Taxing Wages

INDEXATION OF LABOUR TAXATION AND BENEFITS IN OECD COUNTRIES

OECD

2023

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OECD
BETTER POLICIES FOR BETTER LIVES

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Please cite this publication as:
OECD (2023), *Taxing Wages 2023: Indexation of Labour Taxation and Benefits in OECD Countries*, OECD Publishing, Paris, https://doi.org/10.1787/8c99fa4d-en.

ISBN 978-92-64-84550-3 (print)
ISBN 978-92-64-59193-6 (pdf)
ISBN 978-92-64-34462-4 (HTML)
ISBN 978-92-64-67091-4 (epub)

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

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Foreword

Taxing Wages[1] is an annual publication that provides details of taxes paid on wages in the 38 member countries of the OECD. The information contained in the Report covers the personal income tax and social security contributions paid by employees, the social security contributions and payroll taxes paid by their employers and cash benefits received by families. The objective of the Report is to illustrate how personal income taxes, social security contributions and payroll taxes are calculated and to examine how these levies and family benefits impact on net household incomes. The results also allow quantitative cross-country comparisons of labour costs and of the overall tax and benefit position of different household types.

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 that is 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 Report presents new data on the tax/benefit position of employees in 2022, which it compares with corresponding data for the year 2021. The average worker is designated as a full-time employee (including manual and non-manual workers) 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 six chapters:
  - Chapter 1 contains an overview of the main results for 2022.
  - Chapter 2 contains the Special Feature on “Indexation of labour taxation and benefits in the OECD”.
  - Chapter 3 reviews the main results for 2022, which are summarised in comparative tables and figures included at the end of that chapter.
  - Chapter 4 presents a graphical exposition of the estimated tax burden on labour income in 2022 for gross wage earnings between 50% and 250% of the average wage.
  - Chapter 5 provides comparative tables showing the main results for 2021.
  - Chapter 6 shows historical trends in the tax burden for the period 2000-2022.
- 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 *Taxing Wages* 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 Leonie Cedano under the supervision of Alexander Pick, Acting Head of the Tax Data and Statistical Analysis Unit. The Special Feature was authored by Alexander Pick with statistical and analytical support from Leonie Cedano. The authors would like to acknowledge Michael Sharratt for his role in data management and dissemination and Violet Sochay for the publication formatting. The authors would like to thank other colleagues in CTPA for their support and valuable comments: David Bradbury, Bert Brys, Richard Clarke, Karena Garnier, Grace Perez-Navarro, Sarah Perret, Carrie Tyler and Kurt Van Dender. The authors would also like to thank the delegates of WP2 for their inputs. The development of the *Taxing Wages* models used in this Report was funded by the European Union. The views expressed herein can in no way be taken to reflect the official opinion of the European Union.

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Executive Summary

Effective tax rates on labour income increased across the OECD in 2022 at the same time as high inflation caused real wages to decline. The tax wedge[2] for all eight household types covered in this Report increased in a majority of OECD countries between 2021 and 2022, with the largest increases seen for households with children, particularly at lower income levels. The results underline the importance of policies to mitigate fiscal drag, the phenomenon by which tax burdens increase due to incomplete adaptation of tax system parameters to inflation.

For the single worker earning the average wage, the OECD average tax wedge in 2022 was unchanged from the previous year at 34.6%. The tax wedge increased in 23 of the 38 OECD countries between 2021 and 2022, decreased in 11 and stayed the same in four. The only country where the increase exceeded one percentage point was the United States (2.20 percentage points), an increase caused by the ending of COVID-19 benefits. In almost all countries where the tax wedge increased for the single worker, the rise was driven by higher personal income tax. In some countries, this was a result of higher average wages interacting with progressive income tax systems; in others, it was driven by a higher proportion of earnings becoming subject to tax as the value of tax allowances and tax credits fell relative to the average wage.

The decrease in the tax wedge for the single worker earning the average wage was greater than one percentage point in Poland (-1.23 percentage points), Hungary (-2.01 percentage points) and Türkiye (-2.66 percentage points). In Poland, the tax wedge decreased because of the introduction of a non-refundable tax credit without upper limit while the decline in Hungary was caused by the lowering of the social contribution tax by 2.5 p.p. and the elimination of the training levy in 2022. In Türkiye, the decline followed the introduction of the Minimum Wage tax exemption.

The OECD average tax wedge for the two-earner couple with two children (one earning 100% of the average wage, the other earning 67% thereof) increased by 0.45 percentage points between 2021 and 2022 to 29.4%. For this household type, the tax wedge increased in 24 countries, decreased in 13 and remained the same in one. The OECD average tax wedge for the couple with one earner and two children increased by 1.05 percentage points between 2021 and 2022 to 25.6%. The difference between the tax wedge for this household type and that of the single worker earning the average wage narrowed by 1.05 p.p. between 2021 and 2022.

The largest increase in the average tax wedge between 2021 and 2022 was observed for the single parent of two children earning 67% of the average wage. The tax wedge for this household type rose by 1.61 percentage points to 16.6% in 2022, increasing in 31 countries, declining in six and staying the same in one. The largest increase in the tax wedge for this household type – of 30.4 percentage points – occurred in Chile and was due to the elimination of a family benefit introduced in response to COVID-19.

This Report covers the third year in which OECD countries were affected by the COVID-19 pandemic. Although labour taxation was an important part of OECD countries' policy response to the economic shock caused by the pandemic in 2020, most COVID-19 measures were withdrawn by the end of 2021. In 2022, the average OECD tax wedge was lower for seven household types than it had been in 2019, before the pandemic began; only in the case of the single parent earning 67% of the average wage was the opposite the case. However, for four of the eight household types, the tax wedge was higher in 2022 than it had been in 2019 in a majority of countries; for three household types, the tax wedge was lower in 2022 than in 2019 in a majority of countries, and for one household type the tax wedge rose in 18 countries and declined in 18 countries between 2019 and 2022.

The Report contains a Special Feature on the indexation of labour taxation and benefits in OECD countries. Based on the results of a questionnaire circulated to WP2 in 2022, this chapter shows that indexation practices vary between and within OECD countries. Just under half of OECD countries automatically index their personal income tax systems to inflation (usually consumer price inflation), while 55% of countries automatically adjust their social security contributions and half do so for cash benefits. The chapter shows that increases in nominal wages between 2019 and 2022 placed upwards pressure on the tax wedge in OECD countries, particularly for a single parent earning below the average wage.

Key findings

The average tax wedge for single workers increased in a majority of countries in 2022

- The tax wedge of single workers with no children earning the average national wage was 34.6% of labour costs in 2022.
- Between 2021 and 2022, the tax wedge for this household type increased in 23 countries and fell in 11.
- In 2022, the largest tax wedges for this household type were observed in Belgium (53.0%), Germany (47.8%), France (47.0%), Austria (46.8%) and Italy (45.9%).
- The personal average tax rate for this household type was 24.7% of gross wage earnings in 2022. Belgium had the highest rate, at 40.3%; Denmark, Germany and Lithuania were the only other countries with rates above 35%.

The average tax wedge for households with children rose across the OECD in 2022

- The OECD average tax wedge for the two-earner couple (one earning 100% of the average wage, the other earning 67% thereof) with two children was 29.4% in 2022, larger than the tax wedge for couples with one earner at the average wage (25.6%) and that of the single parent earning 67% of the average wage (16.6%).
- The largest increase across all eight household types between 2021 and 2022 was observed in the tax wedge for the single parent earning 67% of the average wage. Increases of more than one percentage point for this household type were observed in twelve countries.
- The tax wedge for married couples with one earner and two children was lower than for the single worker in almost all OECD countries. The difference was greater than 15% of labour costs in Austria, Belgium, the Czech Republic, Luxembourg and Poland.

Average wages and post-tax real incomes fell in real terms across the OECD

- The average wage increased in all OECD countries in nominal terms between 2021 and 2022 but declined in real terms in 35 out of 38 countries.
- Declines in real wages larger than 5.0% occurred in nine countries: the Czech Republic (-7.0%), Estonia (-10.0%), Greece (-7.4%), Latvia (-6.2%), Lithuania (-6.3%), Mexico (-6.8%), the Netherlands (-8.3%), Spain (-5.3%) and Türkiye (-8.8%).
- The real post-tax income for a single worker earning the average wage decreased in 34 countries between 2021 and 2022.

Indexation of labour taxation and benefits in OECD countries (Special Feature)

- Inflation rates in 2022 reached their highest level since 1988, reviving interest in indexation policies in OECD countries, since these are an important means of offsetting fiscal drag, the phenomenon by which higher nominal wages automatically cause tax burdens to rise.
- Based on a questionnaire circulated to OECD countries, this Special Feature shows that indexation practices vary between and within OECD countries.
- Seventeen OECD countries automatically adjust their PIT systems in line with inflation, while 21 do so on a discretionary basis. Social security contributions and benefits are automatically adjusted in 21 countries and 19 countries, respectively.
- In most countries where automatic indexation occurs, price inflation is used as the benchmark.
- The upwards pressure on tax burdens resulting from higher nominal wages between 2019 and 2022 was especially pronounced for low-income households with children.

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] 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 and social security contributions paid by employees and employers, minus cash benefits received, as a proportion of the total labour costs for employers.

Part I Effective tax rates on labour income - Comparisons and trends

1 Overview

This chapter presents the main results of the analysis of the taxation of labour income across OECD countries in 2022. 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. The chapter also examines the net personal average tax rate, which expresses personal income tax and employee social security contributions net of cash benefits as a percentage of gross wage earnings. The analysis focuses on the single worker, with no children, at average earnings, which it compares with a one-earner married couple with two children at the same income level, as well as a two-earner married couple with two children, where one spouse earns the average wage and the other 67% of it. The chapter includes analysis of changes in average wages in OECD countries in 2022.

This Report provides unique information for the 38 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 (SSCs) and payroll taxes paid by their employers. These data are widely used in the formulation and evaluation of social and economic policies and in academic research. The taxpayer-specific detail in this Report complements the information provided annually in *Revenue Statistics*, a publication providing internationally comparable data on tax levels and tax structures in OECD countries.

Part I of the Report presents detailed information about the effective tax rates on labour income in OECD countries in 2022 for eight illustrative household types on comparable levels of income as well as the implied total labour costs for employers. It also provides detailed analysis of changes in effective tax rates between 2021 and 2022 as well as historical changes since 2000. Part II provides detailed information on labour taxation systems in all 38 OECD countries. The methodology followed in this Report is described in detail in the Annex.

This chapter begins with an introduction to the *Taxing Wages* methodology, which is followed by a review of the effective tax rate indicators for 2022. The review analyses the tax wedge and the personal average tax rates 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 married couple where one spouse earns the average wage and the other 67% of it, and assumes that both couples have two children. The chapter concludes with an analysis of changes in nominal and real average wages by country and the industry classification on which they are based.

Introduction

This section 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).[1] 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 personal income tax, SSCs and payroll taxes (which are aggregated with employer SSCs 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 – such as corporate income tax, net wealth tax and consumption taxes – are 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 2022 are those for the tax year 2022-2023. However, in Australia, where the tax year starts in July, a ‘backward-looking’ approach is adopted to present more reliable results; the year 2022 in respect of Australia is the 2021-2022 tax year.

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. This indicator is calculated by expressing the sum of personal income tax, employee plus employer SSCs together with any payroll tax, minus benefits as a percentage of labour costs. Employer SSCs 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 that part of total labour costs which is taken in tax and SSCs net of cash benefits. In contrast, the marginal tax wedge measures that part of an increase of total labour costs that is paid in taxes and SSCs less cash benefits. It should be noted that the tax wedge only includes payments that are classified as taxes according to the OECD Interpretative Guide. Employees and employers may also have to make non-tax compulsory payments (NTCPs)[2] that may increase the indicators that are presented in this Report. An accompanying paper to *Taxing Wages* is available on the *OECD Tax Database* that presents "compulsory payment indicators", which combine taxes and NTCPs: http://www.oecd.org/tax/tax-policy/non-tax-compulsory-payments.pdf.

This section also includes analysis of 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 SSCs 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 in gross wage earnings that is paid in personal income tax and employee SSCs net of cash benefits.

Taxation of single workers

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 2022 (see column 1). While in Austria, Belgium, France, Germany and Italy, the tax wedge as a percentage of labour costs exceeded 45%, it was lower than 20% in Chile and Colombia. The highest tax wedge was observed in Belgium (53.0%) and the lowest in Colombia (0.0%). In Colombia, the single worker at the average wage level did not pay personal income taxes in 2022, while their contributions to pension, health and employment risk insurance are considered to be NTCPs[3] and therefore not counted as taxes in the *Taxing Wages* calculations. Table 1.1 shows that the average tax wedge as a percentage of labour costs in OECD countries was 34.6% in 2022.

The changes in the tax wedge as a percentage of labour costs between 2021 and 2022 for a single worker earning the average wage without children are described in column 2 of Table 1.1. The OECD average tax wedge for this household type increased by 0.04 percentage points (p.p.) in 2022, having decreased by -0.1 p.p. in 2021. Among OECD member countries, the tax wedge increased in 23 countries and fell in eleven. The tax wedge remained at the same level for the average worker in Chile, Colombia, Costa Rica and Finland between 2021 and 2022. Increases in the tax wedge ranged from 0.02 p.p. in Latvia to 2.2 p.p. in the United States. The increase in the tax wedge was larger than 0.5 p.p. in eight countries, while only the United States recorded an increase larger than 1 p.p., which was due to the withdrawal of COVID-19 benefits. Decreases ranged from -0.01 p.p. in Spain to -2.66 p.p. in Türkiye. In Hungary and Poland, the decrease in the average tax wedge also exceeded 1 percentage point (-2.01 p.p. and -1.23 p.p., respectively).

In the majority of countries where the tax wedge increased, the rise was driven by higher personal income tax as a percentage of labour costs (see column 3 of Table 1.1). In some countries, this was driven by increases in the nominal average wage between 2021 and 2022 (discussed below). Higher average wages increase personal income tax through the progressivity of income tax systems if income tax thresholds increase by less than average earnings, as is discussed in greater detail in Chapter 2. In other countries, the higher personal income tax was primarily the result of a higher proportion of earnings becoming subject to tax as the value of tax allowances and tax credits fell relative to earnings.

In Canada, Iceland, Israel, Korea, Mexico, the Netherlands and the United Kingdom, the increase in the tax wedge was due to higher employee and/or employer SSCs as a percentage of labour costs. In Canada, the maximum contributions for pension and unemployment insurance were increased in 2022. In Iceland, the temporary reduction of the employer SSC rate in 2021 expired and the rate went back to 6.35%. In Israel, the progressivity of the SSC schedule contributed to an increase in the tax wedge due to a higher average wage in 2022. In Korea, the contribution rate for national health insurance at the average wage level increased from 3.825136% in 2021 to 3.923836% in 2022. In Mexico, the tax wedge increased due an update of the Unit of Measure and Update (Unidad de Medida y Actualización) as well as due to a higher average wage. In the Netherlands, there was an increase in the employer SSC rate. In the United Kingdom, the employer SSC rate increased from 13.8% to 15.05%. In eight of the eleven OECD countries where the tax wedge decreased as a percentage of labour costs, the decrease was mostly derived from lower personal income tax (Australia, Czech Republic, Hungary, Poland, Slovenia, Sweden, Spain and Türkiye).

Decreases in the tax wedge were smaller than 0.25 p.p. in Australia (-0.22 p.p.), the Czech Republic (-0.17 p.p.), Sweden (-0.11 p.p.) and Spain (-0.01 p.p.). Changes in tax reliefs, tax credits and/or tax schedules contributed to the decreases in these countries. In Slovenia, the basic allowance was increased from EUR 3 500 in 2021 to EUR 4 500 in 2022, leading to a decrease of 0.75 p.p. in the tax wedge. In Poland, the introduction of a non-refundable tax credit without upper limit led to a decrease of the tax wedge of 1.23 p.p. In Türkiye, the introduction of the Minimum Wage tax exemption led to a decrease in the tax wedge of 2.66 p.p.

In the other OECD countries where tax wedges decreased as a percentage of labour costs in 2022, the changes were driven by lower SSCs (Greece and Hungary). In Greece, the social security rate for supplementary insurance of employees was reduced for both employers and employees, leading to a decrease of the average tax wedge of -0.02 p.p. In Hungary, the average tax wedge decreased by -2.01 p.p. due to the lowering of the social contribution tax by 2.5 p.p. and the elimination of the training levy in 2022.

In Austria, the average tax wedge decreased by -0.99 p.p. due to the climate bonus, the anti-inflation bonus and the energy cost credit. In Germany, the tax wedge decreased by -0.29 p.p. because of the Euro 300 lump-sum energy price allowance, which was subject to income tax.

Table 1.2 and Figure 1.1 show the components of the tax wedge in 2022: personal income tax, employee SSCs and employer SSCs (including payroll taxes where applicable), as a percentage of labour costs for the average worker without children. Labour costs in Table 1.2 are expressed in US dollars with equivalent purchasing power.

The percentage of labour costs paid in personal income tax varied considerably across OECD countries in 2022. The lowest figures were in Colombia, Costa Rica and Chile (all zero), with the Czech Republic, Greece, Japan, Korea, Mexico, Poland, the Slovak Republic, Slovenia and Türkiye also below 10%. The highest share was in Denmark (35.5%), with Australia, Belgium, Iceland, Ireland and New Zealand also above 20%. The percentage of labour costs paid in employee SSCs also varied widely, ranging from zero in Australia, Colombia, Denmark and New Zealand to 19.0% in Slovenia and 19.2% in Lithuania. Employers in France paid 26.7% of labour costs in SSCs, the highest amongst OECD countries. Employer SSCs were more than 20% of labour costs in nine other countries: Austria, Belgium, Costa Rica, the Czech Republic, Estonia, Italy, the Slovak Republic, Spain and Sweden.

As a percentage of labour costs, the total of employee and employer SSCs exceeded 20% in 23 OECD countries. It represented at least one-third of labour costs in Austria, Czech Republic, France and Germany.

Table 1.1. Comparison of total tax wedge, 2022

As % of labour costs

Country[1]	Total Tax wedge 2022 (1)	Annual change, 2022/21 (in percentage points)[2]			
		Tax wedge (2)	Income tax (3)	Employee SSC (4)	Employer SSC[3] (5)
Belgium	53.0	0.65	0.69	0.02	-0.06
Germany	47.8	-0.29	0.08	0.08	0.00
France	47.0	0.14	-0.05	0.08	0.11
Austria	46.8	-0.99	0.02	0.01	-0.06
Italy	45.9	0.47	1.07	-0.61	0.00
Finland	43.1	0.00	-0.04	-0.19	0.23
Slovenia	42.8	-0.75	-0.75	0.00	0.00
Sweden	42.4	-0.10	-0.11	0.00	0.00
Portugal	41.9	0.06	0.06	0.00	0.00
Slovak Republic	41.6	0.15	0.28	0.02	-0.15
Hungary	41.2	-2.01	0.45	0.56	-3.03
Latvia	40.6	0.02	0.02	0.00	0.00
Luxembourg	40.4	0.63	0.62	0.01	0.00
Czech Republic	39.8	-0.17	-0.17	0.00	0.00
Spain	39.5	-0.01	-0.01	0.00	0.00
Estonia	39.0	0.85	0.85	0.00	0.00
Lithuania	38.2	0.67	0.67	0.00	0.00
Türkiye	37.2	-2.66	-2.66	0.00	0.00
Greece	37.1	-0.02	0.18	-0.11	-0.10
Norway	35.7	0.06	0.23	-0.18	0.00
Denmark	35.5	0.16	0.07	0.00	0.00
Netherlands	35.5	0.56	0.14	-0.27	0.69
Ireland	34.7	0.19	0.19	0.00	0.00
Poland	33.6	-1.23	-1.24	0.00	0.01
Japan	32.6	0.06	0.06	0.00	0.00
Iceland	32.5	0.14	-0.08	0.00	0.22
Canada	31.9	0.39	0.06	0.18	0.15
United Kingdom	31.5	0.76	0.22	0.00	0.54
United States	30.5	2.20	0.13	0.00	-0.02
Costa Rica	29.2	0.00	0.00	0.00	0.00
Australia	26.9	-0.20	-0.22	0.00	0.02
Korea	24.2	0.34	0.14	0.13	0.08
Israel	23.6	0.15	0.02	0.09	0.04
Switzerland	23.4	0.27	0.27	0.00	0.00
Mexico	20.4	0.19	0.01	-0.02	0.19
New Zealand	20.1	0.72	0.72	0.00	0.00
Chile	7.0	0.00	0.00	0.00	0.00
Colombia	0.0	0.00	0.00	0.00	0.00
Unweighted average					
OECD Average	34.6	0.04	0.05	0.00	-0.03

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 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[1]) Economic Outlook Volume 2022 Issue 2.

StatLink https://stat.link/92tmro

Table 1.2. Income tax plus employee and employer social security contributions, 2022

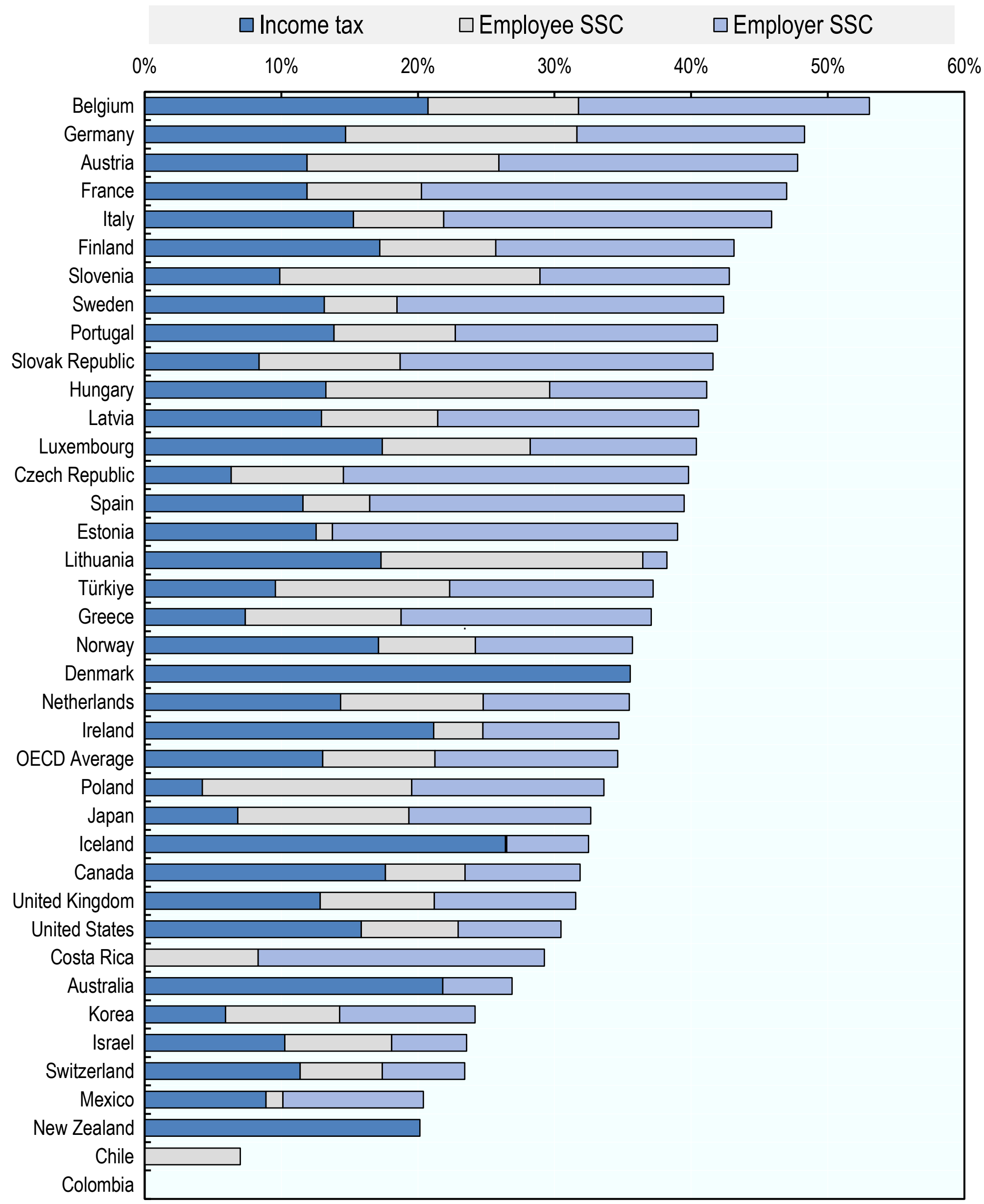
As % of labour costsCountry[1]	Total tax wedge[2] (1)	Income tax (2)	Social security contributions employee (3)	employer[3] (4)	Labour costs[4] (5)
Switzerland	23.4	11.4	6.0	6.0	100 655
Belgium	53.0	20.7	11.0	21.3	94 362
Luxembourg	40.4	17.4	10.8	12.2	94 100
Germany	47.8	14.7	16.9	16.6	90 146
Austria	46.8	11.9	14.0	21.8	88 550
Netherlands	35.5	14.3	10.4	10.7	85 828
France	47.0	11.9	8.4	26.7	81 140
Norway	35.7	17.1	7.1	11.5	79 921
Iceland	32.5	26.4	0.1	6.0	78 589
Ireland	34.7	21.2	3.6	10.0	77 318
Sweden	42.4	13.1	5.3	23.9	75 477
Finland	43.1	17.2	8.5	17.4	74 825
United Kingdom	31.5	12.8	8.4	10.4	71 544
Canada	31.9	17.6	5.8	8.4	70 907
Italy	45.9	15.3	6.6	24.0	70 393
United States	30.5	15.9	7.1	7.5	70 174
Denmark	35.5	35.5	0.0	0.0	69 941
Australia	26.9	21.8	0.0	5.1	68 947
Korea	24.2	5.9	8.4	9.9	66 702
Japan	32.6	6.8	12.5	13.3	62 028
Spain	39.5	11.6	4.9	23.0	61 078
Czech Republic	39.8	6.3	8.2	25.3	48 717
Israel	23.6	10.3	7.8	5.5	48 697
Slovenia	42.8	9.9	19.0	13.9	48 179
Portugal	41.9	13.9	8.9	19.2	47 700
New Zealand	20.1	20.1	0.0	0.0	47 539
Estonia	39.0	12.5	1.2	25.3	45 624
Poland	33.6	4.2	15.3	14.1	44 795
Hungary	41.2	13.3	16.4	11.5	44 683
Greece	37.1	7.4	11.4	18.3	43 783
Lithuania	38.2	17.3	19.2	1.8	42 454
Latvia	40.6	13.0	8.5	19.1	39 389
Slovak Republic	41.6	8.4	10.3	22.9	37 239
Costa Rica	29.2	0.0	8.3	20.9	35 633
Türkiye	37.2	9.6	12.8	14.9	34 470
Chile	7.0	0.0	7.0	0.0	26 719
Mexico	20.4	8.9	1.2	10.3	16 947
Colombia	0.0	0.0	0.0	0.0	14 644
Unweighted average					
OECD Average	34.6	13.0	8.2	13.4	60 522

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 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[1]) Economic Outlook Volume 2022 Issue 2.

