.001 - 65.000	7,50%
65.001 - 220.000	9,00%
>220.000	10,00%

1.2. State and local income taxes

There are no local income taxes in Greece. Municipalities (the local authorities) receive 20% of the national income tax revenues.

2. Compulsory Social Security Contributions to Schemes operated within the Government Sector

The great majority of individuals who are employed in the public and private sector and render dependent personal services are principally, directly and compulsorily insured in the Electronic National Social Security Fund (e-EFKA).Apart from the main contribution, e-EFKA compulsorily collects contributions for other minor Funds created for the employee's benefit (Unemployment Benefits Funds, etc.). Since 01/03/2020 the subsidiary Unified Supplementary Insurance and Lump-Sum Fund (ETEAEP) was integrated into the National Social Security Fund (EFKA) which is renamed as "Electronic National Social Security Fund" (e-EFKA), according to law.4670/2020, as follows: the Branch of Supplementary Insurance of former ETEAEP is now the Branch of Supplementary Insurance of e-EFKA and the Branch of Lump-Sum Benefits of former ETEAEP is now the the Branch of Lump-Sum Benefits of e-EFKA.

The average rates of contributions payable by white-collar employees as a percentage of gross earnings are as follows (%):

From January 1st 2020 to 31 May 2020

	Employer	Employee	Total
1. Electronic National Social Security Fund (e-EFKA): main pension and healthcare	17.88	9.22	27.10
2. Supplementary Insurance Branch e-EFKA : supplementary pension	3.25	3.25*	6.50
3. Other Funds	3.68	3.28	6.96
Total	**24,81**	**15.75**	**40.56**

From June 1st 2020 to 31 December 2020

	Employer	Employee	Total
1. Electronic National Social Security Fund (e-EFKA): main pension and healthcare	17.88	9.22	27.10
2. Supplementary Insurance Branch e-EFKA : supplementary pension	3.25	3.25*	6.50
3. Other Funds	3.20	2.86	6.06
Total	**24.33**	**15.33**	**39.66**

Contribution for health coverage is included in the contribution payable to e-EFKA. The contribution rate is 7.10% (4.55% paid by the employer and 2.55% paid by the employee).

Higher contributions are due (18.78% paid by the employee and 26.48% paid by the employer) in case of blue-collar workers who are engaged in heavy work (unhealthy, dangerous, etc.) as they are entitled to a pension five years earlier than the other workers (2.20% for main pension and 1.25% for supplementary pension paid by the employee and 1.40% for main pension and 0.75% for supplementary pension paid by the employer). In the industrial sector, the employer pays an additional occupational risk contribution at a rate of 1% because these workers are more vulnerable to labour accidents and occupational diseases.

The amount of the maximum insurable earnings for calculating the monthly insurance contribution of employees and employers is set from 1/1/2020 to EUR 6 500 and is the same for main insurance and supplementary insurance as well.

As of 1 March 2020, the Unified Agency for Auxiliary Social Insurance and Lumpsum Benefits (ETEAEP) is integrated into (EFKA). The latter is renamed “Electronic National Social Security Fund” (e-EFKA).

The 7.00% (3.50+3.50) rate is valid until 31/05/2019. From 1 June 2019 to 31 May 2022 it decreases to 6.50% (3.25+3.25) and from 1 June 2022 onwards decreases to 6.00% (3.00+3.00).

The contribution for the lawyers with contract (employed lawyers) of the ex Supplementary Insurance Branch of the former ETEAEP from 1 January 2020 until 31/5/2022 is a fixed sum of EUR 42 , EUR 51 or EUR 36 per month according to the corresponding insurance class level. The insured persons are set, from 1-1-2020, to the first insurance class and are obliged to contribute EUR 42 per month, while from 1-7-2020 and onwards they can choose among the stated amounts. This contribution is shared between the lawyer and the employer of the lawyer..

For the ex Lump Sum Branch of ETEAEP, the contribution and the monthly basis on which the contribution is calculated, of those first insured before 1992 employees, is determined by the social security body which was integrated into ETEAEP. The contribution of those first insured after 1992 employees for the ex Lump Sum Branch of ETEAEP is set at 4%. The monthly basis, on which the contribution is calculated, is the same basis amount as for e-EFKA.

Insurance contribution for the employed engineers, employed lawyers and doctors insured at the ex lump-sum benefits branch of ETEAEP is calculated from 1 January 2020 as a fixed amount of EUR 26, EUR 31 or EUR 37 per month according to the corresponding insurance class level. The insured persons are set from 1-1-2020 to the first insurance class and are obliged to contribute EUR 26 per month and from 1-7-2020 and onwards can choose among the stated amounts. The contribution for lawyers is shared ,between the lawyer and the employer of the lawyer.

All these social security contributions are fully deductible for income tax purposes.

3. Universal Cash Transfers

3.1. Transfers related to marital status

According to the National General Collective Labour Agreement, a marriage allowance, which is set at a rate of 10% of the gross salary, is granted only to workers employed by employers that belong to the contracting employer organisations[1]. For public servants no marriage benefit is granted.

3.2. Transfers for dependent children

According to the Law 4512/2018, the “Single children support allowance” is calculated according to the number of dependent children as well as the household equivalent income category.

The equivalence scale assigns a value of 1 to the first household member, of 1/2 to the spouse and of 1/4 to each dependent child. Especially, for single parent families, a value of ½ is assigned to the first dependent child and a value of ¼ to each additional child.

Households that are entitled to the allowance are divided into three income categories according to their income:

a) Household equivalent income of < EUR 6 000: monthly allowance of EUR 70 for the first child, EUR 70 for the second child and EUR 140 for every additional child.
b) Household equivalent income of EUR 6 001 – 10 000: monthly allowance of EUR 42 for the first child, EUR 42 for the second child and EUR 84 for every additional child.
c) Household equivalent income of EUR 10 001 – 15 000: monthly allowance of EUR 28 for the first child, EUR 28 for the second child and EUR 56 for every additional child.

4. Main Changes in the Tax/benefit System since 2016

No significant changes in the tax and benefit system have taken place since 2016.

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

No labour taxation changes have been legislated. A monthly special allowance has been granted to employees of firms affected by the coronavirus crisis, whose labour contracts have been suspended based on specific NACE codes.

5. Memorandum items

5.1. Identification of an AW and method of calculations used

Methodological note for the estimation of the average annual earnings per employee, for the period 2000 – 2018

Terminology and coverage

The average annual earnings below refer to full time employees for Sectors C to N of ISIC Rev.3.1, before 2008, and for Sectors B to N including Division 95 and excluding Divisions 37, 39 and 75 of ISIC Rev. 4, for 2008 onwards.

Data sources

In the estimation procedure of the average annual earnings per employee, for the period 2000-2018 the following data are taken into account:

- Annual earnings and number of employees, as derived from the Structure of Earnings Survey (SES), of the years 2002, 2006, 2010, and 2014.
- Hours worked and annual average number of employees, as derived from the Labour Force Survey (LFS), of the years 2000 – 2018.
- Average annual earnings indices, as derived from the Indices on Quarterly Labour Cost Survey, of the years 2000 – 2018.

Annual Gross earnings per full time employee 2000-2019 Greece

Year	NACE Rev 2 classification
2000	15458.90
2001	15715 .43
2002	**17358 .52**
2003	19239 .95
2004	21446 .10
2005	22012 .44
2006	**23799 .82**
2007	23934 .85
2008	23849 .13

2009	24568 .99
2010	**24155 .88**
2011	23928 .89
2012	23308 .82
2013	21101 .09
2014	**21321 .50**
2015	20833 .23
2016	20703
2017	20921
2018	21279
2019	21621

Source: ELSTAT

The Average gross Annual Earnings per full time employee for the period 2000 to 2019 includes:

- The special payments for shift and night work, as well as work during weekends and holidays;
- The total annual bonuses as well as those that are regularly paid on a monthly basis, the 13th salary (Christmas salary, where applicable) and 14th salary (Easter and vacation payments, where applicable)
- The annual bonuses based on productivity;
- The education and working time allowance;
- The marriage and children allowance and excludes :
- The annual payments in kind: foods, drinks, footwear, clothes, accommodation, business cars provided, mobile phones, etc;
- The annual premiums related to profit-sharing schemes.

The data for 2015 and onwards will be revised when the final results of the SES 2018 will be available.

Data in bold refer to data from SES 2002, 2006, 2010 and 2014.

It should be noted that the data with reference years 2000 - 2005 are different from those of the succeeding years with regard to the source that was used for the calculation of the LCIWages For the years 2000 - 2005 the index was calculated on the basis of data from National Accounts deriving from administrative sources, while for the years 2006 - 2019 the calculation of LCIWages was based on the quarterly Labour Cost Survey.

Finally, we would like to inform you that the data refer to the mean yearly gross income for full-time paid employees, regardless of:

- Marital status
- Number of children
- Employer's contributions
- Taxes paid

5.2. Main employers' contributions to private pension, health, and related schemes

Contributions to private pension and sickness schemes made by employers are not added to employees' gross earnings for tax purposes (but they are subject to special taxation entailing extinction of tax liability). Since these contributions are not obligatory for employers, no data is provided by the National Statistical Service of Greece. Very few employers have adopted such additional insurance schemes.

2020 Parameter values

Average earnings/yr	Ave_earn	21 139	Secretariat estimate
Tax credit	Child_cred	0	
Rates of family subsidies			
paid by employers	Wife_sub	01	
children (up to 3)	Child_sub	0	
Income tax schedule	Tax_sch	0.09	10 000
		0.22	20 000
		0.28	30 000
		0.36	40 000
		0.44	
Tax deduction	Tax_cred	777	
	Tax_cred_1dc	810	
	Tax_cred_2dc	900	
	Tax_cred_3dc	1 120	
	Tax_cred_4dc	1 340	
	num_ch_over4	1	
	tax_cred_over4	200	
	tax_cred_5dc	1 540	
	Tax_cred_thrsh	12 000	
	Tax_red	0.02	
Solidarity contribution	Solidarity_sch	0	12 000
		0022	20 000
		005	30 000
		0065	40 000
		0075	65 000
		009	220 000
		010	
Social security contributions	SSC_rate	0.1551	
	SSC_rate_empr	0.2453	
	SSC_ceil	91 000	
	SSC_ceil_use	1	
Single children support allowance	Child_all	0	840
		6 000	504
		10 000	336
		15 000	0
	Spouse_weight	0.50	
	Child_weight	0.25	

2020 Tax equations

The equations for the Greek system in 2020 are mostly on an individual basis The level of gross earnings for the principal earner is increased by the spouse and child subsidy paid by the employer

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

	Line in country table and intermediate steps	Variable name	Range	Equation
1	Earnings	earn_princ	P	Ave_earn*(1+Married*Wife_sub+ MIN(Children,3)*Child_sub)
		earn_spouse	S	Ave_earn*(1+Married*Wife_sub+ MIN(Children,3)*Child_sub)
2	Allowances:	tax_al	B	SSC
3	Credits in taxable income	taxbl_cr		0
4	CG taxable income	tax_inc	B	Positive(earn-tax_al)
5	CG tax before credits	CG_tax_excl	B	Tax(tax_inc,tax_sch)-Low_rate *Positive(MIN(Effect_low_band-Low_thrsh,tax_inc-Low_thrsh))
	Solidarity contribution	sol_contr	B	=Solidarity(earn-SSC,Solidarity_sch)
6	Tax credits :	tax_cr	**B**	Positive(IF(Children>0, tax_cred_1dc*(Children=1)+tax_cred_2dc*(Children='2)+tax_cred_3dc*(Children>2), tax_cred)-(INT(Positive(earn-tax_cred_thrsh)'/1000)*tax_cred_red))
7	CG tax	CG_tax	B	Positive(CG_tax_excl-tax_cr)+sol_contr
8	State and local taxes	local_tax	B	0
9	Employees' soc security	SSC	B	IF(SSC_ceil_use=1,SSC_rate*MIN(earn,SSC_ceil),SSC_rate*earn)
11	Cash transfers			
		fam_netinc	B	(earn – CG_tax – SSC)/(1+IF(Married>0,(Married*Spouse_weight)+(Children*Child_weight),min(children,1) *Spouse_weight+positive(children-1)*Child_weight))
		cash_trans	B	VLOOKUP(fam_netinc,Child_all,2)*Children
13	Employer's soc security	SSC_empr	B	IF(SSC_ceil_use=1,SSC_rate_empr*MIN(earn,SSC_ceil),SSC_rate_empr*earn)

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

Notes

[1] Namely the Hellenic Federation of Enterprises, the Hellenic Confederation of Professionals, Craftsmen & Merchants, the National Confederation of Hellenic Commerce and the Association of Greek Tourism Enterprises.

Hungary

This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.
Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.

Hungary 2020

The tax/benefit position of single persons

		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1.	**Gross wage earnings**		3 357 765	5 011 590	8 369 355	3 357 765
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children		0	0	0	3 199 920
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other					
		Total	0	0	0	3 199 920
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		3 357 765	5 011 590	8 369 355	157 845
5.	**Central government income tax liability (exclusive of tax credits)**					
	Central government income tax liability (exclusive of tax credits)		503 665	751 738	1 255 403	23 677
		Total	503 665	751 738	1 255 403	23 677
6.	**Tax credits**					
	Basic credit		0	0	0	0
	Married or head of family					
	Children					
	Other					
		Total	0	0	0	0
7.	**Central government income tax finally paid (5-6)**		503 665	751 738	1 255 403	23 677
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		621 187	927 144	1 548 331	621 187
	Taxable income					
		Total	621 187	927 144	1 548 331	621 187
10.	**Total payments to general government (7 + 8 + 9)**		1 124 851	1 678 883	2 803 734	644 863
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	355 200
		Total	0	0	0	355 200
12.	**Take-home pay (1-10+11)**		2 232 914	3 332 707	5 565 621	3 068 102
13.	**Employer's wage dependent contributions and taxes**					
	Employer's compulsory social security contributions		554 031	826 912	1 380 944	554 031
	Payroll taxes		50 366	75 174	125 540	50 366
		Total	604 398	902 086	1 506 484	604 398
14.	**Average rates**					
	Income tax		15.0%	15.0%	15.0%	0.7%
	Employees' social security contributions		18.5%	18.5%	18.5%	18.5%
	Total payments less cash transfers		33.5%	33.5%	33.5%	8.6%
	Total tax wedge including employer's social security contributions		43.6%	43.6%	43.6%	22.6%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		33.5%	33.5%	33.5%	33.5%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		43.6%	43.6%	43.6%	43.6%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Hungary 2020

The tax/benefit position of married couples

		Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
		Number of children	2	2	2	none
1.	**Gross wage earnings**		5 011 590	8 369 355	10 023 180	8 369 355
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children		3 199 920	3 199 920	3 199 920	0
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other					
		Total	3 199 920	3 199 920	3 199 920	0
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		1 811 670	5 169 435	6 823 260	8 369 355
5.	**Central government income tax liability (exclusive of tax credits)**					
	Central government income tax liability (exclusive of tax credits)		271 750	775 415	1 023 489	1 255 403
		Total	271 750	775 415	1 023 489	1 255 403
6.	**Tax credits**					
	Basic credit		0	0	0	0
	Married or head of family					
	Children					
	Other					
		Total	0	0	0	0
7.	**Central government income tax finally paid (5-6)**		271 750	775 415	1 023 489	1 255 403
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		927 144	1 548 331	1 854 288	1 548 331
	Taxable income					
		Total	927 144	1 548 331	1 854 288	1 548 331
10.	**Total payments to general government (7 + 8 + 9)**		1 198 895	2 323 746	2 877 777	2 803 734
11.	**Cash transfers from general government**					
	For head of family					
	For two children		319 200	319 200	319 200	0
		Total	319 200	319 200	319 200	0
12.	**Take-home pay (1-10+11)**		4 131 895	6 364 809	7 464 602	5 565 621
13.	**Employer's wage dependent contributions and taxes**					
	Employer's compulsory social security contributions		826 912	1 380 944	1 653 825	1 380 944
	Payroll taxes		75 174	125 540	150 348	125 540
		Total	902 086	1 506 484	1 804 172	1 506 484
14.	**Average rates**					
	Income tax		5.4%	9.3%	10.2%	15.0%
	Employees' social security contributions		18.5%	18.5%	18.5%	18.5%
	Total payments less cash transfers		17.6%	24.0%	25.5%	33.5%
	Total tax wedge including employer's social security contributions		30.1%	35.6%	36.9%	43.6%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		33.5%	33.5%	33.5%	33.5%
	Total payments less cash transfers: Spouse		33.5%	33.5%	33.5%	33.5%
	Total tax wedge: Principal earner		43.6%	43.6%	43.6%	43.6%
	Total tax wedge: Spouse		43.6%	43.6%	43.6%	43.6%

The national currency is the Forint (HUF). In 2020, HUF 309.76 were equal to USD 1. In 2020, the average worker earned HUF 5 011 590 (Secretariat estimate).

1. Personal Income Tax Systems

1.1. Central/federal government income taxes

1.1.1. Tax unit

The tax unit is, in all cases, the separate individual. In exceptional cases, the employer can become subject to personal income tax, for instance in the case of benefits in kind.

1.1.2. Tax allowances and tax credits

1.1.2.1. Standard reliefs

- Basic reliefs: None.
- Standard marital status reliefs: None.
- Employee Tax credit: Since 1st January 2012 there is no employee tax credit.
- Family tax allowance: For families having children, the basis of income tax can be reduced by the family tax allowance, which amounts to HUF 66 670 per month (for families having one child), HUF 133 330 per month/each dependent (for families having two children) or HUF 220 000 per month/each dependent (for families having at least three children). This tax allowance can be applied by a pregnant woman (or her husband) as from the 91st day after conception until birth of the child. The tax allowance may be claimed by one spouse or be split between the spouses. As of 1st January 2014, the family tax allowance was extended: families whose combined PIT base is not sufficient to claim the maximum amount of the family tax allowance can deduct the remaining sum from the 7% health insurance contribution and the 10% pension contribution. This measure does not affect the eligibility for social security benefits (pensions, healthcare, transfers, etc.).
- From 1st January 2020, mothers who raise or have raised at least four children will be exempt from paying personal income tax on their income received from an employer or gained by self-employment.
- From 1st July 2020 the regulation of social security contributions will be integrated in a general law. The change has a positive outcome for families with children: the remaining sum of the family tax allowance will be deductible from the entire 18.5% of the new social security contribution of the employees (formerly the 1.5% labour market contribution was not taken into account in the regulation of family tax allowance).

1.1.2.2. Main non-standard tax reliefs

- Trade Union membership dues: Membership dues and contributions paid to trade unions and other corporate bodies of employees are deductible without any restriction.
- Tax credits are made available for physical disability or agricultural activities. Tax deduction is available for those having income from abroad.
- From 1st January 2015 for newly married couples (where it is the first marriage for at least one of the parties) the basis of income tax can be reduced by HUF 33 335 per month for one person of the couple for 24 months.

1.1.3. Tax schedule

The rate of personal income tax amounts to 15%.

1.2. State and local income taxes

In Hungary there is no local personal income tax system supplementing the central one.

2. Compulsory Social Security Contributions to Schemes Operated within the Government Sector

2.1. Employees' contributions

2.1.1. Pensions

The rate of pension contribution amounts to 10% of gross earnings.

From 1st January 2019 retired workers (old age pension) does not have to pay 10% pension contribution on their wage income.

From 1st July 2020 employees' social security contributions – currently consisting of separate pension, sickness and labour market contribution items – will be integrated into the single social security contribution. The new regulation includes the extension of the social contribution exemption of retired individuals to all the other gainful activities (previously employment contracts only).

2.1.2. Sickness

The rate of health security contribution amounts to 7% of gross earnings.

From 1st January 2019 retired workers (old age pension) does not have to pay 4% sickness contribution on their wage income. (Previously they had to pay only 4% out of the 7%).

The new regulation from 1st July 2020 (2.1.1.) applies for sickness contributions as well.

2.1.3. Unemployment

The worker must pay, as employees' contribution, 1.5% of gross earnings.

From 1st January 2019 retired workers (old age pension) are not charged 1.5% labour market contribution on their wage income.

The new regulation from 1st July 2020 (2.1.1.) applies for labour market contribution as well.

2.1.4. Others

None. The average worker does not have any obligation to pay other contributions than the above mentioned. However, the contribution rates may be different for certain types of income or for certain groups of income recipients (e.g. employees with pensioner status). None of these exceptions are applicable to the workers taken into consideration in this report.

2.2. Employers' contributions

2.2.1. Pensions

None.

2.2.2. Sickness

None.

2.2.3. Unemployment

None.

2.2.4. Others

From 2012, the employers' social security contributions were merged into the new payroll tax, called social contribution tax. This change is of legal nature, the combined rate remains 27% while the revenue is divided among the pension, health care and labour-market funds. In 2017, the social contribution tax decreased to 22%, and in January 2018, the rate was lowered to 19.5%. In July 2019, the rate was lowered to 17.5% and will decrease by 2 percentage points to 15.5% from 1st July 2020.

The employer contributions also include a payroll tax: the training levy amounts to 1.5% of gross earnings.

From 1st January 2013, the Job Protection Act (JPA) introduced new targeted reliefs in the employers' contributions (social contribution tax and training levy) to incentivise the employment of the most disadvantageous groups on the labour market. This measure reduces the standard rate of the employers' contributions up to a cap of HUF 100 000 per month. From 2017, the JPA introduced a permanent reduction of the employers' tax rate by 50% of the current tax rate for:

- employees under 25 years of age,
- employees over 55 years of age,
- employees working in elementary occupations,
- employees working in agricultural occupations.

It also introduced temporary reductions (0% tax rate in the first two years of employment, and 50% of the current tax rate in the third year) for:

- long term unemployed re-entering the labour market,
- people returning to work after child-care leave,
- career-starters.

From 1st January 2015, the budgetary institutions are not eligible for the JPA tax allowances anymore.

From 1st January 2019, the JPA is being phased out and new better targeting reliefs were introduced. The new reliefs reduce the standard rate of the employers' contributions up to the cap of the minimum wage.

The minimum wage was HUF 149 000 per month in 2019, raised to HUF 161 000 per month from 1st January 2020.

The new reliefs reduce the employers' tax rate by 50% of the current tax rate for:

- employees working in elementary and in agricultural occupations,

In addition, there is a temporary reductions (0% tax rate in the first two years of employment, and 50% of the current tax rate in the third year) for:

- employees returning to labour market (those who had been out of work for at least 6 months out of the preceding 9 months became entitled for a new type of tax allowance)

In addition, there is a temporary reductions (0% tax tare in the first three years of employment, and 50% of the current tax rate in the fourth and fifth year) for:

- mothers with 3 or more children

From 1st January 2019, the wage income of retired workers (old age pension) is exempt from social contribution tax .

The new regulation from 1st July 2020 (2.1.1.) applies for the social contribution tax of retired workers as well.

The targeted reliefs in the employers' contributions are not considered in the Taxing Wages model.

Social security contributions will have to be paid on other benefits than gross earnings (e.g., grants in kind) and payments (e.g., certain kind of contracts).

3. Universal cash transfers

3.1. Transfers related to marital status

None.

3.2. Transfers for dependent children

Effective from 1 January 2008:

Type of family	HUF per month
For a couple with one child	12 200
For a single earner with one child	13 700
For a couple with two children, per child	13 300
For a single earner with two children, per child	14 800
For a couple with 3 or more children, per child	16 000
For a single earner with 3 or more children, per child	17 000
For a couple with permanently sick and disabled child	23 300
For a single earner with permanently sick and disabled child	25 900

4. Main Changes in the Tax/benefit System Since 2010

- The tax base correction was phased out in two steps.
- The employee tax credit was abolished.
- The employees' health care contribution was increased.
- The employers' social security contributions were merged into the social contribution tax (legal change only, rates and base remained unchanged).
- Health contributions on benefits in kind were increased.
- As a temporary measure, a wage compensation scheme was in effect in the form of an employers' SSC credit.
- Targeted employment incentives to boost the employment levels of groups at the margin of the labour force.

- The child tax allowance was extended in 2014 by allowing the deduction of the allowance from employees' SSC.
- The rate of the PIT decreased by 1 percentage point in 2016.
- The rate of family tax benefit for families with two children is gradually increased from 2016 so that it will be doubled by 2019.
- From 2017 the social contribution tax decreased to 22% and from 2018 subsequently to 19.5%.
- From 1st of July, 2019 social contribution tax decreased to 17.5%.
- From 1st January 2019 retired workers (old age pension workers) doesn't have to pay 10% pension contribution, 4% sickness contribution, employers' social security contributions (social contribution tax and training levy) after their wage income.
- From 1st July 2020 employers' social contribution tax will decrease by further 2 percentage points to 15.5%.
- From 1st July 2020 employees' social security contributions will be integrated into a general regulation. The new regulation includes the extension of the social contribution exemption of retired individuals to all the other gainful activities (previously employment contracts only).

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

- Sectors that were severely hit by the pandemic (e.g. tourism, restaurants, entertainment venues, sports, cultural services, transportation, agriculture, aviation industry) are temporarily exempted from paying social security contributions, payroll taxes and kiva (small business tax). The employee contribution is lowered to the legal minimum of HUF 7 710 per month until 30 June.
- Employer's social security contribution tax rate will decrease by 2 percentage points from 17.5% to 15.5% from 1st July 2020, regardless of the real wage growth precondition included in the wage and tax agreement between the Government of Hungary and private sector representatives. Although the measure results a permanent change in labour taxation, the timing is closely linked to the extraordinary situation caused by the economic crisis.

5. Memorandum Items

5.1. Employer contributions to private social security arrangements

In Hungary the law dealing with the voluntary mutual insurance funds (like pension funds) was enacted on 6 December 1993. From 2019 employers contributions to these funds are taxed as wages, but employees can apply a 20% tax credit with a limit of HUF 150 000 per year on. The tax authority pays the tax credit directly to a voluntary fund.

From 2019 voluntary insurance contributions paid by the employer are taxable as wages and the employees can apply a 20% tax credit with a limit of HUF 150 000 per year. Insurance contracts signed before 2019 have 1 year transitional provision, in case of these contracts contributions paid by the employer are tax exempt till 30% of the minimal wage, above that it's taxable according to an effective personal income tax rate of 17.7% and an effective health contribution of 21.83%.

As from 2008, employer pension institutions can be established. Based on the rules for 2017, the monthly contribution paid to an employer pension institution by the employer of a private worker is not limited and it is taxable according to an effective personal income tax rate of 17.7% and an effective health contribution of 25.96%. From 2018, the effective health contribution is 23.01%. From 2019, voluntary contributions to these funds are taxed as wages.

2020 Parameter values

Average earnings/yr	Ave_earn	5 011 590	Country estimate		
Child allowance (per child)	child_al	1	800 040		
		2	1 599 960		
		3	2 640 000		
		4	2 640 000		
Income tax schedule	tax_sch	0.15			
Social security contributions	SSC_unemp	0.015			
	SSC_p	0.1			
	SSC_h	0.07			
Payroll taxes *	SSC_empr	0.165			
	payroll_rate	0.015			
		# of children	1	2	3+
Transfers for children	CB_rates	0	12 200	13 300	16 000
(monthly)		1	13 700	14 800	17 000

*average SSC_empr rate for 2020

2020 Tax equations

The equations for the Hungarian system in 2020 are mostly on an individual basis. But the child allowance can be split between the spouses and cash transfers are calculated only once. This is shown by the Range indicator in the table below.

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

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings	earn		
2.	Allowances:			
	Children	child_al	P	IF(Children>0, Children*VLOOKUP(Children, child_al, 2), 0)
	Total	tax_al	B	child_al
3.	Credits in taxable income	taxbl_cr	B	0
4.	CG taxable income	tax_inc	P	MAX(0,earn -tax_al)
	CG taxable income	tax_inc	S	Positive(earn_spouse-Positive(tax_al-earn_spouse-SSC_deduction_princ/tax_sch))
5.	CG tax before credits	CG_tax_excl	B	tax_inc*tax_sch
7.	CG tax	CG_tax	B	CG_tax_excl-tax_cr
8.	State and local taxes	local_tax	B	0
	Child tax allowance (Employees' SSC)	SSC_child_cr	P	=(MIN(earn_princ*(SSC_h+SSC_p),Positive(tax_al-earn_princ)*tax_sch)+ MIN(earn_princ*(SSC_unemp+SSC_h+SSC_p),Positive(tax_al-earn_princ)*tax_sch))/2
	Child tax allowance (Employees' SSC)		S	=(MIN(earn_spouse*(SSC_h+SSC_p),Positive(-earn_princ)*tax_sch)+ MIN(earn_spouse*(SSC_unemp+SSC_h+SSC_p),Positive(-earn_princ)*tax_sch))/2
9.	Employees' soc security	SSC	B	earn*(SSC_unemp+ SSC_h+SSC_p)-SSC_child_cr
11.	Cash transfers	cash_trans	J	Children*(VLOOKUP((1-Married), CB_rates, MIN(Children, 3)+1)*12)
13.	Employer's soc security	SSC_empr	B	earn*SSC_empr
	Employer's payroll taxes	Payroll	B	earn*payroll_rate

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

Iceland

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

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

Iceland 2020

The tax/benefit position of single persons

		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1.	**Gross wage earnings**		6 195 558	9 247 101	15 442 659	6 195 558
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		247 822	369 884	617 706	247 822
	Work-related expenses					
	Other					
		Total	247 822	369 884	617 706	247 822
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		5 947 736	8 877 217	14 824 953	5 947 736
5.	**Central government income tax liability (exclusive of tax credits)**		1 266 186	1 932 643	3 600 193	1 266 186
6.	**Tax credits**					
	Basic credit		655 538	655 538	655 538	655 538
	Married or head of family					
	Children					
	Other					
		Total	655 538	655 538	655 538	655 538
7.	**Central government income tax finally paid (5-6)**		610 648	1 277 105	2 944 655	610 648
8.	**State and local taxes**		858 853	1 281 870	2 140 723	858 853
9.	**Employees' compulsory social security contributions**					
	Gross earnings		30 334	30 334	30 334	30 334
	Taxable income					
		Total	30 334	30 334	30 334	30 334
10.	**Total payments to general government (7 + 8 + 9)**		1 499 835	2 589 309	5 115 712	1 499 835
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	835 210
		Total	0	0	0	835 210
12.	**Take-home pay (1-10+11)**		4 695 723	6 657 793	10 326 947	5 530 934
13.	**Employer's compulsory social security contributions**		393 418	587 191	980 609	393 418
14.	**Average rates**					
	Income tax		23.7%	27.7%	32.9%	23.7%
	Employees' social security contributions		0.5%	0.3%	0.2%	0.5%
	Total payments less cash transfers		24.2%	28.0%	33.1%	10.7%
	Total tax wedge including employer's social security contributions		28.7%	32.3%	37.1%	16.1%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		35.7%	35.7%	44.4%	46.7%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		39.5%	39.5%	47.7%	49.9%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Iceland 2020

The tax/benefit position of married couples

		Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
		Number of children	2	2	2	none
1.	**Gross wage earnings**		9 247 101	15 442 659	18 494 203	15 442 659
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		369 884	617 706	739 768	617 706
	Work-related expenses					
	Other					
		Total	369 884	617 706	739 768	617 706
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		8 877 217	14 824 953	17 754 435	14 824 953
5.	**Central government income tax liability (exclusive of tax credits)**		1 932 643	3 198 828	3 865 285	3 198 828
6.	**Tax credits**					
	Basic credit		1 311 076	1 311 076	1 311 076	1 311 076
	Married or head of family					
	Children					
	Other					
		Total	1 311 076	1 311 076	1 311 076	1 311 076
7.	**Central government income tax finally paid (5-6)**		621 567	1 887 752	2 554 209	1 887 752
8.	**State and local taxes**		1 281 870	2 140 723	2 563 740	2 140 723
9.	**Employees' compulsory social security contributions**					
	Gross earnings		30 334	60 668	60 668	60 668
	Taxable income					
		Total	30 334	60 668	60 668	60 668
10.	**Total payments to general government (7 + 8 + 9)**		1 933 771	4 089 143	5 178 618	4 089 143
11.	**Cash transfers from general government**					
	For head of family					
	For two children		692 378	156 269	60 000	0
		Total	692 378	156 269	60 000	0
12.	**Take-home pay (1-10+11)**		8 005 709	11 509 785	13 375 585	11 353 516
13.	**Employer's compulsory social security contributions**		587 191	980 609	1 174 382	980 609
14.	**Average rates**					
	Income tax		20.6%	26.1%	27.7%	26.1%
	Employees' social security contributions		0.3%	0.4%	0.3%	0.4%
	Total payments less cash transfers		13.4%	25.5%	27.7%	26.5%
	Total tax wedge including employer's social security contributions		18.6%	29.9%	32.0%	30.9%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		45.3%	42.9%	35.7%	35.7%
	Total payments less cash transfers: Spouse		43.4%	42.9%	35.7%	35.7%
	Total tax wedge: Principal earner		48.6%	46.3%	39.5%	39.5%
	Total tax wedge: Spouse		46.8%	46.3%	39.5%	39.5%

The national currency is the Króna (plural: Krónur) (ISK). In 2020, ISK 136.85 were equal to USD 1. That year, the average worker is expected to earn ISK 9 247 101 (Secretariat estimate).[1]

1. Personal Income Tax System

1.1. Central government income taxes

1.1.1. Tax unit

Income is taxed on an individual basis, except for capital income of married couples which is taxed jointly.

1.1.2. Tax allowances and credits

1.1.2.1. Standard reliefs

- Basic tax credit: A fixed tax credit, amounting to ISK 655 538 in 2020, is granted to all individuals 16 years and older, regardless of their marital status. The tax credit is deducted from levied central and local government taxes. Unutilised tax credits or portions thereof are wastable, i.e. non-refundable and non-transferable between tax years.
- Standard marital status relief: Married couples and civil partners may utilise up to 100% of each spouses' unutilised portion of his/her basic tax credit. Joint taxation also allows for bracket sharing between partners. If one partner has income in the highest tax bracket while the other's income falls below the top bracket, one-half of the latter's unused second bracket amount can be transferred to the high-income partner, up to a limit equal to half the second bracket. This transfer is then taxed at a rate lower than the top tax rate.
- Relief(s) for children: None.
- Relief(s) for compulsory pension contributions: The compulsory payment to pension funds amounts to 4% of wages and is deductible. In addition, an optional payment of up to 4% of wages may also be deducted. As the additional 4% contribution is optional, it is viewed as a non-standard relief in this Report.

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

- Interest payment relief: A fully refundable tax credit is granted to purchasers of personal dwellings (homes) to recuperate a part of mortgage-related interest expenses. The maximum tax related interest credit in 2020 is ISK 420 000 for a single person, ISK 525 000 for a single parent and ISK 630 000 for a married couple. The following constraints apply to interest rebates: (1) they cannot exceed 7.0% of the remaining debt balance incurred in buying a home for one's own use. (2) The maximum amount of interest payments that qualify for an interest rebate calculation is ISK 840 000 for an individual, ISK 1 050 000 for a single parent and ISK 1 260 000 for a couple. (3) 8.5% of taxable income is subtracted from the interest expense. (4) The rebates begin to be curtailed at a net worth threshold of ISK 5 000 000 for a single individual and a single parent and ISK 8 000 000 for a couple and are eliminated altogether at a 60% higher amount, or ISK 8 000 000 and 12 800 000, respectively. (These amounts are based on income in the year 2020 but are paid out in 2021).

1.1.3. Tax schedule

The income tax base is composed of personal income (e.g. wages, salaries, fringe benefits, pensions, etc.), which is taxed on an individual basis, and capital income which is taxed jointly for married couples.

The tax on personal income is triple-rated. The central government income tax rate in 2020 is 20.6% for income up to ISK 336 916 per month. The tax rate is 22,75% for income between ISK 336 916 and ISK 945 873. For income exceeding ISK 945 873 the tax rate is 31.8%. Tax relief is provided by the basic credit described in Section 1.1.2.1. As a result of the basic credit, personal income is free of income tax for personal income up to ISK 162 398 per month (ISK 1 948 779 per year), when accounting for the deductible, compulsory pension payments.

The tax on capital income is 22%. It is levied on all capital income of individuals, such as interest, dividends, rents etc. Interest income up to ISK 150 000 per year and 50% of income from long-term rent of a maximum of two residential properties is tax free.

1.2. Local government income tax

The local government income tax base is the same as the central government's personal income tax base.

The local governments' income tax is single rated, but the rate varies between 12.44% and 14.52% between municipalities. The weighted average rate in 2020 is 14.44%.

2. Compulsory Social Security Contributions to Schemes Operated Within the Government Sector

2.1. Employees' contributions

Fee to the Retiree Investment Fund: 16 to 70 year-old individuals are subject to a fixed tax of ISK 12 034 in 2020, provided the individual's taxable income is at least ISK 1 870 828 for the year. This tax will be collected in 2021.

Fee to the broadcast media: 16 to 70 year-old individuals with taxable income over ISK 1 870 828 for the year are subject to a fixed tax of ISK 18 300 in 2020, which will be collected in 2021.

2.2. Employers' contributions

Employers have to pay a social security tax on total wages of 6.25%. In addition, 0.65% is levied on the wages of fishermen as a premium for their government accident insurance. Other taxes, levied on the social security tax base, but based on other legislation, are the Promote Iceland Market Fee and the Wage Guarantee Fund Fee, 0.05% each. Furthermore, a new financial activities tax was introduced in 2012, which requires financial and insurance companies to pay an additional 5.5% payroll tax.

3. Universal Cash Transfers

3.1. Marital status related transfers

None.

3.2. Transfers for dependent children

Child benefits are granted for each child, subject to income thresholds. In 2020 they are as follows (in ISK per year):

- For each child under the age of seven: 140 000
- Children under the age of eighteen at the end of 2020:

  - First child: 234 500
  - Each additional child: 279 200
- Benefits for single parents:
  - First child: 390 700
  - Each additional child: 400 800
- Income threshold for benefit curtailment:
  - For couples: 8 424 000
  - For a single parent: 4 212 000
- Curtailment of benefits (children under the age of seven only):
  - For each child: 4%
- Curtailment of benefits (all children under the age of eighteen):
  - For one child: 4%
  - For two children: 6%
  - For three children or more: 8%
  - An additional 1.5% is deducted for income above a threshold of 5 500 000 for single parents and 11 000 000 for couples (not applicable for the curtailment of supplemental benefit for children under the age of seven).

A special child benefit supplement was added in 2020 in response to the Covid crisis. Benefits are granted for each child, but the amount is subject to whether other child benefits were fully curtailed by income thresholds. This special child benefit supplement will only be paid out in 2020 (see also section 4.7).

- For each child:
  - If households receive other child benefits: 42 000
  - If other child benefits are fully curtailed: 30 000

Note that child benefits in this Report are based on income in the year 2019 but are paid out in 2020 (see also section 4.4).

4. Main Changes in the Tax/Benefit System Since 1998

4.1. The deductibility of the payment to pension funds

All employees are required to participate in pension funds. The employee contribution is generally 4% of wages and the employer contribution was 6%, and increased to 8% as of beginning 2007. On July 1st 2016 the employer contribution increased to 8.5% and one year later it increased again to 10%. The employer contribution increased once again on July 1st, 2018 to 11.5%. Both contributions are deductible from income before tax. In some cases, the contributions of employees and employers are higher. An optional, additional payment from employees of up to 4% of wages is also deductible and goes into an individual retirement account. However, from 2012 to mid-2014, this additional payment was temporarily set at 2%.

This voluntary pension savings option was first introduced in 1999 in order to encourage personal saving. At the time the contribution rate was 2% for employees and 0.2% for employers. In May 2000 these rates were doubled to 4 and 0.4%, respectively, as noted above. In addition, some employers, such as the central government, have increased their employer counter-contribution by agreement with employees. The central government contributed 1% against a voluntary employee contribution of 4% in 2001 and 2% as of the beginning of 2002. All such contributions are tax-deductible, both with the employer and the employee at the time the contribution is made. The actual pension is taxed as personal income when it is drawn. As of the beginning of 2004, the employer option of deducting the above 0.4% against the social security tax was abolished. Since such employer counter-contributions had become part of wage agreements in most cases, it was no longer felt that such a tax incentive was needed.

4.2. Central and local income tax rates in 1997-2020

In 1997–2007, the Government pursued a policy of reducing the marginal tax rate, as can be seen in the table below. This development was reversed in 2009 when income tax was raised by 1.35 percentage points in response to the Treasury's rising debt burden brought on by the economic crisis. At the beginning of 2010, the tax system was changed from single rated to triple rated. The tax rate was set at 24.1% for the first monthly ISK 200 000 but it was raised by 2.9% for the next ISK 450 000 and again by 6% for income in excess of ISK 650 000. In 2017, the tax system was changed to double rated and in 2020 another tax bracket was added, changing it back to triple rated. The rates are 20.6% for income up to ISK 336 916 per month, 22.75% for income exceeding that but falling below ISK 945 873 and 31.8% for income higher than ISK 945 873; see section 1.13 for further details. From 1998 onwards, the central government and average local government personal income tax rates have been as follows:

	Central government general tax rate (%)	Municipal tax rate (%)	Total tax rate (%)	Central government surtax (%)
1998	27.41	11.61	39.02	7.00
1999	26.41	11.93	38.34	7.00
2000	26.41	11.96	38.37	7.00
2001	26.08	12.68	38.76	7.00
2002	25.75	12.79	38.54	7.00
2003	25.75	12.80	38.55	5.00
2004	25.75	12.83	38.58	4.00
2005	24.75	12.98	37.73	2.00
2006	23.75	12.97	36.72	0
2007	22.75	12.97	35.72	0
2008	22.75	12.97	35.72	0
2009	24.10	13.10	37.20	0
2010	24.10	13.12	37.32	2.90/6.00
2011	22.90	14.41	37.31	2.90/6.00
2012	22.90	14.44	37.34	2.90/6.00
2013	22.90	14.42	37.32	2.90/6.00
2014	22.86	14.44	37.30	2.44/6.50
2015	22.86	14.44	37.30	2.44/6.50
2016	22.68	14.45	37.13	1.22/7.90
2017	22.5	14.44	36.94	9.3
2018	22.5	14.44	36.94	9.3
2019	22.5	14.44	36.94	9.3
2020	20.6	14,44	35,04	2.15/9,05

4.3. A special tax on higher income

In 1998, the special tax on higher income was raised by 2 percentage points, from 5 to 7%. For 2003-income, it was reduced back to 5%. It was reduced to 4% for 2004 income and to 2% for 2005-income. In the fiscal year 2006, the tax was abolished. In the latter half of 2009 the special tax on higher income was introduced again at 8%. In 2010 the tax system changed to triple-rated and in 2017 it was changed to double rated. In 2020 a triple-rated tax system was reintroduced; see sections 4.2 and 1.1.3.

4.4. A revision of child benefit system

Child benefits are granted for each child, subject to income thresholds. The amendments to tax legislation that came into effect in 2004 included a schedule for raising child benefits. As from 2007, the child benefits will be paid for children up to 18 years old instead of 16 years old. For 2011–2020, benefits are as follows (in ISK per year):

	2012	2013	2014	2015	2016	2017	2018	2019	2020
For all children under the age of seven	100 000	100 000	115 825	119 300	122 879	133 300	140 000	140 000	140 000
Children under the age of eighteen:									
First child	167 564	167 564	194 081	199 839	205 834	223 300	234 500	234 500	234 500
Each additional child	199 455	199 455	231 019	237 949	245 087	265 900	279 200	279 200	279 200
Benefits for single parents:									
First child	279 087	279 087	323 253	332 950	342 939	372 100	390 700	390 700	390 700
Each additional child	286 288	286 288	331 593	341 541	351 787	381 700	400 800	400 800	400 800
Income threshold for benefit curtailment:									
For couples	4 800 000	4 800 000	4 800 000	4 800 000	5 400 000	5 800 000	7 200 000 / 11 000 000	7 800 000 / 11 000 000	8 424 000 / 11 000 000
For a single parent	2 400 000	2 400 000	2 400 000	2 400 000	2 700 000	2 900 000	3 600 000 / 5 500 000	3 900 000 / 5 500 000	4 212 000 / 5 500 000
Curtailment of benefits under the age of seven:									
For each child	3%	3%	4%	4%	4%	4%	4%	4%	4%
Curtailment of benefits under the age of eighteen:									
For one child	3%	3%	4%	4%	4%	4%	4% / 5.5%	4% / 5.5%	4% / 5.5%
For two children	5%	5%	6%	6%	6%	6%	6% / 7.5%	6% / 7.5%	6% / 7.5%
For three children or more	7%	7%	8%	8%	8%	8%	8% / 9.5%	8% / 9.5%	8% / 9.5%

4.5. A revision of interest rebates

In 2004, the interest rebate was cut by 10%, effective for that year only. The ceiling on interest payments that qualify for the interest rebate was reduced from 7% to 5.5% in 2005 and the interest rate cut was reduced from 10% to 5%. As of the beginning of 2006, the ceiling was further reduced to 5%. In 2005 and again in 2007 the net worth ceiling was lifted considerably in reaction to the increase in net worth due to the house price boom in 2005–2007. In 2008, as mortgage-related interest expenses surged, the ceiling on interest payments was raised back to 7% and the maximum rebate amount increased by 37%. These measures stayed in effect in 2009. In 2010 the maximum rebate amount increased by 47–62% and the net worth ceiling was reduced significantly. The rate of taxable income which is subtracted from the interest expense was increased from 6% to 8% and further to 8.5% in 2014. In addition to the ordinary interest payment relief, a temporary interest cost rebate was in effect in 2010–2011; see section 1.1.2.2.

4.6. Transferability of basic tax credit between spouses

The basic tax credit was made transferable between spouses in stages; see section 1.1.2.1. above. In fiscal year 2001, 90% of the credit became transferable, rising to 95% in 2002 and 100% in 2003.

4.7. Changes to labour taxation due to the covid-19 pandemic

A special child benefit supplement was added in 2020 in response to the Covid crisis. Benefits are granted for each child, but the amount is subject to whether other child benefits were fully curtailed by income thresholds. This special child benefit supplement will only be paid out in 2020 (see also section 4.7).

- For each child:
    - If households receive other child benefits: ISK 42 000
    - If other child benefits are fully curtailed: ISK 30 000

Note that as regular child benefits in this Report, this one-off special child benefit supplement is based on income in the year 2019 but paid out in 2020.

A payment deferral scheme was introduced for monthly pay-as-you-go payments of withheld central and local PIT and social security contributions on previous month wages. Employers may defer 50% of the payable amount in March 2020. Employers hard-hit by COVID-19 may also defer 100% of the monthly payable amount up to three times in the nine-month period April-December 2020. Deferred amounts are due for payment in January 2021.

5. Memorandum Items

5.1. Identification of AW (only eight categories) and valuation of earnings

The data on average earnings refers to average workers in eight categories according to the NACE rev. 2 classification which corresponds to the ISIC rev.4 system. The categories are C – Manufacturing, D – Electricity, gas, steam and air conditioning supply (from 2008), E – Water supply; sewerage, waste management and remediation activities (from 2008) F – Construction, G – Wholesale and retail trade, repair of motor vehicles, motorcycles, H – Transport, storage, and J – Information and communication K - Financial and insurance activities. Public sector employees are not included. Together, these categories comprise approximately 80% of Iceland's private sector labour force.

The original data are obtained from a monthly survey among Icelandic firms with 10 or more employees.

5.2. Employer contributions to private pension funds, health and related schemes

By law, all employees and employers must contribute to pension funds. These funds are private, and form the second pillar pension protection. The private pension funds are not part of the basic, first pillar, government-run social security system, to which a social security tax is paid as described under section 2.2 above. Compulsory and voluntary payments to such funds are described in section 4.1 above.

2020 Parameter values

Average earnings/yr	Ave_earn	9 247 101	Secretariat estimate
Pension rate for tax allowance	pension_rate	0.04	
Tax credit	Basic_crd	655 358	
	Married_propn	1	
Central income tax	tax_sch	0.206	4 042 992
		0.2275	11 350 476
		0.3180	
Special tax	special_rate		
threshold	special_thrsh		
Local tax	local_rate	0.1444	
Church tax	church_tax	0	
Social Security Contr.	SSC_fixed	30 334	
	SSC_thrsh	1 870 828	
Employer SSC	SSC_empr	0.0635	
General child allowance:			
child allowance	CA	140 000	
Maximum number of children under 7	max_child_under7	1	
Supplement child allowance:			
Married couple case			
first child	SA_first_m	234 500	
other children	SA_others_m	279 200	
income threshold	SA_tresh_m	8 242 000	
	SA_thresh_m_2	11 000,000	
Single parent case			
first child	SA_first_s	390 700	
other children	SA_others_s	400 800	
income threshold	SA_tresh_s	4 212 000	
	SA_thresh_s_2	5 500 000	
reduction rate (one child)	SA_redn_1	0.04	
reduction rate (two children)	SA_redn_2	0.06	
reduction rate (tree or more children)	SA_redn_3	0.08	
additional reduction rate (for higher income)	SA_redn_4	0.015	

2020 Tax equations

The equations for the Iceland system are mostly on an individual basis. But the tax credit for married couples is relevant only to the calculation for the principal earner and child benefit is calculated only once. This is shown by the Range indicator in the table below.

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

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings	earn		
2.	Allowances:	tax_al	B	earn*pension_rate
3.	Credits in taxable income	taxbl_cr	B	0
4.	CG taxable income	tax_inc	B	earn-tax_al
5.	CG tax before credits	CG_tax_excl	B	tax(tax_inc, tax_sch)
6.	Tax credits :	tax_cr	P	MIN(CG_tax_excl_princ,Basic_crd+MAX(Married*Basic_crd-CG_tax_excl_spouse-(tax_inc_spouse*local_rate),0))
			S	MIN(Married*Basic_crd, CG_tax_excl_spouse)
		special_tax	J	0
7.	CG tax	CG_tax	B	CG_tax_excl-tax_cr+special_tax
8.	State and local taxes	local_tax	P S	MAX(tax_inc_princ*local_rate-MAX(Basic_crd+ Max(Married*Basic_crd-CG_tax_excl_spouse-(tax_inc_spouse*local_rate),0)-CG_tax_excl_princ,0),0) MAX(tax_inc_spouse*local_rate-MAX(Married*Basic_crd-CG_tax_excl_spouse,0),0)
9.	Employees' soc security	SSC	B	SSC_fixed*(earn>SSC_thrsh)
11.	Cash transfers:			
	Total family income	inc_tot	J	earn_total

	Child allowance	cash_trans	J	IF(Children = 0, 0, IF(AND(Married = 1, Children = 1),SA_first_m - MAX(0, (EARN*(1-pension_rate)) - SA_thresh_m) * SA_redn_1 - (MAX(0, (EARN*(1-pension_rate)) - SA_thresh_m_2) * SA_redn_4) + ((CA * max_child_under7) - MAX(0, (EARN*(1-pension_rate)) - SA_thresh_m) * SA_redn_1), IF(AND(Married = 1, Children = 2),
				(SA_first_m + SA_others_m) - (MAX(0, (EARN*(1-pension_rate)) - SA_thresh_m) * SA_redn_2) - (MAX(0, (EARN*(1-pension_rate)) - SA_thresh_m_2) * SA_redn_4) + MAX(0, ((CA *max_child_under7) - MAX(0, (EARN * (1 - pension_rate)) - SA_thresh_m) *SA_redn_1)),
				IF(AND(Married = 0, Children =1), SA_first_s - MAX(0, (EARN*(1-pension_rate)) - SA_thresh_s) * SA_redn_1 - (MAX(0, (EARN*(1-pension_rate)) - SA_thresh_s_2) * SA_redn_4) + ((CA * max_child_under7) - MAX(0, (EARN*(1-pension_rate)) - SA_thresh_s) * SA_redn_1), IF(AND(Married = 0, Children = 2), (SA_first_s + SA_others_s) - (MAX(0, (EARN*(1-pension_rate)) - SA_thresh_s) * SA_redn_2) - (MAX(0, (EARN*(1-pension_rate)) - SA_thresh_s_2) * SA_redn_4) + MAX(0, ((CA * max_child_under7) - MAX(0, (EARN * (1 - pension_rate)) - SA_thresh_s) * SA_redn_1)),
				0)))))

13.	Employer's soc security	SSC_empr	B	earn*SSC_empr_rate

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

Notes

[1] The definition of average worker in Iceland includes workers in five categories. See section 5.1.

Ireland

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

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

Ireland 2020

The tax/benefit position of single persons

	Wage level (per cent of average wage)	67	100	167	67
	Number of children	none	none	none	2
1.	**Gross wage earnings**	31 279	46 685	77 964	31 279
2.	**Standard tax allowances**	0	0	0	0
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**	31 279	46 685	77 964	31 279
5.	**Central government income tax liability (exclusive of tax credits)**	6 256	11 614	24 126	6 256
6.	**Tax credits**				
	Basic credit	1 650	1 650	1 650	1 650
	Single, head of family	0	0	0	1 650
	Children				
	Other	1 650	1 650	1 650	1 650
	Total	3 300	3 300	3 300	4 950
7.	**Central government income tax finally paid (5-6)**	3 671	9 723	23 919	2 021
8.	**State and local taxes**	0	0	0	0
9.	**Employees' compulsory social security contributions**				
	Gross earnings	1 251	1 867	3 119	1 251
	Taxable income				
	Total	1 251	1 867	3 119	1 251
10.	**Total payments to general government (7 + 8 + 9)**	4 922	11 590	27 037	3 272
11.	**Cash transfers from general government**				
	For head of family	0	0	0	2 914
	For two children	0	0	0	3 360
	Total	0	0	0	6 274
12.	**Take-home pay (1-10+11)**	26 357	35 095	50 927	34 281
13.	**Employer's compulsory social security contributions**	3 456	5 159	8 615	3 456
14.	**Average rates**				
	Income tax	11.7%	20.8%	30.7%	6.5%
	Employees' social security contributions	4.0%	4.0%	4.0%	4.0%
	Total payments less cash transfers	15.7%	24.8%	34.7%	-9.6%
	Total tax wedge including employer's social security contributions	24.1%	32.3%	41.2%	1.3%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	28.5%	48.5%	52.0%	71.4%
	Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner	35.6%	53.6%	56.8%	74.2%
	Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.

Ireland 2020

The tax/benefit position of married couples

	Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
	Number of children	2	2	2	none
1.	**Gross wage earnings**	46 685	77 964	93 370	77 964
2.	**Standard tax allowances**	0	0	0	0
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**	46 685	77 964	93 370	77 964
5.	**Central government income tax liability (exclusive of tax credits)**	9 814	17 066	23 228	17 066
6.	**Tax credits**				
	Basic credit	3 300	3 300	3 300	3 300
	Single, head of family	0	0	0	0
	Children				
	Other	3 250	3 300	3 300	3 300
	Total	6 550	6 600	6 600	6 600
7.	**Central government income tax finally paid (5-6)**	4 673	12 589	19 445	12 589
8.	**State and local taxes**	0	0	0	0
9.	**Employees' compulsory social security contributions**				
	Gross earnings	1 867	3 119	3 735	3 119
	Taxable income				
	Total	1 867	3 119	3 735	3 119
10.	**Total payments to general government (7 + 8 + 9)**	6 540	15 708	23 180	15 708
11.	**Cash transfers from general government**				
	For head of family	0	0	0	0
	For two children	3 360	3 360	3 360	0
	Total	3 360	3 360	3 360	0
12.	**Take-home pay (1-10+11)**	43 505	65 616	73 550	62 256
13.	**Employer's compulsory social security contributions**	5 159	8 615	10 317	8 615
14.	**Average rates**				
	Income tax	10.0%	16.1%	20.8%	16.1%
	Employees' social security contributions	4.0%	4.0%	4.0%	4.0%
	Total payments less cash transfers	6.8%	15.8%	21.2%	20.1%
	Total tax wedge including employer's social security contributions	16.1%	24.2%	29.1%	28.1%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	48.5%	48.5%	48.5%	48.5%
	Total payments less cash transfers: Spouse	29.3%	48.5%	48.5%	48.5%
	Total tax wedge: Principal earner	53.6%	53.6%	53.6%	53.6%
	Total tax wedge: Spouse	36.3%	53.6%	53.6%	53.6%

The national currency is the Euro (EUR). In 2020, EUR 0.88 was equal to USD 1. In that year, the average worker earned EUR 46 685 (Secretariat estimate).

1. Personal income tax systems

1.1. Central/ federal government income taxes

1.1.1. Tax unit

Tax is levied on the combined income of both spouses. Either spouse may, however, opt for separate assessment, in which case the tax payable by both spouses must be the same as would be payable under joint taxation. A further option allows either spouse to opt for assessment as single persons in which case they are treated as separate units. The calculations presented in this Report are based on family taxation.

1.1.2. Tax credits

1.1.2.1. Standard reliefs:

- Basic reliefs: The single person's credit is EUR 1 650 per year.
- Standard marital status reliefs: The married person's credit is EUR 3 300 per year (i.e. twice the basic credit of EUR 1 650).
- Employee credit: With the exception of certain company directors and their spouses and the spouses of partners in partnership cases, all employees, including (subject to certain conditions) children who are full-time employees in the business of their parents, are entitled to an employee credit of EUR 1 650.
- Earned Income credit: Individuals in receipt of earned income are entitled to an earned income credit of EUR 1500 for 2020et seq. Note: The combined employee credit and earned income credit is limited to EUR 1 650.
- One-Parent Family credit: The single parent family credit is EUR 1 650.

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

- Interest on qualifying loans: This relief can no longer be claimed by new applicants but those who had claimed prior to 2012 are still eligible for relief up to 2020 inclusive. The relief varies between 25% and 15% of the following limits.

	First Time Mortgage Holders	Other Mortgage Holders
Married Couple	EUR 15 000	EUR 3 000
Widowed Person	EUR 10 000	EUR 3 000
Single Person	EUR 5 000	EUR 1 500

- Medical Insurance: Relief at the taxpayer’s standard rate of tax is available for taxpayers who make a payment to an authorised insurer under a contract which provides for the payment of medical expenses resulting from sickness of the person, his wife, child or other dependants. The maximum relief is EUR 1 000 in respect of an adult and EUR 500 in respect of a child. This relief is now granted at source and is paid to the insurance provider.
- Work related Expenses: These are relieved to the extent that they are wholly, exclusively and necessarily incurred in the performance of the duties of an employment.
- Home Carers Allowance: This is a tax credit of EUR 1600 for families where one spouse works at home to care for children, the aged or incapacitated persons, where the carer spouse’s income

does not exceed EUR 7 199. A reduced measure of relief is granted for income between EUR 7 200 and EUR 10400: if the income exceeds EUR 7 200 the tax credit is reduced by one half of the income of the Home Carer that exceeds this limit. This credit and the increased standard rate tax band for two income couples (see tax schedule below) are mutually exclusive but the person may opt for whichever is the more beneficial. If the Home Carer earns income of up to EUR 7 200 in his/her own right for the tax year, the full tax credit may be claimed. For the purposes of this tax credit, income means any taxable income such as income from a part-time job, dividends, etc. but does not include the Carer's Allowance payable by the Department of Social Protection.

1.1.3. Tax schedule

Band of taxable Income (EUR)				Rate (%)
Single/ Widow(er)	Married Couple (One Income)	Married Couple (Two Incomes)	One-Parent Families	
Up to 35 300	Up to 44 300	Up to the lesser of 70 600 - 44 300 plus the amount of the lowest income	39 300	20
Balance	Balance	Balance	Balance	40

1.1.4. Low income exemption and marginal relief tax

Where total income of an individual aged 65 and over is less than or equal to the income exemption limit that income is exempt from tax.

Exemption limits:

- Single / Widowed: EUR 18 000
- Married: EUR 36 000

The exemption limits may be increased in respect of children, as follows:

- One or two children (each): EUR 575
- Subsequent children: EUR 830

The marginal relief rate of tax applies where liability to tax at the marginal relief rate is less than that which would be chargeable under the normal tax schedule and where total income is less than twice the relevant exemption limit, otherwise tax is charged under the normal tax schedule.

Marginal relief tax is charged, where applicable, at a rate of 40% on the difference between total income and the relevant exemption limit.

1.1.5. Universal Social Charge (USC)

The USC is charged on an individualised basis on gross income at 0.5% on income up to and including EUR 12 012, at 2% for income in excess of EUR 12 012 but not greater than EUR 20 484, at 4.5% for income in excess of EUR 20 484 but not greater than EUR 70 044, and at 8% above that level. The lower exemption threshold is EUR 13 000.The USC does not apply to social welfare payments, including contributory and non-contributory social welfare State pensions.

USC rates for individuals whose total income does not exceed EUR 60 000 and who are (a) aged 70 years and over or (b) who hold full medical cards: The 2% rate applies to all income over EUR 12 012.

There is a surcharge of 3% on individuals who have income from self-employment that exceeds EUR 100 000 in a year.

1.2. State and local income taxes

No State or local income taxes exist in Ireland.

2. Compulsory Social Security Contributions to Schemes Operated within the Government Sector.

2.1. Employees' contributions

Contributions are payable at a rate of 4 percent of an employee's gross earnings less allowable superannuation contributions. No distinction is made by marital status or sex. Those earning less than EUR 352 per week are exempt. The following is a breakdown of the 2020 rate of contribution together with ceilings where applicable:

Description	Rate	Threshold (EUR)	Ceiling (EUR)
Pension and social insurance	4.00	352 per week	

A PRSI credit was introduced in 2016 which reduces the amount of PRSI payable for people earning between EUR 352.01 and EUR 424 per week. The credit is tapered and the amount of the credit depends on your earnings. The maximum credit is EUR 12. If you earn between EUR 352.01 and EUR 424 per week, the maximum credit of EUR 12 is reduced by one-sixth of the amount of your weekly earnings over EUR 352.01.

2.2. Employers' contributions

Like employees' contributions, employers' contributions are payable as a percentage of gross employee earnings less allowable superannuation contributions. The following is a breakdown of the 2020 rate of contribution:

Description	Rate %
Occupational injuries	0.50
Redundancy contribution	0.40
Pension and social insurance(*)	10.05

*An incremental annual increase of 0.1% in the National Training Fund levy that is collected through the Pay Related Social Insurance (PRSI) system, is increasing the levy rate from 0.7% to 1% in the three year period from 2018 to 2020.

In 2020, the total employers' contribution is 11.05% and is reduced to 8.8% in respect of employees earning less than EUR 395 per week.

3. Universal Cash Transfers

3.1. Transfers related to marital status

None.

3.2. Transfers for dependent children

These are payable to all children under the age of 16 (or under 18 years, if the child is undergoing full time education by day or is incapacitated and likely to remain so for a prolonged period). These payments do not depend on any insurance or on the means of the claimant. Entitlements to higher rate for the third and subsequent child are being phased out over two years. The amounts payable in 2020 are as follows:

Period	Monthly rate per child	
January 2020 to December 2020	First to second child: EUR 140.00	Subsequent children: EUR 140.00

3.3. Transfers for low income families

A non-taxable family income supplement is payable to low income families where either the principal earner and/or the spouse are in full-time employment. Full-time employment is defined as working nineteen hours per week or more. The hours worked by the principal and the spouse can be aggregated for the purposes of this definition. When calculating income for the purposes of the relief superannuation payments, social welfare payments, tax payments, health and employment and training levies are all subtracted to arrive at disposable income.

The level of payment is dependent on the amount of family income and the number of children. The supplement payable is 60% of the difference between the family income and the income limit applicable to the family. A minimum of EUR 20 per week is payable to eligible families. No supplement is payable to families with income in excess of the relevant income limit.

The income limit for a family with two children in 2020 is EUR 632 per week.

One Parent Family Payment: This payment is available for men and women who for a variety of reasons are bringing up a child or children without the support of a partner. The payment which is means tested is payable in full where the person's earnings does not exceed EUR 165 per week). Where earnings are between EUR 165 per week) and EUR 425.00 per week a reduced payment is received. The amount of the full payment for 2020 is EUR 203 per week (plus EUR 36 per week for each child.

4. Other Main Changes in Tax/Benefit System Since 2016

4.1. Earned Income credit

Individuals in receipt of earned income are entitled to an earned income credit of EUR 1500 for 2020 et seq. Note: The combined employee credit and earned income credit is limited to EUR 1 650.

4.2. Changes to labour taxation due to the covid-19 pandemic

There are a few measures operating in Ireland at present in response to the COVID-19 pandemic these are the Temporary Wage Subsidy Scheme (TWSS) operated by Revenue. The Pandemic Unemployment Payment (PUP) by Social Welfare along with Enhanced Illness Benefit and short term changes to Rent Supplement as outlined below.

The following measures do not impact on the Taxing of Wages results.

Temporary Wage Subsidy Scheme
This scheme run by Revenue, enables employees, whose employers are affected by the pandemic, to receive significant supports directly from their employer through the payroll system. To qualify for the scheme, employers must

- be experiencing significant negative economic disruption due to Covid-19
- be able to demonstrate, to the satisfaction of Revenue, a minimum of a 25% decline in turnover *
- be unable to pay normal wages and normal outgoings fully and
- retain their employees on the payroll.

*TWSS turnover drop relates to the period Q2 2020 the employer is free to calculate drop with respect to Q1 2020 or Q2 2019).

The wage subsidy payments to employees are liable to income tax and USC; however, the subsidy is not taxable in real-time through our PAYE system during the period of the Subsidy scheme. Instead the employee will be liable for tax and USC on the subsidy amount paid to them by their employer by way of review at the end of the year.

The scheme was introduced in 26 March 2020 and has been extended until the 31 August 2020.

On 4 May 2020 Revenue informed all eligible employers of the maximum personal subsidy amount in respect of each individual employee on its payroll based on the employee's Average Revenue Net Weekly Pay. See below table

Income thresholds	Level of subsidy payment
Previous average take home pay **below EUR 412** per week	85% of the weekly average take home pay
Previous average take home pay **between EUR 412 and EUR 500** per week	Flat rate subsidy of EUR 350 per week
Previous average take home pay **between EUR 500 and EUR 586** per week	70% of the weekly average take home pay, up to a maximum of EUR 410
Previous average take home pay **between EUR 586 and EUR 960** per week	Subsidy is subject to 'tapering'. That means the level of subsidy is calculated by reference to the amount of any additional ('top up') payments made by the employer and its effect on the weekly average take home pay. Subsidy levels are as follows: Flat rate subsidy of EUR 350 per week, where the employer pays a top up payment up to 60% of the employee's previous weekly take home pay Flat rate subsidy of EUR 205 per week, where the employer pays a top up payment between 60% and 80% of the employee's previous weekly take home pay No subsidy is payable, where the employer pays a top up payment above 80% of the employee's previous weekly take home pay Tapering is calculated by subtracting the gross 'top up' paid by the employer from the employee's previous average take home pay.
Previous average take home pay **above EUR 960** per week	Employee's whose average take home pay has fallen below EUR 960 can now avail of the scheme, subject to the tapering rules (see above). No subsidy applies for employee's whose current pay is more than EUR 960. This is the case regardless of the level of any reduction in pay.

Pandemic Unemployment Payment

The COVID-19 Pandemic Unemployment Payment is available to employees and the self-employed who have lost their job on (or after) March 13 due to the COVID-19 (Coronavirus) pandemic. The COVID-19 Pandemic Unemployment Payment will be in place until August 10.

You can apply for the COVID-19 Pandemic Unemployment Payment if you:

- are aged between 18 and 66 years old and
- currently living in the Republic of Ireland and
- have lost your job due to the COVID-19 pandemic or
- have been temporarily laid off due to the COVID-19 pandemic and
- worked in the Republic of Ireland or were a cross border frontier worker and
- are not in receipt of any employment income

The payment also applies if you are:

- self-employed and your trading income has ceased due to COVID-19

- a non EU/EEA worker who has lost employment due to the COVID-19 pandemic
- a student (or a non-EU/EEA student) who has lost employment due to the COVID-19 pandemic
- part-time worker

The COVID-19 Pandemic Unemployment Payment will be paid at a flat rate of EUR 350 per week until the beginning of June 29 when the payment will be paid at two rates:

- For those whose prior employment earnings were EUR 200 per week or higher (about 75% of recipients), the rate will remain at EUR 350 per week;
- For those whose prior employment earnings were up to EUR 199.99 per week (about 25% of recipients), the rate will be EUR 203 per week - the primary rate of payment of the Jobseeker's Benefit scheme.

If you were working and were also in receipt of any social welfare payment such as a Carer's Payment, Working Family Payment (WFP) or One-Parent Family Payment, you can, provided you have lost your job due to COVID-19, also claim the COVID-19 emergency payment, in addition to retaining your existing welfare payment. The COVID-19 Payment Unemployment Payment will replace your employment income and will be regarded by the department as equivalent to employment income.

This payment is subject to income tax but is not liable to either the universal social charge or PRSI (pay-related social insurance).

It is proposed that at the end of the year, Revenue will send a preliminary end-of-year statement, outlining what it understands to be the recipients income during the year – from the unemployment payment and also any work during the year and it will indicate how much tax is owing.

<u>Enhanced Illness Benefit</u>

This payment is for workers and the self-employed who cannot work in the short term because they have been medically certified to self-isolate or are ill due to COVID-19.

The personal rate of Illness Benefit will increase from EUR 203 per week to EUR 350 per week for a maximum of 2 weeks where you are medically-required to self-isolate or longer following a confirmed diagnosis of COVID-19.

<u>COVID-19 and Rent Supplement</u>

Legislation was introduced to prevent both the termination of residential tenancies and any rent increases for the duration of the COVID-19 pandemic.

While tenants are expected to pay rent during the COVID-19 pandemic, Rent Supplement is available to you if you are struggling to pay.

There are new Rent Supplement rules for applicants who apply on or after 13 March 2020. These rules will be in place until 31 August 2020:

- You can qualify for Rent Supplement if you or your partner are working more than 30 hours per week and you have had a reduction in your income from work due to the COVID-19 public health emergency.
- You must have been in your current tenancy for more than 4 weeks and could have continued to paid your rent from your own resources, but for the COVID-19 public health emergency.
- If you are diagnosed with COVID-19 or are suspected of having COVID-19 and are medically required to self-isolate, your Rent Supplement can be processed and paid immediately.
- You will be assessed for Rent Supplement using a higher Supplementary Welfare Allowance rate.

The basic Supplementary Welfare Allowance rate is normally EUR 201 – you will get a higher rate if you have dependents. However, if you are a new Rent Supplement applicant and applied on or after 13 March

2020, you will be assessed for Rent Supplement using the following Supplementary Welfare Allowance rates:

- EUR 350 for a single person
- EUR 700 for a couple
- EUR 40 for each child.

5. Memorandum Items

5.1. Employer contributions to private social security arrangements

Information not available, although such schemes do exist.

2020 Parameter values

Average earnings/yr	Ave_earn	46 685	Secretariat estimate
Tax allowances			
Tax Credits	Basic_al_at_standardrate	1650	
	Married_al_at_standardrate	1650	
	Empl_al_at_standardrate	1650	
	Singleparent_at_standardrate	1650	
	Carers_allow	1600	
	Carers_thrsh1	7200	
	Carers_thrsh2	10400	
	Carers_taper_rt	0.5	
Exemption amount	Single_ex	0	
	Married_ex	0	
	Child_ex	0	
	Child_ex_3	0	
Marginal relief limit	Single_MR	0	
	Married_MR	0	
	Child_MR	0	
	Child_MR_3	0	
Marginal relief	marg_rel_rate	0.4	
Income tax	Single_sch	0.2	35 300
		0.4	
	Single_sch_child	0.2	39 300
		0.4	
	Married_sch_oneinc	0.2	44 300
		0.4	
	Married_sch_twoinc	0.2	70 600
		0.4	
Universal Social Charge	USC	0.005	12 012
		0.02	20484
		0.045	70 044
		0.08	
	USC_sch_med_card	0.005	12 012
		0. 02	
	USC threshold	13 000	
Maximum increase in first band	Band_increase_lim	26 300	
Social security contributions	SSC_thresh	18 304	
Employees	pension_rate	0.04	
	SSC_cred_max	624	
	SSC_cred_red	0.166666667	
	pension_ceil	Limit Abolished	
	Non_cum_Allc	0	
Employers	Empr_rate	0.1105	
	Empr_lower_rate	0.088	
	Empr_thrsh	20 500.14	
Child benefit	Empr_ceil	Limit Abolished	
	Ch_ben	1680	
Family income supplement	Ch_ben_3	1680	
	FIS_pay_limit	32864	
	FIS_min	1040	
Medical card	FIS_rate	0.6	
	single_med_card	9568	
	married_med_card	13 858	

	Child_add_med_card	1976	
One-Parent Family	opf_basic	10556	
	opf_inclim_1	8580	
	opf_inclim_2	22 100	
	opf_inclim_3	10795.2	
	opf_dis	0.5	
	opf_thrsh	395.2	
	opf_red	130	
	opf_childincr	1872	

2020 Tax equations

The equations for the Irish system in 2020 are mostly on a family basis using mainly a tax credit system for the first time. But social security contributions are calculated separately for each spouse. This is shown by the Range indicator in the table below.

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

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings	earn		
2.	Allowances:			(provided at standard rate (tax credit equivalent))
3.	Credits in taxable income	taxbl_cr	J	0
4.	Taxable income	tax_inc	J	Earn+OPF_total
	New carers allowance (provided as a tax credit)	career_allow		IF((Married*Children)>0, IF(earn_spouse<=Carers_thrsh1, Carers_allow, IF(earn_spouse>Carers_thrsh2, 0, Positive (Carers_allow-Carers_taper_rt*(earn_spouse-Carers_thrsh1)))), 0)
	Preliminary Tax Liable (including carers allowance)	tax_prel	J	IF(Married='0,' IF(Children='0,' Tax(tax_inc, Single_sch), Tax(tax_inc, Single_sch_child)), IF(AB7='0,' Tax(tax_inc, Married_sch_oneinc)-AG7, Tax(earn_principal+Positive(earn_spouse-Band_increase_lim), Married_sch_oneinc)+Tax(MIN(earn_spouse, Band_increase_lim), Married_sch_oneinc)))
5.	Tax before credits (but including carers allowance)	_tax_excl	J	IF((Married*earn_spouse)>0, MINA(tax_prel, (Tax(tax_inc, Married_sch_oneinc)-career_allow)), tax_prel)
	Universal social charge	USG	J	IF(earn>USC_threshold,IF(med_crd_fac=1,Tax(earn,USC_sch),Tax(earn,USC_sch_med_card)),0)
6.	Tax credits :	basic_cr	J	Basic_al_at_standardrate+(Married*Married_al_at_standardrate)
		single_par_cr		IF(Married='0,' IF(Children>0, Singleparent_at_standardrate, 0), 0)
		other_cr		Empl_al_at_standardrate+ (IF(earn_spouse>0, Empl_al_at_standardrate, 0))
		tax_cr		basic_cr+single_par_cr+other_cr
	Exemption amount	exemp_amt	J	Single_ex+Married*Married_ex+Child_ex*MIN(2, Children)+ (Children>2)*(Children-2)*Child_ex_3
	Marginal relief limit	MRL	J	Single_MR+Married*Married_MR+Child_MR*MIN(2, Children)+ (Children>2)*(Children-2)*Child_MR_3
7.	Net tax	CG_tax	J	If(earn_total<='MRL,' MIN(marg_rel_rate*positive(earn_total-exem_amt), positive(_tax_excl-tax_cr)), positive(_tax_excl-tax_cr))+USG
8.	State and local taxes	local_tax	J	0
	Employees' soc security			
	weekly allowance	weekly_allce	B	IF(earn=0,0,MINA(Non_cum_Allc,earn))
	Medical card factor	Med_crd_fac	J	(single_med_card+Married*(married_med_card-single_med_card) +child_add_med_card*Children<earn_princ+earn_spouse)
	employees' soc security	SSC	B	=IF(earn>SSC_thresh,(pension_rate*earn)-Positive(SSC_cred_max-((earn-SSC_thresh)*SSC_cred_red)))
11.	Cash transfers			
		Child_benefit	J	Children*Ch_ben+(Children>2)*(Children-2)*(Ch_ben_3-Ch_ben)
		FIS	J	(Children>0)*IF((earn-_tax-SSC+OPF_total)<='FIS_pay_limit' , MAXA((FIS_pay_limit-(earn-_tax-SSC+OPF_total))*FIS_rate, FIS_min), 0)

		OPF_basic	P	=IF((earn-opf_inclim_1)*opf_dis<opf_thrsh,opf_basic,IF((earn-opf_inclim_1)*opf_dis>opf_inclim_3,0,Positive(opf_basic- (opf_red+(opf_red*TRUNC((((earn-opf_inclim_1)*opf_dis)-opf_thrsh)/opf_red)))))*((Married=0)*(Children>0)))*(earn<opf_inclim_2)
		OPF_total		=IF(OPF_basic>0,OPF_basic+(opf_childincr*Children))
	Total cash transfers	cash_trans		Child_benefit+FIS+OPF_total
13.	Employer's soc security	SSC_empr	B	IF(earn<='Empr_thrsh,' Empr_lower_rate, Empr_rate)* MIN(earn, Empr_ceil)

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

Israel

This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.
Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.

ISRAEL 2020

The tax/benefit position of single persons

	Wage level (per cent of average wage)	67	100	167	67
	Number of children	none	none	none	2
1.	**Gross wage earnings**	105 252	157 093	262 345	105 252
2.	**Standard tax allowances**				
	Basic allowance	0	0	0	0
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes				
	Work-related expenses	0	0	0	0
	Other				
	Total	0	0	0	0
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**	105 252	157 093	262 345	105 252
5.	**Central government income tax liability (exclusive of tax credits)**	11 697	21 843	53 274	11 697
6.	**Tax credits**				
	Basic credit	5 913	5 913	5 913	7 227
	Married or head of family	0	0	0	2 628
	Children	0	0	0	5 256
	EITC	0	0	0	1 908
	Unused wastable tax credits	0	0	0	3 414
	Total	5 913	5 913	5 913	17 019
7.	**Central government income tax finally paid (5-6)**	5 784	15 930	47 361	- 1 908
8.	**State and local taxes**	0	0	0	0
9.	**Employees' compulsory social security contributions**				
	Gross earnings	6 173	12 393	25 024	6 173
	Taxable income				
	Total	6 173	12 393	25 024	6 173
10.	**Total payments to general government (7 + 8 + 9)**	11 957	28 323	72 385	4 265
11.	**Cash transfers from general government**				
	For head of family				
	For two children	0	0	0	6 170
	Total	0	0	0	6 170
12.	**Take-home pay (1-10+11)**	93 296	128 770	189 960	107 158
13.	**Employer's compulsory social security contributions**	4 922	8 862	16 861	4 922
14.	**Average rates**				
	Income tax	5.5%	10.1%	18.1%	-1.8%
	Employees' social security contributions	5.9%	7.9%	9.5%	5.9%
	Total payments less cash transfers	11.4%	18.0%	27.6%	-1.8%
	Total tax wedge including employer's social security contributions	15.3%	22.4%	32.0%	2.7%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	26.0%	32.0%	47.0%	29.4%
	Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner	31.2%	36.8%	50.7%	34.4%
	Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.

ISRAEL 2020

The tax/benefit position of married couples

	Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
	Number of children	2	2	2	none
1.	**Gross wage earnings**	157 093	262 345	314 185	262 345
2.	**Standard tax allowances**				
	Basic allowance	0	0	0	0
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes				
	Work-related expenses	0	0	0	0
	Other				
	Total	0	0	0	0
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**	157 093	262 345	314 185	262 345
5.	**Central government income tax liability (exclusive of tax credits)**	21 843	33 539	43 685	33 539
6.	**Tax credits**				
	Basic credit	5 913	13 140	13 140	13 140
	Married or head of family	0	0	0	0
	Children	0	5 256	5 256	0
	EITC	0	0	0	0
	Unused wastable tax credits	0	786	0	0
	Total	5 913	18 396	18 396	13 140
7.	**Central government income tax finally paid (5-6)**	15 930	15 930	25 289	20 399
8.	**State and local taxes**	0	0	0	0
9.	**Employees' compulsory social security contributions**				
	Gross earnings	12 393	18 566	24 787	18 566
	Taxable income				
	Total	12 393	18 566	24 787	18 566
10.	**Total payments to general government (7 + 8 + 9)**	28 323	34 496	50 076	38 966
11.	**Cash transfers from general government**				
	For head of family				
	For two children	4 128	4 128	4 128	0
	Total	4 128	4 128	4 128	0
12.	**Take-home pay (1-10+11)**	132 898	231 977	268 237	223 379
13.	**Employer's compulsory social security contributions**	8 862	13 784	17 724	13 784
14.	**Average rates**				
	Income tax	10.1%	6.1%	8.0%	7.8%
	Employees' social security contributions	7.9%	7.1%	7.9%	7.1%
	Total payments less cash transfers	15.4%	11.6%	14.6%	14.9%
	Total tax wedge including employer's social security contributions	19.9%	16.0%	19.2%	19.1%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	32.0%	32.0%	32.0%	32.0%
	Total payments less cash transfers: Spouse	5.9%	12.0%	32.0%	26.0%
	Total tax wedge: Principal earner	36.8%	36.8%	36.8%	36.8%
	Total tax wedge: Spouse	10.1%	18.2%	36.8%	31.2%

The Israeli currency is the Israeli Shekel (ILS). In 2020, ILS 3.46 was equal to USD 1. In that year, the average worker in Israel earned ILS 157 093.

1. Personal income tax system

1.1. Central government income tax

1.1.1. Tax unit

In general, spouses are taxed separately on their earned income, subject to the condition that its sources are independent. The household is taxed jointly if their earned income is deemed to be interdependent. Until 2014, the conditions for interdependence involved situations where one spouse worked in a business which the other spouse either owned or had certain levels of capital or management/voting rights. Since 2014, spouses could still be taxed separately, even in cases where their earned income is deemed to be interdependent, if the labour of both spouses is needed to run the business and their income is commensurate to their effort.

1.1.2. Tax allowances and credits

1.1.2.1 Standard tax credits

The standard tax credits are given in the form of credit points subtracted from the tax liability. Each point is worth ILS 2 628 in 2020.

- *Basic credit*: Every resident taxpayer is entitled to 2.25 credit points (ILS 5 913 in 2020).
- *Additional credit for women*: Women are entitled to a further half credit point (ILS 1 314 in 2020).
- *Child credit*: Working mothers (and fathers in one parent families) with children aged under 18 are entitled to one additional credit point per child (ILS 2 628 in 2020). In 2012 this credit was increased to 2 credit points per child aged under 5. Since 2012, married working fathers with children aged under 2 are also entitled to 2 credit points per child. In 2017, the credit for both parents was increased to 2.5 credit points per child aged under 5 (ILS 6 570 in 2020). Since, according to the Taxing Wages methodology, the children in the model are between 6 and 11 inclusive, this change was not included in the model.
- *Single parent credit:* Single parents (male or female) are entitled to one additional credit point (ILS 2 628 in 2020).

1.1.2.2 Non – standard tax credits applicable to income from employment

- Tax credits are awarded for contributions to approved pension schemes, up to a ceiling which varies according to the employee's circumstances.
- Employees living in certain development areas or in conflict zones receive credits as a percentage of their income up to ceiling. In 2016, a comprehensive reform was implemented, where the average credit was decreased but the number of beneficiaries more than doubled. In 2020 the credits range from 7 % in the lowest category to 20% in the highest category with ceilings between ILS 132 360 and 252 720. About 20% of the population lives in these areas.
- New immigrants are entitled to three additional credit points in their first eighteen months in Israel, two additional credit points in the following year, and one credit point in the year after.
- Discharged soldiers receive 2 credit points for three years after the completion of at least 23 months of service or 1 credit point for a shorter service.

- Graduates of academic studies receive 1 credit point for one year after the completion of a B.A. degree (or after the completion of 1 700 study hours that led to a professional certificate) and 0.5 credit point for one year after the completion of a M.A. degree.

1.1.3. Tax schedule

The tax schedule for earned income in 2020 is as follows:

Taxable income (ILS per year)	Tax rate (%)
0 - 75960	10
75960 - 108960	14
108960 - 174960	20
174960 - 243120	31
243120 - 505920	35
505920 - 651600	47
Above 651600	50

1.2. Regional and local income tax

There are no regional or local income taxes.

2. Compulsory social security insurance system

Social security contributions are made up of a combination of those for National Insurance and Health Insurance. The tax rates paid by employees and employers are applied in two brackets:

- A reduced rate for income up to a level of 60% of the average wage per employee post (ILS 6 331 per month in 2020).
- A full rate for income exceeding 60% of the average wage per employee post and up to ILS 44 020 per month (in 2020).

2.1. Employees' contributions

The taxable base for social security insurance contributions paid by employees is the total amount of the gross wage or salary including fringe benefits. The assessment period is the calendar month. The effective employees' contribution rates in 2020 are as follows:

Insurance branch	Full rate contribution (%)	Reduced rate contribution (%)
Total for National Insurance branches	7.00	0.40
Health	5.00	3.10
Total contributions	12.00	3.50

2.2. Employers' contributions

Employers on behalf of their employees also pay social security insurance contributions. These relate to National Insurance only - employers do not pay any contributions for health insurance.

The employers' contribution rates in 2020 are as follows:

Insurance branch	Full rate contribution (%)	Reduced rate contribution (%)
Total for National Insurance branches	7.60	3.55
Health	--	--
Total contributions	7.60	3.55

3. Payroll taxes

The following payroll taxes exist in Israel but neither of them is included in the modelling as they have limited coverage:

- Wage tax on the non-profit institutions: the VAT law imposes a 7.5% on the wage-bill on the non-profit sector including Government,
- Wage tax on the financial institutions: the VAT law also imposes a 17.0% tax on the wage-bill of the financial institutions.

4. Universal cash transfers

4.1. Transfers related to marital status

None.

4.2. Transfers for dependent children

A monthly child allowance is paid to the parent (usually the mother) of unmarried children aged up to 18. The amount of the entitlement for each child depends on the date of birth of the child. Between August 2003 and June 2009, all children born after 1 June 2003 received the same benefit as the first child. But, according to the Coalition agreement signed in March 2009, the benefits for the second, third and fourth child (including those born after June 2003) were increased gradually over a period of four years (i.e. from 2009 to 2012). In August 2013 the allowance for all children born after June 2003 were decreased to ILS 140 per month per child.

In December 2015 (retroactively from May 2015) the allowance for all children were increased.

Moreover, the government deposits ILS 50 per child per month, starting with May 2015 (for the period May 2015-December 2016, the actual deposit was only delivered, in 36 equal instalments, between January 2017-December 2019). The savings are liquid only when the child turns 18. Considering this delay of cash payments, they do not benefit the household, but rather the child and therefore are not included in the Taxing Wages modelling for 2020.

	Children born before 1 June 2003		Children born on or after 1 June 2003	
First child	152		152	
Second child	192		192	
Third child	192		192	
Fourth child	340		192	
Fifth child and above	359		152	

In addition, a Study Grant is paid to lone parents with children aged 6 to 18. The grant is paid in one instalment, usually in September at the beginning of the school year. In 2020, the grant per child was ILS 1 021.

5. Main changes in the tax and benefit systems since 2002

- There has been a policy of gradually reducing the level of personal income taxes since 2003. This policy was expected to continue till 2016 but came to an end in 2012 with the top tax bracket increasing from 45% to 48% although the rate of one middle income tax bracket was further decreased from 23% to 21%. The rates were further increased in 2013. In 2013 a surtax of 2% was imposed on total income above ILS 811 560, effectively increasing the top marginal rate to 50%. In 2017 the surtax was increased to 3% on total income above ILS 640 000, while the top marginal rate remained unchanged at 50%. In 2013, the value of some tax brackets were not fully indexed to the CPI and even suffered a nominal decrease. In 2014, the value of all tax brackets and of the "credit point" were not indexed to the CPI. In 2017, some tax rates and the width of some tax brackets were changed, effectively decreasing the tax burden for low and mid income while increasing the burden for higher incomes.
- The full contribution rate for employee social security contributions was increased gradually from 9.7% in 2002 to 12% in 2006. The reduced contribution rate was lowered from 5.76% in 2002 to 3.5% in 2006. The upper threshold for contributions was removed in July 2002 but re-instated one year later. In August 2009, as a temporary measure until December 2011, it was increased to 10 times the average wage per employee post until December 2010 and to 9 times the average wage per employed post until December 2011.
- Prior to July 2005, there was only one contribution rate for employer social security contributions and this was set at 5.93% between July 2002 and June 2005. The upper threshold for contributions was removed in July 2002 but was re-instated one year later. The current system of two tax brackets was introduced in July 2005 with a reduced contribution rate of 5.33% and a full rate of 5.68%. There has been a lowering of rates in each year between 2006 and 2009. In August 2009, as a temporary measure until March 2011, the reduced rate was increased from 3.45% to 3.85%. In April 2011 the regular rate was increased to 5.9%. It was increased again to 6.5% in January 2013, 6.75% in January 2014, 7.25% in January 2015, 7.5% in January 2016 and 7.6% in January 2019.
- The Employers tax on wage bill of the non-profit sector excluding Government was abolished in 2008.
- In the period between August 2003 and June 2009, all children that were born on or after 1 June 2003 received the same level of benefit payment as the first child. The 2009 Coalition agreement introduced a gradual increase in the benefit payments for the second, third and fourth children in all families (including those where children were born after June 2003) over a period of four years from July 2009 to Apr 2012. In August 2013, the allowance for all children born after June 2003 was decreased to ILS 140 per month per child. In December 2015 (retroactively from May 2015) the allowance for all children were increased.
- In 2017, the tax credit for both parents was increased to 2.5 credit points per child aged under five.

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

No changes.

6. Memorandum items

6.1. Average gross annual wage earnings calculation

The average wage figures represent the amount earned for a full time post by employees working 35 hours per week or more. Until 2011, the AW data came from a combination of two sources - the income and expenditure survey and the labour force survey. Since 2012, the data come exclusively from the income and expenditure survey as the labour force survey has no more data on income. The Central Bureau of Statistics has now computed a new AW series based exclusively on the income and expenditure survey back from 2000.

As to the economic classification, until 2012, Israel used a modified version of ISIC 3 where the B-I industries (see Table below) are a very close equivalent of C-K industries in ISIC 3.1. Israel's Central Bureau of Statistics adopted ISIC 4 in 2012 and the Average Wage used in the modelling is based on ISIC 4 since 2013.

A	Agriculture.
B	Manufacturing.
C	Electricity and water supply.
D	Construction (building and civil engineering projects).
E	Wholesale and retail trade and repairs.
F	Accommodation services and restaurants
G	Transport, storage and communication.
H	Banking, insurance and other financial institutions.
I	Business activities.
J	Public administration.
K	Education.
L	Health, welfare and social work services.
M	Community, social, personal and other services.

6.2. Employer contributions to private pension

Until 2007, employers were not legally obliged to pay into a pension plan for their employees. Pension rights were guaranteed in collective agreements that covered less than half of the labour force. About one million employees in Israel had no pension arrangement (mainly those earning a relatively low wage, temporary workers and those working for subcontractors).

In 2008, a compulsory employment pension was introduced for employees with a period of employment of at least 6 months. The minimum rate of contributions in January 2020 was 18.5 per cent of the employee’s salary (up to the level of the average wage of ILS 10 551 per month), about one third to be paid by the employee and two thirds by the employer.

6.3. Earned income tax credit

A non-wastable earned income tax credit was implemented in 2008 in selected geographical areas of Israel covering 15 % of the population. Entitlement to this credit is established based on earnings in the previous year. The tax credit was extended to all areas of Israel in 2012 (based on the earnings in 2011 and therefore we already included it in the 2011 version of the model). For mothers of children up to the age of two and for single parents the full coverage started in 2011 (based on earnings in 2010).

Under the law, workers aged 23 or more who are parents of one or two children aged less than 18 (or workers aged 55 or more even without children), and earn at least ILS 2 120 per month (about 40% of the minimum wage) but not more than ILS 6 380 per month are eligible for a monthly increment of up to ILS 340. The corresponding figure for a family with three or more children is ILS 490.

Since 2016, single parents are eligible for the EITC for a wider income range – from ILS 1 300 per month to ILS 9 660 per month (for a single parents of 1-2 children) or ILS 11 790 per month (for a single parents of three or more children).

Since 2013 (based on earnings in 2012), these sums were increased by 50% for working mothers (and fathers in one-parent family).

A temporary measure (for earnings in 2018 only), expanded the 50% bonus to all working fathers and furthermore added a bonus of 30% for families where both parents work. This measure is not for earnings in 2020 and is not included in the Taxing Wages modelling for 2020.

Families in which both parents work, and their joint income does not exceed ILS 12 120, are entitled to these benefits for each wage-earner. The grant is paid four times a year directly into the account of the eligible persons.

2020 Parameter values

Average earnings/yr	Ave_earn	157 093	Secretariat estimate
Income tax	Tax_sch	0.10	75 960
		0.14	108 960
		0.20	174 960
		0.31	243 120
		0.35	505 920
		0.47	651 600
		0.50	
Employees SSC	SSC_sch	0.035	75 972
		0.12	528 240
		0	
Employers SSC	SSC_rate2	0.0355	75 972
		0.0760	528 240
		0.0000	
Child benefit	CB_firstchild	1 824	
	CB_secondchild	2 304	
	Studygrant_rate	1 021	
Wastable tax credits			
Basic element	WTC_Basic	5 913	
Lone parent	WTC_lone	2 628	
Parents/per child	WTC_Child	2 628	
Women	WTC_woman	1 314	
Negative Income tax			
Married with 1 or	NIT_sch1	0	25 080
2 children		0.161	43 668
		0.611	43 680
		0	58 200
		-0.23	75 720
Married with 3 or	NIT_sch2	0	25 080
more children		0.235	43 668
		5.985	43 680
		0	58 200
		-0.235	82 920
Single with 1 or	NIT_sch3	0	15 480
2 children		0.108	43 258
		0	43 680
		0	82 080
		-0.116	114 600
Single with 3 or	NIT_sch4	0	15 480
		0.155	43 668
		5.905	43 680
		0	91 560
		-0.116	139 920
	NIT_basic1	960	
	NIT_basic2	1440	
	NIT_min	240	
	NIT_MinIncome1	25 080	
	NIT_MinIncome2	15 480	
	Nit_AddIncome1	17 520	
	Nit_AddIncome2	58 200	
	Nit_MaxIncome	145 560	

	NIT_Bonus1	1.5	
	NIT_Bonus2	1	
	NIT_PartnerIncome	0	
Days in tax year	numdays	366	

2020 Tax equations

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings	earn		
2.	Allowances:	Tax_al	B	0
3.	Credits in taxable income	taxbl_cr	B	0
4.	CG taxable income	tax_inc	B	Earn
5.	CG tax before credits	CG_tax_excl	B	Tax(tax_inc, tax_sch)
6.	Tax credits (nonwastable):			
	Principal	tax_cr_princ	B	(earn>0)*(wtc_basic+(IF(married=0)*(children>0),wtc_woman+wtc_lone+(wtc_child*children))
	Spouse	tax_cr_spouse	B	(earn>0)*(wtc_basic+wtc_woman+(wtc_child*children))
	Tax credits (nonwastable)	NIT_princ	B	NIT=MAX(0,IF(Children=0,0,IF(Married=1,IF(Children<=2,NIT_basic1 *(Princ_earnings>NIT_MinIncome1)+Tax(Princ_earnings,NIT_sch1), NIT_basic2*(Princ_earnings>NIT_MinIncome1)+Tax(Princ_earnings,NIT_sch2)),(IF(Children<=2,NIT_basic1*(Princ_earnings >NIT_MinIncome2)+Tax(Princ_earnings,NIT_sch3),NIT_basic2*(Princ_earnings >NIT_MinIncome2)+Tax(Princ_earnings,NIT_sch4)))))) NIT=+MAX(0,NIT+IF(Children=0,0,IF(Children<=2,-0.23,-0.235)) *MAX(0,+(Princ_earnings +Spouse_earnings)-NIT_MaxIncome-MIN(MAX(0, Princ_earnings -NIT_Addincome2),NIT_AddIncome1)-MIN(MAX(0,Spouse_earnings-NIT_Addincome2),NIT_AddIncome1))) NIT=IF(NIT<NIT_min,0,NIT)*if(Married=1,1,NIT_Bonus1)*IF(Spouse_earnings>NIT_PartnerIncome,NIT_Bonus2,1)
		NIT_spouse	B	NIT=MAX(0,IF(Children=0,0,IF(Married=1,IF(Children<=2,NIT_basic1 *(Spouse_earnings>NIT_MinIncome1)+Tax(Spouse_earnings,NIT_sch1),NIT_basic2*(Spouse_earnings>NIT_MinIncome1)+Tax(Spouse_earnings,NIT_sch2)),(IF(Children<=2,NIT_basic1*(Spouse_earnings>NIT_MinIncome2)+Tax(Spouse_earnings,NIT_sch3),NIT_basic2*(Spouse_earnings>NIT_MinIncome2)+Tax(Spouse_earnings,NIT_sch4)))))) NIT=+MAX(0,NIT+IF(Children=0,0,IF(Children<=2,-0.23,-0.235)) *MAX(0,+(Princ_earnings +Spouse_earnings)-NIT_MaxIncome-MIN(MAX(0, Princ_earnings -NIT_Addincome2),NIT_AddIncome1)-MIN(MAX(0,Spouse_earnings-NIT_Addincome2),NIT_AddIncome1))) NIT=IF(NIT<NIT_min,0,NIT)*NIT_Bonus1*IF(Princ_earnings>NIT_PartnerIncome,NIT_Bonus2,1)
7.	CG tax	CG_tax	B	Positive(CG_tax_excl-tax_cr)-NIT
8.	State and local taxes	local_tax	B	0
9.	Employees' soc security	SSC	B	Tax(earn, SSC_sch)
11.	Cash transfers	cash_trans	J	IF(children=1,CB_firstchild,IF(Children=2,CB_firstchild+CB_secondchild)+(IF(married=0)*(children>0),Studygrant_rate*children)
13.	Employer's soc security	SSC_empr	B	Tax(earn, SSC_rate2)

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

Italy

This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.
Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.

Italy 2020

The tax/benefit position of single persons

		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1.	**Gross wage earnings**		20 256	30 233	50 489	20 256
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		1 922	2 869	4 823	1 922
	Work-related expenses					
	Other					
		Total	1 922	2 869	4 823	1 922
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		18 334	27 364	45 667	18 334
5.	**Central government income tax liability (exclusive of tax credits)**		4 350	6 788	13 673	4 350
6.	**Tax credits**					
	Basic credit		1 414	1 007	338	1 414
	Married or head of family		0	0	0	0
	Children		0	0	0	1 583
	Other		1 080	600	0	1 080
		Total	2 494	1 607	338	4 077
7.	**Central government income tax finally paid (5-6)**		1 856	5 182	13 335	273
8.	**State and local taxes**		482	720	1 543	482
9.	**Employees' compulsory social security contributions**					
	Gross earnings		1 922	2 869	4 823	1 922
	Taxable income					
		Total	1 922	2 869	4 823	1 922
10.	**Total payments to general government (7 + 8 + 9)**		4 261	8 770	19 701	2 677
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	2 697
		Total	0	0	0	2 697
12.	**Take-home pay (1-10+11)**		15 995	21 463	30 788	20 276
13.	**Employer's compulsory social security contributions**		6 397	9 548	15 944	6 397
14.	**Average rates**					
	Income tax		11.5%	19.5%	29.5%	3.7%
	Employees' social security contributions		9.5%	9.5%	9.6%	9.5%
	Total payments less cash transfers		21.0%	29.0%	39.0%	-0.1%
	Total tax wedge including employer's social security contributions		40.0%	46.0%	53.7%	23.9%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		40.4%	40.4%	51.2%	42.0%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		54.7%	54.7%	62.9%	55.9%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Italy 2020

The tax/benefit position of married couples

		Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
		Number of children	2	2	2	none
1.	**Gross wage earnings**		30 233	50 489	60 466	50 489
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		2 869	4 791	5 738	4 791
	Work-related expenses					
	Other					
		Total	2 869	4 791	5 738	4 791
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		27 364	45 698	54 728	45 698
5.	**Central government income tax liability (exclusive of tax credits)**		6 788	11 138	13 576	11 138
6.	**Tax credits**					
	Basic credit		1 007	2 421	2 013	2 421
	Married or head of family		690	0	0	0
	Children		1 427	1 505	1 427	0
	Other		600	1 680	1 200	1 680
		Total	3 724	5 606	4 641	4 101
7.	**Central government income tax finally paid (5-6)**		3 064	5 532	8 936	7 038
8.	**State and local taxes**		720	1 202	1 439	1 202
9.	**Employees' compulsory social security contributions**					
	Gross earnings		2 869	4 791	5 738	4 791
	Taxable income					
		Total	2 869	4 791	5 738	4 791
10.	**Total payments to general government (7 + 8 + 9)**		6 653	11 526	16 113	13 031
11.	**Cash transfers from general government**					
	For head of family					
	For two children		1 709	868	658	0
		Total	1 709	868	658	0
12.	**Take-home pay (1-10+11)**		25 289	39 831	45 010	37 458
13.	**Employer's compulsory social security contributions**		9 548	15 944	19 095	15 944
14.	**Average rates**					
	Income tax		12.5%	13.3%	17.2%	16.3%
	Employees' social security contributions		9.5%	9.5%	9.5%	9.5%
	Total payments less cash transfers		16.4%	21.1%	25.6%	25.8%
	Total tax wedge including employer's social security contributions		36.4%	40.0%	43.4%	43.6%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		42.0%	41.2%	41.2%	40.4%
	Total payments less cash transfers: Spouse		28.2%	41.2%	41.2%	40.4%
	Total tax wedge: Principal earner		55.9%	55.3%	55.3%	54.7%
	Total tax wedge: Spouse		45.4%	55.3%	55.3%	54.7%

The national currency is the Euro (EUR). In 2020, EUR 0.88 was equal to USD 1. In that year the average worker earned EUR 30 233 (Secretariat estimate).

1. Personal Income Tax

1.1. Central government income tax

1.1.1. Tax unit

Spouses are taxed separately.

1.1.2. Tax allowances and tax credits

1.1.2.1 Tax allowances

- Social security contributions due by law.

1.1.2.2 Tax credits

Italy increased the basic employee tax credit from EUR 1 840 to EUR 1 880 and as from 2014 introduced an additional refundable tax credit of EUR 960 for employees with income between EUR 8 146 and EUR 24 600, with a phase-out for income between EUR 24 600 and EUR 26 600. As from 01/07/2020 the EUR 960 fiscal bonus is not in force and has been replaced by a EUR 1 200 payable tax credit for net income under EUR 28 000.

The payable tax credits amount for 2020 has to be estimated as follows:

Taxable income (EUR)	Fiscal bonus (EUR)
Up to 8 145	0
From 8 146 to 24 600	480
From 24 601 to 26 600	480*(26 600 – taxable income)/2 000
More than 26 600	0

Taxable income (EUR)	Fiscal bonus (EUR)
Up to 8 145	0
From 8 146 to 28 000	600
More than 28 000	0

- Standard tax credits (not refundable)

The PAYE tax credit is defined as a function of net income:

Taxable income (EUR)	PAYE tax credit (EUR)
Up to 8 000	1 880
From 8 001 to 28 000	Maximum tax credit + 902*(28 000 – taxable income)/20 000
From 28 001 to 55 000	Maximum tax credit*(55 000 – taxable income)/27 000
More than 55 000	0

The maximum value for the tax credit depends on the level of taxable income:

Level of taxable income (EUR)	Maximum tax credit (EUR)
From 8 001 to 15 000	978
From 15 001 to 23 000	978
From 23 001 to 24 000	978
From 24 001 to 25 000	978
From 24 001 to 26 000	978
From 26 001 to 27 700	978
From 27 701 to 28 000	978
From 28 001 to 55 000	978

As from 01/07/2020 until 31/12/2020 a temporary additional non refundable tax credit has been introduced for employees with PIT income level over 28,000 euros, starting from an amount of 600 euros and decreasing gradually to 480 euros at 35,000 euros of PIT income level. Above 35,000 the tax credit amount decreases gradually, down to 0 at 40,000 euros of PIT income level. [1]

Taxable income (EUR)	PAYE tax credit (EUR)
Up to 28 000	0
From 28 001 to 35 000	480+120*(35 000 – taxable income)/7 000
From 35 001 to 40 000	480*(40 000 – taxable income)/5 000
More than 40 000	0

- Tax credits for family dependents (not refundable)

The tax credits for family dependants, which have replaced the former tax allowances, are as follows:

Family tax credit (EUR)*	Amount (EUR)
Spouse	800 decreasing to 0 for net income over 80 000
Children	
Under three years of age	1 220 decreasing to 0 for net income over 95 000
Over three years of age	950 decreasing to 0 for net income over 95 000
Other dependent relatives	750 decreasing to 0 for net income over 80 000

(*) Tax credits are granted for family dependents earning less than EUR 2 840.51

The spouse tax credit is calculated as a function of net income:

Level of taxable income (EUR)	Amount of tax credit (EUR)
Up to 15 000	800–110*taxable income/15 000
From 15 001 to 29 000	690
From 29 001 to 29 200	700
From 29 201 to 34 700	710
From 34 701 to 35 000	720
From 35 001 to 35 100	710
From 35 101 to 35 200	700
From 35 201 to 40 000	690
From 40 001 to 80 000	690*(80 000–taxable income)/40 000
More than 80 000	0

The child tax credit is calculated as a function of net income:

- for families with only one child: 950*(95 000-taxable income)/95 000;
- for families with more than one child the amount of 95 000 is increased by 15 000 for each child other than the first, for every children (including the first one).

Families with more than 3 children receive an additional tax credit of EUR 200 per child.

Families with more than 3 children receive a refundable tax credit of EUR 1 200 (per family).

A lone parent receives an actual tax credit for the first child equal to the maximum of the spouse tax credit and the child tax credit.

Tax credits for children have to be equally shared between the parents; different shares are no longer allowed.

If the spouse's tax liable net of the PAYE tax credit is less than his/her share (50%) in the child tax credit, the entire child tax credit is provided to the principal earner.

1.1.2.3 Main non-standard tax allowances and tax credits

- Other compulsory contributions;
- Periodical benefits allowed to the spouse fixed by judicial authority;
- Charitable donations to certain religious institutions (up to EUR 1 032.91);
- Medical and assistance expenses incurred by handicapped persons;
- Expenses to restore one's own residence at 50% for 2020 of full expenses up to EUR 96 000, apportioned into 10 annual allowances of the same amount;
- Expenses for energy requalification of buildings at 65% for 2020 of full expenses apportioned into 10 annual allowances of the same amount;
- Expenses for the replacement of covers, windows and shutters and for the installation of solar panels (only for hot water production) at 50% of full expenses..

For the following expenses, a tax credit of 19% of each incurred expense is allowed:

- Mortgage loan interest (up to EUR 4 000);
- Most medical expenses that exceed EUR 129.11;
- Payments to insurance funds up to EUR 1 291.14;
- Expenses to attend secondary school and university courses; in case such courses are private, the expenses allowed cannot exceed those foreseen for State courses;
- Expenses for nursery school (up to EUR 632 for each child);
- Rents paid by out of town students (up to EUR 2 633);
- Funeral charges up to EUR 1 549.37;
- Expenses for disabled persons;
- Payments to foundations (up to EUR 2 065.83);
- Expenses related to sport activities for children between 5 and 18 years of age (up to EUR 210 per child).
- Personal assistance for non-self-sufficient people (up to EUR 2 100);
- Most veterinary expenses that exceed EUR 129.11 (up to EUR 387.34).

For the following expenses, a tax credit of 26% of each incurred expense is allowed:

- Donations to political parties (ranging from EUR 30.00 to EUR 30 000.00);

- Donations to non-profit organizations of social utility - ONLUS - (up to EUR 30 000.00).

1.1.3. Tax schedule

The following tax schedule is applied to taxable income:

Bracket (EUR)	Rate (%)
up to 15 000	23
over 15 000 up to 28 000	27
over 28 000 up to 55 000	38
over 55 000 up to 75 000	41
over 75 000	43

Decree-Law n. 138 of 13th August 2011 introduced the “Contributo di Solidarietà” for the 2011-2013, (extended up to 2016), tax periods, that is a 3% “solidarity contribution” on the portion of income higher than EUR 300 000 (the amount paid is deductible from PIT base)”. As from 2017 the “Contributo di solidarietà” measure is not in force.

1.2. State and local taxes

These surcharges are due only by taxpayers who pay individual income tax IRPEF (imposta sul reddito delle persone fisiche).

Regional surcharge tax

This surcharge tax has been introduced in 1997. The tax is levied by each region on resident taxpayers’ total taxable income at a discretionary rate, which must fall within an established range. As from the year 2000 this range is 0.9% – 1.4%.

In December 2011, with the DL 201/2011, the minimum state rate has been increased from 0.9% to 1.23%.

The figure given in the 2016 parameter values table under the heading “Regional and local tax” includes the regional surcharge tax paid in the most representative city which is Rome (Lazio); the rate is 3.33% for taxable income bracket over EUR 15 000 and 1.73% for income under EUR 15 000. As from 2017 a progressive tax schedule is applied to taxable income:

Bracket (EUR)	Rate (%)
up to 15 000	1,73
over 15 000 up to 28 000	2,73
over 28 000 up to 55 000	2,93
over 55 000 up to 75 000	3,23
over 75 000	3,33

Nevertheless, if the taxable income is under the threshold of EUR 35 000 the rate applicable to the total amount of taxable income is 1.73%.

Local surcharge tax

This surcharge tax has been introduced in 1999. The tax may be levied by each local government at an initial rate that cannot exceed 0.2%. If the tax is levied, the local government can increase the initial rate, on a yearly basis, up to a maximum of 0.5%. Each yearly increase cannot exceed 0.2%. As from 2012, municipalities can increase the rate up to 0.8. A 0.9 special rate can be introduced by Roma Capitale Local Government.

The figure given in the 2015 parameter values table under the heading “Regional and local tax” includes the local surcharge tax paid in the most representative city which is Rome; the rate is 0.9% as from 2015.

Starting from 2011, exemption is provided to taxpayers whose total income consists of retirement income not exceeding EUR 7 500, income from land not exceeding EUR 185.92, and income from primary residence. As from 2015 the rate is not applied to taxpayers with income under EUR 12 000. The ordinary rate is applied if any one of these limits is passed.

The surcharge rates can be adjusted above the fixed roof because of the health care losses.

2. Compulsory Social Security

2.1. Employee contributions

- Rate and ceiling
  - The average rate is 9.49% on earnings up to EUR 47 379;
  - The average rate is 10.49% on earnings over EUR 47 379 and up to EUR 103 055;
  - For earnings exceeding EUR 103 055, the employee pays a fixed amount given by (0.0949 x 47 379) + 0.1049 x (103 055–47 379).
- Distinction by marital status or sex
  - None.

2.2. Employer contributions

- Contributions equal 31.58% on earnings up to EUR 103 055. For earnings exceeding EUR 103 055, the employer pays a fixed amount given by 0.3158 x 103 055.
- A General Government employer work-related accident insurance exists in Italy. It is compulsory for employers with employees and contract workers in activities involving the use of machinery and in risky activities as defined by the law. The standard premium to be paid is calculated by applying to remuneration the rates linked to the activity in which the employee works. The rates that vary between 0 to about 13% are provided by a special classification that takes into account the different categories of risk between the various activities. It is not possible to provide a representative or average rate since the contribution rates vary depending on the industrial activities and also other factors of risk. Those contributions are not included in the Report.

3. Universal Cash Transfers

3.1. Amount for spouse and for dependent children

Cash transfers are granted for family income that is:

- composed of at least 70% wage and / or pension income;
- below a given threshold set by law each year.

Family income is the sum of the incomes of all individuals comprising the family.

Cash transfers are determined each year by INPS (Istituto Nazionale di Previdenza Sociale), the public body that collects and manages the social security contributions for dependent workers for the period beginning in July of that year (t) to June in the following year (t+1) and relate to family income earned in the previous year (t-1).

As such, the transfers granted in any given year t are determined by the family income in the previous two years. The following table provides a description of the calculations.

Transfer granted in year t	Relevant amounts as given in INPS tables
January–June	The amount of cash transfers is that given in the INPS table published in July t-1. The transfers are granted with reference to family income earned in year t-2.
July–December	The amount of cash transfers is that given in the INPS table published in July t. The transfers are granted with reference to family income earned in year t-1.

For the purposes of *Taxing Wages*, the cash transfers that are calculated represent those amounts that would be received by the family based on their incomes for that year even though these amounts would only begin to be paid in July of the following year.

4. Main Changes

A new payable tax credit (EUR 1200 fiscal bonus) has been introduced as from 01/07/2020.

SSC contributions and cash transfers thresholds have been updated.

A temporary additional PAYE tax credit has been introduced from 01/07/2020 until 31/12/2020. [2]

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

The changes above introduced for 2020 do not concern the covid-19 pandemic. As concerns covid-19 measures, a suspension of SSCs and withholding PIT payments due by December 2020 has been introduced. The allowance is applied to employers with a revenues level under 50 million euros in 2019, if revenues in November 2020 decreased of at least 33% compared to November 2019. The suspension holds independently from size for tax-payers operating in the most hit sectors as well as activities started after November 2019. Payments are due by March 2021.The same measure is applied to March and April payments, (due by January 2021).

5. Memorandum Item

5.1. Identification of an AW

The data refer to the annual earnings of average workers.

5.2. Contributions by employers to private pension, health, etc. schemes

In addition to the mandatory social security contributions employers may pay contributions to private pension schemes (currently about forty pension funds). Employer's contributions are included in the taxable income of the employee.

Employees may also choose to contribute to the pension funds with all or part of the retirement allowance that is otherwise withheld by the employers. In this case the employee can deduct from his taxable income an amount equal to twice the amount of the contribution paid to fund.

Employer's contributions to private health insurance schemes are not included in the taxable income of the employee up to the limit of EUR 3 615.20.

2020 Parameter values

Average earnings/yr	Ave_earn	30 233	Country estimate
Tax schedule	tax_sch	0.23	15 000.00
		0.27	28 000.00
		0.38	55 000.00
		0.41	75 000.00
		0.43	999 999 999.99
Tax credits			
Fiscal bonus	thre_min	8 146	
	thre_max	24 600	
	f_bonus	480	
Fiscal bonus 100 euro	new_thre_min	8146	
	new_thre_max	28000	
	new_f_bonus	600	
Employment			
	emp_add	0	1 880.00
		8 000	978.00
		15 000	978.00
		23 000	978.00
		24 000	978.00
		25 000	978.00
		26 000	978.00
		27 700	978.00
		28 000	978.00
		55 000	0.00
Additional Tax Credit Employment	emp_add_2	480	
	emp_add_3	600	
Spouse	Spouse_cred	0	800.00
		15 000	690.00
		29 000	700.00
		29 200	710.00
		34 700	720.00
		35 000	710.00
		35 100	700.00
		35 200	690.00
		40 000	690.00
		80 000	0
limit	Sp_crd_lim	2 840.51	
Child credit	Child_credit	950	
Additional child credit	add_child	200	
Regional and local tax	reg_rt_sch	0.0173	15 000.00
		0.0273	28 000.00
		0.0293	55 000.00
		0.0323	75 000.00
		0.0333	999999999.99
	reg_rt	0.0173	
	Local_rt	0.009	
Social security contributions	SSC_sch	0.0949	47 379
		0.1049	103 055
		0.00	999 999 999.99
Employer contributions	Empr_sch	0.3158	103 055

		0.00	999 999 999.99
Cash transfers:			
family allowance schedule (t)			
married couple	trans_sch	Table is too long to be included	
single parent	Trans_sch_sp	Table is too long to be included	

2020 Tax equations

The equations for the Italian system in 2020 are mostly repeated for each individual of a married couple. But the spouse credit is relevant only to the calculation for the principal earner and any child credit which the spouse is unable to use is transferred to the principal. This is shown by the Range indicator in the table below.

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

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings	Earn		
2.	Allowances:	tax_al	B	SSC
3.	Credits in taxable income	taxbl_cr	B	0
4.	CG taxable income	tax_inc	B	earn-tax_al1
5.	CG tax before credits	CG_tax_excl	B	Tax(tax_inc, tax_sch)
6.	Tax credits :			
	Employment credit	emp_cr_max	P	VLOOKUP(tax_inc, emp_add, 2))
		emp_cr_max_spouse	S	IF(tax_inc_spouse=0,0,(VLOOKUP(tax_inc_spouse,emp_add,2)))
		emp_cr	P	MIN(CG_tax_excl, IF(tax_inc<=thre_1,emp_cr_max, IF(tax_inc<=thre_2,emp_cr_max+902*(thre_2-tax_inc)/20000, IF(tax_inc>thre_3,emp_cr_max,emp_cr_max*(thre_3-tax_inc)/27000)))+IF(tax_inc<=thre_2;0;IF(tax_inc<=thre_6;emp_add_2+(emp_add_3-emp_add_2)*(thre_6-tax_inc)/(thre_6-thre_2);IF(tax_inc<=thre_7;emp_add_2*(thre_7-tax_inc)/(thre_7-thre_6);0))))
			S	MIN(CG_tax_excl_spouse, IF(tax_in_spousec<=thre_1,emp_cr_max_spouse, IF(tax_inc_spouse<=thre_2,emp_cr_max_spouse+902*(thre_2-tax_inc_spouse)/20000, IF(tax_inc_spouse>thre_3,emp_cr_max_spouse,emp_cr_max_spouse*(thre_3-tax_inc_spouse)/27000)))+SE(tax_inc_spouse<=thre_2;0;SE(tax_inc_spouse<=thre_6;emp_add_2+(emp_add_3-emp_add_2)*(thre_6-tax_inc_spouse)/(thre_6-thre_2);SE(tax_inc_spouse<=thre_7;emp_add_2*(thre_7-tax_inc_spouse)/(thre_7-thre_6);0)))))
	Fiscal bonus	fiscal_b	B	IF(tax_inc<thre_min,0,IF(tax_inc<=thre_max,f_bonus,IF(tax_inc<=26000, f_bonus*(26600-tax_inc)/2000)))+IF(tax_inc<new_thre_min;0;IF(tax_inc<=new_thre_max; new_f_bonus;0))
	Spouse credit	spouse_cr	P	IF(Married='1,' IF(tax_inc_spouse>Sp_crd_lim,0, IF(tax_inc>80000,0, IF(tax_inc<15000,800-110*tax_inc/15000, IF(tax_inc>40000,690*(80000-tax_inc)/40000,VLOOKUP(tax_inc,Spouse_cred,2))))),0)
	Child credit	child_cr_princ	P	IF(Children=0,0,IF(Married=1,(950*(110000-tax_inc)/110000)*(1-child_crpct_spouse), MAX(950*(95000-tax_inc)/95000, IF(tax_inc>80000,0,IF(tax_inc<15000,800-110*tax_inc/15000, IF(tax_inc>40000,690*(80000-tax_inc)/40000, VLOOKUP(tax_inc,Spouse_cred,2)))))+950*(110000-tax_inc)/110000))
		child_crfull_spouse	S	IF(Children=0,0,(spouse_cr=0)*Married*(950*(95000-tax_inc_spouse)/95000+(Children-1)*950*(110000-tax_inc_spouse)/110000))

		child_crpct_spouse	S	IF(child_crfull_spouse>0,IF((CG_tax_excl_spouse-emp_cr_spouse)/child_crfull_spouse<0.5,0,0.5),0)
		child_cr_spouse	S	child_crfull_spouse*child_crpct_spouse
	Total	tax_cr	B	MIN(emp_cr+spouse_cr+child_cr, CG_tax_excl)
7.	CG tax	CG_tax	B	Positive(CG_tax_excl-tax_cr)
8.	State and local taxes	reg_rt	B	=IF(CG tax=0;0;IF(tax_inc<12000;0;tax_inc*local_rt))+IF(CG tax=0;0;IF(tax_inc<35000;tax_inc*reg_rt;tax(tax_inc;reg_rt_sch)))
9.	Employees' soc security	SSC	B	Tax(earn, SSC_sch)
11.	Cash transfers		J	IF(Children='0,0,12*VLOOKUP(earn_total,' IF(Married,trans_sch,trans_sch_sp),1+Children))
13.	Employer's soc security	SSC_empr	B	Tax(earn, Empr_sch)

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

Notes

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

[2] See note 1.

Japan

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

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

Japan 2020

The tax/benefit position of single persons

		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1.	**Gross wage earnings**		3 474 071	5 185 181	8 659 252	3 474 071
2.	**Standard tax allowances:**					
	Basic allowance		480 000	480 000	480 000	480 000
	Married or head of family		0	0	0	0
	Dependent children		0	0	0	0
	Deduction for social security contributions and income taxes		502 003	749 259	1 139 700	502 003
	Work-related expenses		1 122 221	1 477 036	1 950 000	1 122 221
	Other					
		Total	2 104 225	2 706 295	3 569 700	2 104 225
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		1 369 847	2 478 886	5 089 552	1 369 847
5.	**Central government income tax liability (exclusive of tax credits)**		69 931	153 547	602 809	69 931
6.	**Tax credits**					
	Basic credit					
	Married or head of family					
	Children					
	Other					
		Total	0	0	0	0
7.	**Central government income tax finally paid (5-6)**		69 931	153 547	602 809	69 931
8.	**State and local taxes**		144 485	255 389	514 863	144 485
9.	**Employees' compulsory social security contributions**					
	Gross earnings		502 003	749 259	1 139 700	502 003
	Taxable income					
		Total	502 003	749 259	1 139 700	502 003
10.	**Total payments to general government (7 + 8 + 9)**		716 419	1 158 194	2 257 372	716 419
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	551 883
		Total	0	0	0	551 883
12.	**Take-home pay (1-10+11)**		2 757 653	4 026 987	6 401 880	3 309 535
13.	**Employer's compulsory social security contributions**		533 617	796 444	1 218 500	533 617
14.	**Average rates**					
	Income tax		6.2%	7.9%	12.9%	6.2%
	Employees' social security contributions		14.5%	14.5%	13.2%	14.5%
	Total payments less cash transfers		20.6%	22.3%	26.1%	4.7%
	Total tax wedge including employer's social security contributions		31.2%	32.7%	35.2%	17.4%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		22.8%	27.7%	33.1%	45.1%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		33.1%	37.3%	37.0%	52.4%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Japan 2020

The tax/benefit position of married couples

		Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
		Number of children	2	2	2	none
1.	**Gross wage earnings**		5 185 181	8 659 252	10 370 362	8 659 252
2.	**Standard tax allowances**					
	Basic allowance		480 000	960 000	960 000	960 000
	Married or head of family		380 000	0	0	0
	Dependent children		0	0	0	0
	Deduction for social security contributions and income taxes		749 259	1 251 262	1 498 517	1 251 262
	Work-related expenses		1 477 036	2 599 258	2 954 072	2 599 258
	Other					
		Total	3 086 295	4 810 519	5 412 590	4 810 519
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		2 098 886	3 848 733	4 957 772	3 848 733
5.	**Central government income tax liability (exclusive of tax credits)**		114 749	223 477	307 094	223 477
6.	**Tax credits**					
	Basic credit					
	Married or head of family					
	Children					
	Other					
		Total	0	0	0	0
7.	**Central government income tax finally paid (5-6)**		114 749	223 477	307 094	223 477
8.	**State and local taxes**		222 389	399 873	510 777	399 873
9.	**Employees' compulsory social security contributions**					
	Gross earnings		749 259	1 251 262	1 498 517	1 251 262
	Taxable income					
		Total	749 259	1 251 262	1 498 517	1 251 262
10.	**Total payments to general government (7 + 8 + 9)**		1 086 396	1 874 613	2 316 388	1 874 613
11.	**Cash transfers from general government**					
	For head of family					
	For two children		240 000	240 000	240 000	0
		Total	240 000	240 000	240 000	0
12.	**Take-home pay (1-10+11)**		4 338 785	7 024 639	8 293 974	6 784 639
13.	**Employer's compulsory social security contributions**		796 444	1 330 061	1 592 888	1 330 061
14.	**Average rates**					
	Income tax		6.5%	7.2%	7.9%	7.2%
	Employees' social security contributions		14.5%	14.5%	14.5%	14.5%
	Total payments less cash transfers		16.3%	18.9%	20.0%	21.6%
	Total tax wedge including employer's social security contributions		27.5%	29.7%	30.7%	32.1%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		27.7%	27.7%	27.7%	27.7%
	Total payments less cash transfers: Spouse		23.6%	25.9%	29.7%	25.9%
	Total tax wedge: Principal earner		37.3%	37.3%	37.3%	37.3%
	Total tax wedge: Spouse		33.8%	35.7%	39.1%	35.7%

The national currency is the Yen (JPY). In 2020, JPY 106.89 were equal to USD 1. In that year, the average worker is assumed to earn JPY 5 185 181 (Secretariat estimate). In Japan, the central government income tax year is a calendar year and the local government income tax year is from April to March. The calculations in this report are based on the tax rules and rates, which are applicable the April 1st.

1. Personal Income Tax Systems

1.1. Central government income tax

1.1.1. Tax unit

Each individual is taxed separately.

1.1.2. Allowances and tax credits

1.1.2.1. Standard reliefs

First step deduction:

- *Employment income deduction:* first, the following amounts may be deducted from gross employment income:
  - If gross employment income does not exceed JPY 1 800 000, the deduction is 40 per cent of gross employment income less JPY 100 000, but the minimum amount deductible is JPY 550 000.
  - If gross employment income exceeds JPY 1 800 000, but not JPY 3 600 000, the deduction is JPY 80 000 plus 30 per cent of gross employment income.
  - If gross employment income exceeds JPY 3 600 000, but not JPY 6 600 000, the deduction is JPY 440 000 plus 20 per cent of gross employment income.
  - If gross employment income exceeds JPY 6 600 000, but not JPY 8 500 000, the deduction is JPY 1 100 000 plus 10 per cent of gross employment income.
  - From 2020, if gross employment income exceeds JPY 8 500 000, the deduction is fixed at JPY 1 950 000. However, in consideration of child-care and long-term care, measures will be taken to avoid increase in tax burden for households with a dependent relative(s) under 23 years of age and households with a member(s) dependent on care.[1]

Second step deduction:

Second step deductions are calculated using as a "reference income" the earnings from employment *less* the employment income deductions described above. The second step deductions are:

- Basic allowance (Personal deduction): allowance up to JPY 480 000 is given to a resident taxpayer whose reference income does not exceed JPY 25 000 000. The amount of tax allowance gradually decreases once the income exceeds JPY 24 000 000.
- Allowance for spouse(*): a tax allowance up to JPY 380 000 is given to a resident taxpayer whose reference income does not exceed JPY10 000 000 and who lives with a spouse whose reference income does not exceed JPY 480 000.
- Allowance for elderly spouse(*): a tax allowance up to JPY 480 000 is given to a resident taxpayer
  - Whose reference income does not exceed JPY 10 000 000 and
  - who lives with a spouse of 70 years old and over, whose income does not exceed JPY 480 000,

– instead of the allowance for spouse mentioned above.

- Special allowance for spouse(*): a tax allowance up to the amount shown in the following table is given to a resident taxpayer whose income does not exceed JPY10 000 000 and who lives with a spouse whose income exceeds JPY 480 000 but does not exceed JPY 1 330 000:

Spouse's income JPY	Amount
0–480 000	0
480 001–950 000	380 000
950 001–1 000 000	360 000
1 000 001–1 050 000	310 000
1 050 001–1 100 000	260 000
1 100 001–1 150 000	210 000
1 150 001–1 200 000	160 000
1 200 001–1 250 000	110 000
1 250 001–1 300 000	60 000
1 300 001–1 330 000	30 000
1 330 001 or more	0

(*) The amounts of the Allowance for spouse, of the allowance for elderly spouse, and of the Special allowance for spouse, decrease gradually when the reference income (as defined above) of the taxpayer is between JPY 9 000 000 and JPY 10 000 000, then they become zero. Specifically, the amounts of the allowances is as follows:

- Reference income less than JPY 9 000 000: full amount;
- Reference income between JPY 9 000 000 and JPY 9 500 000: full amount*2/3;
- Reference income between JPY 9 500 000 and JPY 10 000 000: full amount*1/3
- Reference income above JPY 10 000 000: no deduction.

Allowance amounts are rounded up to the closest multiple of 10 000 JPY.

- Allowance for dependents: if a resident taxpayer has dependent children or other dependent relatives who are 16 years old and over, whose reference income does not exceed JPY 480 000, a tax allowance of JPY 380 000 per each dependent is given to the taxpayer.
- Special allowance for dependents: if a resident taxpayer has dependents between 19 and 22 years old whose reference income does not exceed JPY 480 000 and who live with the taxpayer, an allowance of JPY 630 000 is given for each dependent, instead of the allowances for dependents mentioned above.
- Allowance for elderly dependent: if a resident taxpayer has dependents who are 70 years old and over whose reference income does not exceed JPY 480 000, a tax allowance of JPY 480 000 per each dependent is given to the taxpayer, instead of the allowances for dependents mentioned above. (If the dependents are lineal ascendance of the taxpayer or his/her spouse, and permanently live with the taxpayer or his/her spouse, a tax allowance of JPY 580 000 per each dependent is given to the taxpayer.)
- Deduction for social insurance premiums: the whole amount of social insurance premiums for a resident taxpayer or his/her dependents shall be deducted from his/her income.

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

- Deduction for life insurance premiums: If a resident taxpayer pays insurance premiums on life insurance contracts and the beneficiary is the taxpayer, his/her spouse or other relatives, the portion of these insurance premiums which does not exceed the limit described below, is deductible from ordinary income, retirement income or timber income.

- In addition, if a resident taxpayer pays insurance premiums for “qualified private pension plan (insurance type)”, and the recipient of the pension payment is the taxpayer or his/her spouse or relatives living with the taxpayer, the portion of such premiums which does not exceed the limit described below, is deductible from ordinary income, retirement income, or timber income.
- Furthermore, if a resident taxpayer pays insurance premiums on nursing and medical insurance contacts and part of the nursing/medical care which the taxpayer receives is financed by the insurance, the portion of such premiums which does not exceed the limit described below, is deductible from ordinary income, retirement income, or timber income.

Annual Premium Paid (JPY)		Deduction
Over	Not over	
	20 000	Total amount of premiums paid (1)
20 000	40 000	(1) x 1/2 + JPY 10 000
40 000	80 000	(1) x 1/4 + JPY 20 000
80 000	--	JPY 40 000

- For insurance contracts made on or after 1 January 2012 the maximum total deduction is JPY 120 000. A resident taxpayer can claim the deduction up to JPY 40 000 for life insurance premiums, private pension plan premiums and nursing and medical insurance premiums respectively.

- For the insurance contracts made on or before 31 December 2011, a resident taxpayer can claim the deduction up to JPY 50 000 for life insurance premiums, personal pension plan premiums respectively. Thus, a resident tax payer can claim the deduction up to JPY 100 000 in total.
- Deduction for medical expenses: If a resident taxpayer pays bills for medical or dental care for himself/herself or for his/her dependent spouse or other dependent relatives living with him/her and the amount of such expenses (excluding those covered by insurance) exceeds JPY 100 000 or 5% of the total of his/her ordinary income, retirement income and timber income, the excess amount is deductible from his/her ordinary income, retirement income or timber income. The maximum deduction is JPY 2 million.

  If a resident taxpayer who receives health checks, vaccinations, etc., pays bills for switch OTC drugs for himself/herself or for his/her spouse or other relatives dependent on him/her from 1 January 2017 to 31 December 2021, amount of such expenses (excluding those recovered by insurance) exceeding JPY 12 000 is deductible from taxpayer’s ordinary income, retirement income or timber income. This is an alternative to the deduction for medical expenses mentioned above and the maximum deduction is JPY 88 000.

- Deduction for earthquake insurance premiums: Earthquake insurance premiums up to JPY 50 000 can be deducted from income. Although the income deduction for casualty insurance premiums are basically abolished, the deduction for long-term casualty insurance premiums remains available if contracted before 31 December, 2006. The maximum deduction for long-term casualty insurance premiums is JPY 15 000. If an individual applies for a deduction for both earthquake insurance premiums and long-term casualty premiums, the maximum deductible amount is JPY 50 000 in total.
- Credit for housing loans: A resident taxpayer who constructs, purchases, enlarges or rebuilds a house and finances the cost by means of a housing loan and uses the property as his or her own dwelling is entitled to an income tax credit up to the amount described below for 10 years after the first use of the house, provided that the floor space is not less than 50m^2 and that at least half of the floor space is used as the owner-occupied dwelling. The tax credit is calculated based on the remaining housing loan debt amount and the years which the taxpayer has lived in the house. The loan can consist not only from private financial institutions but also from public institutions. This tax credit cannot be claimed by those whose total income is more than JPY 30 million.

Residence starts:	From 1 April 2014 to 31 December 2021
Tax Credit Rate	For the part of R.H.L.B. within JPY 40 million: The R.H.L.B x 1.0% If the rate of tax(consumption tax etc.) included in the amount of cost etc. of housing is other than 8% or 10%; For the part of R.H.L.B. within JPY 20 million: The R.H.L.B x 1.0%
Maximum tax credit amount (for each year)	JPY 400 000 If the rate of tax(consumption tax etc.) included in the amount of cost etc. of housing is other than 8% or 10%; JPY 200 000
Maximum tax credit amount (for the deductible period in total)	JPY 4 million If the rate of tax(consumption tax etc.) included in the amount of cost etc. of housing is other than 8% or 10%; JPY 2 million

1.1.3. *Tax schedule*

Taxable Income (JPY) (*)		Tax Rate (%)	Deductible Amounts for Each Bracket (JPY)
Over	Not over	(A)	(B)
	1 950 000	5	--
1 950 000	3 300 000	10	97 500
3 300 000	6950 000	20	427500
6950 000	9 000 000	23	636 000
9 000 000	18 000 000	33	1 536 000
18 000 000	40 000 000	40	2796 000
40 000 000		45	4 796 000

(*) The fraction of taxable income that is less than JPY 1 000 is rounded down.

Tax liability is obtained by multiplying the taxable income by tax rate (A) and deducting the amount (B). For example, income tax due on taxable income of JPY 7 million is:

7 000 000 x 0.23 (A) — 636 000 (B) = JPY 974 000.

In addition, a taxpayer is required to file tax returns and make tax payments for additional 2.1% of the base income taxes from 2013 through 2037 (special income tax for reconstruction) annually together with the regular income tax of respective years.

1.2. Local taxes (personal inhabitant's taxes)

1.2.1. General description of the system

Local taxes in Japan (personal inhabitant's taxes) consist of prefectural inhabitant's tax levied by prefectures and municipal inhabitant's tax levied by cities, towns and villages. The prefectural inhabitant's tax is collected together with the municipal inhabitant's tax by cities, towns and villages.

1.2.2. Tax base

Basically, personal inhabitant's taxes (prefectural and municipal inhabitant's taxes) consist of two parts; one is income based tax and the other is a fixed per capita amount. The taxable income of personal inhabitant's taxes is computed on the basis of the previous year's income. The main difference from state tax (income tax) is the amount of income reliefs (tax deductions). For example, the amount of personal deduction and tax deduction for dependants is JPY 330 000, and tax allowance for spouse is up to JPY 330 000, the amount of specified allowance for dependants is JPY 450 000, etc.

1.2.3. Tax rate

- The standard fixed (annual) per-capita amount of Prefectural inhabitant's tax is JPY 1 500;
- The standard fixed (annual) per-capita amount of Municipal inhabitant's tax is JPY 3 500;
- The standard rate of the income based tax is 10% (Prefectural inhabitant's tax: 4%, Municipal inhabitant's tax: 6%, for ordinance-designated cities, Prefectural inhabitant's tax: 2%, for Municipal inhabitant's tax: 8%) (*).

Taxable income for local income tax purposes	The tax credit
JPY 2 000 000 or less	5% of the lesser of: - total amount of differences in personal reliefs between those for income tax purposes and for personal inhabitant's taxes purposes; or - taxable income amount for personal inhabitant's taxes purposes
More than JPY 2 000 000	((total amount of differences in personal reliefs between those for income tax purposes and for personal inhabitant's taxes purposes) – (taxable income amount for personal inhabitant's taxes purposes – JPY 2 000 000)) * 5%. Note: The minimum credit is JPY 2 500

Notes: Local authorities do not levy the per-capita rate and the income based tax on a taxpayer whose previous year's income does not exceed a certain amount. For example, in special wards of Tokyo, this threshold is calculated as follows:
- per-capita rate: (1 + number of spouse and dependent(s) qualified for the allowance for spouse/dependents) * 350 000 + 100 000 (+ 210 000 in case the taxpayer has a qualified spouse or dependent(s)))
- income based tax: (1 + number of spouse and dependent(s) qualified for the allowance for spouse/dependents) * 350 000 + 100 000 (+ 320 000 in case the taxpayer has a qualified spouse or dependent(s)))

(*) The personal inhabitant's taxes rate and the income tax rate were changed in the FY 2006 tax reform. Adjusted credit (a form of tax credit) was introduced in order to alleviate the tax burden increase arising from the changes in the tax rates and from the difference between the personal allowances (basic tax allowance, tax allowance for spouse, tax allowance for dependents, special tax allowance for dependents, etc.) for national income tax purposes and for inhabitant tax purposes.

1.2.4. Tax rate selected for this study

State tax (income tax) rates as aforementioned. The local tax (personal inhabitant's taxes) rates chosen for the purpose of this Report represent the standard rate.

2. Compulsory Social Security Contribution to Schemes Operated Within the Government Sector

2.1. Employees' contributions

2.1.1. Pension

9.15% of total remuneration (standard remuneration and bonuses). The insurable ceiling of the monthly amount of pensionable remuneration is JPY 620 000 and the insurable ceiling of the standard amount of bonus is JPY 1 500 000.

2.1.2. Sickness

As from April 2012 about 5.00%, (about 4.75% before March 2012), of total remuneration, (standard remuneration and bonuses). The insurable ceiling of the monthly amount of standard remuneration is JPY 1 390 000 and the insurable ceiling of the yearly amount of standard bonus is JPY 5 730 000.

2.1.3. Unemployment

0.3% of total remuneration for Commerce and industry in general except for Business of agriculture, forestry and fisheries, and the rice wine brewing business, and Construction business. It is 0.4% for those exceptions.

2.1.4. Work injury and family allowance

None.

2.2. Employers' contributions

2.2.1. Pensions

9.15% of total remuneration (standard remuneration and bonuses). The insurable ceiling of the monthly amount of pensionable remuneration is JPY 620 000 and the insurable ceiling of the standard amount of bonus is JPY 1 500 000.

2.2.2. Sickness

As from April 2012, about 5.00% (about 4.75% before March 2012) of total remuneration. The insurable ceiling of the monthly amount of standard remuneration is JPY 1 390 000 and the insurable ceiling of the yearly amount of standard bonus is JPY 5 730 000.

2.2.3. Unemployment

0.6% of total remuneration for Commerce and industry in general except for Business of agriculture, forestry and fisheries, and the rice wine brewing business, and Construction business. It is 0.7% for Business of agriculture, forestry and fisheries, and the rice wine brewing business, and 0.8% for Construction business.

2.2.4. Work injury

0.25% to 8.8% of total remuneration, the contribution rate depending on each industry's accident rate over the last three years and other factors. There are twenty-eight rates for fifty-four industrial categories at present.

2.2.5. Family allowance

0.36% of total remuneration.

3. Cash Benefits

3.1. Benefits related to marital status

Not available.

3.2. Benefits for dependent children

From April 2012 (Income caps are applied beginning from June 2012 payments):

a) For persons earning incomes below the income cap

- JPY 15 000 (per month) is paid to parents/guardians for each child who is under 3 years old or for the third or subsequent child from 3 years old until he/she graduates from elementary school.
- JPY 10 000 (per month) is paid to parents/guardians for each child who is for the first or second child from 3 years old until he/she graduates from elementary school or who is a junior high school student.

b) For persons earning incomes not less than the income cap

- JPY 5 000 (per month) is paid to parents/guardians for each child until he/she graduates from junior high school as the Special Interim Allowances.

The income cap is set at JPY 6 220 000 (the principal's gross earnings net of certain deductions (a casualty loss deduction , a medical expenses deduction, deduction for small enterprise-based mutual aid premiums and similar payments, disability deduction, widow (or widower) deduction and working student deduction), plus JPY 380 000 per dependent).

3.3. Child rearing allowance

The benefit is available to single mothers who take care of and provide protection to a child. The benefit is available also to single fathers who take care of and provides living expenses, supervision and protection to the child.

It is available until March 31 after the child's 18th birthday or until age 20 for those with specific disabilities. The benefit is not taxable.

Claimants can receive either a full benefit or a partial benefit depending on their income. Amounts for the full benefit over time are as follows:

	Benefit amount (in JPY per month) One child	Additional amount for the second child	Additional amount for the third child and after
2000/1	42,370	5,000	3,000
2003/10	42,000		
2004/4	41,880		
2006/4	41,720		
2011/4	41,550		
2012/4	41,430		
2013/10	41,140		
2014/4	41,020		
2015/4	42,000		
2016/4	42,330		
2016/8	42,330	10,000	6,000
2017/4	42,290	9,990	5,990
2018/4	42,500	10,040	6,020
2019/4	42,910	10,140	6,080

The rates and withdrawal rates for the partial payment over time are as follows:

	One child		Additional amount for the second child		Additional amount for the third child and after	
Legislative change	The case of partial payment	coefficient	The case of partial payment	coefficient	The case of partial payment	coefficient
2000/1	28,350	-	5,000	-	3,000	-
2002/8	42,360	0.0187052				
2003/10	41,990	0.0185434				
2004/4	41,870	0.0184913				
2006/4	41,710	0.0184162				
2011/4	41,540	0.0183410				
2012/4	41,420	0.0182890				

2013/10	41,130	0.0181618				
2014/4	41,010	0.0181098				
2015/4	41,990	0.0185434				
2016/4	42,320	0.0186879				
2016/8	42,320	0.0186879	9,990	0.0028844	5,990	0.0017283
2017/4	42,280	0.0186705	9,980	0.0028786	5,980	0.0017225
2018/4	42,490	0.0187630	10,030	0.0028960	6,010	0.0017341
2018/8	42,490	0.0226993	10,030	0.0035035	6,010	0.0020979
2019/4	42,900	0.0229231	10,130	0.0035385	6,070	0.0021189

The benefit is means-tested.

Those with incomes above the threshold for the full benefit receive a partial benefit, and those with incomes above the threshold for the partial benefit receive nothing.

The income measure used is gross annual income minus the employment income deduction minus JPY 80 000 - the amount paid towards public and private insurance premiums.

Income thresholds are based on the number of dependents (see the following table):

Number of dependants	Applicant	
	Income-tested threshold of full benefit	Income-tested threshold of partial benefit
0	490,000	1,920,000
1	870,000	2,300,000
2	1,250,000	2,680,000
3	1,630,000	3,060,000
4	2,010,000	3,440,000
5	2,390,000	3,820,000

The amount of partial benefit is calculated as follows:

For families with one child:

Benefit amount = 42,910－{(Amount of income － "Income–tested threshold of full benefit") ×0.0229231 +10}

The additional amount for the second child is calculated as follows:

Benefit amount = 10,140－{Amount of income － "Income–tested threshold of full benefit") ×0.0035385 +10}

And the additional amount for the third and subsequent children as follows:

Benefit amount = 6,080－{(Amount of income － "Income–tested threshold of full benefit") ×0.0021189 +10}

4. Main changes in the Tax/benefit Systems since 1998

As part of the Fiscal Year 1999 tax reform, the highest marginal rate of the personal income tax imposed by the central government was reduced from 50% to 37%. The top rate of the local inhabitant's tax was reduced from 15% to 13%. A proportional tax reduction was granted with respect to the national income tax and the local inhabitant's tax. The amount is equal to the lesser of 20% (local inhabitant's tax: 15%) of the amount of tax before reduction or JPY 250 000 (local inhabitant's tax: JPY 40 000).

As part of the FY 2005 tax reform, the rate of proportional tax reduction was reduced from 20% to 10% (local inhabitant's tax: from 15% to 7.5%) and the ceiling was reduced from JPY 250 000 to JPY 125 000 (local inhabitant's tax from JPY 40 000 to JPY 20 000) as from 2006 (local inhabitant's tax: FY 2006). In the FY 2006 tax reform, the proportional tax reduction was abolished as from 2007 (local inhabitant's tax: FY 2007).

As part of the FY 2006 tax reform, the progressive rate structure of national income tax was reformed into a 6 brackets structure with tax rates ranging from 5% to 40%, and the rate of local inhabitant's tax became proportional at a single rate of 10%.

As part of the FY 2012 tax reform, the upper limit on employment income deduction (JPY 2 450 000) was set for those who earn employment income of more than JPY 15 000 000 as from 2013 (personal inhabitant's tax: FY 2014).

As part of the FY 2013 tax reform, the tax rate of 45% was set for the income beyond JPY 40 000 000 from 2015 creating a 7 brackets structure.

As part of the FY 2014 tax reform, the upper limit on employment income deduction was determined to be gradually reduced. In 2016 (as for personal inhabitant's taxes, in FY2017), the limit became JPY 2 300 000 for salary income more than JPY 12 000 000. Moreover, in 2017 (as for personal inhabitant's taxes, in FY2018), the limit became JPY 2 200 000 for salary income more than JPY 10 000 000.

As part of the FY 2017 tax reform, as regards allowance for spouse and special allowance for spouse, the maximum spousal income qualifying for the tax allowance (maximum JPY 380 000) were raised from JPY 380 000 to JPY 850 000. At the same time, an upper income limit was introduced as a requirement for taxpayers to qualify for allowance for spouse and special allowance for spouse. The reform goes into effect in 2018. (As for personal inhabitant's taxes, allowance for spouse and special allowance for spouse will be revised similarly. This reform will go into effect in FY2019.)

As part of the FY 2018 tax reform, following tax systems will be revised. The reform will go into effect in 2020 (as for personal inhabitant's taxes, in FY2021):

- The amount of employment income deduction and pension income deduction will be reduced uniformly by 100 000 yen while the amount of personal deduction will be raised uniformly by 100 000 yen.
- The amount of employment income deduction from income exceeding 8 500 000 yen will be reduced to 1 950 000 yen. However, in consideration of child care and long-term care, measures will be taken to avoid increase in burden on households with a dependent relative(s) under 23 years of age and households with a member(s) dependent on care (*).

  * Relatives receiving "special deduction for persons with disabilities"
- A cap of 1 955 000 yen will be put on pension income deduction for pension income exceeding 10 000 000 yen. The deduction will be reduced for pensioners with income other than pension exceeding 10 000 000 yen after deductions.
- Personal deduction will be diminished for people with total income exceeding 24 000 000 yen after deductions, and the amount will be further reduced gradually to zero when total income exceeds 25 000 000 yen.

Eligible age for cash benefits for dependent children was raised from three to six as from 1 June 2000, from six to nine as from 1 April 2004 and from nine to twelve as from 1 April 2006. Benefit amount has been doubled to JPY 10 000 for the first and second child under the age of three as from 1 April, 2007.

As from 2010, JPY 13 000 per month is paid to parents/guardians regardless of their income for each child until he/she graduates from junior high school.

As from April 2012 (Income caps are applied beginning from June 2012 payments):

a) For persons earning incomes below the income cap
   - JPY 15 000 (per month) is paid to parents/guardians for each child who is under 3 years old or for the third or subsequent child from 3 years old until he/she graduates from elementary school.
   - JPY 10 000 (per month) is paid to parents/guardians for each child who is for the first or second child from 3 years old until he/she graduates from elementary school or who is a junior high school student.

b) For persons earning incomes not less than the income cap
   - JPY 5 000 (per month) is paid to parents/guardians for each child until he/she graduates from junior high school as the Special Interim Allowances.

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

4.1.1. Non-taxable benefit payments

No income tax shall be imposed on the following benefits provided by a municipality or special ward, and the right to receive such benefits may not be seized by disposition of the national tax delinquency;

- Certain benefits provided in order to support households in view of the impact of COVID-19 and measures to prevent its spread.

- Certain benefits provided in order to mitigate the economic impact on households which children belong to as a result of COVID-19 and measures to prevent its spread.

4.1.2. Special provision for deferral of tax payment

If a taxpayer has a considerable decrease in business income since February 2020 due to the impact of COVID-19 and has difficulties to pay tax, the tax payment may be deferred for one year without collateral or delinquency tax. Similar special provision is also established for individual inhabitant tax which enables to defer tax collection.

4.1.3. Special provision of deduction for charitable contribution by individuals in relation to the cancellation of cultural, arts or sports events cancelled because of the COVID-19 pandemic.

If individuals waive the right to claim a refund of the amount paid for admissions to cultural, arts or sports events cancelled because of the government's request in order to prevent the spread of COVID-19, the deduction for charitable contribution (income or tax deduction) shall be applied for the waived amount (up to 200,000 yen).

Similar special provision is also established for individual inhabitant tax.

4.1.4. Flexible treatment of the requirements for application of the special tax deduction available for housing loans

More flexibility is added to the application requirements of the tax deduction for housing loan so that it can be applied under certain conditions, even if the house would not started to be used for residence by December 31, 2020 due to the delay in housing construction caused by COVID-19, as if it started to be used for residence on time (in 2020).

The application requirements are also made more flexible for individual inhabitant tax.

5. Memorandum Item

5.1. Average gross annual wage earnings calculation

The source of calculation is the Basic Survey on Wage Structure, published by the Ministry of Health, Labour and Welfare. This survey covers establishments with ten or more regular employees over the whole country, and contains statistical figures for monthly contractual cash earnings in June and annual special cash earnings (such as bonuses) received by various categories of workers. Male and female workers of the manufacturing, mining and quarrying, construction, wholesale and retail trade, transportation and storage, accommodation and food service activities, information and communication, financial and insurance activities, real estate activities activities, professional, scientific and technical activities are the point of departure. Their gross annual earnings have been calculated by multiplying monthly contractual cash earnings by 12 and adding any annual special cash earnings. In the Basic Survey, sickness and unemployment compensations are excluded from cash earnings, but average overtime and bonuses are included.

As far as the Basic Survey is concerned, it covers the whole country, and no special assumption is made regarding the place of residence of the average worker.