StatLink https://stat.link/3qfgk7

Figure 1.1. Income tax plus employee and employer social security contributions, 2022

As % 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/oc09x2

Personal average tax rates

The personal average tax rate is defined as income tax plus employee SSCs as a percentage of gross wage earnings. Table 1.3 shows the personal average tax rates in 2022 for a single worker without children at the average wage level, with the average worker's gross wage earnings expressed in 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 SSCs.

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 24.7% in 2022. Belgium had the highest rate, at 40.3% of gross wage earnings; Denmark, Germany and Lithuania were the only other countries with rates above 35%. The lowest personal average tax rates were in Mexico (11.3%), Costa Rica (10.5%), Chile (7.0%) and Colombia (0.0%). 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 2022 as discussed above.[4]

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 the tax wedge in different countries, in part, reflect differences in:

- The overall ratio of aggregate tax revenues to Gross Domestic Product; and
- The share of personal income tax and SSCs in the national tax mix.

In 2022, the share of income tax within the personal average tax rate was higher than the share of employee SSCs for 23 of the 38 OECD member countries. No employee SSCs 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 in employee SSCs than in personal income tax (i.e., more than six p.p.) in five countries: Chile, Costa Rica, Japan, Poland and Slovenia. In seven countries – Austria, the Czech Republic, Germany, Israel, Korea, Lithuania and the Slovak Republic – the shares of personal income tax and employee SSCs as a percentage of gross earnings were very close (i.e., differences of less than 3 p.p.).

Table 1.3. Income tax plus employee social security contributions, 2022

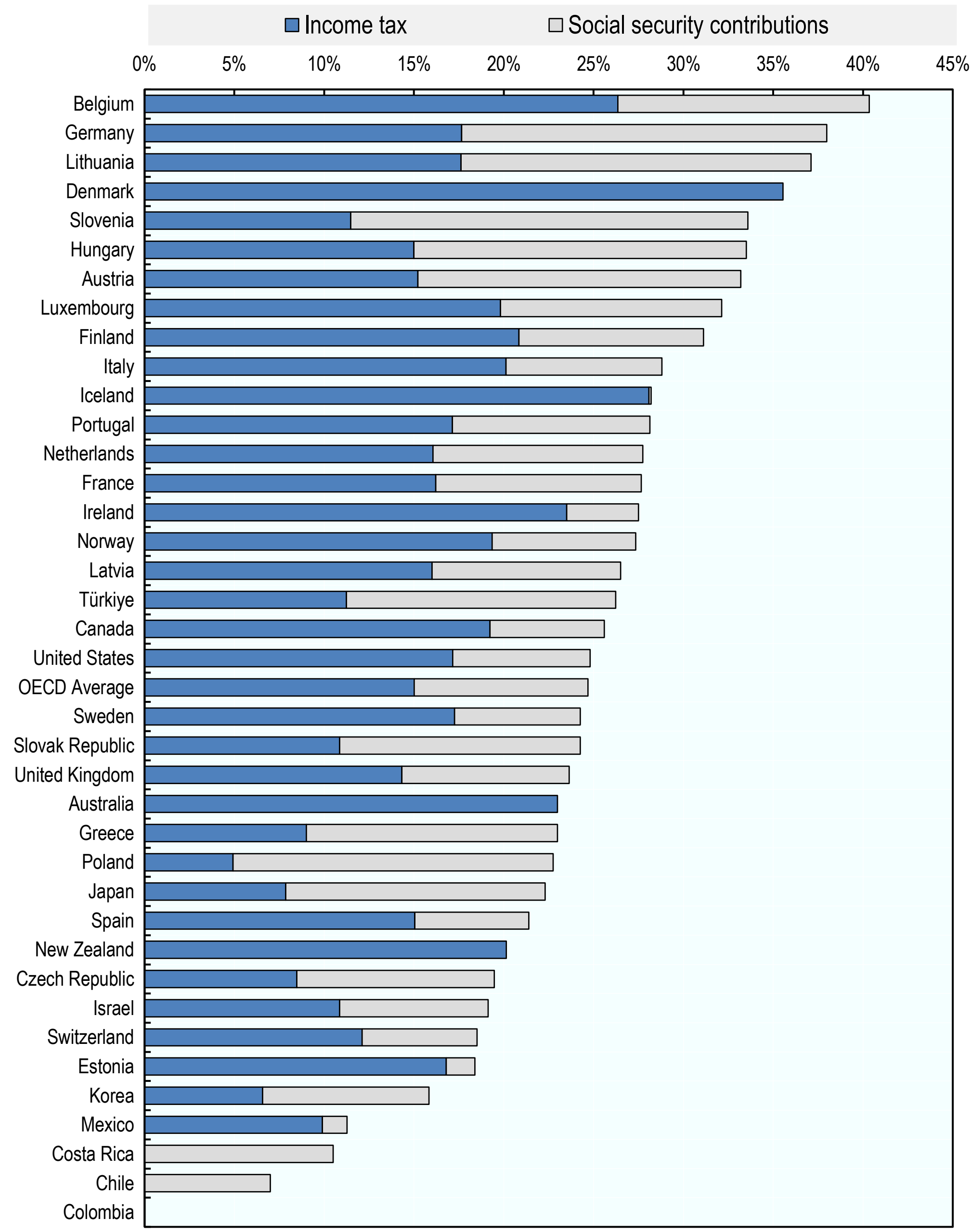
As % of gross wage earnings

Country[1]	Total payment[2] (1)	Income tax (2)	Employee social security contributions (3)	Gross wage earnings[3] (4)
Switzerland	18.5	12.1	6.4	94 601
Luxembourg	32.1	19.8	12.3	82 660
Netherlands	27.7	16.1	11.7	76 635
Germany	38.0	17.7	20.3	75 137
Belgium	40.3	26.4	14.0	74 273
Iceland	28.2	28.1	0.1	73 897
Norway	27.3	19.3	8.0	70 726
Denmark	35.5	35.5	0.0	69 941
Ireland	27.5	23.5	4.0	69 624
Austria	33.2	15.2	18.0	69 202
Australia	23.0	23.0	0.0	65 455
Canada	25.6	19.2	6.4	64 941
United States	24.8	17.2	7.7	64 889
United Kingdom	23.6	14.3	9.3	64 134
Finland	31.1	20.8	10.3	61 778
Korea	15.8	6.6	9.3	60 090
France	27.7	16.2	11.4	59 445
Sweden	24.3	17.3	7.0	57 432
Japan	22.3	7.9	14.5	53 769
Italy	28.8	20.1	8.7	53 498
New Zealand	20.1	20.1	0.0	47 539
Spain	21.4	15.0	6.4	47 019
Israel	19.1	10.9	8.3	46 020
Lithuania	37.1	17.6	19.5	41 708
Slovenia	33.6	11.5	22.1	41 498
Hungary	33.5	15.0	18.5	39 542
Portugal	28.1	17.1	11.0	38 546
Poland	22.8	4.9	17.8	38 493
Czech Republic	19.5	8.5	11.0	36 411
Greece	23.0	9.0	14.0	35 772
Estonia	18.4	16.8	1.6	34 099
Latvia	26.5	16.0	10.5	31 864
Türkiye	26.2	11.2	15.0	29 336
Slovak Republic	24.3	10.9	13.4	28 711
Costa Rica	10.5	0.0	10.5	28 169
Chile	7.0	0.0	7.0	26 719
Mexico	11.3	9.9	1.4	15 204
Colombia	0.0	0.0	0.0	14 644
Unweighted average				
OECD Average	24.7	15.0	9.7	52 195

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[1]) Economic Outlook Volume 2022 Issue 2.

StatLink https://stat.link/y4ug2i

Figure 1.2. Percentage of gross wage earnings paid in income tax and employee social security contributions, 2022



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

StatLink https://stat.link/zjof3l

Single versus one-earner couple taxpayers

Many OECD countries provide a fiscal benefit to households with children through advantageous tax treatment and/or cash benefits. Table 1.4 compares the tax wedge as a percentage of labour costs for a one-earner married couple with two children with that of a single individual without children, at average wage levels. The tax wedge for the couple with children is generally smaller than that observed for the individual without children: the OECD average tax wedge as a percentage of labour costs for the one-earner married couple with two children was 25.6%, compared with 34.6% for the single average worker. This gap narrowed by 1.02 p.p. between 2021 and 2022 due to an increase in the average tax wedge for one-earner married couple with two children.

The tax savings realised by a one-earner married couple with two children compared with a single worker without children exceeded 20% of labour costs in Luxembourg and Poland, and exceeded 15% of labour costs in Austria, Belgium and the Czech Republic. The tax wedge for one-earner married couples with two children was the same as for single workers on the average wage in Chile, Costa Rica, Mexico and Türkiye.

The tax wedge of an average one-earner married couple with two children increased by 1.05 percentage points and increased in 28 countries between 2021 and 2022 (see column 3). In 23 of the 38 OECD countries, there was only a small change (not exceeding plus or minus one percentage point), and there was no change in Costa Rica. There were increases of more than one percentage point in eight countries: Australia, Belgium, Chile, Estonia, Lithuania, Luxembourg, New Zealand and the United States.

In Australia, the increase of 1.12 p.p. in the tax wedge of an average one-earner married couple with two children was related to the removal of the COVID-19 Economic support payment. In Belgium (1.34 p.p.), the average tax wedge increased because the average wage increased more strongly than tax allowances and the income threshold within the tax schedule, leading to a larger proportion of the income being taxed at a higher rate. In Chile, the tax wedge increased by 25.48 p.p. due the removal of the Emergency Family Income, a COVID-19 support measure introduced in 2021. In Estonia (1.54 p.p.), the increase was due to the progressivity of the tax allowance: households received a lower tax allowance as the average wage rose, resulting in a higher amount being liable for tax. In Lithuania (6.03 p.p.), the tax wedge increased because the one-earner family was no longer eligible for the needs-based family benefit as the average wage was just above the eligibility threshold. In Luxembourg (1.08 p.p.), the average tax wedge increased due to the progressivity of the tax system and higher employee and employer SSCs as a result of an increased average wage, while cash benefits for children remained unchanged. In New Zealand (1.48 p.p.), a higher taper rate for the Family Tax Credit as well as an increase in the average wage caused the increase in the tax wedge. In the United States (10.6 p.p.), the tax wedge increased due to the removal of the child tax credit support measures and cash benefits introduced during the COVID-19 pandemic.

There were decreases of one percentage point or more in the tax wedge of an average one-earner married couple with two children in six countries: Austria, Israel, Latvia, Poland, Slovak Republic and Türkiye. In Austria (-3.93 p.p.), the tax wedge decreased due to the climate bonus, the anti-inflation bonus as well as the energy cost credit, and a higher family tax credit ("Familienbonus Plus"). In Israel (-2.78 p.p.), the average tax wedge decreased as parents became entitled to one extra tax credit point per child, a temporary measure introduced in 2022. In Latvia (-2.41 p.p.), the average tax wedge decreased as a result of an increase in the family state benefit, a cash transfer. In Poland (-2.35 p.p.), the introduction of the non-refundable tax credit without upper limit was the reason for the decrease in the average tax wedge. In the Slovak Republic (-3.18 p.p.), the average tax wedge decreased following the introduction of a tax credit for children. In Türkiye (-1.08 p.p.), the replacement of the minimum living allowance with the Minimum Wage tax exemption led to a decrease in the average tax wedge.

A comparison of the changes in tax wedges between 2021 and 2022 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 six of the 38 OECD countries: Austria, Israel, Italy, Latvia, Poland and the Slovak Republic, in every case by more than one percentage point.

Table 1.4. Comparison of total tax wedge for single and one-earner couple taxpayers, 2022

As % of labour costs

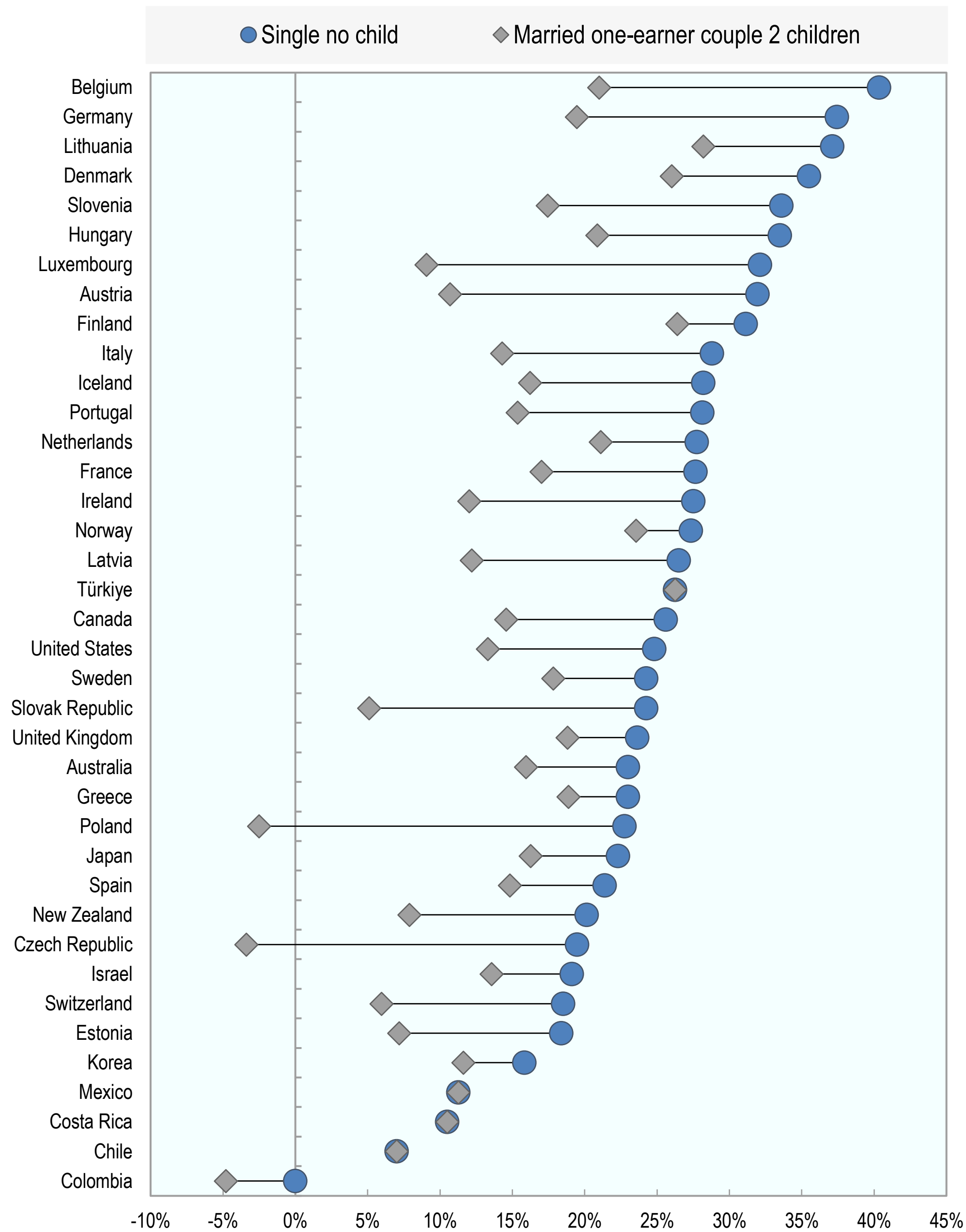
Country[1]	Family[2] Total Tax wedge 2022 (1)	Single[3] Total Tax wedge 2022 (2)	Fiscal preference for families (1)-(2) (3)	Annual change, 2022/21 (in percentage points) Family Tax wedge (3)	Single Tax wedge (4)	Difference between single and family (4)-(3) (5)
Poland	11.9	33.6	-21.7	-2.35	-1.23	1.12
Luxembourg	20.1	40.4	-20.3	1.08	0.63	-0.45
Czech Republic	22.7	39.8	-17.1	0.75	-0.17	-0.92
Austria	30.2	46.8	-16.6	-3.93	-0.99	2.94
Belgium	37.8	53.0	-15.2	1.34	0.65	-0.69
Germany	32.9	47.8	-15.0	0.04	-0.29	-0.33
Slovak Republic	26.8	41.6	-14.8	-3.18	0.15	3.33
Ireland	20.8	34.7	-13.9	0.78	0.19	-0.59
Slovenia	28.9	42.8	-13.9	-0.43	-0.75	-0.32
New Zealand	7.9	20.1	-12.2	1.48	0.72	-0.76
Switzerland	11.6	23.4	-11.8	0.45	0.27	-0.18
Latvia	29.0	40.6	-11.6	-2.41	0.02	2.43
Iceland	21.2	32.5	-11.3	0.49	0.14	-0.35
Hungary	30.0	41.2	-11.2	-0.61	-2.01	-1.40
Italy	34.9	45.9	-11.0	-0.91	0.47	1.37
United States	19.8	30.5	-10.6	11.62	2.20	-9.42
Portugal	31.6	41.9	-10.3	0.67	0.06	-0.61
Canada	21.8	31.9	-10.1	0.62	0.39	-0.23
Denmark	26.0	35.5	-9.5	0.52	0.16	-0.36
Lithuania	29.5	38.2	-8.8	6.03	0.67	-5.36
Estonia	30.6	39.0	-8.4	1.54	0.85	-0.68
France	39.2	47.0	-7.8	0.24	0.14	-0.10
Australia	20.2	26.9	-6.7	1.12	-0.20	-1.32
Netherlands	29.6	35.5	-5.9	0.81	0.56	-0.26
Israel	18.3	23.6	-5.2	-2.78	0.15	2.93
Japan	27.4	32.6	-5.2	0.13	0.06	-0.07
Spain	34.4	39.5	-5.1	0.25	-0.01	-0.26
Sweden	37.5	42.4	-4.9	0.08	-0.10	-0.19
Colombia	-4.8	0.0	-4.8	0.26	0.00	-0.26
United Kingdom	27.2	31.5	-4.3	0.91	0.76	-0.15
Finland	39.2	43.1	-3.9	0.11	0.00	-0.11
Korea	20.4	24.2	-3.8	0.44	0.34	-0.10
Norway	32.3	35.7	-3.4	0.20	0.06	-0.14
Greece	33.7	37.1	-3.4	0.03	-0.02	-0.05
Türkiye	37.2	37.2	0.0	-1.08	-2.66	-1.58
Mexico	20.4	20.4	0.0	0.19	0.19	0.00
Costa Rica	29.2	29.2	0.0	0.00	0.00	0.00
Chile	7.0	7.0	0.0	25.48	0.00	-25.48
Unweighted average						
OECD Average	25.6	34.6	-8.9	1.05	0.04	-1.02

1. Countries are ranked by the size of the fiscal preference for families in descending order.
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[1]) Economic Outlook Volume 2022 Issue 2.

StatLink https://stat.link/re0f4g

Figure 1.3. Income tax plus employee contributions less cash benefits, 2022

As % of gross wage earnings, by household type



Notes: Countries ranked by decreasing rates for single taxpayer without children.
The household type 'Single no child' corresponds to a wage level of 100% of average wage and 'Married one-earner couple 2 children' corresponds to a combined wage level of 100%-0% of average wage.

StatLink https://stat.link/beihr8

Figure 1.3 compares the net personal average tax rate for a single worker earning the average wage with that of a one-earner married couple with two children at the same income level. Due to tax reliefs and cash benefits for families with children, the one-earner married couple's disposable income was higher than that of the single worker by more than 20% of earnings in four countries: Austria (21.3%), the Czech Republic (22.9%), Luxembourg (23.1%) and Poland (25.2%). The disposable income of the one-earner married couple exceeded that of the single individual by less than 10% of earnings in 14 countries: Denmark (9.5%), Lithuania (8.9%), Australia (7.0%), the Netherlands and Spain (both 6.6%), Sweden (6.4%), Japan (6.0%), Israel (5.6%), the United Kingdom and Colombia (both 4.8%), Finland (4.7%), Korea (4.2%), Greece (4.1%) and Norway (3.8%). The disposable income was the same for both household types in Chile, Costa Rica, Mexico and Türkiye, as their net personal average tax rates were identical.

Taxation of two-earner married couples

The preceding analysis focused 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 examine the tax wedge and personal average tax rate for a third household type: the two-earner married couple, earning 100% and 67% of the average wage, with two children.

Tax wedge

For this household type, the OECD average tax wedge as a percentage of labour costs was 29.4% in 2022 (Figure 1.4 and Table 1.5). Belgium had a tax wedge of 45.5%, which was the highest among OECD countries for this household type. The other countries with a tax wedge exceeding 40% were Germany and France (40.8% and 40.7%, respectively). The lowest tax wedge for this household type was observed in Colombia (-5.7%). In Colombia, the tax wedge was negative because this household type did not pay income taxes at that level of earnings (although it paid contributions that are not considered to be taxes[5]) and received cash benefits that were paid on top of their wages. The other countries where the tax wedge for this household type was below 20% were New Zealand (18.0%), Switzerland (17.7%), Israel (15.3%) 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 married couple in 2022. On average across OECD countries, income tax represented 10.2% of labour costs and the sum of the employee and employer SSCs represented 21.5%. The OECD tax wedge is net of cash benefits, which represented 2.4% of labour costs in 2022.

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.

Compared to 2021, the OECD average tax wedge of the two-earner married couple increased by 0.45 p.p. in 2022, as indicated in Table 1.5 (column 2). For this household type, the tax wedge increased in 24 out of 38 OECD countries, decreased in 13 and remained at the same level in Costa Rica. Increases exceeded one percentage point in five countries: Estonia (1.06 p.p.), Luxembourg (1.2 p.p.), Greece (1.52 p.p.), the United States (6.94 p.p.) and Chile (15.25 p.p.). In Estonia, the increase was the result of the progressivity of the tax allowance: due to a higher average wage in 2022, the value of the tax allowance decreased, resulting in a larger tax liability. In Luxembourg, the average tax wedge increased, as previously mentioned, due to the progressivity of the tax system, increases in the employee and employer SSCs as a result of increases in the wage and no changes in cash benefits for children. In Greece, the tax wedge increased as this household type no longer qualified for the child cash benefit due to increases in the average wage. In the United States, the removal of the child support tax credit and cash transfers, both COVID-19 support measures, led to an increase in the average tax wedge. In Chile, the increase was the result of the suspension of the Emergency Family Income, a COVID-19 support measure introduced in 2021.