5.2. Employer contributions to private pension and health schemes

DB: JPY 2 769 billion (FY 2017)

Employees' Pension Funds (EPFs): JPY 93 billion (FY 2018)

DC: JPY 1 008 billion (FY2018)

Data of DB and EPFs are the total amount of employers' contribution and employees' one and there is no data of those which indicates only employers' contribution. Under DC schemes, as from January 2012, matching contribution which enables employee to pay additional contribution to employer's one became available. The amount of DC does not include the amount of matching contribution. It is regulated by law that employers' contribution must be higher than employees' one.

2020 Parameter values

Average earnings/yr	Ave_earn	5 185 181	Secretariat estimate		
Allowances for central tax	basic_al	480 000			
	basic_al_lim	0	1		
		24000001	2/3		
		24500001	1/3		
		25000001	0		
	spouse_al	380 000			
	Spouse_al_sp	0	0		
		480001	380000		
		950001	360000		
		1000001	310000		
		1050001	260000		
		1100001	210000		
		1150001	160000		
		1200001	110000		
		1250001	60000		
		1300001	30000		
		1330001	0		
	taxpayer_lim	0	1		
		9000001	2/3		
		9500001	1/3		
		10000001	0		
	spouse_al_ceil	480 000			
	child_al	0			
Employment income deduction	emp_inc_min	550 000			
	emp_inc_sch		0.4	-100000	
		1800001	0.3	80000	
		3600001	0.2	440000	
		6600001	0.1	1100000	
	emp_inc_min_old	650000			
	emp_inc_sch_old		0.4		
		1800001	0.3	180000	
		3600001	0.2	540000	
		6600001	0.1	1200000	
		10000001	0	2200000	
Central gov't tax schedule	tax_sch	0.05	1 950 000		
		0.10	3 300 000		
		0.20	6 950 000		
		0.23	9 000 000		
		0.33	18 000 000		
		0.40	40 000 000		
		0.45			
	surtax	1.021			
Allowances for state/local tax	s_basic_al	330 000			
	s_spouse_al	330 000			
	s_spouse_al_sp	0	0		
		380 001	330 000		
		900001	310000		
		950001	260000		
		1000001	210000		

		1050001	160000		
		1100001	110000		
		1150001	60000		
		1200001	30000		
		1230001	0		
	S_spouse_al_ceil	380 000			
	s_child_al	0			
Prefectural tax	pref_per_cap	1 500			
Municipal tax	mun_per_cap	3 500			
	local_sch	0.1			
Social security contributions	SSC_pens	0.0915			
	pens_ceil	7 440 000			
	SSC_sick	0.05			
	sick_ceil	16 680 000			
	SSC_unemp	0.003			
Employer contribution proportion	SSC_empr_unemp	0.006			
	SSC_empr_oth	0.0061			
Child transfer	Child_transfer	120 000			
	Child_transfer2	60 000			
	Child_transfer_lim	6 220 000			
	Child_transfer_lim_incr	380 000			
Child rearing allowance	Child_rear_sch	42910	870000	2300000	0.0229231
		10140	1250000	2680000	0.0035385
		6080	1630000	3060000	0.0021189
	Child_rear_c	80000			

2020 Tax equations

The equations for the Japanese system are mostly on an individual basis. But the tax allowances for the spouse and for children are relevant only to the calculation for the principal earner. This is shown by the Range indicator in the table below.

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

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings	earn		
2.	Allowances:			
		tax_al	P	IF(earn_princ<basic_al_lim1,basic_al*basic_al_rate1,IF(earn_princ<basic_al_lim2,basic_al* basic_al_rate2,IF(earn_princ<basic_al_lim3,basic_al* basic_al_rate3,basic_al* basic_al_rate4)))+ ROUNDUP(Married*(earn_spouse-MIN(emp_inc_max,MAX(emp_inc_min,Tax(earn_spouse,emp_inc_sch)))<=spouse_al_ceil)*spouse_al*VLOOKUP(positive(earn_princ-MIN(emp_inc_max,MAX(emp_inc_min,Tax(earn_princ,emp_inc_sch)))),taxpayer_lim,2,TRUE),-4)) + ROUNDUP(Married*VLOOKUP(Positive(earn_spouse-MIN(emp_inc_max,MAX(emp_inc_min,Tax(earn_spouse,emp_inc_sch)))),spouse_al_sp,2,TRUE)*VLOOKUP(positive(earn_princ-MIN(emp_inc_max,MAX(emp_inc_min,Tax(earn_princ,emp_inc_sch)))),taxpayer_lim,2,TRUE),-4)+ Children*child_al +MAX((earn_princ*VLOOKUP(earn_princ,emp_inc_sch,2,TRUE)+VLOOKUP(earn_princ,emp_inc_sch,3,TRUE)),emp_inc_min) + SSC_princ
			S	MIN(earn_spouse, IF(earn_spouse<basic_al_lim1,basic_al*basic_al_rate1,IF(earn_spouse<basic_al_lim2,basic_al* basic_al_rate2,IF(earn_spouse<basic_al_lim3,basic_al* basic_al_rate3,basic_al* basic_al_rate4)))+ MAX((earn_spouse*VLOOKUP(earn_spouse,emp_inc_sch,2,TRUE)+VLOOKUP(earn_spouse,emp_inc_sch,3,TRUE)),emp_inc_min) + SSC_spouse)
3.	Credits in taxable income	taxbl_cr	B	0
4.	CG taxable income	tax_inc	B	Positive(earn-tax_al)
5.	CG tax before credits	CG_tax_excl	B	Positive(Tax(tax_inc, tax_sch))
6.	Tax credits :	tax_cr	B	0
7.	CG tax	CG_tax	B	CG_tax_excl*surtax
8.	State and local taxes			
	Local taxable income	local_tax_inc	P	Positive(earn_princ- (s_basic_al+ ROUNDUP(VLOOKUP(positive(earn_princ-MIN(emp_inc_max,MAX(emp_inc_min,Tax(earn_princ,emp_inc_sch)))),taxpayer_lim,2,TRUE)*Married*((earn_spouse-(earn_spouse>0)*MAX(emp_inc_min,Tax(earn_spouse,emp_inc_sch))<=s_spouse_al_ceil)*s_spouse_al+VLOOKUP(Positive(earn_spouse-(earn_spouse>0)*MAX(emp_inc_min,Tax(earn_spouse,emp_inc_sch))),s_spouse_al_sp,2,TRUE))+Children*s_child_al+ MAX((earn_princ*VLOOKUP(earn_princ,emp_inc_sch_old,2,TRUE)+VLOOKUP(earn_princ,emp_inc_sch_old,3,TRUE)),emp_inc_min_old) +SSC_princ))
			S	Positive(earn_spouse-(s_basic_al+(earn_spouse>0)* MAX((earn_spouse*VLOOKUP(earn_spouse,emp_inc_sch_old,2,TRUE)+VLOOKUP(earn_spouse,emp_inc_sch_old,3,TRUE)),emp_inc_min_old) +SSC_spouse))
	Local tax	local_tax	P	(earn_princ-MAX(emp_inc_min,Tax(earn_princ,emp_inc_sch))>350000+(Married*(earn_princ - (earn_princ>0)*MAX(emp_inc_min,Tax(earn_princ, emp_inc_sch))<='s_spouse_al_ceil)+Children>0)*((Married*(earn_princ' -

				(earn_princ>0)*MAX(emp_inc_min,Tax(earn_princ, emp_inc_sch))<='s_spouse_al_ceil)+Children)*350000+100000+210000))*(pref_per_cap+mun_per_cap)+(earn_princ-MAX(emp_inc_min,Tax(earn_princ,emp_inc_sch))>350000+(Married*(earn_princ' - (earn_princ>0)*MAX(emp_inc_min,Tax(earn_princ, emp_inc_sch))<='s_spouse_al_ceil)+Children>0)*((Married*(earn_princ' - (earn_princ>0)*MAX(emp_inc_min,Tax(earn_princ, emp_inc_sch))<=s_spouse_al_ceil)+Children)*350000+100000+320000))*Positive (Tax(Positive(earn_spouse-tax_al_spouse),local_sch)-IF(Positive(earn_spouse-tax_al_spouse)>2000000,MAXA(2500,((Positive(earn_spouse-tax_al_spouse)-MAX(emp_inc_min,Tax(earn_princ,emp_inc_sch)))-(Positive(earn_spouse-tax_al_spouse)-2000000))*5%),MINA((Positive(earn_spouse-tax_al_spouse)-MAX(emp_inc_min,Tax(earn_princ,emp_inc_sch))),Positive(earn_spouse-tax_al_spouse))*5%))
			S	(earn_spouse - (earn_spouse>0)*MAX(emp_inc_min,Tax(earn_spouse, emp_inc_sch))>350000)*(pref_per_cap+mun_per_cap+Positive(Tax(local_tax_inc_spouse,local_sch)-IF(local_tax_inc_spouse>2000000,MAXA(2500,((local_tax_inc_spouse-tax_inc_spouse)-(local_tax_inc_spouse-2000000))*5%),MINA((local_tax_inc_spouse-tax_inc_spouse),local_tax_inc_spouse)*5%)))
9.	Employees' soc security	SSC	B	SSC_pens*MIN(earn, pens_ceil)+SSC_sick*MIN(earn, sick_ceil)+SSC_unemp*earn
11.	Cash transfers	cash_trans	B	IF(Children>0,IF(Positive(princ_inc - princ_empl_inc)<Child_transfer_lim+(Child_transfer_lim_incr*Children), Child_transfer,Child_transfer2)*Children,0) +Child_rear(Married, princ_inc - princ_empl_inc -Child_rear_c,Children,child_rear_sch)
13.	Employer's social security	SSC_empr	B	SSC_pens*MIN(earn, pens_ceil)+SSC_sick*MIN(earn, sick_ceil)+(SSC_empr_unemp+SSC_empr_oth)*earn

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

Note

[1] Relatives receiving "special deduction for persons with disabilities".

Korea

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

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

Korea 2020

The tax/benefit position of single persons

		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1.	**Gross wage earnings**		30 833 612	46 020 316	76 853 928	30 833 612
2.	**Standard tax allowances**					
	Basic allowance		1 500 000	1 500 000	1 500 000	1 500 000
	Married or head of family		0	0	0	0
	Dependent children		0	0	0	3 000 000
	Deduction for social security contributions and income taxes		1 387 513	2 070 914	2 670 300	1 387 513
	Work-related expenses					
	Other		11 255 412	14 111 271	17 033 322	12 255 412
		Total	14 142 925	17 682 185	21 203 622	18 142 925
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		16 690 687	28 338 131	55 650 306	12 690 687
5.	**Central government income tax liability (exclusive of tax credits)**		1 423 603	3 170 720	8 136 073	823 603
6.	**Tax credits**					
	Basic credit		740 000	660 000	500 000	452 982
	Married or head of family					
	Children		0	0	0	150 000
	Other					
		Total	740 000	660 000	500 000	602 982
7.	**Central government income tax finally paid (5-6)**		683 603	2 510 720	7 636 073	220 621
8.	**State and local taxes**		68 360	251 072	763 607	22 062
9.	**Employees' compulsory social security contributions**					
	Gross earnings		2 767 883	4 131 169	6 110 925	2 767 883
	Taxable income					
		Total	2 767 883	4 131 169	6 110 925	2 767 883
10.	**Total payments to general government (7 + 8 + 9)**		3 519 847	6 892 961	14 510 606	3 010 567
11.	**Cash transfers from general government**					
	For head of family		0	0	0	0
	For two children		0	0	0	1 600 000
		Total	0	0	0	1 600 000
12.	**Take-home pay (1-10+11)**		27 313 765	39 127 355	62 343 322	29 423 045
13.	**Employer's compulsory social security contributions**		3 325 972	4 964 137	7 501 982	3 325 972
14.	**Average rates**					
	Income tax		2.4%	6.0%	10.9%	0.8%
	Employees' social security contributions		9.0%	9.0%	8.0%	9.0%
	Total payments less cash transfers		11.4%	15.0%	18.9%	4.6%
	Total tax wedge including employer's social security contributions		20.0%	23.3%	26.1%	13.9%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		21.5%	23.2%	28.4%	14.6%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		29.2%	30.7%	32.6%	22.9%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Korea 2020

The tax/benefit position of married couples

		Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
		Number of children	2	2	2	none
1.	**Gross wage earnings**		46 020 316	76 853 928	92 040 632	76 853 928
2.	**Standard tax allowances**					
	Basic allowance		1 500 000	3 000 000	3 000 000	3 000 000
	Married or head of family		1 500 000	0	0	0
	Dependent children		3 000 000	3 000 000	3 000 000	0
	Deduction for social security contributions and income taxes		2 070 914	3 458 427	4 141 828	3 458 427
	Work-related expenses					
	Other		14 111 271	25 366 683	28 222 541	25 366 683
		Total	22 182 185	34 825 110	38 364 370	31 825 110
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		23 838 131	42 028 818	53 676 263	45 028 818
5.	**Central government income tax liability (exclusive of tax credits)**		2 495 720	4 144 323	5 891 439	4 594 323
6.	**Tax credits**					
	Basic credit		660 000	1 400 000	1 320 000	1 400 000
	Married or head of family					
	Children		150 000	150 000	150 000	0
	Other					
		Total	810 000	1 550 000	1 470 000	1 400 000
7.	**Central government income tax finally paid (5-6)**		1 685 720	2 594 323	4 421 439	3 194 323
8.	**State and local taxes**		168 572	259 432	442 144	319 432
9.	**Employees' compulsory social security contributions**					
	Gross earnings		4 131 169	6 899 052	8 262 338	6 899 052
	Taxable income					
		Total	4 131 169	6 899 052	8 262 338	6 899 052
10.	**Total payments to general government (7 + 8 + 9)**		5 985 461	9 752 807	13 125 921	10 412 807
11.	**Cash transfers from general government**					
	For head of family		0	0	0	0
	For two children		1 600 000	1 600 000	1 600 000	0
		Total	1 600 000	1 600 000	1 600 000	0
12.	**Take-home pay (1-10+11)**		41 634 855	68 701 121	80 514 711	66 441 121
13.	**Employers' compulsory social security contributions**		4 964 137	8 290 108	9 928 273	8 290 108
14.	**Average rates**					
	Income tax		4.0%	3.7%	5.3%	4.6%
	Employees' social security contributions		9.0%	9.0%	9.0%	9.0%
	Total payments less cash transfers		9.5%	10.6%	12.5%	13.5%
	Total tax wedge including employer's social security contributions		18.3%	19.3%	21.0%	22.0%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		23.2%	23.2%	23.2%	23.2%
	Total payments less cash transfers: Spouse		12.2%	21.5%	23.2%	21.5%
	Total tax wedge: Principal earner		30.7%	30.7%	30.7%	30.7%
	Total tax wedge: Spouse		20.8%	29.2%	30.7%	29.2%

The national currency is the Won (KRW). In 2020, KRW 1 185.03 were equal to USD 1. In that year, the average worker was expected to earn KRW 46 020 316 (Secretariat estimate).

1. Personal Income Tax System

1.1. Central government income tax system

1.1.1. Tax unit

Each individual is taxed on his/her own income.

Non-taxable wage income includes the:

- National pension, National health insurance, Employment insurance and Workers' compensation insurance that are borne by employer;
- overtime payment to productive workers: up to KRW 2 400 000 of overwork payment of productive workers in manufacturing and mining sectors whose monthly wage is less than KRW 2 100 000 and whose yearly wage is less than KRW 30 000 000.

1.1.2. Allowances and tax credits

1.1.2.1. Standard reliefs

- Employment income deduction: the following deduction (up to KRW 20 000 000) from gross income is provided to wage and salary income earners:

Salary	Deduction
Up to KRW 5 000 000	70%
KRW 5 000 000 to KRW 15 000 000	KRW 3 500 000 plus 40% of the salary over KRW 5 000 000
KRW 15 000 000 to KRW 45 000 000	KRW 7 500 000plus 15% of the salary over KRW 15 000 000
KRW 45 000 000 to KRW 100 000 000	KRW 12 000 000 plus 5% of the salary over KRW 45 000 000
Over KRW 100 000 000	KRW 14 750 000 plus 2% of the salary over KRW 100 000 000

- Basic allowance: a taxpayer can deduct KRW 1 500 000 from his/her income for each person who meets one of following conditions:
    - the taxpayer him/herself;
    - the taxpayer's spouse whose taxable income (gross earnings net of employment income deduction) is less than KRW 1 000 000 (Spouse only have a salary earned income is less than KRW 5 000 000);
    - the taxpayer's (including the spouse's) dependents (parents, siblings, children) within the same household whose income after accounting for the employment income deduction is less than KRW 1 000 000 (Dependent only have a salary earned income is less than KRW 5 000 000) and whose age is:
        1. parents: 60 years or older;
        2. brother/sister: 60 years or older or 20 years or younger;
        3. children: 20 years or younger (if both partners in the household earn wage-income, this Report assumes that the principal wage earner will claim the allowance).
- Additional allowance: a taxpayer can deduct KRW 1 000 000 (500 000 in the case of (c), KRW 2 000 000 in the case of(b))from his/her gross income when the taxpayer or his/her dependents fall into one of the following categories (for this report, only cases (c) and (f) are modelled):

- a person aged 70 years or older(a)
- a handicapped person (b)
- a female wage earner who is the head of a household with dependents (but without spouse) or a female wage earner with spouse when her taxable income is not more than KRW 30 million(c)
- a single parent with descendants including adoptees*(f)
- * Overlapping of deductions for (c) and (f) is not allowed. So a taxpayer should select only one.

- National pension deduction: employees can deduct 100% of their National Pension contributions
- Insurance premiums: the National health insurance premium and the Employment insurance premium can be entirely (100%) deducted from taxable income.
- Working Tax credit: wage and salary income earners obtain the following tax credit:

Calculated tax	Amount of tax credit
Up to KRW 1 300 000	55% of calculated tax
Over KRW 1 300 000	KRW 715 000 plus 30% of the calculated tax over KRW 1 300 000

Total wage and salary income	Ceiling on credit amount
Not more than KRW 33 million	KRW 740 000
Not more than KRW 70 million	The greater of KRW 660 000 and KRW 740 000- [(total wage and salary income -KRW 33 million)* 0.8%]
Exceeding KRW 70 million	The greater of KRW 500 000 and KRW 660 000- [(total wage and salary income- KRW 70 million)* 50%]

1.1.2.2. Main non-standard tax reliefs

Wage and salary income earners may deduct from gross income the expenses for the following items during the tax year:

- Saving/Payment for housing: 40% of deposits of an account for purchasing a house, which is held by a person who does not own a house, and 40% of repayments of loans including interest borrowed in order to lease a house smaller than 85 square meters in size by a person owning no house may be deducted up to three million won per year.
- Credit card purchases: Employees may deduct 15% of their credit card (30% of their debit card, prepaid card or cash receipt) purchases that exceed 25% of their total income up to the lesser of KRW 3 000 000 or 20% of their total income in the case of the total income not over KRW 70 000 000 (up to the lesser of KRW 2 500 000 or 20% of their total income in the case of the total income from over KRW 70 000 000 to KRW 120 000 000 and up to the lesser of KRW 2 000 000 or 20% of their total income in the case of the total income over KRW 120 000 000) However, for expenditures spent for traditional markets and public transportation the allowed deduction is equivalent to 40% (30% for the expenditures of books, performances, and museums) of the expenditure and the ceiling is raised by an additional KRW 1 000 000 respectively.

1.1.2.3. Child tax credit

- Where a resident with taxable income has dependent children from 7 years old including adoptee, he/she gets annual tax credit of KRW 150 000 for having a child, KRW 300 000 for having two children and KRW 300 000 plus KRW 300 000 per an excess child over two children in case of having more than three children.

- Resident gets tax credit of KRW 300 000 for the first child, KRW 500 000 for the second Child, and KRW 700 000 for the third child or more for birth and adoption of the year.

1.1.2.4. Credit for Pension Insurance Premiums

- A resident who paid pension contributions to a pension account may deduct the amount equal to 12% of the premiums paid from his/her global income tax amount, only up to KRW 4 million for pension savings account as well as KRW 7 million for sum of the pension savings account and retirement pension account.
- A resident whose labour income is not exceeding KRW 55 million when he has labour income only or whose global income is not exceeding KRW 40 million would deduct 15% of the premium.

1.1.2.5. Special tax credit

Wage and salary income earners may obtain following tax credit during the tax year:

- Insurance premiums (a):12% of the general insurance premium up to KRW 1 000 000 can be deducted from his/her income tax amount.
- Medical expenses (b):15% of the medical expenses exceeding 3% of taxable income can be deducted from his/her income tax amount. The medical expenses for taxpayer's dependents who are eligible for the basic deduction are limited to KRW 7 000 000 and the medical expenses for the taxpayer himself, taxpayer's dependents who are aged 65 years or older and handicapped persons are not limited.
  - In addition, 20% of medical expenses for the treatment of infertility can be deducted from his/her income tax amount. There is no deduction limitation..
- Educational expenses (c):15% of tuition fees for pre-school, elementary, middle school and college (but the graduate school fee deduction is allowed only for the taxpayer himself), either for the taxpayer himself or his/her dependents (including the taxpayer's spouse, children, and siblings), can be deducted from his/her income tax amount. The tuition fee for the taxpayer himself is not limited. For the taxpayer's dependents, the limits of tuition fees are as follows:
  - For pre-school: up to KRW 3 000 000 per child;
  - For elementary, middle and high school: up to KRW 3 000 000 per student;
  - For college/university: up to KRW 9 000 000 per student.
- Charities (d):15% of the amount of donation (in case of the donation exceeding KRW 10 000 000, 30% of the excess amount over KRW 10 million) is deducted from income tax amount. The limits of donations are as follows:
  - donations to a government body, donations for national defence, natural disaster, and certain charitable associations: up to gross income;
  - donations to public welfare or religious associations: up to 30% of gross income.
- Standard Credits: Alternatively, a taxpayer may choose an annual standard credit of KRW 70 000 (KRW 130 000 for wage and salary earners and KRW 120 000 for business owners meeting certain requirements), if he or she fails to claim deductions for insurance premium, saving/payment for housing and special tax credit.

Tax schedule

Over (KRW)	Not more than (KRW)	Marginal tax rate (%)
0	12 000 000	6
12 000 000	46 000 000	15
46 000 000	88 000 000	24
88 000 000	150 000 000	35
150 000 000	300 000 000	38
300000000	500 000 000	40
500 000 000		42

1.2. Local income tax

1.2.1. Tax base

The local income tax base is the income tax paid to the central government.

1.2.2. Tax rate

A uniform rate of 10% is applied. However, the local government can adjust the rate between the lower limit of 5% and the upper limit of 15%.

1.2.3. Tax rate (selected for this study)

A country-wide rate of 10% is used in this Report.

2. Compulsory Social Security Contribution to Schemes Operated Within the Government Sector

2.1. Employees' contribution

2.1.1. National pension

The National pension contribution rate is 4.5% of the standardised average monthly wage income as of 2020.

The scope of the standardised average monthly wage income is from KRW 320 000 to KRW 5 030 000 as of 1 July 2020.

If the average monthly wage income of a person is less than KRW 320 000, the average monthly wage income of the person is regarded as KRW 320 000 and the rate (0.045) is applied. If the average monthly wage income of a person is more than KRW 5 030 000, the average monthly wage income of the person is regarded as KRW 5 030 000 and the rate (0.045) is applied; so the minimum of the national pension contribution per year is KRW 172 800 (KRW 320 000 x 0.045 x 12 months), so the maximum of the national pension contribution per year is KRW 2 716 200 (=KRW 5 030 000 x 0.045 x 12 months).

2.1.2. National health insurance

The National health insurance premium, which has a rate of 3.6768375 % (National health insurance: 3.335 %, Long term care insurance 10.25 % of National Health insurance premium rate), is levied on average monthly wage income as of 1 January 2020.

The scope of the monthly National health insurance premium(excluding Long term care insurance premium) is from KRW 9 300 to KRW 3 322 170. To include Long term care insurance, we should multiply 1.1025. Thus, the scope of the total monthly premium is from KRW 10 253 to 3 662 692. If the calculated premium is less than KRW 10 253, the worker should pay KRW 10 253. Likewise, if the calculated premium is more than KRW 3 662 692, the worker only pays KRW 3 662 692.

2.1.3. Employment insurance

0.8% of gross income as of 1 October 2019.

2.1.4. Workers' compensation insurance

Compulsory application, premiums paid only by employers.

2.2. Employers' contribution

2.2.1. National pension

The national pension contribution rate is 4.5% of the standardised average monthly wage income as of 2020.

The scope of the standardised average monthly wage income is from KRW 320 000 to KRW 5 030 000 as of 1 July, 2020.

If the average monthly wage income of a person is less than KRW 320 000, the average monthly wage income of the person is regarded as KRW 320 000 and the rate (0.045) is applied. If the average monthly wage income of a person is more than KRW 5 030 000, the average monthly wage income of the person is regarded as KRW 5 030 000 and the rate (0.045) is applied; so the maximum of the national pension contribution per year is KRW 2 716 200 (=KRW 5 030 000 x 0.045 x 12 months).

2.2.2. National health insurance

The National health insurance premium, which has a rate of 3.6768375 % (National health insurance 3.335 %, Long term care insurance: 10.25 % of National health insurance premium rate), is levied on average monthly wage income as of 1 January, 2020.

The scope of the monthly National health insurance premium(excluding Long term care insurance premium) is from KRW 9 300 to KRW 3 322 170. To include Long term care insurance, we should multiply 1.1025. Thus, the scope of the total monthly premium is from KRW 10 253 to 3 662 692. If the calculated premium is less than KRW 10 253, the employer should pay KRW 10 253. Likewise, if the calculated premium is more than KRW 3 662 692, the employer only pays KRW 3 662 692.

2.2.3. Employment insurance

- the insurance premium is between 1.05% and 1.65% of total wage as of 1 October 2019;
- the insurance premium selected for this study is 1.05%.

2.2.4. Workers' compensation insurance

- the insurance premium consists of an industry-specific rate which is set by the Ministry of Employment and Labor multiplied by total wage;
- the average rate of all industries (announced by the Ministry of Employment and Labor and selected for this study) is 1.56 %.

3. Universal Cash Transfers

- Child Benefit

Child home care allowance is granted every month to those who have children aged 6 years or younger: KRW 200 000 for a child aged 12 months or younger, KRW 150 000 for a child aged 1 to 2 years and KRW 100 000 for a child aged 2 to 6 years.

If a child attends a nursery or pre-school, monthly childcare service voucher is provided instead of the child home care allowance. The amount of the benefit differs by the age of the child, type of nursery, class of nursery etc.

On top of those two benefits, universal child benefit of KRW 100 000 is paid monthly to those who have children if the child is under the age of 7.

4. Main Changes in Tax/Benefit System since 2000

2000	Contribution to National Pension are to be deductible from 2001, upper cap of employment income deduction limit (KRW 12 000 000) is abolished from 2001
2001	Personal income tax rates are lowered by 10% (10, 20 ,30, 40% were reduced to 9, 18, 27, 36%, respectively) from 2002
2002	Limits of deduction for education fees are expanded from 2003. For pre-school: from KRW 1 000 000 to KRW 1 500 000. For elementary, middle school and high school: from KRW 1 500 000 to KRW 2 000 000. For college and university: from KRW 3 000 000 to KRW 5 000 000. Limit of deduction for interest of long-term mortgage loan for housing is expanded from KRW 3 000 000 to KRW 6 000 000 from 2003
2003	Employment income deduction and tax credit applicable to low income are increased. The deduction rate for the taxable wage income range of KRW 5 000 000 to KRW 15 000 000 is increased from 45% to 47.5%. The tax credit rate for calculated tax below KRW 500 000 is increased from 45% to 50% and the maximum tax credit is increased from KRW 400 000 to KRW 450 000.
2004	Limits of deduction for education fees are expanded. For pre-school: from KRW 1 500 000 to KRW 2 000 000. For college and university: from KRW 5 000 000 to KRW 7 000 000. 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% to 50%. 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% (previously 15%) of their credit/debit card purchases that exceed 20% (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% to6%, 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% to6%, 15%, 24%, and 35%.
2012	Personal income tax rates have been changed: from6%, 15%, 24%, and 35% to 6%, 15%, 24%, 35% and 38%
2013	A new additional allowance is added: a single parent with lineal descendants or adopted children who are eligible for basic exemption can deduct KRW 1 000 000. Insurance premiums, medical expenses, education expenses, loans for house, designated donations, saving deposits for housing subscription, investment in employee stock ownership associations or in associations for investment in start-ups, and credit cards

	are allowed income deduction with a ceiling at KRW 25 000 000 in total. However, for the amount of designated donations exceeding the ceiling, deduction can be carried forward for 5 years.
2014	Tax schedule has been changed : KRW 300 000 000 to KRW 150 000 000 Personal and special income deductions(e.g. medical expenses, educational expenses) have been shifted toward tax credit Employment income deduction has been changed : 80% to 70%, 50% to 40%. The ceiling amount of earned income tax credit has been changed : KRW 500 000 to KRW 740 000(the salary <33 000 000), KRW 660 000(the salary < 70 000 000)
2015	Refundable CTC(Child Tax Credit) has established
2017	Personal income tax rate 40% is newly created over KRW 500 000 000
2018	Tax schedule has been changed: Tax base over KRW 150,000,000 up to KRW 500,000,000 divided into over KRW 150 000000 up to KRW 300000000 and over KRW 300000000 up to KRW 500000000 The Highest income tax rate has been changed: 40%->42%
2019	Charities tax credit's deduction rate has been adjusted. Regarding non-taxable overtime payment to productive workers, the upper limit of monthly wage for recipient of tax exemption has been increased to KRW 2 100 000.
2020	Regarding non-taxable overtime payment to productive workers, the upper limit of yearly wage for recipient of tax exemption has been increased to KRW 30 000 000. The employment income deduction's limitation of KRW 20 000 000 has been newly set up.

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

- Due date of payment for 2019's income tax has been deferred from 1 June 2020 to 31 August 2020.
- Deduction rate for credit card purchases has been increased temporarily. On March, the deduction rate of the credit card purchases is 30%, the deduction rate of the debit card, prepaid card and cash receipt purchases is 60%, the deduction rate of the expenditures for books, performances and museums is also 60%, and the deduction rate of the expenditures for traditional markets and public transportation is 80%. From April to July, all of the deduction rates are increased to 80% respectively.
- Monthly payment of the National pension can be exempted for 3 times between Mar 2020 and Jun 2020, when he/she meets specific conditions(e.g. the income has been decreased).
- The National health insurance premium is reduced from Mar 2020 to May 2020 for some workers. Criterions such as the size of income and the place where he/she works are considered when deciding the rate of reduction (30% or 50%),
- Monthly payment of the Employment insurance premium and Workers' compensation insurance premium for Mar 2020 to May 2020 is deferred for 3 months, when the employee works for the company that employed workers less than 30.
- A company that employed workers less than 30 can also get a 30% relief of Workers' compensation insurance premium from Mar 2020 to Aug 2020.
- On March 2020, additional 'childcare coupons' that worth KRW 400 000 are provided per child to households with children aged less than 7 years as of Mar 2020, to help address challenges caused by the COVID-19 outbreak.

5. Memorandum Item

5.1. Identification of the Average Worker (AW)

- Sectors used: industry Sectors B-N with reference to the International Standard Industrial Classification of All Economic Activities, Revision 4 (ISIC Rev.4).

Geographical coverage: whole country.

Type of workers: wage workers (male and female).

5.2. Method to calculate wages

Establishment Labor Force Survey (ELFS) by the Ministry of Employment and Labor is used to calculate the AW. The statistics were obtained through a sample survey of approximately 13 000 firms with one or more permanent employees throughout the whole country.

Basic method of calculation used: average monthly wages multiplied by 12.

5.3. Employer's reserve for employee's retirement payment

An employer should pay to a retiree the retirement payment which is not less than 30 days' wage and salary per one year of service (about 8.3% of gross income or more). An employer can contribute to the Retirement Payment Reserve Fund established within the company or Retirement Insurance Fund established outside the company to prepare for the retirement payment. Such contribution is treated as business expense under certain constraints. Because contribution to the Retirement Fund is not compulsory, this survey does not include such contribution except the contribution converted to employer's contribution to the national pension plan (see Section 2.2.1).

2020 Parameter values

Average earnings/yr	Ave_earn	46 020 316	Secretariat estimate
Tax allowances	basic_al	1 500 000	
spouse	spouse_al	1 500 000	
	spouse_al_lim	1 000 000	
dependents including children	dep_al	1 500 000	
additional allowance	add_all	500 000	
	add_all_lim	30 000 000	
additional allowance 2	add2_all	1 000 000	
Employment income deduction	empdedsch	0	0.7
		5000000	0.4
		15 000 000	0.15
		45 000 000	0.05
		100 000 000	0.02
	Max_empded	20000000	
Earned income special credit threshold	earntaxcred	0.55	
		0.3	1 300 000
credit limit	credlimit	740 000	Ave_earn<33 000 000
		660 000	Ave_earn< 70 000 000
		500 000	Ave_earn> 70 000 000
Child tax credit	child_cred	150 000	
Lump sum tax credit	lump_cred	130 000	
	lump_thresh	866 667	
Tax schedule	tax_sch	0.06	12 000 000
		0.15	46 000 000
		0.24	88 000 000
		0.35	150 000 000
		0.38	300 000 000
		0.4	500 000 000
		0.42	
Local tax rate	local_rate	0.1	
Cash Transfer for kids under 7 age	cash_child	1 600 000	
max number of kids permited to be under 7	child_und7_max	1	
Social security contributions	SSC_pens	0.045	
	SSC_pens_max	2 670 300	
	SSC_pens_min	170 100	
	SSC_sick	0.03676838	
	SSC_sick_max	43 952 304	
	SSC_sick_min	123 036	
	SSC_unemp	0.008	
Employer contributions	emp_pens	0.045	
	emp_sick	0.03676838	
	emp_unemp	0.0105	
	emp_inj	0.0156	

2020 Tax equations

The equations for the Korean system are independent between spouses except that the principal earner has tax allowances for the spouse and for any children.

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

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings	earn		
2.	Allowances:			
	employment income	emp_al	B	MIN(Empincded(earn, empincdedsch),max_empded)
	basic	bas_al	B	basic_al
	spouse	sp_al	P	Married*spouse_al*(earn_spouse-emp_al_spouse<=spouse_al_lim)
	dependents	dp_al	P	Children*dep_al
	additional allowances	add_al_princ	P	IF(AND(Married='0,Children>0),' add2_all,0)
	additional allowances	add_al_spouse	S	IF(AND(earn_spouse>0,earn_spouse<=add_all_lim),add_all,0)
	national pension deduction	np_de	B	Min(earn*SSC_pens, SSC_pens_max)
	Main non-standard tax relief	non-std_al	B	IF(earn*(SSC_sick+SSC_unemp)>lump_thresh,earn*(SSC_sick+SSC_unemp),0)
	Total	tax_al	B	emp_al+bas_al+sp_al+dp_al+add_al+np_al
3.	Credits in taxable income	taxbl_cr	B	0
4.	CG taxable income	tax_inc	B	Positive(earn-tax_al)
5.	CG tax before credits	CG_tax_excl	B	Tax(tax_inc, tax_sch)
6.	Tax credits : earned income special tax credit child tax credit lump-sum tax credit Total	earn_cr child_cr lump_cr tax_cr	B P B B	MIN(earntaxcred(CG_tax_excl), credlimit(earn)) child_cred*(children-(cash_trans>0)) IF(non-std_al='0,' lump_cred, 0) earn_cr+child_cr+lump_cr
7.	CG tax	CG_tax	B	CG_tax_excl-tax_cr
8.	State and local taxes	local_tax	B	local_rate*CG_tax
9.	Employees' soc security	SSC	B	MAX(SSC_pens_min,MIN(earn*(SSC_pens),SSC_pens_max))+MAX(SSC_sick_min,MIN(earn*(SSC_sick),SSC_sick_max))+earn*(SSC_unemp)
11.	Cash transfers	cash_trans	J	=cash_child*child_und7_max*(Children>0)
13.	Employer's soc security	SSC_empr	B	MAX(SSC_pens_min,MIN(earn*(SSC_pens),SSC_pens_max))+MAX(SSC_sick_min,MIN(earn*(emp_sick),SSC_sick_max))+earn*(emp_unemp+emp_inj)

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

Latvia

This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions. Results reported include the marginal and average tax burden for eight different family types. Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.

Latvia 2020

The tax/benefit position of single persons

		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1.	**Gross wage earnings**		8 651	12 913	21 564	8 651
2.	**Standard tax allowances**					
	Basic allowance		2 464	637	0	2 464
	Married or head of family					
	Dependent children		0	0	0	5 236
	Deduction for social security contributions and income taxes		952	1 420	2 372	952
	Work-related expenses					
	Other					
		Total	3 415	2 058	2 372	8 651
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		5 236	10 855	19 192	0
5.	**Central government income tax liability (exclusive of tax credits)**		1 047	2 171	3 885	0
6.	**Tax credits**					
	Basic credit					
	Married or head of family					
	Children					
	Other					
		Total	0	0	0	0
7.	**Central government income tax finally paid (5-6)**		1 047	2 171	3 885	0
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		952	1 420	2 372	952
	Taxable income					
		Total	952	1 420	2 372	952
10.	**Total payments to general government (7 + 8 + 9)**		1 999	3 591	6 257	952
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	530
		Total	0	0	0	530
12.	**Take-home pay (1-10+11)**		6 653	9 321	15 307	8 229
13.	**Employer's compulsory contributions**					
	Employer's compulsory social security contributions		2 084	3 111	5 195	2 084
	Payroll taxes		4	4	4	4
		Total	2 088	3 115	5 199	2 088
14.	**Average rates**					
	Income tax		12.1%	16.8%	18.0%	0.0%
	Employees' social security contributions		11.0%	11.0%	11.0%	11.0%
	Total payments less cash transfers		23.1%	27.8%	29.0%	4.9%
	Total tax wedge including employer's social security contributions		38.1%	41.8%	42.8%	23.4%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		37.4%	37.4%	31.8%	11.0%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		49.5%	49.5%	45.0%	28.3%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Latvia 2020

The tax/benefit position of married couples

		Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
		Number of children	2	2	2	none
1.	**Gross wage earnings**		12 913	21 564	25 825	21 564
2.	**Standard tax allowances**					
	Basic allowance		637	3 101	1 275	3 101
	Married or head of family					
	Dependent children		6 000	6 000	6 000	0
	Deduction for social security contributions and income taxes		1 420	2 372	2 841	2 372
	Work-related expenses					
	Other					
		Total	8 058	11 473	10 116	5 473
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		4 855	10 091	15 710	16 091
5.	**Central government income tax liability (exclusive of tax credits)**		971	2 018	3 142	3 218
6.	**Tax credits**					
	Basic credit					
	Married or head of family					
	Children					
	Other					
		Total	0	0	0	0
7.	**Central government income tax finally paid (5-6)**		971	2 018	3 142	3 218
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		1 420	2 372	2 841	2 372
	Taxable income					
		Total	1 420	2 372	2 841	2 372
10.	**Total payments to general government (7 + 8 + 9)**		2 391	4 390	5 983	5 590
11.	**Cash transfers from general government**					
	For head of family					
	For two children		530	530	530	0
		Total	530	530	530	0
12.	**Take-home pay (1-10+11)**		11 051	17 704	20 372	15 974
13.	**Employer's compulsory contributions**					
	Employer's compulsory social security contributions		3 111	5 195	6 221	5 195
	Payroll taxes		4	9	9	9
		Total	3 115	5 203	6 230	5 203
14.	**Average rates**					
	Income tax		7.5%	9.4%	12.2%	14.9%
	Employees' social security contributions		11.0%	11.0%	11.0%	11.0%
	Total payments less cash transfers		14.4%	17.9%	21.1%	25.9%
	Total tax wedge including employer's social security contributions		31.1%	33.9%	36.4%	40.3%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		37.4%	37.4%	37.4%	37.4%
	Total payments less cash transfers: Spouse		23.1%	37.4%	37.4%	37.4%
	Total tax wedge: Principal earner		49.5%	49.5%	49.5%	49.5%
	Total tax wedge: Spouse		38.1%	49.5%	49.5%	49.5%

Since 2014, the Latvian currency is the Euro (EUR). In 2020, EUR 0.88 was equal to USD 1. That year, the average worker in Latvia earned EUR 12 913 annually (Secretariat estimate).

1. Personal income tax system

From 1th January 2018, Latvia has introduced an ambitious tax reform. One of the main goal of this reform is reach Latvian government as well as international expert's expectations – to reduce the tax wedge, especially for low-wage earners.

1.1. Central government income tax

Since 2018, with labour tax reform for the first time the progressive income tax system is introduced, as well as the differential non-taxable minimum, the allowance for dependents and the non-taxable minimum for pensioners is increased, and the minimum monthly wage is raised.

1.1.1. Tax unit

The tax unit are individuals.

1.1.2. The main tax allowances

1.1.2.1. Standard tax reliefs

- A general (basic) allowance:

Since 2016, the differentiated non-taxable minimum is introduced.

The differentiated non-taxable minimum varies depending on the person's income level: higher for lower wages, but less for higher wages. The differentiated non-taxable minimum gradually is raised.

In 2019 the differentiated non-taxable minimum varies from EUR 0 to 230 per month and in 2020 - from EUR 0 to 300 per month (see table below).

Differentiated non-taxable minimum criteria's:

	2016	2017	2018	2019	2020
Maximum non-taxable minimum, *EUR per month*	100	115	200	230	300
Minimum non-taxable minimum, *EUR per month*	75	60	0	0	0
Taxable income* minimum threshold up to which the maximum annual non-taxable minimum will be applied, *EUR per month*	380	400	440	440	500
Taxable income* maximum threshold up to which the annual non-taxable minimum will be applied, *EUR per month*	1 000	1 100	1 000	1 100	1 200

* Calculating taxable income takes into account not only the salary, but also other income (such as dividends and income from real estate etc.). Similarly, if a person works in several jobs, the salaries are added together and the non-taxable minimum is applied to total revenue

For example, in 2019, the maximum tax allowance amount is EUR 230 per month and it is applied to persons with the taxable income below EUR 440 per month. If taxable income is between EUR 440 per month and EUR 1 100 per month, the differentiated annual non-taxable minimum is calculated according to specific formula. The allowance gradually decreases until it reaches zero or not be applied. The same calculation was in 2018 and will be in 2020 with relevant year data. It is important to note that from 2018, the differentiated non-taxable minimum in full amount is applied already during the tax year. It is based on the State Revenue Service (SRS) forecast which takes account the taxpayer annual income of the previous year. In 2017 the non-taxable minimum was applied only in the minimum amount for all taxpayers (EUR 60) and only after the next tax year, when taxpayer submitted annual tax return, it applied on the basis of the data regarding person's annual taxable income.

- The allowance for dependents

The allowance for dependents is also deductible from income before taxes.

The tax allowance for each dependant (which in most cases are children) gradually is raised - in 2018 to EUR 200 per month or EUR 2 400 per year, in 2019 to EUR 230 per month or EUR 2 760 per year and in 2020 to EUR 250 per month or EUR 3 000 per year. In 2017, it was EUR 175 per month or EUR 2 100 per year.

- The taxpayer can apply allowance for a child below 18 years old and for a child below 24 years old if he or she continues studies of a general, professional, higher or special education. The allowance for child relates to taxpayer's child and in certain cases - sisters, brothers, grandchildren, as well as guardianship or dependent persons.

As of 2016, the rule of law narrowed, removing allowances for unemployed spouse, parents or grandparents, except if these persons are with disabilities.

From 2017, the tax allowance for dependents is expanded by non-working spouse, who is taking care of the minor child with a disability, if the non-working spouse does not receive taxable income or State pension.

In addition, as of July 1, 2018, the allowance is applicable for unemployed spouse who is taking care of:

- one child below 3 years old;
- three or more children below 18 years or below 24 years old (if he/she studies), of which at least one is below 7 years old;
- five children below 18 years or below 24 years old (if he/she studies).

To support employment of youth during the summer (from June 1st to August 31st), parents can still receive tax allowance for dependents (children while they have working relationship):

- Relief for Compulsory social security contributions: Employee's state social security contributions are deductible from income before taxes.
- Tax credits: None for employees.

1.1.2.2. The main exemptions:

- income from rural tourism or agricultural production, as well as of mushrooming, berry-picking or the collection of wild medicinal plants and flowers or an uncultivated species of an individual - a park of walrus (Helix pomatia), if it does not exceed a turnover of EUR 3 000 per taxation year, including the sums of State aid for agriculture or of the European Union aid for agriculture and rural development, in amount of EUR 3 000 per taxation year;
- insurance compensations, except such insurance compensations paid on the basis of a life, health and accident insurance contract entered into by the employer and a life-long pension insurance contract (with accrued funded pension assets in accordance with the Law on State Funded Pensions);
- insurance compensations which have been disbursed upon the occurrence of an insurable event in relation to the life and health of the insured person due to an accident or illness, in accordance with the life insurance policy (including with accumulation of funds) regardless of who has entered into the insurance contract;

- the supplementary pension capital, which has been formed from contributions of private individuals or their spouse or a person related to their relatives up to the third stage within the meaning of the Civil Law into private pension funds according to licensed pension plans and paid to participants in pension plans;
- income from Latvian or other EU Member State or EEA State and local government bonds;
- capital gains on immovable property, if the ownership of the payer has been for more than 60 months (5 years) and it has been the declared as place of residence of the person for at least 12 months (1 year);
- capital gains on immovable property, if the ownership of the payer has been for more than 60 months (5 years) and the last 60 months (5 years) this immovable property has been the only real estate of the payer;
- capital gains on immovable property which has occurred in relation to the division of property in the case of dissolution of marriage, if it has been the declared place of residence of both spouses at least 12 months until the day of entering into the alienation contract;
- capital gains on immovable property, if this income is invested a new in a functionally similar immovable property within 12 months or before alienation of the immovable property or real property prior to expropriation;
- income from the alienation of personal property (movable objects such as furniture, clothing and other movable objects belonging to an individual intended for personal use) except income from the sale of items (tangible or intangible) prepared for sale or purchased, the capital gains and other income from capital and scrap sales;
- scholarships paid from the budget, association or foundation resources;
- scholarships up to 280 euros per month paid by an entrepreneur in accordance with the procedure set out by the Cabinet of Ministers for the organization and implementation of work environment training shall be paid by the merchant, institution, association, foundation, natural person registered as a performer of economic activity, as well as individual enterprise, including farmer or fishermen's farm, and other economic operators;
- grants paid to a student who attends a medical education program to promote the acquisition of an educational program and which is paid out from the institution of health care institution;
- income obtained as a result of inheritance;
- allowance (alimony);
- prizes of lotteries and gambling if the amount (total amount) of the prize (value thereof) does not exceed EUR 3 000 per taxation year;
- goods and services lottery prizes;
- material and monetary prizes (premiums) received at competitions and contests, the total value of which in the taxation year does not exceed EUR 143, and the prizes and premiums acquired at international contests the total value of which does not exceed EUR 1 423 a year, as well as the financial incentive paid out to the laureates of the prizes of the Baltic Assembly and prizes of the Cabinet;
- revenues from gifts up to EUR 1 425 from natural person, other than a close relative;
- revenues from gifts in full amount from natural persons, if the giver is connected to the payer by marriage or kinship to the third degree;
- dividends, income equal to dividends or notional dividends if the enterprise income tax has been paid etc.

1.1.3. Tax schedule

From 2018, the personal income tax (PIT) system is progressive (in 2017 the PIT rate was a flat tax rate of 23%).

In 2020, the PIT rates are set:

- 20% - for income up to EUR 20 004 per year;
- 23% - for income exceeding EUR 20 004 but not exceeding EUR 62 800 per year (in 2018 not exceeding EUR 55 000 per year);
- 31.4% - for income exceeding EUR 62 800 per year (in 2018 exceeding EUR 55 000 per year).

The tax rate 20% and 23% (depending on the level of income) is applicable monthly in the workplace where a payroll tax book is submitted. In the workplace where a payroll tax book is not submitted, only the rate 23% should be applied.

The rate 31.4% has calculated only in annual tax return. During the year, the tax is paid as Solidarity tax for employee revenue above EUR 62 800 per year. The Solidarity tax part of 10.5% is transformed into a Personal income tax rate of 31.4%. Compulsory social security contributions from incomes above EUR 62 800 per year is not be paid.

1.2. Regional and local income tax

No regional and local income taxes.

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

In 2018, the compulsory social insurance contribution rate is increased by one percentage point from 34.09% to 35.09% to ensure financing of the health sector (0.5% paid by the employee and 0.5% paid by the employer). In 2020, the same rate (35.09%) remains.

Social insurance contributions covers:

- state pension insurance;
- social insurance in case of unemployment;
- social insurance in respect of accidents at work and occupational diseases;
- disability insurance;
- maternity and sickness insurance;
- parental insurance;
- health insurance.

In 2020, the maximum object of mandatory social payments is 62 800 EUR per year.

2.1. Employees' contributions

Employees pay 11% of their earnings in contributions. The taxable base is the total amount of the gross wage or salary including vacation payments, fringe benefits and remuneration of expenses related to work above a certain threshold. The assessment period is the calendar month.

2.2. Employers' contributions

Social security contributions are also paid by employers at a rate of 24.09% on behalf of their employees. The taxable base and the assessment period are the same as for employees' contributions.

The total contribution rates paid by employees and employers are applied:

Scheme name	Rate of contribution (%)
Pension insurance	24.50
Unemployment insurance	1.84
Insurance of accidents at work and occupational diseases	0.53
Disability insurance	2.23
Maternity and sickness insurance	3.65
Parental insurance	1.34
Health insurance	1.00
Total	35.09

2.3. Solidarity tax

From 2016 *Solidarity tax* was introduced.

From 2019 the Solidarity tax rate has been reduced from 35.09% (2018) to 25.50%. See more in the table below on the distribution of Solidarity tax rate from 2016 to 2020.

The difference between 2018 and 2019 is that:

- in 2018 Solidarity tax rate is set at the same level as the current social security contributions rates (11% and 24.09%). Solidarity tax is applied during the tax year to the same rate as the social security contributions.
- in 2019 and 2020 Solidarity tax is set at 25.5%, which is less than the current social security contributions rate of 35.09% (11% and 24.09%). Also in 2019 and 2020 Solidarity tax is applied during the tax year to the same rate as the social security contributions (35.09%). Therefore, the overpaid solidarity tax is refunded to employer at next year.

The tax is paid for the income exceeding the maximum amount of the social security contributions object. In 2019 and 2020 the ceiling is raised to EUR 62 800 per year (in 2018 was EUR 55 000 per year). The tax period is the calendar year.

The purpose of Solidarity tax is to eliminate existing regressivity in the labour tax system and to equalize the tax burden on labour between low-wage earners and the high wage earners. This problem appeared when the social contribution ceiling was re-introduced in 2014.

Solidarity tax applies to all socially insured individuals – employees, self-employed, if their income over a calendar year exceeded the maximum amount of mandatory contribution of the statutory social insurance. Employers are also subject to solidarity tax (in the same way, as they are liable for paying employer social insurance contributions).

Solidarity tax rate distribution

		2016 - 2017	2018	2019-2020
Solidarity tax rate		**34.09%**	**35.09%**	**25.50%**
Employer's pays:		**23.59%**	**24.09%**	**14.50%**
	State budget (not tied to social services)	23.59%		
	Funded pension (2nd pillar pension scheme)*		6.00%	
	Private pension in the Fund's Pension Plan (3nd pillar pension scheme)*		4.00%	
	State Pension		13.59%	
	Pension insurance (personalized payment)			14.00%
	Health care		0.50%	0.50%
Employee's pays:		**10.50%**	**11.00%**	**11.00%**
	State budget (not tied to social services)	10.50%		
	Personal income tax**		10.50%	10.50%
	Health care		0.50%	0.50%

* If a person is not a member of a funded pension scheme, a private pension fund is transferred 10%

** The Solidarity tax (paid by employee for incomes above EUR 62,800 per year in 2019 and 2020) part of 10.5% is transformed into a Personal income tax rate of 31.4%. It means that, by the submitting the annual income statement and performing the conversion of the PIT into three PIT rates (the third rate of 31.4%), the share of paid Solidarity Tax is equal to PIT rate 31.4%.

2.3.1. Payroll tax

The Business risk fee is paid in the state basic budget, and then transferred to the Employee claim guarantee fund, which is administrated by the state agency “Insolvency administration”. The Insolvency administration is a public institution controlled by the Ministry of Justice.

If an enterprise is insolvent, the Insolvency Administration satisfies employee claims for their unpaid salaries, compensations for the paid annual leaves and compensations for dismissal in case of the end of the employment relationships.

The Business risk fee does not confer entitlement to any kind of social benefits.

The Business risk fee is a constant payment for a person EUR 0.36 per employee per month.

3. Universal cash transfers

3.1. Transfers related to marital status

None.

3.2. Transfers for dependent children

From 2015, support for families has been introduced through differentiated family state benefits:

- EUR 11.38 per month for the first child,
- EUR 22.76 per month for the second child,
- EUR 34.14 per month for the third child,
- EUR 50.07 per month for the fourth and each subsequent child (only from 2017).

From March 1, 2018 an additional allowance for families is paid:

- EUR 10 per month for 2 children;

- EUR 66 per month for 3 children,
- additionally EUR 50 per month for each subsequent child

For example, for family with six children additional allowance is EUR 216 per month (66 (for 3) +50+50+50).

The state pays family benefits to all children until they reach the age of 15. Children enrolled in basic or secondary schools or vocational education institutions operating on the basis of basic education have the right to receive family benefits until the age of 20.

In addition there are four other types of family benefits for which payment depends on either the age of the child(ren) and/ or the status of the person(s) looking after them: maternity and paternity benefit; childbirth benefit; parental benefit; child care benefit (additional benefit for child with disabilities). These are not included in the modelling.

4. Main changes in tax/benefit system in 2020

- The differential non-taxable minimum is increased - in 2018 ranges from EUR 0 to 200 per month, in 2019 - from EUR 0 to 230 per month and in 2020 - from EUR 0 to 300 per month. In 2017, non-taxable minimum ranged from EUR 60 to 115 per year.
- The tax allowance for each dependant is raised - in 2018 to EUR 200 per month, in 2019 to EUR 230 per month and in 2020 to EUR 250 per month. In 2017, it was EUR 175 per month.
- The non-taxable minimum for pensioners is increased - in 2018 to EUR 250 per month, in 2019 to EUR 270 per month and in 2020 to EUR 300 per month. In 2017, it was EUR 235 per month.

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

No such changes have been made.

5. Memorandum items

5.1. Average gross annual wage earnings

In Latvia the gross earnings figures cover wages and salaries paid to individuals in formal employment including payment for overtime. They also include additional bonuses and payments and other payments such as for the annual and supplementary vacations, public holidays, sick pay (sick-leave certificate A), payment for public holidays and other days not worked, social security compulsory contributions paid by the employees and personal income tax, as well as labour remuneration subsidies.

5.2. Employer contributions to private pension and health schemes

Some employer contributions are made to private health and pension schemes but there is no relevant information available on the amounts that are paid.

2020 Parameter values

Average earnings/yr	Ave_earn	12 913	Secretariat estimate
Basic allowance	Basic_al		
Minimum non-taxable minimum	MIN_non_taxable	0	
Maximum non-taxable minimum	MAX_non_taxable	3,600	
Taxable income maximum threshold up to which the annual non-taxable minimum will be applied	Income_for_MIN_non_taxable	14,400	
Taxable income minimum threshold up to which the maximum annual non-taxable minimum will be applied	Income_for_MAX_non_taxable	6,000	
Coefficient	Coefficient	0,42857	
Allowance for dependants	Child_al	3,000	
Income tax schedule	Tax_sch	0.20	20 004
	Tax_rate_2	0.23	62 800
	Tax_rate_3	0.314	
Payroll tax - Business risk fee	payroll	4.32	
Income ceiling	Ceiling	62,800	
Employers SSC	SSC_rate1	0.2409	
Employers Solidarity Tax	Sol_tax_rate_1	0.145	
Employees SSC (without health ins.)	SSC_rate2	0.105	
Employees health insurance	Health_ins2	0.005	
Employees Solidarity tax (without health ins.)	Sol_tax_rate_2	0.105	
Child allowances	CA_first	136.56	
	CA_second	273.12	
	CA_third	409.68	
	CA_fourth and each next	600.84	
Additional child allowance	ACA_2ch	120	
	ACA_3ch	792	
	ACA_each next	600	
Days in tax year	numdays	366	

* Calculating taxable income takes into account not only the salary, but also other income (such as economic activity, pension etc.). Similarly, if a person works in several jobs, the salaries are added together and the non-taxable minimum is applied to total revenue.

2020 Tax equations

The equations for the Latvian system are mostly on an individual basis.

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

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings	earn		
2.	Allowances:	tax_al	P	=MINA(Basic_al+ SSC_empee_princ+ Health ins2 _empee_princ +(Children>0)*(Child_al*Children);earn_princ)
			S	=MINA(Basic_al+ SSC_empee _spouse+ Health ins2 _empee_spouse,earn_spouse)
	Non-taxable minimum	Basic_al	B	=IF(earn<=0;0;(IF(earn-Income_for_MAX_non_taxable<0; MAX_non_taxable;(IF((MAX_non_taxable-Coefficient*(earn-Income_for_MAX_non_taxable))> MIN_non_taxable; (MAX_non_taxable-Coefficient*(earn-Income_for_MAX_non_taxable)); MIN_non_taxable)))))
3.	Credits in taxable income	taxbl_cr	B	0
4.	CG taxable income	tax_inc	B	=Positive(earn-tax_al)
5.	CG tax before credits	CG_tax_excl	B	=IF((earn- tax_al)<0,0,IF(tax_al>inc_thresh_1,0,IF(earn> inc_thresh_1,(inc_thresh_1- tax_al)*Tax_rate_1,(earn-tax_al)* Tax_rate_1))+IF((earn-tax_al)<0,0,IF(tax_al>inc_thresh_2,0,IF(earn> inc_thresh_2,(inc_thresh_2-IF(tax_al> inc_thresh_1, tax_al, inc_thresh_1))*, Tax_rate_2,IF(earn> inc_thresh_1,(earn-IF(tax_al> inc_thresh_1, tax_al, inc_thresh_1))*Tax_rate_2,0))))+IF((earn- tax_al)<0, 0,IF(tax_al>inc_thresh_2,IF(earn> inc_thresh_2,(earn- tax_al)* Tax_rate_3,0),IF(earn> inc_thresh_2, (earn- inc_thresh_2)* Tax_rate_3,0))))
6.	Tax credits :	tax_cr	B	0
7.	CG tax	CG_tax	B	=IF(CG_tax_excl-tax_cr>0; CG_tax_excl-tax_cr;””””)- tax_cr_non_waste
8.	State and local taxes	local_tax	B	0
9.	Employees' soc security	SSC_empee	B	= MIN(Ceiling;earn)*SSC_rate2
10.	Employees health insurance	Health_ins2		= earn* Health_ins2
11.	Employees’ Solidarity tax	Sol_tax_ee	B	=IF(earn<Ceiling,0,(earn-Ceiling)*Sol_tax_rate_2)
12.	Cash transfers	cash_trans	J	=IF(Children<1;0;IF(Children=1;CA_first;IF(Children=2;CA_first+CA_second;IF(Children=3;CA_first+CA_second+CA_third;IF(Children=4;CA_first+CA_second+CA_third+CA_fourth_and_each_next;IF(Children>4;CA_first+CA_second+CA_third+CA_fourth_and_each_next*(Children-3))))))
13.	Additional child allowances		J	=IF(Children<2;0;IF(Children=2;ACA_2ch;IF(Children=3;ACA_3ch;IF(Children>3;ACA_3ch+ACA_each_next*(Children-3)))))
14.	Employer's soc security	SSC_empr Payroll taxes	B B	= MIN(Ceiling;earn)*SSC_rate1 =payroll
15.	Employer’s Solidarity tax	Sol_tax_er	B	=IF(earn<Ceiling,0,(earn-Ceiling)*Sol_tax_rate_1)

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

Lithuania

This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.
Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.

LITHUANIA 2020

The tax/benefit position of single persons

	Wage level (per cent of average wage)	67	100	167	67
	Number of children	none	none	none	2
1.	**Gross wage earnings**	11 005	16 426	27 431	11 005
2.	**Standard tax allowances**				
	Basic allowance	4 093	3 063	972	4 093
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes				
	Work-related expenses				
	Other				
	Total	4 093	3 063	972	4 093
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**	6 912	13 362	26 458	6 912
5.	**Central government income tax liability (exclusive of tax credits)**	1 382	2 672	5 292	1 382
6.	**Tax credits**				
	Basic credit				
	Married or head of family				
	Children				
	Other				
	Total	0	0	0	0
7.	**Central government income tax finally paid (5-6)**	1 382	2 672	5 292	1 382
8.	**State and local taxes**	0	0	0	0
9.	**Employees' compulsory social security contributions**				
	Gross earnings	2 146	3 203	5 349	2 146
	Taxable income				
	Total	2 146	3 203	5 349	2 146
10.	**Total payments to general government (7 + 8 + 9)**	3 528	5 875	10 641	3 528
11.	**Cash transfers from general government**				
	For head of family				
	For two children	0	0	0	2 806
	Total	0	0	0	2 806
12.	**Take-home pay (1-10+11)**	7 477	10 550	16 790	10 282
13.	**Employer's wage dependent contributions and taxes**				
	Employer's compulsory social security contributions	162	241	403	162
	Payroll taxes	35	53	88	35
	Total	197	294	491	197
14.	**Average rates**				
	Income tax	12.6%	16.3%	19.3%	12.6%
	Employees' social security contributions	19.5%	19.5%	19.5%	19.5%
	Total payments less cash transfers	32.1%	35.8%	38.8%	6.6%
	Total tax wedge including employer's social security contributions	33.3%	36.9%	39.9%	8.2%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	43.3%	43.3%	43.3%	43.3%
	Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner	44.3%	44.3%	44.3%	44.3%
	Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.

LITHUANIA 2020

The tax/benefit position of married couples

		Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
		Number of children	2	2	2	none
1.	**Gross wage earnings**		16 426	27 431	32 851	27 431
2.	**Standard tax allowances**					
	Basic allowance		3 063	7 156	6 126	7 156
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other					
		Total	3 063	7 156	6 126	7 156
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		13 362	20 275	26 725	20 275
5.	**Central government income tax liability (exclusive of tax credits)**		2 672	4 055	5 345	4 055
6.	**Tax credits**					
	Basic credit					
	Married or head of family					
	Children					
	Other					
		Total	0	0	0	0
7.	**Central government income tax finally paid (5-6)**		2 672	4 055	5 345	4 055
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		3 203	5 349	6 406	5 349
	Taxable income					
		Total	3 203	5 349	6 406	5 349
10.	**Total payments to general government (7 + 8 + 9)**		5 875	9 404	11 751	9 404
11.	**Cash transfers from general government**					
	For head of family					
	For two children		2 806	1 681	1 681	0
		Total	2 806	1 681	1 681	0
12.	**Take-home pay (1-10+11)**		13 356	19 708	22 782	18 027
13.	**Employer's wage dependent contributions and taxes**					
	Employer's compulsory social security contributions		241	403	483	403
	Payroll taxes		53	88	105	88
		Total	294	491	588	491
14.	**Average rates**					
	Income tax		16.3%	14.8%	16.3%	14.8%
	Employees' social security contributions		19.5%	19.5%	19.5%	19.5%
	Total payments less cash transfers		18.7%	28.2%	30.7%	34.3%
	Total tax wedge including employer's social security contributions		20.1%	29.4%	31.9%	35.4%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		43.3%	43.3%	43.3%	43.3%
	Total payments less cash transfers: Spouse		42.3%	43.3%	43.3%	43.3%
	Total tax wedge: Principal earner		44.3%	44.3%	44.3%	44.3%
	Total tax wedge: Spouse		43.3%	44.3%	44.3%	44.3%

The Lithuanian currency is the Euro (EUR). In 2020, EUR 0.88 was equal to USD 1. In 2020, the average worker in Lithuania was expected to earn EUR 16 426 (Secretariat estimate).

1. Personal income tax system

1.1. Central government income tax

1.1.1. Tax unit

The tax unit is an individual.

1.1.2. Tax allowances

1.1.2.1. Standard tax reliefs

- *A general (basic) allowance (tax-exempt amount)* is applied in calculating the taxable income of residents to the extent the income is derived from employment or similar relationships. However, the size of the annual tax-exempt amount depends on the total amount of annual taxable income before taxes and all allowances (hereinafter – annual income). In 2020 the annual tax-exempt amount is EUR 4800 for individuals whose annual income does not exceed twelve minimum monthly wages effective on 1 January of a respective calendar year (EUR 7 284 in 2020). For others, the annual tax-exempt amount is estimated using the following formula:
- 4 800– 0.19 x (annual income – twelve minimum monthly wages effective on 1 January of a respective calendar year).
- If according to this formula a negative amount is calculated, then the tax-exempt amount is not applied. As such, no basic personal allowance applies if annual income exceeds EUR 32 547.
- *An allowance for disadvantaged* is applied as follows: in 2020 the annual tax-exempt amount applicable to individuals with a working capacity level of 0-25% or individuals who have reached the retirement age and have an officially recognized high level of special needs, or individuals with high-level disability, is EUR 7 740The annual tax-exempt amount applicable to individuals who have a working capacity level of 30-55% or individuals who have reached retirement age and have an officially recognized level of medium or low special needs, or individuals with medium or low-level disability, is EUR 7 200. The tax allowance for disadvantaged is not included in the Taxing Wages calculations.

1.1.2.2. Non – standard tax reliefs applicable to income from employment

- Contributions to 3rd pillar pension funds, as well as additional voluntary health insurance contributions paid by the employer on behalf of an employee, are treated as non-taxable income (when such contributions combined do not exceed 25% of the gross wage).
- The following expenses incurred by a resident of Lithuania during the tax period may be deducted from his annual income (a total no more than 25% of annual income worth of expenses):
- Life insurance contributions paid for his own benefit or for the benefit of his spouse or minor children (adopted children) under life insurance contracts which provide for an insurance benefit not only upon the occurrence of an insurance event, but also upon the expiry of the term of the insurance contract.
- 2nd pillar pension contributions, paid by employees, exceeding 3% of taxable wage related income.
- Voluntary 3rd pillar pension contributions paid for his own benefit or for the benefit of his spouse or minor children (adopted children) to pension funds.

- Payments for studies (when the first higher education and/or qualification is obtained upon graduation, as well as doctoral studies and art post-graduate studies) made by studying residents of Lithuania. If the resident does not have annual income, the deduction of expenses from the income can be made by parents and/or spouse. If payments for studies are made with borrowed funds (a loan is taken out from a credit institution for that purpose), the repaid amount of the loan during the tax period may be deducted from income.
- Payments for repairs of housing (except renovation of multi-apartments), repairs of passenger cars and childcare services (made for one's own benefit or for the benefit of one's spouse).
- The deduction of expenses described above on life insurance and pension contributions applies only to expenses of up to a total of EUR 1 500 per year. The deduction of expenses for studies is unlimited, while expenses for services on housing / passenger car repairs and child care services are limited to EUR 2 000 per year.

1.1.3. Tax schedule

- A two-bracket progressive personal income tax rate system is applied on taxable wage related income: 20% applies for income equal to or below the threshold of 84 average wages per year (EUR 104 278 in 2020), 32% applies for income above the threshold. The tax is withheld by the employer at 20% rate from employee's wage and paid up to two times a month. The 32% rate is applied and the difference between 20% rate and 32% rate is paid by the employee once per year, when filing the annual income tax return.

1.2. Regional and local income tax

There are no regional or local income taxes.

2. Compulsory social security insurance system

The compulsory social security insurance system consists of the following types of social security contributions:

- pension insurance;
- health insurance;
- sickness insurance;
- maternity insurance;
- unemployment insurance;
- insurance from accidents at work and occupational diseases.

. The share of the wage above the "ceiling" is not subject to social security contributions (except Health insurance contributions). In 2020, the ceiling is set at 84 average wages per year (AW);; as of 2021 - to 60 AW.

The AW applied to calculate the social security contribution base is approved by the law of Approval on Budget Indicators of the State Social Insurance Fund for the relevant year. It is the average gross monthly earnings (including salary data for the sole proprietorships) published by the Statistics of Lithuania of Q3 and Q4 for the year before the previous year and Q1 and Q2 for the previous year.

2.1. Employees' contributions

Since 1 January 2020, the rate of the employee's social security contributions is 19.5%, as follows:

- pension insurance – 8.72%;
- health insurance – 6.98%;
- sickness insurance – 2.09%;
- maternity insurance – 1.71%.

Employees pay social security contributions from their gross wage (including basic wage, bonuses, premiums, additional pays, severance pays, compensations calculated for annual and special leave as well as the monetary compensations calculated for unused annual leave, allowances and other benefits). The assessment period is the calendar month.

2.2. Employers' contributions

Since 1 January 2020, the overall rate of the social security contributions of the employer's is 1.47%, as follows:

- unemployment insurance – 1.31% for termless employment contracts and 2.03% for fixed-term employment contracts;
- insurance from accidents at work and occupational diseases – the overall rate is 0.16% (this is the rate that is modelled). In practice four categories of employers are set according to their history of accidents at work and occupational diseases. The tariffs for each of these categories are:

Category	Rate of contribution (%)
Category I	0.14
Category II	0.4
Category III	0.70
Category IV	1.40

A minimum amount ("floor") of social security contributions is applied. Employers must calculate and pay employer's and employee's share of social security contributions from a base not lower than minimum monthly salary (MMS), which in 2020 is EUR 607. Exceptions apply in cases where:

- The person has more than one insurer in Lithuania during the respective period or is insured by the State for pension insurance;
- The person receives social insurance pension from the State Social Insurance Fund;
- The person is not older than 24 years;
- The person is disabled;
- The person receives allowance for maternity or paternity leave.

2.3. Payroll tax

Employers pay 0.16% of the gross wage to the Guarantee fund.

If a company goes bankrupt the Guarantee fund is used to satisfy employees' claims for their unpaid salaries, cash compensations for the unused annual leave, severance pay, pay for the damage caused by occupational accidents or diseases and payment for idle time.

Employers pay 0.16 % of the gross wage to the Long-term employment benefit fund.

The Long-term employment benefit fund is used for paying severance payments to long-tenure employees having lost jobs.

The "ceiling", as described in the chapter 2. Compulsory social security insurance system", is also applied on the payroll tax.

Some employers are exempt from these taxes, namely the Lithuanian Central bank and budget institutions (exempt from both Guarantee and Long-term employment benefit funds contributions), political parties, trade unions, religious communities and societies (exempt from Guarantee fund contributions). Given that the model covers the private sector only (sectors B to N by ISIC Rev.4) and that the Guarantee fund and Long-term employment benefit fund contributions are paid by the majority of employers within those sectors, these contributions are included in the model.

3. Universal cash transfers

3.1. Transfers related to marital status

None.

3.2. Transfers for dependent children

Child benefits in Lithuania depend on the age and number of children as well as the size of income of the family. In 2018 a non means-tested universal child benefit was introduced for all families raising children up to 18 years of age and over, if he / she is studying under the general education curriculum, but not longer, until he / she reaches the age of 21. In 2020, the size of the universal child benefit is EUR 720.72 per child per year. Additional child benefit (EUR 482.04per child per year, which is paid on top of the universal benefit) is granted if family’s income per person per year did not exceed EUR 3 000 for families with up to two children. For families with three or more children the additional child benefit is paid regardless of the amount of family income.

4. Main changes in tax/benefit system since 2000

4.1. Tax system

- In 2000 the 3rd pillar private pension funds were introduced, allowing employees to voluntarily choose to accumulate for additional pension by taking part in the 3rd pillar private pension funds or negotiate it with employer as part of employment contract. Contributions to such funds are financed by employees themselves, if they chose to take part in pension scheme voluntarily or by the employer on behalf of the employee.
- In 2003 a possibility to deduct certain expenses from taxable annual income incurred by a resident of Lithuania was introduced.
- In 2004 the 2nd pillar pension system was introduced, allowing voluntary participation in the pension accumulation system which consists of a share of social security contributions paid by the employer, transferred to the pension fund on behalf of the employee.
- The personal income tax rate was lowered gradually from 33% to 27% as of 1 July 2006, then further to 24% in 2008 and again to 15% in 2009.
- In 2009 employee health insurance contributions were introduced together with a lower personal income tax rate.
- In 2009 a flat tax-exempt amount was replaced with a regressive tax exempt formula, gradually diminishing the tax-exempt amount at some level of income, therefore introducing an element of progressivity into taxation of wages.
- In 2014 the 2nd pillar pension system was modified. A possibility to increase the size of the private pension contribution was introduced by allowing employees to contribute additionally from their own gross wage with an additional contribution from the State.

- In 2017 the deduction of expenses described in *1.122.* on life insurance and voluntary 3rd pillar pension funds savings tax reliefs were given a “ceiling” and apply only to insurance premium of up to a total of EUR 2 000 per year.
- In 2018 the additional tax exempt amount (child allowance) was replaced by direct child benefits, which are paid without testing for family income.
- In 2018 a minimum amount (“floor”) of social security contributions was established. Employers calculate and pay employer’s share of social security contributions from a base not lower than MMS. As of 1 July 2018 employers must pay not only the employer’s share, but also the employee’s share of social security contributions from a base not lower than MMS.
- In 2019 a labour taxation reform was introduced. Most of the employer's SSC (a total of 28.9 p.p.) were shifted to the employee. The overall employer’s SSC rate in 2018 was 30,5%, an aggregated of:
  - pension insurance – 22.3%;
  - health insurance – 3%;
  - sickness insurance – 1.4%;
  - maternity insurance – 2.2%;
  - unemployment insurance – 1.4%;
  - insurance from accidents at work and occupational diseases – 0,2%
- Starting from 1 January 2019 pension insurance, health insurance, sickness insurance and maternity insurance were shifted to the employee side (22,3%+3%+1,4%+2,2%=28,9%)
- This resulted in a gross salary increase by 28.9% (enforced by law), as well as recalculation of SSC, personal income tax and payroll tax rates accordingly to neutralize the shift. Moreover, a share of SSC, covering the general part of pension, was shifted to personal income tax to ensure a sustainable financing source for financing the general part of pension from the State budget. Finally, personal income tax and SSC rates were reduced by a total of 1.55 p.p. (in the new taxation system) to ensure that take home pay does not decrease in case a person decides to participate in the 2nd pillar pension system after the 2019 reform (which includes employee's contribution).
- In 2019, a two-bracket progressive taxation for labour income was introduced. The first bracket is taxed at 20%, while the second bracket – at 27% personal income tax rate (above the threshold of 120 average wages per year).
- In 2019, the ceiling for both employee’s and employer’s SSC (excluding health insurance contributions) and payroll taxes (contributions to the Guarantee fund and Long-term employment benefit fund) was introduced. It is applicable for the annual income above 120 average wages
- In 2020 the tax rate for second bracket was increased from 27% to 32% personal income tax rate and the threshold above which 32% rate is applied was reduced from 120 to 84 average wages per year.
- In 2020 the ceiling for both employee’s and employer’s SSC (excluding health insurance contributions) and payroll taxes was reduced from 120 to 84 average wages per year.

4.2. Benefit system

- Between 2000 and June 2004, the child benefits were paid for all children up to 3 years of age, provided that none of the parents received maternity (paternity) benefits. Families with three or more children, below a set threshold of income per family member, were given more generous benefits for children up to 3 years of age, as well as benefits for children from 3 years to 16 years of age.

- Between July 2004 and 2008, the child benefits were paid without testing family income. The range of the age of children for which the benefits were paid depended on the size of the family. Different age ranges were applied for families with three or more children (the top of the range remained 18 years throughout the period) and families with up to two children (the top of the age range was gradually increased from 7 years to 9 years in 2006, from 9 years to 12 years in 2007 and from 12 years to 18 years in 2008).
- In 2009, testing of family income was introduced for families with up to two children above 3 years of age.
- In 2010, the testing for the fact and the size of the maternity (paternity) benefit was introduced for children up to 2 years of age and testing of family income was extended to all children above 2 years of age.
- Between 2012 and 2016, testing of family income applied to all children and only in families with three or more children the child benefit was paid for children over 7 years of age.
- In 2017, testing of family income was abolished for families with three or more children regarding child benefits. Moreover, families with up to two children under 7 years of age were included in the means-tested child benefit scheme.
- In 2018, a universal child benefit replaced the abolished tax exempt amount for children. Universal child benefit is paid for every child from birth to the age of 18 years and over, if he / she is studying under the general education curriculum, but not longer, until he / she reaches the age of 21. Large and low-income families continue receiving the same level of additional child benefits (on top of the universal child benefits), as per legal regulation applicable since 2017.

4.3. Changes to labour taxation and benefit system due to the covid-19 pandemic

- In relation to the COVID-19 pandemic, the Lithuanian Government and the tax authorities decided to apply certain personal income tax and social security contribution related measures to assist tax payers with their ongoing obligations.

  Lithuanian tax authorities have published a list of tax payers which were directly hit and experienced adverse effects of COVID-19 pandemic. These tax payers are automatically subject to certain reliefs and the following fiscal measures apply to the listed entrepreneurs:

  - **Recovery of unpaid taxes is suspended**. The State tax inspectorate would not start tax recovery if these companies have tax debts arising from a declaration filed on 16 March or later;
  - **They are released from late payment interest**;
  - **Accumulated unpaid taxes have to be paid within two months from the end of the emergency situation**. Companies that cannot pay accumulated taxes within the set deadline can apply to the State tax inspectorate for postponement of tax payment by concluding a tax credit agreement.
  - **No interest will apply for such tax credit agreement.**

  Taxpayers on the COVID-19 list will be subject to similar measures to facilitate the payments of social security contributions. However, the two-month period for delayed social security contribution payments is calculated from the end of the quarantine (not from the end of the emergency situation, as is the case for personal income tax).

  Taxpayers not on the COVID-19 list, but which have also experienced negative consequences of COVID-19, may apply to the tax authorities for the reliefs, as well as for conclusion of a tax credit agreement.
- The annual tax-exempt amount for the fiscal year 2020 was increased from EUR 4200 (as budgeted for 2020 before COVID-19) to EUR 4800 for individuals whose annual income does not

exceed twelve minimum monthly wages effective on 1 January 2020 (EUR 7 284 in 2020). For others, the annual tax-exempt amount is estimated using the following formula:

4 800– 0.19 x (annual income – twelve minimum monthly wages effective on 1 January of a respective calendar year).

- One-off child benefit to reduce the effects related with the COVID-19 pandemics was approved by the Lithuanian parliament. Low-income families with up to two children and families with three or more children, as well as families raising children with disabilities, are entitled to one-off payment of 200 euros per child. Other families with children are entitled to one-off payment of 120 euros per child.

5. Memorandum items

5.1. Average gross annual wage earnings calculation

The average gross wage is estimated by the Statistics Lithuania. For the purpose of this exercise the average annual earnings equal twelve average monthly gross wages in the industry sectors B–N by ISIC Rev.4 (private sector, including individual enterprises). The gross wage is monetary remuneration, which includes the basic wage, additional pays, overtime, compensations calculated for annual and special leave and payment for idle time.

5.2. Employer contributions to private pension and health schemes

2nd pillar private pension funds. Between 2004 and 2018, employees could voluntarily choose to participate in the pension accumulation system which in 2018 consisted of three types of contributions to the pension fund: (1) a share of social security contributions paid by the employer was transferred to the pension fund on behalf of the employee (2 p.p. from the total contribution paid by the employer); (2) an additional contribution of 2% deducted from the employee’s gross wage to the pension fund; (3) another 2% of the Lithuanian average gross wage was transferred by the State. In total, if an employee chooses to participate in the pension accumulation system, roughly 6% (2+2+2) of gross wage was accumulated in the pension fund. However, the supplementary part of a social insurance pension will decrease for the period of participation in the accumulation of pensions depending on the amount of contributions paid. From 2019 all persons at age below 40, insured by social insurance, are enrolled in the 2nd pillar system with a possibility to opt-out. The procedure of auto-enrolment will be repeated every 3 years until the person reaches the age of 40. Pension accumulation system consists of two types of contributions to the private pension fund: (1) employee’s contribution – 3% deducted from the employee’s gross wage; (2) State’s contribution – 1.5% of the Lithuanian average gross wage is transferred by the State on behalf of the employee. Therefore, the overall contribution to the private 2nd pillar pension funds is 4.5%, which corresponds to 6% (2+2+2) applicable before the tax reform of 2019.

3rd pillar private pension funds. Employees can voluntarily choose to accumulate for additional pension by taking part in the 3rd pillar private pension funds or negotiate it with employer as part of employment contract. Contributions to such funds are financed by employees themselves, if they chose to take part in pension scheme voluntarily or by the employer on behalf of the employee. Personal income tax relief related to the 3rd pillar contributions are applied (see section 1.1.2.2).

Additional voluntary health insurance. Employees can voluntarily choose to additionally insure their health for services and medicines that are not covered under the mandatory health insurance scheme. Contributions to such insurance schemes are financed by employees themselves and / or third parties on behalf of the employee (employer, family members, etc.). Personal income tax relief related to the contributions paid by the employers are applied (see section 1.1.2.2).

2020 Parameter values

Average earnings/yr	Ave_earn	16 426	Secretariat estimate
Threshold for SSC ceilings	Threshold_SSC_ceilings	104 277.6	
Allowances	Max_basic_al	4 800	
	Threshold_max_basic_al	7 284	
	Reduction_coeficient	0.19	
Income tax schedule	Tax_sch	0.20	104 277.6
		0.32	
Tax credit	tax_cred	0	
Minimum threshold for employer SSC and payroll tax	SSC_employer_min	7 284	
Employer's SSC	SSC_rate_empr1	0.0147	
	SSC_rate_empr2	0.2097	
Employer's payroll tax	PRT_rate_empr	0.0032	
Employee's SSC	SSC_rate_empee1	0.1252	
	SSC_rate_empee2	0.0698	
Universal Child benefits			
For each child	UCB	840.72	
Need-based child benefits			
for each child	CB	562.04	
Need-based family threshold			
each member	F_thrsh	3 000	
Days in tax year	numdays	365	

2020 Tax equations

The equations for the Lithuanian system are mostly on an individual basis. But child benefit is only calculated once.

The functions which are used in the equations (Positive, MIN, etc) are described in the technical note about tax equations. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables “married” and “children”. A reference to a variable with the affix “_total” indicates the sum of the relevant variable values for the principal and spouse.

	Line in country table and intermediate steps	Variable name	Range	Equation
1	Earnings	earn		=Ave_earn
		earn_net	J	=earn_total-CG_tax_total-SSC_empee_total
2	Allowances	basic_al	B	=Positive(IF(earn<Max_basic_al;earn;IF(earn<Threshold_max_basic_al;Max_basic_al;Max_basic_al-Reduction_coefficient*(earn-Threshold_max_basic_al))))
3	Credits in taxable income	taxbl_cr	B	0
4	CG taxable income	tax_inc	B	=earn-basic_al
5	CG tax before credits	CG_tax_excl	B	=Tax(tax_inc,Tax_sch)
6	Tax credits (wastable)	tax_cr		0
7	CG tax	CG_tax	B	=Positive(CG_tax_excl-tax_cr)
8	State and local taxes	local_tax	B	0
9	Employees' soc security	SSC_empee	B	=IF(earn<Threshold_SSC_ceilings;earn*(SSC_rate_empee1+SSC_rate_empee2);(Threshold_SSC_ceilings*SSC_rate_empee1+earn*SSC_rate_empee2
10	Cash transfers	cash_trans	J	=Children*UCB+IF(earn_net<F_thrsh*(Married+1)+F_thrsh*Children;CB*Children;0)
11	Employer’s wage dependent contributions and taxes			
12	Employer's soc security	SSC_empr	B	=IF(AND(earn>0;earn<SSC_employer_min);earn*SSC_rate_empr1+(SSC_employer_min-earn)*SSC_rate_empr2;IF(earn>Threshold_SSC_ceilings;Threshold_SSC_ceilings*SSC_rate_empr1;earn*SSC_rate_empr1))
13	Employer's payroll	PRT_empr	B	=IF(AND(earn>0;earn<SSC_employer_min);SSC_employer_min*PRT_rate_empr;IF(earn>Threshold_SSC_ceilings;Threshold_SSC_ceilings*PRT_rate_empr;earn*PRT_rate_empr))
14	Total	Cont_empr	B	=SSC_empr+PRT_empr

Key to range of equation B calculated separately for both principal earner and spouse P calculated for principal S calculated on the spouse J calculated once only on a joint basis.

Luxembourg

This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.
Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.

Luxembourg 2020

The tax/benefit position of single persons

			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**		38 887	58 040	96 927	38 887
2.	**Standard tax allowances**					
	Basic allowance		480	480	480	480
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		4 297	6 413	10 710	4 297
	Work-related expenses		540	540	540	540
	Other		0	0	0	0
		Total	5 317	7 433	11 730	5 317
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government rounded taxable income (1 - 2 + 3)**		33 550	50 600	85 150	33 550
5.	**Central government income tax liability (exclusive of tax credits)**		3 724	9 995	24 412	2 286
6.	**Tax credits**					
	Basic credit		600	329	0	600
	Married or head of family					
	Children					
	Other		0	0	0	1 458
		Total	600	329	0	2 058
7.	**Central government income tax finally paid (5-6)**		3 124	9 665	24 412	228
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		4 751	7 136	11 977	4 751
	Taxable income					
		Total	4 751	7 136	11 977	4 751
10.	**Total payments to general government (7 + 8 + 9)**		7 875	16 801	36 390	4 979
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	7 614
		Total	0	0	0	7 614
12.	**Take-home pay (1-10+11)**		31 012	41 239	60 537	41 521
13.	**Employer's compulsory social security contributions**		5 351	7 986	13 337	5 351
14.	**Average rates**					
	Income tax		8.0%	16.7%	25.2%	0.6%
	Employees' social security contributions		12.2%	12.3%	12.4%	12.2%
	Total payments less cash transfers		20.3%	28.9%	37.5%	-6.8%
	Total tax wedge including employer's social security contributions		29.9%	37.5%	45.1%	6.1%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		37.2%	51.1%	49.6%	42.1%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		44.8%	57.0%	55.7%	49.1%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Luxembourg 2020

The tax/benefit position of married couples

	Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
	Number of children	2	2	2	none
1.	**Gross wage earnings**	58 040	96 927	116 080	96 927
2.	**Standard tax allowances**				
	Basic allowance	480	960	960	960
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes	6 413	10 710	12 827	10 710
	Work-related expenses	540	1 080	1 080	1 080
	Other	0	4 500	4 500	4 500
	Total	7 433	17 250	19 367	17 250
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government rounded taxable income (1 - 2 + 3)**	50 600	79 650	96 700	79 650
5.	**Central government income tax liability (exclusive of tax credits)**	3 554	11 407	18 112	11 407
6.	**Tax credits**				
	Basic credit	329	929	659	929
	Married or head of family				
	Children				
	Other	0	0	0	0
	Total	329	929	659	929
7.	**Central government income tax finally paid (5-6)**	3 225	10 478	17 453	10 478
8.	**State and local taxes**	0	0	0	0
9.	**Employees' compulsory social security contributions**				
	Gross earnings	7 136	11 887	14 272	11 887
	Taxable income				
	Total	7 136	11 887	14 272	11 887
10.	**Total payments to general government (7 + 8 + 9)**	10 361	22 365	31 725	22 365
11.	**Cash transfers from general government**				
	For head of family				
	For two children	7 614	7 614	7 614	0
	Total	7 614	7 614	7 614	0
12.	**Take-home pay (1-10+11)**	55 293	82 175	91 969	74 562
13.	**Employer's compulsory social security contributions**	7 986	13 337	15 973	13 337
14.	**Average rates**				
	Income tax	5.6%	10.8%	15.0%	10.8%
	Employees' social security contributions	12.3%	12.3%	12.3%	12.3%
	Total payments less cash transfers	4.7%	15.2%	20.8%	23.1%
	Total tax wedge including employer's social security contributions	16.3%	25.5%	30.4%	32.4%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	31.1%	44.4%	51.1%	44.4%
	Total payments less cash transfers: Spouse	30.9%	42.9%	51.1%	42.9%
	Total tax wedge: Principal earner	39.4%	51.1%	57.0%	51.1%
	Total tax wedge: Spouse	39.2%	49.8%	57.0%	49.8%

The national currency is the Euro (EUR). In 2020, EUR 0.88 equalled USD 1. The Secretariat has estimated that in that same year the average worker earned EUR 58 040 (Secretariat estimate).

1. Personal income tax system

1.1. Taxes levied by central government

1.1.1. Tax unit

Spouses and partners are taxed jointly on their income. The income of minor children is included in determining the couple's taxable income. However, any earned income that children may derive from work is excluded from joint taxation.

From 2018 onwards, there is the option to file separate tax returns for married couples and civil partners.

1.1.2. Tax reliefs and tax credits

1.1.2.1. Standard reliefs in the form of deductions from income

- Wage-earners are entitled to a standard minimum deduction of EUR 540 for work-related expenses other than travel, unless their actual deductible expenses are higher. This deduction is doubled for spouses taxed jointly.
- The first 4 distance units (i.e. 4 * 99 = EUR 396 per year) of the lump sum deduction for travel expenses between a taxpayer's home and his working places are abolished. The maximum deduction will be limited to EUR 2 574 per year.
- Like other taxpayers, wage-earners having no special expenses (interest charges, insurance premiums or contributions other than for social security) may take a standard deduction of EUR 480 for special expenses. Actual insurance premiums are deductible up to the limit set by law.
- If both spouses have earned income and are taxed jointly, they qualify for an earned income allowance of EUR 4 500.
- Social security contributions: contributions paid to compulsory health insurance and pension schemes are deductible in full.
- Dependency insurance: the dependency contribution is not deductible for income tax purposes.

1.1.2.2. Standard reliefs in the form of tax credits

- Wage-earners and pensioners receive a refundable tax credit. The tax credit will increase progressively until it is capped at EUR 600 per year for taxpayers earning between EUR 11 265 and EUR 40 000. Between EUR 40 000 and EUR 80 000, the tax credit will decline progressively. Over EUR 80 000, the tax credit is 0.
- Single-parents receive a refundable tax credit. The tax credit will be increased to EUR 1 500 per year for taxpayers earning up to EUR 35 000. Between EUR 35 000 and EUR 105 000, the tax credit will decline progressively. Over EUR 105 000 the tax credit is EUR 750 like in the past.
- A new tax credit for social minimum wage earners was introduced in January 2019. The tax credit is fixed to EUR 70 per month for employees earning a monthly gross wage between EUR 1 500 and EUR 2 500. For employees with monthly gross wages between EUR 2 500 and EUR 3 000, the tax credit declines progressively. Employees with monthly gross wages higher than EUR 3 000 will not benefit anymore from the tax credit. This tax credit come on top of the already existing tax credit for employees.

1.1.2.3. Non-standard allowances deductible from taxable income

- Interest charges are deductible insofar as they are not considered operating expenses or acquisition expenses, and provided they are unrelated economically to the exempt income.
- Taxpayers may deduct premiums paid to insurers licensed in an EU country in respect of life, death, accident, disability, illness or liability insurance, as well as dues paid to recognised mutual assistance companies.
- From 2017 onwards, the deductibility of interest charges and for insurance and legal responsibility is aggregated under one category and limited to EUR 672.
- Payments to an insurance company or credit institution in respect of an individual retirement scheme are deductible. These payments are capped at EUR 3 200 and must meet certain investment policy constraints.
- Contributions to building society savings are deductible up to the limit of EUR 672. If the taxpayer is under 40 years old, this limit will be doubled to EUR 1 344.
- Interest charges in respect of the rental value of owner-occupied housing are deductible only up to an annual ceiling. During the first five years, the ceiling is EUR 2 000; for the following five years it is EUR 1 500; thereafter it is EUR 1 000. These ceilings are increased by an equal amount for the taxpayer's spouse/partner, and for each qualifying child.
- As from 1 January 2009, the maximal deduction of premium related to the mortgage life insurance on the taxpayer's principal residence is EUR 6 000. This ceiling is increased by an equal amount for the taxpayer's spouse/partner and by 1 200 for each qualifying child. For taxpayers over the age of 30, the allowable deduction of EUR 6 000 is increased by 8% (e.g. EUR 480) for each year over 30, with a ceiling of 160%.
- Upon request, taxpayers may be granted exemptions for extraordinary expenses that are unavoidable, and that considerably reduce their ability to pay taxes (e.g. uninsured health care costs, support for needy relatives, uninsured funeral costs beyond the taxpayer's means, domestic or childcare expenses, expenses for children outside the taxpayer's household, or expenses for children in a single-parent household).
- The deductibility for domestic costs is set at EUR 5 400.
- A EUR 5 000 tax allowance will be granted for the purchase of an electric or hydrogen-powered car. A EUR 2 500 tax allowance will be granted for the purchase of a rechargeable hybrid car, when CO2 emissions do not exceed 50g/km. The tax allowance is EUR 300 for the purchase of a pedelec or bicycle.
- From 2019 onwards, self-employed have the possibility to deduct premiums paid into a supplementary pension scheme for the self-employed as special expenses, as well as a flat-rate and final discharge. The financing of supplementary pension schemes is deductible up to 20% of annual income.

1.1.3. Tax schedule reliefs

Income tax is determined on the basis of the following schedule (amounts in Euros):

0% for the portion of income up to 11 265
8% for the portion of income between 11 265 and 13 137
9% for the portion of income between 13 137 and 15 009
10% for the portion of income between 15 009 and 16 881
11% for the portion of income between 16 881 and 18 753
12% for the portion of income between 18 753 and 20 625
14% for the portion of income between 20 625 and 22 569
16% for the portion of income between 22 569 and 24 513
18% for the portion of income between 24 513 and 26 457
20% for the portion of income between 26 457 and 28 401
22% for the portion of income between 28 401 and 30 345
24% for the portion of income between 30 345 and 32 289
26% for the portion of income between 32 289 and 34 233
28% for the portion of income between 34 233 and 36 177
30% for the portion of income between 36 177 and 38 121
32% for the portion of income between 38 121 and 40 065
34% for the portion of income between 40 065 and 42 009
36% for the portion of income between 42 009 and 43 953
38% for the portion of income between 43 953 and 45 897
39% for the portion of income between 45 897 and 100 002
40% for the portion of income between 100 002 and 150 000
41% for the portion of income between 150 000 and 200 004
42% for the portion of income exceeding 200 004

The income tax liability of single taxpayers is determined by applying the above schedule to taxable income.

The income tax liability of married taxpayers and partners corresponds to double the amount obtained if the above schedule is applied to half of their income (class 2).

For widow(er)s, taxpayers with a dependent child allowance and persons over 64 years of age (class 1a), tax is calculated as follows: the schedule is applied to adjusted taxable income reduced by half of the difference between that amount and EUR 45 060, with the marginal tax rate capped at 39% for the portion of income between EUR 37 842 and EUR 100 002, 40% for the portion of income between EUR 100 002 and EUR 150 000, 41% for the portion of income between EUR 150 000 and EUR 200 004, and 42% for the portion of income exceeding EUR 200 004.

Income tax as determined by the applicable schedules is subject to a 7% “solidarity” surtax to finance the employment fund. The rate is 9% for the taxable income exceeding EUR 150 000 (tax classes 1 and 1a), respectively EUR 300 000 (tax class 2).

1.1.4. Income exemptions

A taxpayer may claim a deduction for a dependent child under 21 years of age who is not part of the household. This deduction is allowed for expenses actually incurred but may not exceed EUR 4 020.

1.2. Local (municipal) taxes

No particular income tax is levied by municipalities, which receive a direct share of the income tax revenue collected by the State. This share is equal to 18% of tax revenue.

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

	Employer's share (%)	Employee's share (%)	Ceiling on contributions (in euros)
a) Pension and disability insurance	8	8	128 519,40
b) Health insurance	3.05	3.05	128 519,40
c) Dependency insurance		1.4	Monthly allowance 535.50 *
d) Health in the workplace	0.11		
e) Accident insurance	0.75		

(Monthly allowance: EUR 535.50 = 0.25 social minimum salary / 12). The social minimum salary in 2020 is equal to EUR 25 703.88.

No distinction is made according to family status or gender.

As from 1 January 2009 the differences in social security contributions between workers and employees are abolished.

The temporary budget balancing tax, the "impôt d'équilibrage budgétaire temporaire" (IEBT), introduced in 2015, is abolished from 1 January 2017.

Employers must make payments to the Employers' Mutual Insurance Scheme. This scheme provides insurance for employers against the financial cost of continued payment of salaries or wages to workers who become incapacitated. Employers are required to pay the remuneration of an employee who is unable to work until the end of the month in which the seventy-seventh day of incapacitation occurs within a reference period of twelve successive calendar months. The Scheme is administered by a Board of Directors which is mainly composed of employer representatives (Chamber of Commerce, Chamber of Trade, Chamber of Agriculture and Federation of Independent Intellectual Workers). Employer contributions depend on the rate of "financial absenteeism" within the company, and range from 0.46 % to 2.70 %. A representative rate of 1.85 % is used in the Taxing Wages calculations.

3. Universal cash transfers

3.1. For married persons

None.

3.2. For dependent children

Every child raised in the Grand Duchy entitles the person on whom the child is dependent to a monthly family allowance. Family allowances are adjusted regularly for the cost of living.

There has been a reform of the family allowance system in 2016.

For families that are eligible for family allowance before 1 August 2016, the old system remains, and the amounts for 2020 are :

Effective date	As of 1 July 2006
1 eligible child	EUR 185.60
2 eligible children	EUR 440.72
3 eligible children	EUR 802.74

Starting with the fourth eligible child, the allowance is raised by EUR 361.82 per child.

Additionally, a child bonus amounting to EUR 76.88 per child per month is paid in cash irrespective of the taxable income of the parents as from 1 January 2009. This amount is paid by the National Family Benefits Administration.

For children born on or after 1 August 2016, the child bonus amounting to EUR 76.88 per child per month has been abolished and incorporated in the new higher amounts:

Effective date	As of 1 August 2016
1 eligible child	EUR 265
2 eligible children	EUR 530
3 eligible children	EUR 795

The amounts indicated above (under the old regime as well as under the new regime) are increased by EUR 20 for children aged 6 to 11 and by EUR 50 for those aged 12 years or older. These new additional amounts, depending on the children's age, are applicable for all children and are replacing the amounts of EUR 16.17 respectively EUR 48.52 from 1 August 2016 onwards.

4. Main changes since 2008

4.1. Partnerships

The Act of 9 July 2004 introduced the notion of partnerships into tax law. The Act construes the term "partnership" as a relationship between two persons, called "partners", of opposite sex or the same sex, who live together as a couple and declare themselves as such.

As from 1 January 2008, the fiscal treatment of the partnerships is modified. The deduction for extraordinary expenses is replaced by the joint taxation of partners as it already exists for spouses.

4.2. Introduction of tax credits

The following changes were made as of 1 January 2017:

- The existing tax credit of EUR 300 for employees, self-employed people and pensioners will be increased progressively until it is capped at EUR 600 per year for taxpayers earning between EUR 11 265 and EUR 40 000. For taxpayers earning between EUR 40 000 and 80 000, the tax credit will decline progressively. Taxpayers earning more than EUR 80 000 will not benefit anymore from the tax credit.
- The existing tax credit of EUR 750 for single parents with children will be increased to EUR 1 500 per year for taxpayers earning up to EUR 35 000. For taxpayers earning between EUR 35 000 and EUR 105 000, the tax credit will decline progressively. For taxpayers earning more than EUR 105 000, the tax credit will remain at its current level of EUR 750.

The following changes were made as of 1 January 2019:

- A new tax credit for social minimum wage earners was introduced. The tax credit is fixed to EUR 70 per month for employees earning a monthly gross wage between EUR 1 500 and EUR 2 500. For employees with monthly gross wages between EUR 2 500 and EUR 3 000, the tax credit declines progressively. Employees with monthly gross wages higher than EUR 3 000 will not benefit anymore from the tax credit.

This tax credit come on top of the already existing tax credit for employees.

4.3. Changes to labour taxation due to the covid-19 pandemic

In order to mitigate the negative impact of the covid-19 pandemic on the economy, the Luxembourg government introduced several measures to support taxpayers financially. Concerning labour taxation, the following measures were introduced:

- The date for submitting PIT tax returns is postponed from 31 March 2020 to 30 June 2020
- The deductibility for domestic costs is increased from EUR 5 400 to EUR 6 750 for the period of 1 April 2020 to 31 December 2020, for taxpayers who employ a housekeeper for domestic tasks.
- Cross-border workers living in France, Germany and Belgium are allowed to work from home (e.g. teleworking) during the crisis without their wage being taxed in their country of residence.

With regards to measures not directly effecting labour taxation but from which the majority of taxpayers can benefit:

- Short-time working in the event « force majeure » in relation with the current COVID-19 crisis is possible from 18 March 2020 to 30 June 2020. The short-time working scheme is an accelerated procedure that is intended to protect jobs in companies that had to completely or partially cease their activities due to the crisis. The scheme applies to employees that can no longer be employed on a full-time basis. The state will pay a compensation up to 80% of the employee's wage, and the reimbursement is limited to 250% of the social minimum wage for unskilled workers aged 18 or over. Any difference between the amount of the compensation paid and the social minimum wage will be borne by the Unemployment Fund.
- A specific procedure has been set up to allow parents to take leave for family reasons if they have to look after their children
- Possibility to cancel the first two quarterly advance tax payments for 2020, tax types concerned: corporate income tax, communal business tax and personal income tax (only if profit from commercial or craft activities, from agricultural or forestry activities or from exercising a liberal profession)
- Possibility to postpone for 4 months the payment of PIT based on tax returns (concerns only tax returns with a payment deadline after 29 February 2020). Tax types concerned: corporate income tax, communal business tax, net wealth tax and personal income tax (only if profit from commercial or craft activities, from agricultural or forestry activities or from exercising a liberal profession). This does not affect e.g. the withholding of PIT for employees.
- The deadline for submitting a claim or a formal hierarchical appeal has been suspended until 30 June 2020

5. Memorandum item

5.1. Identification of the average worker

Average gross hourly wages by industry and by gender are determined on the basis of biannual surveys on industry wages and working hours. These surveys cover gross compensation for regular hours (working hours + leave time) plus overtime pay. Hourly wages include bonuses and allowances such as premiums for output, production or productivity. In contrast, non-periodic compensation (bonuses, profit-sharing) that is not paid systematically in each pay period is not included. Nevertheless, in order to allow for comparisons between countries, gross annual pay is adjusted on the basis of average non-periodic compensation as calculated from triennial surveys of labour costs.

Regarding working hours, the time taken into account is the time effectively offered, including regular working hours, overtime, night shifts and work on Sunday.

2020 Parameter values

Average earnings/yr	Ave_earn	58 040	Secretariat estimate
Tax allowances: general	gen_dedn	480	
professional expenses	prof_exp	540	
travel expenses	travel_exp	0	
extra if both spouses earning	extra_dedn	4 500	
Low earner allowance	allow_1		
Low earner allowance (couples)	allow_2		
Class 1a limit	cl_1a_lim	45 060	
Tax schedule	tax_sch	0	11 265
		0.08	13 137
		0.09	15 009
		0.10	16 881
		0.11	18 753
		0.12	20 625
		0.14	22 569
		0.16	24 513
		0.18	26 457
		0.20	28 401
		0.22	30 345
		0.24	32 289
		0.26	34 233
		0.28	36 177
		0.30	38 121
		0.32	40 065
		0.34	42 009
		0.36	43 953
		0.38	45 897
		0.39	100 002
		0.40	150 000
		0.41	200 004
		0.42	
Child credit maximum	ch_cred	0	
Social Minimum Salary	min_salary	25 703.88	
Multiplier for unemployment	unemp_rate_1	1.07	
	Unemp_rate_2	1.09	
	Unemp_lim	150 000	
Social security contributions	SSC_rate	0.1105	
	SSC_ceil	128 519.40	
	infirm	0.014	
	infirm_abatement	0.25	
Employer contributions	workhealth	0.0011	
	SSC_empr	0.1105	
	SSC_acc	0.0075	
	empr_mutual	0.0185	
Child benefit (1 child)	CB_1	185.6	
2 children	CB_2	440.72	
extra age 6-11 extra age above 11	CB_ex	20 50	
Child bonus	ch_bonus	922.50	
Worker tax credit	wtc_basic_1	300	
	wtc_basic_2	600	
	wtc_incomelim_1	936	

	wtc_incomelim_2	11 265	
	wtc_incomelim_3	40 000	
	wtc_incomelim_4	80 000	
	wtc_incr_rate	0.029044438	
	wtc_decr_rate	0.015	
Single parent tax credit	sptc_basic_1	1500	
	sptc_basic_2	750	
	sptc_incomelim_1	35 000	
	sptc_incomelim_2	105 000	
	sptc_decr_rate	0.010714286	
Minimum wage tax credit	smwtc_basic	840	
	smwtc_incomelim_1	18 000	
	smwtc_incomelim_2	30 000	
	smwtc_incomelim_3	36 000	
	smwtc_decr_rate	0.14	
Class 1a Discount	discount	0.50	
Maximum Marginal Rate	max_rate	0.42	

2020 Tax equations

The equations for the Luxembourg system are on a joint basis except for social security contributions. The functions which are used in the equations (Taper, MIN, Tax etc) are described in the technical note about tax equations. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables "married" and "children". A reference to a variable with the affix "_total" indicates the sum of the relevant variable values for the principal and spouse. And the affixes "_princ" and "_spouse" indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with "_spouse" values taken as 0.

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings	earn		
2.	Allowances:			
	Basic	basic	J	IF(earn_spouse='0,' 1, 2)*gen_dedn
	work-related	work_rel	J	IF(earn_spouse='0,' 1, 2)*(prof_exp)
	Other	other_al	J	(earn_spouse>0)*extra_dedn
	Total	tax_al	J	min(basic+work_rel+other_al+SSC_ded_total, earn)
3.	Credits in taxable income	taxbl_cr	J	0
	family quotient	quotient	J	1+Married
4.	CG taxable income unadjusted taxable income	tax_inc	J	earn-tax_al
5.	CG tax before credits	tax_excl	J	((Children=0)*IF(Married='0,Tax(tax_inc,' tax_sch), quotient*Tax(tax_inc/quotient, tax_sch)) + (Children>0)*IF(Married='0,' Taxclass1a(tax_inc, tax_sch, discount, cl_1a_lim, max_rate), quotient*Tax(tax_inc/quotient, tax_sch)))*IF(tax_inc>unemp_lim*(1+Married,unemp_rate_2,unemp_rate_1)
6.	Tax credits :	worker_cr	J	Positive(IF(earn_princ>wtc_incomelim_1,wtc_basic_1+(Positive(MIN(earn_princ, wtc_incomelim_2)-wtc_incomelim_1)*wtc_incr_rate)-(Positive(earn_princ-wtc_incomelim_3)*wtc_decr_rate),0))+ Positive(IF(earn_spouse>wtc_incomelim_1,wtc_basic_1+(Positive(MIN(earn_spouse,wtc_incomelim_2)-wtc_incomelim_1)*wtc_incr_rate)-(Positive(earn_spouse-wtc_incomelim_3)*wtc_decr_rate),0))
		monoparent_cr	J	IF(AND(Married=0,Children>0),IF(earn<sptc_incomelim_1,sptc_basic_1,sptc_basic_1-((MIN(earn,sptc_incomelim_2)-sptc_incomelim_1)*sptc_decr_rate)),0)
		Minimum wage credit	J	if (earn_p> smwtc_incomelim_1,if (earn_p< smwtc_incomelim_2,smwtc_basic,Positive(smwtc_incomelim_3 -earn_p)*smwtc_decr_rate),0) + if (earn_s> smwtc_incomelim_1,if (earn_s< smwtc_incomelim_2,smwtc_basic,Positive(smwtc_incomelim_3 -earn_s)*smwtc_decr_rate),0)
		tax_cr	J	worker_cr+monoparent_cr+minimum wage credit
7.	CG tax	CG_tax	J	tax_excl-tax_cr
8.	State and local taxes	local_tax	J	0
9.	Employees' soc security	SSC	B	SSC_rate*MIN(earn, SSC_ceil)+infirm*Positive(earn-infirm_abatement*min_salary)+()
	deductible portion	SSC_ded	B	SSC_rate*MIN(earn, SSC_ceil)
11.	Cash transfers	cash_trans	J	((Children='1)*(CB_1+CB_ex)+' (Children=2)*(CB_2+2*CB_ex))*12+Children*ch_bonus
13.	Employer's soc security	SSC_empr	B	(SSC_empr+workhealth)*MIN(earn, SSC_ceil)+SSC_acc*MIN(earn,SSC_ceil)+empr_mutual*MIN(AA7,SSC_ceil)

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

Mexico

This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.
Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations.

Mexico 2020

The tax/benefit position of single persons

		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1.	**Gross wage earnings**		87 879	131 163	219 043	87 879
2.	**Standard tax allowances**					
	Basic allowance		2 968	3 145	3 507	2 968
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other					
		Total	2 968	3 145	3 507	2 968
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		84 912	128 018	215 536	84 912
5.	**Central government income tax liability (exclusive of tax credits)**		6 288	12 377	30 517	6 288
6.	**Tax credits**					
	Basic credit		3 042	0	0	3 042
	Married or head of family					
	Children					
	Other		0	0	0	0
		Total	3 042	0	0	3 042
7.	**Central government income tax finally paid (5-6)**		3 245	12 377	30 517	3 245
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		1 098	1 784	3 234	1 098
	Taxable income					
		Total	1 098	1 784	3 234	1 098
10.	**Total payments to general government (7 + 8 + 9)**		4 344	14 161	33 751	4 344
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	0
		Total	0	0	0	0
12.	**Take-home pay (1-10+11)**		83 536	117 003	185 292	83 536
13.	**Employers' compulsory social security contributions**		12 210	15 434	22 142	12 210
14.	**Average rates**					
	Income tax		3.7%	9.4%	13.9%	3.7%
	Employees' social security contributions		1.3%	1.4%	1.5%	1.3%
	Total payments less cash transfers		4.9%	10.8%	15.4%	4.9%
	Total tax wedge including employer's social security contributions		16.5%	20.2%	23.2%	16.5%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		12.1%	19.5%	22.9%	12.1%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		17.5%	25.2%	28.4%	17.5%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Mexico 2020

The tax/benefit position of married couples

	Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
	Number of children	2	2	2	none
1.	**Gross wage earnings**	131 163	219 043	262 327	219 043
2.	**Standard tax allowances**				
	Basic allowance	3 145	6 113	6 291	6 113
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes				
	Work-related expenses				
	Other				
	Total	3 145	6 113	6 291	6 113
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**	128 018	212 930	256 036	212 930
5.	**Central government income tax liability (exclusive of tax credits)**	12 377	18 665	24 754	18 665
6.	**Tax credits**				
	Basic credit	0	3 042	0	3 042
	Married or head of family				
	Children				
	Other	0	0	0	0
	Total	0	3 042	0	3 042
7.	**Central government income tax finally paid (5-6)**	12 377	15 622	24 754	15 622
8.	**State and local taxes**	0	0	0	0
9.	**Employees' compulsory social security contributions**				
	Gross earnings	1 784	2 882	3 567	2 882
	Taxable income				
	Total	1 784	2 882	3 567	2 882
10.	**Total payments to general government (7 + 8 + 9)**	14 161	18 504	28 322	18 504
11.	**Cash transfers from general government**				
	For head of family				
	For two children	0	0	0	0
	Total	0	0	0	0
12.	**Take-home pay (1-10+11)**	117 003	200 538	234 005	200 538
13.	**Employers' compulsory social security contributions**	15 434	27 645	30 869	27 645
14.	**Average rates**				
	Income tax	9.4%	7.1%	9.4%	7.1%
	Employees' social security contributions	1.4%	1.3%	1.4%	1.3%
	Total payments less cash transfers	10.8%	8.4%	10.8%	8.4%
	Total tax wedge including employer's social security contributions	20.2%	18.7%	20.2%	18.7%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	19.5%	19.5%	19.5%	19.5%
	Total payments less cash transfers: Spouse	4.9%	12.1%	19.5%	12.1%
	Total tax wedge: Principal earner	25.2%	25.2%	25.2%	25.2%
	Total tax wedge: Spouse	16.5%	17.5%	25.2%	17.5%

The national currency is the peso (MXN). In 2020, MXN 21.56 were equal to USD 1. That year, the estimated earnings of the average worker are MXN 131 163 (Secretariat estimate).

1. Personal Income Tax

1.1. Central government income tax

1.1.1. Tax unit

Each person is taxed separately.

1.1.2. Tax allowances and tax credits

1.1.2.1. Standard tax reliefs

There are two basic allowances, a yearly holiday bonus and an end-of-year bonus.

- Holiday Bonus: Mexico's Labour Law stipulates a minimum holiday bonus of 25% of six days of the worker’s wage. The maximum exemption according to the Tax Law is equivalent to 15 UMAs.[1]
- End-of-year bonus: The minimum end-of-year bonus established in the Labour Law is 15 days of the worker’s wage. The Tax Law exempts end-of-year-bonuses up to 30 UMAs.

1.1.2.2. Main non-standard tax reliefs

Deductions:

- Compulsory school transportation costs.
- Medical expenses (doctor, dental, psychology and nutrition fees and hospital expenses): For expenses made by the taxpayer on behalf of his or her spouse and straight line relatives, the deduction is allowed only if the taxpayer´s relative earns less than the minimum annual wage.
- Complementary contributions of certain retirement accounts are considered eligible as long as they do not exceed 10% of taxable income and MXN 158 469 (5 annual UMAs).
- Funeral expenses: for the spouse and straight-line relatives up to 1 annual UMA.
- Charitable donations made to institutions such as:
  - Federal, state, and municipal governments.
  - Non-profit organisations involved in the fields of social beneficence, education, culture, and research and technology.
- Deposits on special savings accounts, payments of insurance premium of pension plans, and for the acquisition of shares of investment societies as long as they do not exceed MXN 152 000.
- Health insurance premiums for individuals, if the beneficiary is the taxpayer, and/or his family.
- Real interest expenditure of mortgage loans if the value of the property does not exceed MXN 4 843 991. Real interest expenditure is defined as the excess of interest expense over the inflation rate.
- Deduction of taxpayer's educational expenditures for himself, on behalf of his/her spouse, parents or children, among others, for the following educational levels.

Educational Level	Maximum Annual Deduction (MXN)
Kinder Garden	14 200
Primary Education	12 900
Secondary Education	19 900
Technical Profession	17 100
High School	24 500

Since 2016, the limit amount for personal deductions was increased. The new limit is the minimum between 15% of taxpayer's gross income and an amount equivalent to 5 annual UMAs (MXN 158 469 in 2020). The limit does not apply to private school´s tuition, charity donations, complementary contributions to retirement´s personal accounts, professional fees, and medical expenses in the event of incapacity or disability.

1.1.2.3. Employment subsidy credit

The employment subsidy credit is decreasing on workers´ income and is assigned based on a table of income brackets. For monthly income higher than MXN 7 382 no employment subsidy credit is given. Employees with an income tax lower than the credit receive in cash the difference along with their salary. The rest of the workers that receive the credit are entitled to a reduction in their tax burden. The employment subsidy credit is paid by the employers who may credit it against their tax liabilities; the credit therefore represents a fiscal cost for the government.

1.1.3. Tax schedule and other tables

1.1.3.1. Tax schedule

Taxable income (MXN)		Fixed quota (MXN)	Tax on the amount in excess of the lower limit (%)
Lower Limit	Upper Limit		
0.01	6 942.20	0.00	1.92
6 942.21	58 922.16	133.28	6.40
58 922.17	103 550.44	3 460.01	10.88
103 550.45	120 372.83	8 315.57	16.00
120 372.84	144 119.23	11 007.14	17.92
144 119.24	290 667.75	15 262.49	21.36
290 667.76	458 132.29	46 565.26	23.52
458 132.30	874 650.00	85 952.92	30.00
874 650.01	1 166 200.00	210 908.23	32.00
1 166 200.01	3 498 600.00	304 204.21	34.00
3 498 600.01	And over	1 097 220.21	35.00

The income tax schedule are updated once the accumulated inflation reaches 10%. The last updated was in 2018.

1.1.3.2. Employment subsidy credit table

For annual taxable income in a certain income range, the employment subsidy credit is given in the third column of the following table:

Lower limit (MXN)	Upper limit (MXN)	Tax credit (MXN)
0.0	21 227.52	4 884.24
21 227.53	31 840.56	4 881.96
31 840.57	41 674.08	4 879.44
41 674.09	42 454.44	4 713.24
42 454.45	53 353.80	4 589.52

53 353.81	56 606.16	4 250.76
56 606.17	64 025.04	3 898.44
64 025.05	74 696.04	3 535.56
74 696.05	85 366.80	3 042.48
85 366.81	88 587.96	2 611.32
88 587.97	And Over	0.00

1.2. State and local income taxes

States do not levy taxes on income.

1.3. Payroll taxes

Mexico does not have a Federal pay-roll tax. However, most States apply a state pay-roll tax with an average rate of 2.53 %. These taxes are not considered in this Report since there are a wide range of practices with respect to the definition of the tax base that does not allow obtaining a reliable estimation.

2. Compulsory Social Security Contributions to Schemes Operated within the Government Sector

2.1. Employees' contributions

Social security contributions are divided as follows:

For sickness and maternity insurance, 0.625% of the workers monthly wage, plus 0.40% of the amount in excess of 3 UMAs. For disability and life insurance, 0.625% of the monthly wage.

In 2020, a ceiling of 25 UMAs applies to the salary that is used to calculate the social security contributions.

2.2. Employers' contributions

- For sickness and maternity 20.40% of the UMA, plus 1.10% of the amount in excess of 3 UMAs, plus 1.75% of the monthly wage.
- For disability and life insurance, 1.75% of worker's monthly wage.
- For social services and nursery, 1% of worker's monthly wage.
- For insurance for work injuries of employees, 2.033% of worker's monthly wage.[2]

In 2020, a ceiling of 25 UMAs applies to the salary that is used to calculate the social security contributions.

3. Universal Cash Transfers

3.1. Transfers related to marital status

None.

3.2. Transfers for dependent children

None.

4. Main Changes in the Tax/Benefit System since 1995

The Social Security Law enacted in July 1997 changed fundamentally the financing of non-government employees' social security, which shifted from a pay-as-you-go scheme to funded individual accounts. The government does not manage these accounts; new private financial institutions were created specifically for this purpose. However, the contractual obligation is between the workers and the government, not with the private administrator of the funds, because legally they are still considered as contributions to social security, independently of who manages the funds. It should be noted that the federal government also contributes to each pension account, and guarantees a minimum pension to every beneficiary of the social security system, independently of the administration of the funds as well.

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

Federal Government.

- The Tax Administration Service extended the deadline for filing the individual 2019 annual tax return until June 30, 2020 (originally April 30).

Examples of tax measures at Subnational Governments.

- The Mexico City Government extended the deadline to obtain a discount on the payment of the Tax on Vehicle Ownership from the end of March to the end of July. The City Government also announced the deferral of tax returns and payments obligations included in the Mexico City Tax Code, extending the deadline to the end of the month. Tax inspection acts were suspended from March 23rd to May 29th.
- Individuals and companies were exempted of surcharges, fines and other expenses generated during the first three bimesters of 2020 for non-compliance with the payment of the property tax. Additionally, a 5% discount was granted on the payment of this tax for the fourth bimester, as well as for advance payments of the tax corresponding to the fifth and sixth bimesters.
- The State of Mexico also extended the deadline for the payment of the Tax on Vehicle Ownership to the end of July. The Government also granted a 100% discount in the tax on lodging for the months of April, May, June and July and a 50% discount for the payment of payroll tax for companies with up to 50 employees for April and May.
- The Government of the State of Sonora announced for March and April a 50% discount for the payment of payroll tax for companies with up to 50 employees and a 100% discount for the Tax on Lodging. The State Government also announced the deferral for the payment of permits for the sale of alcoholic beverages and for the revalidation of vehicles permits, and also the suspension of tax inspection acts. The measures were extended until June.

5. Memorandum Items

5.1. Method used to identify an average worker and to calculate his gross earnings

The income data refer to average workers. It should be noted that in the sample used for this survey, medium and large size firms are over-represented. In Mexico, there are no state or local government income taxes. Information on non-standard tax reliefs is not available.

Figures for 1999 and subsequent years cannot be compared with preliminary figures from previous editions of this publication for two reasons: first, the wage level of the average worker is now based on observed data instead of being estimated; second, social security contributions taken into account no longer include contributions made by employers and employees to privately managed individual accounts. Contributions no longer included in the calculation of social security contributions are specified in the table below.

5.2. Main employees' and employers' contributions to private pension, health, etc. schemes

	Account	% of workers' monthly wage
Employers' contributions	Retirement	2.00
	Discharge and old age insurance	3.15
	Housing Fund (INFONAVIT)	5.00
Employees' contributions	Discharge and old age insurance	1.125

2020 Parameter values

Average earnings/yr	Ave_earn	131 163	Secretariat estimate	
Unit of Measure and Update	UMA	86.88		
Income tax	tax_table	0.00	0	0.0192
		6 942.21	133.28	0.0640
		58 922.17	3 460.01	0.1088
		103 550.45	8 315.57	0.1600
		120 372.84	11 007.14	0.1792
		144 119.24	15 262.49	0.2136
		290 667.76	46 565.26	0.2352
		458 132.30	85 952.92	0.3000
		874 650.01	210 908.23	0.3200
		1 166 200.01	304 204.21	0.3400
		3 498 600.01	1 097 220.21	0.3500
Tax credit basic	Basic_crd	0.0	4 884.24	
		21 227.53	4 881.96	
		31 840.57	4 879.44	
		41 674.09	4 713.24	
		42 454.45	4 589.52	
		53 353.81	4 250.76	
		56 606.17	3 898.44	
		64 025.05	3 535.56	
		74 696.05	3 042.48	
		85 366.81	2 611.32	
		88 587.97	0.00	
Employees SSC	SSC_rate	0.0125		
	SSC_rate_sur	0.0040		
Employers SSC	SSC_empr	0.06533		
	SSC_empr_min	0.2040		
	SSC_empr_sur	0.0110		

2020 Tax equations

The equations for the Mexican system in 2020 are on an individual basis.

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

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings	earn		
2.	Allowances	tax_al	B	MIN(earn, MIN(earn*(6/365)*0.25, UMA*15)+ MIN(earn*(15/365), UMA*30))
3.	Credits in taxable income	taxbl_cr	B	0
4.	CG taxable income	tax_inc	B	Positive(earn-tax_al)
5.	CG tax before credits	CG_tax_excl	B	Tax(tax_inc, Tax_sch)
6.	Tax credits	tax_cr	B	VLOOKUP(tax_inc, Basic_crd, 2)
7.	CG tax	CG_tax	B	CG_tax_excl-tax_cr
8.	State and local taxes	local_tax	B	0
9.	Employees' soc security	SSC	B	MIN(earn*ssc_rate, UMA*25*365*ssc_rate)+MIN(Positive(earn-(3*365*UMA))*ssc_rate_sur, UMA*(25-3)*365*ssc_rate_sur)
11.	Cash transfers	cash_trans	B	0
13.	Employer's soc security	SSC_empr	B	MIN(earn*ssc_empr, UMA*25*365*ssc_empr)+365*UMA*ssc_empr_min +MIN(Positive(earn-(3*365*UMA))*ssc_empr_sur, UMA*(25-3)*365*ssc_empr_sur)
	Memorandum item: Non-wastable tax credit			
	tax expenditure component	taxexp	B	tax_cr-transfer
	cash transfer component	transfer	B	IF(CG_tax<0, -CG_tax, 0)

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

Notes

[1] For 2020, the value of the UMA is 86.88, mean while the general minimum wage is 123.22 and 185.56 in the northern border region. The municipalities constituting the northern border region are as follows: Ensenada, Playas de Rosarito, Tijuana, Tecate and Mexicali in the state of Baja California; San Luis Río Colorado, Puerto Peñasco, General Plutarco Elías Calles, Caborca, Altar, Sáric, Nogales, Santa Cruz, Cananea, Naco and Agua Prieta in the state of Sonora; Janos, Ascensión, Juárez, Praxedis G. Guerrero, Guadalupe, Coyame del Sotol, Ojinaga and Manuel Benavides in the state of Chihuahua; Ocampo, Acuña, Zaragoza, Jiménez, Piedras Negras, Nava, Guerrero and Hidalgo in the state of Coahuila de Zaragoza; Anáhuac in the state of Nuevo León, and Nuevo Laredo; Guerrero, Mier, Miguel Alemán, Camargo, Gustavo Díaz Ordaz, Reynosa, Río Bravo, Valle Hermoso and Matamoros in the state of Tamaulipas.

[2] The amount of the work injury fee depends on the risk level in which the company is classified. The Mexican Institute of Social Security provided a weighted average rate that considers the economic activities from C to K of the International Standard Classification.

Netherlands

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

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

Netherlands 2020

The tax/benefit position of single persons

		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1.	**Gross wage earnings**		36 745	54 843	91 588	36 745
2.	**Standard tax allowances:**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		0	0	0	0
	Work-related expenses					
	Other		1 517	2 711	5 136	1 517
		Total	1 517	2 711	5 136	1 517
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		35 228	52 132	86 451	35 228
5.	**Central government income tax liability (exclusive of tax credits)**		3 560	9 873	24 872	3 560
6.	**Tax credits :**					
	Basic credit					
	Married or head of family					
	Children					
	Other					
		Total	1 478	965	189	2 226
7.	**Central government income tax finally paid (5-6)**		2 082	8 908	24 683	1 334
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		0	0	0	0
	Taxable income (net of credits)		5 385	6 846	9 058	3 253
		Total	5 385	6 846	9 058	3 253
10.	**Total payments to general government (7 + 8 + 9)**		7 468	15 754	33 741	4 587
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	6 604
		Total	0	0	0	6 604
12.	**Take-home pay (1-10+11)**		29 277	39 089	57 847	38 762
13.	**Employers' compulsory social security contributions**		4 487	6 641	7 290	4 487
14.	**Average rates**					
	Income tax		5.7%	16.2%	26.9%	3.6%
	Employees' social security contributions		14.7%	12.5%	9.9%	8.9%
	Total payments less cash transfers		20.3%	28.7%	36.8%	-5.5%
	Total tax wedge including employer's social security contributions		29.0%	36.4%	41.5%	6.0%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		45.8%	45.8%	51.8%	52.1%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		51.6%	51.6%	51.8%	57.2%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Netherlands 2020

The tax/benefit position of married couples

		Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
		Number of children	2	2	2	none
1.	**Gross wage earnings**		54 843	91 588	109 686	91 588
2.	**Standard tax allowances:**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		0	0	0	0
	Work-related expenses					
	Other		2 711	4 228	5 422	4 228
		Total	2 711	4 228	5 422	4 228
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		52 132	87 360	104 263	87 360
5.	**Central government income tax liability (exclusive of tax credits)**		9 873	13 433	19 747	13 433
6.	**Tax credits :**					
	Basic credit					
	Married or head of family					
	Children					
	Other					
		Total	1 106	3 191	2 679	2 443
7.	**Central government income tax finally paid (5-6)**		8 767	10 242	17 068	10 990
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		0	0	0	0
	Taxable income (net of credits)		6 445	10 099	11 559	12 232
		Total	6 445	10 099	11 559	12 232
10.	**Total payments to general government (7 + 8 + 9)**		15 212	20 341	28 627	23 222
11.	**Cash transfers from general government**					
	For head of family					
	For two children		3 386	2 155	2 155	0
		Total	3 386	2 155	2 155	0
12.	**Take-home pay (1-10+11)**		43 017	73 402	83 214	68 366
13.	**Employers' compulsory social security contributions**		6 641	11 128	13 281	11 128
14.	**Average rates**					
	Income tax		16.0%	11.2%	15.6%	12.0%
	Employees' social security contributions		11.8%	11.0%	10.5%	13.4%
	Total payments less cash transfers		21.6%	19.9%	24.1%	25.4%
	Total tax wedge including employer's social security contributions		30.0%	28.5%	32.3%	33.4%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		52.1%	45.8%	45.8%	45.8%
	Total payments less cash transfers: Spouse		17.3%	45.8%	45.8%	45.8%
	Total tax wedge: Principal earner		57.2%	51.6%	51.6%	51.6%
	Total tax wedge: Spouse		26.3%	51.6%	51.6%	51.6%

The national currency is the Euro (EUR). In 2020, EUR 0.88 was equal to USD 1. In that year, the average worker earned EUR 54 843 (Secretariat estimate).[1]

1. Personal Income Tax System (Central Government)

1.1. Central government income tax

There are three categories ('boxes') of taxable income:

- Taxable income from work and owner-occupied housing;
- Taxable income from a substantial interest in a limited liability company;
- Taxable income from savings and investments.

This description is limited to the most relevant aspects of taxable income from the first category, 'taxable income from work and owner-occupied housing', because of its relevance for the AW.

1.1.1. Tax unit

Husbands and wives are taxed separately on their personal income, which includes income from business, profession and employment, pensions and social security benefits. Certain parts of income may be freely split between husbands and wives, such as the net-income from owner occupied housing and the income from savings and investments.

1.1.2. Tax allowances

1.1.2.1. Standard allowances

1.1.2.2. Non-standard allowances applicable to AW

Related to wage earnings:

- For distances of more than 10 km between home and work, fixed amounts for travel expenses with public transportation are deductible. The maximum deduction for employees who travel by public transport is EUR 2 150 for distances of more than 80 km. If the travel expenses are reimbursed or the employer provides transport, there is no deduction; the reimbursement is untaxed (also for employees who travel by car) if it is below certain specified amounts.
- Employee contributions to private (company provided) pension schemes.
- Related to owner occupied housing:
  - Excess of mortgage interest over net imputed rent.
- Related to personal circumstances:
  - Medical expenses and other exceptional expenses: Fiscal deduction of exceptional health expenses is reduced to the specific costs as a result of a chronic illness. As specific costs are seen medical treatment (not paid for by insurance company), diet costs, special medicine described by a doctor, extra domestic care, special expenses for clothing and transportation costs. Visual tools and insurance premiums are not seen as specific costs and are therefore not deductible. Expenses for wheelchairs, scooters for the disabled and home adjustments made because of a chronic illness are not deductible.
- All expenses except for medical treatment expenses may be increased by a factor. This factor is income and age dependent. The factor amounts to 1.4 if the person is below the legal pension age and has an income on or below EUR 35 375. The factor amounts to 2.13 if the person is on

or above the legal pension age and has an income on or below EUR 35 375. People with an income above EUR 35 375 cannot apply the factor.

- For a single person: the specific expenses (after multiplication with the factor) in excess of 1.65% of income are deductible if income exceeds EUR 7 863 and is below EUR 41 765. If income is lower than or equal to EUR 7 863, the non-deductible limit is EUR 136. For a person with a partner: the joint income is used to determine the non-deductible amounts and the non-deductible limit is EUR 272.
- If income exceeds EUR 41 765 the specific expenses in excess of 1.65% of EUR 41 765 increased with 5.75% of income above EUR 41 765 are deductible.
- Some educational expenses: in direct connection with vocational education. Expenses above the threshold of EUR 250 are deductible. Expenses above EUR 15 000 are not deductible.
- Donations to certain institutions (charity) that serve the public good are deductible if in excess of 1% of the income and in excess of EUR 60. No more than 10% of the income may be deducted in this way.

1.1.3. Tax schedule

The tax schedule for income from work and owner-occupied housing is as follows:

Taxable Income (EUR)	Tax Rate (%)	Social security contributions	
		< 65 years	> 65 years
0–34 712	9.70	27.65	9.75
34 712–68 507	37.35	-	-
68 507 and over	49.50		-

The contributions for the general social security schemes are levied on income from work and owner-occupied housing in the first and second income tax bracket. These social security contributions are not deductible for income tax purposes. Individuals above the pension age pay 9.75% (for widows and orphans pensions, and exceptional medical expenses). Individuals below the pension age pay 27.65%, (for widows and orphans pensions, exceptional medical expenses, and old age income provision). For further information see Section 2.1.

1.1.4. Tax credits

1.1.4.1. Standard tax credits

The tax credits are deducted partly from the income tax liability and partly from the contributions that are made to the general social security schemes (see Section 1.13). For most families, the share of the credit attributed to tax is related to the ratio of the tax rate to the sum of the tax rate and the social security contributions rate in the first bracket of the tax schedule. In 2020, this ratio was 25.97% (= 9.70% / (9.70% + 27.65%), implying that 25.97% of the (tax) credit is attributed to the personal income tax and the remaining 74.03% to social security contributions.

Division of credits for tax and social security contributions is essential in the OECD publications. In the Netherlands no division is made in the general tax scheme between tax and SSC.

Note that the tax/benefit position tables show the total amount of social security contributions net of the credits that are claimed.

- General tax credit: The general tax credit is dependent on income since 2014, meaning that higher incomes receive less general tax credit. Since 2016, the general tax credit is fully phased out, meaning that higher incomes receive no general tax credit. In 2020, the maximum of the general tax credit is EUR 2 711 when no reduction is applicable (people who are on or above the legal pension age receive less general tax credit, because they do not pay social contributions for the state pension) and taxable income is below or equal to EUR 20 711. For incomes above this threshold, the general tax credit is fully phased out at a rate of 5.672% (per euro). So incomes above EUR 68 507 receive no general tax credit.

- Work credit: The amount of work credit depends on taxable income from work and is phased in on three trajectories; the first one runs from EUR 0 to EUR 9 921. On this first trajectory, work credit equals 2.812% of taxable income from work. On the second trajectory, which runs from EUR 9 921 to EUR 21 430, the work credit equals EUR 279 plus 28.812% of the part of income that is above EUR 9 921. On the third trajectory, which runs from EUR 21 430 to EUR 34 954, the work credit equals EUR 3 595 plus 1.656% of the part of income that is above EUR 21 430. So at an income of EUR 34 954, the maximum of EUR 3 819 is reached. Above this income of EUR 34 954, the work credit is fully phased out at a rate of 6.0% (per euro) so that incomes above EUR 98 604 receive no work credit.
- Income dependant combination credit: A taxpayer who is either a single parent and working or the working partner with the lowest income, and who has children below the age of 12 and has his/her taxable income from work exceeding EUR 5 072, is entitled to an income dependent combination credit of 11.45% of taxable income from work above EUR 5 072. The maximum total combination credit is EUR 2 881 and reached at an income level of EUR 30 234.
- Single parent credit: abolished since 2015.
- Additional single parent credit: abolished since 2015.
- Elderly tax credit: individuals above the pension age receive a tax credit of EUR 1 622 if their income is below EUR 37 372. This tax credit is gradually phased out to 0 at a rate of 15.0% for incomes above EUR 37 372. Individuals above the pension age who do not have a partner receive an additional tax credit of EUR 4369 that is not income dependent.

The amount of the tax credit is limited to the amount of tax and premiums payable (non-refundable tax credit). If, however, a taxpayer with insufficient income to fully exploit his/her tax credit has a partner with a surplus of tax and premiums payable over his/her own tax credit, the tax credit of the former taxpayer is increased by (at most) the surplus tax and premiums payable by his/her fiscal partner. The cap for this increase is at 20% of sum of the general tax credit, the work credit and the income dependent combination credit. As a consequence, the tax credit of the former taxpayer will exceed tax and premiums payable, resulting in a payout of the residual tax credit to the taxpayer by the tax authority.

1.2. State and local income taxes

None.

2. Compulsory Social Security Contributions to Schemes Operated Within the Government Sector

2.1. Employees' contributions

General schemes (for everyone earning income from (former) employment)

- Old age pension: The age is adjusted such that elderly will receive Old Age (state) pension at the age of 66 years and 4 months old in 2020 and at 67 years old in 2024. The Old age premium percentage is 17.9% of taxable income in the first tax bracket. This scheme does not apply to individuals above the current pension age.

- Widows and orphans pension: 0.10% of taxable income in the first tax bracket.
- Long-term care: 9.65% of taxable income in the first tax bracket.

Schemes for employees:

- Unemployment: 0% of the gross earnings below EUR 57 232 (this contribution is only for the general unemployment fund); employees do not have to pay an unemployment premium in order to reduce administration costs. Employers pay both an unemployment premium and a premium for invalidity for their employees (see par.2.2).
- For basic health insurance each adult pays an average amount of EUR 1 415 a year to a self-chosen private health insurance company. This premium is a non-tax compulsory payment and it is not included in the Taxing Wages calculations but only in the NTCP calculations.
- Employees might obtain compensation for the nominal contribution of on average EUR 1 415 for the basic health insurance, depending on the household's personal situation and taxable income. This is called the health care benefit. This benefit is included in the NTCP calculations as it compensates for the basic health insurance premium of on average EUR 1 415 (see www.oecd.org/ctp/taxingwages for more details on non-tax compulsory payments as well as the Special Feature in the 2009 edition of the *Taxing Wages* Report). The care benefit is calculated as follows:
  - Single parent households: 1642 – 1.83% * 21 431 – 13.55% * (taxable income – 21 431)
  - Married couples: number of adults * 1642 – 4.14% * 21 431 – 13.55% * (taxable income principal and spouse – 21 431).

2.2. Employers' contributions

Schemes for employers:

- Unemployment: 4.188% of gross earnings below EUR 57 232 for the general unemployment fund and a contribution of 0% of gross earnings below EUR 57 232 for the industrial insurance associations redundancy payments fund;
- Invalidity: 8.55% of gross earnings below EUR 57 232;
- For medical care employers contribute 6.70% of gross earnings net of employees' pension premiums and unemployment social security contributions until a maximum of gross earnings of EUR 57 232. This contribution is modelled as a NTCP from the employer to the Health Care Fund. The spending of this fund mainly compensates private insurance companies for their (public) obligation to insure individuals with a high health risk.

3. Universal Cash Transfers

3.1. Transfers related to marital status

None.

3.2. Transfers for dependent children

Families with children receive a tax free benefit, depending on the number and age of the children. For a family with two children in the age group of 6 to 12 years, the total benefit amounts to EUR 2 155 a year.

An additional income dependent child benefit exists (kindgebonden budget). This benefit also depends on the number of children per family. A family can only claim the extra child benefit when it has children under the age of 18 years old for whom it also receives the tax free and income independent child benefit. The maximum value is EUR 1 185 per year for families with one child in 2020. The maximum value is EUR 2 190 a year for families with two children. The benefit is reduced at a rate of 6.75% per euro when the family's yearly taxable income exceeds a threshold. Since 2020 this threshold is different for single parents and couples. For single parents the threshold equals EUR 21 431, for couples it equals EUR 37 931. As from 2015 an extra benefit for single parents is introduced (independent of the number of children and the age of the children) which amounts to EUR 3 190 per year in 2020. This amount is also phased out at a rate of 6.75%. Therefore this benefit is completely phased out for families with two children when the taxable income exceeds EUR 101 134 for single parents and EUR 70 375 for couples.

4. Main Changes in the Tax/Benefit Systems Since 2000

In 2001, the tax system was changed thoroughly. The tax rates have been lowered; the basic allowance and its supplements have been transformed into tax credits. The deduction for labour costs has also been replaced by a tax credit. Certain other deductions have been reduced or abolished. Extra tax credits for households with children were introduced.

In 2002 and 2003 the tax system was only slightly changed. The additional combination credit was introduced in 2004. The various child credits were integrated and streamlined in 2006.

Public insurance for medical care has been reformed in 2006. A new standard health insurance system was introduced. Until 2005, no public health insurance contributions were levied on income in excess of EUR 33 000. However, taxpayers earning more than EUR 33 000 were obliged to take a private insurance. These private health insurance contributions were not included in the Taxing Wages calculations because they were made to a privately-managed fund (and are therefore not taxes). Since 2006, every individual contributes a nominal contribution to a privately-managed fund (on average EUR 1 064, depending on the competition between insurance companies, a year in 2009) and, in addition for employees, a percentage of gross income (6.9%) net of employees' pension premiums and unemployment social security contributions until a maximum of gross income of EUR 32 369 (in 2009). For this last contribution, the employee receives mandatory compensation of his employer for the same amount. The premium itself, however, is not modelled (either as an employee or employer SSC) in Taxing Wages. Instead it is modelled as a non-tax compulsory payment from the employer to a public-managed health insurance fund. The spending of this fund mainly compensates private insurance companies for their (public) obligation to insure individuals with a high health risk. Taxpayers might obtain compensation for the nominal contribution to the private insurance company of on average EUR 1 064 in 2009, depending on the households personal situation and taxable income. This is called the health care benefit and is part of the NTCP (see Section 2.1).

In 2007, the tax system has not been changed, except for some parameter updates. In 2008, the child credit has been replaced by an extra child benefit.

In 2009, the general tax credit will be reduced for non-working spouses in order to cut down the capitalization of this tax credit in 2024. A non-working spouse can in 2024 capitalise the general tax credit only against his/her own earned income. In 2009 the employment credit is extended for income exceeding EUR 42 509. This credit will be reduced by maximum EUR 24, whereas the employment credit is increased for lower incomes. The income dependant combination credit is introduced in order to promote the labour participation of single parents or partners of married workers. The income-dependent combination credit has been increased considerably. The extra child benefit depends on the total income of the family and the number of children per family. The income-dependent child benefit is higher when more children under the age of 18 years are member of the family. As from 2009 onwards, employees do not have to pay an unemployment premium mainly to reduce administration costs for employers. Employers pay now both an unemployment premium and a premium for invalidity for their employees (see also par. 2.2).

In 2013, the income base for SSC and Income-Tax is harmonised. Standardising or harmonisation of the income tax base for levying SSC and Taxes is introduces in 2013 and is called the Law “WUL” i.e. Harmonising the income base for SSC and Taxes (see publication CPB the Netherlands). So, the income tax base is since 2013 exclusive the income dependant health care contribution and employees will no longer have to pay taxes over income dependant health care contributions, instead they pay a higher tax rate in the first tax bracket and mainly Work credit is adjusted. The tax rate in the first tax bracket has been increased from 1.95% to 5.85% and the Work credit is reduced for employees with a higher income such that the effect of this harmonisation is budgetary neutral.

The main adjustment in 2014 is the General tax credit which is made income dependent. Higher income will receive less general credit and the reduction is 2% per euro of income between EURO 56 495 and EURO 19 645 per year. See also par 1.141.

In 2015, the child arrangements are reduced from 10 items to 4 items. For that reason Single parent credits have stopped. Cash transfers for parents with children and low income increase. And for single parents with children an extra cash benefit of EUR 3 050 is introduced to compensate the loss of single parent credits.

Not all child arrangements are part of the TW model because these are quite specific arrangements for disabled children and parents with low income with children.

Long term health care is modernised. The SSC rate for (AWBZ Dutch) reduced with 3% to 9.65% of taxable income. The tax rates in the first two brackets are raised with 3% because Social spending is still used but now for other general social purposes.

In 2016, as part of a EUR 5 billion package of tax reductions on work, the general tax credit and the work credit were phased out fully, meaning that higher incomes no longer receive the general tax credit and the work credit.

Multiple tax credits were increased and made more income dependent in 2019. The working credit is increased, but phased out at a faster rate of 6% (instead of 3.6%). The combination credit starts at EUR 0 instead of EUR 1052, but increases with 11.45% instead of 6.159%. The elderly tax credit has been increased and is now gradually phased out at a rate of 15%, instead of a sudden drop of more than EUR 1 300 above a threshold income. Also, a first step has been made to unify the tax rates in the first three brackets.

In 2020, the number of tax brackets has been reduced from four to three. For people below the retirement age there are effectively only two different brackets, since their combined rate of tax and social security contributions is the same in the first and second bracket. Secondly, a new phase in trajectory has been introduced for the work credit. Thirdly, the threshold after which the income dependent child benefit is phased out is now higher for couples than for single parents.

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

The covid-19 pandemic has not led to changes in labour taxation for employees. Employers and self-employed do have the option to postpone payment of labour taxes. Also, some of the requirements for self-employed to qualify for certain deductibles (e.g. a minimum number of hours to qualify for a self-employed deduction) have been temporarily loosened.

5. Memorandum Items

5.1. Identification of the AW and calculation of the AW's gross earnings

The calculation of the annual gross earnings of an AW is based upon data on gross earnings of full time workers in industry C-K. These data have been obtained through a yearly sample survey carried out by the Central Bureau of Statistics. Included in the AW annual salary are irregular payments, such as holiday allowances, loyalty payments and bonuses. Payments for working overtime are not included. However, the CBS has stopped carrying out the 'employment and wages' survey in July 2006 due to new legislation. On Inquiry at the Central Bureau of Statistics (CBS) the information from the wage declarations by employers, delivered nowadays at the tax department, will be implemented by the CBS for the new survey about employment and wages. These changes produced a delay in delivery of the information on wages and employment for 2006.

On the base of new information on wages per industry sector, the AW is delivered to EUROSTAT in November 2009 by the CBS for years 2006 and 2007. The standard classification NACE Rev. 1 for industrial sectors C-K is used.

The new classification NACE Revision 2 (sectors B-N) will be applicable as from 2008 onwards. The estimation of the AW for 2008 according to the new classification is applicable at the beginning of May 2010. The AW for 2009 is available since November 2010. For 2008 the average annual gross earnings (full-time NACE REV 2) comes to EUR 43 146, for 2009 EUR 44 412, and EUR 45 215 in 2010. The latest information according to Eurostat is an AW in 2011 of EUR 46 287 (NACE Rev 2).

No new data is found on EU site
http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database.

The average wages from 2012 onwards include the private and the public sectors, since values on the private sectors only (sectors B to N) are not available. The values were provided by Statistics Netherlands.

5.2. Main employers' contributions to private pension, health and related schemes

In addition to the obligatory contributions of employees to private insurance companies, all employers pay contributions to a public-managed health fund. More information is included in the Special Feature where the contributions to the public-managed health funds are also presented.

Employers have to pay at least 70% of the gross wage of their sick employees for two years. Many employers have insured themselves privately for the risks of their employees being sick. This insurance for illness of their employees is not compulsory.

2020 Parameter values

Average earnings/yr	Ave_earn	54 843	Secretariat estimate
minimum wage	min_wage	21602	
Social security contributions	SSC_ceil	57232	
Employees' schemes	Unemp_rate1	0	
	Unemp_franchise1	0	
Medical care	Med_rate	0,067	
	Med_limit	999999	
	Med_ceil	57232	
	Med_adult	1415	
	Med_child	0	
	Med_compensation1	0,01830	
	Med_compensation2	0,13550	
	Med_compenation 3	0,04140	
	Med_compensation 4	0,13550	
	Med_key	21431	
	Med_adult for care benefit	1642	
General schemes	Old_rate	0,179	
	Wid_rate	0,001	
	Ex_med_rate	0,0965	
	Gen_Schemes_thrsh	34712	
	Unemp_empr1	0,04188	
	Unemp_empr2	0	
	Unemp_unempr_franchise1	0	
	Unemp_unempr_franchise2	0	
	Inv_empr_rate	0,0855	
	Inv_empr_franchise	0	
	Med_empr	0,067	
	Med_franchise	0	
Payroll tax	Extra_wage_tax	0	
	EWT_threshold	0	
Tax schedule	Tax_sch	0,0970	20711
	"tax_sch_lowest"	0,097	34712
	"tax_thrsh_1"	0,3735	68507
	"tax_sch_2"	0,495	
Tax credits	Gen_credit_1	2711	
	Gen_credit_2	0	
	Gen_credit1_thr	20711	
	Gen_credit2_thr	68507	
	Gen_credit_per	0,05672	
	Red_gen_credit	542	
	Emp_credit1	279	
	Emp_credit2	3316	
	Emp_credit3	224	
		0	
	Emp_credit1_thr	9921	
	Emp_credit2_thr	21430	
	Emp_credit3_thr	34954	
	Emp_credit4_thr	98604	
	Comb_credit	0	
	Comb_credit_franchise	5072	
	add_comb_credit	0	
	income_dependant_comb_credit1	0	

	income_dependant_comb_credit_max	2881	
Family cash transfers	income_dependant_comb_par_credit_per	0,1145	
	Sing_par_credit	0	
	Ex_sing_par_credit_per	0	
	Ex_sing_par_credit_max	0	
	Ch1_trans	1078	
	Ch2_trans	2155	
	Child_ben_1child	1185	
	Child_ben_2children	2190	
	Extra_cash_sing_par	3190	
	Child_ben_redn	0,0675	
	Child_ben_ceil	21431	
	Child_ben_incr_ceil_couple	16500	
Non-tax compulsory payments	dummyNTCP	0	
	NTCP_pension_ee	0,066	
	NTCP_pension_er	0,099	
	NTCP_pension_franchise	13765	
	NTCP_pension_max	110111	

2020 Tax equations

The equations for the tax system in the Netherlands in 2020 are repeated for each individual of a married couple. Tax credits, except a part of the general credit of the spouse, depend also on the tax paid by the principal if the spouse's income is zero or very low, and the cash transfers are calculated only once. The functions which are used in the equations (Taper, MIN, Tax etc) are described in the technical note on the tax equations. Due to adjustments of the work credit in 2016 and 2020, the function Emp_credit(Value) was altered in those years. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables “married” and “children”. A reference to a variable with the affix “_total” indicates the sum of the relevant variable values for the principal and spouse. And the affix “_spouse” indicates the value for the spouse. No affix is used for the principal values. Equations for a single person are as shown for the principal, with “_spouse” values taken as 0.