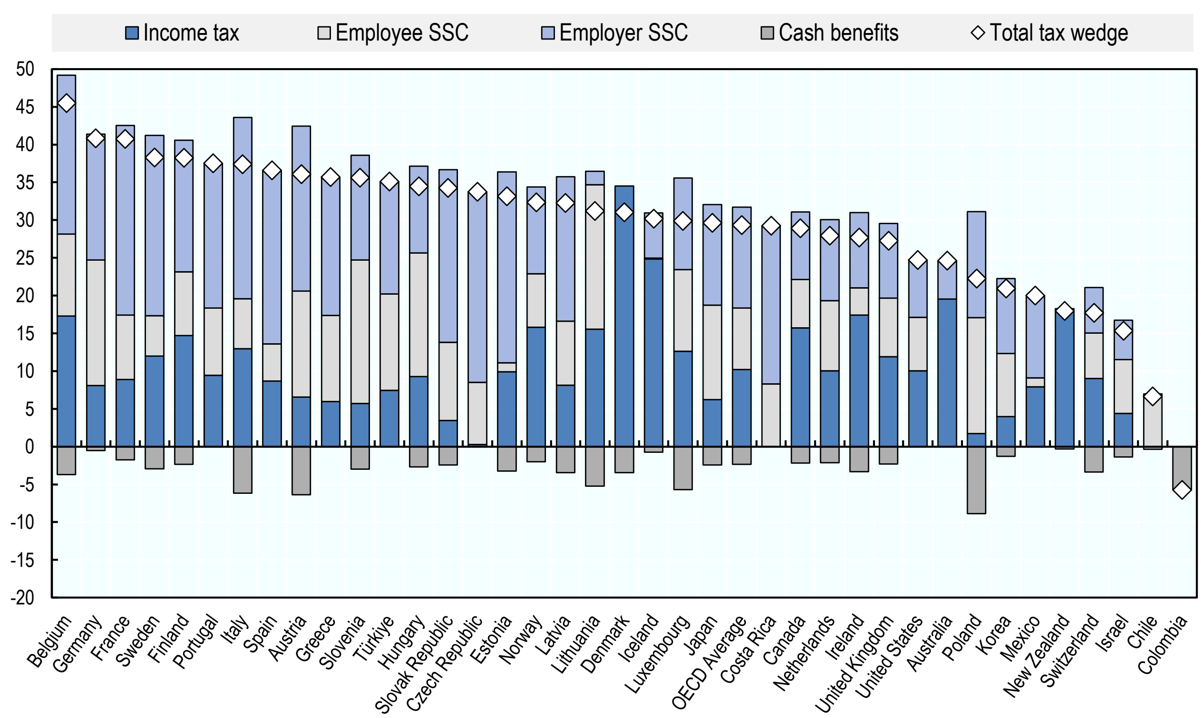
Among the countries where the tax wedge increased for two-earner married couples with children in 2022, the increase in income tax as a percentage of labour costs accounted for most of the increase in twelve:

Belgium, the Czech Republic, Estonia, Ireland, Japan, Lithuania, Luxembourg, New Zealand, Norway, Portugal, Spain and Switzerland. Meanwhile, an increase in SSCs was the main factor responsible for the higher tax wedge for this household type in seven countries in 2022: Canada, Finland, France, Korea, Mexico, the Netherlands, and the United Kingdom. In Chile and the United States, the elimination of cash benefits that were paid in 2021 but not in 2022 was the main driver of increases in the tax wedge.

In most countries where the tax wedge for families with children decreased between 2021 and 2022, this resulted from changes in income tax systems and SSCs, as observed for the single workers, as well as from increased cash benefits or tax provisions for dependent children between the two years. Decreases of more than one percentage point were observed in seven countries: Hungary (-1.17 p.p.), Latvia (-1.74 p.p.), Israel (-1.8 p.p.), the Slovak Republic (-1.93 p.p.), Italy (-2.09 p.p.), Austria (-2.33 p.p.) and Türkiye (-2.76 p.p.). As observed in previous sections, the decreases in the tax wedge resulted from reforms of the employer SSC rate and the scrapping of the training levy in Hungary, reforms of tax credits in Israel, Türkiye and the Slovak Republic, increases in the family state benefit in Latvia, the introduction of a universal allowance in Italy and the introduction of cash benefits and tax credits in Austria.

Figure 1.4. Income tax plus employee and employer social security contributions less cash benefits, 2022

For two-earner married 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 two children. Includes payroll taxes where applicable.

StatLink https://stat.link/v3byuj

Table 1.5. Comparison of total tax wedge for two-earner married couples with children, 2022

As % of labour costs

Country[1]	Total Tax wedge 2022 (1)	Annual change, 2022/21 (in percentage points)[2]				
		Tax wedge (2)	Income tax (3)	Employee SSC (4)	Employer SSC[3] (5)	Cash benefits (6)
Belgium	45.5	0.74	0.84	-0.13	0.00	-0.03
Germany	40.8	-0.15	0.39	0.00	0.00	0.54
France	40.7	0.15	-0.02	0.05	0.08	-0.04
Sweden	38.3	-0.04	-0.16	0.01	0.00	-0.11
Finland	38.2	0.05	-0.06	-0.18	0.23	-0.07
Portugal	37.5	0.31	0.31	0.00	0.00	0.00
Italy	37.4	-2.09	2.89	-0.61	0.00	4.37
Spain	36.6	0.09	0.09	0.00	0.00	0.00
Austria	36.1	-2.33	-0.70	0.01	-0.06	1.59
Greece	35.7	1.52	0.20	-0.11	-0.10	-1.52
Slovenia	35.6	-0.63	-0.62	0.00	0.00	0.00
Türkiye	35.1	-2.76	-2.76	0.00	0.00	0.00
Hungary	34.5	-1.17	0.96	0.56	-3.03	-0.33
Slovak Republic	34.3	-1.93	-1.32	0.02	-0.15	0.48
Czech Republic	33.8	0.06	0.06	0.00	0.00	0.00
Estonia	33.1	1.06	0.80	0.00	0.00	-0.26
Norway	32.4	0.02	0.11	-0.18	0.00	-0.09
Latvia	32.3	-1.74	0.05	0.00	0.00	1.79
Lithuania	31.2	0.27	0.20	0.00	0.00	-0.07
Denmark	31.0	0.31	0.13	0.00	0.00	-0.18
Iceland	30.2	-0.13	-0.09	0.00	0.22	0.27
Luxembourg	29.9	1.20	0.79	0.01	0.00	-0.41
Japan	29.6	0.08	0.05	0.00	0.00	-0.03
Costa Rica	29.2	0.00	0.00	0.00	0.00	0.00
Canada	28.9	0.52	0.09	0.18	0.15	-0.11
Netherlands	28.0	0.97	0.33	-0.03	0.69	0.03
Ireland	27.7	0.39	0.23	0.00	0.00	-0.16
United Kingdom	27.3	0.78	0.29	-0.12	0.53	-0.07
United States	24.7	6.94	1.98	0.00	-0.02	-4.98
Australia	24.6	-0.26	-0.28	0.00	0.02	0.00
Poland	22.2	-0.43	-1.67	0.00	0.01	-1.23
Korea	20.9	0.41	0.18	0.13	0.08	-0.03
Mexico	20.0	0.21	0.00	-0.02	0.24	0.00
New Zealand	18.0	0.64	0.94	0.00	0.00	0.30
Switzerland	17.7	0.39	0.29	0.00	0.00	-0.10
Israel	15.3	-1.80	-1.95	0.11	0.05	0.00
Chile	6.6	15.25	0.00	0.00	0.00	-15.25
Colombia	-5.7	0.32	0.00	0.00	0.00	-0.32
Unweighted average						
OECD Average	29.4	0.45	0.07	-0.01	-0.03	-0.42

Note: Two-earner married couple, one at 100% and the other at 67% of the average wage, with two 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[1]) Economic Outlook Volume 2022 Issue 2.

StatLink https://stat.link/7b5426

Table 1.6. Income tax plus employee social security contributions less cash benefits, 2022

For two-earner married 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	12.4	9.6	6.4	3.6	157 983
Luxembourg	20.2	14.4	12.3	6.5	138 042
Netherlands	19.3	11.2	10.4	2.4	127 980
Germany	29.0	9.7	20.0	0.7	125 479
Belgium	30.9	21.9	13.8	4.7	124 037
Iceland	25.8	26.4	0.1	0.8	123 407
Norway	23.6	17.8	8.0	2.3	118 113
Denmark	31.0	34.5	0.0	3.5	116 802
Ireland	19.7	19.4	4.0	3.7	116 272
Austria	18.2	8.4	18.0	8.2	115 567
Australia	20.6	20.6	0.0	0.0	109 309
Canada	21.9	17.3	7.0	2.4	108 452
United States	18.5	10.9	7.7	0.0	108 365
United Kingdom	19.3	13.2	8.6	2.6	107 104
Finland	25.2	17.8	10.2	2.8	103 169
Korea	12.2	4.4	9.3	1.4	100 350
France	20.9	11.9	11.4	2.4	99 273
Sweden	18.9	15.8	7.0	3.9	95 911
Japan	18.8	7.2	14.5	2.8	89 794
Italy	17.6	17.1	8.7	8.1	89 342
New Zealand	18.0	18.2	0.0	0.3	79 390
Spain	17.6	11.3	6.4	0.0	78 522
Israel	10.7	4.6	7.5	1.5	76 853
Lithuania	30.0	15.8	19.5	5.3	69 652
Slovenia	25.3	6.6	22.1	3.4	69 301
Hungary	25.9	10.5	18.5	3.0	66 036
Greece	21.3	7.3	14.0	0.0	65 713
Portugal	22.7	11.7	11.0	0.0	64 371
Poland	9.5	2.0	17.8	10.3	64 283
Czech Republic	11.4	0.4	11.0	0.0	60 806
Estonia	10.5	13.2	1.6	4.3	56 945
Latvia	16.3	10.1	10.5	4.3	53 212
Türkiye	23.8	8.8	15.0	0.0	48 991
Slovak Republic	14.7	4.5	13.4	3.2	47 948
Costa Rica	10.5	0.0	10.5	0.0	47 042
Chile	6.6	0.0	7.0	0.4	44 620
Mexico	10.2	8.9	1.3	0.0	25 391
Colombia	-5.7	0.0	0.0	5.7	24 456
Unweighted average					
OECD Average	18.5	11.7	9.6	2.7	87 323

Notes: Two-earner married couple, one at 100% and the other at 67% of the average wage, with two 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[1]) Economic Outlook Volume 2022 Issue 2.

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Personal average tax rates

The net personal average tax rate for the two-earner married couple with two children where one spouse earns the average wage and the other earns 67% thereof was 18.5% of gross wage earnings on average in 2022. Table 1.6 shows the net personal average tax rate for each of the OECD countries and its components as a percentage of gross wage earnings. Household gross wage earnings figures in column 5 are expressed in US dollar terms with equivalent purchasing power. Unlike the results shown in Table 1.3, cash benefits are taken into account in Table 1.6 and reduce the impact of the employees' income taxes and SSCs (column 2 plus column 3, minus column 4).

The net personal average tax rate of the two-earner married couple varied greatly among OECD countries in 2022, ranging from -5.7% in Colombia to 31.0% in Denmark. In Colombia, the tax wedge was negative because this household type did not pay income taxes at that level of earnings, paid contributions that are not considered to be taxes[6] and received cash benefits that were paid on top of their wages. The disposable income of the household after tax represented 105.7% of the couple's gross wage earnings in Colombia while it represented 69.0% in Denmark. The net personal average tax rate was lower than 10% in Poland (9.5%) and Chile (6.6%).

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 including indirect taxes (such as value-added tax) should also be taken into account, as should other forms of income (such as capital income). Non-tax compulsory payments that affect households' disposable incomes are not included in the calculations presented in the publication, but further analysis of those payments is presented in the online report: http://www.oecd.org/tax/tax-policy/non-tax-compuslory-payments.pdf.

Wages

While the average wage increased in nominal terms in all OECD countries between 2021 and 2022, real wages decreased in 35 of the 38 countries, and the real post-tax income for a single worker earning the average wage decreased in 34 countries over the same period. Wage trends over the course of the COVID-19 pandemic are examined in greater detail in Chapter 2.

Table 1.7 shows gross wage earnings in national currency of the average worker in each OECD member country for 2021 and 2022. The figures for 2022 are preliminary and were 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 2022 Issue 2 (2022[1]) database to the final average wage values provided by OECD member countries. More information on the value of the average wage and the estimation methodology is included in the Annex of this Report.

The annual change in gross nominal wages in 2022 – shown in column 3 – ranged from 0.7% in Mexico to 57.9% in Türkiye. To a large extent, the changes in wage levels in the 38 OECD countries reflect inflation trends (see column 4 of Table 1.7). The annual change in real wage levels (before personal income tax and employee SSCs) was within the range of -2% to +2% for 11 countries (see column 5 of Table 1.7). Twenty-seven countries recorded declines outside this range. Declines larger than or equal to 5.0% occurred in nine countries: the Czech Republic (-7.0%), Estonia (-10.%), Greece (-7.4%), Latvia (-6.2%), Lithuania (-6.3%), Mexico (-6.8%), the Netherlands (-8.3%), Spain (-5.3%) and Türkiye (-8.8%).

In 34 out of 38 OECD countries, the average single worker without children had lower real post-tax income in 2022 than in 2021, either because the personal average tax rate (column 6) decreased by less than the real wage before tax (column 5), the personal average tax rate increased or remained unchanged while the real wage before tax decreased, or because the personal average tax rate increased by more than the real wage before tax.

In contrast, the average single worker without children had higher real post-tax income in 2022 in Hungary, Iceland, Poland and Türkiye.

- The real wage before tax decreased by less than the personal average tax rate in Poland and Türkiye.
- The personal average tax rate remained unchanged while the real wage before tax increased in Colombia and Hungary.

When comparing wage levels, it is important to note that the definition of average wage earnings may vary between countries. 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).

Table 1.8 provides more information on whether the average wages for the years 2000 to 2022 are based on industry sectors C-K inclusive with reference to the International Standard Industrial Classification of All Economic Activities, Revision 3 (ISIC Rev.3) or industry sectors B-N inclusive with reference to the International Standard Industrial Classification of All Economic Activities, Revision 4 (ISIC Rev.4).

Most OECD countries have calculated average wage earnings on the basis of sectors B-N in the ISIC Rev. 4 Industry Classification since 2008 or earlier. 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, 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 with 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. Türkiye 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 wage values are not based on the sectors B-N in the ISIC Rev. 4 Industry Classification for Costa Rica (all years), the Netherlands (from 2012 onwards) or Mexico (all years).

Table 1.7. Comparison of wage levels in 2021 and 2022

Country	Gross wage in national currency		Annual change, 2022/21 (percentage)			
	2021 (1)	2022 (2)	Gross wage (3)	Inflation[1] (4)	Real wage before tax (5)	Change in personal average tax rate[2] (6)
Australia	93 254	94 685	1.5	6.5	-4.6	-1.0
Austria	50 447	52 666	4.4	8.5	-3.8	-3.7
Belgium	51 328	55 332	7.8	9.9	-1.9	2.2
Canada	78 018	81 704	4.7	6.8	-2.0	1.2
Chile	10 793 531	11 492 895	6.5	11.6	-4.6	0.0
Colombia	18 908 349	21 137 925	11.8	10.2	1.5	0.0
Costa Rica	8 761 423	9 445 151	7.8	8.8	-0.9	0.0
Czech Republic	441 784	472 783	7.0	15.2	-7.1	-1.1
Denmark	451 800	468 195	3.6	7.8	-3.9	0.4
Estonia	18 489	19 996	8.2	20.2	-10.0	6.6
Finland	49 491	50 774	2.6	7.0	-4.1	-0.6
France	39 429	41 540	5.4	5.9	-0.5	0.3
Germany	52 800	55 041	4.2	8.5	-3.9	-0.9
Greece	19 614	19 912	1.5	9.7	-7.4	0.3
Hungary	5 431 692	6 328 111	16.5	13.5	2.6	0.0
Iceland	10 357 357	10 959 626	5.8	8.3	-2.3	-0.1
Ireland	52 135	54 649	4.8	8.4	-3.3	0.8
Israel	168 240	172 609	2.6	4.3	-1.6	0.6
Italy	32 029	33 855	5.7	8.1	-2.2	2.2
Japan	5 087 487	5 154 009	1.3	2.3	-1.0	0.3
Korea	48 600 252	49 775 096	2.4	5.2	-2.7	2.0
Latvia	15 276	16 758	9.7	17.0	-6.2	0.1
Lithuania	18 560	20 667	11.3	18.8	-6.3	1.9
Luxembourg	65 517	70 189	7.1	8.2	-1.0	2.3
Mexico	153 588	154 646	0.7	8.0	-6.8	0.1
Netherlands	55 904	57 513	2.9	12.2	-8.3	0.3
New Zealand	65 957	70 588	7.0	7.3	-0.2	3.7
Norway	638 564	666 115	4.3	5.7	-1.3	0.2
Poland	64 095	72 945	13.8	14.2	-0.3	-6.0
Portugal	20 680	21 606	4.5	8.3	-3.5	0.3
Slovak Republic	14 438	15 538	7.6	12.0	-3.9	1.4
Slovenia	22 276	23 332	4.7	9.2	-4.1	-2.5
Spain	27 570	28 360	2.9	8.6	-5.3	-0.1
Sweden	476 276	494 513	3.8	8.3	-4.1	-0.6
Switzerland	97 927	100 885	3.0	2.9	0.1	1.6
Türkiye	86 989	137 340	57.9	73.2	-8.8	-10.6
United Kingdom	41 878	44 300	5.8	8.9	-2.8	1.7
United States	62 172	64 889	4.4	8.0	-3.3	10.7

Note: 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 2021 and 2022.
Sources: Country submissions, (OECD[1]) Economic Outlook Volume 2022 Issue 2.

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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]		2000-2022
Austria[2]	2004-2007	2008-2022
Belgium	2000-2007	2008-2022
Canada	2000-2021	
Chile[3]	2000-2008	2009-2022
Colombia[4]	2000-2021	
Costa Rica[5]		
Czech Republic		2000-2022
Denmark[6]	2000-2007	2008-2022
Estonia		2000-2022
Finland		2000-2022
France	2000-2007	2008-2022
Germany	2000-2005	2006-2022
Greece[7]		2000-2022
Hungary		2000-2022
Iceland[8]		2000-2022
Ireland[9]	2000-2007	2008-2022
Israel[10]	2000-2012	2013-2022
Italy		2000-2022
Japan		2000-2022
Korea[11]	2000-2007	2008-2022
Latvia[12]		2000-2022
Lithuania		2000-2022
Luxembourg	2000-2004	2005-2022
Mexico[13]		
Netherlands[14]	2000-2007	2008-2011
New Zealand[15]	2000-2003	2004-2022
Norway	2000-2008	2009-2022
Poland	2000-2006	2007-2022
Portugal	2000-2005	2006-2022
Slovak Republic[16]		2000-2022
Slovenia		2000-2022
Spain		2000-2022
Sweden	2000-2007	2008-2022
Switzerland		2000-2022
Türkiye[17]		2007-2022
United Kingdom	2000-2007	2008-2022
United States	2000-2006	2007-2022

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. Costa Rica: the average wages from 2000 onwards refer to the earnings of workers within the formal sector. The average worker's wage was calculated based on microdata from the national household surveys.
6. Denmark: average wage values are based on sectors B-N and R-S (NACE rev 2).
7. 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.
8. Iceland: using national classification system that corresponds with the NACE rev. 2 classification system.

9. 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.
10. Israel: information on data for Israel: http://oe.cd/israel-disclaimer.
11. 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 and the estimate for 2021 are based on the 10th KISC B-N (samples of firms with one or more permanent employees).
12. 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.
13. Mexico: 2000-2022 average wage 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.
14. 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.
15. New Zealand: see the note for Australia, which applies from 2004.
16. 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.
17. Türkiye: the average wage is based on the average production worker wage ISIC rev. 3.1 sector D for years 2000 to 2006.

References

OECD (2022), *OECD Economic Outlook, Volume 2022 Issue 2*, OECD Publishing, Paris, https://doi.org/10.1787/f6da2159-en. [1]

Notes

[1] Not all national statistical agencies use ISIC Rev.3 or Rev.4 to classify industries. However, the Statistical Classification of Economic Activities in the European Community (NACE Rev.1 or Rev.2), the North American Industry Classification System (US NAICS 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.

[2] 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).

[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).

2 Special feature: Indexation of labour taxation and benefits in OECD countries

Introduction

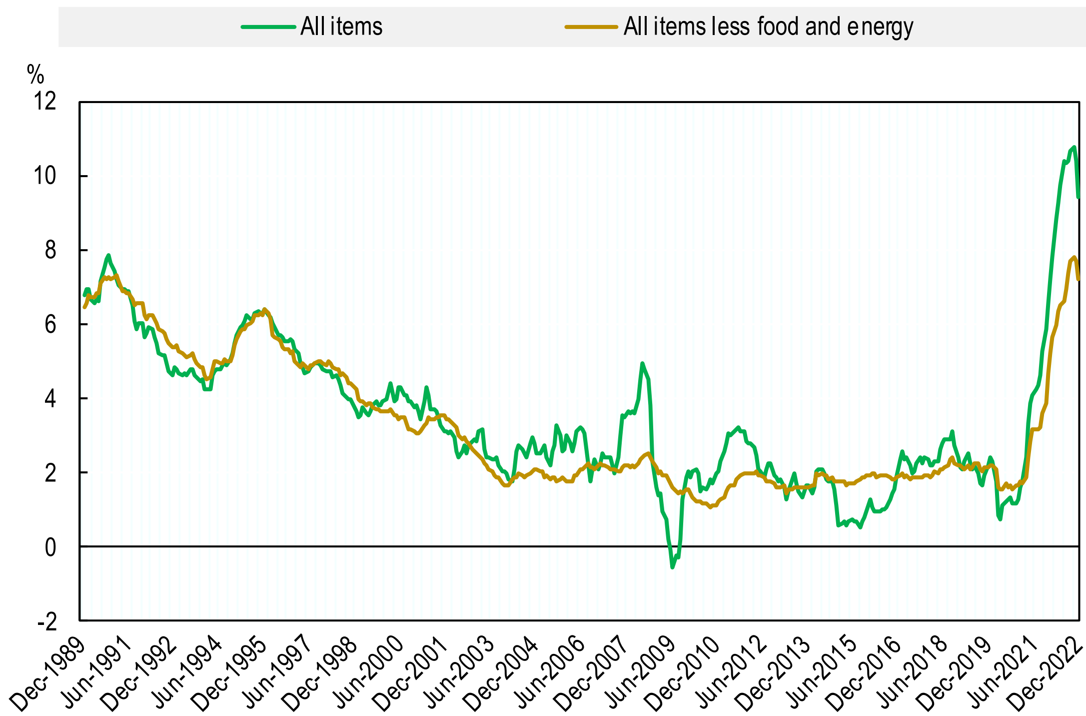
Inflation rose sharply across the OECD in 2021 and 2022. In almost all OECD countries, nominal wage growth did not keep up with inflation, causing real wages to fall. This special feature examines how labour tax policy in OECD countries responds to inflation, largely focusing on indexation, the mechanism through the absolute value of thresholds, brackets, credits, and in-work benefits in a tax system are adjusted to reflect changes in prices, wages and (less frequently) other macroeconomic variables. These adjustments offset fiscal drag – the phenomenon whereby increases in wages result in larger tax burdens. The analysis in this chapter is based on the results of a questionnaire circulated to OECD countries in 2022 and refers primarily to the tax systems in that year.

The special feature is structured as follows. The first section examines inflation and wage trends in OECD countries since the start of the COVID-19 pandemic in 2020. The second section explains fiscal drag and describes the different components of indexation policies. The third section analyses the results of the questionnaire circulated to OECD countries showing how they adjust their personal income tax (PIT) systems, social security contributions (SSCs) and cash benefits[1] in response to inflation. The fourth section examines the upwards pressure that increases in nominal wages between 2019 and 2022 placed on the tax burden in OECD countries. This analysis demonstrates that, in the absence of indexation and other tax policies, a single parent with two children earning 67% of the average wage would have been especially vulnerable to fiscal drag over this period.

Inflation and wage trends in OECD countries during the COVID-19 pandemic

Inflation in the OECD started to rise significantly in 2021 and accelerated in 2022 (Figure 2.1). Initially, higher prices were driven by the impact of the COVID-19 pandemic on the global economy, which resulted in a surge in demand for certain durable goods as well as supply shocks that were compounded by higher shipping costs (OECD, 2022[1]). Although some of these factors subsided over the course of 2021, inflationary pressure intensified in 2022 as a result of Russia's illegal war of aggression in Ukraine. This caused an immediate spike in the price of key commodities including oil, gas and coal, metals, wheat and corn, edible oils, and fertilisers. The wholesale cost of electricity rose significantly in Europe as a result of the increase in gas prices. Food prices also rose sharply (OECD, 2022[1]). However, inflation declined in the final quarter of 2022 in many countries across the OECD (OECD, 2023[2]).

Figure 2.1. Inflation in the OECD since the 1990's: All items and all items less food and energy



Note: The OECD inflation rate is a weighted average for 38 OECD countries from 1995. Prior to 1995, Chile, Colombia, Costa Rica, the Czech Republic, Estonia, Hungary, Iceland, Israel, Latvia, Lithuania, Poland, the Slovak Republic and Slovenia are excluded.
Source: (OECD, 2023[2]).