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings (gross)	gr_earn		
	Earnings (net)	earn	B	gr_earn
2.	Social security contributions	SSC_al	B	SSC_f(earn,Unemp_rate1,SSC_ceil,Unemp_franchise1)
3.	Credits in taxable income	taxbl_cr	B	MIN(earn-SSC_al, Med_ceil)*Med_rate
4.	CG taxable income	tax_inc	B	earn-SSC_al
5.	CG tax before credits	CG_tax_excl / tax_liable	B	Tax(tax_inc,Tax_sch)
6.	Tax credits	tax_cr	P	MIN(CG_tax_excl+SSC_taxinc,IF((tax_inc<Gen_credit1_thr),Gen_credit_1,(Gen_credit_1-MIN(Gen_credit_per*(Gen_credit2_thr-Gen_credit1_thr),Gen_credit_per*(tax_inc-Gen_credit1_thr))))+Emp_credit(tax_inc)+IF(AND(Children>0,tax_inc>Comb_credit_franchise),IF(Married='0,income_dependant_comb_credit1+MIN(income_dependant_comb_credit_max-income_dependant_comb_credit1,income_dependant_comb_par_credit_per*(tax_inc' - Comb_credit_franchise)),0)
		tax_cr_spouse	S	IF(Married>0,MIN(CG_tax_excl_spouse+SSC_taxinc_spouse+CG_tax_excl+SSC_taxinc-tax_cr,IF(tax_inc_spouse>0,IF((tax_inc_spouse<Gen_credit1_thr), Gen_credit_1,(Gen_credit_1-MIN(Gen_credit_per*(Gen_credit2_thr-Gen_credit1_thr),Gen_credit_per*(tax_inc_spouse-Gen_credit1_thr)))),Red_gen_credit)+Emp_credit(tax_inc_spouse)+ IF(AND(Children>0,tax_inc_spouse>Comb_credit_franchise),income_dependant_comb_credit1+MIN(income_dependant_comb_credit_max-income_dependant_comb_credit1,income_dependant_comb_par_credit_per*(tax_inc_spouse - Comb_credit_franchise)),0)),0)
		tax_cr_inc	B	=tax_sch_lowest/SUM(Old_rate+Wid_rate+Ex_med_rate+tax_sch_lowest)*tax_cr_spouse
7.	CG tax	CG_tax	B	tax_liable-tax_cr_inc
8.	State and local taxes	local_tax	B	0
9.	Employees' soc security' based on earnings	SSC_earn	P	SSC_f(earn,Unemp_rate1,SSC_ceil,Unemp_franchise1)
		SSC_earn_spouse	S	SSC_f(earn_spouse,Unemp_rate1,SSC_ceil,Unemp_franchise1)
	Based on taxable income	SSC_taxinc	B	(Old_rate+Wid_rate+Ex_med_rate)*MINA(tax_inc,Gen_Schemes_thrsh)
	Total employees' soc security	SSC_liable	J	SSC_earn+SSC_taxinc+SSC_earn_spouse+SSC_taxinc_spouse
		tax_cr_SSC	B	=SUM(Old_rate+Wid_rate+Ex_med_rate)/SUM(Old_rate+Wid_rate+Ex_med_rate+tax_sch_lowest)*tax_cr_spouse
	Total	SSC	J	SSC_liable-tax_cr_SSC

10.	Total payments	total_payments	J	CG_tax+local_tax+SSC

11.	Cash transfers	cash_trans	J	IF(Children=1,Ch1_trans,IF(Children=2,Ch2_trans,0))+
				IF(Children=2;1;0)*MAX(0;(Child_ben_2children+IF(Married='0;1;0)*
				Extra_cash_sing_par-
				IF((tax)inc+tax_inc_spouse)>Child_ben_ceil+IF(Married=1;1;0)*Chil
				d_ben_incr_ceil_couple;1;0)*Child_ben_redn*(tax_inc+tax_inc_spo
				use-
				(Child_ben_ceil+IF(Married=1;1;0)*Child_ben_incr_ceil_couple))))

13.	Employer's soc security	SSC_empr	B	SSC_f(earn-(positive(earn- NTCP_franchise*MIN(earn/min_wage,1))*NTCP_pension_ee),Une mp_empr1,SSC_ceil,Unemp_unempr_franchise1)+SSC_f(earn- (positive(earn- NTCP_franchise*MIN(earn/min_wage,1))*NTCP_pension_ee),Une mp_empr2,SSC_ceil,Unemp_unempr_franchise2)+SSC_f(earn- (positive(earn- NTCP_franchise*MIN(earn/min_wage,1))*NTCP_pension_ee),Inv_e mpr_rate,SSC_ceil,Inv_empr_franchise)

				Function Emp_credit(Value)
				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 + ((Value -
				Range("Emp_credit2_thr").Value) /
				(Range("Emp_credit3_thr").Value -
				Range("Emp_credit2_thr").Value)) * Range("Emp_credit3").Value
				ElseIf Value <= Range("Emp_credit4_thr").Value Then
				Emp_credit = Range("Emp_credit1").Value +
				Range("Emp_credit2").Value + Range("Emp_credit3").Value -
				((Value - Range("Emp_credit3_thr").Value) /
				(Range("Emp_credit4_thr").Value -
				Range("Emp_credit3_thr").Value)) * (Range("Emp_credit1").Value +
				Range("Emp_credit2").Value + Range("Emp_credit3").Value -
				Range("Emp_credit4").Value) Else
				Emp_credit = 0
				End If
				End Function

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

Note

[1] The Dutch labour market is characterized by a substantial share of part-time employees. As explained in the methodological section of this volume, the average wage measure used in the tax burden calculations refer to full-time employees only. If the wages of part-timers were taken into account, the average wage would be substantially lower.

New Zealand
(2020-21 Income tax year)

This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.
Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.

New Zealand 2020

The tax/benefit position of single persons

		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1.	**Gross wage earnings**		42 981	64 150	107 131	42 981
2.	**Standard tax allowances:**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other					
		Total	0	0	0	0
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		42 981	64 150	107 131	42 981
5.	**Central government income tax liability (exclusive of tax credits)**		6 542	12 265	26 273	6 542
6.	**Tax credits :**					
	Basic credit		520	0	0	0
	Married or head of family					
	Children					
	Other					
		Total	520	0	0	0
7.	**Central government income tax finally paid (5-6)**		6 022	12 265	26 273	6 542
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		0	0	0	0
	Taxable income					
		Total	0	0	0	0
10.	**Total payments to general government (7 + 8 + 9)**		6 022	12 265	26 273	6 542
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	14 323
		Total	0	0	0	14 323
12.	**Take-home pay (1-10+11)**		36 959	51 885	80 857	50 762
13.	**Employer's compulsory social security contributions**		0	0	0	0
14.	**Average rates**					
	Income tax		14.0%	19.1%	24.5%	15.2%
	Employees' social security contributions		0.0%	0.0%	0.0%	0.0%
	Total payments less cash transfers		14.0%	19.1%	24.5%	-18.1%
	Total tax wedge including employer's social security contributions		14.0%	19.1%	24.5%	-18.1%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		17.5%	30.0%	33.0%	42.5%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		17.5%	30.0%	33.0%	42.5%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

New Zealand 2020

The tax/benefit position of married couples

		Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
		Number of children	2	2	2	none
1.	**Gross wage earnings**		64 150	107 131	128 300	107 131
2.	**Standard tax allowances:**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other					
		Total	0	0	0	0
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		64 150	107 131	128 300	107 131
5.	**Central government income tax liability (exclusive of tax credits)**		12 265	18 807	24 530	18 807
6.	**Tax credits :**					
	Basic credit		0	0	0	520
	Married or head of family					
	Children					
	Other					
		Total	0	0	0	520
7.	**Central government income tax finally paid (5-6)**		12 265	18 807	24 530	18 287
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings					
	Taxable income					
		Total	0	0	0	0
10.	**Total payments to general government (7 + 8 + 9)**		12 265	18 807	24 530	18 287
11.	**Cash transfers from general government**					
	For head of family					
	For two children		9 031	0	0	0
		Total	9 031	0	0	0
12.	**Take-home pay (1-10+11)**		60 916	88 324	103 770	88 844
13.	**Employer's compulsory social security contributions**		0	0	0	0
14.	**Average rates**					
	Income tax		19.1%	17.6%	19.1%	17.1%
	Employees' social security contributions		0.0%	0.0%	0.0%	0.0%
	Total payments less cash transfers		5.0%	17.6%	19.1%	17.1%
	Total tax wedge including employer's social security contributions		5.0%	17.6%	19.1%	17.1%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		55.0%	30.0%	30.0%	30.0%
	Total payments less cash transfers: Spouse		36.2%	17.5%	30.0%	17.5%
	Total tax wedge: Principal earner		55.0%	30.0%	30.0%	30.0%
	Total tax wedge: Spouse		36.2%	17.5%	30.0%	17.5%

The national currency is the New Zealand dollar (NZD). In 2020, NZD 1.55 was equal to USD 1 on average. The average worker earned NZD 64 150 (Country estimate[1]).

1. Personal Income Tax System

1.1. Central/federal government income taxes

1.1.1. Tax unit

Members of the family are taxed separately.

1.1.2. Tax allowances and tax credits

1.1.2.1. Standard reliefs

Refer to section 3.

1.1.2.2. Main non-standard tax reliefs applicable to an average wage

Refer to section 3.

1.1.3. Schedule

- Rates of income tax for individuals:
  - On so much of the income as does not exceed NZD 14 000: 10.5%;
  - On so much of the income as exceeds NZD 14 000 but does not exceed NZD 48 000: 17.5%;
  - On so much of the income as exceeds NZD 48 000 but does not exceed NZD 70 000: 30%;
  - On so much of the income as exceeds NZD 70 000: 33%.

1.2. State and local income taxes

New Zealand has no state or local income tax.

2. Compulsory Social Security Contributions to Schemes Operated Within the Government Sector

New Zealand has no compulsory social security contributions to schemes operated within the Government sector.

It should be noted that there is an accident compensation scheme administered by the Accident Compensation Corporation for residents and temporary visitors to New Zealand. This scheme is funded in part by premiums paid by employees and employers. For employees, the premium represents 1.21% of their gross earnings. For employers and the self-employed, the premiums are based on a percentage of the total payroll and the applicable rate varies depending upon the associated accident risk (the average rate is 0.72%). This scheme is not considered as a compulsory social security contribution for the purposes of the Report.

3. Universal Cash Transfers

The main entitlements in New Zealand are targeted at families under the blanket title 'Working for Families' ('WFF'). There are four main payments that constitute WFF, which are described in 3.2 – 3.5 below.

3.1. Amount for marriage

None.

3.2. Amount for children

For all families with children born, or due to be born, on or after 1 July 2018, the Best Start payment provides NZD 60 per week (3 120 per year) for the first year of the child's life. The Best Start payment continues to provide NZD 3 120 per year for the second and third year of a child's life, but abates at 21.00 cents in the dollar for every dollar by which a family's income exceeds the abatement threshold of NZD 79 000. For families receiving paid parental leave, the Best Start payment begins after paid parental leave ends.

3.3. Family Tax Credit

From 1 July 2018, for an eldest child, the rate of the Family Tax Credit is NZD 5 878 per year. For subsequent children the rate is NZD 4 745. The total credit is abated by 25.00 cents on each dollar earned over NZD 42 700. The abatement is based on the combined income of the parents.

3.4. In Work Tax Credit

The In Work Tax Credit is available to families with dependent children who are in paid employment and not receiving an income-tested benefit or student allowance. The level of assistance it provides is NZD 3 770 per family per year (or NZD 72.50 a week for up to three children), plus an additional NZD 780 per year for fourth and subsequent children. Prior to 1 July 2020, it was only available to couple families working a total of 30 hours or more per week, or to sole parents working 20 hours or more per week. From 1 July 2020 these hours-tests are removed to allow payment to a wider group of people (see further explanation below). It is also uses the same abatement regime used with the Family Tax Credit, although it does not begin to abate until the latter has been abated to zero.

3.5. Minimum Family Tax Credit

The Minimum Family Tax Credit is a scheme that ensures a guaranteed minimum family net income for all full-time earners with dependent children. The MFTC provides a top-up to after-tax income for eligible working families and ensures families do not face a reduction in after-tax income when they move off a benefit and into paid employment.

The household income threshold for the minimum family tax credit ("MFTC"), which guarantees eligible low-income families a minimum level of after-tax income, rose from NZD 26, 572 to NZD 27, 768 per year, on 1 April 2020.

3.6. Independent Earner Tax Credit

The Independent Earner Tax Credit of NZD 520 is available to individuals with annual net income between NZD 24 000 and NZD 48 000 that do not receive other forms of tax credits or benefits. It is abated by 13 cents on each dollar earned over NZD 44 000.

4. Main Changes in Personal Tax/Benefit Systems Since 2019/20

4.1. Changes to labour taxation and benefits due to the covid-19 pandemic

The following changes were announced on 17 March 2020 as part of the Government's initial response to the COVID-19 pandemic.

4.1.1. Main benefits increased by $25 per week

Main benefits increased on 1 April 2020 in line with wage growth (indexation) and then by an additional $25 per week. This is a permanent increase.

4.1.2. Doubling of Winter Energy Payment

Since 1 July 2018, the Winter Energy Payment (WEP) has been implemented and supports those in receipt of a main benefit, New Zealand Superannuation or a Veteran's Pension to heat their homes in winter by increasing the amount of money available to them over the winter months (1 May to 1 October). The WEP is a payment of NZD 450 a year for single people, and NZD 700 for couples or those with dependent children.

WEP rates have been temporarily doubled in response to the COVID-19 pandemic. The payment is made either weekly or fortnightly between 1 May and 1 October. The new rates are:

- NZD 40.91 per week (NZD 900 for 2020) for single people with no dependent children; and
- NZD 63.64 for couples (NZD 1 400 for 2020), and people with dependent children. Couples are paid NZD 63.64 whether they live together or separately.
- Approximately 1 million people will be eligible for the WEP. Recipients can choose to opt out.

(Main benefits include Jobseeker Support, Supported Living Payment, Sole Parent Support, Youth Payment, and Young Parent Payment).

4.1.3. Removal of hours test from the In-Work Tax Credit

The requirement to work a minimum number of hours in order to receive the In-Work Tax Credit has been removed. This allows families that work variable hours or less than 20 (sole) or 30 (couple) hours per week to receive the In-Work Tax Credit. The remaining eligibility criteria for the In-Work Tax Credit remain unchanged. Therefore, recipient families must still be deriving income from work and cannot be receiving an income-tested benefit or student allowance.

4.1.4. Working for Families (WFF) tax credits for emergency benefit recipients

Previously, emergency benefit recipients with dependent children and who were on a temporary visa, did not qualify for WFF tax credits. This is because they do not meet the residency criteria for WFF. This resulted in a difference in the financial support that these families could access, compared with other main benefit recipients with children.

In general, to receive a main benefit (including an emergency benefit) a person must be a New Zealand citizen or permanent resident and have resided in New Zealand for at least two years since becoming a citizen or resident. However, the Ministry of Social Development has discretion to grant an emergency benefit in other circumstances when those residency criteria are not met. These circumstances can include not being eligible for another benefit, that they are in hardship and unable to earn a sufficient livelihood. The amendment ensures that families on a temporary visa who are granted an emergency benefit are able to access a comparable level of financial support to other recipients of main benefits.

4.1.5. Wage Subsidy and Wage Subsidy Extension

The original wage subsidy was implemented to support firms that might otherwise be unable to keep their workforce employed. The goal was to maintain workforce attachment throughout the COVID-19 pandemic and was paid at a flat rate of:

- NZD 585.80 for people working 20 hours or more per week (full-time rate)
- NZD 350.00 for people working less than 20 hours per week (part-time rate).

The subsidy was paid as a lump sum and covered 12 weeks per employee from the date of application. Businesses were eligible to apply for the Wage Subsidy provided that they:

- experienced a minimum 30% decline in actual or predicted revenue, which was related to COVID- 19;
- took active steps to mitigate the effects of COVID-19; and
- retained the employees named in the application for the period of the subsidy. This included a best endeavours clause to continue to pay at least 80% of each employees' usual wage.
- applied between 17 March and 9 June 2020.

The Wage Subsidy was extended for the period 10 June to 1 September 2020. The extension provides an additional 8 weeks subsidy provided that employers:

- experienced a minimum 40% decline in revenue for a continuous 30-day period within the 40 days before the date of application, which was related to COVID-19;
- took active steps to mitigate the effects of COVID-19; and
- retained the employees named in the application for the period of the subsidy. This included a best endeavours clause to continue to pay at least 80% of each employees' usual wage.

4.1.6. Goods and Services Tax (GST) on COVID-19 related social assistance payments

Legislation was passed that ensures that COVID-19 Leave Payments and the COVID-19 Wage Subsidy are not subject to GST. The relevant legislation is the Goods and Services Tax (Grants and Subsidies) Amendment Order 2020 and section 89 of the Goods and Services Tax Act 1985.

4.1.7. The COVID-19 Income Relief Payment

A further announcement of a redundancy benefit on 25 May 2020. The COVID-19 Income Relief Payment (CIRP) is a non-taxable temporary payment made to those who have lost their job between 1 March and 30 October 2020. It is available for 12 weeks and pays NZD 490 per week to those who lost full-time work and NZD 250 per week for those who lost part-time work. First applications opened 8 June. It is available while a person is out of paid work and not receiving a main benefit payment, has not received a redundancy payment of NZD 30 000 or more, and who does not have a partner who earns more than NZD 2 000 a week in wages or salary. People who qualify and who are already receiving a main benefit can transfer to the CIRP.

5. Memorandum Items

5.1. Method used to identify AW and to calculate the AW's gross earnings

The Annual Earnings figure is derived from the Quarterly Employment Survey for those employees in the B-N industry groups. The annual earnings figure for the average worker is the sum of the four quarterly earnings figures, with each quarterly figure calculated by taking the average total weekly earnings and multiplying it by 13 weeks per quarter.

5.2. Employer's contributions to private pension, health schemes, etc.

No information available.

2020 Parameter values

	Ave_earn	64 150	Country estimate
Income tax schedule	Tax_sch	0.105	14 000
		0.175	48 000
		0.3	70 000
		0.33	
Family tax credit	Fam_sup_eld	5 878	
	Fam_sup_oth	4 745	
	Fam_sup_thrsh	42 700	
	Fam_sup_rate	0.25	
In-work tax credit	In_work_children123	3 770	
	In_work_children4plus	780	
Minimum Family Tax Credit	Min_inc	27 768	
Independent Earner Tax Credit	IETC	520	
	IETC_thrsh1	24 000	
	IETC_thrsh2	44 000	
	IETC_rate	0.13	

2020 Tax equations

The equations for the New Zealand system in 2020 are mostly repeated for each individual of a married couple. But the cash transfer is calculated only once. This is shown by the Range indicator in the table below. The functions which are used in the equations (Taper, MIN, Tax etc) are described in the technical note about tax equations. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables “married” and “children”. A reference to a variable with the affix “_total” indicates the sum of the relevant variable values for the principal and spouse. And the affixes “_princ” and “_spouse” indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with “_spouse” values taken as 0.

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings	earn		
2.	Allowances	tax_al	B	0
3.	Credits in taxable income	taxbl_cr	B	0
4.	CG taxable income	tax_inc	B	earn
5.	CG tax before credits	CG_tax_excl	B	Tax(tax_inc, Tax_sch)
6.	Tax credits :			
	Guaranteed minimum income	GMI	J	(Children>0)*Min_inc
	Independent Earner Tax Credit	IETC_rebate	B	=AND(Children=0,earn>IETC_thrsh1)*Taper(IETC,earn,IETC _thrsh2,IETC_rate)
6.	Tax credits:	tax_cr	B	IETC_rebate
7.	CG tax	CG_tax	B	CG_tax_excl-tax_cr
8.	Local tax	local_tax	B	0
9.	Employees' soc security	SSC	B	0
11.	Cash transfers:			
	Family tax credit (unabated)	fam_tax_cr	J	Fam_sup_eld*(Children>0)+ Fam_sup_oth*Positive(Children-1)
	In-work tax credit (unabated)	in_work_tax_cr	J	(Children>0)*(In_work_children123+Positive(Children-3)*In_work_children4plus)
	Tax credits abated	tax_cr_ab	J	Taper(fam_tax_cr+in_work_tax_cr, earn_total, Fam_sup_thrsh1, Fam_sup_rate1)
	Minimum Family tax credit	min_fam_tax_cr	J	Positive(GMI-(earn_total-CG_tax_excl_totall))
	Cash transfers	cash_trans	J	tax_cr_ab + min_fam_tax_cr
13.	Employer's soc security	SSC_empr	B	0

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

Note

[1] In the year to March 2020.

Norway

This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.
Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.

Norway 2020

The tax/benefit position of single persons

		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1.	**Gross wage earnings**		420 338	627 370	1 047 707	420 338
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other					
		Total	155 750	155 750	155 750	207 554
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable (ordinary) income (1 - 2 + 3)**		264 588	471 620	891 957	212 784
5.	**Central government income tax liability (ordinary + personal)**		30 723	56 913	148 246	26 346
6.	**Tax credits (applicable against local tax)**					
	Basic credit					
	Married or head of family					
	Children		0	0	0	0
	Other					
		Total	0	0	0	0
7.	**Central government income tax finally paid (5-6)**		30 723	56 913	148 246	26 346
8.	**State and local taxes (net of tax credits)**		35 852	63 904	120 860	28 832
9.	**Employees' compulsory social security contributions**					
	Gross earnings		34 468	51 444	85 912	34 468
	Taxable income					
		Total	34 468	51 444	85 912	34 468
10.	**Total payments to general government (7 + 8 + 9)**		101 042	172 261	355 018	89 646
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	37 944
		Total	0	0	0	37 944
12.	**Take-home pay (1-10+11)**		319 295	455 108	692 689	368 636
13.	**Employer's compulsory social security contributions**		54 644	81 558	136 202	54 644
14.	**Average rates**					
	Income tax		15.8%	19.3%	25.7%	13.1%
	Employees' social security contributions		8.2%	8.2%	8.2%	8.2%
	Total payments less cash transfers		24.0%	27.5%	33.9%	12.3%
	Total tax wedge including employer's social security contributions		32.8%	35.8%	41.5%	22.4%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		34.4%	34.4%	46.4%	34.4%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		41.9%	41.9%	52.6%	41.9%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Norway 2020

The tax/benefit position of married couples

		Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
		Number of children	2	2	2	none
1.	**Gross wage earnings**		627 370	1 047 707	1 254 739	1 047 707
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other					
		Total	155 750	311 500	311 500	311 500
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable (ordinary) income (1 - 2 + 3)**		471 620	736 207	943 239	736 207
5.	**Central government income tax liability (ordinary + personal)**		56 913	87 636	113 825	87 636
6.	**Tax credits (applicable against local tax)**					
	Basic credit					
	Married or head of family					
	Children		0	0	0	0
	Other					
		Total	0	0	0	0
7.	**Central government income tax finally paid (5-6)**		56 913	87 636	113 825	87 636
8.	**State and local taxes (net of tax credits)**		63 904	99 756	127 809	99 756
9.	**Employees' compulsory social security contributions**					
	Gross earnings		51 444	85 912	102 889	85 912
	Taxable income					
		Total	51 444	85 912	102 889	85 912
10.	**Total payments to general government (7 + 8 + 9)**		172 261	273 304	344 523	273 304
11.	**Cash transfers from general government**					
	For head of family					
	For two children		25 296	25 296	25 296	0
		Total	25 296	25 296	25 296	0
12.	**Take-home pay (1-10+11)**		480 404	799 699	935 512	774 403
13.	**Employer's compulsory social security contributions**		81 558	136 202	163 116	136 202
14.	**Average rates**					
	Income tax		19.3%	17.9%	19.3%	17.9%
	Employees' social security contributions		8.2%	8.2%	8.2%	8.2%
	Total payments less cash transfers		23.4%	23.7%	25.4%	26.1%
	Total tax wedge including employer's social security contributions		32.2%	32.5%	34.0%	34.6%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		34.4%	34.4%	34.4%	34.4%
	Total payments less cash transfers: Spouse		24.0%	34.4%	34.4%	34.4%
	Total tax wedge: Principal earner		41.9%	41.9%	41.9%	41.9%
	Total tax wedge: Spouse		32.8%	41.9%	41.9%	41.9%

The national currency is the Kroner (NOK). In 2020, NOK 9.50 were equal to 1 USD. In that year the average worker earned NOK 627 370 (Secretariat estimate).

1. Personal Income Tax System

The personal income tax has two tax bases: personal income and ordinary income. Personal income is defined as income from labour and pensions. Personal income is a gross income base from which no deductions are made. Ordinary income includes all types of taxable income from labour, pensions, business and capital. Certain costs and expenses, including interest paid on debt, are deductible in the computation of ordinary income.

1.1. Central government income tax

1.1.1. Tax unit

The tax unit is in most cases the individual. Children aged below 17 are generally taxed together with their parents, but they may be taxed individually. All other income earners are taxed on an individual basis.

1.1.2. Tax allowances applicable to an AW

There are no tax allowances applicable to an AW under the central government income bracket tax. The tax base is personal income from which no deductions are allowed. As part of the overall tax rate of 22% on ordinary income, 8.45% is considered to be the central government income tax.

1.1.3. Rate schedule of the bracket tax

Rate (%)	NOK
0	0–180 800
1.9	180 800–254 500
4.2	254 500–639 750
13.2	639 750–999 550
16.2	999 550 and over

1.2. Local government income tax

The overall tax rate on ordinary income is 22%. The local government (municipal and county) income tax is 13.55% points of the overall rate. Tax on ordinary income is levied after taking into account a standard allowance of NOK 51 300 (class 1), while class 2 was abolished in 2018. Single parents are eligible to an additional special tax allowance of NOK 51 804. The deductions in the computation of ordinary income are:

1.2.1. Standard reliefs

- Basic allowance: each individual receives a minimum allowance equal to 45% of personal income, with a minimum of NOK 4 000 and a maximum of NOK 104 450. For wage income each individual can choose a separate allowance of NOK 31 800 instead of the basic allowance. Hence, wage earners would opt to choose this separate allowance as long as it exceeds the basic allowance to which they are entitled.

1.2.2. Non-standard reliefs

The main non-standard allowances deductible from ordinary income are:

- Parent allowance: Documented expenses for child care limited to:
  - maximum NOK 25 000 for one child;
  - plus NOK 15 000 for each subsequent child.

The allowance applies in general to the spouse who has the highest income. Unused parent allowance may be transferred to the other spouse. The allowance is also applicable to single parents.

- Travel expenses related to work exceeding NOK 23 100;
- Labour union fees up to NOK 3 850;
- Donations to voluntary organisations up to NOK 50 000;
- Contributions to individual pension agreement schemes, maximum NOK 40 000;
- Premiums and contributions to occupational pension schemes in the private and public sector, unlimited;
- Unlimited deduction for interest payments.

The main non-standard tax credits are:

- Home savings scheme (BSU): The BSU scheme aims to encourage young people (under 34 years old) to save for a future home purchase. A wastable tax credit of 20% of annual savings up to NOK 25 000 in special accounts is granted. Total savings may not exceed NOK 300 000.

2. Social Security Contributions

2.1. Contributions to the national insurance scheme

2.1.1. Employees' contributions

Employees' contributions to the National Insurance Scheme generally amount to 8.2% of personal wage income. Employees do not make contributions if their wage income is less than NOK 54 650. Once wage income exceeds this floor, an alternative calculation is made where the contributions equal 25% of the wage income in excess of the floor. The actual contributions made would represent the minimum between the alternative calculation and 8.2% of the total wage income.

Contributions from the self-employed are 11.4% of personal income attributable to labour.

2.1.2. Employers' contributions

Employer's social security contributions are due for all employees in both the private and the public sector. The contribution is geographically differentiated according to the municipality where the work-place is. The standard rates are 14.1%, 10.6%, 7.9%, 6.4%, 5.1% or 0% of gross wages. The highest rate applies to central parts of southern Norway. Lower rates may apply under certain circumstances. The weighted average rate is approximately 13%.

3. Universal Cash Transfers

3.1. Transfers related to marital status

None.

3.2. Transfers for dependent children (child support)

The following transfers are available:

NOK 13 848 per child aged 0–5 years (NOK 1 054 per month January–August, NOK 1 354 per month September–December).

NOK 12 648 per child aged 6–18 years (NOK 1 054 per month).

Single parents receive transfers for one more child (NOK 12 648) than their actual number of children.

4. Main Changes in Tax/Benefit Systems Since 2002

- Most important changes related to wage taxation in 2020:
  - The standard allowance was reduced from NOK 56 550 to NOK 51 300 to accompany the NRK financing reform. Until 2019, the public broadcaster NRK was financed by a fee levied on households owning a TV. From 2020, direct transfers from the central government replace the broadcasting fee. The tax increase implied by the standard allowance reduction intends to pay for the NRK transfers. If the broadcasting fee is regarded as a tax, the overall effect of the NRK financing reform is reduced taxation for households with two or less tax paying members.
- Most important changes related to wage taxation in 2019:
  - The general tax rate on ordinary income was reduced from 23% to 22%.
  - The progressive bracket tax increased in all four brackets, less than the reduction in the rate of ordinary income so as the marginal tax was reduced for all income levels.
  - Employers are required to report, withhold taxes and pay employer's social security contributions on wages in the form of tax-exempted employee discounts with a market value exceeding NOK 8 000. Gifts received from the employer are tax free when the value exceeds NOK 2 000.
  - Employers are required to report, withhold taxes and pay employer's social security contributions on tip/gratuities received from customers (previously tip was to be reported by the employers).
  - A withholding tax on the gross income for foreign employees at 25% was introduced.
- Most important changes related to wage taxation in 2018:
  - The general tax rate on ordinary income was reduced from 24% to 23%.
  - The progressive bracket tax increased in all four brackets, less than the reduction in the rate of ordinary income so as the marginal tax was reduced at all income levels.
  - The upper limit of the basic allowance for wage income/social security benefits was increased by NOK 2 860 and the rate was increased to 44%.
  - The standard allowance for class 2 was abolished, tax exemptions for employees on hire in shipping vessels was abolished, and the rules for commuters expenses were tighten.

- Most important changes related to wage taxation in 2017:
  - The general tax rate on ordinary income was reduced from 25% to 24%.
  - The rates under the bracket tax was increased with 0.71-0.82 percentage points, which is less than the reduction in the rate of ordinary income.
  - The upper limit of the basic allowance for wage income/social security benefits was increased by NOK 3 300 and the rate was increased to 44%.
  - The lower threshold for the payment of employee's social security contributions was increased from NOK 49 650 to NOK 54 650.
- Most important changes related to wage taxation in 2016:
  - The general tax rate on ordinary income was reduced from 27% to 25%.
  - A bracket tax with on personal income with 4 tax brackets was introduced and replaced the former surtax on personal income.
- Most important changes related to wage taxation in 2015:
  - The threshold in surtax bracket 1 was increased by NOK 5 750.
  - The upper limit of the basic allowance for wage income/social security benefits was increased by NOK 2 100.
  - The lower threshold for the payment of employee's social security contributions was increased from NOK 39 600 to NOK 49 650.
- Most important changes related to wage taxation in 2014:
  - The general tax rate on ordinary income was reduced from 28% to 27%.
  - The employee's social security contributions were increased by 0.4 percentage points.
  - The rate in the basic allowance against wage income was increased to 43%.
  - Tax class 2 for married couples was reduced.
- Most important changes in 2013:
  - The personal allowance for labour income was increased for low income earners (below NOK 213 950) by 2 percentage points from 38% to 40% of their labour income.
  - The taxable value of second homes and commercial property for the purposes of net wealth tax was increased from 40% to 50% of estimated market value.
  - The basic allowance in the net wealth tax was increased from NOK 750 000 to NOK 870 000. Married couples will thus have a total basic allowance of NOK 1 740 000.
  - The current class 2 for sole providers was replaced by a special allowance for ordinary income which provides an equivalent tax benefit.
  - The maximum deduction for labour union fees was increased from NOK 3 750 to NOK 3 850.
- Most important changes in 2012:
  - The personal allowance for labour income was increased for low income earners (below NOK 217 000) by 2 percentage points from 36% to 38% of their labour income.
  - For self-employed the wage allowance was abolished to eliminate residual discrimination between sole proprietorships with employees and limited companies.
  - In the deduction for travel expenses for travels between home and work the deduction rate per kilometre was increased for tax payers travelling between 35 000 km and 50 000 km per year.
  - The maximum deduction for labour union fees was increased by NOK 90 to NOK 3 750.

- In 2011 changes to the tax system was made to provide better incentives for people to work when drawing a pension. The tax limitation rule for early-retirement and old-age pensioners was replaced by a new tax allowance for pension income. The allowance ensures that people who only receive the minimum pension will continue not to pay income tax. The allowance is scaled down against pension income, so that the marginal tax on earned income is reduced to the same level as for wage earners. The marginal tax on capital for low-income pensioners is also reduced to the same level as for other taxpayers. The new tax allowance is determined regardless of the spouse's income and married early-retirement and old-age pensioners will each have their own allowance. In addition, the pension income social security contribution is increased and the special allowance for age is discontinued.
- In 2010 a new formula-based system for determining the tax-assessed value of homes was introduced. The new tax-assessed value will be determined by multiplying the floor space of the dwelling by a square metre price based on the geographical location (neighbourhood, municipality, sparsely populated vs. densely populated area), size, age and type (detached, semi-detached, terraced, flat) of the property. For primary homes (owner-occupied), the per square metre rate will be set at 25% of the estimated sale price per square metre, whereas the rate for second homes, i.e. any other dwellings in addition to the primary home that are not defined as business or recreational properties, will be set at 40% of the estimated sale price per square metre. The current "safety valve" system is being continued so that taxpayers can appeal and have the tax-assessed value reduced to 30% of the documented fair market value (60% for second homes). In addition, the tax-assessed values of recreational properties are increased by 10%.
- Most important changes in 2009 were the abolition of the 80% rule, which primarily reduced the wealth tax of the richest. The wealth tax on equities for those who fall within the scope of the 80% rule has been more than doubled since 2005.
- The home savings scheme (BSU) was expanded in 2009 by increasing the annual savings amount to NOK 20 000 and the maximum aggregate savings amount to NOK 150 000.
- The rates of the inheritance tax were reduced and the exempted amount was increased in 2009. The instalment scheme for family businesses was expanded through the abolition of the upper limit, and the payment period was increased from 7 to 12 years.
- Other changes in the personal tax base in 2009:
    - The fishermen's allowance was increased from NOK 115 000 to NOK 150 000.
    - The reindeer husbandry allowance was increased to the same level as the agriculture allowance.
    - The allowance for labour union fees was increased by NOK 450 to NOK 3 600.
    - The rate of the travel allowance was increased from NOK 1.40 per km to NOK 1.50 per km.
- The tax-free net income thresholds under the tax limitation rule were increased such as to ensure that singles and couples who receive the minimum state pension will still not be paying tax following the favourable social security settlement they benefited from in 2008.
- A tax favoured contributions to individual pension agreement schemes was reintroduced as of 2008.
- From 1 January, 2008 the employees' SSC rate for self-employed was increased from 10.7% to 11.0%.
- The upper threshold in the surtax schedule was substantially reduced from 2006 to 2007.
- The surtax rates were reduced in 2005 and 2006, as part of a reform of the dual income tax system. The basic allowance has been substantially increased.

- From 1 January, 2006 the supplementary employer's social security contribution at 12.5% for gross wage income that exceeds 16 times "G" (average "G" is estimated to be NOK 74 721 in 2010) was removed.
- From 1 January, 2006 the class 2 in the surtax was removed.
- From 1 January, 2005 the ceiling in the parent allowance for two and more children was removed, and the maximum allowance was increased with NOK 5 000 for each child after the first. From 2008 the maximum allowance will be increased with NOK 15 000 for each child after the first.
- The additional child support of NOK 7 884 for children aged 1 and 2 years was abolished as of August 1, 2003.
- An allowance of maximum NOK 6 000 for donations to voluntary organisations was introduced as of 1 January, 2003. Previously this allowance was coordinated with the allowance for labour union fees (with a combined maximum allowance). The allowance was increased to NOK 12 000 as of 1 January, 2005.
- As of 1 July, 2002 the employer's social security contribution rates for employees aged 62 years or older were reduced by 4 percentage points, although not below 0%. From 2007 the reduction was abolished.

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

There have been no labour taxation reductions, but the payment of the employer's social security contribution have been postponed (August 15^{th}.)

5. Memorandum Items

5.1. Identification of an AW and calculation of earnings

The wage series used refers to full time employees in the B-N industry group (ISIC rev.4).

The calculation of annual wage earnings is as follows:

- Weighted average monthly wage plus overtime times 12.

The average monthly wage is agreed payment for a wage earner working a normal agreed working-year. It includes bonus payments and other allowances, but not payments for overtime, sick leave, and an establishment's indirect wage costs. The sum is weighted with the number of persons employed in the different industry groups.

5.2. Employers' contributions to private health and pension schemes

No information available.

2020 Parameter values

Average earnings/yr	Ave_earn	627 370	Secretariat estimate
Central rate (pers)	Tax_sch	0	180 800
		0.019	254 500
		0.042	639 750
		0.132	999 550
		0.162	
Central rate (ord)	Cent_rate_ord	0.0845	
Local rate (ord)	Local_rate	0.1355	
Allowances	Class_al	51 300	
	Special_al	51 804	
Basic relief	Basic_min	4 000	
	Basic_max	104 450	
	Basic_rel_rate	0.45	
	Basic_min_wage	31 800	
Soc security contribs	SSC_rate	0.082	
Employer	SSC_empr	0.13	
Trygd. low.lim	SSC_low_lim	54 650	
pct.rate	SSC_low_rate	0.25	
Ref. Income "G"	SSC_G	100 853	
"G" Multiple	SSC_Gmult	16	
Supplemental Rate	SSC_rate_sup	0	
Child cash transfer	Child_sup	12 648	

2020 Tax equations

The equations for the system for Norway in 2020 may be calculated on an individual or joint basis for married couples. Social security contributions are calculated on an individual basis. The calculation for Class 2 is chosen for married couples whenever this gives a lower value of tax than the corresponding Class 1 calculations. The functions which are used in the equations (Taper, MIN, Tax etc) are described in the technical note about tax equations. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables "married" and "children". A reference to a variable with the affix "_total" indicates the sum of the relevant variable values for the principal and spouse. And the affixes "_princ" and "_spouse" indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with "_spouse" values taken as 0.

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings	earn		
2.	Allowances:			
	tax allowance (ordinary)	tax_al_princ	P	MIN(MAX(Basic_min_wage, MIN(earn_princ*Basic_rel_rate, Basic_max)) +Class_al+IF(AND(Married='0,Children>0),Special_al,o),' earn_princ)
	tax allowance (ordinary)	tax_al_spouse	S	MIN(MAX(Basic_min_wage, MIN(earn_spouse*Basic_rel_rate, Basic_max)) +Class_al, earn_spouse)
3.	Credits in taxable income	taxbl_cr	J	0
4.	CG taxable income (ordinary)	tax_inc	B	Positive(earn-tax_al)
5.	CG tax (personal+ordinary)	CG_tax	B	Tax(earn, Tax_sch)+Cent_rate_ord*tax1_inc
6.	Tax credits :	tax_cr	P	0
7.	CG tax	CG_tax	B	CG_tax
8.	State and local taxes	local_tax	B	(Local_rate*(tax_inc_princ+tax_inc_spouse))-tax_cr
9.	Employees' soc security	SSC	B	MIN(earn*SSC_rate, Positive(SSC_low_rate*(earn-SSC_low_lim)))
11.	Cash transfers	cash_trans	J	(children>0)*Child_sup
13.	Employer's soc security	SSC_empr	B	earn*SSC_empr

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

Poland

This chapter includes data on the income tax paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.
Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.

Poland 2020

The tax/benefit position of single persons

	Wage level (per cent of average wage)	67	100	167	67
	Number of children	none	none	none	2
1.	**Gross wage earnings**	40 813	60 915	101 728	40 813
2.	**Standard tax allowances**				
	Basic allowance				
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes	5 595	8 351	13 947	5 595
	Work-related expenses	3 000	3 000	3 000	3 000
	Other				
	Total	8 595	11 351	16 947	8 595
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**	32 217	49 563	84 781	32 217
5.	**Central government income tax liability (exclusive of tax credits)**	5 477	8 426	14 413	5 477
6.	**Tax credits**				
	Basic credit	525	525	525	1 050
	Married or head of family				
	Children	0	0	0	2 224
	Other (health insurance)	2 729	4 074	6 803	2 729
	Total	3 254	4 599	7 328	6 004
7.	**Central government income tax finally paid (5-6)**	2 222	3 827	7 085	- 527
8.	**State and local taxes**	0	0	0	0
9.	**Employees' compulsory social security contributions**				
	Gross earnings	4 106	6 128	10 234	4 106
	Taxable income	3 170	4 731	7 900	3 170
	Total	7 275	10 859	18 134	7 275
10.	**Total payments to general government (7 + 8 + 9)**	9 498	14 686	25 218	6 749
11.	**Cash transfers from general government**				
	For head of family				
	For two children	0	0	0	15 097
	Total	0	0	0	15 097
12.	**Take-home pay (1-10+11)**	31 315	46 229	76 509	49 162
13.	**Employer's wage dependent contributions and taxes**				
	Employer's compulsory social security contributions	5 665	8 455	14 120	5 665
	payroll taxes	1 041	1 553	2 594	1 041
	Total	6 705	10 008	16 714	6 705
14.	**Average rates**				
	Income tax	5.4%	6.3%	7.0%	-1.3%
	Employees' social security contributions	17.8%	17.8%	17.8%	17.8%
	Total payments less cash transfers	23.3%	24.1%	24.8%	-20.5%
	Total tax wedge including employer's social security contributions	34.1%	34.8%	35.4%	-3.5%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	25.8%	25.8%	25.8%	96.3%
	Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner	36.3%	36.3%	36.3%	96.9%
	Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.

Poland 2020

The tax/benefit position of married couples

		Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
		Number of children	2	2	2	none
1.	**Gross wage earnings**		60 915	101 728	121 829	101 728
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		8 351	13 947	16 703	13 947
	Work-related expenses		3 000	6 000	6 000	6 000
	Other					
		Total	11 351	19 947	22 703	19 947
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		49 563	81 781	99 127	81 781
5.	**Central government income tax liability (exclusive of tax credits)**		8 426	13 903	16 852	13 903
6.	**Tax credits**					
	Basic credit		1 050	1 050	1 050	1 050
	Married or head of family					
	Children		2 224	2 224	2 224	0
	Other (health insurance)		4 074	6 803	8 147	6 803
		Total	7 348	10 077	11 422	7 853
7.	**Central government income tax finally paid (5-6)**		1 078	3 825	5 430	6 049
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		6 128	10 234	12 256	10 234
	Taxable income		4 731	7 900	9 461	7 900
		Total	10 859	18 134	21 717	18 134
10.	**Total payments to general government (7 + 8 + 9)**		11 936	21 959	27 147	24 183
11.	**Cash transfers from general government**					
	For head of family					
	For two children		12 600	12 600	12 600	0
		Total	12 600	12 600	12 600	0
12.	**Take-home pay (1-10+11)**		61 578	92 368	107 282	77 544
13.	**Employer's wage dependent contributions and taxes**					
	Employer's compulsory social security contributions		8 455	14 120	16 910	14 120
	payroll taxes		1 553	2 594	3 107	2 594
		Total	10 008	16 714	20 016	16 714
14.	**Average rates**					
	Income tax		1.8%	3.8%	4.5%	5.9%
	Employees' social security contributions		17.8%	17.8%	17.8%	17.8%
	Total payments less cash transfers		-1.1%	9.2%	11.9%	23.8%
	Total tax wedge including employer's social security contributions		13.2%	22.0%	24.4%	34.5%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		25.8%	25.8%	25.8%	25.8%
	Total payments less cash transfers: Spouse		24.6%	25.8%	25.8%	25.8%
	Total tax wedge: Principal earner		36.3%	36.3%	36.3%	36.3%
	Total tax wedge: Spouse		35.2%	36.3%	36.3%	36.3%

The national currency is the Zloty (PLN). In 2020, PLN 3.93 were equal to USD 1. In that year, the average worker earned PLN 60 915 (Secretariat Estimate).

1. Personal income tax system

An individual being a tax resident in Poland is liable to tax on the basis of world-wide income, irrespective of the source and origin of that income. (The term "residency" is understood similarly to Article 4 paragraph 2 point a) of the OECD Model Tax Convention on Income and Capital).

1.1. Central government income tax

1.1.1. Tax unit

Individuals are taxed on their own income, but couples married during the whole calendar year[1] can opt to be taxed on their joint income. In the latter case, the 'splitting' system applies: the tax bill for a couple is twice the income tax due on half of joint income, provided the joint income does not include capital income taxed at the flat 19% rate. Single individuals with dependent children are also entitled to use the splitting system (their family quotient is two). For the purpose of this report, it is assumed that married couples are taxed on joint income.

1.1.1.1. Tax base

1.1.1.1.1. Gross employment income

For taxation purposes, taxable gross employment income in Poland includes both cash income and the value of benefits in kind. More specifically, gross employment income includes base salary, overtime payments, bonuses, awards, compensation for unused holidays, and costs that are paid in full or in part by the employer on behalf of the employee.

1.1.2. Tax allowances and tax credits

1.1.2.1. Standard reliefs

- Basic relief (since 1st October 2019): A non-refundable tax credit of:[2]

  – PLN 1 360 – for the tax base not higher than PLN 8 000;

  – PLN 1 360 minus the amount resulting from the following formula: PLN 834.88 × (tax base PLN 8 000) ÷ PLN 5 000, for the tax base higher than PLN 8 000 and not higher than PLN 13 000;

  – PLN 525.12 - for the tax base higher than PLN 13 000 and not higher than PLN 85 528;

  – PLN 525.12 minus the amount resulting from the following formula: PLN 525.12 × (tax base– PLN 85 528) ÷ PLN 41 472, for the tax base higher than PLN 85 528 and not higher than PLN 127 000,

  ,

- Marital status relief: None.
- Relief for children: Yes[3].

A taxpayer can deduct from the due tax decreased by the amount of health contributions specified in the PIT Act, the amount, which is equal for each month of raising a child:

- PLN 92.67 (annually PLN 1 112.04) for the first child, if the income received by parents (married or single parent, who meets special requirements) does not exceed in the tax year the amount of PLN 112 000. For other parent the threshold of income is PLN 56 000;
- PLN 92.67 (annually PLN 1 112.04) for the second child;
- PLN 166.67 (annually PLN 2 000.04) for the third child;
- PLN 225.00 (annually PLN 2 700.00) for the fourth and every next child.

Since 1st of January 2015 taxpayers whose due tax is lower than the amount of relief for children, may claim for cash refund for amount of relief which has not been utilized. However, such cash refund cannot exceed the amount of deductible social security and health insurance contributions paid by taxpayer (with some exceptions).

- Relief for health insurance contributions: A tax credit is almost equal to health insurance contribution paid to the National Health Fund. The contribution is 9% of the calculation basis whereas the tax credit is 7.75% of this basis.
- Relief for other social security contributions: An allowance is provided for all social insurance contributions paid by the taxpayer.
- Relief for selected work-related expenses: Standard deductions depend on the number of workplaces and on whether place of residence and workplace are within the same town/city or not. The annual amounts in PLN (deductible from income) are:

	One workplace	Two/more workplaces
Workplace in the same town/city as place of residence	[4] 3 000 since 1st October 2019	(4 500 since 1st October 2019
Workplace in different town/city as place of residence	3 600 since 1st October 2019	5 400 since 1st October 2019

Note: If the actual commuting expenses exceed standard deduction, relief can be determined by the actual expenses incurred solely on personal season tickets.

1.1.2.2. Main non-standard tax reliefs

Allowances:

- Expenses for the purpose of rehabilitation incurred by a taxpayer who is a disabled person, or a taxpayer, who supports the disabled;
- Equivalent of blood donations, donations made for the purposes of public benefit activity and of religious practice – in the amount of donation, no more than 6% of income;
- Donations made for charity church care - in the amount of the donation;
- Expenses incurred for the use of the Internet – a taxpayer is entitled to deduct the Internet tax allowance within the next two years, providing that during the phase preceded this period he did not deduct expenses for the use of the Internet (up to PLN 760);
- Expenses incurred during undertaking of thermo-modernization project for single-family residential building up to 53 000 PLN,
- Abolished allowance (since 2007 continued on the acquired right basis) for interests payments on mortgage loans raised no later than in 2006 on acquisition of housing property on the primary market – up to the amount of interests related to the part of loan not exceeding PLN 325 990 for investments finished in 2017.

Tax credits:

- Donation made to public benefit organizations – up to 1% of due tax.[5]

- Abolished tax credits (continued on the acquired rights basis), i.e. expenses for saving with the aim of buying a house or flat, the amount of social contributions paid on income of an unemployed person hired by a taxpayer in order to take care of their children and/or house.

Exemptions:

- Gross wages up to 85 528 PLN for people under 26 years old are exempted from PIT.

1.1.3. Tax schedule

The tax schedule is as follows:

Tax base (in PLN)		Tax amount	
Over	Below		less a basic tax credit
0	85 528	17% since 1st October 2019	
85 528		PLN 14 539.76+ 32% of surplus over PLN 85 528 (since 1st October 2019)	

1.2. State and local income tax

There are no regional or local income taxes.

1.3. Wealth tax

There is no wealth tax.

1.4. Solidarity surcharge

The act on the Solidarity Support Fund for Disabled Persons entered into force on 1 January 2019. The purpose of a new legislative proposal is to introduce a new institution in a form of fund, managed by the Minister of Family, Labour and Social Policy, which will be focused on social support for people with disabilities. The source of the Fund's revenues are primarily a compulsory contribution to the Fund representing since 2020 0.45% of the base of the contribution rate to the Labour Fund (the compulsory contribution to the Labour Fund has decreased from 2.3% of the basis for the calculation of contributions to pension and disability insurance to 2% since 2020), as well as the solidarity contribution on the income of individuals - in the amount of 4% from a surplus of income (gross income minus SSC of employee) over PLN 1 million for a tax year.

2. Social Security Contributions

2.1. Employees' contributions

Employees pay 13.71% of the gross wage. This contribution includes:

- Pension insurance contribution – 9.76% of the gross wage.[6] 3.65 percentage points of the pension contribution are treated as non-tax compulsory payments because these payments are either made to the OPF (1.46%) and to personal sub-account in ZUS (2.19%) or only to sub-account in ZUS (3.65%).
- Disability insurance contribution – 1.5% of the gross wage,
- Sickness/maternity insurance contribution – 2.45% of the gross wage,
- In case of pension and disability insurance, contributions are not paid on the part of the wage that exceeds PLN 156 810.[7]

2.2. Employers' contributions

In respect of income paid under an employment contract with a Polish entity, employers have an obligation to pay social security contributions and payroll taxes equal to 20.08% of gross wage. This value consists of:

A) Social security contributions:

- 9.76 % are aimed for pension insurance[8]. 3.65 % of the pension contribution are treated as non-tax compulsory payments because these payments are either made to the OPF (1.46%) and to personal sub-account in ZUS (2.19%) or only to sub-account in ZUS (3.65%),
- 6.5 % are aimed for disability insurance,
- 1.27 percentage points (on average) accident insurance,
- In case of pension and disability insurance, contributions are not paid on the part of the wage that exceeds PLN 156 810.

B) Payroll taxes:

- 2 % for Labour Found,
- 0,45% for Solidarity Support Fund for Disabled Persons,
- and 0.1% for the Guaranteed Employee Benefit Fund.

3. Universal Cash Transfers

3.1. Transfers related to marital status

None.

3.2. Transfers for dependent children

From 1st of November 2012 families where the average monthly income per household member for the previous period is no greater than PLN 539 or PLN 623 when there are one or more disabled children in the household) are entitled to family allowances. From 1st of November 2015 the income criteria will be as high as PLN 674 and PLN 764. Families receive PLN 89 (from 1st of November 2016 – PLN 95) monthly for a child no older than 5 years, PLN 118 (from 1st of November 2016 – PLN 124) monthly for a child of 5 up to 18 years old, and PLN 129 (from 1st of November 2016 – PLN 135) monthly for a child of 18 up to 24 years old. The calculations in this Report are based on the assumption that the children are aged between 6 and 11 years inclusive.

Single parents are entitled to a supplement of PLN 185 (from 1st of November 2016 – PLN 193) for each child up to a maximum of PLN 370 (from 1st of November 2016 – PLN 386) for all children (and PLN 265 (from 1st of November 2016 – PLN 273) for a disabled child up to a maximum of PLN 530 (from 1st of November 2016 – PLN 546) for all children).

There are several supplements to family allowances:

- for large families – PLN 90 (from 1st of November 2016 – PLN 95) monthly for the 3rd and next children in the family;
- for education of disabled children – PLN 80 (from 1st of November 2016 – PLN 90) monthly for children not older than 5 years and PLN 100 (from 1st of November 2016 – PLN 110) for children older than 5 years.

3.2.1. Parental benefit

On 1 January 2016 a parental benefit was introduced, aside from the already existing family and care benefits. The parental benefit is provided to families to which a child is born but whose members had not been eligible to a parental or maternity leave: students, the unemployed (regardless of registration with a labour office), people employed on the basis of civil law contracts, employees and people pursuing non-agricultural economic activity if they are not collecting maternity benefit. The parental benefit is granted regardless of income in the amount of PLN 1,000 a month for 52 weeks (after giving birth to one child in one labour), 65 weeks (after giving birth to two children in one labour), 67 weeks (after giving birth to three or four children in one labour) and for 71 weeks (after giving birth to five or more children in one labour).

3.2.2. Family 500 Plus Programme

Financial support for families with children

1 April 2016 (Act on state support for upbringing children entered into force 1 April 2016)

The Act on state support for upbringing children introduced new benefits- in amount of 500 PLN monthly per child until the child turns 18, which would be means-tested for the first child and available for all families for every additional child. The new benefit of PLN 500 a month (untaxed) is available for parents, actual guardian or legal guardian of a child until the child turns 18. The benefit will also be paid for the second child and any subsequent child without application of any income criteria. It will be paid for the first child if income of the family per one member does not exceed PLN 800 a month (PLN 1,200 if there is a disabled child in the family)[9]. Eligibility to this benefit is established for a year (from 1 October to 30 September).

Since 1st July 2019 the extension of 500+ programme came into force: there is no income testing hence every child is eligible for the benefit so the transfer has become universal.

3.2.3. Good Start Programme

Since 2019 a new benefit of 300 PLN was introduced. Every child that is attending school until it turns 20 is eligible for this benefit which is paid once a year at the start of the school year. There is no income test.

4. Main Changes in Tax/benefit Systems Since 2012

Since January 2017, the tax schedule has been changed by introduction of degressive basic tax credit. The work-related expenses, tax allowances, relieves are the same as in previous years.

Since 2012, there were also changes in Social Security Contribution. Since February 2014, 14.96% of the old-age insurance contribution (2.92 percentage points) are transferred by ZUS to a privately-managed fund (OPF) but since July 2014 this part of contribution will be transferred only if insured persons decides to – otherwise all 7.3 percentage points of the contributions will be passed to subaccount in ZUS.

On 1st January 2019 as the solidarity contribution on the income of individuals - in the amount of 4% from a surplus of income (gross income minus SSC of employee) over PLN 1 million for a tax year was introduced.

Since August 2019 gross wages up to 85 528 PLN for people under 26 years old are exempted from PIT. Since October 2019 the first marginal tax rate has been lowered from 18% to 17%.and work-related expenses were more than doubled.

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

Exemption from social security contributions (employee's and employer's part) for up to 3 months period for enterprises registered before February 2020:

- exemption of 50% from SSC in enterprises that have reported to Social Security Fund from 10 to 49 people
- exemption of 100% from SSC in enterprises that have reported to Social Security Fund from 1 to 9 people,

Since less than half of the full-time workers within sectors B to N are affected by the temporary exemption of social security contributions, the measure is not considered in the Taxing Wages calculations.

Subsidies for employee remuneration costs and social security contributions up to three months period:

- a subsidy to downtime pay in the amount of 50% of minimum wage plus social security contributions
- a subsidy up to half of the salary of employees, but no more than 40% of the average monthly salary from the previous quarter plus social security contributions

The subsidy can be granted if the decline in sales revenues amounted to:

- not less than 15% - calculated as the ratio of total sales revenues in the following two months period after Jan 2020, to the total sales revenues from the corresponding 2 months of the previous year (i.e. 2019); or
- not less than 25% - calculated as the ratio of total sales revenues in any given month in the period after Jan 2020 compared to the turnover from the previous month.

Subsidies for employee remuneration costs and social security contributions for micro, small and medium-sized enterprises for up to 3 month period in the amount of:

- 50% of minimum wage plus social security contributions per employee, if the decline in sales revenues amounted to 30%,
- 70% of minimum wage plus social security contributions per employee, if the decline in sales revenues amounted to 50%,
- 90% of minimum wage plus social security contributions per employee, if the decline in sales revenues amounted to 80%.

A decline in total sales revenues is calculated based on the following two months of 2020 compared to the total sales revenues from the corresponding 2 months of 2019.

5. Memorandum Items

5.1. Identification of AW and valuation of earnings

The Polish Central Statistical Office calculates average monthly wages and salaries for employees on the basis of reports of enterprises. The figures include overtime and bonus payments and also include information for part-time employees converted to full-time equivalents. Male and female workers are included. The information, which includes estimates for different sectors, is published in the monthly *Statistical Bulletin*.

5.2. Employers' contributions to private pension, health and related schemes

No information provided.

2020 Parameter values

Average earnings/yr	Ave_earn	60 915	Secretariat Estimate
Work expenses	work_exp	3 000[10]	
Income tax schedule	tax_sch		
		0.17	85 528
		0.32	
Tax credits			
Basic credit	basic_cr1	1 360	
	basic_cr2	525.12	
	basic_cr_lim1	8 000	
	basic_cr_lim2	13 000	
	basic_cr_lim3	85 528	
	basic_cr_lim4	127 000	
	red_rate_1	0.166976	
	red_rate_2	0.012662037	
Health insurance	health_ins	0.09	
	health_ins_credit	0.0775	
Children	Child_cr	1 112.04	
	Child_cr_lim	112 000	
Social security contributions			
Employers	SSC_empr	0.2008	
old-age pension and disability pension insurance	SSC_old	0,0976	
	SSC_old_ZUS	0.0611	
	SSC_old_ZUSII	0.0365	
	SSC_old_OPF	0	
	SSC_dis	0.065	
other insurances	SSC_a	0.0127	
Payroll_tax	Payroll_tax	0.0255	
Employees	SSC	0.1371	
old-age pension and disability pension insurance	SSC_old_e	0.0976	
	SSC_old_e_ZUS	0.0611	
	SSC_old_e_ZUSII	0.0365	
	SSC_old_e_OPF	0	
	SSC_dis_e	0.015	
sickness insurance	SSC_s	0.0245	
Contribution ceiling	SSC_c	156 810	
Family benefit	fam_ben	1 588	
single parent additional family benefit	fam_ben_Spsup	2 316	
single parent additional family benefit ceiling	fam_ben_Spsup_lim	4 632	
income limit	fam_ben_lim	8 088	
income limit for single parent	fam_ben_lim_sp	8 088	
Family 500 Plus Programme	plus_ben	6 000	
“Good start” benefit	gs_ben	300	
Solidarity surcharge rate	solid_sur_rate	0.04	
Solidarity surcharge threshold	solid _thr	1 000 000	

2020 Tax equations

The equations for the Polish system are mostly calculated on a family basis.

The standard functions which are used in the equations (Taper, MIN, Tax etc) are described in the technical note about tax equations. Two additional functions (Tax93 and ftax) have been incorporated to carry out an iterative calculation for central government tax. These allow for the fact that the church tax is calculated as 9% of Central Government tax and is also allowed as a deduction when calculating taxable income. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables "married" and "children". A reference to a variable with the affix "_total" indicates the sum of the relevant variable values for the principal and spouse. And the affixes "_princ" and "_spouse" indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with "_spouse" values taken as 0.

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings	earn		
	Quotient for tax calculation	quotient	J	1+MAX(Married,(Children>0))
2.	Allowances:	tax_al	J	work_exp+MIN(earn_spouse,work_exp)+SSC+SSC_old_e_OPF*MIN(earn, SSC_c)
3.	Credits in taxable income	taxbl_cr	J	0
4.	CG taxable income	tax_inc	J	Positive(earn-tax_al)
5.	CG tax before credits	CG_tax_excl	J	quotient*Tax(tax_inc/quotient,tax_sch)
6.	Tax credits :			
	Basic credit	basic_cr	J	=IF(quotient=1,Positive(IF(TAX_INC>basic_cr_lim1,basic_cr1-(Positive(MIN(TAX_INC,basic_cr_lim2)-basic_cr_lim1)*red_rate_1)-(Positive(TAX_INC-basic_cr_lim3)*red_rate_2),basic_cr1))*quotient,Positive(IF((TAX_INC/2)>basic_cr_lim1,basic_cr1-(Positive(MIN((TAX_INC/2),basic_cr_lim2)-basic_cr_lim1)*red_rate_1)-(Positive((TAX_INC/2)-basic_cr_lim3)*red_rate_2),basic_cr1))*quotient)
	Health insurance	health_ins_cr	B	health_ins_credit*(earn-SSC-SSC_old_e_OPF*MIN(earn, SSC_c))
	Child credit	child_cr	J	If(earn_total<Child_cr_lim,children*child_cr,0)
	Total tax credits	tax_cr	J	basic_cr+health_ins_cr+child_cr
7.	CG tax	CG_tax	J	MAX(0,Positive(CG_tax_excl-basic_cr-health_ins)-child_cr)-(child_cr>Positive(CG_tax_excl-basic_cr-health_ins))*MIN(SSC_al+health_ins,child_cr-Positive(CG_tax_excl-basic_cr-health_ins))
8.	State and local taxes	local_tax	J	0
9.	Employees' soc security	health_ins	B	(earn-(MIN(earn, SSC_c)*(SSC_old_e+SSC_dis_e)+earn*SSC_s))*health_ins
.		SSC	B	(SSC_old_e_ZUS+SSC_dis_e)*MIN(earn,SSC_c)+SSC_s*earn
11.	Cash transfers	cash_tran	J	='MAX(0,(fam_net_inc<fam_ben_lim*(1+Married+Children)-240+(Children*fam_ben+(1-Married)*(Children>0)*MIN(fam_ben_Spsup*Children,fam_ben_Spsup_lim)))*(Children*fam_ben+(1-Married)*(Children>0)*MIN(fam_ben_Spsup*Children,fam_ben_Spsup_lim))-IF(fam_net_inc>fam_ben_lim*(1+Married+Children),fam_net_inc-fam_ben_lim*(1+Married+Children),0))+(Children*plus_ben)+(gs_ben*Children)
		fam_net_inc	J	=Positive(earn-SSC_al-health_ins-CG_tax-work_exp)
13.	Employer's soc security	SSC_empr	B	(SSC_old_ZUS+SSC_dis)*MIN(earn,SSC_c)+SSC_a*earn
		Payroll tax	B	Earn*Payroll_tax

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

Notes

[1] However, a widowed spouse is entitled to apply the joint income taxation.

[2] Applicable only in a tax return.

[3] It concerns a child of 18 years old or younger or a child up to 25 years old provided they are students or a disabled child irrespective of their age. The actual description in section 4.

[4] For the purpose of the calculations in this publication, it is assumed that the worker has the same town/city as place of residence.

[5] This relief is distinct from an allowance for donations deducted from income.

[6] Since July 2014 out of total 19.52% of social contributions 7.3% goes to subaccount in ZUS either – if voluntarily stated by insured person – 2.92% goes to account in open ended funds and 4.38% to subaccount in ZUS.

[7] The contribution ceiling of pension and disability insurance funds for a given calendar year may not exceed thirty times the amount of the projected average monthly remuneration in the national economy for that year, as set forth in the Budgetary Act.

[8] Since July 2014 out of total 19.52% of social contributions 7.3% goes to subaccount in ZUS either – if voluntarily stated by insured person – 2.92% goes to account in open ended funds and 4.38% to subaccount in ZUS.

[9] Some of the features (namely, joint taxation and child tax credit) of the Polish tax system are optional and therefore can influence eligibility to “500+” family, and in a consequence tax wedge, in a non-linear way. As they both determine “net income for income test” and because of no tapering of “500+” sometimes it may be preferable not to use joint taxation or child tax credit (or to use it partially) in order to get the most appropriate net income to maximize the family benefit payments. As for now model treats both joint taxation and child tax credit as obligatory. With the parameters in the excel file (average wage etc.) it does not alter the results. However, if any of the parameters change, the previous statement may not hold.

[10] Lump-sum annual work expenses for an employee having one workplace and living in the place (town, city) where the workplace is; employees living outside the city (town) where their workplace is may deduct 3 600 PLN annually.

Portugal

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

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

Portugal 2020

The tax/benefit position of single persons

		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1.	**Gross wage earnings**		13 050	19 478	32 528	13 050
2.	**Standard tax allowances**					
	Basic allowance		4 104	4 104	4 104	4 104
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes					
	Work-related expenses		0	0	0	0
	Other					
		Total	4 104	4 104	4 104	4 104
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		8 946	15 374	28 424	8 946
5.	**Central government income tax liability (exclusive of tax credits)**		1 453	3 187	7 500	1 453
6.	**Tax credits**					
	Basic credit		0	0	0	0
	Married or head of family					
	Children		0	0	0	1 200
	Other					
		Total	0	0	0	1 200
7.	**Central government income tax finally paid (5-6)**		1 453	3 187	7 500	253
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		1 436	2 143	3 578	1 436
	Taxable income					
		Total	1 436	2 143	3 578	1 436
10.	**Total payments to general government (7 + 8 + 9)**		2 889	5 329	11 078	1 689
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	1 002
		Total	0	0	0	1 002
12.	**Take-home pay (1-10+11)**		10 162	14 148	21 450	12 364
13.	**Employer's compulsory social security contributions**		3 099	4 626	7 725	3 099
14.	**Average rates**					
	Income tax		11.1%	16.4%	23.1%	1.9%
	Employees' social security contributions		11.0%	11.0%	11.0%	11.0%
	Total payments less cash transfers		22.1%	27.4%	34.1%	5.3%
	Total tax wedge including employer's social security contributions		37.1%	41.3%	46.7%	23.4%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		34.0%	39.5%	48.0%	34.0%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		46.7%	51.1%	58.0%	46.7%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Portugal 2020

The tax/benefit position of married couples

	Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
	Number of children	2	2	2	none
1.	**Gross wage earnings**	19 478	32 528	38 956	32 528
2.	**Standard tax allowances**				
	Basic allowance	4 104	8 208	8 208	8 208
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes				
	Work-related expenses	0	0	0	0
	Other				
	Total	4 104	8 208	8 208	8 208
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**	15 374	24 320	30 748	24 320
5.	**Central government income tax liability (exclusive of tax credits)**	2 327	4 542	6 373	4 542
6.	**Tax credits**				
	Basic credit	0	0	0	0
	Married or head of family				
	Children	1 200	1 200	1 200	0
	Other				
	Total	1 200	1 200	1 200	0
7.	**Central government income tax finally paid (5-6)**	1 127	3 342	5 173	4 542
8.	**State and local taxes**	0	0	0	0
9.	**Employees' compulsory social security contributions**				
	Gross earnings	2 143	3 578	4 285	3 578
	Taxable income				
	Total	2 143	3 578	4 285	3 578
10.	**Total payments to general government (7 + 8 + 9)**	3 269	6 920	9 459	8 120
11.	**Cash transfers from general government**				
	For head of family				
	For two children	672	0	0	0
	Total	672	0	0	0
12.	**Take-home pay (1-10+11)**	16 880	25 608	29 497	24 408
13.	**Employer's compulsory social security contributions**	4 626	7 725	9 252	7 725
14.	**Average rates**				
	Income tax	5.8%	10.3%	13.3%	14.0%
	Employees' social security contributions	11.0%	11.0%	11.0%	11.0%
	Total payments less cash transfers	13.3%	21.3%	24.3%	25.0%
	Total tax wedge including employer's social security contributions	30.0%	36.4%	38.8%	39.4%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	34.0%	39.5%	39.5%	39.5%
	Total payments less cash transfers: Spouse	33.1%	39.5%	39.5%	39.5%
	Total tax wedge: Principal earner	46.7%	51.1%	51.1%	51.1%
	Total tax wedge: Spouse	46.0%	51.1%	51.1%	51.1%

The national currency is the Euro (EUR). In 2020, EUR 0.88 equalled USD 1. The Secretariat has estimated that in that same year the average worker earned EUR 19 478 (Secretariat estimate).

1. Personal income tax system

1.1. Taxes levied by central government

1.1.1. Tax unit

The standard rule is separate taxation. However, families may opt for joint taxation. Income includes the income of any dependent children. Tax is computed on aggregate net income in the various categories of income, i.e. after the deductions specific to each category and standard and non-standard reliefs.

1.1.2. Standard and non-standard reliefs and tax credits

1.1.2.1. Standard reliefs

Standard deduction of EUR 4 104. If compulsory contributions to social protection schemes and statutory sub-schemes for health care exceed that limit, the deduction will equal the amount of those contributions.

1.1.2.2. Non-standard reliefs

For income received from 1 January 1999 onwards, the majority of the standard reliefs have been replaced by tax credits (see Section 1.1.4.).

Non-standard reliefs still in effect:

A deduction is provided for the portion of trade union dues not constituting consideration for benefits in the realm of health care, education, assistance for the elderly, housing, insurance or social security, up to 1% of the taxpayer's gross income, increased by 50%. These dues are not taken into account in the calculations underlying this Report.

1.1.3. Social security contributions

Social security contributions are totally deductible if they exceed EUR 4 104.00 per taxpayer, in which case the deduction for the contributions replaces the standard earned income deduction (see Section 1.1.2.1.).

1.1.4. Tax credits

Basic credits

- EUR 600 for each dependent child. This tax credit is increased by EUR 126 for dependent children whose age does not exceed 3 years old. The value is increased to EUR 300 and EUR 150 for the second and third dependent whose age does not exceed 3 years old.
- EUR 525 for each ascendant whose income does not exceed the minimum pension benefit. When there is only one ascendant, the tax credit increases by EUR 110.

Other tax credits

- 35% of household general expenses up to a limit of EUR 250, per taxpayer; this limit is increased to 45% and EUR 335, respectively, for single parents.
- Non-reimbursed health care costs, not covered by Social Security: 15% of health care costs, with a limit of EUR 1 000

- Expenditures for educating the taxpayer or the taxpayer's dependants: 30% of outlays, up to EUR 800.
- Costs for sanatoria or retirement homes for taxpayers, their ascendants and collaterals up to the third degree whose income does not exceed the national minimum wage: 25% of expenses up to EUR 403.75.
- 15% of the amount spent (up to EUR 296,00) on interest regarding the acquisition, construction or improvement of the taxpayer's primary residence, or leasing contracts (applicable to contracts up to 31/12/2011); and 15% of the amount spent (up to EUR 502,00) on rents paid by a tenant for his permanent residence under an agreement typified by the law. These limits are also increased for taxpayers in the first tax rate bracket and for taxpayers with income above the first rate bracket upper limit and below EUR 30.000, according to the formula below.

$$296 + \left[(450 - 296) * \left(\frac{30000 - liable\ income}{30000 - 7112}\right)\right]$$

- 20% of alimony payments compulsory under court order or court-approved agreement.
- 30% of education expenditures and 25% of life insurance premiums, up to a limit of 15% of the tax liability, for handicapped taxpayers or dependents.
- 15% of VAT paid for certain services (restaurants, lodging, hairdressers, and auto-repair) up to a limit of EUR 250. This benefit is not included on the limits referred to on the next page.

Tax credits from tax benefits

- Individual Retirement Savings Plans (PPRs): 20% of amounts invested, for unmarried taxpayers or for each spouse, up to:
  - EUR 400 for taxpayers under 35;
  - EUR 350 for taxpayers over 35 and under 50;
  - EUR 300 for taxpayers over 50.
- Social Security Individual Accounts: 20% of amounts invested, for unmarried taxpayers or for each spouse, up to a limit of EUR 350.

Donations granted on the conditions stated in the statutes governing charities (grants to central, regional or local government, special "social solidarity institutions", museums, libraries, schools, institutes, educational or research associations, public administrative bodies, etc.): 25% of donations, limited in certain cases to 15% of the donor's tax liability. However the total of tax credits related to health care costs, education and training, alimony, retirement homes, VAT paid, house expenses and tax benefits cannot exceed the values of the following amounts:

Taxable income (EUR) (R)	Limit
Up to 7 112	Without limit
Between 7 112 and 80 882	$1000 + \left[(2500 - 1000) * \left(\frac{80882 - liable\ income}{80882 - 7112}\right)\right]$
Over 80 882	EUR 1 000

Limits are increased in 5% for each dependent.

1.1.5. Family status- determination of taxable income

The default status is individual taxation. Couples can opt for joint taxation based on the income-splitting system as it is described below. In the Taxing Wages calculations, the most favourable system is chosen.

1.1.6. Tax rate schedule (applicable to 2020 income)

Taxable income (EUR) (R)	Marginal tax rate (%) (T)	Amount to deduct (EUR) (K)
Up to 7 112	14.50	---
Over 7 112 up to 10 732	23.00	604.52
Over 10 732 up to 20322	28.50	1194.79
Over 20 322 up to 25 075	35.00	2515.66
Over 25 075 up to 36 967	37.00	3017.27
Over 36 967 up to 80 882	45.00	5974.61
Over 80 882	48.00	8401.21

In the case of taxpayers whose income stems primarily from dependent employment (earned income), disposable income after application of the tax rates to taxable income may not be less than, EUR 9 215.01 that was 1.5 times the annual value of the Social Benefits Index per taxpayer in 2020.

For residents in the Autonomous Regions of the Azores, reduced tax rates are applicable. Tax calculation formula (I = Income tax due):

Unmarried taxpayers: I = R x T - K - C

Married taxpayers can opt for joint taxation based on the income splitting method (with one or two earned incomes/see Section 1.1.5):

- I ={[(R : 2) x T - K] x 2 } – C

Where:

R = Taxable income, after deduction of standard and non-standard reliefs (see Sections 1.1.2)

T = Tax rate corresponding to the taxable income bracket

K = Amount to be deducted from each bracket

C = Tax credits (see Section 1.1.4)

Surtax:

An additional surtax, solidarity tax rate, was introduced by the 2012 State Budget and is applicable on highest income bracket. The surtax tax rate is now 2.5% applicable to taxable income between EUR 80 882 and EUR 250 000 and 5% for taxable income above EUR 250 000.

1.1.7. Special family situations

1.1.7.1. Handicapped taxpayer/spouse, with a disability rating of 60% or more:

A tax credit corresponding to 4 times the 2010 minimum wage (EUR 1 900) is granted for each taxpayer or spouse.

1.1.7.2. Handicapped dependent children, with a disability rating of 60% or more:

A tax credit corresponding to 2.5 times the social benefits index[1] (EUR 1 187.50) is granted for each dependent child.

1.1.7.3. Handicapped taxpayer/spouse or dependent children, with a disability rating of 90% or more:

An additional tax credit corresponding to 4 times the 2010 minimum wage (EUR 1 900) is granted for each taxpayer or spouse or dependent child.

1.1.8. Non liable income

- Lawfully granted family allowances;
- Living expenses per diem, up to the limits established for national civil servants;
- Meal allowances, up to the amount established for national civil servants, increased by 20% or 60% in the event of a meal allowance in the form of meal vouchers.

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

Rates and ceilings: social security contributions are levied on gross pay and are not subject to any ceiling.

2.1. Employee contributions

As a rule, the rate of employee contributions is 11% of gross pay, with no ceiling.

2.2. Employer contributions

The employer's rate of social security contributions is 23.75% of gross pay, with no ceiling.

2.3. Areas of social protection

- Health (sickness, disability, work accidents, work-related illness);
- Old age, survival;
- Maternity;
- Family (family allowances);
- Unemployment.

3. Universal cash benefits

3.1. Benefits for dependent children

The basic principle is to grant higher monthly social benefits to lower-income households.