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Consumer price inflation in the OECD peaked at 10.8% in October 2022 and stood at 9.6% for 2022 as a whole, the highest annual average inflation rate since 1988 and well above the inflation rate of 4.0% in 2021 and 1.4% in 2020 (OECD, 2023[2]). In the two decades prior to the pandemic, inflation was low and relatively stable, notwithstanding periods of volatility in food and energy prices (Figure 2.1). Inflation is projected to decline to 6.5% in 2023 and 5.1% in 2024, a level that would be significantly above central bank objectives and long-term trends prior to the pandemic (OECD, 2022[1]).

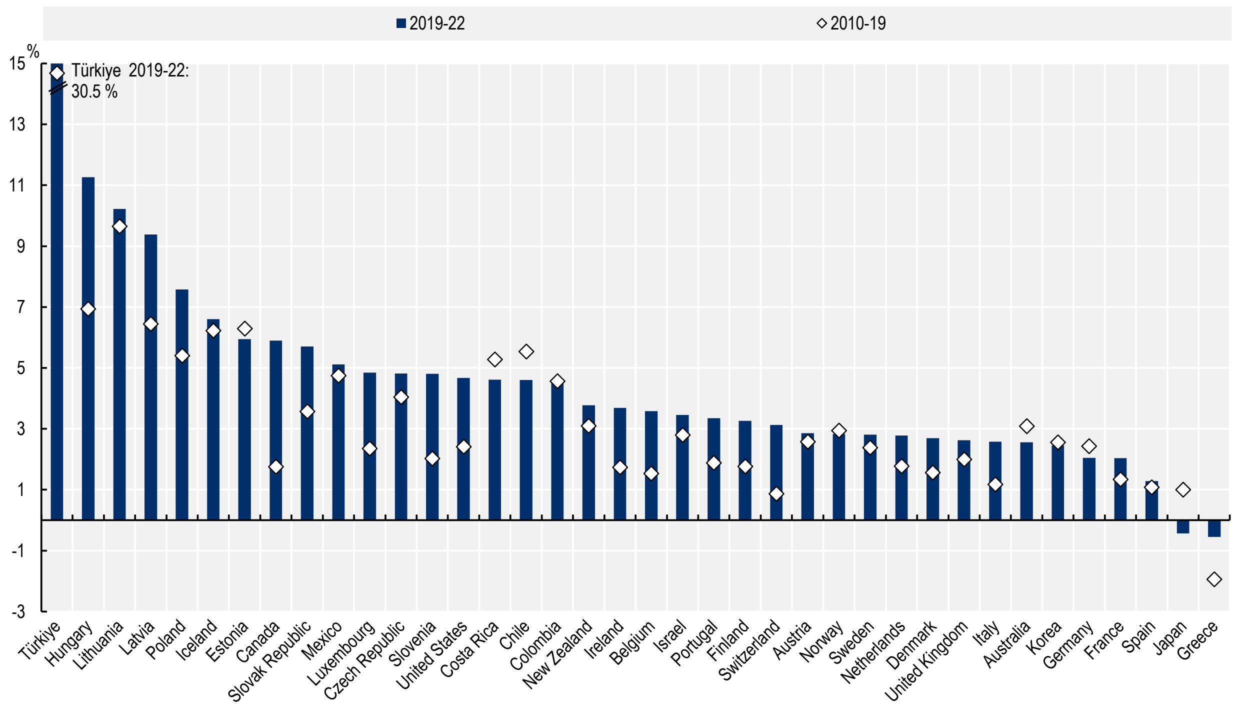
The wages on which the *Taxing Wages* models are based have risen during the pandemic.[2] According to preliminary wage data for 2022, annual nominal wage growth between 2019 and 2022 for the workers included in these models was higher than between 2010 and 2019 in 27 out of 38 OECD countries (Figure 2.2). In 15 countries, average annual wage growth between 2019 and 2022 was more than 50% higher than in the period from 2010-2019. The largest acceleration in nominal average annual wage growth between the two periods was seen in Canada, Switzerland, Slovenia, Finland and the United States. The sharpest slowdown in nominal average annual wage growth between the two periods was recorded in Japan, Greece (the only two countries where nominal wage growth was negative during the pandemic), Colombia, Mexico and Korea.

However, Chapter 1 of this Report reveals that average nominal wages used in the *Taxing Wages* models failed to keep pace with inflation in 2022. Based on preliminary data available for 2022, real wages declined between 2021 and 2022 in all but three countries (Colombia, Hungary and Switzerland). Between 2020 and 2021, real wages rose in 26 out of 38 countries amid an economic recovery across the OECD.

Looking at the labour market as a whole, Figure 2.3 shows that real wages declined on a year-on-year basis in 31 of the 32 OECD countries for which this data is available for the third quarter of 2022, with an average annual fall of 3.3% from the same period in 2021.

Figure 2.2. Nominal average wage growth in OECD countries, 2010-2022

Average annual growth in wages (percentage), 2010-19 and 2019-22



Note: For 2022, average wages are updated in line with (OECD, 2022[1]), which calculates wage increases across the economy and therefore a wider sample than the *Taxing Wages* models.
Source: Author's calculations based on Chapter 1.

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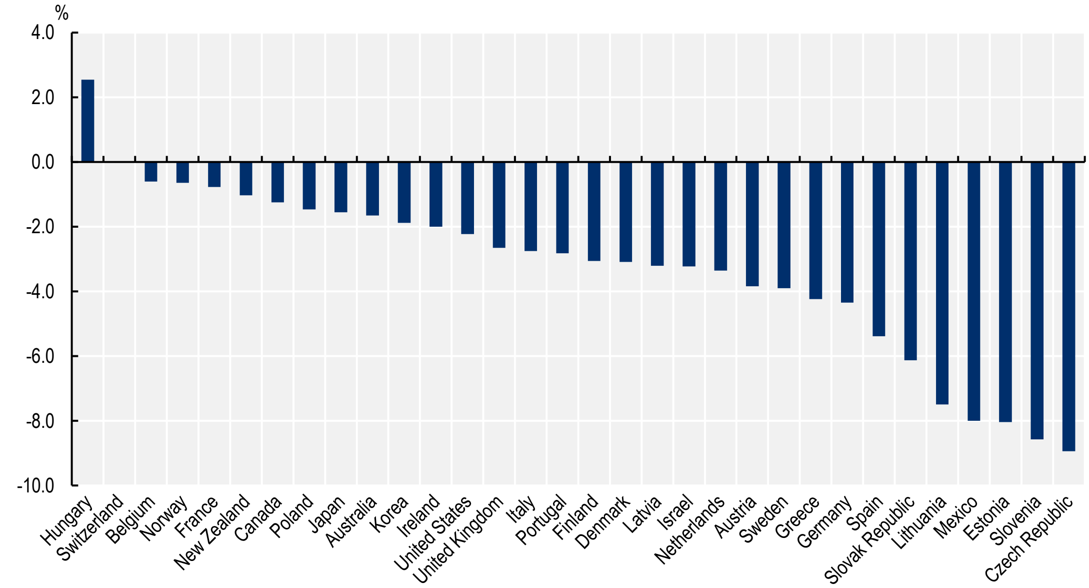
Figure 2.3. Real compensation per employee in selected OECD countries, Quarter 3 of 2022

Year-on-year change



Note: Compensation per employee deflated using the personal consumption expenditures deflator.
Source: (OECD, 2022[1]) and OECD calculations.

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Fiscal drag and indexation

Inflation affects the tax burden of workers, including the household types covered in *Taxing Wages*. This section explains how, in a progressive tax system, higher nominal wages lead to larger tax burdens and can generate significant increases in nominal tax revenues through the mechanism known as fiscal drag (OECD, 2008[3]). This phenomenon attracted considerable interest in OECD countries due to the rapid inflation in 2022, but it has an impact on workers' tax burdens even in periods of relatively low inflation; it also affects the distribution of income and the incentives for workers.

Fiscal drag works through several channels, and it can be considered in nominal and real terms (Heinemann, 2001[4]). 'Nominal' fiscal drag occurs when the absolute value of thresholds and tax brackets is not adjusted automatically to the full extent of inflation; nominal wage growth will push the incomes of some workers further up the tax schedule. The phenomenon will be especially pronounced in systems where there are more brackets or where large differences in rates exist between brackets (Beer, Griffiths and Klemm, 2023[5]). However, a worker's tax burden may rise even if they do not move into a higher tax band when a greater proportion of their taxable income is taxed at higher rates.

This mechanism is known as bracket creep, or cold progression. This phenomenon automatically generates higher nominal tax revenues for the government (assuming that employment rates and hours worked remain constant), but it does so in a way that lacks transparency. As (Beer, Griffiths and Klemm, 2023[5]) state, 'Raising thresholds but by less than the inflation rate (or even freezing them but then cutting tax rates) can appear a politically expedient way to raise real taxes by stealth, while appearing to lower them.'

Inflation reduces the real value of tax-free allowances, flat-rate tax deductions, tax credits and cash benefits, as well as the thresholds for means-tested benefits if these are not adjusted in line with prices. To the extent that these instruments target low-income workers, nominal fiscal drag can have a disproportionately large impact at the lower end of the income distribution, potentially reducing the progressivity of the tax system and exacerbating poverty. Myck and Trzciński note that policy makers might be able to offset adverse distributional consequences of fiscal drag by using the tax revenues it generates to finance redistributive expenditure policies, but this issue is beyond the scope of this chapter (2022[6]).

SSCs are also affected by nominal fiscal drag, although the impacts work in different directions. At the bottom end, fiscal drag will increase revenues by lowering the real minimum earnings threshold for paying SSCs. At the upper end, it will reduce revenues by reducing the value of contribution ceilings. Heinemann finds evidence that higher inflation is associated with an increase in SSCs in OECD countries, suggesting that it is ‘politically easier to increase contribution ceilings and rates in an inflationary environment’ (2001[4]).

‘Real’ fiscal drag, meanwhile, generates higher tax revenues but is not a direct result of inflation as it can occur even when tax systems are indexed perfectly to prices. This form of fiscal drag occurs when wages across the economy grow in real terms. As with nominal fiscal drag, a worker’s tax burden increases with the progressivity of the tax system. This phenomenon can be negated if absolute values in the tax schedule adjust automatically to real wage growth but this rarely happens in practice, as this chapter will show.

Nominal and real fiscal drag have historically been important drivers of increases in tax-to-GDP ratios in the OECD, especially during the 1970s – a period of high inflation that prompted a number of OECD countries to implement indexation policies (Heinemann, 2001[4]). Nominal fiscal drag was also a feature of fiscal consolidation policies adopted in the wake of the Global Financial Crisis (Avram et al., 2013[7]).

High inflation and declining real wages in 2022 led to considerable interest in nominal fiscal drag and the measures that can be taken to mitigate it, especially indexation. Where wages are falling in real terms, a worker could face a larger tax burden on a lower real income, meaning they could be doubly disadvantaged by inflation. Countries in which inflation and tax rates are higher, and in which thresholds have not been updated for longer periods, are most likely to experience the most pronounced effects of fiscal drag.

Inflation adjustment and indexation

Countries can mitigate the impact of fiscal drag by adjusting the value of the parameters of PIT systems, SSCs and cash benefits in response to inflation. This section examines the three most important features of a country’s indexation policy: the method, benchmark and timing. Given variations in the policy objectives of a specific tax or benefit, the appropriate approach for its indexation may also differ. As is discussed in the following section, a majority of OECD countries adjust aspects of their tax and benefits systems but there is wide variation in indexation modalities both between countries and between different instruments within the same country.

Indexation method

Indexation can be either automatic or implemented on a discretionary basis. Automatic indexation is generally based on a statutory obligation to adjust tax thresholds, brackets and benefits to reflect changes in a specific indicator at a set point in the tax year. Discretionary indexation implies that the government can choose whether to make such adjustments and can decide upon the size and the timing of any adjustment.

Automatic indexation does not necessarily imply that a tax system is more responsive to inflation than discretionary indexation. In a number of countries, there is a well-established, regular, and transparent system by which governments adjust taxes and benefits to reflect inflation, even if these adjustments are not prescribed by law. Also, if the automatic adjustment only takes effect when inflation exceeds a certain threshold, as happens in certain OECD countries, then fiscal drag is likely. Ad-hoc indexation (whether automatic or discretionary changes are the norm) enables governments to be more responsive to sharp increases in inflation.

Benchmark indicator

The choice of benchmark indicator for the adjustment of labour taxes and benefits has consequences for fiscal drag, workers' purchasing power and the income distribution. Adjusting thresholds in line with the evolution of the consumer price index (CPI) ensures that these thresholds retain their real value but does not prevent fiscal drag in cases where there is real wage growth. The latter can be prevented if thresholds are adjusted in line with wages, which happens less frequently in OECD countries (and is more common for SSCs than for PIT). (Beer, Griffiths and Klemm, 2023[5]) argue in favour of choosing the CPI as a benchmark for indexation for consistency across different tax types but recognise that indexing to average wages would keep the tax rate the same for the average earner.

Uprating benefits in line with consumer prices serves to protect recipients' purchasing power. However, adjusting benefit systems in line with price inflation means that the income gap between benefit recipients and workers grows when wages increase in real terms, thereby exacerbating inequality (although the opposite will occur in instances of falling real wages (Paulus, Sutherland and Tasseva, 2020[8])).[3] Moreover, price indexation implies that the value of eligibility thresholds will also decrease relative to wages which may affect the number of people who are eligible in the future (Immervoll, 2022[9]).

As this chapter will show, the majority of OECD countries index their labour tax systems to the CPI or with bespoke indices that are adjusted in line with CPI. However, countries such as the Netherlands have devised their own index for the specific purpose of adjusting tax systems in response to inflation. Certain governments that index labour taxes and benefits in line with prices do not benchmark them against all items tracked by the CPI. Certain OECD countries use a bespoke price index to reflect the expenditure patterns of benefit recipients (Immervoll, 2022[9]). This reflects the tendency for low-income groups to spend a higher proportion of their budget on necessities.

Some countries have devised a specific index for adjusting the parameters of their tax system. Chile's Internal Revenue Service, for example, indexes its PIT brackets to the Unidad Tributaria Mensual/Anual (UTM/UTA, the Monthly/Annual tax unit) and its education tax credit to the Unidad de Fomento; (UF, Inflation-indexed unit of account). The UTM is calculated by the Internal Revenue Service while the UF is calculated by the Central Bank; both are indexed to the CPI. Similarly, Mexico calculates the Unidad de Medida y Actualización (UMA, Unit of measure and updating) to fix the tax-exempt income level at federal and state level. The UMA is updated on an annual basis in line with the CPI.

In a small number of OECD countries, wages themselves are indexed to prices to protect workers against price rises. In certain cases, adjustments to the statutory minimum wage might be highly significant since this can be an important benchmark for components of the tax system.

Timing and frequency

Indexation policies (automatic or discretionary) are also based upon a reference period. The most common approach is to use the most recent data for the relevant indicator prior to the change in the parameters of the tax system (usually at the start of tax year T). Where the tax year starts on 1 January in year T, governments often use inflation data from the second half of year T-1, which allows sufficient time to calculate the revenue impact of indexation measures and other tax policies to be implemented in year T.

In contexts where inflation rates are relatively steady, as was the case in most OECD countries prior to the COVID-19 pandemic, there is little problem with using price changes in T-1 to calculate thresholds in year T. However, during periods when prices are rising sharply, using a historical reference period for the benchmark indicator might result in the parameters in the tax and benefit system losing value in real terms before the tax year starts and continuing to do so as the year progresses. This will exacerbate fiscal drag and reduce earners' disposable income. Forward-looking estimates of the benchmark indicator(s) might provide insurance against the impact of this lag, but they too can be vulnerable to rapid and unforeseen changes in prices.

Periods of high inflation also raise question about how often tax systems should be adjusted. As stated by (Beer, Griffiths and Klemm, 2023[5]), 'For modest inflation, annual adjustment is sufficient, while high inflation could require more frequent adjustment.' A number of countries made in-year adjustments in response to high inflation in 2022, as is discussed below.

Indexation practices in OECD countries

To understand indexation practices in OECD countries, a questionnaire was circulated in 2022 as part of the data collection for this edition of the *Taxing Wages* Report. This section summarises the responses to this questionnaire, which focused on countries' approach to adjusting their tax and benefit systems for inflation, the benchmark used for such adjustments and the timing of these adjustments.

The information provided in this section relates to indexation policies that were in place in 2022. These policies are subject to change: for example, Austria has introduced automatic indexation for PIT and cash benefits with effect from January 2023, while Greece will change its indexation policy for SSCs in 2025. Meanwhile, the United Kingdom has temporarily deviated from its customary indexation policies.

The results for all countries should be interpreted on the understanding that countries were not required to provide an exhaustive account of adjustment mechanisms for the taxes and benefits contained in the *Taxing Wages* models but rather to identify their broad approach.[4]

Table 2.1. Indexation policies in OECD countries

	Personal income taxes	Social security contributions	Cash benefits	Timing
Australia	Discretionary	Not applicable	Automatic	Annual for automatic adjustments
Austria	Discretionary	Discretionary	Discretionary	Discretionary
Belgium	Automatic	Automatic	Automatic	Mix
Canada	Automatic	Automatic	Automatic	Annual
Chile	Automatic	Automatic	Discretionary	Annual and monthly for automatic adjustments
Colombia	Automatic	Automatic	Automatic	Annual
Costa Rica	Automatic	Automatic	Automatic	Annual
Czech Republic	Discretionary	Automatic	Discretionary	Annual for SSCs
Denmark	Automatic	Not applicable	Automatic	Annual
Estonia	Discretionary	Automatic	Discretionary	Annual for SSCs
Finland	Discretionary	Discretionary	Automatic	Annual
France	Discretionary	Automatic	Automatic	Annual
Germany	Discretionary	Discretionary	Discretionary	Discretionary
Greece	Discretionary	Automatic	Discretionary	Annual for SSCs
Hungary	Discretionary	Discretionary	Discretionary	Discretionary
Iceland	Automatic	Discretionary	Discretionary	Annual
Ireland	Discretionary	Discretionary	Discretionary	Annual
Israel	Automatic	Automatic	Automatic	Annual
Italy	Discretionary	Automatic	Discretionary	Annual
Japan	Discretionary	Discretionary	Discretionary	Annual
Korea	Discretionary	Discretionary	Discretionary	Annual

Latvia	Discretionary	Discretionary	Discretionary	Annual
Lithuania	Automatic	Automatic	Automatic	Annual
Luxembourg	Discretionary	Automatic	Automatic	Biannual if > 2.5%
Mexico	Automatic	Automatic	Not applicable	If CPI >10% for PIT
Netherlands	Automatic	Automatic	Automatic	Annual
New Zealand	Discretionary	Not applicable	Automatic	If CPI >5%
Norway	Discretionary	Discretionary	Discretionary	Annual
Poland	Discretionary	Automatic	Discretionary	Annual for SSCs; every three years for family benefit
Portugal	Discretionary	Discretionary	Automatic	Annual
Slovak Republic	Automatic	Automatic	Automatic	Annual
Slovenia	Automatic	Automatic	Automatic	Annual
Spain	Discretionary	Discretionary	Discretionary	Discretionary
Sweden	Automatic	Automatic	Automatic	Annual
Switzerland	Automatic	Automatic	Automatic	Annual
Türkiye	Automatic	Discretionary	Not applicable	Annual
United Kingdom	Discretionary	Discretionary	Discretionary	Annual (historically)
United States	Automatic	Automatic	Automatic	Annual

Note: The information in this table relates to the tax and benefit systems in place in 2022.
In certain countries there exists variation around indexation approaches; in these cases, the predominant approach has been noted.
Three countries do not report any SSCs to *Taxing Wages* and two countries do not report any cash benefits. These are classified as 'Not applicable' in the table.
Source: Questionnaire responses.

Automatic versus discretionary adjustment

Table 2.1 sets out whether OECD countries adjust the parameters of PIT, SSCs and cash benefits for inflation on an automatic or a discretionary basis. It also shows how often adjustments are made. In some countries, the approach to inflation-adjustment varies across different measures within these three broad categories. In these cases, the table reflects the most common practice for each category.

These results, summarised in Table 2.2, attest to the variation in indexation policies that exists between and within OECD countries. In under half of OECD countries (seventeen), the PIT system is adjusted automatically, while for twenty-one countries the adjustments are discretionary. The majority of countries index SSCs and half of OECD countries index benefits. Twelve countries adjust each of PIT, SSCs and benefits automatically, while ten countries adopt a discretionary approach to all three categories.

Table 2.2. Indexation policies in OECD countries – Summary table

Number of countries, percentage of countries in brackets

	Personal income tax	Social security contributions	Benefits
Automatic indexation	17 (45%)	21 (55%)	19 (50%)
Discretionary adjustment	21 (55%)	14 (37%)	17 (45%)
Not applicable	0	3 (8%)	2 (5%)

Note: In two countries, the automatic adjustment only takes effect if the benchmark indicator increases by a pre-specified rate.
Due to rounding, percentages may not sum to 100%.
Source: Table 2.1, Questionnaire responses.

Where indexation is automatic, it usually occurs on an annual basis at the start of the tax year. In some countries, the adjustment is only triggered if inflation exceeds a certain threshold. This is the case in

Belgium, Luxembourg (where adjustments can take place twice a year), Mexico (for the income tax schedule) and New Zealand (for the Family Tax Credit and Best Start programme).

In Belgium, family allowances in two of the three regions[5] are adjusted monthly while social contributions are either updated monthly (for personal contributions) or quarterly (for employer contributions). A number of countries reported that they do not adjust thresholds or benefits downwards in the case of deflation; rather, they leave thresholds unchanged in that situation.

In countries that report making adjustments on a discretionary basis, it is usually the case that the timing is also discretionary. In Ireland, however, the current Programme for Government includes a commitment to index income tax credits and bands at the start of each tax year to avoid fiscal drag provided that incomes are rising and the economy is recovering (Taoiseach, 2020[10]). This is also the case in Finland, where the tax system is updated every year with very few exceptions.

Where annual uprating is the norm, there have nonetheless been exceptions. In France, tax thresholds were kept unchanged in 2012 and 2013 as a fiscal consolidation measure. In the case of the United Kingdom, annual indexation has been standard practice historically but certain thresholds are being held at their current level in nominal terms until the 2025/26 tax year. Austria will shift to a system of automatic indexation in 2023 (Box 2.1).

Certain countries reported making in-year adjustments in response to the current inflation shock. Germany implemented several relief measures over the course of 2022. Its Tax Relief Acts increased the basic PIT allowance, the child allowance and the lump-sum deduction for work-related expenses. All workers who are liable for PIT received a one-off energy price allowance of EUR 300 in September 2022. A one-time bonus benefit payment of EUR 100 per child was paid out in July 2022. Meanwhile, France implemented an exceptional in-year adjustment of child benefit and in-work benefit amounts for inflation in July 2022. This lump-sum payment is subject to personal income tax, but not to social security contributions. Austria also provided an anti-inflation bonus of EUR 250, which was tax-exempt up to a yearly taxable income of EUR 90 000.

Box 2.1. Austria’s reform to counteract fiscal drag

Although this Chapter shows Austria as making discretionary adjustments to its taxes and transfers in response to inflation, the country passed a reform in September 2022 that means it will index PIT and social transfers from January 2023 onwards with the specific objective of counteracting fiscal drag.

Under the new system, two independent economic research institutes will calculate the impact of inflation on tax revenues. Based on this calculation, PIT thresholds and tax credits (although not tax allowances) will be adjusted to neutralise this impact.

Two-thirds of the estimated impact of inflation on PIT revenues will be compensated automatically by adjusting thresholds and tax credits, while one-third of this amount must be redistributed to compensate recipients of income by other means, for example through the PIT system, SSCs or specific measures. Social transfers, such as child benefits and child credits, will be fully adjusted in line with inflation.

The adjustment, which will occur at the start of each year, will be based on the CPI. The average of the monthly inflation rates between July in T-2 and June in T-1 will be used to adjust parameters in year T.

Source: Country response to questionnaire, (Government of Austria, 2022[11]).

The modalities of inflation adjustment in OECD countries

This section sets out the benchmark indicators that countries use to index their labour tax systems and the reference periods for these benchmarks. This information, which is based on countries’ responses to the questionnaire, is set out in Table 2.3, which shows the general approach for each main category in each country. Table 2.4 summarises the results. As with the approach to indexation identified in the previous section, there is significant variation within and between OECD countries concerning the specific modalities of indexation.

Personal income tax

Fifteen countries reported that they adjust their PIT systems in line with prices while eighteen countries said they did not use a specific benchmark indicator. Two countries – Denmark and Lithuania – reported that they adjust their PIT system solely in line with wages. In three countries, the benchmark indicator varies.

Finland adjusts its PIT system by whichever out of prices and wages has risen the most, while key parameters in the Slovak Republic's PIT system are adjusted with reference to the Minimum Living Standard, which in turn is adjusted in line with whichever indicator has risen the least out of the low-income inflation rate or a measure of disposable income. Norway indexes different parameters of the PIT according to increases in whichever indicator is most relevant out of consumer prices, wages, pensions, or asset values.

Table 2.3. Indexation benchmarks and reference period

	Personal income taxes	Social security contributions	Cash benefits	Reference period
Australia	Discretionary	Not applicable	CPI	T-1
Austria	Discretionary	Discretionary	Discretionary	Discretionary
Belgium	CPI	Custom price index	Custom price index	T-2/T-1 for PIT; Current for SSCs and benefits
Canada	CPI	CPI	CPI	T-1
Chile	CPI	CPI and wage index	Discretionary	T-1 for annual adjustments
Colombia	Custom price index	Minimum wage	Minimum wage	T-1 and projected
Costa Rica	CPI	CPI	CPI	T-1
Czech Republic	Discretionary	Average wage	Discretionary	Current (T-2 updated) for SSCs
Denmark	Average wage	Not applicable	CPI	T-2
Estonia	Discretionary	Minimum wage	Discretionary	T-1
Finland	The higher of CPI or wage index	The higher of CPI or wage index	The higher of CPI or wage index	Forward-looking estimates for year t
France	Custom price index	Wages (Avg & min)	Custom price index	Current (nowcasting)
Germany	Discretionary	Discretionary	Discretionary	Discretionary
Greece	Discretionary	CPI	Discretionary	T-1 for SSCs
Hungary	Discretionary	Discretionary	Discretionary	Discretionary
Iceland	CPI +1%	CPI	Discretionary	T-1
Ireland	Discretionary	Discretionary	Discretionary	Discretionary
Israel	CPI	CPI	CPI	T-1
Italy	Discretionary	CPI	Discretionary	T-1
Japan	Discretionary	Discretionary	Discretionary	Discretionary
Korea	Discretionary	Discretionary	Discretionary	Forward-looking
Latvia	Discretionary	Discretionary	Discretionary	Discretionary
Lithuania	Average wage	Wages (Avg & min)	Discretionary	Discretionary
Luxembourg	Discretionary	Minimum wage	CPI	Current
Mexico	CPI	CPI	Not applicable	T-1
Netherlands	Custom price index	Custom price index	Custom price index	T-2/T-1
New Zealand	Discretionary	Not applicable	CPI	T-1
Norway	Relevant growth factor (Wages, CPI, pensions & wealth)	Average wage	CPI	Forward-looking
Poland	Discretionary	Average wage	Custom price index	Forward-looking wage estimates
Portugal	Discretionary	Discretionary	Minimum wage	T-1
Slovak Republic	Minimum living standard	Average wage	Minimum Living Standard	T-2
Slovenia	CPI	CPI	CPI	T-1
Spain	Discretionary	Discretionary	Discretionary	Discretionary
Sweden	Custom price index	Custom price index / wage index	Custom price index	T-2/T-1
Switzerland	CPI	CPI	CPI	T-2/T-1
Türkiye	Producer price index	Discretionary	Not applicable	T-1
United Kingdom	Discretionary	Discretionary	Discretionary	CPI for T-1 (historically)
United States	CPI	CPI	CPI	T-1

Note: The information in this table relates to the tax and benefit systems in place in 2022.
Year T refers to 2022, the fiscal year covered by this edition of *Taxing Wages*; T-1 would therefore be 2021, T-2 would be 2020 etc. Year T-1 implies the majority of the reference period falls in year T-1 but some of year T-2 might be included.
In some countries, indexation approaches vary within categories; in these cases, the predominant approach has been noted.
Social security contributions are not included in the *Taxing Wages* models for three countries and cash benefits are not included for two countries. These are classified as 'Not applicable' in the table.
Source: Questionnaire responses

Table 2.4. Indexation benchmarks – Summary table

Number of countries, percentage of countries in brackets

	Personal income tax	Social security contributions	Benefits
Prices	15 (39%)	12 (32%)	16 (42%)
Wages	2 (5%)	9 (24%)	2 (5%)
Discretionary	18 (47%)	11 (29%)	16 (42%)
Not specified	3 (8%)	3 (8%)	2 (5%)
Not applicable	0	3 (8%)	2 (5%)

Note: 'Not specified' means that a country chooses between pre-selected benchmarks as the basis for adjustment or uses a combination thereof. The Slovak Republic's approach to the adjustment of benefits is classified as 'not specified' because the Minimum Living Standard is indexed to whichever is lower out of the low-income inflation rate and the growth in net disposable income.
Due to rounding, percentages may not sum to 100%.
Source: Table 2.3, Questionnaire responses.

Of the fifteen countries that adjust the PIT systems in line with prices, ten use the CPI, one uses a producer price index and four use a custom price index. As examples of the latter approach, France excludes tobacco from its price index while Colombia uses a price index calculated for middle-class households. Iceland and Sweden uprate their PIT systems in line with the CPI plus 1% and 2% respectively. In the case of Iceland, this additional factor reflects long-term average annual growth in labour productivity and is specifically intended to mitigate fiscal drag.

The Netherlands adjusts the thresholds for PIT, SSCs and benefits in line with the so-called *tabelcorrectiefactor*. This indicator is based on the CPI but excludes the effects of changes in the rates of product-related taxes (such as value-added tax) and subsidies and consumption-related taxes (such as the motor vehicle tax). This step is intended to create independence between different tax instruments and thus prevent unforeseen interdependence between different policy measures. The only exception to this approach is the earned income tax credit, whose thresholds are adjusted in line with wages.

Germany adjusts the thresholds and other parameters of taxes and benefits modelled in *Taxing Wages* in response to the findings of two reports. The first is the so-called subsistence level report (*Existenzminimumbericht*), which is published every two years by the Federal Government to determine the amount of the basic income tax allowance and the child allowance needed to ensure the subsistence level of income is not subject to PIT. The subsistence level is based on expenditure on (inter alia) food, clothes, personal care, energy, housing and (social) insurance; it is updated by the "mixed index" (*Mischindex*), which is based 70% on changes in the prices for goods and services included in the subsistence level calculation and 30% on the development of net wages.

The second report, the so-called *Bericht über die Wirkung der kalten Progression*, is specifically intended to monitor fiscal drag and is also published every two years. It analyses the extent to which changes in wages that compensate for higher inflation (as measured by the deflator for private consumption) lead to higher average tax rates due to the progressivity of the PIT system.

Social security contributions and cash benefits

Twelve countries adjust the parameters for SSCs in line with prices only, of which ten use the CPI. Belgium, one of two countries that use a custom price index, excludes tobacco, alcoholic drinks, petrol and diesel from the indexation benchmark for social security contributions and cash benefits. Eight countries use wages (either minimum or average wages, or a combination thereof) as the benchmark. Greece currently uses prices to adjust SSCs but will move to a wage index in 2025.

Only eleven countries do not report using a specific benchmark for SSCs (compared to eighteen for PIT). Of the three countries which do not specify a single indexation benchmark, Norway uses the relevant growth factors as outlined above in the case of its PIT adjustments, while Finland uses the higher of price and wage inflation, as with its indexation of PIT. Sweden adjusts the floor for SSCs in line with prices as for PIT but adjusts the contribution ceiling in line with an income index.

Where wages are used as the basis for adjustments to SSCs (or other aspects of the labour taxation system), the table shows whether the benchmark is the statutory minimum wage or the average wage calculated across the economy. Three countries report using the minimum wage and four use an average wage (plus two more when including Sweden's income index and Finland's wage index). In France and Lithuania, the average wage and minimum wage are used for different parameters of SSCs.

If a minimum wage is used, the uprating mechanism is also legally defined. This adjustment can be linked directly to prices or wages (or both, in the case of France) or it can be negotiated, as happens in Colombia and Estonia. In Belgium and Luxembourg, it is legally required for wages to be adjusted in line with inflation. Although Iceland's fixed SSC is meant to keep its real value over time in line with PIT thresholds and the tax credit, the increase has historically been capped at 2.5%. However, for the 2023 tax year, this value was updated in line with the latest available 12-month change in the CPI at the time of the adjustment, which far exceeded this cap.

Sixteen countries adjust their cash benefits in line with prices, of which eleven use the CPI. Two countries uprate benefits according to the minimum wage, and Finland uses whichever is higher out of the minimum wage and CPI inflation. Sixteen countries reported that they adjust benefits on a discretionary basis.

Lithuania adjusts its benefits in line with the Basic Social Allowance, which itself is determined on a discretionary basis. Portugal specifies that it uses the minimum wage rather than prices to adjust the child benefit in response to the decline in the country's birth rate. New Zealand adjusts the Minimum Family Tax Credit (MFTC) on a discretionary basis to ensure that single parents are better off receiving the MFTC when working 20 hours a week than they would be if they received other benefits. This calculation is based on a number of factors, including the minimum wage and other benefit parameters.

Reference period

Over half of OECD countries adjust their labour tax systems according to changes in a benchmark indicator recorded prior to the start of the tax year in question. This creates a lag whose effects might be especially pronounced in periods of high inflation. For eight countries where uprating happens on a discretionary basis, it was not possible to identify a reference period. It therefore cannot be said with certainty whether and to what extent a lag exists in their tax systems.

The most common approach in OECD countries is to uprate thresholds for tax year T according to annual changes in the benchmark inflation indicator recorded in a month towards the end of year T-1, around the time that tax policies for tax year T are being formulated. If the month in which the end date of this indicator falls is in the second half of year T-1, this is recorded as T-1 in Table 2.2 because the majority of the reference period falls in that year. If the reference period covers the last six months of year T-2 and the first six months of year T-1, this is denoted as T-2/T-1 in Table 2.2.

In some countries, the lag is especially pronounced. In Denmark, most parameters are adjusted in line with changes in wages two years prior to the tax year in question (child benefits are adjusted in line with the CPI two years prior to the tax year). In Canada, there is a significant lag for its child benefits – eligibility is determined in June of year T based on family net income in T-1 and child benefit parameters that are indexed based on CPI from October T-2 to September T-1.

In three countries, tax systems are indexed to very recent changes in the relevant indicator. In the case of Luxembourg, this is because the parameters change when the relevant indicator surpasses a certain threshold. In France, a 'nowcasting' approach is taken to forecast the level of annual inflation in year T during budget preparations in the final months of year T. This means that PIT parameters used to tax wages earned in year T (which occurs in year T+1) move in line with inflation in year T. In the Czech Republic, SSC thresholds are based on valorised wage data for year T-2.

Four countries adopt a forward-looking approach to predict the inflation rate in year T: Finland, Korea, Norway and Poland. In Finland, this is done with reference to the government's autumn economic forecast in year T-1. In Norway, the relevant growth factor for the respective instruments in year T is calculated in year T-1, while Poland uses a forecast of the annual wage in year T to update the family benefit (which happens every three years).

Considering Tables 2.1 and 2.2 together, the overall situation appears similar to that identified when the *Taxing Wages* report last examined indexation practices in OECD countries in 2007. As (OECD, 2008[3]) concludes: 'Most OECD countries do employ some form of adjustments, such as indexing tax band limits for inflation, in order to prevent large tax-burden changes as a result of inflation or real earnings growth. These adjustments are, however, incomplete or infrequent in most countries. As a result, the impact of tax reforms that aim at lowering tax burdens in a given year can to a large extent be offset by fiscal drag effects accumulated over extended periods.'

Potential fiscal drag in the OECD

This section examines the upwards pressure that increases in nominal average wages shown in Figure 2.2 placed on the tax wedge in OECD countries between 2019 and 2022. The two panels in Figure 2.4 show the tax wedge in 2019 (dark blue bars) and 2022 (light blue bars) for two household types: a single worker earning 100% of the average wage and a single parent of two children earning 67% of the average wage. They also include a third indicator showing what the tax wedge would have been in 2019 if the average wage had been at its 2022 level (in current prices).

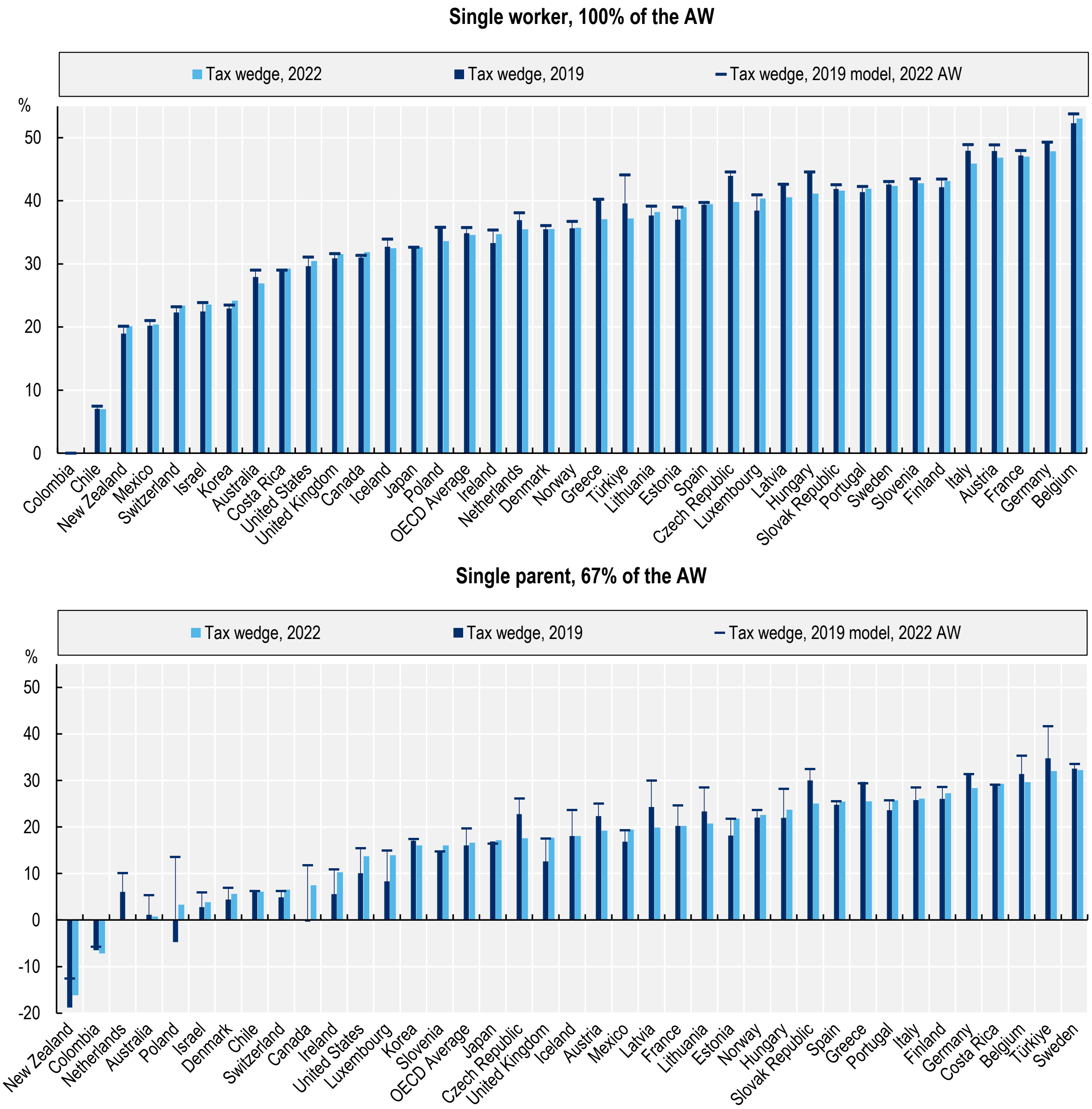
This third indicator, shown by the thin blue line above the dark blue bar for each country, demonstrates the hypothetical impact of increases in nominal wages between 2019 and 2022 on the tax wedge of the two household types if tax brackets, thresholds, benefit values and other parameters had been kept at the same nominal value throughout this period. It therefore demonstrates the potential nominal fiscal drag effect (described earlier) and is derived purely from the interaction of nominal wage increases with the nominal value of the parameters of the tax system.

The actual fiscal drag effect between 2019 and 2022 is determined by inflation, by trends in real wages and by any policy measures affecting the tax burden undertaken between the two periods, including (but not limited to) indexation and other inflation adjustments. Calculating this phenomenon goes beyond the scope of this chapter, since it would require disentangling the effects of policy changes and wage changes (real and nominal) between 2019 and 2022, a period in which labour taxation was an important aspect of governments' policy response to the COVID-19 pandemic and fluctuations in the average wage were the principal driver of changes in the tax wedge (OECD, 2022[12]).

Single worker earning 100% of the average wage

Figure 2.4a shows the tax wedge and potential fiscal drag effect for a single worker earning 100% of the average wage. On average across the OECD, the tax wedge for this household type fell from 34.9% in 2019 to 34.6% in 2022; it increased in 18 of 38 countries and declined in 15, with the average size of the decline larger than that of the average increase. The upwards pressure of potential fiscal drag on the OECD average tax wedge was 0.9 percentage points (p.p.) (i.e. nominal wage growth would have added almost one percentage point to the OECD average tax wedge) and exceeded 1 p.p. in 15 countries.

Figure 2.4. Potential nominal fiscal drag in OECD countries



Note: The thin blue line captures potential nominal fiscal drag, which is the change in the tax wedge that would have been observed between 2019 and 2022 in the absence of any discrete policy measures or adjustment for inflation. The sum of the potential fiscal drag effect and the tax wedge in 2019 represents the hypothetical tax wedge for the two household types if they had earned the average wage for 2022 in the year 2019.
Source: *Taxing Wages* models, authors' calculations.

StatLink https://stat.link/jn7sqm

Türkiye showed the largest potential fiscal drag effect (of 4.5 p.p.) for this household type between 2019 and 2022, as well as recording the largest increase in nominal average wages among OECD countries over this period. However, other countries where nominal growth in the average nominal wage was particularly strong did not necessarily exhibit the largest potential fiscal drag. Of the 15 countries where the potential fiscal drag effect exceeded 1 p.p., only six – Türkiye, Luxembourg, Estonia, Lithuania, the United States and Iceland – were among the 15 countries with the strongest average annual wage growth over the same period.

Meanwhile, the potential fiscal drag effect was zero in Hungary and just 0.2 p.p. in Latvia and Poland, even though these countries experienced the strongest wage growth in the OECD between 2019 and 2022 after Türkiye and Lithuania. This is because Hungary, Latvia and Poland all have a very flat tax structure above 100% of the average wage for a single worker; as a result, the hypothetical increases in the average wage in 2019 would not have translated into a higher tax burden. This is illustrated by the graphical expositions of the tax burden in Chapter 4 of this Report.

Single parent earning 67% of the average wage

For a single parent earning 67% of the average wage, increases in nominal wages between 2019 and 2022 would generally have caused a much larger increase in the tax wedge in the absence of indexation and other tax policies than was seen for the single worker earning 100% of the average wage (Figure 2.4b). The average potential fiscal drag across the OECD for this household type was 3.5 p.p. and exceeded 4 p.p. in 15 countries. Between 2019 and 2022, the tax wedge for this household type increased in 22 countries and rose from 16.2% to 16.6% on average across the OECD in the period considered.

Potential fiscal drag for a single parent earning 67% of the average wage was much more sensitive to increases in nominal wages because of the broader range of instruments, such as tax credits and child benefits, to which this household type might be eligible, and the rate at which the value of these instruments declines as nominal wages increase around this income level. Of the fifteen countries where potential fiscal drag exceeded 4 p.p., ten were also among the fifteen countries with the strongest growth in the nominal average wage over the period. Meanwhile, in the countries where wage growth was lowest, potential fiscal drag was also low: of the nine countries where potential fiscal drag was below 1.0 p.p. for this household type, wage growth was slower between 2019 and 2022 than it had been between 2010 and 2019.

Slovenia is a notable exception to this latter tendency. Its average annual wage growth was 138% higher during the pandemic period than between 2010 and 2019 but potential fiscal drag for this household type was zero, reflecting in part the fact that the value of family benefits declines slowly with income and the additional general allowance for low-income groups phases out below 67% of the average wage.

Combined results

Looking at the results for both household types together, the list of the 15 countries where the potential fiscal drag is largest differs significantly between them. In Hungary, Poland and Latvia, potential fiscal drag was zero or close to zero for a single worker earning 100% of the average wage; for the single parent earning 67% of the average wage, the fiscal drag effect was 5.7 p.p. in Latvia, 6.2 p.p. in Hungary and 18.8 p.p. in Poland – the latter being by far the highest figure for this household type among OECD countries. Although these three countries have flat tax structures above the average wage, the tax wedge for the single parent increases rapidly with income below the average wage in each case.

Another notable difference is in the ranking of Canada, where potential fiscal drag for a single parent earning 67% of the average wage was 12.2 p.p., the second-highest among OECD countries, due to declines in child benefits, the goods and services tax credit and the provincial tax reduction with income. Potential fiscal drag was just 0.4 p.p. for the single worker earning the average wage.

For the single worker earning 100% of the average wage, there are only four countries – Canada, Costa Rica, Korea and Switzerland – where the tax wedge in 2022 was higher than the sum of the tax wedge in 2019 plus potential fiscal drag (shown by the combined height of the blue bar and the thin blue line). For the single parent earning 67% of the average wage, this was the case in six countries: Costa Rica, Japan, Mexico, Slovenia, Switzerland and the United Kingdom.

Because the structure of the tax wedge in 2019 across OECD countries was different to the structure of the tax wedge in 2022, it is not possible to compare the potential nominal fiscal drag effect with the tax wedge in 2022. Instead, the potential fiscal drag effect can be understood as being the upwards pressure that rising nominal wages placed on the tax wedge between 2019 and 2022. These results suggest that tax policies in most OECD countries, including inflation adjustments, were able to at least partially mitigate this pressure. However, it could also be the case that higher nominal average wages offset the impact of tax policies intended to reduce the tax wedge in OECD countries.

This analysis supports previous findings that low-income workers are particularly vulnerable to fiscal drag. The potential fiscal drag effect for a single parent earning 67% was significantly larger than for the single worker earning the average wage in almost every country, and there was a clear tendency for potential fiscal drag to be largest in the countries with the strongest nominal wage growth between 2019 and 2022. This is likely to have been an important reason why the average tax wedge rose for this household type across the OECD between 2019 and 2022, compounding the particularly adverse labour market outcomes that low-income and vulnerable workers experienced during the pandemic.

Conclusion

This special feature examines indexation practices in OECD countries at a time when inflation rates are at their highest level for 30 years. Although average nominal wages grew strongly in most OECD countries between 2019 and 2022, they did not keep pace with inflation in 2022, resulting in a decline in real wages across the OECD. Compounding this loss of purchasing power, inflation increased tax burdens by eroding the real value of tax thresholds and benefits – an example of the phenomenon known as 'fiscal drag'. Governments can use fiscal drag to increase revenues from labour taxation but doing so can have a significant impact on the transparency and distributional impact of taxes and transfers. Fiscal drag can be prevented to a large extent if the parameters of fiscal systems are adjusted for inflation, a mechanism known as indexation or uprating.

The chapter presents the results of a questionnaire circulated to OECD countries in July 2022 asking whether and how they adjust the taxes and benefits included in the *Taxing Wages* models in response to inflation. The responses to this questionnaire reveal significant variation between (and often within) OECD countries in terms of their indexation policies. Just under half of OECD countries automatically adjust their PIT systems to inflation, while a higher proportion automatically adjust SSCs and cash benefits. Among the countries that make automatic adjustments, most base these adjustments on changes in consumer prices, although a number of countries use wage indicators as the benchmark, especially for SSCs and cash benefits. The results of the questionnaire also provide insights into the timing and frequency of these adjustments: with most countries making adjustments on an annual basis, often based on lagged inflation data, OECD countries are particularly exposed to fiscal drag during periods of high inflation.

The special feature concludes by demonstrating the upwards pressure on tax burdens caused by recent increases in nominal average wages in OECD countries. The results underline the importance of indexing labour taxation to inflation in order to prevent fiscal drag from increasing tax burdens in OECD countries. The analysis also shows that the household type comprising a single parent earning 67% of the average wage is particularly vulnerable to fiscal drag induced by higher nominal wages. This is because they access a broad range of tax credits, benefits and exemptions, all of which are sensitive to changes in nominal incomes if parameters and thresholds are not adjusted to inflation.

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Notes

[1] The cash benefits analysed in this chapter are limited to those transfers that are contained in the *Taxing Wages* models; the analysis may not cover all social protection benefits that a given country might provide. Further information can be found in the country chapters in Part II of this publication and the annex.

[2] As noted in Chapter 1 and the Annex of this Report, wage trends shown by the *Taxing Wages* models are not representative of all workers in the economy. This is because the wage measure used is restricted

to the sectors covered by sectors B-N in ISIC rev.4 and do not include non-standard forms of work, such as part-time or self-employment.

[3] The issues around linking pension payments to wage growth, as is done in some OECD countries, is beyond the scope of this chapter but is nonetheless relevant for indexation practices in the system as a whole as well as broader considerations of fiscal sustainability.

[4] In some countries, discrepancies exist between the approach between national and sub-national administrations. This occurs in Canada, where there is variation between Territories and Provinces in terms of whether indexation is discretionary or automatic, as well as the number of thresholds and values indexed, and whether the federal indexation measure is used. Ontario, which is considered the representative province for *Taxing Wages*, mirrors the federal system. There is also some variation in indexation practices between cantons in Switzerland (Zurich adjusts tax brackets and deductions on a biannual basis, for example) and between different states in the United States.