There are six different levels of monthly allowances for dependent children, depending on the family's reference income. This reference income is determined by dividing the family's annual gross income, including vacation and Christmas allowances, by the number of dependent children plus one:

- Level 1: Families whose reference income is under 50% of 14 times the reference value (i.e. under EUR 3071.67);
- Level 2: Families whose reference income is over 50% and under 100% of 14 times the reference value(i.e. over EUR 3071.67 and under EUR 6143.34);
- Level 3: Families whose reference income is over 100% and under 150% of 14 times the reference value (i.e. over EUR 6143.34 and under EUR 9215.01);
- Level 4: Families whose reference income is over 150% (i.e. over EUR 9215.01).

Each level is also divided according to the age of the dependent child. Benefits are higher during the first 12 months of a child's life.

Monthly social benefits per child are as follows (until June 2020):

	Child under 12 months	Child over 12 months old and under 36 months old	Benefit per child under12 months in a family with 2 children	Benefit per child under 12 months in a family with 3 or more children	Benefit per child over 12 months and under 36 months in a family with 2 children	Benefit per child over 12 months and under 36 months in a family with 3 or more children	Child over 36 months and under 72 months old	Child over 72 months old
Level 1	149.85	130.31	187.31	224.77	167.77	205.23	43.44	37.46
Level 2	123.69	107.56	154.62	185.55	138.48	169.42	35.85	30.93
Level 3	97.31	85.22	125.31	153.31	113.22	141.22	28.41	28.00
Level 4	48.35	48.35	62.95	77.55	62.95	77.55	16.12	-

Monthly social benefits per child are as follows (from July 2020):

	Child under 36 months In a family with one child	Child under 36 months In a family with two children	Child under 36 months In a family with three or more children	Child over 36 months and under 72 months old	Child over 72 months old
Level 1	149.85	187.31	224.77	49.95	37.46
Level 2	123.69	154.62	185.55	41.23	30.93
Level 3	97.31	125.31	153.31	32,44	28.00
Level 4	48.35	72.99	87.59	19,46	-

Monthly social benefits per child in a single-parent family are increased by 35%.

In September, families with dependent school children aged between 6 and 16 years receiving child benefits in level 1 receive an additional amount equal to the regular monthly benefit.

An amount equal to the cash benefits for dependent children under 12 months is attributed for each unborn child after the first month following that of the 13th week of gestation.

3.2. Benefits for handicapped dependent children

There is also a special family allowance scheme for handicapped children.

The above cash benefits (in Sections 3.1 and 3.2) are not taxable.

4. Main changes in the tax/benefit system since 2006

- The relief for disabled taxpayers was restructured. Former partial exemptions and allowances were replaced by tax credits.
- Tax credits for higher income households were limited or abolished.
- The fiscal autonomy of local authorities (municipalities) increased. They may set the level of their share in the revenue from personal income tax, up to 5% of their resident taxpayers' tax liability. If this rate is set below 5%, the difference will be credited against the taxpayers' tax liability.
- Tax credits for handicapped taxpayers and dependants were increased.
- Social benefits for dependent children were increased for low income families, single-parent families and families with 2 or more children.
- Introduction of social benefits for unborn children.
- A family coefficient was introduced in 2015 and abolished in 2016.
- From 2016, the tax unit is the individual. However, couples can opt for joint taxation.

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

2/3 of remuneration, min. EUR 635 and max. EUR 1905, supported equally by the Social Security (a group of seven institutions under the Ministry of Labor, Solidarity and Social[2]) and the employer, for employees that have to quarantine at home with their dependent children, under 12 years old, during the school period. For self-employed it is 1/3 of contributions, with a min. of EUR 438.81 and a max. of EUR 1097.03. It has lasted from mid-March to mid-June.

Several measures for loss of activity, depending on employment status.

5. Memorandum items

5.1. Method used to identify and compute gross wages of the average worker

The operative concept of monthly compensation is that of amounts paid to full time staff before deductions for tax and compulsory contributions. It therefore includes wages and basic salaries of staff paid by the hour, by the job, or by tasks; benefits in kind or housing, if they are considered an integral part of compensation; cash subsidies for meals, housing or transport; bonuses for regular night shifts and seniority, as well as incentive pay and rewards for diligence and productivity; family allowances, compensation for overtime and work on holidays. Benefits, subsidies and bonuses are taken into account only if paid regularly at each pay period.

Payments in kind are incorporated into the concept of compensation. The statistics record such advantages in kind at their taxable value.

All managerial and supervisory workers are included in the computations.

Average annual pay is based on the average of monthly earnings for April and October multiplied by an adjustment coefficient representing the share of annual bonuses and allowances (including vacation subsidies and the Christmas allowance), which is provided by the labour cost survey.

The following formula is applied:

- Average annual pay = Average monthly pay adjusted by the coefficient x 12.

5.2. Description of the employer's main contributions to private retirement, health insurance schemes, etc.

Outside the social security system, employers are required to insure their employees against work-related accidents (with private insurance companies). They may also provide their employees with life insurance, although this is optional.

2020 Parameter values

Average earnings/yr	Ave_earn	19 478	Secretariat estimate	
Tax allowances	perc	1		
	max_al	4 104		
Tax credits				
Married (basic)	married_cred	0		
Single (basic)	single_cred	0		
Single parent	singlepar_cred	0		
Each child credit	child_cred	600		
Tax schedule	tax_sch	0.145	7 112	
		0.23	10 732	
		0.285	20 322	
		0.35	25 075	
		0.37	36 967	
		0.45	80 882	
		0.48		
	tax_floor	na		
Surtax	surtax_rate	0.025		
	surtax_rate2	0.05		
	surtax_thrs	250 000		
Social security contributions	SSC_rate	0.11		
ceiling	SSC_empr	0.2375		
Child benefit - Schedule	ch_ben_sch	0	449.52	1st echelon
		3071.67	371.16	2nd echelon
		6143.34	336.00	3rd echelon
		9215.09	0	4th echelon
Extra child benefit for lone parents	ch_ben_lone	0.35		
Minimum Wage	MW	8890		
Minimum Disposable Income	MinDispY	9215.01		

2020 Tax equations

The equations for the Portuguese system in 2020 are calculated on individual basis. Couples can opt for joint taxation based on the income-splitting system. In the Taxing Wages calculations, the two systems are modelled and the most favourable system is chosen.

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

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings	earn		
2.	Allowances:	tax_al	B	MAX(MIN(perc*earn, max_al), SSC)
			J	MAX((MIN(perc*earn_princ, max_al)+MIN(perc* earn_spouse, max_al)), SSC_princ+SSC_spouse)
3.	Credits in taxable income	taxbl_cr		0
4.	CG taxable income	tax_inc	B	earn-tax_al
	Adjusted taxable income	tax_inc_adj	J	tax_inc/(1+Married)
5.	CG tax before credits	CG_tax_excl	B	IF(tax_inc>tax_floor,Tax(tax_inc,tax_sch),0)
			J	IF(tax_inc_adj>tax_floor,Tax(tax_inc_adj,tax_sch)*(1+Married), 0)
6.	Tax credits :			
	Basic credit	basic_cr	B/J	0
	Child credit	child_cr	B	IF(AND(Married>0,earn_spouse>0),Children*child_cred/2,Children*child_cred)
			J	Children*child_cred
	Total	tax_cr	B/J	basic_cr+child_cr
	Surtax	surtax	B	IF(tax_inc>surtax_thrs,(surtax_rate*(surtax_thrs-TopIncBracket)+surtax_rate2*(tax_inc-surtax_thrs)),surtax_rate*Positive(tax_inc-TopIncBracket))
			J	IF(tax_inc_adj>surtax_thrs,(surtax_rate*(surtax_thrs-TopIncBracket)+surtax_rate2*(tax_inc_adj-surtax_thrs))*(1+Married),surtax_rate*Positive(tax_inc_adj-TopIncBracket)*(1+Married))
7.	CG tax	CG_tax	B	IF(earn-CG-tax-excl> MinDispY,Positive(CG_tax_excl-tax_cr),0)+surtax
				IF(earn-CG-tax-excl> MinDispY*(1+(Married*earn_spouse>0)),Positive(CG_tax_excl-tax_cr),0)+surtax
8.	State and local taxes	local_tax	B/J	0
9.	Employees' soc security	SSC	B	earn*SSC_rt
11.	Cash transfers	cash_trans	J	=IF(Married='0,' VLOOKUP(earn/(Children+1),ch_ben_sch,2,1)*Children*(1+ch_ben_lone), VLOOKUP(earn/(Children+1),ch_ben_sch,2,1)*Children) +IF(earn/(Children+1)<inc_level1,IF(married>0,(ben_level1/12)*children,(ben_level1/12)*(children*(1+ch_ben_lone)),0)
13.	13. Employer's soc security	SSC_empr	B	earn*SSC_empr

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

Notes

[1] The 2010 minimum wage (EUR 475) until de SBI reaches that value.

[2] Direção Geral da Segurança Social, Instituto de Gestão de fundos de capitalização da Segurança Social, Instituto de Gestão Financeira da Segurança Social, Instituto de Informática, Instituto de Segurança Social, Instituto de Segurança Social da Madeira and Instituto de Segurança Social dos Açores.

Slovak Republic

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

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

Slovak Republic 2020

The tax/benefit position of single persons

		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1.	**Gross wage earnings**		8 844	13 200	22 045	8 844
2.	**Standard tax allowances**					
	Basic allowance		4 414	4 414	4 414	4 414
	Married or head of family		0	0	0	0
	Dependent children		0	0	0	0
	Deduction for social security contributions and income taxes		1 185	1 769	2 954	1 185
	Work-related expenses					
	Other					
		Total	5 599	6 183	7 368	5 599
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		3 245	7 017	14 676	3 245
5.	**Central government income tax liability (exclusive of tax credits)**		617	1 333	2 789	617
6.	**Tax credits**					
	Basic credit		0	0	0	0
	Married or head of family		0	0	0	0
	Children		0	0	0	545
	Other (ETC)		0	0	0	0
		Total	0	0	0	545
7.	**Central government income tax finally paid (5-6)**		617	1 333	2 789	71
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		1 185	1 769	2 954	1 185
	Taxable income					
		Total	1 185	1 769	2 954	1 185
10.	**Total payments to general government (7 + 8 + 9)**		1 802	3 102	5 742	1 256
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	599
		Total	0	0	0	599
12.	**Take-home pay (1-10+11)**		7 043	10 098	16 302	8 187
13.	**Employers' compulsory social security contributions**		2 671	3 986	6 657	2 671
14.	**Average rates**					
	Income tax		7.0%	10.1%	12.6%	0.8%
	Employees' social security contributions		13.4%	13.4%	13.4%	13.4%
	Total payments less cash transfers		20.4%	23.5%	26.0%	7.4%
	Total tax wedge including employer's social security contributions		38.8%	41.2%	43.2%	28.9%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		29.9%	29.9%	29.9%	29.9%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		46.1%	46.1%	46.1%	46.1%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Slovak Republic 2020

The tax/benefit position of married couples

		Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
		Number of children	2	2	2	none
1.	**Gross wage earnings**		13 200	22 045	26 401	22 045
2.	**Standard tax allowances**					
	Basic allowance		4 414	8 828	8 828	8 828
	Married or head of family		4 036	0	0	0
	Dependent children		0	0	0	0
	Deduction for social security contributions and income taxes		1 769	2 954	3 538	2 954
	Work-related expenses					
	Other					
		Total	10 219	11 782	12 366	11 782
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		2 981	10 262	14 035	10 262
5.	**Central government income tax liability (exclusive of tax credits)**		566	1 950	2 667	1 950
6.	**Tax credits**					
	Basic credit		0	0	0	0
	Married or head of family		0	0	0	0
	Children		545	545	545	0
	Other (ETC)		0	0	0	0
		Total	545	545	545	0
7.	**Central government income tax finally paid (5-6)**		21	1 405	2 121	1 950
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		1 769	2 954	3 538	2 954
	Taxable income					
		Total	1 769	2 954	3 538	2 954
10.	**Total payments to general government (7 + 8 + 9)**		1 790	4 358	5 659	4 904
11.	**Cash transfers from general government**					
	For head of family					
	For two children		599	599	599	0
		Total	599	599	599	0
12.	**Take-home pay (1-10+11)**		12 009	18 285	21 340	17 141
13.	**Employers' compulsory social security contributions**		3 986	6 657	7 973	6 657
14.	**Average rates**					
	Income tax		0.2%	6.4%	8.0%	8.8%
	Employees' social security contributions		13.4%	13.4%	13.4%	13.4%
	Total payments less cash transfers		9.0%	17.1%	19.2%	22.2%
	Total tax wedge including employer's social security contributions		30.1%	36.3%	37.9%	40.3%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		29.9%	29.9%	29.9%	29.9%
	Total payments less cash transfers: Spouse		29.0%	29.9%	29.9%	29.9%
	Total tax wedge: Principal earner		46.1%	46.1%	46.1%	46.1%
	Total tax wedge: Spouse		45.5%	46.1%	46.1%	46.1%

As from 1.1.2009 Slovakia has joined the Euro zone; the national currency became the Euro (EUR). In 2020, EUR 0.88 was equal to USD 1. In that year, the average worker earned EUR 13 200 (Secretariat estimate).

1. Personal Income Tax System

1.1. Central government income taxes

1.1.1. Tax unit

The tax unit is the individual.

1.1.2. Tax allowances and tax credits

1.1.2.1. Standard reliefs

- Basic relief: An allowance for all taxpayers is set at 21 times the minimum living standard (MLS) for a basic adult as of January 1, 2020 (EUR 4 414.20). In 2020, the basic personal allowance for taxpayers with gross earnings net of employee social security contributions in excess of the threshold of EUR 19 506.56 per year (19 506.56 = 92.8 x MLS, which is approximately equal to an employee's monthly gross wage of EUR 1 877) is gradually withdrawn. If gross earnings net of employee social security contributions exceed EUR 19 506.56, the personal allowance is calculated as 44.2 times the minimum living standard minus 0.25 times gross earnings net of employee social security contributions. The basic personal allowance reaches 0 if the gross earnings net of employee social security contributions amount to EUR 37 163.36 per year (employee's monthly gross wage of approximately EUR 3 576). The value of the basic tax allowance cannot become negative.
- The regressive tax allowance is taken into account only once a year (when the tax return is filed or when the annual clearing is performed). Monthly tax prepayments during the year are therefore not affected.
- Marital status relief: An additional allowance is given to the principal earner in respect of a spouse living in a common household if the spouse earns no more than EUR 4 035.84. As from January 1, 2008 the value of the spouse allowance depends on the gross earnings net of employee social security contributions of both principal and spouse. As of 2013, to be entitled to the spouse allowance one of the following conditions should be met:
    - spouse is taking care of (not necessarily personally) children up to 3 years (or up to 6 years if the child is disabled) or
    - spouse is unemployed or
    - spouse is receiving nursing allowance or
    - spouse is disabled.

If the principal's gross earnings net of employee social security contributions in 2020 are lower or equal to EUR 37 163.36 (= 176.8 times MLS) and the spouse's gross earnings net of employee social security contributions are lower than EUR 4 035.84, the spouse allowance is calculated as the difference between 19.2 times MLS and the spouse's gross earnings net of employee social security contributions. If the gross earnings net of employee social security contributions of the spouse exceed EUR 4 035.84, the spouse allowance is 0. If the principal's gross earnings net of employee social security contributions exceed EUR 37 163.36 (= 176.8 times MLS), the spouse allowance is calculated as 63.4 times MLS minus 0.25 times the principal's gross earnings net of employee social security contributions. This amount is reduced by the spouse's gross earnings net of employee social security contributions. The value of the spouse allowance cannot become negative.

The digressive tax allowance is taken into account only once a year (when the tax return is filed or when the annual clearing is performed). Monthly tax prepayments during the year are therefore not affected.

For the purposes of this Report, only families with unemployed spouse are entitled to the spouse allowance (spouse income does not influence any equations of the spouse allowance as of 2013). Child care up to 3 years does not affect the calculation of tax wedges as according to the Taxing wages methodology any children in the household are assumed to be aged between six and eleven inclusive.

- Relief for children: The prior allowance for children has been replaced by a non-wastable tax credit as from January 2004. As from July 2007, the monthly tax credit is automatically indexed by MLS growth as of 1st July when also the new amount of MLS comes into force. Since 2015 the monthly tax credit is automatically indexed by MLS growth from the previous year. Monthly tax credit in 2020 is EUR 22.72 per child for the whole year. The annual amount will be EUR 272.64. The tax credit for each dependent child is deducted from the tax liability; if the credit exceeds the tax liability, the excess will be paid to the taxpayer. In order to receive this credit, the parent must annually earn at least 6 times the minimum monthly wage, which for 2020 is set at EUR 580.0 (the total annual earnings must therefore be at least EUR 3 480.0). The credit can be taken only by one partner. It can be taken by one partner for a part of the tax period (year) and by the other partner for the rest of the tax period (year); this choice will have to hold for all dependent children. (For the purposes of this Report, it is assumed that the credit is claimed by the principal wage earner). Since 2019, the tax credit on dependent children is doubled for each child below the age of 6 years. For children aged 6 or more, the tax credit remains unchanged (EUR 22.72 in 2020).
- Relief for social and health security contributions: Employee's social security contributions (see Section 2.1.) are deductible for income tax purposes.

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

Supplementary pension insurance, special-purpose savings and life insurances was repealed as from January 2011. As of 2014 an allowance for supplementary pension insurance has been reintroduced. Supplementary pension contributions are tax-deductible up to the maximum limit of EUR 180 per year.

1.1.2.3. Non-wastable tax credit: employee tax credit (ETC / zamestnanecká prémia)

Prior to 2015 low-income workers were eligible for employee tax credit. The employee tax credit was effective since 2009 and depended on the employee's earnings and the number of months worked. In order to receive the employee tax credit, earnings should be at least 6 times of the minimum wage. The credit was then calculated as 19% of the difference between the basic allowance and the tax base (gross earnings net of employee SSC) calculated from 12 times the minimum wage or from the actual income (whichever is higher). In 2020 the tax base at the level of the minimum wage (EUR 6 027.36) is higher than the basic allowance (EUR 4 414.20). The tax credit is therefore automatically zero (so effectively nobody can be eligible).

1.1.3. Tax schedule

As from 2013 the previous flat tax rate of 19% was replaced by a new tax schedule with two tax brackets. The ceiling for the first bracket is set out as 176.8 times MLS (equal to EUR 37 163.36), which secures its automatic indexation. The tax schedule is as follows:

Annual taxable income (EUR)*	Rate (%)
0–37 163.36	19
37 163.36 and over	25

* Employee's social security contributions (see 1.12.) are deductible for income tax purposes.

1.2. State and local income tax

Personal income tax (PIT) is redirected solely to the local governments. The share of PIT yield which is transferred to municipalities is 70%. The share of PIT yield transferred to self-governing regions is 30%.

2. Compulsory Social Security Contributions to Schemes Operated within the Government Sector

2.1. Employees' contributions

Compulsory contributions of 13.4% of gross wages and salaries are paid by all employees into government operated schemes. The total is made up as follows:

-- Health Insurance		4.0%
-- Social Insurance		9.4%
of which:		
-- Sickness	1.4%	
-- Retirement	4.0%	
-- Disability	3.0%	
-- Unemployment	1.0%	

There are maximum assessment bases MSSAB (maximum threshold for contributions to apply) that apply to social security contributions. From 2004 these MSSAB are no longer fixed values but depend upon the average wages (AW). As of 2013 formulae for calculation of all maximum assessment bases has been unified. Since 2017 MSSAB for health insurance contributions are abolished. As of 2020, the monthly MSSAB for social insurance contributions are calculated as: 7 x AW(t-2), where AW(t-2) is the average wage two years ago (previous equation for calculating MSSAB was 5 x AW(t-2)). The average wage (AW) is determined by the Statistical Office of the Slovak Republic – for 2018 it was EUR 1013 per month.

As of 2015 the health insurance contribution (HIC) allowance has been introduced. The allowance decreases the employee's and employer's assessment base for the health insurance. It amounts to EUR 380 per month (EUR 4 560 annually) and decreases with rising income up to EUR 570 (EUR 6 840 annually) when it reaches zero. With EUR 1 rise in the monthly income the monthly allowance is reduced by EUR 2. The HIC allowance is applicable only on standard employment income (not self-employed income or income based on temporary contracts). However, to determine the amount of allowance all types of incomes are assessed, to target only low income workers. Since 2018 HIC allowance for employers was abolished.

2.2. Employers' contributions

The total contribution for employers is 35.2% of gross wages and salaries. The contribution comprises the health insurance contribution (10% of gross wages and salaries) and the social insurance contribution (25.2%). The social insurance rate reflects contributions to sickness insurance (1.4%), disability insurance (3%), retirement insurance (14%), the Guaranteed Fund (0.25%), accident insurance (0.8%), for unemployment (1%) and to the Reserve Fund (4.75%). All contributions are rounded down to two decimal places.

Since January 2005, Slovakia has introduced the privately managed fully funded pillar. This means that a given proportion (9 percentage points) of social contributions paid by the employer for retirement insurance flew directly to the private pension funds and not to the Social Insurance Agency as in the previous years. As from September 2012 pension sharing scheme has been changed. Employer's retirement contribution rate to the fully funded pillar has been reduced from 9% to 4% (for more see pension contribution sharing scheme table below). As from 2017 contribution rate to the II. pillar automatically increases by 0.25 p.p. per year (i.e. contribution rate to the I. pillar decreases in the same volume), stopping at 6% to the II. pillar and 8% to the I. pillar in 2024. Private pension funds are treated outside of the general government; these contributions are therefore not taken into account in the calculations of average and marginal tax rates. For the purposes of this Report, the total contribution rate for employers in 2020 is 30.2% with contributions to the second pension pillar not included in the rate.

As of 2015 the health insurance contribution (HIC) allowance has been introduced and in 2018 it has been abolished for employers, while for employees it remains unchanged (for more see 2.1).

The MSSAB also applies to the employer's SSC. The next table presents the annual values of MSSAB:

	Formula for MSSAB	Value of MSSAB
Health insurance		No limit
Social insurance		
of which		
-- sickness, retirement, unemployment, disability, Guarantee fund, Reserve fund	7.0 x AW (t-2)	85 092. 00
-- accident		No limit

Social security contributions: Pension – contribution sharing in case of II. Pillar participation

Period	Percentage of gross earnings		
	I Pillar	II Pillar	Total
System up to September 2012	9% (5% employer + 4% employee contribution)	9% (employer contribution)	18%
System up to December 2016	14% (10% employer + 4% employee contribution)	4% (employer contribution)	18%
System up to December 2017	13.75% (9.75% employer + 4% employee contribution)	4.25% (employer contribution)	18%
System up to December 2018	13.5% (9.5% employer + 4% employee contribution)	4.5% (employer contribution)	18%
System up to December 2019	13.25% (9.25% employer + 4% employee contribution)	4.75% (employer contribution)	18%
Current system from January 2020	13% (9% employer + 4% employee contribution)	5% (employer contribution)	18%

3. Universal Cash Transfers

3.1. Transfers related to marital status

None.

3.2. Transfers for dependent children

The central government pays an allowance in respect of each dependent child in the amount of EUR 24.95 per month in 2020. In January 2008 an extra allowance for dependent children whose parents are not eligible for the non-wastable child tax credit was introduced. The monthly amount of this allowance is EUR 11.70 in 2020. For the purpose of the tax wedge calculations this allowance is not relevant, as only non-workers and taxpayers with annual earnings lower than six times the minimum monthly wage (which is the condition for eligibility for the non-wastable child tax credit) are entitled to the extra allowance.

The non-wastable tax credit mentioned in Section 1.1.2.1 is part of the social support for families with dependent children. However, it is not considered as a transfer for the purposes of this Report.

3.3. Transfers related to social status

To determine the claim to state social benefits (for example the allowance for housing costs), the minimum living standard amounts are relevant as they form the basis of the income test. For 2020, these amounts are:

	MLS monthly (1.1.2020 – 31.12.2020)
First adult	210.20
Second adult	146.64
Child	95.96

A family is entitled to a social allowance if the total combined monthly disposable income of the family is less than the calculated MLS for this family. In the calculation of the benefit eligibility, only 75% of net income from employment is taken into account. The allowance varies with the family type.

The benefits available to a family in material need (valid since 1st of January 2020) are:

- EUR 66.30 per month for an individual.
- EUR 126.20 per month for an individual with between one and four children.
- EUR 115.30 per month for a couple without children.
- EUR 172.60 per month for a couple with between one and four children.
- EUR 184.30 per month for an individual with more than four children.
- EUR 232.60 per month for a couple with more than four children.
- activation allowance: EUR 67.90 per month – for people who become active either by accepting qualifying employment opportunities or participating in retraining courses.
- housing allowance: EUR 57.20 per month for individual in material need, EUR 91.40 for a household in material need (if household has more than 1 person).
- protection allowance: EUR 67.90 per month for an individual in material need where employment is not possible due to such circumstances as a disability or old age, EUR 37.30 per month for individual on sick leave for at least 30 consecutive days and EUR 14.60 for a pregnant woman from 4th month of the pregnancy and lasts until the child’s age of 1 year (for the purpose of this Report, protection allowance is assumed to be EUR 67.90 for each individual).
- specific allowance: EUR 67.90 per month - entitlement arise for long-term unemployed individuals who move into work for 6 months (does not affect the calculations in this Report).
- dependent child allowance: EUR 18.60 per month for a child who properly fulfils compulsory school attendance.

4. Main Changes in Tax/Benefit Systems since 2017

Automatic growth of the contribution rate to the II. pension pillar by 0.25 p.p. per year was introduced in 2017. The contribution rate to the I. pillar decreases by the same amount. In 2020 the contribution rate to the II. pillar is 5 % and contribution to the I. Pillar is 9% (see Section 2.2). Moreover, the MLS value was revised up in July 2017 after 4 years of no change, which led to changes in the tax system allowances, credits and brackets from January 2018. Since 2018 the HIC allowance for employers was abolished.

There are also legislative changes which do not directly affect calculations of the tax wedge used in this Report. The first is a new spa tax allowance for the PIT. Each taxpayer who spent at least EUR 50 on domestic spa services is allowed to reduce their tax base by EUR 50.

The second change is related to support for housing mortgage interest payments for young people. Since 2018 taxpayer is allowed to deduct mortgage interest payment (maximum amount is EUR 400 per year) from their own tax liability. Previously, support for housing was in the form of a public subsidy.

Third, pensioners who earn income from special short term labour contracts (*dohoda o vykonaní práce*) benefit from an SSC allowance of EUR 200 per month from July 2018.

New exemptions of the 13th and 14th salaries were introduced in 2018. This measure has a negative impact on revenues, which is increasing with gradual phasing of exemption from health insurance contributions, the PIT, and from 2019 onwards also from social insurance contributions. Maximum exemption is EUR 500 per additional salary.

Overview and timing of PIT and SSC exemptions of 13th and 14th salary (Y = exemption)

	2018			2019			2020		
	SIC	HIC	PIT	SIC	HIC	PIT	SIC	HIC	PIT
13th salary (June)		Y			Y	Y		Y	Y
14th salary (December)		Y	Y	Y	Y	Y	Y	Y	Y

Since 2019, the tax credit on dependent children is doubled for each child below the age of 6 years (Section 1.1.2.1). In addition, an exemption for recreational vouchers was introduced. Employers can provide maximum EUR 275 per year as a cash benefit exempted from social security contributions and the PIT to employees who spent at least EUR 500 on recreation in the Slovak Republic. Provision of this benefit is compulsory for employers who have at least 50 employees.

The amount of the basic allowance was increased in 2020 from 19.2 times the MLS to 21 times the MLS. The threshold when then basic allowance is gradually withdrawn was adjusted accordingly from 100 times the MLS to 92.8 times the MLS.

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

The deadline for the annual tax clearing and filing of tax returns for the year 2019 was moved from the end of March 2020 to the end of October 2020. Any outstanding tax liability is payable by the new deadline as well. In addition, payment of employer contributions for certain months was deferred if the business suffered at least 40% loss of revenue in that month. Moreover, businesses that were compulsorily closed by the order of the government do not have to pay employer social insurance contributions for April 2020. This one-off abatement is not modelled for the purpose of this Report because it affected only about 15% of the workforce.

5. Memorandum items

5.1. Identification of AW and valuation of earnings

The average earnings of the AW are estimated by the Ministry of Finance of the Slovak Republic based on the data provided by the Statistical Office of the Slovak Republic. The source of the information is the quarterly survey of employers which covers:

- all financial corporations and public sector organizations,
- around 50% of firms with at least 20 employees or firms with annual revenue at least €5 mil. regardless of the number of employees, and
- around 7% of firms with less than 20 employees

The average earnings are calculated as the mean of the monthly average wages in industry sectors B-N according to the SK NACE Rev. 2 classification, weighted by the number of employed in the given sector. The earnings data are not adjusted to full-time equivalents, but part-time workers are included only if they have a standard employment contract. Workers with non-standard temporary contracts[1] are excluded completely. Managerial workers are also included only if they have a standard employment contract. The self-employed are not included in the earnings data, but they are included in the sectoral employment figures.

2020 Parameter values

Average earnings/yr	Ave_earn	13 200	Secretariat estimate
w	basic_adult	210.20	
	basic_adult1	146.64	
	basic_child	95.96	
Basic allowance	basic_al_mult	21.0	
	basic_al	4414.20	
	basic_al_mult1	92.8	
	basic_al_mult2	44.2	
	basic_al_redn	0.25	
Spouse allowance	spouse_al_limit	4035.84	
	spouse_al_mult	19.2	
	spouse_al_mult1	176.8	
	spouse_al_mult2	63.4	
	spouse_al_redn	0.25	
Income tax rate	tax_sch/tax_rate	0.19	37163.36
		0.25	
Tax credits - nonwastable	tax_cr	272.64	
	min_wage	580	
	minwage_mult	6	
	etc_thresh	6017.76	
Employee social security contributions	SSC_rate	0.094	
	SSC_sick	0.014	
	SSC_ret	0.04	
	SSC_dis	0.03	
	SSC_unemp	0.01	
	SSC_health	0.04	
Employer social security contributions	SSC_empr	0.194	
	SSC_empsick	0.014	
	SSC_empret	0.09	
	SSC_empdis	0.03	
	SSC_empunemp	0.01	
	SSC_emphealth	0.1	
	SSC_gua	0.0025	
	SSC_acc	0.008	
	SSC_fund	0.0475	
Health Insurance Contribution allowance	HIC_treshold	4560	
	HIC_rate	2	
Maximum assessment base	MSSAB	85092	
Cash transfers	transf_1	299.40	
	transf_indiv	795.60	
	transf_indiv_child	1514.40	
	transf_couple	1383.60	
	transf_couple_child	2071.20	
	transf_hous_indiv	686.40	
	transf_hous_couple	1096.80	
	transf_dep	223.20	

2020 Tax equations

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

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings	earn		
2.	Allowances:			
	Basic	basic_allce	B	IF(earn-SSC<=basic_al_mult1*basic_adult, basic_al,MAXA(basic_al_mult2*basic_adult-basic_al_redn*(earn-SSC),0))
	Spouse	spouse_allce	P	IF(earn_spouse=0,1,0)*Married*Positive(IF(earn_princ-SSC_princ<=spouse_al_mult1*basic_adult, spouse_al_mult*basic_adult,spouse_al_mult2*basic_adult-spouse_al_redn*(earn_princ-SSC_princ)))
	Social security contributions	SSC_al	B	SSC
	Total	tax_al	B	basic_allce+spouse_allce+SSC_al
3.	Credits in taxable income	taxbl_cr	B	0
4.	CG taxable income	tax_inc	B	Positive(earn-tax_al)
5.	CG tax before credits	CG_tax_excl	B	Tax(tax_inc,tax_sch)
6.	Tax credits:			
	Employee tax credit	etc_cr	B	IF(earn>=min_wage*minwage_mult, tax_rate*Positive(basic_al-MAX(etc_thresh, earn-SSC)), 0)
	Children	child_cr	P	(earn>=min_wage*minwage_mult)*Children*tax_cr
	Total	tax_cr	B	etc_cr+child_cr
7.	CG tax	CG_tax	B	CG_tax_excl-tax_cr
8.	State and local taxes	local_tax	B	0
9.	Employees' soc security	SSC	B	MINA(earn,MSSAB)*SSC_rate+ MAX(0;(earn-MAX(0;HIC_treshold-MAX(0;(earn-HIC_treshold)*HIC_rate))))*SSC_health
11.	Cash transfers	cash_trans	J	Children*transf_1+Positive(IF(0,75*((earn-SSC-CG_tax_excl)/12)<(basic_adult+Married*basic_adult1+ Children*basic_child); ((1-Married)* (IF(Children>0;transf_indiv_child;transf_indiv))+ Married*(IF(Children>0;transf_couple_child;transf_couple))+IF((Married+Children)>0;transf_hous_couple;transf_hous_indiv)+(Children*transf_dep)-0,75*(earn-SSC-CG_tax_excl));0))
13.	Employer's soc security	SSC_empr	B	MINA(earn,MSSAB)*SSC_empr+earn*SSC_acc+earn*SSC_emphealth

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

Notes

[1] Agreements on work performed outside employment relationship - *Dohody o prácach vykonávaných mimo pracovného pomeru*

Slovenia

This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.
Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.

Slovenia 2020

The tax/benefit position of single persons

		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1.	**Gross wage earnings**		13 684	20 424	34 109	13 684
2.	**Standard tax allowances**					
	Basic allowance		3 500	3 500	3 500	3 500
	Married or head of family					
	Dependent children					5 086
	Deduction for social security contributions and income taxes		3 024	4 514	7 538	3 024
	Work-related expenses		0	0	0	0
	Other					
		Total	6 524	8 014	11 038	11 610
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		7 160	12 411	23 071	2 074
5.	**Central government income tax liability (exclusive of tax credits)**		1 146	2 377	5 148	332
6.	**Tax credits**					
	Basic credit					
	Married or head of family					
	Children		0	0	0	0
	Other					
		Total	0	0	0	0
7.	**Central government income tax finally paid (5-6)**		1 146	2 377	5 148	332
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		3 024	4 514	7 538	3 024
	Taxable income					
		Total	3 024	4 514	7 538	3 024
10.	**Total payments to general government (7 + 8 + 9)**		4 170	6 891	12 686	3 356
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	3 287
		Total	0	0	0	3 287
12.	**Take-home pay (1-10+11)**		9 514	13 534	21 422	13 615
13.	**Employer's wage dependent contributions and taxes**		2 203	3 288	5 491	2 203
	Employer's compulsory social security contributions		2 203	3 288	5 491	2 203
	Payroll taxes		0	0	0	0
14.	**Average rates**					
	Income tax		8.4%	11.6%	15.1%	2.4%
	Employees' social security contributions		22.1%	22.1%	22.1%	22.1%
	Total payments less cash transfers		30.5%	33.7%	37.2%	0.5%
	Total tax wedge including employer's social security contributions		40.1%	42.9%	45.9%	14.3%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		34.6%	42.4%	42.4%	34.6%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		43.6%	50.3%	50.3%	43.6%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Slovenia 2020

The tax/benefit position of married couples

	Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
	Number of children	2	2	2	none
1.	**Gross wage earnings**	20 424	34 109	40 849	34 109
2.	**Standard tax allowances**				
	Basic allowance	3 500	7 000	7 000	7 000
	Married or head of family				
	Dependent children	5 086	5 086	5 086	
	Other dependent family member	2 437			
	Deduction for social security contributions and income taxes	4 514	7 538	9 028	7 538
	Work-related expenses	0	0	0	0
	Total	15 537	19 624	21 114	14 538
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**	4 887	14 484	19 735	19 571
5.	**Central government income tax liability (exclusive of tax credits)**	782	2 318	3 549	3 522
6.	**Tax credits**				
	Basic credit				
	Married or head of family				
	Children	0	0	0	0
	Other				
	Total	0	0	0	0
7.	**Central government income tax finally paid (5-6)**	782	2 318	3 549	3 522
8.	**State and local taxes**	0	0	0	0
9.	**Employees' compulsory social security contributions**				
	Gross earnings	4 514	7 538	9 028	7 538
	Taxable income				
	Total	4 514	7 538	9 028	7 538
10.	**Total payments to general government (7 + 8 + 9)**	5 296	9 856	12 576	11 060
11.	**Cash transfers from general government**				
	For head of family				
	For two children	2 529	1 279	842	0
	Total	2 529	1 279	842	0
12.	**Take-home pay (1-10+11)**	17 657	25 532	29 115	23 048
13.	**Employer's wage dependent contributions and taxes**	3 288	5 491	6 577	5 491
	Employer's compulsory social security contributions	3 288	5 491	6 577	5 491
	Payroll taxes	0	0	0	0
14.	**Average rates**				
	Income tax	3.8%	6.8%	8.7%	10.3%
	Employees' social security contributions	22.1%	22.1%	22.1%	22.1%
	Total payments less cash transfers	13.5%	25.1%	28.7%	32.4%
	Total tax wedge including employer's social security contributions	25.5%	35.5%	38.6%	41.8%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	34.6%	34.6%	34.6%	42.4%
	Total payments less cash transfers: Spouse	42.5%	34.6%	42.4%	34.6%
	Total tax wedge: Principal earner	43.6%	43.6%	43.6%	50.3%
	Total tax wedge: Spouse	50.4%	43.6%	50.3%	43.6%

The Slovenian currency is the euro (EUR). In 2020, EUR 0.88 was equal to USD 1. In that year, the average worker in Slovenia earned EUR 20 424 (Secretariat estimate).

1. Personal income tax system

1.1. Central government income tax

1.1.1. Tax unit

The tax unit is the individual.

1.1.2. Tax allowances

1.1.2.1. Standard tax reliefs

- A general (basic) allowance of EUR 3 500.00 is deductible from income in 2020. For lower income groups whose taxable income equals up to EUR 13 316.83 an additional general allowance is determined linearly by the following equation: 18 700.38 – 1.40427×total income.
- Family allowances are also deductible from the tax base in the same way as for the general allowance. The allowances for 2020 are as follows:
  - EUR 2 436.92 for the first dependent child;
  - EUR 2 649.24 for the second child;
  - EUR 4 418.54 for the third child;
  - EUR 6 187.85 for the fourth child;
  - EUR 7 957.14 for the fifth child;
  - for the sixth and all additional dependent children the allowance is higher by EUR 1 769.30 relating to the amount of allowance for the preceding maintained children;
  - EUR 8 830.00 for a dependent child who requires special care;
  - EUR 2 436.92 for any other dependent family member.
- Relief for social security contributions: Employee's compulsory contributions for the social insurance system are deductible for income tax purposes.
- Tax credits: None for employees.

1.1.2.2. Non-standard tax reliefs applicable to income from employment

- Additional voluntary pension insurance premiums: Premiums paid by a resident to the provider of a pension plan based in Slovenia or in another EU Member State according to a pension plan that is approved and entered into a special register in accordance with the pension legislation are deductible from taxable income. In 2020 such deductions are subject to an annual limit of EUR 2 819.09 or a sum equal to 24% of the employee's contribution for compulsory pension and disability insurance if that is a lower figure.
- Reimbursement of expenses associated with work, such as in-work meals, transport to and from work, in-the-field supplements (per diem when an employee works outside his or her working place) and compensation for being away from home, are exempt subject to statutory conditions and upper limits.
- Reimbursement of expenses associated with business travel such as: per diem allowances, transport costs (including the use of the employee's private vehicle for work purposes), and the costs of overnight accommodation, are exempt subject to statutory conditions and upper limits.

- The cost of purchasing and maintaining uniforms and personal protection work equipment defined in special regulations is exempt from income tax.
- Compensation for the use of an employee's own tools and other equipment (except private vehicles) necessary for the performance of work at the work place, is exempt up to a level of 2% of the monthly wage or salary of the employee, subject to an upper limit of 2% of the average gross monthly wage (AGMW).
- Long service bonuses, severance pay upon retirement and payments related to accidents, long term sickness and other unexpected events are exempt subject to statutory conditions and upper limits.
- Severance pay on redundancy is exempt subject to an upper limit of ten times the AGMW.
- Compensation for the use of an employee's own possessions and property when working at home in accordance with statutory regulations is exempt up to a level of 5% of the monthly wage or salary of the employee, subject to an upper limit of 5% of the AGMW.
- The reduction of PIT on the part of a salary paid on the basis of business performance. The income paid on the basis of business performance is exempt from the taxable base of employment income (but not from social security contributions) up to amount corresponding to 100% of the last published average monthly salary in the Republic of Slovenia. 'The part of a salary paid on the basis of business performance' is defined as income which should be paid once in a calendar year to all eligible employees at the same time, and under the condition that the right to receive such income is provided:
  - in the employer's general legal acts, with the same eligibility conditions for all employees; or
  - in the collective labour agreement including or serving as basis for eligibility criteria for receiving such income.
- The exemption of PIT on the payment for holiday leave up to 100% of the latest known average monthly wage in the Republic of Slovenia.

1.1.3. Tax schedule

The tax schedule for 2020 is as follows:

Taxable income (EUR)	Tax rate (in %)
Up to 8 500.00	16
8 500.00–25 000.00	26
25 000.00–50 000.00	33
50 000.00–72 000.00	39
Above 72.000.00	50

1.2. Regional and local income tax

There are no regional or local income taxes.

2. Compulsory social security insurance system

The compulsory social security insurance system consists of four schemes as follows:

- pension and disability insurance;
- health insurance;
- unemployment insurance;

- parental leave insurance.

2.1. Employees' contributions

The taxable base for social security insurance contributions paid by employees is the total amount of the gross wage or salary including vacation payments, fringe benefits and remuneration of expenses related to work above a certain threshold. The assessment period is the calendar month. Employees contribute an amount as a percentage of their remuneration as follows:

Scheme name	Rate of contribution (%)
Pension insurance	15.50
Health insurance	6.36
Unemployment insurance	0.14
Parental leave insurance	0.10
Total	22.10

2.2. Employers' contributions

Social security insurance contributions are also paid by employers on behalf of their employees. The taxable base and the assessment period are the same as for employees' contributions. The employers' contribution rates are as follows:

Scheme name	Rate of contribution (%)
Pension insurance	8.85
Health insurance	7.09
Unemployment insurance	0.06
Parental leave insurance	0.1
Total	16.1

The only change to these rates since 1996 has been the 0.2 percentage points increase in the employers' contribution rates for health insurance in 2002.

Slovenia implements a minimum SSC base for workers earning less than a minimum income threshold. For gross earnings below the minimum income threshold, SSCs are calculated on the basis of the minimum SSC base and not on actual gross wage earnings. Employees are liable to pay employee SSCs on their actual gross earnings, however, the employers are liable to pay (in addition to the employer SSC on gross earnings) the employee *and* employer SSC rate on the gross wage earnings below the minimum income threshold.

3. Payroll tax

None.

4. Universal cash transfers

4.1. Transfers related to marital status

None.

4.2. Transfers for dependent children

On 1 January 2012 the Exercise of Rights to Public Funds Act (ZUPJS-A) entered into force. Regarding to a new act child allowance is a supplementary benefit for maintenance, care and education of children when the family income per family member does not exceed statutorily defined percentage of the average net wage in the previous year.

The new legislation changed relevant family income which is the basis for the income classes from gross family income to net family income. Income includes taxable income and non-taxable income defined by the Personal Income Tax Act as for instance social benefits. Income is defined as gross income plus social benefits received but excluding the normalized cost and actual cost recognized under the law governing income tax, taxes and mandatory social security contributions levied on such income.

The new legislation also reduced the age of a child's entitlement. The right to a child benefit is held only until the child reaches 18 years. Besides, the child benefit is higher for eligible students included in higher secondary education (aged less than 18 years and with an income per family member below the average net wage).

Applications for the benefit are made on an annual basis and the payments are not taxable.

- The amount of the benefit is calculated for each child separately according to the level of net family income per family member and the ranking of the child in the family. Each family is assigned to one of 8 income brackets. From 1 January 2018 the thresholds between brackets are defined in nominal terms whereas before that date the brackets were defined according to some percentage of the previous year average net wage.
- Each child is allocated in one of three ranking levels (the level of payments increases with the ranking level - the lowest for the first child, higher for the second child and the highest for the third and any subsequent child). When a child lives in a one-parent family, the amount of the allowance is increased by 30%. When a pre-school child does not attend kindergarten, the amount of the allowance is increased by 20%.
- The details for the calculation of the net income per family member have been prescribed by the Minister, as follows:
    - All income and receipts, namely net disposable income (after deduction of the normalized cost and actual cost recognized under the law governing income tax, taxes and mandatory social security contributions levied on such income) are taken into account, except those that are designed to cover the specific needs (such as allowance and attendance allowance, a large family, etc.). Property is also taken into account like immovable property, cars and other vehicles, watercraft, etc. Property is assigned a value and then it is calculated the amount of interest that would be received within one year from the value of assets deposited in a bank account in the form of time deposits.
- The monthly amounts of transfers for a child from birth to the end of primary school in a two-parent family according to the Exercise of Rights to Public Funds Act and Public Finance Balance Act for the year 2020 are as follows:

Number of income bracket	Net family income per family member (above – to)	1st Child	2nd Child	3rd and subsequent Child
		Monthly (EUR)	Monthly (EUR)	Monthly (EUR)
1	Up to 2 296.80	117.05	128.75	140.47
2	2 296.00 – 3 828.12	100.08	110.63	121.12
3	3 828.12 – 4 593.84	76.27	85.25	94.19
4	4 593.84 – 5 359.44	60.16	68.64	77.28
5	5 359.44 – 6 763.20	49.19	57.41	65.57
6	6 763.20 – 8 166.72	31.17	39.01	46.81
7	8 166.72 – 10 463.76	23.38	31.17	39.01
8	10 463.76 – 12 633.00	20.36	28.16	35.95

- The monthly amounts of child benefit for a child included in the secondary school (but only for the child younger than 18) in the income brackets 7 and 8 are different than those in the table above and are as follows:

Number of income bracket	Net family income per family member (above – to)	Monthly (EUR)	Monthly (EUR)	Monthly (EUR)
7	8 166.72 – 10 463.76	29.52	37.31	50.84
8	10 463.76 – 12 633.00	23.43	31.23	40.85

In 2020, the maximum annual benefit levels for children in a two-parent family till the end of primary school are set by:

- EUR 1 404.60 for the first child;
- EUR 1 545.00 for the second child;
- EUR 1 685.64 for the third or subsequent child.

The amounts decline as the level of income per family member increases.

5. Main changes in tax/benefit system since 2005

- In 2006 the taxation of income of individuals changed from global tax to a kind of a dual income tax system. Active income (from employment, business, basic agriculture and forestry, rents, royalties and other income) is taxed aggregated at progressive rates and taking into account the allowances and deductions; capital income (interest, dividends and capital gains) is taxed at proportionate rates on a scheduler basis.
- In 2007 the number of income tax brackets was reduced from five to three. At the same time, some non-standard tax reliefs for certain expenses and for interest paid on loans for housing were abolished.
- In 2008 additional general allowances were introduced for people on low incomes.
- The payroll tax was phased out at the start of 2009.
- The Exercise of Rights to Public Funds Act entered into force on 1.1.2012 changes family income which is the basis for the income classes from gross family income to net family income, which also includes social benefits received.
- Regarding to the Public Finance Balance Act which entered into force on 1.6.2012, the amounts of transfers for children in fifth and sixth income classes are reduced for 10%. Transfers for children in the seventh and eighth income classes are abolished.
- In 2013 the second bracket in the PIT schedule was broadened according to the Public Finance Balance Act. For the years 2013 and 2014 also the threshold for the third bracket (with the rate

41%) was increased and a new, top bracket with a rate of 50% was introduced for incomes above EUR 70 907.20.

- For the year 2013 the special relief for students was reduced by 25 % compared to the tax relief in 2012 (the tax relief for 2014 amounts to EUR 2 477.03).
- Concerning rental income deriving renting of immovable and movable property a new scheduler principle of taxation was introduced in the year 2013 with proportional rate of 25%. The standardised costs were reduced from 40% to 10% of the rental income.
- The main and most important substantive change for the year 2014 and beyond eliminates the automatic adjustment of tax credits and net annual tax basis in the scale for assessing personal income tax with the growth in consumer prices.
- For the year 2014 another amendments were also introduced to the personal income tax, that is the abolishment of the tax benefits to certain groups of taxpayers (special relief for daily migrants, relief for the residents over 65 years of age).
- In 2014, the amendments to the Law on Parenthood and Family Incomes increased child benefit for each child who lives in a single-parent family. Namely, the uplift of child benefit was increased from 10 to 30%. In this year were also introduced the different amounts of transfers for children included in the secondary school in the sixth income bracket.
- The scale of assessment for income tax as a temporary measure that applies to 2013 and 2014, with the addition of a fourth class tax rate of 50% was extended for the year 2015.
- In 2015 the annual threshold between 2nd and 3rd tax bracket (above which the income tax is paid at the rate of 41%) was increased to EUR 20 400 (from EUR 18 960) for the years 2016 and 2017. The corresponding tax rate remained unchanged (i.e. 27%). The validity of the tax rate of 50% for the fourth tax bracket (for incomes above EUR 70 907) is extended also for tax years 2016 and 2017.
- In 2016 for the year 2017 the additional tax bracket between previous second and third tax brackets with the rate of 34% has been introduced, and the second highest tax rate has been lowered from 41% to 39%. The highest rate of 50 %, which used to be a temporary measure, has been maintained. The threshold for the additional basic allowance has been increased from EUR 10 866 to EUR 11 166.
- In 2016 and valid from 2017 the reduced taxation on performance bonuses (13th salary) was introduced meaning that salary paid on the basis of business performance is exempt from the income tax up to 70% of the average wage.
- From 2018 the additional general tax allowance for incomes between EUR 11 166.67 and EUR 13 316.83 is determined linearly.
- From 2018 the PIT exemption for the income paid as a reward for the business performance was increased from 70% to 100% of the latest known average monthly wage in the Republic of Slovenia.
- From 2018 the thresholds of the income brackets used for the calculation of child benefits are defined nominally; before that the thresholds were defined as percentage of the previous year average net wage. In addition, child benefits have been re-introduced also for income brackets 7 and 8.
- From 2019 the payment for holiday leave is tax and SSCs free up to 100% of the latest known average monthly wage in the Republic of Slovenia. Before 2019 it was burdened only by PIT while the SSCs exemption was only up to 70 % of the latest average monthly wage.
- The amendments to the personal income tax legislation valid from 1 January 2020 include increase of tax brackets thresholds (in first bracket to EUR 8 500, in second to EUR 25 000, in third to EUR 50 000 and in fourth bracket to EUR 72 000), reduction of tax rates in second (from 27 % to 26 %) and third (from 34 % to 33 %) tax bracket, increase of the general tax allowance (to EUR 3 500)

and introduction of additional linear general tax allowance for the whole income interval up to €13,316.83. The linear function was updated accordingly.

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

The following measures were implemented to lowering the burden on labour for the time of covid-19 pandemic.

- For temporarily "inactive" but still employed workers and for the workers who are unable to work due to force majeure (ie. caring for children, their own inability to come to work and due to other epidemic-related reasons) the state budget finances social security contributions, ie. contributions for pension and disability insurance as well as health insurance.
- The state budget covers the contributions for pension and disability insurance of the insured persons and the employer's contributions for all employees receiving wages. According to the data published by the Statistical Office of the Republic of Slovenia, in 2018 there were app. 200,000 natural or legal persons in Slovenia that reported some revenue or employees. Among them app. 147,000 worked within sectors B to N. The data from the Financial Administration of the Republic of Slovenia show that app. 49,000 firms used the benefit of State budget coverage of the employee's and employer's pension and disability insurance contributions from 3 April 2020 till 31 May 2020. Among those 49,000 firms there were 45,000 (90 %) firms from sectors B to N but overall, only little more than 30 % of all firms benefited from the measure. Taking into account this data, we can say that this measure should not be considered in the Taxing Wages model for 2020.

6. Memorandum items

6.1. Average gross annual wage earnings calculation

In Slovenia the gross earnings figures cover wages and salaries paid to individuals in formal employment including payment for overtime. They also include bonus payments and other payments such as pay for annual leave, paid leave up to seven days, public holidays, absences due to sickness for up to 30 days, job training, and slowdown through no fault of the person in formal employment.

The average gross wage earnings figures of all adult workers covering industry sectors B–N are provided by the Statistical Office of the Republic of Slovenia.

6.2. Employer contributions to private pension and health schemes

Some employer contributions are made to private health and pension schemes but there is no relevant information available on the amounts that are paid.

2020 Parameter values

Ave_earn	20 424	Secretariat estimate					
Ave_earn_1	20 265						
Ave_net_earnfam							
Ave_gross_earnSSC	21 046.08						
Basic_al1	3 500						
Basic_al2							
Income_lim							
Add_al	18 700,38						
Red_rate	1.40427						
Child_al1	2 436.92						
Child_al2	5 086.16						
Child_al3	9 504.70						
Child_al4	15 692.55						
Child_al5	23 649.69						
Depend_al	2 436.92						
Tax_sch	0.16	8 500					
	0.26	25 000					
	0.33	50 000					
	0.39	72 000					
	0.50						
SSC_rate1	0.221						
SSC_minbase	12 206.73						
SSC_rate2	0.161						
		Ist child	2nd child	3rd child	1 child-total	2 children-total	3 children-total
		monthly	monthly	monthly	annual	annual	annual
Fam_allow_mc	0	117.05	128.75	140.47	1404.60	2949.60	4635.24
	2 296.80	100.08	110.63	121.12	1200.96	2528.52	3981.96
	3 828.12	76.27	85.25	94.19	915.24	1938.24	3068.52
	4 593.84	60.16	68.64	77.28	721.92	1545.60	2472.96
	5359.44	49.19	57.41	65.57	590.28	1279.20	2066.04
	6 763.20	31.17	39.01	46.81	374.04	842.16	1403.88
	8 166.72	23.38	31.17	39.01	280.56	654.60	1122.72
	10 463.76	20.36	28.16	35.95	244.32	582.24	1013.64
	12 633.00	0.00	0.00	0.00	0.00	0.00	0.00
Fam_allow_spup	0.3						
		Ist child	2nd child	3rd child	1 child-total	2 children-total	3 children-total
		monthly	monthly	monthly	annual	annual	annual
Fam_allow_sp	0	152.17	167.38	182.61	1825.98	3834.48	6025.81
	2 296.8	130.10	143.82	157.46	1561.25	3287.08	5176.55
	3 828.12	99.15	110.83	122.45	1189.81	2519.71	3989.08
	4 593.84	78.21	89.23	100.46	938.50	2009.28	3214.85
	5 359.44	63.95	74.63	85.24	767.36	1662.96	2685.85
	6 763.2	40.52	50.71	60.85	486.25	1094.81	1825.04
	8 166.72	30.39	40.52	50.71	364.73	850.98	1459.54
	10 463.76	26.47	36.61	46.74	317.62	756.91	1317.73
	12 633.0	0.00	0.00	0.00	0.00	0.00	0.00
numdays	365						

2020 Tax equations

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

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings			
	Current year	earn		
	Net earnings Year-1	net_earn_1		
2.	Allowances:			
	Principal	tax_al_princ	P	Basic_al1+Positive(add_al-red_rate*earn)+SSC+IF(children=0,0,IF(children=1,child_al1,IF(children =2,child_al2,child_al3)+IF(Married=0,0,IF(S_earn=0,Depend_al,0))
	Spouse	Tax_al_ spouse	S	MINA(Basic_al1+Positive(add_al-red_rate*AD7)+SSC, earn)
3.	Credits in taxable income	taxbl_cr	B	0
4.	CG taxable income	tax_inc	B	Positive(earn-tax_al)
5.	CG tax before credits	CG_tax_excl	B	Tax(tax_inc, tax_sch)
6.	Tax credits (nonwastable)	Tax_cr	B	0
7.	CG tax	CG_tax	B	CG_tax_excl
8.	State and local taxes	local_tax	B	0
9.	Employees' soc security	SSC	B	earn* SSC_rate1
11.	Cash transfers	cash_trans	J	IF(Children='0,0;VLOOKUP((net_earn_1)'/(1+married+children),IF(Married=0;Fam_allow_sp,Fam_allow_mc),IF(Children=1,5,IF(Children=2,6,7))))
13.	Employer's wage dependent			
	contributions and taxes			
	Employer's soc security	SSC_empr	B	earn*SSC_rate2++IF(earn<SSC_minbase,(SSC_rate2*(SSC_minbase-earn))+(SSC_rate1*(SSC_minbase-earn)),0)

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

Spain

This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.
Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.

Spain 2020

The tax/benefit position of a single persons

	Wage level (per cent of average wage)	67	100	167	67
	Number of children	none	none	none	2
1.	**Gross wage earnings**	18 046	26 934	44 980	18 046
2.	**Standard tax allowances:**				
	Basic allowance				
	Married or head of family	0	0	0	2 150
	Dependent children				
	Deduction for social security contributions and income taxes	1 146	1 710	2 856	1 146
	Work-related expenses	2 000	2 000	2 000	2 000
	Other				
	Total	3 146	3 710	4 856	5 296
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central and state government taxable income (1 - 2 + 3)**	14 900	23 224	40 124	12 750
5.	**Central and state government income tax liability (exclusive of tax credit**	2 872	5 009	10 292	2 373
6.	**Central and state government tax credits**				
	Basic credit	1 027	1 027	1 027	3 170
	Married or head of family				
	Children				
	Other				
	Total	1 027	1 027	1 027	3 170
7.	**Central government income tax finally paid (5-6)**	950	2 039	4 746	- 993
8.	**State and local taxes**	895	1 944	4 519	196
9.	**Employees' compulsory social security contributions**				
	Gross earnings	1 146	1 710	2 856	1 146
	Taxable income				
	Total	1 146	1 710	2 856	1 146
10.	**Total payments to general government (7 + 8 + 9)**	2 991	5 693	12 121	349
11.	**Cash transfers from general government**				
	For head of family				
	For two children	0	0	0	0
	Total	0	0	0	0
12.	**Take-home pay (1-10+11)**	15 055	21 241	32 859	17 697
13.	**Employer's compulsory social security contributions**	5 396	8 053	13 449	5 396
14.	**Average rates**				
	Income tax	10.2%	14.8%	20.6%	-4.4%
	Employees' social security contributions	6.35%	6.35%	6.35%	6.35%
	Total payments less cash transfers	16.6%	21.1%	26.9%	1.9%
	Total tax wedge including employer's social security contributions	35.8%	39.3%	43.8%	24.5%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	28.1%	32.9%	40.4%	28.1%
	Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner	44.6%	48.3%	54.1%	44.6%
	Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.

Spain 2020

The tax/benefit position of married couples

Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
Number of children	2	2	2	none
1. Gross wage earnings	26 934	44 980	53 868	44 980
2. Standard tax allowances				
Basic allowance				
Married or head of family	3 400	0	0	0
Dependent children				
Deduction for social security contributions and income taxes	1 710	2 856	3 421	2 856
Work-related expenses	2 000	4 000	4 000	4 000
Other				
Total	7 110	6 856	7 421	6 856
3. Tax credits or cash transfers included in taxable income	0	0	0	0
4. Central and state government taxable income (1 - 2 + 3)	19 824	38 124	46 448	38 124
5. Central and state government income tax liability (exclusive of tax credit	4 058	7 881	10 019	7 881
6. Central and state government tax credits				
Basic credit	1 970	2 997	2 997	2 054
Married or head of family				
Children				
Other				
Total	1 970	2 997	2 997	2 054
7. Central government income tax finally paid (5-6)	1 056	2 504	3 594	2 989
8. State and local taxes	1 032	2 380	3 428	2 839
9. Employees' compulsory social security contributions				
Gross earnings	1 710	2 856	3 421	2 856
Taxable income				
Total	1 710	2 856	3 421	2 856
10. Total payments to general government (7 + 8 + 9)	3 799	7 740	10 442	8 684
11. Cash transfers from general government				
For head of family				
For two children	0	0	0	0
Total	0	0	0	0
12. Take-home pay (1-10+11)	23 136	37 240	43 426	36 296
13. Employer's compulsory social security contributions	8 053	13 449	16 107	13 449
14. Average rates				
Income tax	7.8%	10.9%	13.0%	13.0%
Employees' social security contributions	6.35%	6.35%	6.35%	6.35%
Total payments less cash transfers	14.1%	17.2%	19.4%	19.3%
Total tax wedge including employer's social security contributions	33.9%	36.3%	37.9%	37.9%
15. Marginal rates				
Total payments less cash transfers: Principal earner	30.0%	32.9%	32.9%	32.9%
Total payments less cash transfers: Spouse	21.8%	28.1%	32.9%	28.1%
Total tax wedge: Principal earner	46.1%	48.3%	48.3%	48.3%
Total tax wedge: Spouse	39.8%	44.6%	48.3%	44.6%

The national currency is the Euro (EUR). In 2020, EUR 0.88 was equal to USD 1. In that year the average worker earned EUR 26 934 (Secretariat estimate).

1. Personal Income Tax System

1.1. Central government income tax

1.1.1. Tax unit

As a general rule, the tax unit is the individual. Nevertheless, families have the options of being taxed:

- As married couples filing jointly on the combined income of both spouses and dependents.
- As heads of households (only unmarried or separated individuals with dependents).

1.1.2. Tax allowances and tax credits

1.1.2.1. Standard reliefs

- Basic reliefs: Married couples filing jointly may claim an allowance of EUR 3 400. This figure amounts to EUR 2 150 for heads of single-parent households.
- Maternity tax credit: a non-wastable tax credit addressed to working females with children under 3 years of age up to EUR 1 200,which may be increased up to EUR 1 000 where the taxpayer has incurred qualifying expenses related to nursery schools/kindergartens
- Large families (3 or more children) or dependent family members with disabilities tax credits: this additional non-wastable tax credit (up to EUR 1 200, in general, or EUR 2 400 for special large families, with 5 or more children) has been raised by EUR 600 for each child exceeding the minimum number of children required for both large families types listed above. It also may be claimed (within the Taxing Wages framework) by single-parent households with two children.
- Relief for social security contributions: All social security payments are fully deductible.
- Other expenses allowance: up to EUR 2 000, which may be increased by the same amount in case of an unemployed accepting a job in a different location implying a change of residence.
- Employment related allowance: Net employment income (gross income - employee social security contributions) may be reduced according to the following rules:
  - Taxpayers with net employment income equal or less than EUR 13 115: EUR 5 565.
  - Taxpayers with a net employment income between EUR 13 115 and EUR 16 825: EUR 5 565 less the result of multiplying by 1.5 the difference between net employment income and EUR 13 115.
- Disabled workers allowance: an additional allowance of EUR 3 500 for disabled salary earners. Those with reduced mobility may claim an augmented allowance of EUR 7 750.

As a result of the application of the above rules, net income cannot become negative.

1.1.2.2. Main non-standard reliefs applicable to an average wage

- Contributions to Pension Plans. Contributions made by each member of the household may reduce taxable income up to the lower of the following amounts:
  - 30% of the sum of labour and economic activities net incomes;
  - EUR 8 000.

Moreover, those households whose second earner has net labour income below EUR 8 000 may reduce taxable income up to a maximum of EUR 2 500 on a yearly basis if the principal earner contributes to a Pension Fund for the spouse.

- Relief for subscriptions paid in respect of membership of a trade union and business or professional associations (last item is limited to mandatory membership) up to EUR 500.
- Relief for expenses made for the legal defence of the taxpayer for labour-related conflicts up to a maximum limit of EUR 300.

Other non-standard reliefs provided as deductions are:

- Investment in the acquisition and rehabilitation of own-housing: With effect from 1 January 2013, the tax credit has been abolished. Nevertheless, grandfathering rules apply for those taxpayers who before 1 January 2013 had acquired their main residence; had made some payments for it to be built; had made some payments for restoration/enlargement of their main residence or had made some payments to carry out the adaptation of the main residence of disabled people. However, in the latter two cases the works performed should be completed before 1 January 2017.

    Gifts: 75% of the amounts (below EUR 150) donated to non-profit entities, public administration, public universities and other qualifying institutions. For larger gifts, 30% on the excess, which may be increased to 35% when meeting certain conditions (for fidelity cases) and 10% of the amount donated non-qualifying foundations or associations.
- Investments and expenses in goods of cultural interest: 15% of the amounts granted to the importation, restoration, exhibition, etc., of certain goods listed in the General Register of Goods of Cultural Interest.

Each of these last two amounts cannot exceed 10% of taxable income.

1.1.2.3. Exempt Income

- The base amount is EUR 5 550 per taxpayer. The same amount is granted for family units filing jointly. Taxpayers aged over 65 years may add EUR 1 150 to the former amount. Those aged over 75 years may claim additionally EUR 1 400.
- Dependent children (under 25 years, in general; for each age, in case of disability): EUR 2 400 for the first dependent child; EUR 2 700 for the second one; EUR 4 000 for the third, and EUR 4 500 for any additional child.
- Child care allowance: an additional allowance of EUR 2 800 for each of the above dependent children under 3 years of age.
- In case of disabled workers and additional amount of EUR 3 000 also applies. In case of great disability prior amount reaches EUR 9 000.

Child allowances have to be shared equally between spouses when they file separately.

1.1.3. Tax schedule

General rates of tax – resident individuals:

Taxable income (EUR)	Tax at the lower limit (EUR)	Tax rate on taxable income in excess of the lower limit (%)
0–12 450	0	9.50
12 450–20 200	1 182.75	12.00
20 200–35 200	2 112.75	15.00
35 200–60 000	4 362.75	18.50
Over 60 000	8 950.75	22.50

1.2. State and local income taxes

The Autonomous Communities (Regional Governments) are liable to set up their own personal income tax schedule to tax the general income tax base. For 2020, those tax rate schedules vary from five to ten brackets and their marginal rates from 9.0 to 25.5%. Up to 2009, the tax autonomous share (regional share of the tax) on the general tax base was determined by applying a progressive tax ladder with default values laid down by the Law regulating this tax, and fixed by Government. However, the Autonomous Communities (Regional Governments) were competent to modify these values under certain limitations. The complementary tax scale, fixed by the Central Government and applied in default as explained, was removed in 2010, which leaves a State-level ladder and each Autonomous Community determining their own tax scale, subject only to the progressivity requirement. From that moment on, by exercising their legislative competences, the Autonomous Community have been approving their tax scales that, although identical to the State-level tax scale in the beginning, as time elapsed they became increasingly different. These differences have grown since 2015, coinciding with the entry into force of the reform of this tax, up to the point that in 2016 and 2017 each Autonomous Community applies a different tax scale, with currently only one matching the Central Government tax scale.

Therefore, instead of taking into account a tax rate determined by an Autonomous Community equal to that applied by the Central Government, as past years, the new criteria followed since 2017 is to consider that of the Autonomous Community of Madrid (Madrid Region), which is thought as the most representative tax scale on different grounds, among which it is worth mentioning that this Autonomous Community comprises the Spain capital city and its relative significance as regards this tax, both in terms of number of taxpayers, income level and income tax roughly amounting to one quarter of the total revenues. All these make of it a potential stable criteria over time.

Madrid Schedule for general tax base in 2020

Taxable income (EUR)	Tax at the lower limit (EUR)	Tax rate on taxable income in excess of the lower limit (%)
0–12 450	0	9.00
12 450–17 707.20	1 120.50	11.20
17 707.20–33 007.20	1 709.31	13.30
33 007.20-53 407.20	3 744.21	17.90
Over 53 407.20	7 395.81	21.00

Now, there is not any local tax rate or schedule in the Spanish PIT. However, some Local Governments (the bigger and province capital cities) receive a fixed percentage of the PIT revenues.

2. Compulsory Social Security Contributions to Schemes Operated within the Government Sector

Social Security contributions are assessed on the basis of employees' gross earnings taking into account certain ceilings of gross employment income. In 2020, these ceilings are:

- Lower ceiling: EUR 12 600.00
- Upper Ceiling: EUR 48 841.20

These ceilings are based on a full-time job. For part-time workers, ceilings are proportional to the real hours worked (the tax equations used for this Report do not take into account the lower ceiling).

2.1. Employees' contributions

- Old age pension/sickness and disability: 4.7%
- Unemployment: 1.55%
- Professional Training: 0.1%

2.2. Employers' contributions

- Old age pension/sickness and disability: 23.6%
- Unemployment/Work injuries: 5.50%
- Wages fund: 0.2%
- Professional Training: 0.6%

3. Universal Cash Transfers

3.1. Transfers related to marital status

None.

3.2. Transfers for dependent children

EUR 341 for 1-child families with annual gross earnings below EUR 12 424.00; the child transfer decreases with income between EUR 12 424.00 and EUR 12 765.00; the value is 0 for gross earnings exceeding EUR 12 765.00. EUR 682 for families with 2 children with annual gross earnings below EUR 14 287.60; the child transfer decreases with income between EUR 14 287.60 and EUR 14 969.60; the value is 0 for gross earnings exceeding EUR 14 969.60.

4. Main Changes in Tax/Benefit Systems in 2017

None

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

There were no COVID 19 related changes in the labour taxation.

5. Memorandum Items

5.1. Identification of an AW and calculation of earnings

Refer to the information provided in the Annex of this Report.

2020 Parameter values

Average earnings/yr	Ave_earn	26 934	Secretariat estimate	
Work related allowance	wr_rate	1.5		
	wr_lim_max	16 825		
	wr_lim_min	13 115		
	wr_allow_max	5 565		
Other deductible expenses	oth_ded_exp	2 000		
Personal & family exempt income	Per_fam_exempt_inc	5 550		
Joint taxation allowance	Joint_tax_allow_fam1	3 400		
	Joint_tax_allow_fam2	2 150		
Dependent children	dep_child	2 400		
	dep_child2	2 700		
	dep_child3	4 000		
	dep_child4	4 500		
Single parent tax credit (chld>=2)	SP_tax_credit	1 200		
Tax Schedule	tax_sch_sg	0	0	9.50%
		12 450	1 182.75	12.00%
		20 200	2 112.75	15.00%
		35 200	4 362.75	18.50%
		60 000	8 950.75	22.50%
	tax_sch_sa (Madrid)	0	0	9.00%
		12 450	1 120.50	11.20%
		17 707.20	1 709.31	13.30%
		33 007.20	3 744.21	17.90%
		53 407.20	7 395.81	21.00%
Social security contributions				
Employee:				
Pension	pension_rate	0.047		
Unemployment	unemp_rate	0.0155		
Other	oth_rate	0.001		
Employer				
Pension	pension_empr	0.236		
Unemployment	unemp_empr	0.055		
Other	oth_empr	0.008		
Ceiling and Floor	min_lim	0	12 600	
	top_lim	48 841.2		
Child benefit	SS_child_benefit	341		
	SS_child_table	1	12 424.00	12 765.00
		2	14 287.60	14 969.60
		3	18 699.00	19 722.00
		4	21 728.00	23 092.00
		5	24 757.00	26 462.00

2020 Tax equations

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

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings	earn	B	for individual taxation: earn=earn_princ, or earn='earn_sp' for joint (family) taxation: earn=earn_princ+earn_sp
2.	Allowances:			
	Work related, individual	work_ind	B	IF(earn-SSC<=wr_lim_min,wr_allow_max+oth_ded_exp,IF(earn-SSC<=wr_lim_max,wr_allow_max-wr_rate*((earn-SSC)-(wr_lim_min))+oth_ded_exp,oth_ded_exp))
	Work related, family	work_fam	J	IF(AND(earn_sp=0,married=0,children=0),0,IF(earn_total-SSC_fam<=wr_lim_min,wr_allow_max+oth_ded_exp,IF(earn_total-SSC_fam=wr_lim_max,wr_allow_max-wr_rate*((earn_total-SSC_fam)-(wr_lim_min))+oth_ded_exp,oth_ded_exp)))
	Joint taxation allowance	joint_allow_fam	J	IF(AND(Married=0,Children=0),0,IF(AND(Married=0,Children>0),joint_tax_allow_fam2,joint_tax_allow_fam1))
	Personal and family exempt income, individual	ex_inc_ind	B	per_fam_exempt_inc
	Personal and family exempt income, family	ex_inc_fam	J	IF(AND(Married=0,Children=0),0,per_fam_exempt_inc)
	Children exempt income, individual	child_ex_inc_ind	P	IF(earn_sp='0,' (children>0)*(dep_child+(children>1)*dep_child2+(children>2)*dep_child3+(children>3)*(children-3)*dep_child4), (children>0)*(dep_child+(children>1)*dep_child2+(children>2)*dep_child3+(children>3)*(children-3)*dep_child4)/2)
			S	IF(earn_sp='0,' 0, (children>0)*(dep_child+(children>1)*dep_child2+(children>2)*dep_child3+(children>3)*(children-3)*dep_child4)/2)
	Children exempt income, family	child_ex_inc_fam	J	(children>0)*(dep_child+(children>1)*dep_child2+(children>2)*dep_child3+(children>3)*(children-3)*dep_child4)
3.	Credits in taxable income	taxbl_cr	B, J	0
4.	CG taxable income	tax_inc	B, J	IF(AND(Married='0,' Children='0),' tax_inc_princ, MINA(tax_inc_princ+tax_inc_sp, tax_inc_fam))
		tax_inc_ind	B	Positive(earn-(work_ind+SSC))
		tax_inc_fam	J	IF(AND(Married='0,' Children), 0, Positive(earn-(work_fam+joint_allow_fam+SSC_princ+SSC_sp)))
5.	CG tax before credits	CG_tax_ind_excl	B	MAXA(0, VLOOKUP(tax_inc_ind, tax_sch_sg, 2)+(tax_inc_ind-VLOOKUP(tax_inc_ind, tax_sch_sg, 1))*VLOOKUP(tax_inc_ind, tax_sch_sg, 3))
		CG_tax_fam_excl	J	MAXA(0, VLOOKUP(tax_inc_fam, tax_sch_sg, 2)+(tax_inc_fam-VLOOKUP(tax_inc_fam, tax_sch_sg, 1))*VLOOKUP(tax_inc_fam, tax_sch_sg, 3))
6.	CG tax credits :	CG_tax_cr_ind	B	MAXA(0,VLOOKUP(ex_inc_ind+child_ex_inc_ind,tax_sch_sg,2)+((ex_inc_ind+child_ex_inc_ind)-VLOOKUP(ex_inc_ind+child_ex_inc_ind,tax_sch_sg,1))*VLOOKUP(ex_inc_ind+child_ex_inc_ind,tax_sch_sg,3)+IF(AND(earn>0,married=0,children>=2),MIN(SP_tax_credit,(SSC+SSC_empr)),0)
		CG_tax_cr_fam	J	MAXA(0,VLOOKUP(ex_inc_fam+child_ex_inc_fam,tax_sch_sg,2)+((ex_inc_fam+child_ex_inc_fam)-

	Line in country table and intermediate steps	Variable name	Range	Equation
				VLOOKUP(ex_inc_fam+child_ex_inc_fam,tax_sch_sg,1))* VLOOKUP(ex_inc_fam+child_ex_inc_fam,tax_sch_sg,3)+IF(AND(earn_total>0,married=0,children>=2),MIN(SP_tax_credit,(SSC_fam+SSC_empr_fam)),0)
7.	CG tax	CG_tax_ind	B	CG_tax_ind_excl-CG_tax_cr_ind
		CG_tax_fam	J	CG_tax_fam_excl-CG_tax_cr_fam
8.	State and local tax before credits	local_tax_ind_excl	B	MAXA(0, VLOOKUP(tax_inc_ind, tax_sch_sa, 2)+(tax_inc_ind-VLOOKUP(tax_inc_ind, tax_sch_sa, 1))*VLOOKUP(tax_inc_ind, tax_sch_sa, 3))
		local_tax_fam_excl	J	MAXA(0, VLOOKUP(tax_inc_fam, tax_sch_sa, 2)+(tax_inc_fam-VLOOKUP(tax_inc_fam, tax_sch_sa, 1))*VLOOKUP(tax_inc_fam, tax_sch_sa, 3))
	local tax credits	local_tax_cr_ind	B	MAXA(0,VLOOKUP(ex_inc_ind+child_ex_inc_ind,tax_sch_sa,2)+ ((ex_inc_ind+child_ex_inc_ind)-VLOOKUP(ex_inc_ind+child_ex_inc_ind,tax_sch_sa,1))* VLOOKUP(ex_inc_ind+child_ex_inc_ind,tax_sch_sa,3))
		local_tax_cr_fam	J	MAXA(0,VLOOKUP(ex_inc_fam+child_ex_inc_fam,tax_sch_sa,2)+ ((ex_inc_fam+child_ex_inc_fam)-VLOOKUP(ex_inc_fam+child_ex_inc_fam,tax_sch_sa,1))* VLOOKUP(ex_inc_fam+child_ex_inc_fam,tax_sch_sa,3))
	State and local tax	local_tax_ind	B	Positive(local_tax_ind_excl-local_tax_cr_ind)
		local_tax_fam	J	Positive(local_tax_fam_excl-local_tax_cr_fam)
9.	Employees' soc security	SSC	B	IF(AND(earn>0, earn<='min_lim),' min_lim*(pension_rate+unemp_rate+oth_rate), IF(earn>='top_lim,' top_lim*(pension_rate+unemp_rate+oth_rate), earn* (pension_rate+unemp_rate+oth_rate)))
		SSC_fam	J	SSC_princ+SSC_sp
11.	Cash transfers	Child_transf		IF(Children=0,0,IF(earn<='VLOOKUP(Children,' SS_child_table,2),SS_child_benefit*Children, IF(earn<='VLOOKUP(Children,' SS_child_table, 3), VLOOKUP(Children, SS_child_table, 3)-earn, 0)))
13.	Employer's SSC	SSC_empr		IF(AND(earn>0, earn<='min_lim),' min_lim*(pension_empr+unemp_empr+ oth_umpr), IF(earn>='top_lim,' top_lim*(pension_empr+unemp_empr+oth_empr), earn*(pension_empr+unemp_empr+oth_empr)))

Key to range of equation B calculated separately for both principal earner and spouse P calculated for principal only S calculated for spouse only J calculated once only on a joint basis.