[5] This includes Belgium's capital region, which serves as the reference region for *Taxing Wages*.

3 Effective tax rates on labour income in 2022

The effective tax rates on labour income in 2022 calculated for the eight model household types are presented in Tables 3.1 to 3.13 and Figures 3.1 to 3.7. The household types vary by marital status, number of children and economic status. For each household type, the chapter presents different indicators for the average rates (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 rates

Table 3.1[1] and Figure 3.1 show the average tax wedge for 2022, which combines personal income tax, employee and employer social security contributions (SSCs) while also taking into account cash benefits to which each household type was entitled. Total taxes due minus transfers received are expressed as a percentage of labour costs, defined as gross wage *plus* employers' SSCs (including payroll taxes). In the case of a single person on the average wage (AW), the tax wedge ranged from zero (Colombia) and 7.0% (Chile) to 47.8% (Germany) and 53.0% (Belgium). For a one-earner married couple with two children, at the average wage level, the tax wedge was lowest in Colombia (-4.8%) and highest in Finland and France (both at 39.2%). 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 receipt of cash benefits and/or more advantageous tax treatment. The tax wedge for a single parent with two children, earning 67% of the AW, was negative in New Zealand (-16.1%) and Colombia (-7.2%). Negative tax wedges occur when the cash benefits received by families, plus any applicable non-wastable tax credits, exceed the sum of the total tax and social security contributions that are due.

Table 3.2 and Figure 3.2 combine personal income tax and employee SSCs in 2022, 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). For single workers at the average wage level without children, the highest average levels of tax plus contributions were seen in Germany (38.0%) and Belgium (40.3%). The lowest average rates were in Colombia (0.0%), Chile (7.0%), Costa Rica (10.5%), Mexico (11.3%), Korea (15.8%), Estonia (18.4%), Switzerland (18.5%), Israel (19.1%) and the Czech Republic (19.6%).

Table 3.3 shows personal income tax and employee SSCs, reduced by the entitlement to cash benefits, for each household type in 2022. Figure 3.3 illustrates this 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 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 shows that 33 countries provided cash benefits in 2022. In New Zealand and Denmark, these represented more than 25% of income (31.5% and 25.6%, respectively). Thirty-two countries provided cash benefits for a one-earner married couple with two children earning the average wage, although these were less generous relative to income, ranging up to 17.3% in Poland. The lower level of cash benefits for the married couple may be attributable to three factors: single parents may be eligible for more generous treatment; the benefits 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 2022. For single persons without children at the average wage (column 2), the income tax burden ranged from 0.0% (Chile, Colombia and Costa Rica) to 35.5% (Denmark). In most OECD countries, at the average wage level, the income tax burden for one-earner married couples with two children was lower than that for single persons (compare columns 2 and 5). These differences are illustrated in Figure 3.4. In eleven 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, the Czech Republic, Germany, Hungary, Luxembourg, Poland, Portugal, the Slovak Republic, Slovenia, Switzerland and the United States). There was no difference in another eleven countries: Australia, Chile, Colombia, Costa Rica, Finland, Lithuania, Mexico, New Zealand, Norway, Sweden and Türkiye. In Chile, Colombia and Costa Rica, neither the single worker on the average wage nor the one-earner married couple at the average wage paid personal income taxes.

There were three OECD countries where the personal income tax rate including SSCs for a married average worker with two children was negative in 2022. 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 -3.0% in Poland and the Slovak Republic and -7.9% 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, the Slovak Republic, Spain and the United States. In three other countries – Chile, Colombia and Costa Rica– this household type paid no income tax.

Comparison of columns 5 and 6 in Table 3.4 demonstrates that if the second spouse had a job that paid 67% of the average wage, the income tax burden of the household (now expressed as 167% of the average wage) would be slightly higher in 21 countries, the largest differences being in the Czech Republic (8.3 percentage points) and Germany (9.7 percentage points). The income tax burden was lower in thirteen countries, the largest differences being in the Netherlands (-4.7 percentage points), Finland and Israel (both -3.1 percentage points). There was no impact on the tax burden in Chile, Colombia or Costa Rica.

An important consideration in the design of an income tax is the degree 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 progressivity of 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 2022. In Colombia, neither the average single worker nor their counterparts at 167% of the average wage paid personal income tax. In Hungary, a flat tax rate was 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 Chile, Colombia, Costa Rica and Hungary. 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 five OECD countries: Chile (0.0%), Colombia (0.0%), Costa Rica (0.0%), Greece (22.0%) and the Netherlands (21.4%).

The addition of SSCs 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 higher-income workers). When comparing Table 3.2 with Table 3.4, the OECD personal average tax rate including SSCs for single individuals at 67% of the average wage level was only 32.1% lower than their counterparts at 167%, compared to the OECD average tax savings of 48.1% for personal income taxes alone in 2022. The OECD average tax savings observed for one-earner married couples with two children at the average wage level relative to the average single worker fell from 32.7% for the personal income tax to 19.8% for the personal average tax rate including SSCs. These lower figures reflect that there is little variation in SSC rates across household types, as shown in Table 3.5.

Table 3.5 shows employee SSCs as a percentage of gross wage earnings in 2022. For a single worker without children at the average wage (column 2), the contribution rate varied between zero (Australia, Colombia, Denmark and New Zealand) and 22.1% (Slovenia). Australia, Denmark and New Zealand did not levy any employee SSCs paid to general government. In Colombia, most of the SSCs are paid to funds outside the general government and are considered to be non-tax compulsory payments. Therefore, they are not counted as SSCs in the *Taxing Wages* calculations. There were three other countries with very low rates: Iceland (0.1%), Mexico (1.4%) and Estonia (1.6%).

SSCs 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 AW. The flat rates result in a constant average burden of SSCs for most countries between 67% and 167% of average wage earnings. A constant proportional burden for employee SSCs for the eight model household types was observed in Slovenia (22.1%), Lithuania (19.5%), Hungary (18.5%), Poland (17.8%), Türkiye (15.0%), Greece (14.0%), the Slovak Republic (13.4%), the Czech Republic and Portugal (both 11.0%), Latvia and Costa Rica (both 10.5%), Norway (8.0%), 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, Germany and the Netherlands imposed different levels of SSCs on employees according to their family status (see Figure 3.5).

Marginal tax rates

Table 3.6 and Figure 3.6 show the percentage of the marginal increase in labour costs that was deducted through the combined effect of increasing personal income tax, employee and employer SSCs (including payroll taxes) and decreasing cash transfers in 2022. 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, the marginal tax wedge absorbed 25% to 55% of an increase in labour costs for single individuals on average wage without children in 2022. However, in seven OECD countries, these individuals faced marginal wedges above 55%: Finland (56.1%), Luxembourg (58.5%), Germany (58.4%), France (57.7%), Austria (59.5%), Italy (62.7%) and Belgium (68.7%). By contrast, Chile (7.0%) had the lowest marginal tax wedge in 2022. For Colombia, no income tax was paid at the average wage level in 2022 while SSCs are considered as non-tax compulsory payments and are thus 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 as that for single persons at average wage with no children or within 5 percentage points thereof. The marginal tax wedge was more than 5 percentage points lower for one-earner married couples in eight countries: France (16.4 percentage points), Luxembourg (12.5 percentage points), the Czech Republic (11.2 percentage points), the United States (9.3 percentage points), Poland (8.9 percentage points), Slovenia (6.7 percentage points), Germany (6.5 percentage points) and Switzerland (6.2 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 (5.5 percentage points), the Netherlands (5.6 percentage points), Iceland (9.0 percentage points) and New Zealand (27.0 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 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 SSCs less cash benefits when gross wage earnings increased at the margin in 2022. As in the case of the tax wedge, in most cases personal income tax and employee SSCs 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 60% only in Belgium (60.2%) and lower than 25% in Chile (7.0%), Costa Rica (10.5%), Mexico (19.5%) and Korea (23.4%). As previously mentioned, no income tax was paid in Colombia at the average wage while SSCs are considered as non-tax compulsory payments.

In twenty-six 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 as or within 5 percentage points of that for single persons with no children. The marginal rate was more than 5 percentage points lower for the one-earner married couples in nine countries: France (22.4 percentage points), the Czech Republic (15.0 percentage points), Luxembourg (14.2 percentage points), Poland (10.4 percentage points), the United States (10.0 percentage points), Slovenia and Germany (both 7.8 percentage points), Switzerland (6.6 percentage points) 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 (5.7 percentage points), the Netherlands (6.2 percentage points), Iceland (9.6 percentage points) and New Zealand (27.0 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 increased by 1 currency unit in 2022, i.e. the elasticity of after-tax income.[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), the most progressive systems of income tax plus employee SSCs in 2022 were found in New Zealand (0.43), Belgium (0.56), Italy (0.57), Austria (0.58) and Ireland (0.59). In contrast, France (0.97) and Mexico (0.91) either implemented or were close to a proportional system of income tax plus employee SSCs for this household type. For Colombia (0.95), Chile and Costa Rica (both 1.0), no income tax was paid at that level of earnings. In Colombia, SSCs 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.

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 SSCs and payroll taxes) when the latter rose by 1 currency unit in 2022.[4] In this case, taxes and SSCs 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 (0.48), the Netherlands (0.46), Luxembourg and Belgium (both 0.45), Australia (0.42), France and the United Kingdom (both 0.32), Ireland (0.29) and Canada (0.25) and for one-earner married couples at the average wage level with two children in New Zealand (0.43). In contrast, the elasticity was between 0.98 and 1.0 for most household types in Costa Rica and Chile and some household types in Canada, Colombia, Hungary and Mexico, and one household type in Estonia and Lithuania for the single worker earning 167% of the AW (1.0). Using this elasticity measure, the income tax system was regressive for a single individual at 167% of the AW in Germany (1.06) and Austria (1.1).

Table 3.10 and Table 3.11 set out gross wage earnings and net income for the eight household types in 2022, after all amounts have been converted into U.S. dollars with the same purchasing power. Single workers with the average wage took home over USD 50 000 in eleven countries: Switzerland (USD 77082), Luxembourg (USD 56 104), the Netherlands (USD 55 373), Iceland (USD 53 060), Norway (USD 51 384), Korea (USD 50 569), Ireland (USD 50 473) and Australia (USD 50 403)) (Table 3.10 column 4). The lowest levels (less than USD 20 000) were in Mexico (USD 13 489) and Colombia (USD 14 644). In the case of a one-earner married couple with two children at the average wage level, families took home over USD 60 000 in Austria, Germany, Iceland, Ireland, Luxembourg, Netherlands and Switzerland; with the lowest level again being in Colombia and Mexico (Table 3.11). With the exception of Chile, Costa Rica and 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 2022. 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 significantly higher than gross wages, because any employer SSCs (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 the Netherlands (USD 85 828), Luxembourg (USD 94 100) and Switzerland (USD 100 655), and lowest (less than USD 30 000) in Colombia (USD 14 644) and Mexico (USD 13 489). Annual labour costs are equal to annual gross wage in Chile, Colombia, Denmark and New Zealand. In those countries, neither compulsory employer SSCs 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, 2022

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

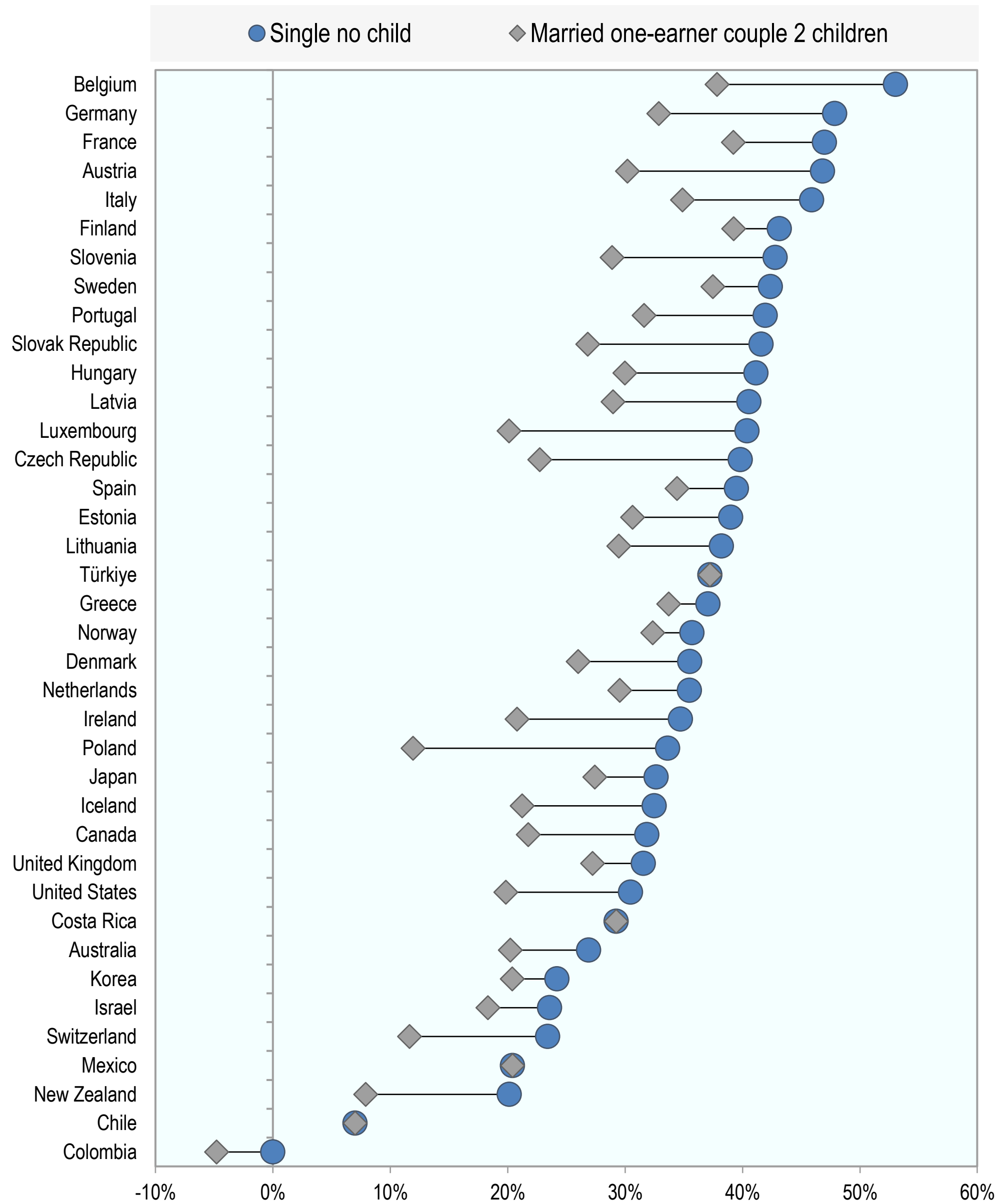
	Single no children 67 (% AW)	Single no children 100 (% AW)	Single no children 167 (% AW)	Single 2 children 67 (% AW)	Married 2 children 100-0 (% AW)	Married 2 children 100-67 (% AW)[1]	Married 2 children 100-100 (% AW)[1]	Married no children 100-67 (% AW)[1]
Australia	21.2	26.9	33.1	0.8	20.2	24.6	26.9	24.6
Austria	41.9	46.8	50.5	19.2	30.2	36.1	39.5	45.0
Belgium	46.5	53.0	59.1	29.6	37.8	45.5	48.8	50.4
Canada	30.0	31.9	35.4	7.5	21.8	28.9	30.9	31.1
Chile	7.0	7.0	8.3	6.1	7.0	6.6	7.0	7.0
Colombia	0.0	0.0	0.0	-7.2	-4.8	-5.7	-4.8	0.0
Costa Rica	29.2	29.2	31.3	29.2	29.2	29.2	29.2	29.2
Czech Republic	37.4	39.8	41.8	17.5	22.7	33.8	35.6	38.9
Denmark	32.9	35.5	41.2	5.6	26.0	31.0	32.7	34.5
Estonia	34.5	39.0	41.2	21.8	30.6	33.1	35.6	37.2
Finland	36.8	43.1	49.4	27.3	39.2	38.2	41.2	40.6
France	40.7	47.0	53.9	20.2	39.2	40.7	44.1	44.3
Germany	43.7	47.8	50.0	28.4	32.9	40.8	43.2	46.0
Greece	32.5	37.1	42.2	25.5	33.7	35.7	37.5	36.2
Hungary	41.2	41.2	41.2	23.7	30.0	34.5	35.6	41.2
Iceland	28.7	32.5	37.8	18.1	21.2	30.2	32.5	31.0
Ireland	25.5	34.7	43.0	10.3	20.8	27.7	32.0	31.0
Israel	16.9	23.6	33.4	3.8	18.3	15.3	17.6	20.5
Italy	40.1	45.9	53.8	26.1	34.9	37.4	41.4	43.6
Japan	31.2	32.6	35.6	17.2	27.4	29.6	30.6	32.1
Korea	21.1	24.2	27.3	16.0	20.4	20.9	22.5	23.0
Latvia	37.2	40.6	42.8	19.9	29.0	32.3	34.8	39.2
Lithuania	33.8	38.2	40.6	20.7	29.5	31.2	33.8	36.5
Luxembourg	32.2	40.4	47.0	13.9	20.1	29.9	34.4	35.6
Mexico	19.4	20.4	23.4	19.4	20.4	20.0	20.4	20.0
Netherlands	27.9	35.5	40.8	6.0	29.6	28.0	31.7	32.4
New Zealand	14.7	20.1	25.3	-16.1	7.9	18.0	20.1	18.0
Norway	32.4	35.7	41.7	22.6	32.3	32.4	34.0	34.4
Poland	31.3	33.6	35.5	3.3	11.9	22.2	24.9	32.7
Portugal	38.0	41.9	47.7	25.7	31.6	37.5	39.7	40.2
Slovak Republic	39.5	41.6	43.6	25.0	26.8	34.3	36.2	40.7
Slovenia	39.7	42.8	45.8	16.1	28.9	35.6	38.7	41.5
Spain	36.0	39.5	44.0	25.5	34.4	36.6	38.2	38.1
Sweden	39.5	42.4	50.3	32.2	37.5	38.3	39.9	41.2
Switzerland	20.4	23.4	28.0	6.5	11.6	17.7	20.3	23.2
Türkiye	32.0	37.2	41.5	32.0	37.2	35.1	37.2	35.1
United Kingdom	26.6	31.5	38.4	17.7	27.2	27.3	29.6	29.6
United States	27.8	30.5	34.7	13.7	19.8	24.7	27.3	28.5
Unweighted average								
OECD-Average	**30.7**	**34.6**	**39.0**	**16.6**	**25.6**	**29.4**	**31.6**	**33.0**
OECD-EU 22	**36.8**	**41.2**	**45.7**	**20.2**	**29.9**	**34.6**	**37.2**	**39.4**

1. Two-earner couple.

StatLink https://stat.link/l1do52

Figure 3.1. Income tax plus employee and employer contributions less cash benefits, 2022

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 and 'married one earner couple 2 children' corresponds to a combined wage level of 100%-0% of average wage.
Sources: OECD calculations based on country submissions and OECD Economic Outlook, Volume 2022 issue 2.

StatLink https://stat.link/5k8idf

Table 3.2. Income tax plus employee contributions, 2022

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

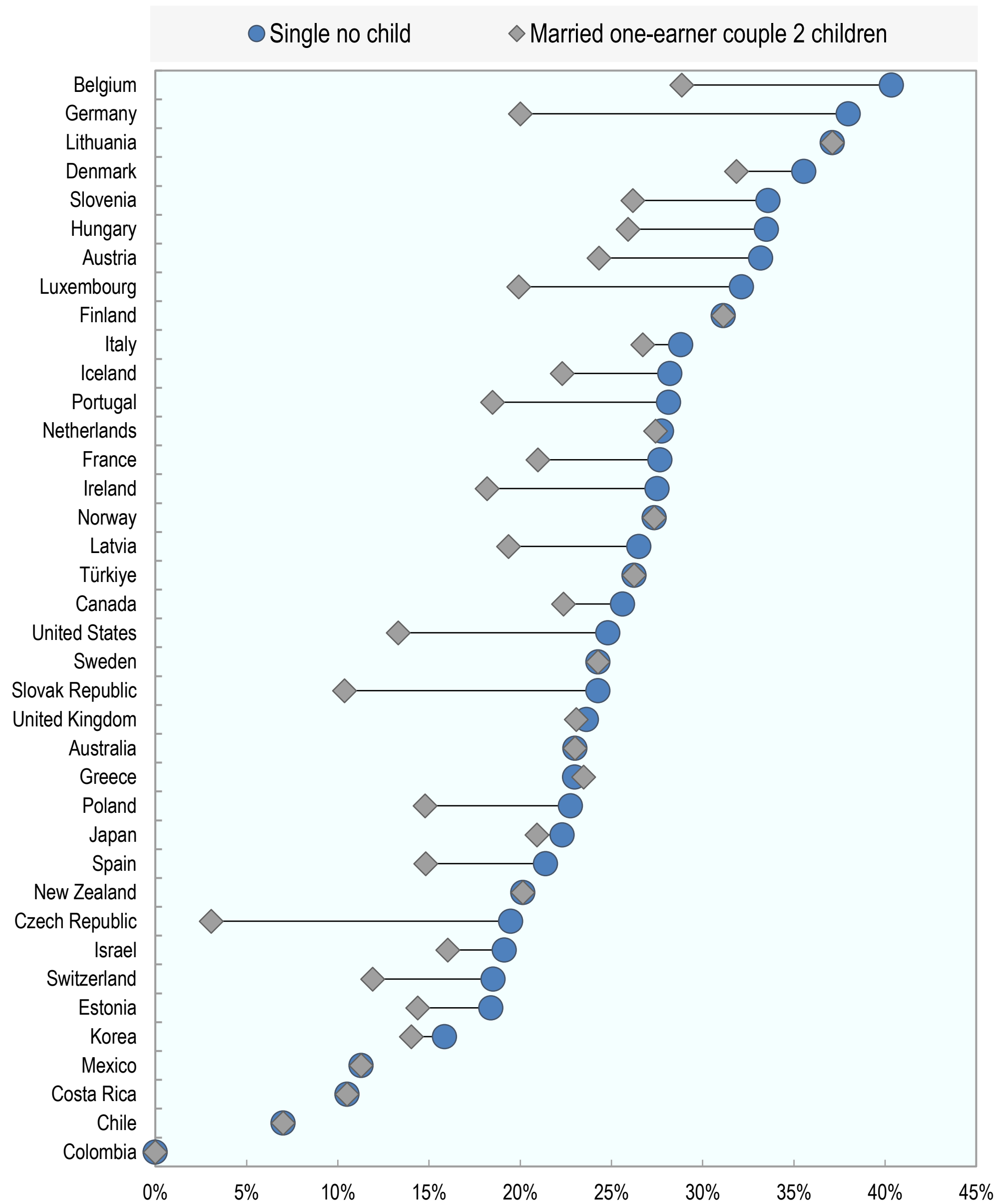
	Single no children 67 (% AW)	Single no children 100 (% AW)	Single no children 167 (% AW)	Single 2 children 67 (% AW)	Married 2 children 100-0 (% AW)	Married 2 children 100-67 (% AW)[1]	Married 2 children 100-100 (% AW)[1]	Married no children 100-67 (% AW)[1]
Australia	17.0	23.0	29.6	17.0	23.0	20.6	23.0	20.6
Austria	27.5	33.2	38.3	15.6	24.3	26.4	29.4	30.9
Belgium	32.5	40.3	48.1	27.0	28.9	35.6	38.9	37.1
Canada	22.4	25.6	31.3	16.6	22.4	24.3	25.6	24.3
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
Costa Rica	10.5	10.5	13.1	10.5	10.5	10.5	10.5	10.5
Czech Republic	16.3	19.5	22.1	-0.7	3.1	11.4	13.8	18.2
Denmark	33.0	35.5	41.2	31.2	31.9	34.5	35.5	34.5
Estonia	12.3	18.4	21.3	9.6	14.4	14.8	17.5	16.0
Finland	23.4	31.1	38.7	23.4	31.1	28.0	31.1	28.0
France	23.5	27.7	33.5	20.8	21.0	23.3	25.6	25.6
Germany	33.3	38.0	42.5	14.9	20.0	29.7	32.4	35.8
Greece	17.3	23.0	29.2	16.4	23.5	21.3	23.5	22.0
Hungary	33.5	33.5	33.5	22.2	25.9	29.0	29.7	33.5
Iceland	24.1	28.2	33.8	24.1	22.3	26.6	28.2	26.6
Ireland	17.3	27.5	36.7	12.8	18.2	23.4	27.5	23.4
Israel	12.8	19.1	29.1	4.5	16.0	12.2	14.1	16.1
Italy	21.2	28.8	39.3	21.2	26.7	25.8	28.8	25.8
Japan	20.6	22.3	26.3	20.6	20.9	21.6	22.3	21.6
Korea	12.4	15.8	20.0	10.4	14.0	13.7	15.2	14.5
Latvia	22.4	26.5	29.3	11.7	19.4	20.6	22.9	24.8
Lithuania	32.6	37.1	39.5	32.6	37.1	35.3	37.1	35.3
Luxembourg	22.8	32.1	39.7	18.2	19.9	26.7	30.8	26.7
Mexico	8.6	11.3	15.8	8.6	11.3	10.2	11.3	10.2
Netherlands	19.1	27.7	36.1	12.6	27.4	21.7	25.5	24.3
New Zealand	15.4	20.1	25.3	15.4	20.1	18.2	20.1	18.2
Norway	23.6	27.3	34.2	21.0	27.3	25.8	27.3	25.8
Poland	20.1	22.8	24.9	13.3	14.8	19.9	21.2	21.7
Portugal	23.3	28.1	35.3	15.0	18.5	22.7	25.4	26.0
Slovak Republic	21.5	24.3	26.9	10.6	10.4	17.9	19.9	23.1
Slovenia	30.0	33.6	37.1	24.6	26.2	28.7	30.7	32.1
Spain	16.9	21.4	27.2	3.2	14.8	17.6	19.8	19.6
Sweden	20.5	24.3	34.7	20.5	24.3	22.8	24.3	22.8
Switzerland	15.3	18.5	23.5	9.4	11.9	16.0	18.2	18.3
Türkiye	20.1	26.2	31.2	20.1	26.2	23.8	26.2	23.8
United Kingdom	19.2	23.6	30.5	19.2	23.1	21.8	23.6	21.8
United States	21.7	24.8	29.5	6.5	13.3	18.5	21.4	22.6
Unweighted average								
OECD-Average	**20.3**	**24.7**	**29.9**	**15.5**	**19.8**	**21.3**	**23.3**	**22.9**
OECD-EU 22	**23.6**	**28.8**	**34.3**	**17.1**	**21.9**	**24.4**	**26.9**	**26.7**

1. Two-earner couple.

StatLink https://stat.link/xveg2c

Figure 3.2. Income tax plus employee contributions, 2022

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 and 'married one earner couple 2 children' corresponds to a combined wage level of 100%-0% of average wage.
Sources: OECD calculations based on country submissions and OECD Economic Outlook, Volume 2022 issue 2.