Sweden

This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.
Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.

Sweden 2020

The tax/benefit position of single persons

		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1.	**Gross wage earnings**		312 064	465 767	777 831	312 064
2.	**Standard tax allowances**					
	Basic allowance		20 000	13 900	13 900	20 000
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		0	0	0	0
	Work-related expenses					
	Other					
		Total	20 000	13 900	13 900	20 000
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		292 000	451 800	763 900	292 000
5.	**Central government income tax liability (exclusive of tax credits)**		0	0	50 920	0
6.	**Tax credits**					
	Basic credit					
	Married or head of family					
	Children					
	Other		47 905	63 581	64 560	47 905
		Total	47 905	63 581	64 560	47 905
7.	**Central government income tax finally paid (5-6)**		- 47 905	- 63 581	- 13 640	- 47 905
8.	**State and local taxes**		94 257	145 841	246 586	94 257
9.	**Employees' compulsory social security contributions**					
	Gross earnings		21 800	32 600	37 700	21 800
	Taxable income					
		Total	21 800	32 600	37 700	21 800
10.	**Total payments to general government (7 + 8 + 9)**		68 152	114 860	270 646	68 152
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	31 800
		Total	0	0	0	31 800
12.	**Take-home pay (1-10+11)**		243 912	350 907	507 185	275 712
13.	**Employer's wage dependent contributions and taxes**					
	Employer's compulsory social security contributions		61 789	92 221	154 011	61 789
	payroll taxes		36 261	54 122	90 383	36 261
		Total	98 050	146 343	244 394	98 050
14.	**Average rates**					
	Income tax		14.9%	17.7%	29.9%	14.9%
	Employees' social security contributions		7.0%	7.0%	4.8%	7.0%
	Total payments less cash transfers		21.8%	24.7%	34.8%	11.6%
	Total tax wedge including employer's social security contributions		40.5%	42.7%	50.4%	32.8%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		28.1%	32.3%	55.3%	28.1%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		45.3%	48.5%	66.0%	45.3%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Sweden 2020

The tax/benefit position of married couples

		Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
		Number of children	2	2	2	none
1.	**Gross wage earnings**		465 767	777 831	931 534	777 831
2.	**Standard tax allowances:**					
	Basic allowance		13 900	33 900	27 800	33 900
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		0	0	0	0
	Work-related expenses					
	Other					
		Total	13 900	33 900	27 800	33 900
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		451 800	743 800	903 600	743 800
5.	**Central government income tax liability (exclusive of tax credits)**		0	0	0	0
6.	**Tax credits**					
	Basic credit					
	Married or head of family					
	Children					
	Other		63 581	111 486	127 162	111 486
		Total	63 581	111 486	127 162	111 486
7.	**Central government income tax finally paid (5-6)**		- 63 581	- 111 486	- 127 162	- 111 486
8.	**State and local taxes**		145 841	240 098	291 682	240 098
9.	**Employees' compulsory social security contributions**					
	Gross earnings		32 600	54 400	65 200	54 400
	Taxable income					
		Total	32 600	54 400	65 200	54 400
10.	**Total payments to general government (7 + 8 + 9)**		114 860	183 012	229 720	183 012
11.	**Cash transfers from general government**					
	For head of family					
	For two children		31 800	31 800	31 800	0
		Total	31 800	31 800	31 800	0
12.	**Take-home pay (1-10+11)**		382 707	626 619	733 614	594 819
13.	**Employer's wage dependent contributions and taxes**					
	Employer's compulsory social security contributions		92 221	154 010	184 442	154 010
	payroll taxes		54 122	90 383	108 244	90 383
		Total	146 343	244 393	292 686	244 393
14.	**Average rates**					
	Income tax		17.7%	16.5%	17.7%	16.5%
	Employees' social security contributions		7.0%	7.0%	7.0%	7.0%
	Total payments less cash transfers		17.8%	19.4%	21.2%	23.5%
	Total tax wedge including employer's social security contributions		37.5%	38.7%	40.1%	41.8%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		32.3%	32.3%	32.3%	32.3%
	Total payments less cash transfers: Spouse		21.8%	28.1%	32.3%	28.1%
	Total tax wedge: Principal earner		48.5%	48.5%	48.5%	48.5%
	Total tax wedge: Spouse		40.5%	45.3%	48.5%	45.3%

The national currency is the Swedish Kronor (SEK). In 2020, SEK 9.27 were equal to USD 1. In that year, the average worker earned SEK 465 767(Secretariat estimate).

1. Personal Income Tax Systems

1.1. Central government income taxes

1.1.1. Tax unit

Spouses are taxed separately.

1.1.2. Tax allowances and tax credits

1.1.2.1. Standard reliefs

- Basic reliefs: A basic allowance is given for assessed earned income and varies between SEK 13 900 and SEK 36 500, depending on income. When individuals pay central government income tax, the basic allowance is at its lowest level, which equals SEK 13 900. The basic allowance depends on the assessed earned income and the basic amount, which equals SEK 47 300 in 2020.

Assessed-Earned- Income (SEK) Relative to Basic Amount (BA)	Share of BA at lower bracket	For exceeding income
—0.99	0.423	
0.99—2.72	0.423	+0.2
2.72—3.11	0.77	
3.11—7.88	0.77	-0.1
7.88—	0.293	

For taxpayers older than 65, the basic relief is calculated differently:

Assessed-Earned- Income (SEK) Relative to Basic Amount (BA)	Share of BA at lower bracket	For exceeding income
—1.11	1.11	
1.11—2.72	1.11	+0.257
2.72—3.21	1.526	+0.34
3.21-4.45	1.699	+0.128
4.45-8.08	1.858	+0.065
8.08-11.06	2.094	-0.05
11.06-12.15	1.945	-0,5
12.15-29.65	1.400	-0.045
29.65-34	0.612	-0.024
34—	0.508	

- Standard marital status reliefs: None.
- Relief(s) for children: None.
- Work-related expenses: None.
- Other: None.

1.1.2.2. Main non-standard tax reliefs applicable to an AW

- Interest on qualifying loans: Interest payments are offset against capital income. The resulting net capital income is the tax base. A tax credit is given in the case of negative capital income;

- Medical expenses: None. Other allowances are given for: the amount of commuting expenses exceeding SEK 11 000;
- other types of work-related expenses exceeding SEK 5 000; examples are the costs of tools, work-related phone calls using the taxpayer's private telephone;
- increased living expenses while on business trips, e.g. such as the use of a private car if these costs are not reimbursed by the employer;
- double housing expenses due to temporary work at other geographical locations (too far from home for commuting), or if the family for some reason can't move, even if the job is of a permanent nature;
- travelling expenses for travelling home if the taxpayer works in another place than his/her place of residence.

1.1.3. Tax schedule

Taxable Income (SEK)	Tax (SEK) at lower bracket	For exceeding income, %
0—509300	0	0
Over 509300	0	20

1.1.4. Tax credits

A tax credit equal to 100% of the compulsory social security contributions paid by the employee is granted.

For a person aged 65 or less, an annual Earned Income Tax Credit (EITC) worth up to approximately SEK 31 000 at the average local tax rate is granted on labour income. For those older than 65, a credit worth up to SEK 30 000 is granted. For a person aged 65 or less the EITC is connected to the basic allowance (BAL), the basic amount (BA) and the local tax rate (LTR). For those older than 65 a simplified EITC was introduced in 2009 which is not connected to the local tax rate, the basic allowance or the basic amount. The Basic Allowance is determined in Section 1.121; the local tax rate is discussed in Section 1.2. The Basic Amount (BA) in 2020 is SEK 47300. A phase-out of the EITC for those with incomes above around SEK 600 000 a year was introduced in 2016.

The tax credits are wastable in the sense that they cannot reduce the individual's tax payments to less than zero. The EITC is deducted from the local government income tax, whereas the tax credit for the social security contributions is deducted from other taxes as well. However, the central government covers the expenses for the tax credits.

For taxpayers younger than 65, the EITC is calculated as follows:

Earned Income (EI)	EITC
—0.91 BA	(EI—BAL)*LTR
0.91 BA—3.24 BA	(0.91 BA + 0.3405 * (EI—0.91 BA)—BAL)*LTR
3.24 BA—8.08 BA	(1.703 BA + 0.128 * (EI—3.24 BA)—BAL)*LTR
8.08 BA—13.54 BA	(2.323 BA—BAL)*LTR
13.54 BA-	(2.323BA—BAL)*LTR—0.03*(EI—13.54 BA)

For taxpayers older than 65, the EITC is calculated differently:

Earned Income (EI)	EITC
– 100 000 SEK	0.2*EI
100 001—300 000 SEK	15 000 SEK + 0.05*EI
300 001—600 000 SEK	30 000 SEK
600 001—1 600 000 SEK	30 000 –0,03*(EI-600 000)
1 600 001 SEK -	0

1.2. Local government income taxes

1.2.1. General description of the systems

Sweden has both a central government and a local government personal income tax. They are completely coordinated in the assessment process and refer to the same period, i.e. the income year coincides with the calendar year.

1.2.2. Tax base

The tax base is the same as for the central government income tax. The basic allowance for individuals paying local government tax varies between SEK 13 900 and SEK 36 500; it depends on the taxpayer’s income. For a taxpayer earning the AW, this basic allowance amounts to SEK 13 900.

1.2.3. Tax rates

The local government personal income tax is proportional and differs between municipalities. The average rate amounts to 32.28% in 2020, with the maximum and minimum rates being 35.15% and 29.18%, respectively.

2. Compulsory Social Security Contributions to Schemes Operated within the Government Sector

2.1. Employees’ contributions

A general pension contribution of 7% of personal income is paid by employees and the self-employed when income is equal to or greater than 42.3% of the basic amount underlying the basic allowance (see Section 1.121). The contribution cannot exceed SEK 37 700 since the general pension contributions are not paid for income over SEK 539 076 708 (=8.07*66 800). The employees’ contribution is offset with a tax credit.

2.2. Employers' contributions

The employers' contributions are calculated as a percentage of the total sum of salaries and benefits in a year. For the self-employed, the base is net business income. The rates for 2020 are listed below.

Program	Employer (%)	Self-employed (%)
Retirement pension	10.21	10.21
Survivor's pension	0.60	0.60
Parental insurance	2.60	2.60
Health insurance	3.55	3.64
Labour market	2.64	0.10
Occupational health	0.20	0.20
General wage tax	11.62	11.62
Total	31.42	28.97

In certain regions, a reduction of 10% of the base, maximum SEK 7 100 per month, is granted (SEK 18 000 per year for self-employed) (it is not included in the calculations underlying this Report). For employees who are over 65 years old and born after 1937 only the retirement pension contribution (10.21%) is applicable. For persons born in 1937 or earlier no employers' social security contributions, is applied.

There is a reduction of the employers' contributions for employees between the ages of 15 and 17 (by the beginning of the year). For salaries and benefits less than SEK 25 000 per month the employers' contributions are reduced to the retirement pension fee.

On premiums for occupational pensions paid by the employer a special wage tax (24.26%) is applied.

For self-employed a general reduction of 7.5% on the SSC is applicable if the income exceeds SEK 40 000 per year. The maximal reduction is SEK 15 000 per year.

A temporary reduction of the employers' social security contributions was in place between 1st of March to the 30th of June 2020. For salaries and benefits less than SEK 25 000 per month, for up to 30 employees per firm, the employers' contributions were reduced to the retirement pension fee (10.21%).

For self-employed there is a temporary reduction of the social security contributions for income up SEK 100 000 for 2020. Only the retirement pension fee (10.21%) is to be paid for income below this level.

3. Universal Cash Transfers

3.1. Transfers related to marital status

None.

3.2. Transfers for dependent children

The transfers are tax exempt and independent of the parents' income. The transfers for each child are as follows:

	2020
First child	15 000
Second child	16 800
Third child	21 960
Fourth child	27 120
Fifth and subsequent child	30 000

4. Main Changes in Tax/Benefit Systems Since 1998

A tax credit of SEK 1 320 was introduced for low- and average income earners in 1999. The credit is reduced by 1.2% of taxable income above SEK 135 000. This reduction was abolished in 2003 and was replaced by an increase in the basic allowance.

A tax credit of 25% of the social security contribution paid by employees and the self-employed was introduced in 2000. The tax credit has been gradually increased to 100% in 2006.

In 2004, a special tax credit equal to SEK 200 was provided for the statutory minimum local income tax. The special tax credit was abolished in 2005 as was the statutory minimum state income tax (a lump sum tax) of SEK 200.

The central government income tax bracket is indexed with the consumer price index plus 2%. However, some restrictions to the increases were applied in 2004, 2005, 2006, 2016 and 2017. Additional increases were applied in 2009 and 2019. In 2020 the additional central government income tax over the upper bracket was abolished.

The child allowance was increased in 2000, 2001, 2006, 2010, 2017 and 2018.

The basic allowance has been increased in 2001, 2002, 2003, 2005 and 2006. For persons 65 years or older the basic allowance was increased in 2009, 2010, 2011, 2013, 2014, 2016, 2018, 2019 and 2020.

An earned income tax credit was introduced in 2007 with the purpose of making work economically more rewarding relative to unemployment or inactivity. The earned income tax credit was increased in 2008, 2009, 2010, 2014 and 2019. In 2016 a phase-out of the EITC was introduced for persons with incomes above around SEK 600 000.

In 2018 a tax credit for income from sickness and activity compensation (corresponding to disability pension) was introduced.

In 2007, the social security contributions for 18-24-year-old employees and self-employed were reduced. In 2009 the reduction was increased and expanded to include all aged under 26. From 1st August 2015 the reduction was reduced by half and the 1st of June 2016 the reduction was abolished. A reduction of the SSC was reintroduced for 15-17-year-old employees from 1st August 2019.

A special wage tax for persons older than 65 was abolished in 2007 for persons born after 1937 and in 2008 for persons born in 1937 or earlier. In 2016 the special wage tax for older persons was reintroduced at a rate of 6.15%. This was abolished as of 1st July 2019.

A general reduction on the SSC for self-employed was introduced in 2010 and increased in 2014.

The deduction for premiums paid to private pension arrangements was lowered in 2015 from SEK 12 000 to SEK 1 800 and abolished in 2016.

4.1. Changes to labour taxation due to the covid-19 pandemic

A temporary reduction of the employers' social security contributions was in place between 1st of March to the 30th of June 2020. For salaries and benefits less than SEK 25 000 per month, for up to 30 employees per firm, the employers' contributions were reduced to the retirement pension fee (10.21%). The temporary measure did not affect the majority of full-time workers within sectors B to N in ISIC rev.4. Therefore, it is not included in the Taxing Wages model for 2020.

For self-employed there is a temporary reduction of the social security contributions to only the retirement pension fee for income below SEK 100 000 for 2020.

Short-term layoffs entered into force in April 2020 but could be applied for retroactively from March 16. The short-term layoffs give employers with temporary economic difficulties the possibility to have their labour costs reduced by up to 52.5% while the central government covers a large share of the employee's wage bill. Working hours can be reduced by up to 60% while employees keep 92.5% or more of their regular salary. During May–July the program is temporarily reinforced and employers' labour costs can be reduced by up to 72%., During this period working hours can be reduced by up to 80%, while employees keep 88 per cent of their regular salary.

Companies can defer a maximum of three months payment of employers' social security contributions, preliminary tax on salaries and value-added tax that are reported monthly or quarterly. The deferral can last up to a year and can be retroactively applied from 1 January 2020.

5. Memorandum Items

5.1. Identification of an AW and calculation of earnings

Basic data for gross earnings are taken from the series Official Statistics of Sweden, published by Statistics Sweden. The calculation is based upon total average monthly or hourly earnings, primarily in September of the calendar year. To arrive at the annual earnings, data have been multiplied by the normal amount of hours worked during the year or the stipulated monthly salary has been multiplied by a factor of 12.2. The figures are representative for the country as a whole. The branch classification is NACE Rev.2 B-N according to the OECD recommendation.

5.2. Employer contributions to private health, pension, etc. schemes

There are a handful of widespread private social security schemes. The employers' contributions to these systems for the blue-collar workers in the private sector equalled to 6.3% of wage earnings in 2007. For white-collar workers in the private sector the employers' contributions to private social security schemes were 14% in 2007. These figures are based on the statistics of labour costs in the private sector, published by Statistics Sweden.

2020 Parameter values

Average earnings/yr	Ave_earn	465 767	Secretariat estimate
Central income tax			
	tax_rate	0.2	
	tax_thrsh	509300	
Basic Allowance			
	gr1	0.99	
	gr2	2.72	
	gr3	3.11	
	gr4	7.88	
	gp1	0.423	
	gp2	0.2	
	gp3	0.1	
	gp4	0.293	
	gp5	0.77	
Local income tax			
	local_rate	0.3228	
	min_taxl	0	
Soc. security amount			
	basic_amt	47300	
	basic_ant	66800	
Soc. security contributions			
employee	SSC_rate	0.07	
employer	SSC_empr	0.3142	
ceiling	SSCC	8.07	
Child benefit			
	Child 1	15 000	
	Child 2	16 800	
	CB	15 900	
Tax credits			
	TC1	0	
	TC1gr1	0	
	TC1gp1	0	
	TC2gp1	1	
EITC	er_1	0.91	
	er_2	3.24	
	er_3	8.08	
	er_4	13.54	
	ep_1	1.703	
	ep_2	0.3405	
	ep_3	0.128	
	ep_4	2.323	
	ep_5	0.03	
Employer payroll tax	PRT	0.1162	

2020 Tax equations

The equations for the Swedish system are mostly repeated for each individual of a married couple. But the cash transfer is calculated only once. This is shown by the Range indicator in the table below.

The functions which are used in the equations (Taper, MIN, Tax etc) are described in the technical note about tax equations. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables “married” and “children”. A reference to a variable with the affix “_total” indicates the sum of the relevant variable values for the principal and spouse. And the affixes “_princ” and “_spouse” indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with “_spouse” values taken as 0.

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings	earn		
		truncearn	B	TRUNC(earn, -2)
2.	Allowances:	basic_al	B	IF(truncearn<=gr_2*basic_amt, MINA(ROUNDUP(MAXA(gp_1*basic_amt, (gp_1+gp_2*(gr_2-gr_1))*basic_amt-gp_2*MAXA(gr_2*basic_amt-truncearn, 0)), -2), truncearn), MINA(ROUNDUP(MAXA(gp_4*basic_amt, gp_5*basic_amt-gp_2*MAXA(gr_2*basic_amt-truncearn, 0)-gp_3*MAXA(truncearn-gr_3*basic_amt, 0)), -2), truncearn))
		ssc_al	B	0
	Total	tax_al	B	basic_al
3.	Credits in taxable income	taxbl_cr	B	0
4.	CG taxable income	tax_inc	B	Positive(earn-basic_al)
5.	CG tax before credits	CG_tax_excl	B	tax_rate*Positive(tax_inc-tax_thrsh)
6.	Tax credits :	ssc_credit	B	Trunc(SSC, -2)
		localtax_credit	B	0
		eitc	B	=TRUNC(MAX((((TRUNC(IF(earned_income>er_2*basic_amt; IF(earned_income>er_3*basic_amt;ep_4*basic_amt ;ep_1*basic_amt+ep_3*(earned_income-er_2*basic_amt));MIN(earned_income;er_1*basic_amt+ep_2*(earned_income-er_1*basic_amt)));0))-basic_allowance)*local_rate)-(IF(earned_income>er_4*basic_amt;ep_5*(earned_income-er_4*basic_amt);0));0);0)
		Final_eitc	B	MIN(eitc, CG_tax_excl+ local_tax- ssc_credit)
		tax_cr	B	ssc_credit+localtax_credit+final_eitc
7.	CG tax	CG_tax	B	CG_tax_excl-tax_cr
8.	State and local taxes	local_tax	B	IF(tax_inc>0, TRUNC(local_rate*tax_inc, 0)+min_taxl, 0)
9.	Employees' soc security	SSC	B	(truncearn>=gp_1*basic_amt)*MINA(ROUNDSSC(truncearn*SSC_rate), ROUNDSSC(SSCC*basic_ant*SSC_rate))
11.	Cash transfers	cash_trans	J	Children*CB
13.	Employer's contributions		B	
	Employer's SSC	SSC_empr	B	TRUNC(earn*SSC_empr)-Payroll_empr
	Employer's payroll tax	Payroll_empr	B	TRUNC(earn*PRT)
	Total	Cont_empr	B	SSC_empr+Payroll_empr

Key to range of equation B calculated separately for both principal earner and spouse P calculated for principal only (value taken as 0 for spouse calculation) J calculated once only on a joint basis.

Switzerland

This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.
Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.

Switzerland 2020

The tax/benefit position of single persons

		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1.	**Gross wage earnings**		58 533	87 363	145 896	58 533
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family		0	0	0	0
	Dependent children		0	0	0	13 000
	Deduction for social security contributions and income taxes		6 400	10 524	18 897	6 400
	Work-related expenses		2 000	2 454	4 000	2 000
	Other		1 700	1 700	1 700	3 100
		Total	10 100	14 678	24 597	24 500
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	6 000
4.	**Central government taxable income (1 - 2 + 3)**		48 400	72 600	121 200	40 000
5.	**Central government income tax liability (exclusive of tax credits)**		403	1 102	4 660	117
6.	**Tax credits**					
	Basic credit					
	Married or head of family					
	Children		0	0	0	502
	Other					
		Total	0	0	0	502
7.	**Central government income tax finally paid (5-6)**		403	1 102	4 660	0
8.	**State and local taxes**		4 211	8 263	18 137	1 288
9.	**Employees' compulsory social security contributions**					
	Gross earnings		3 731	5 569	9 301	3 731
	Taxable income					
		Total	3 731	5 569	9 301	3 731
10.	**Total payments to general government (7 + 8 + 9)**		8 345	14 934	32 099	5 019
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	6 000
		Total	0	0	0	6 000
12.	**Take-home pay (1-10+11)**		50 188	72 429	113 797	59 514
13.	**Employer's compulsory social security contributions**		3 731	5 569	9 301	3 731
14.	**Average rates**					
	Income tax		7.9%	10.7%	15.6%	2.2%
	Employees' social security contributions		6.4%	6.4%	6.4%	6.4%
	Total payments less cash transfers		14.3%	17.1%	22.0%	-1.7%
	Total tax wedge including employer's social security contributions		19.4%	22.1%	26.7%	4.4%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		21.8%	25.8%	32.7%	13.9%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		26.5%	30.3%	36.7%	19.0%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Switzerland 2020

The tax/benefit position of married couples

	Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
	Number of children	2	2	2	none
1.	**Gross wage earnings**	87 363	145 896	174 726	145 896
2.	**Standard tax allowances**				
	Basic allowance				
	Married or head of family	2 600	16 000	16 000	16 000
	Dependent children	13 000	13 000	13 000	0
	Deduction for social security contributions and income taxes	10 524	18 924	23 502	18 924
	Work-related expenses	2 454	2 454	2 454	2 454
	Other	4 900	4 900	4 900	3 500
	Total	33 478	55 277	59 855	40 877
3.	**Tax credits or cash transfers included in taxable income**	6 000	6 000	6 000	0
4.	**Central government taxable income (1 - 2 + 3)**	59 800	96 600	120 800	105 000
5.	**Central government income tax liability (exclusive of tax credits)**	418	1 798	3 243	2 234
6.	**Tax credits**				
	Basic credit				
	Married or head of family				
	Children	502	502	502	0
	Other				
	Total	502	502	502	0
7.	**Central government income tax finally paid (5-6)**	0	1 296	2 741	2 234
8.	**State and local taxes**	3 749	10 538	14 780	13 096
9.	**Employees' compulsory social security contributions**				
	Gross earnings	5 569	9 301	11 139	9 301
	Taxable income				
	Total	5 569	9 301	11 139	9 301
10.	**Total payments to general government (7 + 8 + 9)**	9 318	21 135	28 660	24 631
11.	**Cash transfers from general government**				
	For head of family				
	For two children	6 000	6 000	6 000	0
	Total	6 000	6 000	6 000	0
12.	**Take-home pay (1-10+11)**	84 044	130 761	152 066	121 265
13.	**Employer's compulsory social security contributions**	5 569	9 301	11 139	9 301
14.	**Average rates**				
	Income tax	4.3%	8.1%	10.0%	10.5%
	Employees' social security contributions	6.4%	6.4%	6.4%	6.4%
	Total payments less cash transfers	3.8%	10.4%	13.0%	16.9%
	Total tax wedge including employer's social security contributions	9.6%	15.7%	18.2%	21.9%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	17.3%	25.0%	28.5%	25.9%
	Total payments less cash transfers: Spouse	20.2%	25.7%	28.5%	26.5%
	Total tax wedge: Principal earner	22.2%	29.5%	32.8%	30.3%
	Total tax wedge: Spouse	25.0%	30.1%	32.8%	30.9%

The national currency is the Swiss franc (CHF). In 2020, CHF 0.94 equalled USD 1. The Secretariat has estimated that in that same year the average worker earned CHF 87 363 (Secretariat estimate).

Cantonal and communal income taxes are very substantial in relation to direct federal tax. Here, the canton and commune of Zurich have been selected as an example of the tax system of the 26 cantons. Local income tax is not deductible when calculating federal income tax.

1. Personal income tax systems

1.1. Income tax collected by the federal government (Confederation)

1.1.1. Tax unit

The income of spouses living together is taxed jointly, regardless of the property regime under which they were married. Income of children living under parental authority is added to the income of their custodian. Children's labour income is taxed separately and in some cases, as in Zurich, is exempt from tax.

1.1.2. Tax reliefs and tax credits

1.1.2.1. Standard reliefs for "postnumerando" taxation [i.e. annual taxation on the basis of actual earned income, assessed at the end of the year].

- Basic deduction
- There is a basic deduction of CHF 2 600 for married couples for direct federal tax.
- Deduction for children

A CHF 6 500 deduction is allowed for each child under 18 years of age; the deduction is allowed for older children if they are apprentices or still in school.

- Tax credit for children

A CHF 251 deduction from the tax liability is allowed for each child under 18 years, the deduction is allowed for older children if they are apprentices or still in school.

- Deductions for social insurance contributions and other taxes

Premiums for old age and disability insurance (5.275% of gross earned income) and for unemployment insurance (1.1% for income up to CHF 148 200, 0.5% for income over CHF 148 200) are deductible in full. Compulsory contributions of approximately 7.93% to private pension funds are also fully deductible. Health and life insurance premiums are deductible from federal income tax up to CHF 3 500 for married persons and CHF 1 700 for taxpayers who are widow(er)s, divorced or single (such premiums are not considered social contributions). These amounts are increased by CHF 700 for each dependent child.

- Work-related expenses

Taxpayers are allowed a deduction corresponding to 3% of net income (i.e. gross income less contributions for old age and disability insurance, unemployment insurance and work-related provident funds). This deduction may be no less than CHF 2 000 and no more than CHF 4 000.

- Deduction for two-income couples

50% of the smaller income can be deducted, but no less than CHF 8 100 and no more than CHF 13 400.

1.1.2.2. Main non-standard reliefs available to the average worker

- Interest payments on qualifying loans

This is the main non-standard relief available to the average worker. It is allowed for all sorts of loans.

- Medical expenses

Expenses incurred as a result of illness, accidents or disability of the taxpayer or one of its dependants are deductible if the taxpayer bears the expenses personally and they exceed 5% of his or her net income.

1.1.3. Tax base

Allowable deductions from gross income	Single taxpayer (CHF)	Married taxpayer, 2 children (CHF)
Work-related expenses[1]	2 000-4 000	2 000–4 000
Personal deduction	--	2 600
Deduction for 2 dependent children	--	13 000 (6 500*2)
Social contributions		
Old age insurance	5.275%	5.275%
Unemployment insurance	1.1%[2]	1.1%[2]
Pension fund	7.93%	7.93%
Maximum deductions for health insurance premiums and loan interest[3]	1 700 plus 700 per child	3 500 plus 700 per child
Deduction for two-income couples[4]		8 100–13 400

1. 3% of net income, minimum CHF 2 000, maximum CHF 4 000.
2. 1.1% of income up to CHF 148 200; 0.5% of income beyond CHF 148 200.
3. For the purposes of this publication, taxpayers are assumed to always receive the relevant maximum deduction.
4. 50% of smaller income, minimum the lower of CHF 8 100 or adjusted smaller income, maximum CHF 13 400.

In addition, for the married taxpayer with 2 children, there is a (non-refundable) tax credit for 2 dependent children amounting to CHF 502, thus reducing the tax liability by CHF 502.

1.1.4. Tax schedules

1.1.4.1. Rates for persons living alone

Taxable income (CHF)[1]	Base amount (CHF)	Plus % of excess (CHF)	
Up to 14 500	--	--	--
14 500 to 31 600[2]		0.77	14 500
31 600 to 41 400	131.65	0.88	31 600
41 400 to 55 200	217.90	2.64	41 400
55 200 to 72 500	582.20	2.97	55 200
72 500 to 78 100	1 096.00	5.94	72 500
778 100 to 103 600	1 428.60	6.60	78 100
103 600 to 134 600	3 111.60	8.80	103 600
134 600 to 176 000	5 839.60	11.00	134 600
176 000 to 755 200	10 393.60	13.20	176 000
Over 755 200[3]	--	11.5 of total income	

1. Fractions of less than CHF 100 are disregarded.
2. Tax ymounts of less than CHF 25 are not billed.
3. The calculation model disregards this part of the schedule.

1.1.4.2. Rates for spouses living together and for widowed, separated, divorced taxpayers or unmarried taxpayers living with their own children.

Taxable income (CHF)[1]	Base amount (CHF)	Plus % of the excess (CHF)	
Up to 28 300	--	--	--
28 300 to 50 900		1	28 300
50 900 to 58 400[2]	226	2	50 900
58 400 to 75 300	376	3	58 400
75 300 to 90 300	883	4	75 300
90 300 to 103 400	1 483	5	90 300
103 400 to 114 700	2 138	6	103 400
114 700 to 124 200	2 816	7	114 700
124 200 to 131 700	3 481	8	124 200
131 700 to 137 300	4 081	9	131 700
137 300 to 141 200	4 585	10	137 300
141 200 to 143 100	4 975	11	141 200
143 100 to 145 000	5 184	12	143 100
145 000 to 895 800	5 412	13	145 000
For 895 900	1 030 029		
Over 895 900[3]	--	11.5 of total income	

1. Fractions of less than CHF 100 are disregarded.
2. Tax amounts of less than CHF 25 are not billed.
3. The calculation model disregards this part of the schedule.

1.2. Taxes levied by decentralised authorities (Canton and commune of Zurich)

1.2.1. General description of the system

The system of cantonal and communal taxation has the same features as that of direct federal tax.

The tax base is comprised of income from all sources.

Once the basic amount of tax is set, cantons, communes and churches levy their taxes by applying a multiple, which may change from year to year. In 2012, for example, the canton applied a multiple of 1.0, the commune of Zurich 1.19 and the reformed church 0.10. The basic amount of tax is therefore multiplied by a total of 2.29. However, following the decision no longer to include church tax in Revenue Statistics, it is no longer included in the calculations for Taxing Wages. The basic amount of tax is therefore multiplied by a total of 2.19.

1.2.2. Tax base

Allowable deductions from gross income	Single taxpayer (CHF)	Married taxpayer, 2 children (CHF)
Work-related expenses[1]	2 000 – 4 000	2 000–4 000
Personal deduction	--	--
Deduction for 2 dependent children	--	18 000 (9 000*2)
Social contributions		
-- Old age insurance	5.275%	5.275%
-- Unemployment insurance	1.1%[2]	1.1%[2]
-- Pension fund	7.93%	7.93%
Maximum deductions for health insurance premiums and loan interest[3]	2 600 plus 1 300 per child	5 200 plus 1 300 per child
Deduction for two-income couples		5 900

1. 3% of net income, minimum CHF 2 000 CHF, maximum CHF 4 000.
2. 1.1% of income up to CHF 148 200; 0.5% of income beyond CHF 148 200.
3. For the purposes of this publication, taxpayers are assumed to always receive the relevant maximum deduction.

1.2.3. Postnumerando tax rates

Cantonal income tax (Zurich)

a) Basic income tax rates for married, divorced, widowed or single taxpayers living with children:

Taxable income (CHF)	Base amount (CHF)	Plus % of the excess (CHF)	
Up to 13 500	--	0	--
13 500 to 19 600	--	2	13 500
19 160 to 27 300	122	3	19 600
27 300 to 36 700	353	4	27 300
36 700 to 47 400	729	5	36 700
47 400 to 61 300	1 264	6	47 400
61 300 to 92 100	2 098	7	61 300
92 100 to 122 900	4 254	8	92 100
122 900 to 169 300	6 718	9	122 900
169 300 to 224 700	10 984	10	169 300
224 700 to 284 800	16 434	11	224 700
284 800 to 354 100	23 045	12	284 800
Over 354 100	31 361	13	354 100

b) Basic income tax rates for other taxpayers (single without children).

Taxable income (CHF)[1]	Base amount (CHF)	Plus % of the excess (CHF)	
Up to 6 700	--	0	--
6 700 to 11 400	--	2	6 700
11 400 to 16 100	94	3	11 400
16 100 to 23 700	235	4	16 100
23 700 to 33 000	539	5	23 700
33 000 to 43 700	1 004	6	33 000
43 700 to 56 100	1 646	7	43 700
56 100 to 73 000	2 514	8	56 100
73 000 to 105 500	3 866	9	73 000
105 500 to 137 700	6 791	10	105 500
137 700 to 188 700	10 011	11	137 700
188 700 to 254 900	15 621	12	188 700
Over 254 900	23 565	13	254 900

1. Fractions below CHF 100 are disregarded.

c) Annual multiple as a percentage of basic tax rates:

-- Canton of Zurich	100
-- Commune of Zurich	119
-- Roman Catholic church tax	10 (for info.)
-- Reformed Church tax	10 (for info.)

A personal tax of CHF 24 is added.

1.2.4. Tax rates used for this study

This study uses the rates of tax levied by the federal, cantonal and communal tax authorities.

2. Compulsory social security contributions to schemes operated within the government sector

2.1. Employee contributions

2.1.1. Retirement pensions

5.275% of gross income for old age insurance.

2.1.2. Health insurance

--

2.1.3. Unemployment

1.1% on the portion of income up to CHF 148 200; 0.5% for income over CHF 148 200.

2.1.4. Work-related accidents

--

2.1.5. Family allowances

--

2.1.6. Other

--

2.2. Employer contributions

2.2.1. Retirement pensions

5.275% of gross income for old age insurance.

2.2.2. Health insurance

--

2.2.3. Unemployment

1.1% on the portion of income up to CHF 148 200; 0.5% for income over CHF 148 200.

2.2.4. Work-related accidents

--

2.2.5. Family allowances

The employer pays a benefit for dependent children of an employee. The effective benefits paid depend on the Canton of residence and the respective employer. As of 1 January 2009, a new Swiss-wide minimum amount of CHF 2 400 (for children up to 16 years of age and CHF 3 000 for children in education between 16 and 25 years of age) has been established. In most cases, the benefit paid exceeds this minimum. The average family benefit is estimated to amount to CHF 3 000 per child per year.

This benefit is taxable along with other components of income.

The family allowance contributions are not included in the Taxing Wages results either as they are paid to a privately-managed fund. These contributions therefore qualify as non-tax compulsory payments (see also section 5.3).

2.2.6. Other

--

3. Universal cash benefits

3.1. Benefits linked to marital status

No such benefits are paid.

3.2. Benefits for dependent children

The employer pays a benefit of, on average, approximately CHF 3 000 per year for each dependent child of an employee. This benefit is taxable along with other components of income. See 2.25.

4. Main changes in the tax/benefit system since 1998

On 1 January 1999, the canton of Zurich switched from biennial praenumerando taxation to annual postnumerando taxation on individual income. As a result, the direct federal tax is based on annual postnumerando taxation as well.

As of 1 January 2008, the basic deduction for married couples and the deduction for two-income couples were introduced. These measures are intended to minimise the marriage penalty and to reduce the high taxation of secondary earners, thereby increasing labour force participation of skilled secondary earners.

As of 1 January 2012, the tax credit for children reduces the tax liability by CHF 251 per child.

4.1. Changes to labour taxation due to the covid-19 pandemic

None.

5. Memorandum item

5.1. Identification of the average worker

The population includes men and women working in industry, arts and crafts. The stated income is for the average of workers in the same sector. The geographical scope is the entire country, whereas the amount of tax is computed in respect of the canton and commune of Zurich.

5.2. Method of calculation used

- Unemployment benefits: not included;

- Sick leave payments: not included;
- Paid leave allowances: included;
- Overtime: included;
- Periodic cash bonuses: included;
- Fringe benefits: not included;
- Basic method used for calculation: monthly wages are multiplied by 12;
- Close of the income tax year: 31 December;
- Reference period for computing wages: from 1 January to 31 December of the year in question.

5.3. Calculation of non-tax compulsory payments

Switzerland imposes some important non-tax compulsory payments (NTCPs). These NTPCs are not included in the Taxing Wages models except when they qualify as standard personal income tax reliefs. Compulsory payments indicators, which combine the effect of taxes and NTCPs, are calculated by the OECD Secretariat and presented in the OECD Tax Database (See: www.oecd.org/ctp/taxdatabase). Switzerland levies the following employee and/ or employer NTCPs:

- Contributions to the second pillar of the pension system (occupational pension funds): Occupational pension funds are mandatory for salaried persons earning at least CHF 21 330 annually. Old age insurance is based on individual savings. The savings assets accumulated by the insured person on his individual savings account over the years serve to finance the old age pension. The constituted capital is converted into an annual old age pension on the basis of a conversion factor. Contribution rates depend on the occupation and the pension fund. An estimated representative rate amounted to 7.93% for employees and 10.77% for employers in 2017.
- Health insurance is compulsory for all persons domiciled in Switzerland. Every family member is insured individually, regardless of age. Health insurance contributions are lump sum contributions per capita depending on age, sex, canton of residence and insurer. The national average rates for 2020 amount to CHF 5 779.20 for adults and CHF 1 380.00 for children per year. Health insurance premiums can be reduced depending on the contributor's income level and his family situation. Each canton has its own definition of the income thresholds and the reduction regime. The health insurance premium and reduction rates of the Canton of Zurich are used in the calculations.
- Family allowance: Employers have to make family allowance contributions. The contribution rates differ among cantons and family contribution funds. A representative rate has to be estimated, for 2020 it amounts to 1.2%.
- Accident insurance: Accident insurance is compulsory for every employee. Employees are automatically insured by their employer, whereas the employers are more or less automatically assigned to a particular insurance company depending on their branch of trade. The risk and associated costs of the respective business activity determines the insurance premiums. A representative rate would have to be estimated.

2020 Parameter values

Average earnings/yr	Ave_earn	87 363	Secretariat estimate
Tax allowances	fed_child_al	6 500	
Tax credit	fed_child_cred	251	
Partner Allowance	partner_rate_fed	0.5	
	partner_min_fed	8 100	
	partner_max_fed	13 400	
Basic deduction for married couples	Married_ded_fed	2 600	
Partner income local	partner_local	5 900	
Single parent	sing_par_al	0	
Workrelated	work_exp	0.03	
	work_exp_min	2 000	
	work_exp_max	4 000	
Allowances for local tax	local_basic	0	
	local_child	9 000	
Federal tax	IFD_min_s	-	
Single	IFD_sch_s	0	14 500
		0.0077	31 600
		0.0088	41 400
		0.0264	55 200
		0.0297	72 500
		0.0594	78 100
		0.066	103 600
		0.088	134 600
		0.11	176 000
		0.132	752 200
		0.115	
Married	IFD_min_m	-	
	IFD_sch_m	0	28 300
		0.01	50 900
		0.02	58 400
		0.03	75 300
		0.04	90 300
		0.05	103 400
		0.06	114 700
		0.07	124 200
		0.08	131 700
		0.09	137 300
		0.1	141 200
		0.11	143 100
		0.12	145 000
		0.13	895 900
		0.115	
Cantonal tax	Zurich_min	24	
Single	Zurich_sch_s	0	6 700
		0.02	11 400
		0.03	16 100
		0.04	23 700
		0.05	33 000
		0.06	43 700
		0.07	56 100
		0.08	73 000
		0.09	105 500

		0.1	137 700
		0.11	188 700
		0.12	254 900
		0.13	
Married	Zurich_sch_m	0	13 500
		0.02	19 600
		0.03	27 300
		0.04	36 700
		0.05	47 400
		0.06	61 300
		0.07	92 100
		0.08	122 900
		0.09	169 300
		0.1	224 700
		0.11	284 800
		0.12	354 100
		0.13	
Canton and Commune Tax Mutiple	statetax_mult	2.19	
Social security contributions	old_age	0.05275	
Pension	pension_rate	0	
Pillar 2 pension	NTCP_old_age_max	28 440	
	NTCP_pension_ee	0.0793	
Unemployment	unemp_rate	0.011	
	unemp_rate2	0.005	
income ceiling	unemp_ciel	148 200	
Cantonal deductible limit	local_dedn	2 600	
deductible extra for child	local_dedn_c	1 300	
Max other insurance deduction			
single	max_dedn_s	1 700	
married couples	max_dedn_m	3 500	
child	max_dedn_c	700	
Child cash transfer	child_ben	3 000	

2020 Tax equations

The equations for the Swiss system in 2020 are mostly calculated on a family basis.

Variable names are defined in the table of parameters above, within the equations table, or are the standard variables “married” and “children”. A reference to a variable with the affix “_total” indicates the sum of the relevant variable values for the principal and spouse. And the affixes “_princ” and “_spouse” indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with “_spouse” values taken as 0.

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings	earn		
2.	Allowances:	partner_al	J	IF(earn_spouse-work_al_spouse-SSC_spouse>partner_min_fed,(Married*MAX(partner_min_fed,MIN(partner_max_fed,partner_rate_fed*(earn_spouse-work_al_spouse-SSC_spouse)))),earn_spouse-work_al_spouse-SSC_spouse)+Married*Married_ded_fed
	Children	children_al	J	Children*fed_child_al+ (Children>0)*(Married=0)*sing_par_al
	Soc sec contributions	SSC_al	B	SSC + NTCP_pension_ee*IF(earn_princ>0.75*NTCP_old_age_max,MAX(0.125*NTCP_old_age_max,earn_princ-0.875*NTCP_old_age_max),0)+NTCP_pension_ee*IF(earn_spouse>0.75*NTCP_old_age_max,MAX(0.125*NTCP_old_age_max,earn_spouse-0.875*NTCP_old_age_max),0)
	Work related	work_al	B	IF(earn-SSC>work_exp_min,MAX(work_exp_min,MIN(work_exp_max,work_exp*(earn-SSC))),earn-SSC)
	Other	oth_al	J	IF(Married,IF(Children>0,max_dedn_m+Children*fed_dedn_c,max_dedn_m),IF(Children>0,max_dedn_s+Children*fed_dedn_c,max_dedn_s))
	Total	tax_al	J	partner_al+children_al+SSC_al+work_al+oth_al
3.	Credits in taxable income	taxbl_cr	J	Cash_tran
4.	CG taxable income	tax_inc	J	positive(earn_total-tax_al+taxbl_cr)
5.	CG tax before credits	CG_tax_excl	J	IF(Married+Children='0,' Tax(tax_inc, IFD_sch_s)+IFD_min_s*(Tax(tax_inc, IFD_sch_s)>0), Tax(tax_inc, IFD_sch_m)+IFD_min_m*(Tax(tax_inc, IFD_sch_m)>0))
6.	Tax credits :	Children_cred	J	Child_cred*Children
7.	CG tax	CG_tax	J	Positive(CG_tax_excl- Children_cred)
8.	State and local taxes	local_tax_inc	J	MAX(earn_total+taxbl_cr-local_basic*(1+Married)-Children*local_child-work_al_total-SSC_total-(local_dedn*(1+Married)+Children*local_dedn_c)-(earn_spouse>0)*partner_local,0)
		local_tax		IF((Married+Children)>0, Tax(local_tax_inc, Zurich_sch_m)*statetax_mult+(1+Married)*Zurich_min*(Tax(local_tax_inc, Zurich_sch_m)>0), Tax(local_tax_inc, Zurich_sch_s)*statetax_mult+(Tax(local_tax_inc, Zurich_sch_s)>0)*Zurich_min)
9.	Employees' soc security	SSC	B	(old_age)*earn+IF(earn<=unemp_ciel,earn*unemp_rate,unemp_ciel*unemp_rate+(earn-unemp_ciel)*unemp_rate2)
11.	Cash transfers	Cash_tran	J	Children*child_ben
13.	Employer's soc security	SSC_empr	B	SSC

Key to range of equation B calculated separately for both principal earner and spouse P calculated for principal only (value taken as 0 for spouse calculation) J calculated once only on a joint basis.

Turkey

This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.

Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.

Turkey 2020

The tax/benefit position of single persons

		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1.	**Gross wage earnings**		50 083	74 751	124 834	50 083
2.	**Standard tax allowances**					
	Basic allowance		0	0	0	0
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		7 512	11 213	18 725	7 512
	Work-related expenses					
	Other					
		Total	7 512	11 213	18 725	7 512
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		42 571	63 538	106 109	42 571
5.	**Central government income tax liability (exclusive of tax credits)**		7 414	12 625	24 119	7 414
	Stamp tax		380	567	947	380
		Total	7 794	13 193	25 067	7 794
6.	**Tax credits**					
	Basic credit		2 649	2 649	2 649	3 443
	Married or head of family					
	Children					
	Other					
		Total	2 649	2 649	2 649	3 443
7.	**Central government income tax finally paid (5-6)**		5 146	10 544	22 418	4 351
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		7 512	11 213	18 725	7 512
	Taxable income					
		Total	7 512	11 213	18 725	7 512
10.	**Total payments to general government (7 + 8 + 9)**		12 658	21 757	41 143	11 863
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	0
		Total	0	0	0	0
12.	**Take-home pay (1-10+11)**		37 425	52 994	83 691	38 220
13.	**Employer's compulsory social security contributions**		8 765	13 081	21 846	8 765
14.	**Average rates**					
	Income tax		10.3%	14.1%	18.0%	8.7%
	Employees' social security contributions		15.0%	15.0%	15.0%	15.0%
	Total payments less cash transfers		25.3%	29.1%	33.0%	23.7%
	Total tax wedge including employer's social security contributions		36.4%	39.7%	42.9%	35.1%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		32.8%	38.7%	38.7%	32.8%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		42.8%	47.8%	47.8%	42.8%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Turkey 2020

The tax/benefit position of married couples

	Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
	Number of children	2	2	2	none
1.	**Gross wage earnings**	74 751	124 834	149 502	124 834
2.	**Standard tax allowances**				
	Basic allowance	0	0	0	0
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes	11 213	18 725	22 425	18 725
	Work-related expenses				
	Other				
	Total	11 213	18 725	22 425	18 725
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**	63 538	106 109	127 077	106 109
5.	**Central government income tax liability (exclusive of tax credits)**	12 625	20 039	25 251	20 039
	Stamp tax	567	567	567	567
	Total	13 193	20 607	25 818	20 607
6.	**Tax credits**				
	Basic credit	3 973	6 092	6 092	5 297
	Married or head of family				
	Children				
	Other				
	Total	3 973	6 092	6 092	5 297
7.	**Central government income tax finally paid (5-6)**	9 220	14 895	20 293	15 690
8.	**State and local taxes**	0	0	0	0
9.	**Employees' compulsory social security contributions**				
	Gross earnings	11 213	18 725	22 425	18 725
	Taxable income				
	Total	11 213	18 725	22 425	18 725
10.	**Total payments to general government (7 + 8 + 9)**	20 432	33 620	42 719	34 415
11.	**Cash transfers from general government**				
	For head of family				
	For two children	0	0	0	0
	Total	0	0	0	0
12.	**Take-home pay (1-10+11)**	54 319	91 214	106 783	90 419
13.	**Employer's compulsory social security contributions**	13 081	21 846	26 163	21 846
14.	**Average rates**				
	Income tax	12.3%	11.9%	13.6%	12.6%
	Employees' social security contributions	15.0%	15.0%	15.0%	15.0%
	Total payments less cash transfers	27.3%	26.9%	28.6%	27.6%
	Total tax wedge including employer's social security contributions	38.2%	37.8%	39.2%	38.4%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	38.7%	38.7%	38.7%	38.7%
	Total payments less cash transfers: Spouse	25.3%	32.8%	38.7%	32.8%
	Total tax wedge: Principal earner	47.8%	47.8%	47.8%	47.8%
	Total tax wedge: Spouse	36.4%	42.8%	47.8%	42.8%

The national currency unit is the “Türk Lirası” (TL). In 2020, TL 7.12 were equal to USD 1. In that year, the average worker earned TL 74 751 (Country estimate).

1. Personal Income Tax Systems

1.1. Central government income tax

1.1.1. Tax unit

Spouses are taxed separately on earned income. This rule has been applied since 1 January 1999.

1.1.2. Tax allowances and tax credits

1.1.2.1. Standard reliefs:

- Reliefs for social security contributions: Employee's social security contributions are deductible from gross earnings. These contributions are 15% of gross income as stated by the Social Insurance Act. The contribution to the unemployment fund is included in this amount and equals 1% of gross income.
- Contributions to public pension funds established by law are deductible.
- Work related expenses: None.
- Minimum Living Relief: The calculation of the minimum living allowance is based on the annual gross amount of the minimum wage for employees older than 16 at the beginning of the calendar year in which the income is obtained, multiplied by the following rates:
  - 50% for the taxpayer him or herself;
  - 10% for the spouse who neither works nor has an income;
  - 7.5% for each of the first two children;
  - 10% for third child;
  - 5% for each additional child.

This total amount is then multiplied by the rate (15%) which is applied to the first income bracket of PIT Schedule stated in Article 103 of PIT Law, and then minimum living relief is calculated by offsetting 1/12 of the allowance amount against monthly calculated tax due on employment income. Any excess is non-refundable.

According to Article 6 of Law No: 7103 (dated: 21.03.2018) when the net wages of minimum wage earners fall below the amount determined for the month of January of the current year because of moving into the second tax bracket (rate: 20%), minimum living relief will be increased by the same amount for the months when the net wage falls below net minimum wage determined for the month of January.

1.1.2.2. Main non-standard tax reliefs applicable to an AW

- Reliefs for disabled: Article 31 of PIT Law (implemented in 01.01.2004 by the law 4842) regulates tax relief for disabled persons. The employee who lost his/her working capacity with at least 80% is considered to be disabled in the 1st degree; employees are disabled in the 2nd respectively 3rd degree if they lost their working capacity with at least 60% respectively 40%. In these cases, the following amounts are deductible from monthly wages:
  - Disabled in the 1st degree: TL 1 400
  - Disabled in the 2nd degree: TL 790

  - Disabled in the 3rd degree: TL 350
- Legal deductions for public institutions such as OYAK (Social Aid Institution for Military Officers).
- 50% of the premiums paid by the wage-earner for life insurance policies which belong to himself (or herself), the spouse and dependent children and all of the premiums paid by the wage- earner for personal insurance policies including death, accident, health, illness, disablement, unemployment, maturity, birth, education, etc. provided that the insurance is contracted with a company establishment in or with a main office in Turkey. (The total amount of deductible premiums cannot exceed 15% of the wage that is earned in the current month. The annual amount cannot exceed the annual minimum wage.
- Membership payments made to labour unions.

1.1.3. Tax schedule

The tax schedule in 2020 is as follows:

Taxable income (TL)	Tax on lower threshold (TL)	Tax on excess amount above lower threshold (%)
Up to 22 000		15
22 000 up to 49 000	3 300	20
49 000 up to 180 000	8 700	27
180 000 up to 600 000	44 070	35
Over 600 000	191 070	40

A new tax bracket has been added to the 2020 tax schedule.

1.2. State and local income taxes

Income tax is levied only by the central government.

1.3. Stamp tax

The stamp tax base is gross earnings. The tax rate is 0.759% in 2020

2. Compulsory Social Security Contributions to Schemes Operated within the Government Sector

2.1. Employees' contributions

2.1.1. Pensions (disability, old age and death insurance): 9%

2.1.2. Sickness: 5%

2.1.3. Unemployment: 1%

2.2. Employers' contributions

2.2.1. Pensions (disability, old age and death insurance): 11%

2.2.2. Sickness: 7.5%

2.2.3. Unemployment: 2%

2.2.4. Pensions (for short term insurance branches): 2%

In order to increase employment and reduce regional imbalances in Turkey; various incentives policies have been implemented by state, by laws 4447, 4857, 5084, 5225, 5510, 5746, 6111, 6486 by Council of Minister's Decree of 2012/3305 (Unemployment Law No: 4447, Labour Law No: 4857, Investment and Employment Promotion Law No: 5084, Investment Incentives and The Law of Cultural Initiatives Law No: 5225, Social Security General Health Insurance Law No: 5510, Promotion Research and Development Activities Law No: 5746, Law On The Restricting Of Certain Receivables and Amendment To The Law Of Social Insurance and General Health Insurance and Certain Other Laws And Decree Laws No: 6111, Amendment To The Law Of Social Insurance and General Health Insurance and Certain Other Laws No: 6486, Council of Minister's Decree No: 2012/3305 on Government Subsidies for Investments, Law On Amendments To Tax Laws And Certain Other Laws And Decrees: 7103).

One of the various incentives is reduction of premiums. If disability, old age and death insurance premiums paid regularly by employers as stated law 5510 article of 81 (Social Security and General Health Insurance Law), 5% of total 11% premiums are paid by state on behalf of employers. (5% discount applied in employers share). In addition to 5% discount, 6% discount is implemented from 2013 in the working places located in 51 provinces, Gökçeada and Bozcaada determined by taking into account the social-development index.

With law no: 7103 (dated: 21.03.2018) Provisional Article 19 has been added to Unemployment Law (Law no: 4447). Additional employment incentive is being implemented in order to increase the employment rate. This incentive's objective group consists of unemployed persons who have no more than 10 insured days in last three months.

The support will be applied until December 2020 and benefiting period for each employee, consists of 12 months (if the insured is disabled, or if the insured is woman older than 18 years old or man between 18-25 years old, it is 18 months).

In 2020, the incentive provides SSC support up to TL 2 943 (for employees with gross wages of TL 7 848) and income and stamp tax support of TL 176.84 for every additional employee in establishments operating in the manufacturing or information technologies sectors. For other sectors; the support is TL 1 103.63 for SSC premiums, and 176.84 TL for income and stamp tax (1 280.47 TL in total).

The Provisional Article 80 is added to Law No 5510 by the Law No 7226/29 issued in the Official Gazette on 26 March 2020. For employees whose daily gross earnings are below TL128 (TL 256 in workplaces with collective bargaining agreements) TL 75 (TL 2.5 per day) of Employers SSC will be covered by Government in 2020.

For employees whose gross earnings are below the base or above ceiling earnings, which are determined once in a year, these contribution rates are applied to the base or ceiling amounts respectively. In 2020, the base amount is approximately TL 35 316 and the ceiling amount is approximately TL 264 870. Under the Law No. 5510 (Social Security and General Health Insurance Law), the base wage for social security contributions is equal to the minimum wage. Because employees cannot be less than the minimum wage, the base wage is not considered in this publication. However, the ceiling earnings are considered for the purposes of this Report.

With law no:7252 (dated: 28.07.2020) Insured persons working in the private sector workplaces who benefited from short – time working allowance before 1/7/2020; In case short time working in the work place ends and normal weekly working hours proceed in the same workplace, full amount of employee's and employer's premium shares calculated over minimum wage is covered by the Fund for three months beginning from the month following the end of short working on condition that it does not exceed 31/12/2020.

3. Universal Cash Transfers

Employees obtain universal cash transfers according to the collective labour agreements that are signed between their employer and the labour union(s). These agreements vary with the bargaining power of the different parties in the different sectors in the economy. This explains why there is no standard amount reflecting these general transfers.

4. Main Changes in Tax/Benefit System Since 2004

Personal Income Tax Law (No: 193) which is about income tax, Social Security and General Health Insurance Law (No: 5510) which is about social security contributions and Unemployment Insurance Law (No: 4447) which is about unemployment insurance fund are the main laws about tax/benefit system.

The main changes have been made to the following laws 5615, 6009, 6327 and 6645 which are as follows:

- According to Act No: 5615, the new application "Minimum Living Relief" began to be implemented. (See the section 1.1.2).
- According to Act No: 6009, the taxation of the wages are differentiated than the taxation of the other taxable revenue resources like trading income, income from immovable property or income from investments. By this way, it is ensured that wages (comparative to other income items) are later entered into the 3rd bracket on the income tax schedule.
- According to Act No: 6327, (published in the Official Gazette issue 28338 on 29 June 2012) there are important amendments in the Private Pension System Regulations. According to this law, any citizen of the Republic of Turkey will have the right for state subsidy for his/her paid contributions to the Private Pension Account. The contribution upper limit to favour this incentive is the annual amount of minimum wage 25% of this amount shall be transferred to the account of the insured party as a state subsidy. The state subsidy shall be earned in proportion to the amount of time within the system.
- According to Act No: 6645, "Minimum Living Relief" rate is changed from 5% to 10% which is used for third child's rate.

4.1. Changes to labour taxation due to the covid-19 pandemic

Due to force majeure, the wage withholding payments of the sectors determined in the tax procedure law notification No.518 dated March 24, 2020 for April, May and June have been postponed to October, November and December.

5. Memorandum Items

5.1. Identification of an AW

Weighted mean, by the number of employees, of the monthly average wage[1] information obtained from 'Structure of Earnings Survey, 2010', published by TURKSTAT, according to NACE Rev.2 classification for B-N sections is calculated[2] and B-N aggregated data is gained. (The annual average wage data is calculated by multiplying the monthly average wage values by 12).

The data from 2011-2017 is reached by using 2010=100 base year 'Hourly Earnings Index' and 2010 annual average wage data.

The data from 2018-2020 is reached by using 2015=100 base year ‘Hourly Earnings Index’ and 2015 annual average wage data.

5.2. Contribution to private pension and health schemes

Business enterprises (employers) are permitted to make additional contributions for pension savings of their employees. However, these amounts of additional premiums are limited by main tax laws. Such additional pension arrangements, which are optional, are not widely used.

2020 Parameter values

Average earnings/yr.	Ave_earn	74 751	Country estimate
Income tax	Tax_sch	0 .15	22 000
		0 .20	49 000
		0 .27	180 000
		0 .35	600 000
		0 .40	
Stamp tax	Stamp_rate	0 .00759	
Employees SSC	SSC_rate	0 .15	
	SSC_ceil	264 870	
	SSC_support	900	
	SSC_supp_lim	46 080	
Employers SSC Minimum living relief	SSC_empr	0 .175	
	credit_rate	0 .15	
	basic_allow	0 .5	
	spouse_allow	0 .1	
	child_allow	0 .075	
	third_child_allow	0 .1	
	add_child_allow	0 .05	
	min_wage	35 316	

2020 Tax equations

The equations for the Turkish system are on an individual basis.

The functions which are used in the equations (Taper, MIN, Tax etc) are described in the technical note about tax equations. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables “married” and “children”. A reference to a variable with the affix “_total” indicates the sum of the relevant variable values for the principal and spouse. And the affixes “_princ” and “_spouse” indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with “_spouse” values taken as 0.

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings	earn		
2.	Allowances:	tax_al	B	SSC
3.	Credits in taxable income	taxbl_cr	B	0
4.	CG taxable income	tax_inc	B	Positive(earn-tax_al)
	Stamp tax	stamp_tax	B	earn*stamp_rate
5.	CG tax before credits	CG_tax_excl	B	Tax(tax_inc,tax_sch)
6.	Tax credits :	tax_cr	P	=credit_rate*min_wage*(basic_allow+spouse_allow*(IF(Wife=0;Married ;0))+ IF(OR(Children=1;Children=2); Children*child_allow;0)+IF(Children='3;(2*child_allow)' +(Children-2)*third_child_allow;0)+IF(Children>3;(2*child_allow) +(1*third_child_allow)+(1*add_child_allow);0))+IF(AND(earn<=min_wage;tax_inc>1st_inc_tax_thrsld);(tax_inc-1st_inc_tax_thrsld)*(2nd_inc_tax_rate-1st_inc_tax_rate);0)
			S	IF(spouse_earn>0,credit_rate*min_wage*basic_allow,0)
7.	CG tax	CG_tax	B	positive(CG_tax_excl-tax_cr)+stamp_tax
8.	State and local taxes	local_tax	B	0
9.	Employees' soc security	SSC	B	Min(earn,SSC_ceil)*SSC_rate
11.	Cash transfers	cash_trans	B	0
13.	Employer's soc security	SSC_empr	B	Positive(Min(earn,SSC_ceil)*SSC_empr-IF(earn<SSC_supp_lim,SSC_support,0))

Key to range of equation B calculated separately for both principal earner and spouse P calculated for principal only (value taken as 0 for spouse calculation) J calculated once only on a joint basis.

Notes

[1] Monthly wage: Include the sum of monthly basic wages, over time payments, payments for shift work/night work and other regular payments paid to employees in November 2010 by employers.

[2] The average wage amount from 2010 is calculated as a result of a joint working performed by authorities from TURKSTAT and Ministry of Finance.

United Kingdom (2020-21 Income tax year)

This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.
Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.

United Kingdom 2020

The tax/benefit position of single persons

	Wage level (per cent of average wage)	67	100	167	67
	Number of children	none	none	none	2
1.	**Gross wage earnings**	28 011	41 807	69 818	28 011
2.	**Standard tax allowances**				
	Basic allowance	12 500	12 500	12 500	12 500
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes				
	Work-related expenses				
	Other				
	Total	12 500	12 500	12 500	12 500
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**	15 511	29 307	57 318	15 511
5.	**Central government income tax liability (exclusive of tax credits)**	3 102	5 861	15 427	3 102
6.	**Tax credits**				
	Basic credit				
	Married or head of family				
	Children	0	0	0	3 322
	Other				
	Total	0	0	0	3 322
7.	**Central government income tax finally paid (5-6)**	3 102	5 861	15 427	- 220
8.	**State and local taxes**	0	0	0	0
9.	**Employees' compulsory social security contributions**				
	Gross earnings	2 221	3 877	5 256	2 221
	Taxable income				
	Total	2 221	3 877	5 256	2 221
10.	**Total payments to general government (7 + 8 + 9)**	5 323	9 738	20 684	2 002
11.	**Cash transfers from general government**				
	For head of family				
	For two children	0	0	0	1 825
	Total	0	0	0	1 825
12.	**Take-home pay (1-10+11)**	22 687	32 069	49 135	27 834
13.	**Employer's compulsory social security contributions**	2 653	4 557	8 422	2 653
14.	**Average rates**				
	Income tax	11.1%	14.0%	22.1%	-0.8%
	Employees' social security contributions	7.9%	9.3%	7.5%	7.9%
	Total payments less cash transfers	19.0%	23.3%	29.6%	0.6%
	Total tax wedge including employer's social security contributions	26.0%	30.8%	37.2%	9.2%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	32.0%	32.0%	42.0%	73.0%
	Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner	40.2%	40.2%	49.0%	76.3%
	Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.

United Kingdom 2020

The tax/benefit position of married couples

		Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
		Number of children	2	2	2	none
1.	**Gross wage earnings**		41 807	69 818	83 615	69 818
2.	**Standard tax allowances**					
	Basic allowance		13 750	25 000	25 000	25 000
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other					
		Total	13 750	25 000	25 000	25 000
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		28 057	44 818	58 615	44 818
5.	**Central government income tax liability (exclusive of tax credits)**		5 611	8 964	11 723	8 964
6.	**Tax credits**					
	Basic credit					
	Married or head of family					
	Children		0	0	0	0
	Other					
		Total	0	0	0	0
7.	**Central government income tax finally paid (5-6)**		5 611	8 964	11 723	8 964
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		3 877	6 098	7 754	6 098
	Taxable income					
		Total	3 877	6 098	7 754	6 098
10.	**Total payments to general government (7 + 8 + 9)**		9 488	15 062	19 477	15 062
11.	**Cash transfers from general government**					
	For head of family					
	For two children		1 825	1 825	1 825	0
		Total	1 825	1 825	1 825	0
12.	**Take-home pay (1-10+11)**		34 144	56 581	65 963	54 756
13.	**Employer's compulsory social security contributions**		4 557	7 209	9 113	7 209
14.	**Average rates**					
	Income tax		13.4%	12.8%	14.0%	12.8%
	Employees' social security contributions		9.3%	8.7%	9.3%	8.7%
	Total payments less cash transfers		18.3%	19.0%	21.1%	21.6%
	Total tax wedge including employer's social security contributions		26.4%	26.5%	28.9%	28.9%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		32.0%	32.0%	32.0%	32.0%
	Total payments less cash transfers: Spouse		19.9%	32.0%	32.0%	32.0%
	Total tax wedge: Principal earner		40.2%	40.2%	40.2%	40.2%
	Total tax wedge: Spouse		26.8%	40.2%	40.2%	40.2%

The national currency is the Pound Sterling (GBP). In 2020, GBP 0.78 was equal to USD 1. In 2020-2021, the Average Worker is estimated to earn GBP 41 807 (Secretariat estimate).

6. Personal Income Tax System

6.1. Central government income taxes

6.1.1. Tax unit

The tax unit is the individual, but certain reliefs depend on family circumstances (see Section 1.1.2.1.).

6.1.2. Tax allowances and tax credits

All figures shown are those applying at the start of the tax year in April.

1.1.2.1. Standard reliefs

- Basic reliefs: A personal allowance of GBP 12 500 is granted to each individual with income below GBP 100 000. The personal allowance is then tapered away by GBP 1 for every GBP 2 of income above GBP 100 000.
- Standard marital status reliefs: Marriage Allowance – Allows the transfer of 10% of an individual's personal allowance to their husband, wife or civil partner. The allowance is restricted to couples where the higher earner is a basic rate taxpayer and is only beneficial if the lower earner owes below the personal allowance. The allowance has to be claimed and is given only to those who meet the eligibility criteria.
- Working Tax Credit (WTC): A non-wastable tax credit available to low income families with or without children. It is available for families with children where one person works at least 16 hours a week (though hours must be at least 24 overall for a couple). It is also available for people with a disability who work at least 16 hours a week and for families without children where one person works at least 30 hours a week. The amount depends upon the hours worked, the ages of children, eligible childcare costs, and gross income. A family with a child 16 or under where the claimant (or, where applicable, their partner, or both claimants jointly) works at least 30 hours a week, would get a maximum credit of GBP 5910 per year (assuming neither the adult(s) nor the child were disabled) before taking into account eligible childcare costs[1]. This credit is reduced by 41 pence for each GBP 1 of net income above a threshold of GBP 6 530 per year. WTC was introduced on 6th April 2003. Most people can no longer make a new claim for WTC as it has been replaced by the Universal Credit, a means-tested benefit paid to those out of work or in-work on a low income[2]. In 2020-21, as part of the UK government's response to the COVID-19 pandemic, the maximum credit of 5910 includes an increase of GBP 1045 per year above inflation, with a similar increase applying in Universal Credit. These additional increases will be reviewed when considering rates for 2021-22.
- Relief for social security contributions and other taxes: None.
- Child Tax Credit (CTC): A non-wastable tax credit available to low and middle income families with children. It provides support for children until 1st September following their 16th birthday, and beyond that date to the age of 19 for those who continue in full-time non-advanced education. The amount depends on gross income, the number and age of the children and whether a family is making a new claim for CTC or already claiming CTC. A family with two eligible children would get a maximum credit GBP 6 205 per year, which is reduced by 41 pence for each GBP 1 of gross income above a threshold of GBP 16 385 if the family is not working. A lower threshold applies if the family is working; their CTC is reduced at the same rate once their WTC has been tapered to

zero. CTC was introduced on 6th April 2003. Most people can no longer make a new claim for CTC as it has been replaced by the Universal Credit, a means-tested benefit paid to those out of work or in-work on a low income[3].

1.1.2.2. Main non-standard tax reliefs applicable to an AW.

- Work-related expenses: Flat rate expenses for tools and special clothing are allowed to certain occupational categories. Since this provision is not applicable to all manufacturing occupations, and hence average workers, and because the rates vary slightly across categories, this relief is considered here as non-standard;
- Contributions to approved superannuation schemes or personal pension schemes are deducted when calculating taxable income. Premiums on approved life assurance policies payable to life assurance companies attract 12.5% tax relief for policies entered into force before 13 March 1984.

6.1.3. Tax schedule

In 2020-21 all taxpayers are liable on taxable income other than savings and dividend income at the basic rate of 20% on the first GBP 37 500, 40% over the basic rate limit of GBP 37 500 and 45% over the higher rate limit of GBP 150 000. (Taxable Income is defined as gross income for income tax purposes less allowances and reliefs available at the marginal rate.) Dividend income is charged at 7.5% up to the basic rate limit of GBP 37 500, 32.5% above GBP 37 500 and 38.1% above GBP 150 000. The Dividend Allowance is GBP 2 000 in 2020-21, meaning that dividend taxpayers will not have to pay tax on the first GBP 2 000 of their dividend income, no matter what non-dividend income they have. Savings income is charged at 0% up to the starting rate limit on the first GBP 5 000, at 20% up to GBP 37 500, 40% above GBP 37 500 and 45% above GBP 150 000. From 2016-17, a new Personal Savings Allowance was introduced giving GBP 1 000 of savings income tax free for taxpayers with total income below the basic rate limit or GBP 500 for those with total income below the higher rate limit.

Taxable income (GBP)	Rate %
0–37 500	20
37 500–150 000	40
Over 150 000	45

6.2. State and local income tax

From 2018-19 the Scottish Government has introduced a starter rate band for non-savings non-dividend income of Scottish taxpayers. In 2020-21, the starter rate band applied from GBP 12 500 to GBP 14 585. The basic rate band for non-savings non-dividend income is set from GBP 14 585 to GBP 25 158. The Scottish Government has an intermediate rate band for non-savings non-dividend income of Scottish taxpayers from GBP 24 944 to GBP 43 430. The higher rate band for non-savings non-dividend income of Scottish taxpayers in 2020-21 is from GBP 43 430 to GBP 150 000. In 2020-21 all Scottish taxpayers are liable on taxable income other than savings and dividend income at the starter rate of 19% on the first GBP 2 085, 20% over the starter rate limit of GBP 2 085, 21% over the basic rate limit of GBP 12 658, 41% over the intermediate rate limit of GBP 30 930 and 46% over the higher rate limit of GBP 150 000. (Taxable Income is defined as gross income for income tax purposes less allowances and reliefs available at the marginal rate.)

7. Compulsory Social Security Contributions to Schemes Operated Within the Government Sector

7.1. Employees' contributions

National Insurance contributions are payable by employees earning more than GBP 183 in any week. These are 12% of earnings between GBP 183 and GBP 962 and 2% of earnings above GBP 962. Depending on eligibility, members of the National Insurance scheme qualify for pensions, sickness, industrial injury, unemployment benefits, etc. All employees earning under GBP 183 per week have no National Insurance contribution liability but a notional contribution will be deemed to have been paid in respect of earnings between GBP 120 and GBP 183 to protect benefit entitlement.

7.2. Employers' contributions

Employer's contributions are not payable for employees earning less than GBP 169 per week. The rate of employers' contributions for employees is 13.8% of earnings above GBP 169 per week.

The apprenticeship levy was introduced in April 2017. The apprenticeship levy is charged at a rate of 0.5% on the gross pay bill of employers. Employers will receive an allowance of GBP 15 000 per year to offset against the levy meaning that only employers with a gross pay bill of over GBP 3m will end up paying the levy. Due to the fact that the apprenticeship levy does not apply to all employers, it is not included in the Taxing Wages calculations

8. Universal Cash Transfers

8.1. Transfers related to marital status

None (widows' benefit is covered by the government pensions scheme noted above).

8.2. Transfers for dependent children

A child benefit of GBP 21.05 per week is paid in respect of the first child in the family up to the age of 19 (if the child aged 16-19 is in education or training) with GBP 13.95 per week paid for each subsequent child.

Since January 2013, a tax charge has applied for any taxpayer who has income over GBP 50 000 and either they or their partner are in receipt of Child Benefit. For those with adjusted net income (ANI, pre-tax income less certain allowances) between GBP 50 000 and GBP 60 000, the amount of the charge will be 1% of the Child Benefit for every GBP 100 of income over GBP 50 000. For those with income over GBP 60 000, the amount of the charge will equal the amount of Child Benefit. Child Benefit recipients can opt out of receiving payments as an alternative to paying the charge. Where both adults are over the threshold, the liability falls on the adult with the highest ANI.

9. Recent changes in the tax/benefit system

9.1. Changes to labour taxation due to the covid-19 pandemic

Working Tax Credit (WTC): In 2020-21, as part of the UK government's response to the COVID-19 pandemic, the maximum credit of 5910 (see section 1.1.2.1) includes an increase of GBP 1045 per year above inflation, with a similar increase applying in Universal Credit. These additional increases will be reviewed when considering rates for 2021-22.

10. Memorandum Items

10.1. Identification of AW and valuation of earnings

A new Annual Survey of Hours and Earnings (ASHE) has been developed to replace the New Earnings Survey (NES) (results of which are published in Labour Market Trends) and shows the average weekly earnings of full-time employees in April each year. It covers men and women at adult rates in the United Kingdom (excluding Northern Ireland). The annual figure used for the gross earnings of the AW in the United Kingdom is the annual equivalent of the arithmetic average of the weekly earnings figures for April at the beginning and end of the fiscal year, as published in Labour Market Trends.

The earnings figures exclude the earnings of those whose pay was affected by absence (due to sickness etc.). They include overtime, payment by results and shift payments. But they do not include benefits in kind (which could in some circumstances be included in the employee's taxable income in the United Kingdom).

10.2. Employers' contributions to private pension, health etc. schemes

In 2008, there were 9.0 million active members of occupational pension schemes with two or more members in the UK, of whom 3.6 million were in the private sector and 5.4 million in the public sector.

2020 Parameter values

Average earnings/yr	Ave_earn	41 807	Secretariat Estimate	
Allowances	Basic_al	12 500		
	PA taper start	100 000		
	Married_al	1 250		
	Married_rate	0		
Income tax	Tax_sch	0.2	37 500	
		0.4	150 000	
		0.45		
Employees SSC				
Primary threshold	SSC_sch	0	9 500	PT
Upper earnings limit		0.12	50 000	UEL
		0.02		
Employers SSC	SSC_rate2	0.138		
	ST	8 788		
Child benefit (first)	CB_first	21.05		
Child benefit (others)	CB_others	13.95		
	CB_1st_thres	50 000.00		
	CB_2nd_thres	60 000.00		
	CB_taper1	0.01		
	CB_taper2	100.00		
TAX CREDITS				
WTC				
Basic element	WTC_Basic	3040		
Couple/Lone parent	WTC_couple_or_lone	2 045		
30 Hour element	WTC_30hr	825		
CTC				
Family element	CTC_family	545		
Child element	CTC_child	2 830		
Baby element	CTC_baby			
Threshold	NTC_1st_thres	6 530		
	NTC_1st_taper	0.41		
Days in tax year	Numdays	365		

2020 Tax equations

The equations for the UK system are mostly on an individual basis. But Child and Working tax credits are calculated on a family basis and child benefit is calculated only once. This is shown by the Range indicator in the table below.

The functions which are used in the equations (Taper, MIN, Tax etc) are described in the technical note about tax equations. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables “married” and “children”. A reference to a variable with the affix “_total” indicates the sum of the relevant variable values for the principal and spouse. And the affixes “_princ” and “_spouse” indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with “_spouse” values taken as 0.

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings	Earn		
2.	Allowances:	tax_al	B	Tax_al IF(earn<PA_taper,IF(AND(earn<(BRL+Basic_al),earn_spouse<Basic_al,Married='1),IF(earn>earn_spouse,Basic_al+Married_al,Basic_al-Married_al),Basic_al),IF(earn>(PA_taper+(Basic_al*2)),0,MAX(0,(Basic_al-((earn-PA_taper)'/2)))))
3.	Credits in taxable income	taxbl_cr	B	0
4.	CG taxable income	tax_inc	B	Positive(earn-tax_al)
5.	CG tax before credits	CG_tax_excl	B	Tax(tax_inc, tax_sch)
6.	Tax credits (nonwastable)	tax_cr	J	IF(Children>0, (Taper(ROUNDUP(CTC_family/numdays, 2)*numdays+Children*ROUNDUP(CTC_child/numdays, 2)*numdays+ROUNDUP(WTC_Basic/numdays, 2)*numdays+ROUNDUP(WTC_30hr/numdays, 2)*numdays+ROUNDUP(WTC_couple_or_lone/numdays, 2)*numdays, earn_total, NTC_1st_thres, NTC_1st_taper), Taper(ROUNDUP(WTC_Basic/numdays, 2)*numdays+ROUNDUP(WTC_30hr/numdays, 2)*numdays+IF(Married='1,' ROUNDUP(WTC_couple_or_lone/numdays, 2)*numdays, 0), earn_total, NTC_1st_thres, NTC_1st_taper))
7.	CG tax	CG_tax	B	CG_tax_excl-tax_cr
8.	State and local taxes	local_tax	B	0
9.	Employees' soc security	SSC	B	Tax(earn, SSC_sch)
11.	Cash transfers	cash_trans	J	='IF(princ_earn>CB_1st_thres,IF(princ_earn>CB_2nd_thres,0,((1-(AA7-CB_1st_thres)'/(CB_taper2/CB_taper1)))*(numdays/7*((Children>0)*CB_first+CB_others*Positive(Children-1)))),(numdays/7*((Children>0)*CB_first+CB_others*Positive(Children-1))))
13.	Employer's soc security	SSC_empr	B	(earn>ST)*(earn-ST)*SSC_rate2
	Memorandum item: Non-wastable tax credit			
	tax expenditure component	Taxexp	J	Tax_cr-transfer
	cash transfer component	Transfer	J	IF(CG_tax_excl<0, -CG_tax_excl, 0)

Key to range of equation B calculated separately for both principal earner and spouse P calculated for principal only (value taken as 0 for spouse calculation) J calculated once only on a joint basis

Notes

[1] The amount of credit received is calculated by dividing separately each element of the credit by the number of days in the tax year and rounding up to the nearest penny to give a daily rate. These daily rates are then multiplied by the number of days in the relevant period (for the purposes of this Report, the tax year) and added together.

[2] At April 2020, there were 1.5 million individuals in employment receiving Universal Credit. In contrast, there were 1.9 million individuals in employment receiving tax credits. Therefore in 2020, WTC is expected to remain more representative of the tax/benefit situation faced by the majority of people in the UK. The position will be reviewed for future editions of *Taxing Wages* as the use of tax credits continues to decline and use of Universal Credit increases.

[3] See previous note.

United States

This chapter includes data on the income taxes paid by workers, their social security contributions, the family benefits they receive in the form of cash transfers as well as the social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for eight different family types.
Methodological information is available for personal income tax systems, compulsory social security contributions to schemes operated within the government sector, universal cash transfers as well as recent changes in the tax/benefit system. The methodology also includes the parameter values and tax equations underlying the data.

United States 2020

The tax/benefit position of single persons

		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1.	**Gross wage earnings**		40 348	60 220	100 568	40 348
2.	**Standard tax allowances**					
	Basic allowance		12 400	12 400	12 400	18 650
	Married or head of family					
	Dependent children		0	0	0	0
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other					
		Total	12 400	12 400	12 400	18 650
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		27 948	47 820	88 168	21 698
5.	**Central government income tax liability (exclusive of tax credits)**		3 156	6 310	15 240	2 322
6.	**Tax credits**					
	Basic credit		0	0	0	1 494
	Married or head of family					
	Children		0	0	0	4 000
	Other					
		Total	0	0	0	5 494
7.	**Central government income tax finally paid (5-6)**		3 156	6 310	15 240	- 3 172
8.	**State and local taxes**		2 467	3 788	6 472	1 945
9.	**Employees' compulsory social security contributions**					
	Gross earnings		3 087	4 607	7 693	3 087
	Taxable income					
		Total	3 087	4 607	7 693	3 087
10.	**Total payments to general government (7 + 8 + 9)**		8 710	14 706	29 405	1 859
11.	**Cash transfers from general government**					
	For head of family					
	For two children		1 200	1 200	0	2 200
		Total	1 200	1 200	0	2 200
12.	**Take-home pay (1-10+11)**		32 838	46 715	71 163	40 688
13.	**Employer's compulsory social security contributions**		3 404	4 924	8 011	3 404
14.	**Average rates**					
	Income tax		13.9%	16.8%	21.6%	-3.0%
	Employees' social security contributions		7.7%	7.7%	7.7%	7.7%
	Total payments less cash transfers		18.6%	22.4%	29.2%	-0.8%
	Total tax wedge including employer's social security contributions		24.9%	28.3%	34.5%	7.0%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		26.3%	36.3%	38.3%	48.6%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		31.5%	40.8%	42.7%	52.3%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

United States 2020

The tax/benefit position of married couples

		Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
		Number of children	2	2	2	none
1.	**Gross wage earnings**		60 220	100 568	120 441	100 568
2.	**Standard tax allowances**					
	Basic allowance		24 800	24 800	24 800	24 800
	Married or head of family					
	Dependent children		0	0	0	0
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other					
		Total	24 800	24 800	24 800	24 800
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		35 420	75 768	95 641	75 768
5.	**Central government income tax liability (exclusive of tax credits)**		3 855	8 697	12 621	8 697
6.	**Tax credits**					
	Basic credit		0	0	0	0
	Married or head of family					
	Children		4 000	4 000	4 000	0
	Other					
		Total	4 000	4 000	4 000	0
7.	**Central government income tax finally paid (5-6)**		- 145	4 697	8 621	8 697
8.	**State and local taxes**		3 140	5 823	7 144	6 255
9.	**Employees' compulsory social security contributions**					
	Gross earnings		4 607	7 693	9 214	7 693
	Taxable income					
		Total	4 607	7 693	9 214	7 693
10.	**Total payments to general government (7 + 8 + 9)**		7 602	18 213	24 979	22 646
11.	**Cash transfers from general government**					
	For head of family					
	For two children		3 400	3 400	3 400	2 400
		Total	3 400	3 400	3 400	2 400
12.	**Take-home pay (1-10+11)**		56 019	85 755	98 862	80 322
13.	**Employer's compulsory social security contributions**		4 924	8 328	9 849	8 328
14.	**Average rates**					
	Income tax		5.0%	10.5%	13.1%	14.9%
	Employees' social security contributions		7.7%	7.7%	7.7%	7.7%
	Total payments less cash transfers		7.0%	14.7%	17.9%	20.1%
	Total tax wedge including employer's social security contributions		14.0%	21.3%	24.1%	26.2%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		26.3%	26.3%	36.3%	26.3%
	Total payments less cash transfers: Spouse		26.3%	26.3%	36.3%	26.3%
	Total tax wedge: Principal earner		31.5%	31.5%	40.8%	31.5%
	Total tax wedge: Spouse		32.0%	31.5%	40.8%	31.5%

The national currency is the dollar (USD). In 2020, the average worker earned USD 60 220 (Secretariat estimate).

1. Personal Income Tax System

1.1. Central/federal government income taxes

1.1.1. Tax unit

Families are generally taxed in one of three ways:

- As married couples filing jointly on the combined income of both spouses;
- As married individuals filing separately and reporting actual income of each spouse; or
- As heads of households (only unmarried or separated individuals with dependents).

All others, including dependent children with sufficient income, file as single individuals.

1.1.2. Tax allowances and tax credits

1.1.2.1. Standard reliefs

- Basic reliefs: In 2020 a married couple filing a joint tax return is entitled to a standard deduction of USD 24 800. The standard deduction is USD 18 650 for heads of households and USD 12 400 for single individuals. This relief is indexed for inflation. More liberal standard deductions are available for taxpayers who are age 65 or older and taxpayers who are blind. Special rules apply to children who have sufficient income to pay tax and are also claimed as dependents by their parents.
- Standard marital status reliefs: Married couples generally benefit from a more favourable schedule of tax rates for joint returns of spouses (see Section 1.1.3). There are no other general tax reliefs for marriage.
- Relief for children: Low income workers with dependents are allowed a refundable (non-wastable) earned income credit. For taxpayers with one child, the credit is 34% of up to USD 10 540 of earned income in 2020. The credit phases down when income exceeds USD 19 330 (25 220 for married taxpayers) and phases out when it reaches USD 41 756 (47 646 for married taxpayers). The earned income threshold and the phase-out threshold are indexed for inflation. For taxpayers with two children, the credit is 40% of up to USD 14 800 of earned income in 2020. The credit phases down when income exceeds USD 19 330 (25 220 for married taxpayers) and phases out when it reaches USD 47 440 (53 330 for married taxpayers). For taxpayers with three or more children the credit is 45% of up to USD 14 800 of earned income. The credit phases down when income exceeds USD 19 330 (25 220 for married taxpayers) and phases out when it reaches USD 50 954 (56 844 for married taxpayers).
- Since 1998, taxpayers are permitted a tax credit for each qualifying child under the age of 17. In 2020 the maximum credit is USD 2 000. The refundable (non-wastable) child credit is the lesser of 15% of earned income in excess of USD 2 500 and USD 1 400 per child. The refundable portion of the credit (USD 1 400) is indexed for inflation and rounds down to the next lowest multiple of USD 100 but is capped at USD 2 000.
- Other dependent tax credit: For qualifying dependents other than qualifying children for whom a child tax credit was claimed, there is a USD 500 non-refundable credit. The Taxing Wages calculations do not include the other dependent tax credit.
- Phase out of child tax credit and other dependent tax credit: The maximum credit is reduced for taxpayers with income in excess of certain thresholds. The total of the child tax credit and other

dependent tax credit is reduced by USD 50 for each USD 1 000 by which modified aggregate gross income exceeds USD 400 000 for married taxpayers filing jointly (USD 200 000 for single and head of household taxpayers). These threshold amounts are indexed for inflation.

- Relief for low income workers without children: In 1994 and thereafter, low income workers without children are eligible for the earned income credit. In 2020 low income workers without children are permitted a non-wastable earned income credit of 7.65% of up to USD 7 030 of earned income. The credit phases down when income exceeds USD 8 790 (14 680 for married taxpayers) and phases out when income reaches USD 15 820 (21 710 for married taxpayers). This credit is available for taxpayers at least 25 years old and under 65 years old.
- Relief for social security and other taxes. In 2020, the withholding rate for Social Security taxes and Medicare for employees is 7.65%. The earned income credits described above are sometimes considered an offset to Social Security and Medicare contributions made by eligible employees. Furthermore, only a portion of Social Security benefits are subject to tax.

1.1.2.2. Main non-standard reliefs applicable to an AW

The basic non-standard relief is the deduction of certain expenses to the extent that, when itemised, they exceed in aggregate the standard deduction. For the purposes of this Report, it is assumed that workers claim the standard deduction. The principal itemised deductions claimed by individuals where the standard deduction is not being claimed are:

- Medical and dental expenses that exceed 10% of income (7.5% in 2017 through 2019);
- State and local income taxes, real property taxes, and personal property taxes are capped at USD 10 000 per return;
- Home mortgage interest on USD 750 000 of qualified residence loans;
- Investment interest expense up to investment income with an indefinite carry forward of disallowed investment interest expense;
- Contributions to qualified charitable organisations (including religious and educational institutions);
- Casualty and theft losses to the extent that each loss exceeds USD 100 and that all such losses combined exceed 10% of income;
- Miscellaneous expenses such as gambling losses, casualty and theft losses of income-producing property, and impairment related work expenses of disabled persons to the extent that, in aggregate; they exceed 2% of income.
- In 2017 based on preliminary statistics[1], the most recent year for which such statistics are available, the 43% of taxpayers with income between USD 50 000 and USD 100 000 (the AW range) who itemised their deductions claimed average deductions as follows: taxes paid, USD 6 559; charitable contributions, USD 3 454; home mortgage interest expense, USD 6 906;
- Contributions to pension and life insurance plans. No relief is provided for employee contributions to employer sponsored pension plans or for life insurance premiums. However, tax relief is provided for certain retirement savings.

1.1.3. Tax schedule

Federal Income Tax rates

Taxable Income Bracket (USD)[1]			Marginal Tax Rate (%)
Single Individual	Joint Return of Married Couple	Head of Household	
0 to 9 875	0 to 19 750	0 to 14 100	10
9 875 to 40 125	19 750 to 80 250	14 100 to 53 700	12
40 125 to 85 525	80 250 to 171 050	53 700 to 85 500	22
85 525 to 163 300	171 050 to 326 600	85 500 to 163 300	24
163 300 to 207 350	326 600 to 414 700	163 300 to 207 350	32
207 350 to 518 400	414 700 to 622 050	207 350 to 518 400	35
518 400 and over	622 050 and over	518 400 and over	37

1. The taxable income brackets are indexed for inflation.

There is a 3.8% tax on the lesser of certain net investment income or income in excess of USD 200 000 (USD 250 000 for joint returns). Net investment income includes interest, dividends, capital gains, rental and royalty income, and income from businesses trading financial instruments.

Beginning in 2018, owners of sole proprietorships, partnerships, S corporations, and some trusts and estates are eligible to deduct 20 percent of qualified business income (QBI). QBI is subject to limitations, depending on the taxpayer's taxable income, that may include the type of trade or business, the amount of wages paid by the business and the unadjusted basis of qualified property held by the trade or business.

1.2. State and local income taxes

1.2.1. General description of the system

The District of Columbia and 41 of the 50 States impose some form of individual income tax.[2] In addition, some local governments (cities and counties) impose an individual income tax, although this is not generally the case. State individual income tax structures are usually related to the federal tax structure by the use of similar definitions of taxable income, with some appropriate adjustments. This linkage is not a legal requirement but a practical convention that functions for the convenience of the taxpayer who must fill out both federal and State income tax returns.

The Taxing Wages calculations assume that the average worker lives in Detroit, Michigan. The state of Michigan permits a personal exemption of USD 4 750 for the taxpayer, the taxpayer's spouse and each child, and taxes income at the rate of 4.25%. Michigan allows taxpayers who are eligible to claim the federal earned income tax credit to claim a Michigan earned income tax credit. The Michigan earned income tax credit is a refundable (non-wastable) credit equal to 6% of the federal earned income tax credit.

The city of Detroit permits a personal exemption of USD 600 and taxes income at the rate of 2.4%.

2. Compulsory Social Security Contributions to Schemes Operated within the Government Sector

2.1. Employees' contributions

2.1.1. Pensions

In 2020, the rate for employee contributions is 7.65% (6.2% for old age, survivors, and disability insurance, and 1.45% for old age hospital insurance). The 6.2% rate applies to earnings up to USD 137 700. Beginning in 1994, there is no limit on the amount of earnings subject to the 1.45% rate. There is an additional 0.9% tax on employee wages and salaries that exceed USD 200 000 (USD 250 000 for joint returns) as the additional hospital insurance tax on high-income taxpayers. The additional tax on wages and salaries is subject to withholding (but without regard to the earnings of the spouse) when wages from a particular job exceed USD 200 000 per year. These thresholds are not indexed for inflation.

There is no distinction by marital status or sex.

2.1.2. Other

No compulsory employee contributions exist.

2.2. Employers' contributions

2.2.1. Pensions

The rate for employers' contributions is 6.2% on earnings up to USD 137 700 and 1.45% of all earnings (without limit).

2.2.2. Unemployment

Employers are required by the federal government to pay unemployment tax of 6% on earnings up to USD 7 000. Taxes are also paid to various state-sponsored unemployment plans which may generally be credited against the required federal percentage. In 2019 the estimated average unemployment insurance tax rate in Michigan was 3.06% of the first USD 9 000 of wages. The Taxing Wages model considers that the Federal government allows employers to take a credit for state unemployment taxes of up to 5.4%, resulting in a net Federal tax of 0.6% on earnings up to USD 7 000.

3. Universal Cash Transfers

3.1. Transfers related to marital status

None.

3.2. Transfers for dependent children

No general cash transfers exist, although low-income mothers qualifying for categorical welfare grants may receive cash transfers.

4. Principal Changes since 2017

In December 2017, Congress passed and the President signed the Tax Cuts and Jobs Act – the most significant change in U.S. tax law in a generation, incorporating change to the taxation of individuals and businesses. For individuals, the Act temporarily lowers income tax rates, increases the standard deduction, increases the child tax credit, and adds a credit for other dependents. The Act also temporarily eliminates some deductions, credits and exemptions for individuals. In addition the individual alternative minimum tax (AMT) exemption and phase-out thresholds are temporarily increased so that fewer taxpayers are subject to the AMT. Pass-through entities that are generally taxed at the individual level only and may be eligible for a new temporary deduction. These temporary provisions expire at the end of 2025. In addition, inflation adjustments of amounts and thresholds are changed to be determined by the chained consumer price index. Finally, there are substantial changes in business taxation, many that are permanent, such as lowering the top corporate tax rate from 35 to 21 percent and moving the U.S. international tax system towards a territorial system.

4.1. Changes to labour taxation due to the covid-19 pandemic

Families First Coronavirus Response Act enacted 18 March 2020 provides employers with less than 500 employees with a refundable tax credit to offset the cost of providing a worker with paid sick and family leave through 2020. The Act caps the amount of qualified sick leave wages taken into account for each employee at USD 511 per day for 10 work days. Similarly, the family leave credit offsets USD 200 per day of wages for employees who must care for a loved one or whose child is home because of a school or day care closing. Self-employed workers would also qualify for the same level of refundable sick and family leave tax credits to offset wages. Businesses can retain and access funds that they would otherwise paid in the employer's Social Security taxes. If those amounts are not sufficient to cover the cost of paid leave, employers can seek an expedited advance from the IRS by submitting a streamlined claim form. Employers with U.S. Small Business Administration Loans are not eligible for employee retention credit.

The Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) was enacted on 27 March 2020 in response to the pandemic. Among other provisions, there is a tax credit paid in general to citizens, the so-called Economic Impact Payment (EIP). While the EIP can be claimed on the 2020 tax return filed in 2021, an advance payment of the credit was made in 2020 of USD 1 200 per taxpayer (USD 2 400 for married couples) plus USD 500 per child under age 17. While there is no cap on the EIP credit, it phases out at 5 percent of Adjusted Gross Income (AGI) in excess of USD 150 000 for married couples, USD 112 500 for head of household, and USD 75 000 for all other filers.

The CARES Act also delays the timing of required federal tax deposits for certain employer payroll taxes and self-employment taxes incurred between March 27, 2020 (the date of enactment) and December 31, 2020. Fifty percent of the deferred amount has to be paid by 31 December 2021 and the remainder by 31 December 2022. These taxes include the 6.2 percent Social Security tax for wage earners and comparable 6.2 percent Self-Employment Contributions Act tax due on net earnings from self-employment.

The CARES Act also provides businesses with a refundable Social Security tax credit for 50 percent of qualified wages up to USD 10 000 for each employee for qualifying calendar 2020 quarters during the COVID-19 crisis. The credit is available to employers whose (1) operations were fully or partially suspended, due to a COVID-19-related shut-down order, or (2) gross receipts declined by more than 50 percent when compared to the same quarter in the prior year. For employers with greater than 100 full-time employees, qualified wages are wages paid to employees when they are not providing services due to the COVID-19-related circumstances described above. For eligible employers with 100 or fewer full-time employees, all employee wages qualify for the credit, whether the employer is open for business or subject to a shut-down order. The credit is provided for the first USD 10 000 of compensation, including health benefits, paid to an eligible employee. The credit is provided for wages paid or incurred from 13 March

2020 through 31 December 2020. Employers with Small Business Administration Loans under the CARES Act are not eligible for the employee retention credit.

Finally, for 2020, taxpayers can deduct USD 300 of cash contributions to charities whether or not the taxpayer itemizes or takes standard deduction.

5. Memorandum Items

5.1. Identification of an AW at the wage calculation

The AW is identified from monthly data compiled from establishment questionnaires covering more than 40 million non-agricultural full- and part-time workers. Beginning in March 2006, data on average weekly hours and average hourly earnings cover all employees rather than solely production or non-supervisory workers. To obtain average annual wages, the product of average weekly hours (including overtime) and average hourly earnings (including overtime) is multiplied by 52 and is adjusted to reflect a full-time equivalent worker. The AW is estimated to be USD 56 577 for 2019.

5.2. Employer contributions to private social security arrangements

Employers commonly contribute to private pension plans (both defined benefit and defined contribution), health insurance and life insurance. Data for these contributions are available only on a total workforce basis. It is not possible to state with accuracy the levels applicable to the AW. The following are estimates for 2019 for employees in private industry:

	Pension	Health	Life
% of workers covered	52	55	55
USD employer portion per covered employee	n.a.	8 645 (family) 4 269 (single)	n.a.

2020 Parameter values

Average earnings/yr	Ave_earn	60 220	Secretariat estimate			
Standard deductions	Married_al	24 800				
	hh_al	18 650				
	single_al	12 400				
Federal tax schedules	Fed_sch_s	0.1	9 875			
		0.12	40 125			
Single individuals		0.22	85 525			
		0.24	163 300			
		0.32	207 350			
		0.35	518 400			
		0.37				
Married filing jointly	Fed_sch_m	0.1	19 750			
		0.12	80 250			
		0.22	171 050			
		0.24	326 600			
		0.32	414 700			
		0.35	622 050			
		0.37				
Head of household	Fed_sch_h	0.1	14 100			
		0.12	53 700			
		0.22	85 500			
		0.24	163 300			
		0.32	207 350			
		0.35	518 400			
		0.37				
Earned income credit	EIC_sch	rate	income limit	threshold	thresh-married	phase-out
	no children	0.0765	7 030	8790	14 680	0.0765
	1 child	0.34	10 540	19 330	25 220	0.1598
	2 children	0.4	14 800	19 330	25 220	0.2106
	3 or more children	0.45	14 800	19 330	25 220	0.2106
Child credit	chcrd_max	2 000				
	Chcrd_lim	1 400				
	chcrd_rdn	50				
	chcrd_thrsh_m	400 000				
	chcrd_thrsh_oth	200 000				
	chcrd_ref_perct	0.15				
	chcrd_ref_thresh	2 500				
Detroit	Detroit_ex	600				
	Detroit_rate	0.024				
Michigan	Mich_ex	4 750				
	Mich_ex_child	0				
	Mich_rate	0.0425				
Michigan's earned income tax credit	Mich_EIC_rate	0.06				
credit schedule on city tax	Mich_cr_sch	0				
		0				
		0				
maximum	Mich_cr_max	0				
Pension contributions	pens_rate_er	0.062				
	pens_rate_ee	0.062				

	hosp_rate	0.0145				
	add_hosp_rate	0.009				
Ceiling for employers and employees	pens_ceil	137 700				
	add_hosp_thresh_m	250 000				
	add_hosp_thresh_oth	200 000				
Unemployment insurance tax	Unemp_rate	0.006				
	Unemp_dedn_rate	0.054				
	Unemp_max	7 000				
Michigan unemploy insur	Mich_unemp_rate	0.0306				
	Mich_unemp_max	9 000				
	Covid EIP adult	1200				
	Covid EIP child	500				
	Covid_EIP_limit_married	150000				
	Covid_EIP_limit_head	112500				
	Covid_EIP_limit_others	75000				
	Covid_EIP_red	0.05				

2020 Tax equations

The equations for the US system in 2020 are mostly calculated on a family basis. There is a special function EIC which is used to calculate the earned income credit. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables “married” and “children”. A reference to a variable with the affix “_total” indicates the sum of the relevant variable values for the principal and spouse. And the affixes “_princ” and “_spouse” indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with “_spouse” values taken as 0.

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings	earn		
2.	Allowances:	tax_al	J	IF(Married, Married_al, IF(Children=0, single_al, hh_al))
3.	Credits in taxable income	taxbl_cr	J	0
4.	CG taxable income	tax_inc	J	positive(earn-tax_al+taxbl_cr)
5.	CG tax before credits	CG_tax_excl	J	Tax(tax_inc, IF(Married, Fed_sch_m, IF(Children, Fed_sch_h, Fed_sch_s)))
6.	6. Tax credits :	EIC	J	EIC(Children, earn_total, EIC_sch)
		ch_crd_max	J	Children*Positive((chcrd_max-chcrd_rdn*Positive(TRUNC(earn, -3)-IF(Married>0, chcrd_thrsh_m, chcrd_thrsh_oth))/1000))
		ch_crd_tax	J	IF(ch_crd_tax>0, MIN(ch_crd_max, CG_tax_excl), 0)
		ch_crd_ref		IF(ch_crd_tax<ch_crd_max, MIN(MIN(ch_crd_max-ch_crd_tax,chcrd_lim*children), MAX(chcrd_ref_perct*(earn-chcrd_ref_thresh), 0)), 0)
		tax_cr	J	EIC+ch_crd_tax+ch_crd_ref
7.	CG tax	CG_tax	J	CG_tax_excl-tax_cr
8.	State and local taxes	local_tax	J	Detroit_rate* Positive(earn_total-Detroit_ex*(1+Married+Children))+ Mich_rate*Positive(earn_total - Mich_ex*(1+Married+Children) - Mich_ex_child*Children) - MIN(Mich_cr_max, Tax(AJ7, Mich_cr_sch)) - Mich_EIC_rate*EIC
9.	Employees' soc security	SSC	B	pens_rate_ee*MIN(earn, pens_ceil)+hosp_rate*earn+add_hosp_rate*Positive(earn-IF(Married,add_hosp_thresh_m,add_hosp_thresh_oth))
11.	Cash transfers	Cash_tran	J	TAPER((IF(Married=0,Covid_EIP_adult,2*Covid_EIP_adult))+(Children*Covid_EIP_child),total_earn,IF(Married,Covid_EIP_limit_married,IF(Children>0,Covid_EIP_limit_head, Covid_EIP_limit_others)),Covid_EIP_red)
13.	Employer's soc security	SSC_empr	B	pens_rate_er*MIN(earn, pens_ceil) +hosp_rate*earn+MIN(earn,Unemp_max)*Unemp_rate +MIN(earn,Mich_unemp_max)*Mich_unemp_rate
	Memorandum item: non-wastable tax credits			
	tax expenditure component	taxexp		(rate_rd_crd+EIC)-transfer
	cash transfer component	transfer		IF(CG_tax<0, -CG_tax, 0)

Key to range of equation B calculated separately for both principal earner and spouse P calculated for principal only (value taken as 0 for spouse calculation) J calculated once only on a joint basis.

Notes

[1] These statistics do not reflect the effects of the Tax Cuts and Jobs Act where more individual taxpayers do not itemize deductions but instead use the standard deduction.

[2] New Hampshire and Tennessee tax only interest and dividend income received by individuals.

Annex A. Methodology and limitations

Methodology

Introduction

The personal circumstances of taxpayers vary greatly. This Report therefore adopts a specific methodology to produce comparative statistics covering taxes, benefits and labour costs across OECD member countries[1]. The framework of the methodology is as follows:

- The Report focuses on eight different household types which vary by composition and level of earnings.
- Each household contains a full-time adult employee working in one of a broad range of industry sectors of each OECD economy. Some of the households also have a spouse working less than full-time.
- The annual income from employment is assumed to be equal to a given fraction of the average gross wage earnings of these workers.
- Additional assumptions are also made regarding other relevant personal circumstances of these wage earners in order to calculate their tax/benefit position.

The guidelines described in the following paragraphs form the basis for the calculations shown in Chapter 1 and Parts I, II and III. Table A A.1 sets out the terminology that is used. Where a country has had to depart from the guidelines, this is noted in the text and/or in the country chapters contained in Part III of the Report. The number of taxpayers with the defined characteristics and the wage level of the average workers differ between OECD economies.

Taxpayer characteristics

The eight household types identified in the Report are set out in Table A A.2. Any children in the household are assumed to be aged between six and eleven inclusive.

The household is assumed to have no income source other than from employment and cash benefits.

The range of industries covered

The standard assumption for calculating average wage earnings is based on Sectors B-N of the International Standard Industrial Classification of All Economic Activities (ISIC Revision 4, United Nations)[2] (see Table A.A.3). Many countries (for more detailed country information, see Table 1.8) have now adopted this approach.

Table A A.1. Terminology

General terms	
Average worker (AW)	An adult full-time worker in the industry sectors covered whose wage earnings represent the average for workers.
Single persons	Unmarried men and women.
Couple with two children	Married couple with two dependent children between six to eleven years of age inclusive.
Labour costs	The sum of gross wage earnings, employers' social security contributions and payroll taxes.
Net take-home pay	Gross wage earnings less the sum of personal income tax and employee social security contributions plus cash transfers received from general government.
Personal average tax rate (tax burden)	The sum of personal income tax and employee social security contributions expressed as a percentage of gross wage earnings.
Tax wedge	The sum of personal income tax, employee and employer social security contributions plus any payroll tax less cash transfers expressed as a percentage of labour costs.
Elasticity of income after tax	Percentage change in 'after-tax' income following an increase in one currency unit of income before tax (defined more precisely as one minus a marginal tax rate divided by one minus a corresponding average tax rate).
Terms used under the income tax	
Tax reliefs	A generic term to cover all the means of giving favourable income tax treatment to potential taxpayers.
Tax allowances	Amounts deducted from gross earnings to arrive at taxable income.
Tax credits	Amounts which a taxpayer may subtract from his tax liability. They are described as payable if they can exceed tax liability (sometimes the terms 'refundable' and 'non-wastable' are used).
Standard tax reliefs	Reliefs unrelated to the actual expenses incurred by taxpayers and automatically available to all taxpayers who satisfy the eligibility rules specified in the legislation are counted as standard reliefs. These also include deductions for compulsory social security contributions.
Basic relief	Any standard tax relief available irrespective of marital or family status.
Marriage allowance	Additional tax relief given to married couples. (In some countries, this is not distinguished from the basic relief which may be doubled on marriage).
Non-standard tax reliefs	Reliefs wholly determined by reference to actual expenses incurred.
Average rate of income tax	Amount of income tax payable after accounting for any reliefs calculated on the basis of the tax provisions covered in this Report, divided by gross wage earnings.
Schedule rate	The rate which appears in the schedule of the income tax and in the schedule of social security contributions.
Terms used under cash transfers	
Cash transfers	Cash payments made by general government (agencies) paid to families usually in respect of dependent children.

Table A A.2. Characteristics of taxpayers

Marital status	Children	Principal earner	Second earner
Single individual	No children	67% of average earnings	
Single individual	No children	100% of average earnings	
Single individual	No children	167% of average earnings	
Single individual	2 children	67% of average earnings	
Married couple	2 children	100% of average earnings	
Married couple	2 children	100% of average earnings	67% of average earnings
Married couple	2 children	100% of average earnings	100% of average earnings
Married couple	No children	100% of average earnings	67% of average earnings

Table A A.3. International Standard Industrial Classification of All Economic Activities

Revision 3.1 (ISIC Rev. 3.1)	
A	Agriculture, hunting and forestry
B	Fishing
C	Mining and quarrying
D	Manufacturing
E	Electricity, gas and water supply
F	Construction
G	Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods
H	Hotels and restaurants
I	Transport, storage and communications
J	Financial intermediation
K	Real estate, renting and business activities
L	Public administration and defence; compulsory social security
M	Education
N	Health and social work
O	Other community, social and personal service activities
P	Activities of private households as employers and undifferentiated production activities of private households
Q	Extraterritorial organisations and bodies
Revision 4 (ISIC Rev.4)	
A	Agriculture, forestry and fishing
B	Mining and quarrying
C	Manufacturing
D	Electricity, gas, steam and air conditioning supply
E	Water supply; sewerage, waste management and remediation activities
F	Construction
G	Wholesale and retail trade; repair of motor vehicles and motorcycles
H	Transportation and storage
I	Accommodation and food service activities
J	Information and communication
K	Financial and insurance activities
L	Real estate activities
M	Professional, scientific and technical activities
N	Administrative and support service activities
O	Public administration and defence; compulsory social security
P	Education
Q	Human health and social work activities
R	Arts, entertainment and recreation
S	Other service activities
T	Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use
U	Activities of extraterritorial organizations and bodies

This approach broadly corresponds to the previous calculation based on sectors C-K incl. defined in the International Standard Industrial Classification of All Economic Activities (ISIC Revision 3.1, United Nations) which was adopted in the 2005 edition of Taxing Wages. The reasons for moving to a broadened average wage definition were set out in the Special Feature of Taxing Wages 2003-2004.

Defining gross wage earnings

This section sets out the assumptions underlying the calculation of the average earnings figures for 'the average worker'. The gross wage earnings data have been established using statistical data and the methodologies for calculating the earnings data in each country are set out in Table A A.4. Further information on the calculation of the earnings figures is provided in the country chapters in Part II. The sources of the statistical data for each country are set out in Table A.A.5.

The main assumptions are as follows:

- The data relate to the average earnings in the relevant industry sectors for the country as a whole.
- The calculations are based on the earnings of a full-time adult worker (including both manual and non-manual). They relate to the average earnings of all workers in the industry sectors covered. No account is taken of variation between males and females or due to age or region.
- The worker is assumed to be full-time employed during the entire year without breaks for sickness or unemployment. However, several countries are unable to separate and exclude part-time workers from the earnings figures (see Table A A.4). Most of them report full-time equivalent wages in these cases. In four countries (Chile, Ireland, Slovak Republic and Turkey), the wages of part-time workers can be neither excluded nor converted into full-time equivalents because of the ways in which the earnings samples are constructed. As a result, average wages reported for these countries will be lower than an average of full-time workers (for example, an OECD Secretariat analysis of available Eurostat earnings data for selected European countries has shown that full-time employees' earnings in 2014 were on average 12% higher than earnings of all employees and 4% higher than earnings of all employees expressed in full-time equivalent units). Also, in most of the OECD countries where sickness payments are made by the employer, either on behalf of the government or on behalf of private sickness schemes, these amounts are included in the wage calculations. It is unlikely that this has a marked impact on the results since employers usually make these payments during a short period and the amounts usually correspond very closely to normal hourly wages.
- The earnings calculation includes all cash remuneration paid to workers in the industries covered taking into account average amounts of overtime, cash supplements (e.g. Christmas bonuses, thirteenth month) and vacation payments typically paid to workers in the covered industry sectors. However, not all countries are able to include overtime pay, vacation payments and cash bonuses according to the definition.
- The earnings figures include supervisory and/or management employees, though some countries are not able to do this. In such countries, the reported averages are lower than would otherwise be the case (for example, an OECD Secretariat analysis of available Eurostat earnings data for selected European countries has shown that excluding this type of workers can reduce average earnings by 10% to 18%).
- Fringe benefits – which include, for example, provision of food, housing or clothing by the employer either free of charge or at below market-price – are, where possible, excluded from the calculation of average earnings. This could affect comparability of tax wedges – as the reliance on fringe benefits may vary between countries and over time. However, the lack of comparability is limited as fringe benefits rarely account for more than 1-2% of labour costs and are normally more common among high-income employees than in the income ranges covered by *Taxing Wages* (50% to 250% of average earnings). Table A A.4 shows that some Member countries are not able to exclude fringe benefits from the earnings figures reported and used in *Taxing Wages*. The decision to exclude was been taken because:
  - these types of benefits are difficult to evaluate in a consistent way (they may be valued at the actual cost to the employer, their value to the employee or their fair market value).
  - in most countries, they are of minimal importance for workers at the average wage level.
  - the tax calculations would be significantly more complicated if the tax treatment of fringe benefits were to be incorporated.

- Employers' contributions to private pension, family allowance or health and life insurance schemes are excluded from the calculations, though the amounts involved can be significant. In the United States, for example, these contributions can account for more than 5% of the earnings of employees. The country chapters in Part II indicate of the existence of schemes which may be relevant for an average worker.

Table A A.4. Method used to calculate average earning

Country	Items included and excluded from the earnings base					Types of worker included and excluded in the average wage measure			Basic method of calculation used	Income tax year ends	Period to which the earnings calculation refers
	Sickness [1]	Vacations	Overtime	Recurring cash payments	Fringe Benefits	Supervisory workers	Managerial workers	part-time workers			
Australia	Inc	Inc	Inc	Inc	Exc	Inc	Inc	Exc	Average weekly earnings x 52	30th June	Fiscal year
Austria	Exc	Inc	Inc	Inc	Taxable value Inc	Inc	Inc	Exc	Average annual earnings	31st December	Calendar year
Belgium	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Exc	Average annual earnings	31st December	Calendar year
Canada	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Inc [6]	Average weekly hours x average hourly earnings x 52	31st December	Calendar year
Chile	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Inc	Hourly earnings x hours worked	31st December	Calendar year
Colombia	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Exc	Hourly earnings x hours worked	31st December	Calendar year
Czech Republic	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Inc [6]	Average monthly earnings x 12	31st December	Calendar year
Denmark	Exc	Inc	Exc	Inc	Exc	Inc	Inc	Inc [6]	Hourly earnings x hours worked	31st December	Calendar year
Estonia	Inc	Inc	Inc	Inc	Exc	Inc	Inc	Inc	Average earnings	31st December	Calendar year
Finland	Exc	Inc	Inc	Inc	Exc	Inc	Inc [5]	Exc	Hourly wages x usual working time or (monthly earnings x months) + vacation payments+ end of year bonuses	31st December	Calendar year
France	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Exc	Annual earnings	31st December	Calendar year
Germany	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Exc	Annual earnings	31st December	Calendar year
Greece	Exc	Inc	Inc	Inc 2	Inc	Inc	Inc	Exc	Hourly earnings x hours worked	31st December	Calendar year
Hungary	Exc	Inc	Inc	Inc	Exc	Inc	Inc [5]	Exc	Average monthly earnings x 12	31st December	Calendar year
Iceland	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Exc	Hourly earnings x hours worked x 12	31st December	Calendar year
Ireland	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Exc	Average Annual Earnings	31st December	Calendar year
Israel	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Exc	Average earnings	31st December	Calendar year
Italy	Exc[3]	Inc	Inc	Inc	Exc [4]	Inc	Inc	Inc [6]	Average monthly earnings x 12	31st December	Calendar year
Japan	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Exc	Monthly earnings in June x 12	31st December	Calendar year
Korea	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Exc	Average monthly earnings x 12	31st December	Calendar year
Latvia	Inc	Inc	Inc	Inc	Exc	Inc	Inc	Exc	Average monthly earnings x 12	31st December	Calendar year
Lithuania	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Exc	Average monthly earnings x 12	31st December	Calendar year
Luxembourg	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Exc	Aggregate annual earnings divided by annual average number of full-time employees. Any parts of earnings	31st December	Calendar year

									that exceed the upper social contribution limit (7 times the minimum wage) are not recorded.		
Mexico	Exc	Inc	Exc	Inc	Exc	Inc	Inc	Exc	Average monthly earnings x 12	31st December	Calendar year
Netherlands	Exc	Inc	Exc	Inc	Exc	Inc	Inc	Exc	Annual gross earnings	31st December	Calendar year
New Zealand	Exc	Inc	Inc	Inc	Exc	Inc	Inc [5]	Inc [6]	Average weekly earnings in each quarter x 13	31st March	Tax year
Norway	Exc	Exc	Inc	Inc	Exc	Inc	Inc	Inc [6]	Annual wages + estimated overtime	31st December	Calendar year
Poland	Inc	Inc	Inc	Inc	Exc	Inc	Inc	Inc [6]	Average monthly earnings x 12	31st December	Calendar year
Portugal	Exc	Inc	Inc	Inc	Inc	Inc	Inc	Exc	Weighted monthly average x 12	31st December	Calendar year
Slovak Republic	Exc	Inc	Inc	Inc	Exc	Inc	Inc[5]	Inc[6]	Average monthly earnings x 12	31st December	Calendar year
Slovenia	Inc	Inc	Inc	Inc	Exc	Inc	Inc	Inc	Average monthly earnings * 12	31st December	Calendar year
Spain	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Exc	Weighted monthly average x 12	31st December	Calendar year
Sweden	Exc	Inc	Inc	Inc	Actual value Inc	Inc	Inc	Inc [6]	Average hourly earnings in September x hours worked; and monthly earnings in September * 12	31st December	Calendar year
Switzerland	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Inc [6]	Monthly earnings x 12	31st December	Calendar year
Turkey	Exc	Inc	Inc	Inc	Actual value inc	Exc	Exc	Inc	Average annual earnings	31st December	Calendar year
United Kingdom	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Exc	Average gross annual earnings	5th April	Fiscal year
United States	Exc	Inc	Inc	Inc [2]	Exc	Inc	Inc	Inc [6]	Average weekly earnings x 52	31st December	Calendar year

Notes: Exc = Excluded, Inc = Included, '-' = information not available.
1. Usually includes compensation paid by employer whether paid on behalf of the government or as part of a private sickness scheme.
2. Excludes profit sharing bonuses in Greece and the United States plus end of year bonuses in the United States.
3. Sickness payments are only included to the extent that they are paid by the employer. For manual workers, this is only the case during the first three days of sick leave, while payments for the fourth day onwards are made by INPS.
4. Partly: the (small) taxable part of fringe benefits is included.
5. Except for top management (Finland); except if income from profits exceeds 50% of total income (Hungary); except for sole-proprietors (New Zealand); only income earned based on a standard employment contract is included (Slovak Republic).
6. Part-time wages are converted to full-time equivalents before calculating the average wage measure. For the Slovak Republic, part-time workers with non-standard temporary employment contracts are excluded.

Table A A.5. Source of earnings data, 2020

Country	Type of sample	Source
Australia	Quarterly survey of firms resulting in a representative sample of wage and salary earners in each industry.	Australian Bureau of Statistics “Average Weekly Earnings, Australia” and "Labour Force, Australia".
Austria	Annual Wage Tax Statistics.	"Lohnsteuerstatistik".
Belgium	Data collected or estimated on the basis of an annual establishment survey and social insurance registers of employees.	Statistics Division of the Ministry of Economy (Federal Public Service, Economy, SMEs, Self-employed and Energy). Same source as for Eurostat "Annual gross earnings" data.
Canada	Monthly survey of all firms.	Statistics Canada, “Survey of Employment Payrolls and Hours”.
Chile	Monthly sample of businesse with 10+ employees.	National Statistics Institute of Chile (INE).
Colombia	The Great Integrated Household Survey	National Administrative Department of Statistics (DANE)
Czech Republic	Employer survey data.	National Statistical Office.
Denmark	Danish Employers Confederation survey of earnings.	Annual Report Danish Employers Confederation (Dansk Arbejds Giverforening).
Estonia	-	Statistics Estonia/Ministry of Finance.
Finland	(1) Finnish Employers Federation survey of hourly and monthly earnings; (2) Survey for unorganized employers "Structure of Earnings Statistics" published by the Central Statistical Office.	“Wages Statistics” published by the Central Statistical Office.
France	Social insurance registers covering all employers.	INSEE, "Déclarations Sociales Nominatives" (DSN).
Germany	Survey carried out by the Federal Statistical Office.	National Statistical Office.
Greece	Survey carried out by National Statistics Service and Social Security Institutions.	National Statistical Service Labour Statistics. Same source as for Eurostat "Annual gross earnings" data.
Hungary	Monthly surveys among enterprises with at least five employees.	Central Statistical Office.
Iceland	Monthly survey of earnings in the private sector market.	Statistics Iceland.
Ireland	Quarterly surveys of industrial employment, earnings and hours worked.	Central Statistics Office.
Israel	-	Central Bureau of Statistics.
Italy	Quarterly indicators of wages in industry and services (OROS).	National Institute of Statistics.
Japan	Basic survey on wage structure of all establishments with more than 10 employees.	Ministry of Health, Labour and Welfare, Annual Report.
Korea	Labour Force Survey at Establishments.	Ministry of Employment and Labour.
Latvia	Average monthly wages and salaries (DSG01)	The Latvian Central Statistical Bureau.
Lithuania	-	Statistics Lithuania.
Luxembourg	Monthly aggregated files of Social security services.	National Statistical Office and Social Security Services.
Mexico	Administrative data from the Mexican Social Security Institute (Instituto Mexicano del Seguro Social (IMSS)).	The National Minimum Wage Commission (Comisión Nacional de Salarios Mínimos (CONASAMI)).
Netherlands	Survey "Employment and Wages".	Central Bureau of Statistics, Statline.
New Zealand	The quarterly employment survey is a sample survey of significant business with an employment count of 1 or more.	Statistics New Zealand INFOS.
Norway	Sample of enterprises based on published sector statistics for 3rd quarter – except agriculture, forestry and fishing and private households.	Statistics Norway Wage.
Portugal	Structure of Earnings Survey.	Ministry of Labour.
Poland	Estimates for different sectors.	Monthly Statistical Bulletin.
Slovak republic	Quarterly survey of employers.	Slovak Statistical Office.
Slovenia	Monthly survey of employees.	Statistical Office of the Republic of Slovenia.
Spain	Quarterly survey of firms.	Instituto Nacional de Estadistica “Encuesta Trimestral de Coste Laboral” (Labour Cost Survey).
Sweden	September survey of Swedish employers.	Statistics Sweden.
Switzerland	Swiss Statistics Office. Personnes actives occupées selon la branche économique.	La vie économique, SECO (Secrétariat d’État à l’économie) table B.8.1,

		http://www.bfs.admin.ch/bfs/portal/fr/index/themen/03/04.html.
Turkey	Annual Manufacturing Industry Survey.	Turkish Statistical Institute.
United Kingdom	1% sample of PAYE earnings.	Office for National Statistics, Annual Survey of Hours and Earnings (ASHE).
United States	Monthly surveys by Department of Labour on the basis of a questionnaire covering more than 40 million non-agricultural wage and salary-workers.	Employment, Hours, and Earnings from the Current Employment Statistics Survey.

Calculating average gross wage earnings

Table A.A.4 indicates the basic calculation method used in each country while more details are, where relevant, provided in the country chapters in Part II. In principle, countries are recommended to calculate annual earnings by referring to the average of hourly earnings in each week, month or quarter, weighted by the hours worked during each period, and multiplied by the average number of hours worked during the year, assuming that the worker is neither unemployed nor sick and including periods of paid vacation. A similar procedure was recommended to calculate overtime earnings. For countries unable to separate out part-time employees from the data, it is recommended that earnings of part-time employees should if possible be converted into their full-time equivalents.

Statistical data on average gross wage earnings in 2020 were not available when the current Report was written. For most countries, estimates of gross wage earnings of average workers in 2020 were therefore derived by the Secretariat on the basis of a uniform approach: year 2019 earnings levels are multiplied by the country-specific annual percentage change of wages for the whole economy reported in the most recently published edition of the OECD *Economic Outlook* (i.e. *OECD Economic Outlook Volume 2020 issue 2*) . This transparent procedure is intended to avoid any bias in the results. In some countries, there were varying approaches;

- The final 2020 average gross wage earnings was used for Australia.
- National estimates were used for the Chile, Colombia, New Zealand and Turkey as the *OECD Economic Outlook Volume 2020 Issue 2* did not provide percentages changes in wages for those countries.
- In some countries, average wage earnings were also estimated for prior years - France (2018 and 2019), the Netherlands (2019), Poland (from 2017onwards), Portugal (from 2013 onwards) and Switzerland (2007, 2009, 2011, 2013, 2015, 2017 and 2019) as no country information on average wage earnings levels was available for these years in these particular countries.

Twenty-one OECD countries have opted to provide national estimates of the level of gross wage earnings of average workers in 2020. These estimates were not used in the Taxing Wages calculations (except for the countries listed above) because of potential inconsistency with the Secretariat estimates derived for other countries. However they are included in Table A A.6 to enable comparisons to be made between the estimates obtained by applying the Secretariat formula and those from national sources. In most cases, the two categories are fairly close.

Table A A.6. Estimated gross wage earnings, 2019-2020 (in national currency)

	Average wage 2019	Average wage 2020 (Secret. estimates)	Average wage 2020 (country estimates)	EO 2020 (issue 2) forecasted rates for 2020[1]
Australia[2]	87 766	90 504	90 861	3.1
Austria	48 398	48 658	49 075	0.5
Belgium	49 783	47 720	50 604	-4.1
Canada	55 459	57 292		3.3
Chile[2]	10 042 281		10 279 535	
Colombia[2]	18 499 302		16 033 240	
Czech Republic	404 764	402 261		-0.6
Denmark	432 900	437 094	441 601	1.0
Estonia	16 817	16 637	17 050	-1.1
Finland	45 813	45 719	46 510	-0.2
France	39 196	38 188		-2.6
Germany	52 000	52 104		0.2
Greece	21 621	21 139		-2.2
Hungary	4 677 521	5 011 590	4 846 244	7.1
Iceland	9 048 000	9 247 101	9 156 000	2.2
Ireland	48 722	46 685		-4.2
Israel	161 028	157 093	157 812	-2.4
Italy	31 472	30 233		-3.9
Japan	5 221 704	5 185 181		-0.7
Korea	46 285 248	46 020 316	46 174 356	-0.6
Latvia	12 804	12 913	12 672	0.8
Lithuania	15 436	16 426	15 713	6.4
Luxembourg	60 896	58 040		-4.7
Mexico	133 131	131 163	142 738	-1.5
Netherlands	53 054	54 843	54 380	3.4
New Zealand[2]	62 181		64 150	
Norway	620 035	627 370		1.2
Poland	58 779	60 915		3.6
Portugal	19 331	19 478		0.8
Slovak Republic	13 154	13 200	13 365	0.4
Slovenia	20 265	20 424	20 593	0.8
Spain	27 292	26 934		-1.3
Sweden	455 072	465 767	463 400	2.4
Switzerland	91 628	87 363		-4.7
Turkey[2]	61 841		74 751	
United Kingdom	41 128	41 807		1.7
United States	56 577	60 220		6.4

1. Increase of compensation per employee in the total economy (Economic Outlook Volume 2020, issue 2)
2. The country AW estimate is used instead of the OECD Secretariat's AW estimate in the Taxing Wages calculations.

StatLink https://stat.link/395nqb

Table A A.7. Purchasing power parities and exchange rates for 2020

	Monetary unit	Exchange rates[1]	Purchasing power parities
Australia	AUD	1.47	1.43
Austria	EUR	0.88	0.76
Belgium	EUR	0.88	0.75
Canada	CAD	1.34	1.18
Chile	CLP	792.94	427.43
Colombia	COP	3737.29	1340.51
Czech Republic	CZK	23.38	12.72
Denmark	DKK	6.57	6.73
Estonia	EUR	0.88	0.53
Finland	EUR	0.88	0.85
France	EUR	0.88	0.73
Germany	EUR	0.88	0.74
Greece	EUR	0.88	0.55
Hungary	HUF	309.76	146.94
Iceland	ISK	136.85	140.26
Ireland	EUR	0.88	0.81
Israel	ILS	3.46	3.68
Italy	EUR	0.88	0.68
Japan	JPY	106.89	101.10
Korea	KRW	1185.03	863.68
Latvia	EUR	0.88	0.49
Lithuania	EUR	0.88	0.45
Luxembourg	EUR	0.88	0.87
Mexico	MXN	21.56	9.42
Netherlands	EUR	0.88	0.79
New Zealand	NZD	1.55	1.47
Norway	NOK	9.50	9.92
Poland	PLN	3.93	1.79
Portugal	EUR	0.88	0.58
Slovak Republic	EUR	0.88	0.51
Slovenia	EUR	0.88	0.57
Spain	EUR	0.88	0.63
Sweden	SEK	9.27	8.76
Switzerland	CHF	0.94	1.14
Turkey	TRL	7.12	2.02
United Kingdom	GBP	0.78	0.72
United States	USD	1.00	1.00

1. Average of 12 months daily rates.

StatLink https://stat.link/14zxgr

Coverage of taxes and benefits

The Report is concerned with personal income tax and employee and employer social security contributions payable on wage earnings. In addition, payroll taxes (see section on Payroll taxes) are included in the calculation of the total wedge between labour costs to the employer and the corresponding net take-home pay of the employee. In this Report, tax and benefit measures that are related to the COVID-19 pandemic and that are consistent with the assumptions detailed in this Annex have been included in the calculations. Further information is available in the Chapter 2, the Special Feature.

The calculation of the after-tax income includes family benefits paid by general government as cash transfers (see section on Family cash benefits from general government). Income tax due on capital income and non-wage labour income, several direct taxes (net wealth tax, corporate income tax) and all indirect taxes are not considered in this Report. However, all central, state and local government income taxes are included in the data.

In this Report, compulsory social security contributions paid to general government are treated as tax revenues. Being compulsory payments to general government they clearly resemble taxes. They may, however, differ from taxes in that the receipt of social security benefits depends upon appropriate contributions having been made, although the size of the benefits is not necessarily related to the amount of the contributions. Countries finance compulsory public social security programmes to a varying degree from general tax and non-tax revenue and earmarked contributions, respectively. Better comparability between countries is obtained by treating social security contributions as taxes, but they are listed under a separate heading so that their amounts can be identified in any analysis.

Calculation of personal income taxes

The method by which income tax payments are calculated is described in the country chapters in Part II. First, the tax allowances applicable to a taxpayer with the characteristics and income level related to gross annual wage earnings of an average worker are determined. Next, the schedule of tax rates is applied and the resulting tax liability is reduced by any relevant tax credits. An important issue arising in the calculation of the personal income tax liability involves determining which tax reliefs should be taken into account. Two broad categories of reliefs may be distinguished:

- Standard tax reliefs: reliefs which are unrelated to actual expenditures incurred by the taxpayer and are automatically available to all taxpayers who satisfy the eligibility rules specified in the legislation. Standard tax reliefs are usually fixed amounts or fixed percentages of income and are typically the most important set of reliefs in the determination of the income tax paid by workers. These reliefs are taken into account in the calculations – they include:
  - The basic relief which is fixed and is available to all taxpayers or all wage earners, irrespective of their marital or family status;
  - The standard relief which is available to taxpayers depending on their marital status;
  - The standard child relief granted to a family with two children between the ages of six to eleven inclusive;
  - The standard relief in respect of work expenses, which is usually a fixed amount or fixed percentage of (gross) wage earnings; and,
  - Tax reliefs allowed for social security contributions and other (sub-central government) income taxes are also considered as standard reliefs since they apply to all wage earners and relate to compulsory payments to general government.[1]
- Non-standard tax reliefs: These are reliefs which are wholly determined by reference to actual expenses incurred. They are therefore neither fixed amounts nor fixed percentages of income. Examples of non-standard tax reliefs include reliefs for interest on qualifying loans (e.g. for the purchase of a house), private insurance premiums, contributions to private pension schemes, and charitable donations. These are not taken into account in calculating the tax position of employees.

Standard reliefs are separately identified and their impact on average tax rates is calculated in the results tables shown in the Country chapters. The latter include a brief description of the main non-standard reliefs in most cases.

State and local income taxes

Personal income taxes levied by sub-central levels of government – state, provincial, cantonal or local – are included in the scope of this study. State income taxes exist in Canada, Switzerland and the United States. Since 1997, Spain has an income tax for the Autonomous Regions. Local income taxes are imposed in Belgium, Denmark, Finland, France, Iceland, Italy, Japan, Korea, Norway, Sweden, Switzerland and the United States. In Belgium, Canada (other than Quebec), Denmark, Iceland, Italy, Korea, Norway and Spain they are calculated as a percentage of taxable income or of the tax paid to central government. In Finland, Japan, Sweden and Switzerland, local government provides different tax reliefs from central government. In the United States, the sub-central levels of government operate a separate system of income taxation under which they have discretion over both the tax base and tax rates. Except for Canada, Spain and Switzerland, the rate schedule of these sub-central taxes consists of a single rate.

When tax rates and/or the tax base of sub-central government income taxes vary within a country, it is sometimes assumed that the average worker lives in a typical area and the income taxes (and benefits) applicable in this area are presented. This is the procedure followed in Canada, Italy, Switzerland and the United States where the tax base and tax rates vary very widely throughout the country. Belgium, Denmark, Finland, Iceland and Sweden have preferred to select the average rate of sub-central government income taxes for the country as a whole. Concerning France, the local tax rates, which vary widely depending on the municipalities, are not assessed and are not included in the *Taxing Wages* calculations. The local rates do not vary in practice in Korea and Norway. Japan and Spain have used the widely prevalent standard schedule.

Social security contributions

Compulsory social security contributions paid by employees and employers to general government or to social security funds under the effective control of government are included in the coverage of this Report. In most countries, contributions are levied on gross earnings and earmarked to provide social security benefits. In Finland, Iceland and the Netherlands, some contributions are levied as a function of taxable income (i.e. gross wage earnings after most/all tax reliefs). Australia, Denmark and New Zealand do not levy social security contributions.

Contributions to social security schemes outside the general government sector are not included in the calculations. However, information on "non-tax compulsory payments" as well as "compulsory payment indicators" is included in the OECD Tax Database, which is accessible at http://www.oecd.org/tax/tax-policy/tax-database/

Payroll taxes

Payroll taxes have a tax base that is either a proportion of the payroll or a fixed amount per employee. In the OECD Revenue Statistics, payroll taxes are reported under heading 3000. Sixteen OECD countries report revenue from payroll taxes: Australia, Austria, Canada, Denmark, France, Hungary, Iceland, Ireland, Israel, Korea, Latvia, Lithuania, Mexico, Poland, Slovenia and Sweden.

Payroll taxes are included in total tax wedges reported in this publication, given that they increase the gap between gross labour costs and net take-home pay in the same way as income tax and social security contributions do. The main difference with the latter is that the payment of payroll taxes does not confer an entitlement to social security benefits. Also, the tax base of payroll taxes may differ from the tax base of employer social security contributions. For example, certain fringe benefits may only be liable to payroll tax. Because this Report presents the standard case, the payroll tax base can be – depending on the relevant legislation – gross wage (excluding fringe benefits and other items of compensation that vary per employee), gross wage plus employer social security contributions, or a fixed amount per employee.

Seven of the OECD member countries include payroll taxes in the *Taxing Wages* calculations: Australia, Austria, Hungary, Latvia, Lithuania, Poland and Sweden. The other countries reporting payroll tax revenue in Revenue Statistics have not included these taxes in the calculations for the present Report for a variety of reasons.

Family cash benefits from general government

Tax reliefs and family cash transfers universally paid in respect of dependent children between the ages of six to eleven inclusive who are attending school are included in the scope of the study. If tax reliefs or cash transfers vary within this age range, the most generous provisions are adopted, except that the case of twins is explicitly disregarded. The implications of this are illustrated below - suppose the child benefit programme of a country is structured as follows:

Age group	Benefits per child
Children 6-8	100 units
Children 9-10	120 units
Children 11-14	150 units

The most favourable outcome arises in the case of 11-year old twins: 300 units. However, as the case of twins is excluded, the best outcome (given that children are between 6 and 11) now becomes 270 units (one child 11 years old, one child 9 or 10 years old). This amount would be included in the country table. Often, the amount in benefits is raised as children grow older. The calculations assume that the children have been born on 1 January so the annual amount received in child benefits may be calculated from the benefit schedule that is in place at the start of the year with any revisions to these amounts during the year being taken into account.

Relevant cash payments are those received from general government. In some cases, the cash benefits include amounts that are paid without consideration to the number of children.

Payable tax credits

Payable (non-wastable) tax credits are tax credits that can exceed tax liability, where the excess, if any, can be paid as a cash transfer to the taxpayer. In principle, these credits can be treated in different ways according to whether they are regarded as tax provisions or cash transfers or a combination of these. The Special Feature in the 2016 edition of *Revenue Statistics* discusses these alternative treatments and the conceptual and practical difficulties that arise in deciding which is the most appropriate approach for the purpose of reporting internationally comparable tax revenue figures. It also provides figures which show the impact of different treatments on tax to GDP ratios.[2]

Based on this review, the Interpretative Guide of the *Revenue Statistics* requires that

- only the portion of a payable tax credit that is claimed to reduce or eliminate a taxpayer's liability (the 'tax expenditure' component)[3] should be deducted in the reporting of tax revenues;
- the part of the tax credit that exceeds a taxpayer's tax liability and is paid to the taxpayer (the 'cash transfer' component) should be treated as an expenditure item and not deducted in the reporting of tax revenues.

However, additional information is provided in Revenue Statistics on aggregate tax expenditure components and aggregate transfer components of payable tax credits to show the effect of alternative treatments.[4]

In *Taxing Wages*, the situation is different as the full amount of the payable tax credit is taken into account in the income tax calculation.

Strict consistency with the *Revenue Statistics* would require that only the tax expenditure component be offset against derived income tax, with the excess (if any) treated as a cash transfer. However, this approach would diminish rather than strengthen the informational content of the derived results in *Taxing Wages*. In particular, limiting tax credit claims to tax expenditure amounts would yield a zero income tax liability and zero average income tax rate where cash refunds are provided. Where tax credits claims are not constrained in this way, negative income tax liabilities and negative average income tax rates would result where cash transfers are provided. Arguably, these negative amounts more clearly convey the taxpayer's position (which is improved relative to the no-tax situation). Also, not including the cash transfer portion of payable tax credits in the 'cash transfers from general government' item of the country tables permits greater transparency of the latter which focuses on 'pure' cash transfers only.

However, in order to improve the informational content of country tables as regards payable tax credits, the memorandum item reporting at the bottom of the relevant country tables shows tax expenditure amounts on one line, with a second line showing cash transfer amounts. Where more than one payable tax credit program applies, the figures represent aggregates covering all the programs. Total program costs in each of the household cases considered can be derived by adding the tax expenditure and cash transfer amounts.

The calculation of marginal tax rates

In all except one case, the marginal tax rates are calculated by considering the impact of a small increase in gross earnings on personal income tax, social security contributions and cash benefits. The exception is the case of a non-working spouse where the move from zero to a small positive income is unrepresentative of income changes and therefore of little interest. So, for this case, the marginal rates for the spouse are calculated by considering the impact of an income increase from zero to 67% of the average wage.

Limitations

General limitations

The simple approach of comparing the tax/benefit position for eight model families avoids many of the conceptual and definitional problems involved in more complex international comparisons of tax burdens and transfer programmes. However, a drawback of this methodology is that the earnings of an average worker will usually occupy a different position in the overall income distribution in different economies, although the earnings relate to workers in similar jobs in various OECD Member countries.

Because of the limitations on the taxes and benefits covered in the Report, the data cannot be taken as an indication of the overall impact of the government sector on the welfare of taxpayers and their families. Complete coverage would require studies of the impact of indirect taxes, the treatment of non-wage labour income and other income components under personal income taxes and the effect of other tax allowances and cash benefits. It would also require that consideration be given to the effect on welfare of services provided by the state, either free or below cost, and the incidence of corporate and other direct taxes on earnings and prices. Such a broad coverage is not possible in an international comparison of all OECD countries. The differences between the results shown here and those of a full study of the overall impact on employees of government interventions in the economy would vary from one country to another. They would depend on the relative shares of different kinds of taxes in government revenues and on the scope and nature of government social expenditures.

The Report shows only the formal incidence of taxes on employees and employers. The final, economic incidence of taxes may be quite different, because the tax burden may be shifted from employers onto employees and vice versa by market adjustments to gross wages.

The income left at the disposal of a taxpayer may represent different standards of living in various countries because the range of goods and services on which the income is spent and their relative prices differ as between countries. In those countries where the general government sector provides a wide range of goods and services (generous basic old age pension, free health services, public housing, university education, et cetera), the taxpayer may be left with less cash income but may enjoy the same living standards as a taxpayer receiving a higher cash income but living in a country where there are fewer publicly provided goods and services.

Some specific limitations on the income tax calculation

The exclusion of non-wage income and the limited number of tax reliefs covered mean that the average rates of income tax in the tables in this publication do not necessarily reflect the actual rates confronting taxpayers at these levels of earnings. Actual rates may be lower than the calculated rates because the latter do not take into account non-standard expense-related reliefs. On the other hand, actual rates may be higher than calculated rates because the latter do not take into account tax on non-wage income received by employees.

The decision not to calculate separately average rates of income tax taking into account the effect of non-standard tax reliefs was taken because:

- In many cases, expense-related reliefs are substitutes for direct cash subsidies. To take into account these reliefs while ignoring any corresponding direct subsidies would distort comparisons of take-home pay plus cash transfers;
- The special tax treatment of certain expenses may be linked to special treatment of any income associated with these expenses (e.g. the tax treatment of social security contributions and pension income) which is beyond the scope of this study;
- A few countries were unable to estimate the value of these reliefs and even those countries which could do so could not limit their estimates to taxpayers with the characteristics assumed in the above part on methodology; and,
- Not all countries could calculate separately the reliefs available to different household types. Where a split is provided between single individuals and families with children, there are large differences in the value of the reliefs typically received by these two categories of households.

Limitations to time-series comparisons

The calculations of the tax burden on labour income in OECD countries reported in the 2004 and previous editions of *Taxing Wages*, are based on an average earnings measure for manual full-time workers in the manufacturing sector (the ‘average production worker’).

Any analysis of the results over time has to take into account the fact that the earnings data do not necessarily relate to the same taxpayer throughout the period. The average earnings are calculated for each year. As such, the results do not reflect the changing earnings and tax position of particular individuals over time but rather to the position of workers earning a wage equal to average earnings in the covered industry sectors in each particular year. This, in turn, may mean that the earnings levels referred to may be at different points in the income distribution over the period covered and changes in tax rates may be influenced by these trends.

There have been changing definitions of the average worker over time. From the 2005 edition, *Taxing Wages* has reported tax calculations under a broadened average worker definition that includes all full-time employees covering industry sectors C-K (reference to ISIC Rev.3.1). The implications of adopting this definition for time-series comparisons are discussed in the 2005 edition of *Taxing Wages*. As of the 2010 edition of the *Taxing Wages* Report, many countries have started reporting average wage earnings for full-time employees covering industry sectors B-N of the ISIC Rev.4 industry classification (which broadly corresponds to sectors C-K in ISIC Rev.3.1).

A Note on the Tax Equations

Each country chapter contains a section describing in a standard format the equations under-pinning the calculations required to derive the amounts of income tax, social security contributions and cash transfers. These algorithms represent in algebraic form the legal provisions described in the chapter and are consistent with the figures shown in the country and comparative tables. This section describes the conventions used in the definition of the equations and how they could be used by those wishing to implement the equations for their own research.

The earlier sections of the country chapters describe how the tax and other systems work and present the values of the parameters of those systems such as the levels of allowances and credits, and the schedule of tax rates.

In the first part of the equations section is a table showing a brief description of each parameter (such as "Basic tax credit"), the name of the parameter as used in the algebraic equation ("Basic_cred") and the actual value for the relevant year (such as "1098"). Where there is a table of values – for example a schedule of tax rates and the associated thresholds of taxable income – a name is given to the entire table (for example "tax_sch"). These variable names are those used in the equations.

After each table of parameters is the table of equations. The four columns contain information as follows:

- The first two columns give a description and a variable name for the result of the equation on that row of the table. These always include the thirteen main financial value entries in the country tables. Additional rows define any intermediate values which are calculated either to show the detail included in the tables (such as the subdivision of total tax allowances into the different categories) or values which make the calculation clearer.
- The third column shows the range of the calculation in that row. This is necessary to allow for the different way that tax may be calculated for married couples. The options are:
    - **B** The calculation is carried out separately for both the principal earner and the spouse using their individual levels of earnings. This applies in the case of independent income tax and usually also in respect of social security contributions.
    - **P** The calculation applies for the principal earner only. An example is where the principal earner can use any of the basic tax allowance of the spouse which cannot be set against the income of the spouse.
    - **S** The calculation applies for the spouse (i.e. second earner) at wage earnings equal to or lower than the principal earner's wage earnings.
    - **J** The calculation is carried out only once on the basis of joint income. This applies to systems of joint or household taxation and is also usual for the calculation of cash transfers in respect of children.
- The final column contains the equation itself. The equation may refer to the variables in the parameters table and to variables which result from one of the rows of the equations table itself. Use is also made of the two standard variables "Married", which have the value 1 if the household consists of a married couple and 0 in the case of a single individual, and "Children" which denotes the number of children. Sometimes there is a reference to a variable with the affix "_total" which indicates the sum of the relevant variable values for the principal earner and the spouse. Similarly, the affixes "_princ" and "_spouse" indicate the value for the principal earner and spouse, respectively.

In the equations a number of functions are used. Some of these are used in the same way as in a number of widely available ‘spreadsheet’ computer packages. For example, MAX(X,Y) and MIN(X,Y) find the maximum and minimum of the two values, respectively. IF(condition X,Y) chooses the expression X if the condition is true and the expression Y if it is false. Boolean expressions are also used and are taken to have the value 1 if true and 0 if false. As an example, (Children=2*CB_2 is equivalent to IF(Children=2, CB_2,0).

There are also three special functions commonly used which denote calculations often required in tax and social security systems. These are:

- Tax (taxinc, tax_sch): This calculates the result of applying the schedule of tax rates and thresholds in “tax_sch” to the value of taxable income represented by “taxinc”. This function may be used in any part of the equations, not just in the income tax calculation. For some countries it is used for social security contributions or even for allowance levels which may be income dependent.
- Positive (X): This gives the result X when this value is positive and zero otherwise. It is therefore equivalent to MAX(0,X).
- Taper (value, income, threshold, rate): This gives the amount represented by “value” if “income” is less than “threshold”. Otherwise, it gives “value” reduced by “rate” multiplied by (income-threshold), unless this produces a negative result in which case zero is returned. This provides the calculation which is sometimes required when a tax credit, for example, is available in full provided that total income is below a threshold but is then withdrawn at a given rate for each currency unit in excess of the threshold until it is withdrawn completely.

In some circumstances, there are country specific special VBA functions. These VBA functions involve programming that is designed to simplify the tax calculations. The programming underlying these functions is based on the description of the particular measure given in the relevant country chapter found in Part II. For example, the Earned Income Credit in the United States is calculated using the VBA function called EIC.

Anyone wishing to make their own implementation of the equations will have to write VBA functions corresponding to these special functions or make appropriate modifications to any equations that use them.

Notes

[1] The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

[2] Not all national statistical agencies use ISIC Rev.3.1 or ISIC Rev.4 to classify industries. However, the Statistical Classification of Economic Activities in the European Community (NACE), the North American Industry Classification System (NAICS) and the Australian and New Zealand Standard Industrial Classification (ANZSIC) include a classification which is broadly in accordance with industries C-K in ISIC Rev.3.1 or industries B-N in ISIC Rev.4.

[3] In this case, the amount of tax relief is related to actual social security contributions paid by the employee or withheld from her/his wage – thus in this respect this item deviates from the general definition of standard tax relief under which relief is unrelated to actual expenses incurred.

[4] OECD, *Revenue Statistics 1965–2017*, p. 62.

[5] This characterisation must be viewed as informal, as the determination of tax expenditures requires the identification of a benchmark tax system for each country, or preferably, a common international benchmark. In practice it has not been possible to reach agreement on a common international benchmark for such purposes.

[6] See Table 1.6 in *OECD Revenue Statistics 2020*.

AVAILABLE ON LINE

Taxing Wages

2019-2020

This annual publication provides details of taxes paid on wages in OECD countries. It covers personal income taxes and social security contributions paid by employees, social security contributions and payroll taxes paid by employers, and cash benefits received by workers. It illustrates how these taxes and benefits are calculated in each member country and examines how they impact household incomes. The results also enable quantitative cross-country comparisons of labour cost levels and the overall tax and benefit position of single persons and families on different levels of earnings. The publication shows average and marginal effective tax rates on labour costs for eight different household types, which vary by income level and household composition (single persons, single parents, one or two earner couples with or without children). The average tax rates measure the part of gross wage earnings or labour costs taken in tax and social security contributions, both before and after cash benefits, and the marginal tax rates the part of a small increase of gross earnings or labour costs that is paid in these levies.

Taxing Wages 2021 includes a special feature entitled: “Impact of COVID-19 on the Tax Wedge in OECD Countries”.

ALSO AVAILABLE ON LINE
The data in this publication are also available on line via ***www.oecd-ilibrary.org*** under the title *OECD Tax Statistics* (***https://doi.org/10.1787/tax-data-en***).

Co-funded by the European Union

PRINT ISBN 978-92-64-86842-7
PDF ISBN 978-92-64-43818-7

9 789264 868427

2021