StatLink https://stat.link/59mh27

Table 3.3. Income tax plus employee contributions less cash benefits, 2022

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

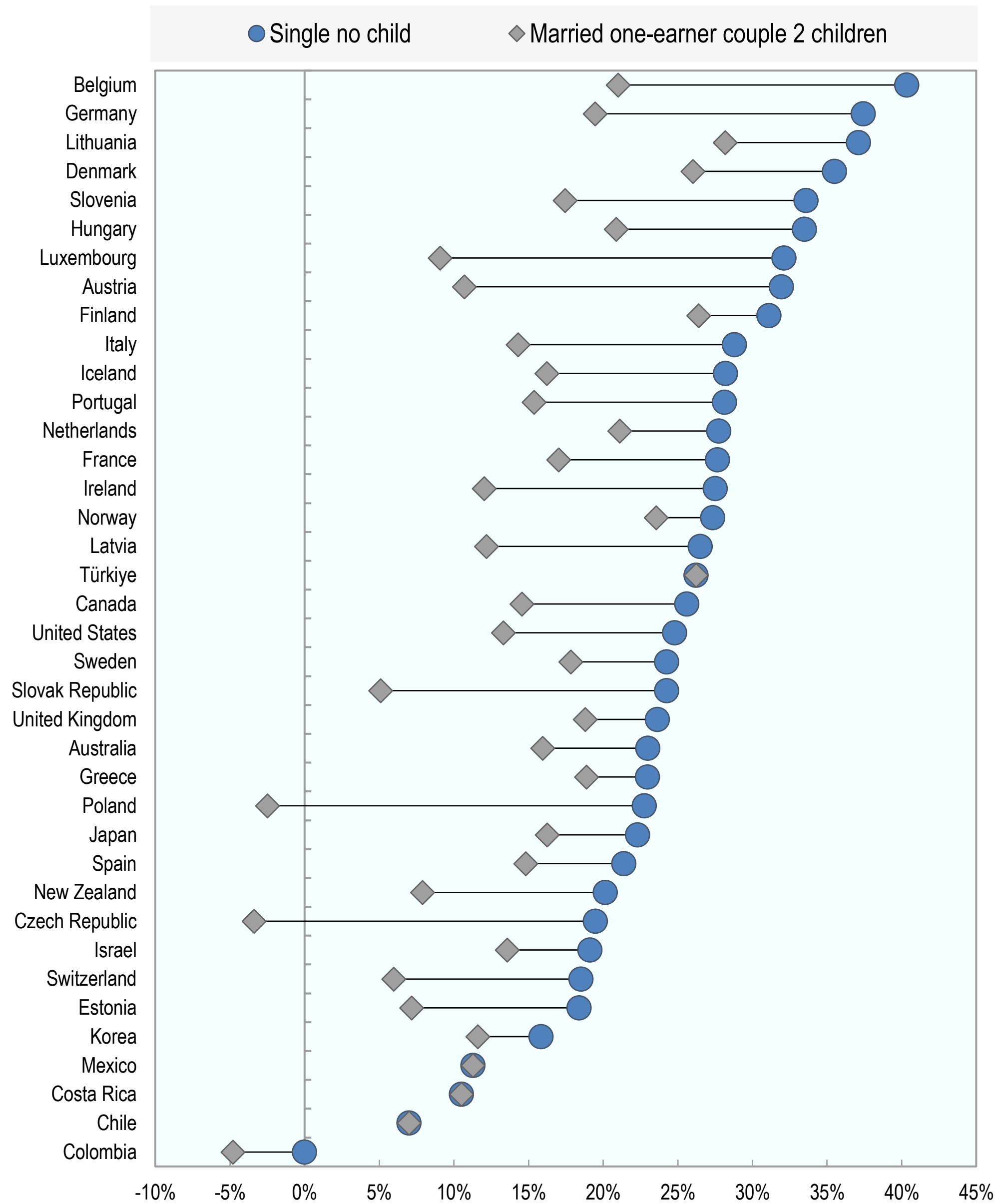
	Single no children 67 (% AW)	Single no children 100 (% AW)	Single no children 167 (% AW)	Single 2 children 67 (% AW)	Married 2 children 100-0 (% AW)	Married 2 children 100-67 (% AW)[1]	Married 2 children 100-100 (% AW)[1]	Married no children 100-67 (% AW)[1]
Australia	17.0	23.0	29.6	-4.5	15.9	20.6	23.0	20.6
Austria	25.7	32.0	37.7	-3.4	10.7	18.2	22.6	29.6
Belgium	32.5	40.3	48.1	11.2	21.0	30.9	34.9	37.1
Canada	22.4	25.6	31.3	-2.5	14.6	21.9	24.5	24.3
Chile	7.0	7.0	8.3	6.1	7.0	6.6	7.0	7.0
Colombia	0.0	0.0	0.0	-7.2	-4.8	-5.7	-4.8	0.0
Costa Rica	10.5	10.5	13.1	10.5	10.5	10.5	10.5	10.5
Czech Republic	16.3	19.5	22.1	-10.3	-3.4	11.4	13.8	18.2
Denmark	32.9	35.5	41.2	5.6	26.0	31.0	32.7	34.5
Estonia	12.3	18.4	21.3	-4.6	7.2	10.5	13.9	16.0
Finland	23.4	31.1	38.7	11.9	26.4	25.2	28.8	28.0
France	23.5	27.7	33.5	-2.9	17.0	20.9	23.7	25.6
Germany	32.5	37.4	42.1	14.1	19.5	29.0	31.9	35.2
Greece	17.3	23.0	29.2	8.9	18.9	21.3	23.5	22.0
Hungary	33.5	33.5	33.5	13.8	20.9	25.9	27.2	33.5
Iceland	24.1	28.2	33.8	12.9	16.2	25.8	28.2	26.6
Ireland	17.3	27.5	36.7	0.4	12.0	19.7	24.4	23.4
Israel	12.8	19.1	29.1	-0.9	13.6	10.7	12.9	16.1
Italy	21.2	28.8	39.3	2.7	14.3	17.6	22.9	25.8
Japan	20.6	22.3	26.3	4.4	16.3	18.8	20.0	21.6
Korea	12.4	15.8	20.0	6.8	11.6	12.2	14.0	14.5
Latvia	22.4	26.5	29.3	1.0	12.2	16.3	19.4	24.8
Lithuania	32.6	37.1	39.5	19.3	28.2	30.0	32.7	35.3
Luxembourg	22.8	32.1	39.7	2.0	9.1	20.2	25.4	26.7
Mexico	8.6	11.3	15.8	8.6	11.3	10.2	11.3	10.2
Netherlands	19.1	27.7	36.1	-5.4	21.1	19.3	23.6	24.3
New Zealand	14.7	20.1	25.3	-16.1	7.9	18.0	20.1	18.0
Norway	23.6	27.3	34.2	12.5	23.6	23.6	25.5	25.8
Poland	20.1	22.8	24.9	-12.5	-2.5	9.5	12.6	21.7
Portugal	23.3	28.1	35.3	8.1	15.4	22.7	25.4	26.0
Slovak Republic	21.5	24.3	26.9	2.8	5.1	14.7	17.2	23.1
Slovenia	30.0	33.6	37.1	2.5	17.4	25.3	28.8	32.1
Spain	16.9	21.4	27.2	3.2	14.8	17.6	19.8	19.6
Sweden	20.5	24.3	34.7	10.9	17.8	18.9	21.1	22.8
Switzerland	15.3	18.5	23.5	0.6	6.0	12.4	15.2	18.3
Türkiye	20.1	26.2	31.2	20.1	26.2	23.8	26.2	23.8
United Kingdom	19.2	23.6	30.5	9.4	18.8	19.3	21.5	21.8
United States	21.7	24.8	29.5	6.5	13.3	18.5	21.4	22.6
Unweighted average								
OECD-Average	**20.2**	**24.6**	**29.9**	**3.8**	**14.1**	**18.5**	**21.1**	**22.8**
OECD-EU 22	**23.5**	**28.8**	**34.3**	**3.6**	**15.0**	**20.7**	**23.9**	**26.6**

1. Two-earner couple.

StatLink https://stat.link/a8vp0k

Figure 3.3. Income tax plus employee contributions less cash benefits, 2022

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 and 'married one earner couple 2 children' corresponds to a combined wage level of 100%-0% of average wage.
Sources: OECD calculations based on country submissions and OECD Economic Outlook, Volume 2022 issue 2.

StatLink https://stat.link/wksn2g

Table 3.4. Income tax, 2022

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

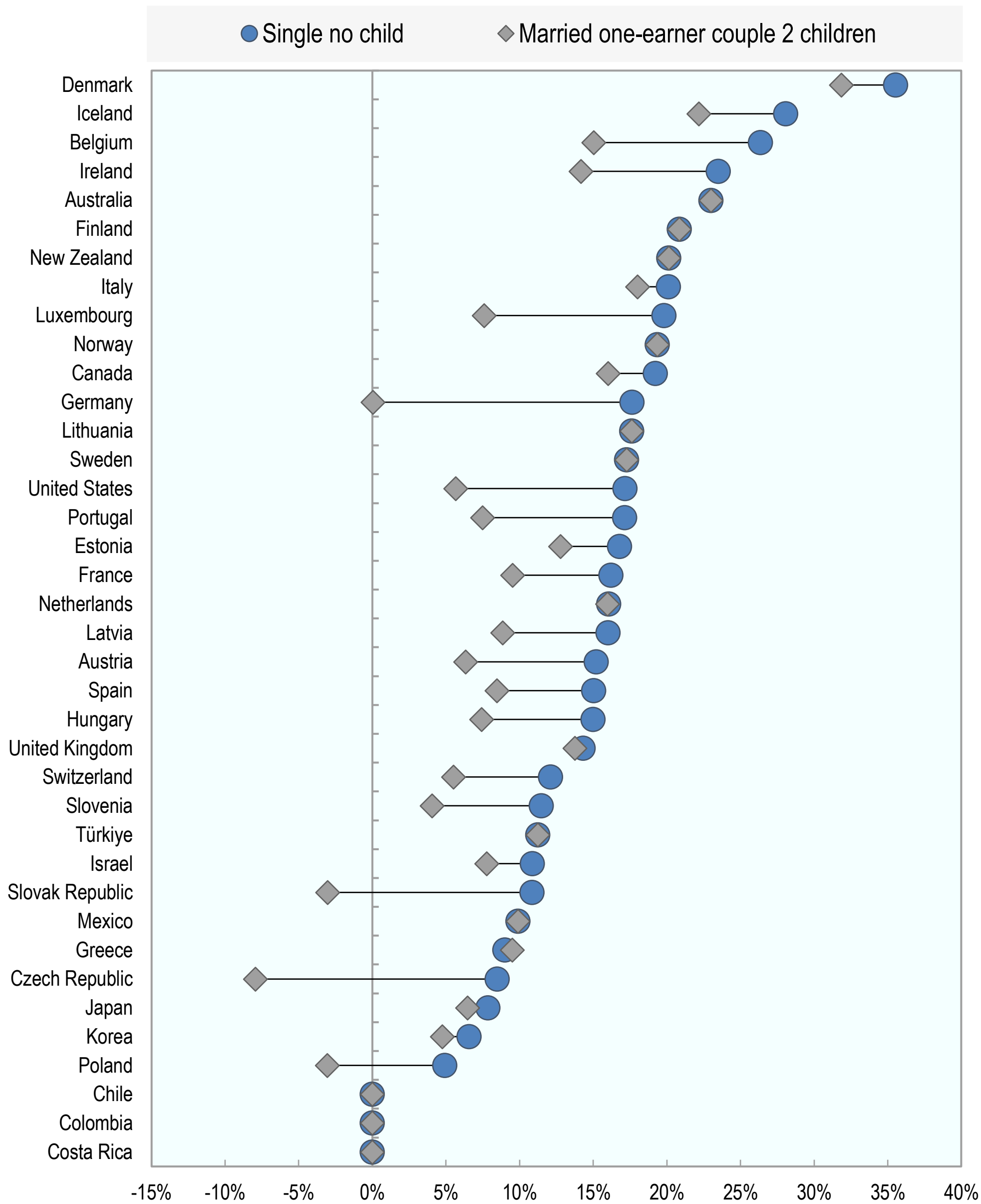
	Single no children 67 (% AW)	Single no children 100 (% AW)	Single no children 167 (% AW)	Single 2 children 67 (% AW)	Married 2 children 100-0 (% AW)	Married 2 children 100-67 (% AW)[1]	Married 2 children 100-100 (% AW)[1]	Married no children 100-67 (% AW)[1]
Australia	17.0	23.0	29.6	17.0	23.0	20.6	23.0	20.6
Austria	9.5	15.2	22.1	-2.4	6.3	8.4	11.4	12.9
Belgium	18.9	26.4	34.2	13.4	15.0	21.9	25.1	23.4
Canada	14.4	19.2	27.4	8.5	16.0	17.3	19.2	17.3
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
Costa Rica	0.0	0.0	2.6	0.0	0.0	0.0	0.0	0.0
Czech Republic	5.3	8.5	11.1	-11.7	-7.9	0.4	2.8	7.2
Denmark	33.0	35.5	41.2	31.2	31.9	34.5	35.5	34.5
Estonia	10.7	16.8	19.7	8.0	12.8	13.2	15.9	14.4
Finland	13.2	20.8	28.4	13.2	20.8	17.8	20.8	17.8
France	12.1	16.2	22.5	9.5	9.5	11.9	14.2	14.2
Germany	13.0	17.7	26.6	-5.1	0.0	9.7	12.4	15.5
Greece	3.4	9.0	15.2	2.4	9.5	7.3	9.5	8.0
Hungary	15.0	15.0	15.0	3.7	7.4	10.5	11.2	15.0
Iceland	24.0	28.1	33.7	24.0	22.2	26.4	28.1	26.4
Ireland	13.3	23.5	32.7	8.8	14.2	19.4	23.5	19.4
Israel	6.4	10.9	19.3	-1.9	7.8	4.6	5.8	8.6
Italy	12.5	20.1	29.8	12.5	18.0	17.1	20.1	17.1
Japan	6.2	7.9	12.7	6.2	6.5	7.2	7.9	7.2
Korea	3.2	6.6	11.8	1.1	4.7	4.4	5.9	5.2
Latvia	11.9	16.0	18.8	1.2	8.9	10.1	12.4	14.3
Lithuania	13.1	17.6	20.0	13.1	17.6	15.8	17.6	15.8
Luxembourg	10.6	19.8	27.3	6.0	7.6	14.4	18.5	14.4
Mexico	7.4	9.9	14.3	7.4	9.9	8.9	9.9	8.9
Netherlands	5.7	16.1	26.8	4.1	16.0	11.2	15.5	11.9
New Zealand	15.4	20.1	25.3	15.4	20.1	18.2	20.1	18.2
Norway	15.6	19.3	26.2	13.0	19.3	17.8	19.3	17.8
Poland	2.3	4.9	7.1	-4.6	-3.0	2.0	3.4	3.9
Portugal	12.3	17.1	24.3	4.0	7.5	11.7	14.4	15.0
Slovak Republic	8.1	10.9	13.5	-2.8	-3.0	4.5	6.5	9.7
Slovenia	7.9	11.5	15.0	2.5	4.1	6.6	8.6	10.0
Spain	10.5	15.0	20.9	-3.2	8.5	11.3	13.4	13.2
Sweden	13.5	17.3	29.8	13.5	17.3	15.8	17.3	15.8
Switzerland	8.9	12.1	17.1	3.0	5.5	9.6	11.8	11.9
Türkiye	5.1	11.2	16.2	5.1	11.2	8.8	11.2	8.8
United Kingdom	11.5	14.3	23.0	11.5	13.8	13.2	14.3	13.2
United States	14.1	17.2	21.9	-1.2	5.7	10.9	13.7	15.0
Unweighted average								
OECD-Average	**10.7**	**15.0**	**20.6**	**6.0**	**10.1**	**11.7**	**13.7**	**13.2**
OECD-EU 22	**11.6**	**16.9**	**22.8**	**5.3**	**9.9**	**12.5**	**15.0**	**14.7**

1. Two-earner couple.

StatLink https://stat.link/ajhnzx

Figure 3.4. Income tax, by household type, 2022

As % of gross wage earnings



Note: The household type 'single no child' corresponds to a wage level of 100% of average wage and 'married one earner couple 2 children' corresponds to a combined wage level of 100%-0% of average wage.
Sources: OECD calculations based on country submissions and OECD Economic Outlook, Volume 2022 issue 2.

StatLink https://stat.link/8qazk7

Table 3.5. Employee contributions, 2022

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

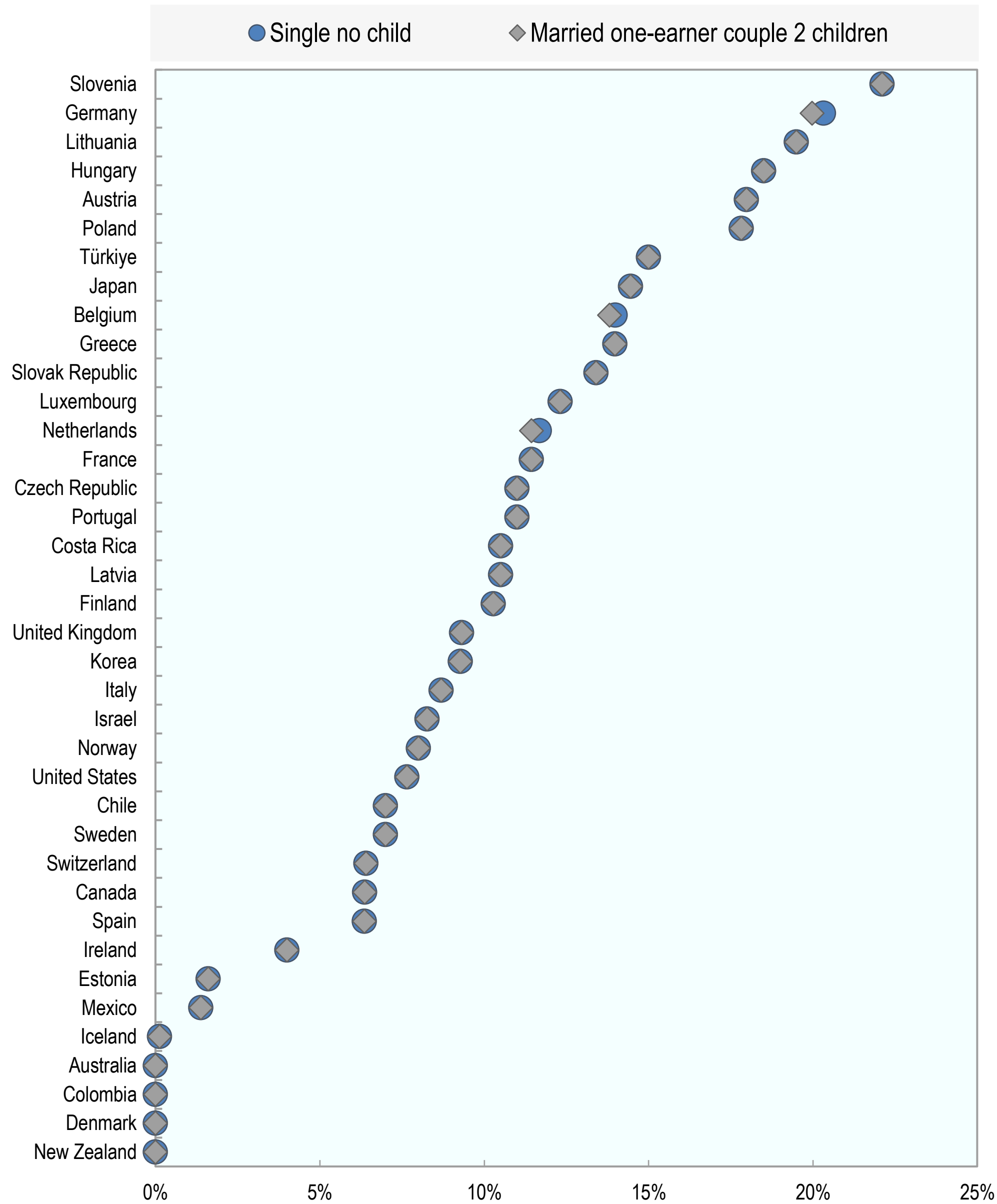
	Single no children 67 (% AW)	Single no children 100 (% AW)	Single no children 167 (% AW)	Single 2 children 67 (% AW)	Married 2 children 100-0 (% AW)	Married 2 children 100-67 (% AW)[1]	Married 2 children 100-100 (% AW)[1]	Married no children 100-67 (% AW)[1]
Australia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Austria	18.0	18.0	16.2	18.0	18.0	18.0	18.0	18.0
Belgium	13.6	14.0	13.9	13.6	13.8	13.8	13.7	13.8
Canada	8.0	6.4	3.8	8.0	6.4	7.0	6.4	7.0
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
Costa Rica	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5
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	10.2	10.3	10.3	10.2	10.3	10.2	10.3	10.2
France	11.3	11.4	11.0	11.3	11.4	11.4	11.4	11.4
Germany	20.3	20.3	15.9	20.0	20.0	20.0	20.0	20.3
Greece	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0
Hungary	18.5	18.5	18.5	18.5	18.5	18.5	18.5	18.5
Iceland	0.2	0.1	0.1	0.2	0.1	0.1	0.1	0.1
Ireland	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Israel	6.4	8.3	9.8	6.4	8.3	7.5	8.3	7.5
Italy	8.7	8.7	9.5	8.7	8.7	8.7	8.7	8.7
Japan	14.5	14.5	13.6	14.5	14.5	14.5	14.5	14.5
Korea	9.3	9.3	8.3	9.3	9.3	9.3	9.3	9.3
Latvia	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5
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	13.4	11.7	9.3	8.5	11.4	10.4	10.0	12.4
New Zealand	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Norway	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
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	4.9	7.0	7.0	7.0	7.0	7.0
Switzerland	6.4	6.4	6.3	6.4	6.4	6.4	6.4	6.4
Türkiye	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
United Kingdom	7.6	9.3	7.5	7.6	9.3	8.6	9.3	8.6
United States	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7
Unweighted average								
OECD-Average	**9.6**	**9.7**	**9.3**	**9.5**	**9.6**	**9.6**	**9.6**	**9.7**
OECD-EU 22	**12.0**	**12.0**	**11.5**	**11.8**	**11.9**	**11.9**	**11.9**	**12.0**

1. Two-earner couple.

StatLink https://stat.link/eywglf

Figure 3.5. Employee contributions, 2022

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 and 'married one earner couple 2 children' corresponds to a combined wage level of 100%-0% of average wage.
Sources: OECD calculations based on country submissions and OECD Economic Outlook, Volume 2022 issue 2.

StatLink https://stat.link/tkzdx1

Table 3.6. Marginal rate of income tax plus employee and employer contributions less cash benefits, 2022

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

	Single no children 67 (% AW)	Single no children 100 (% AW)	Single no children 167 (% AW)	Single 2 children 67 (% AW)	Married 2 children 100-0 (% AW)	Married 2 children 100-67 (% AW)[1]	Married 2 children 100-100 (% AW)[1]	Married no children 100-67 (% AW)[1]
Australia	39.2	40.7	42.1	58.2	40.7	40.7	40.7	40.7
Austria	54.3	59.5	45.7	36.5	59.5	59.5	59.5	59.5
Belgium	68.5	68.7	67.8	68.5	65.0	67.8	67.8	67.8
Canada	41.9	31.9	44.5	77.0	37.4	37.4	37.4	31.9
Chile	7.0	7.0	10.2	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
Costa Rica	29.2	29.2	36.5	29.2	29.2	29.2	29.2	29.2
Czech Republic	44.7	44.7	44.7	44.7	33.5	44.7	44.7	44.7
Denmark	38.7	48.6	55.5	36.9	48.6	48.6	48.6	48.6
Estonia	41.2	49.5	41.2	41.2	49.5	49.5	49.5	49.5
Finland	56.1	56.1	59.0	56.1	56.1	56.1	56.1	56.1
France	64.6	57.7	60.0	74.5	41.2	50.0	57.7	47.3
Germany	54.1	58.4	47.0	52.8	51.9	56.1	55.8	56.3
Greece	45.2	46.6	50.8	45.2	46.6	46.6	46.6	46.6
Hungary	41.2	41.2	41.2	41.2	41.2	41.2	41.2	41.2
Iceland	40.2	40.2	47.7	49.3	49.3	45.6	40.2	40.2
Ireland	35.6	53.6	56.8	74.2	53.6	53.6	53.6	53.6
Israel	36.8	36.8	50.7	40.9	36.8	36.8	36.8	36.8
Italy	56.1	62.7	63.7	56.1	62.7	62.7	62.7	62.7
Japan	33.1	37.3	38.0	52.5	37.3	37.3	37.3	37.3
Korea	30.3	31.0	33.0	23.3	31.0	31.0	31.0	31.0
Latvia	47.4	47.4	44.5	47.4	47.4	47.4	47.4	47.4
Lithuania	47.2	44.1	40.6	47.2	44.1	44.1	44.1	44.1
Luxembourg	53.2	58.5	56.5	60.9	45.9	58.5	58.5	58.5
Mexico	17.4	25.2	28.4	17.4	25.2	25.2	25.2	25.2
Netherlands	51.0	51.0	51.1	56.5	56.5	51.0	51.0	51.0
New Zealand	17.5	33.0	33.0	44.5	60.0	33.0	33.0	33.0
Norway	41.6	49.9	52.6	41.6	49.9	49.9	49.9	49.9
Poland	38.3	38.3	38.3	29.4	29.4	38.3	38.3	38.3
Portugal	46.7	51.1	58.0	46.7	46.7	49.5	51.1	49.5
Slovak Republic	45.9	45.9	49.1	41.4	45.9	45.9	45.9	45.9
Slovenia	43.6	50.3	55.0	43.6	43.6	43.6	43.6	50.3
Spain	44.3	47.9	53.8	44.3	47.9	47.9	47.9	47.9
Sweden	46.2	49.3	65.9	46.2	49.3	49.3	49.3	49.3
Switzerland	26.7	32.5	39.5	20.8	26.3	31.1	36.7	32.8
Türkiye	47.8	47.8	47.8	47.8	47.8	47.8	47.8	47.8
United Kingdom	41.3	41.3	50.0	73.6	41.3	41.3	41.3	41.3
United States	31.5	40.8	42.7	52.3	31.5	31.5	40.8	31.5
Unweighted average								
OECD-Average	**40.7**	**43.6**	**45.9**	**45.4**	**42.5**	**43.1**	**43.6**	**42.9**
OECD-EU 22	**48.4**	**51.4**	**52.1**	**49.6**	**48.5**	**50.5**	**50.9**	**50.7**

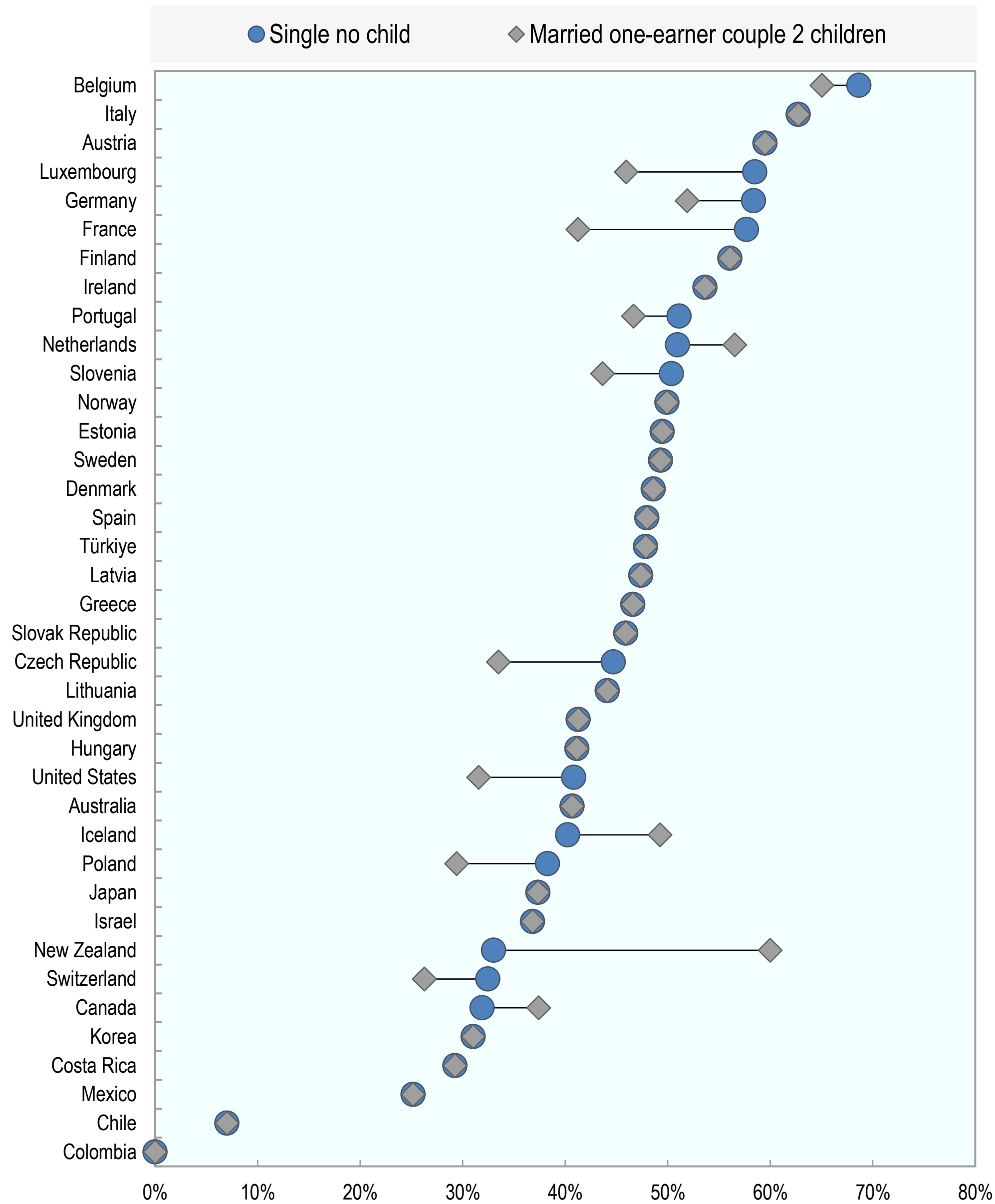
Note: It is assumed that gross earnings of the principal earner in the household rise. The outcome may differ if the wage of the spouse goes up, especially if partners are taxed individually.

1. Two-earner couple.

StatLink https://stat.link/3dhkl4

Figure 3.6. Marginal rate of income tax plus employee and employer contributions less cash benefits, 2022

As % of labour costs, by household type



Note: The household type 'single no child' corresponds to a wage level of 100% of average wage and 'married one earner couple 2 children' corresponds to a combined wage level of 100%-0% of average wage.
Sources: OECD calculations based on country submissions and OECD Economic Outlook, Volume 2022 issue 2.

StatLink https://stat.link/638oqm

Table 3.7. Marginal rate of income tax plus employee contributions less cash benefits, 2022

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

	Single no children 67 (% AW)	Single no children 100 (% AW)	Single no children 167 (% AW)	Single 2 children 67 (% AW)	Married 2 children 100-0 (% AW)	Married 2 children 100-67 (% AW)[1]	Married 2 children 100-100 (% AW)[1]	Married no children 100-67 (% AW)[1]
Australia	36.0	37.5	39.0	56.0	37.5	37.5	37.5	37.5
Austria	41.5	48.2	42.0	18.7	48.2	48.2	48.2	48.2
Belgium	55.6	60.2	59.0	55.6	55.6	59.0	59.0	59.0
Canada	35.4	29.7	43.4	74.4	35.4	35.4	35.4	29.7
Chile	7.0	7.0	10.2	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
Costa Rica	10.5	10.5	19.7	10.5	10.5	10.5	10.5	10.5
Czech Republic	26.0	26.0	26.0	26.0	11.0	26.0	26.0	26.0
Denmark	38.7	48.6	55.5	36.9	48.6	48.6	48.6	48.6
Estonia	21.3	32.4	21.3	21.3	32.4	32.4	32.4	32.4
Finland	46.8	46.8	50.4	46.8	46.8	46.8	46.8	46.8
France	32.6	42.2	42.2	51.6	19.8	31.7	42.2	28.0
Germany	45.0	50.1	47.0	43.3	42.3	47.3	47.0	47.5
Greece	32.9	34.6	39.8	32.9	34.6	34.6	34.6	34.6
Hungary	33.5	33.5	33.5	33.5	33.5	33.5	33.5	33.5
Iceland	36.4	36.4	44.4	46.0	46.0	42.2	36.4	36.4
Ireland	28.5	48.5	52.0	71.4	48.5	48.5	48.5	48.5
Israel	32.0	32.0	47.0	36.4	32.0	32.0	32.0	32.0
Italy	42.3	51.0	52.2	42.3	51.0	51.0	51.0	51.0
Japan	22.8	27.7	34.1	45.2	27.7	27.7	27.7	27.7
Korea	22.6	23.4	28.6	14.9	23.4	23.4	23.4	23.4
Latvia	34.9	34.9	31.4	34.9	34.9	34.9	34.9	34.9
Lithuania	46.3	43.1	39.5	46.3	43.1	43.1	43.1	43.1
Luxembourg	46.8	52.7	50.5	55.4	38.5	52.7	52.7	52.7
Mexico	12.1	19.5	22.9	12.1	19.5	19.5	19.5	19.5
Netherlands	45.2	45.2	51.1	51.4	51.4	45.2	45.2	45.2
New Zealand	17.5	33.0	33.0	44.5	60.0	33.0	33.0	33.0
Norway	34.0	43.4	46.4	34.0	43.4	43.4	43.4	43.4
Poland	28.2	28.2	28.2	17.8	17.8	28.2	28.2	28.2
Portugal	34.0	39.5	48.0	34.0	34.0	37.5	39.5	37.5
Slovak Republic	29.9	29.9	34.0	24.0	29.9	29.9	29.9	29.9
Slovenia	34.6	42.4	47.8	34.6	34.6	34.6	34.6	42.4
Spain	27.6	32.4	40.0	27.6	32.4	32.4	32.4	32.4
Sweden	29.2	33.4	55.2	29.2	33.4	33.4	33.4	33.4
Switzerland	22.0	28.1	36.0	15.7	21.5	26.7	32.6	28.5
Türkiye	38.7	38.7	38.7	38.7	38.7	38.7	38.7	38.7
United Kingdom	32.7	32.7	42.7	69.7	32.7	32.7	32.7	32.7
United States	26.3	36.3	38.3	48.6	26.3	26.3	36.3	26.3
Unweighted average								
OECD-Average	**31.2**	**35.3**	**38.7**	**36.6**	**33.8**	**34.6**	**35.2**	**34.5**
OECD-EU 22	**36.4**	**41.1**	**43.0**	**38.0**	**37.4**	**40.0**	**40.5**	**40.2**

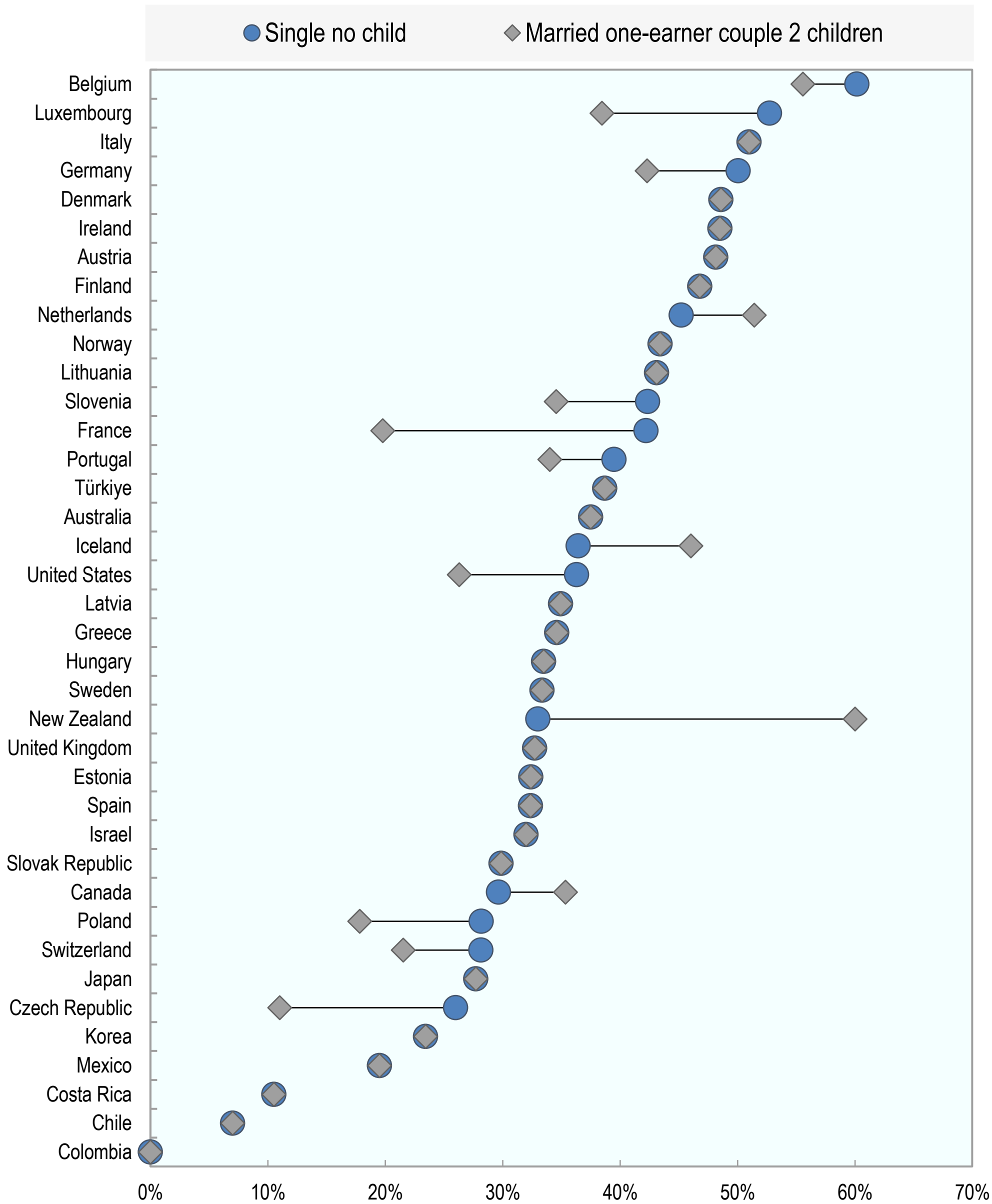
Note: It is assumed that gross earnings of the principal earner in the household rise. The outcome may differ if the wage of the spouse goes up, especially if partners are taxed individually.

1. Two-earner couple.

StatLink https://stat.link/e6zjhq

Figure 3.7. Marginal rate of income tax plus employee contributions less cash benefits, 2022

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 and 'married one earner couple 2 children' corresponds to a combined wage level of 100%-0% of average wage.
Sources: OECD calculations based on country submissions and OECD Economic Outlook, Volume 2022 issue 2.

StatLink https://stat.link/4u05ar

Table 3.8. Percentage increase in net income relative to percentage increase in gross wages, 2022

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

	Single no children 67 (% AW)	Single no children 100 (% AW)	Single no children 167 (% AW)	Single 2 children 67 (% AW)	Married 2 children 100-0 (% AW)	Married 2 children 100-67 (% AW)[1]	Married 2 children 100-100 (% AW)[1]	Married no children 100-67 (% AW)[1]
Australia	0.77	0.81	0.87	0.42	0.74	0.79	0.81	0.79
Austria	0.79	0.76	0.93	0.79	0.58	0.63	0.67	0.74
Belgium	0.66	0.67	0.79	0.50	0.56	0.59	0.63	0.65
Canada	0.83	0.95	0.82	0.25	0.76	0.83	0.86	0.93
Chile	1.00	1.00	0.98	0.99	1.00	1.00	1.00	1.00
Colombia	1.00	1.00	1.00	0.93	0.95	0.95	0.95	1.00
Costa Rica	1.00	1.00	0.92	1.00	1.00	1.00	1.00	1.00
Czech Republic	0.88	0.92	0.95	0.67	0.86	0.84	0.86	0.90
Denmark	0.91	0.80	0.76	0.67	0.69	0.75	0.76	0.78
Estonia	0.90	0.83	1.00	0.75	0.73	0.76	0.78	0.80
Finland	0.69	0.77	0.81	0.60	0.72	0.71	0.75	0.74
France	0.88	0.80	0.87	0.47	0.97	0.86	0.76	0.97
Germany	0.81	0.80	0.92	0.66	0.72	0.74	0.78	0.81
Greece	0.81	0.85	0.85	0.74	0.81	0.83	0.85	0.84
Hungary	1.00	1.00	1.00	0.77	0.84	0.90	0.91	1.00
Iceland	0.84	0.89	0.84	0.62	0.64	0.78	0.89	0.87
Ireland	0.86	0.71	0.76	0.29	0.59	0.64	0.68	0.67
Israel	0.78	0.84	0.75	0.63	0.79	0.76	0.78	0.81
Italy	0.73	0.69	0.79	0.59	0.57	0.60	0.64	0.66
Japan	0.97	0.93	0.89	0.57	0.86	0.89	0.90	0.92
Korea	0.88	0.91	0.89	0.91	0.87	0.87	0.89	0.90
Latvia	0.84	0.89	0.97	0.66	0.74	0.78	0.81	0.87
Lithuania	0.80	0.90	1.00	0.67	0.79	0.81	0.84	0.88
Luxembourg	0.69	0.70	0.82	0.45	0.68	0.59	0.63	0.64
Mexico	0.96	0.91	0.92	0.96	0.91	0.90	0.91	0.90
Netherlands	0.68	0.76	0.76	0.46	0.62	0.68	0.72	0.72
New Zealand	0.97	0.84	0.90	0.48	0.43	0.82	0.84	0.82
Norway	0.86	0.78	0.81	0.75	0.74	0.74	0.76	0.76
Poland	0.90	0.93	0.96	0.73	0.80	0.79	0.82	0.92
Portugal	0.86	0.84	0.80	0.72	0.78	0.81	0.81	0.85
Slovak Republic	0.89	0.93	0.90	0.78	0.74	0.82	0.85	0.91
Slovenia	0.93	0.87	0.83	0.67	0.79	0.88	0.92	0.85
Spain	0.87	0.86	0.83	0.75	0.79	0.82	0.84	0.84
Sweden	0.89	0.88	0.68	0.79	0.81	0.82	0.84	0.86
Switzerland	0.92	0.88	0.84	0.85	0.83	0.84	0.80	0.88
Türkiye	0.77	0.83	0.89	0.77	0.83	0.80	0.83	0.80
United Kingdom	0.83	0.88	0.82	0.33	0.83	0.83	0.86	0.86
United States	0.94	0.85	0.88	0.55	0.85	0.90	0.81	0.95
Unweighted average								
OECD-Average	**0.86**	**0.85**	**0.87**	**0.66**	**0.77**	**0.80**	**0.82**	**0.84**
OECD-EU 22	**0.83**	**0.82**	**0.86**	**0.64**	**0.74**	**0.76**	**0.78**	**0.81**

Note: 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/urh9sm

Table 3.9. Percentage increase in net income relative to percentage increase in gross labour cost, 2022

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

	Single no children 67 (% AW)	Single no children 100 (% AW)	Single no children 167 (% AW)	Single 2 children 67 (% AW)	Married 2 children 100-0 (% AW)	Married 2 children 100-67 (% AW)[1]	Married 2 children 100-100 (% AW)[1]	Married no children 100-67 (% AW)[1]
Australia	0.77	0.81	0.87	0.42	0.74	0.79	0.81	0.79
Austria	0.79	0.76	1.10	0.79	0.58	0.63	0.67	0.74
Belgium	0.59	0.67	0.79	0.45	0.56	0.59	0.63	0.65
Canada	0.83	1.00	0.86	0.25	0.80	0.88	0.91	0.99
Chile	1.00	1.00	0.98	0.99	1.00	1.00	1.00	1.00
Colombia	1.00	1.00	1.00	0.93	0.95	0.95	0.95	1.00
Costa Rica	1.00	1.00	0.92	1.00	1.00	1.00	1.00	1.00
Czech Republic	0.88	0.92	0.95	0.67	0.86	0.84	0.86	0.90
Denmark	0.91	0.80	0.76	0.67	0.69	0.75	0.76	0.78
Estonia	0.90	0.83	1.00	0.75	0.73	0.76	0.78	0.80
Finland	0.69	0.77	0.81	0.60	0.72	0.71	0.75	0.74
France	0.60	0.80	0.87	0.32	0.97	0.84	0.76	0.95
Germany	0.81	0.80	1.06	0.66	0.72	0.74	0.78	0.81
Greece	0.81	0.85	0.85	0.74	0.81	0.83	0.85	0.84
Hungary	1.00	1.00	1.00	0.77	0.84	0.90	0.91	1.00
Iceland	0.84	0.89	0.84	0.62	0.64	0.78	0.89	0.87
Ireland	0.86	0.71	0.76	0.29	0.59	0.64	0.68	0.67
Israel	0.76	0.83	0.74	0.61	0.77	0.75	0.77	0.79
Italy	0.73	0.69	0.79	0.59	0.57	0.60	0.64	0.66
Japan	0.97	0.93	0.96	0.57	0.86	0.89	0.90	0.92
Korea	0.88	0.91	0.92	0.91	0.87	0.87	0.89	0.90
Latvia	0.84	0.89	0.97	0.66	0.74	0.78	0.81	0.87
Lithuania	0.80	0.90	1.00	0.67	0.79	0.81	0.84	0.88
Luxembourg	0.69	0.70	0.82	0.45	0.68	0.59	0.63	0.64
Mexico	1.02	0.94	0.94	1.02	0.94	0.94	0.94	0.94
Netherlands	0.68	0.76	0.83	0.46	0.62	0.68	0.72	0.73
New Zealand	0.97	0.84	0.90	0.48	0.43	0.82	0.84	0.82
Norway	0.86	0.78	0.81	0.75	0.74	0.74	0.76	0.76
Poland	0.90	0.93	0.96	0.73	0.80	0.79	0.82	0.92
Portugal	0.86	0.84	0.80	0.72	0.78	0.81	0.81	0.85
Slovak Republic	0.89	0.93	0.90	0.78	0.74	0.82	0.85	0.91
Slovenia	0.93	0.87	0.83	0.67	0.79	0.88	0.92	0.85
Spain	0.87	0.86	0.83	0.75	0.79	0.82	0.84	0.84
Sweden	0.89	0.88	0.68	0.79	0.81	0.82	0.84	0.86
Switzerland	0.92	0.88	0.84	0.85	0.83	0.84	0.80	0.88
Türkiye	0.77	0.83	0.89	0.77	0.83	0.80	0.83	0.80
United Kingdom	0.80	0.86	0.81	0.32	0.81	0.81	0.83	0.83
United States	0.95	0.85	0.88	0.55	0.85	0.91	0.81	0.96
Unweighted average								
OECD-Average	**0.85**	**0.85**	**0.88**	**0.66**	**0.77**	**0.80**	**0.82**	**0.85**
OECD-EU 22	**0.82**	**0.82**	**0.88**	**0.64**	**0.74**	**0.76**	**0.78**	**0.81**

Note: 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/0uh2mv

Table 3.10. Annual gross wage and net income, single person, 2022

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

	Single no children 67 (% AW)		Single no children 100 (% AW)		Single no children 167 (% AW)		Single 2 children 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	43 855	36 385	65 455	50 403	109 309	77 002	43 855	45 832
Austria	46 365	34 457	69 202	47 090	115 567	71 969	46 365	47 929
Belgium	49 763	33 598	74 273	44 305	124 037	64 389	49 763	44 191
Canada	43 511	33 775	64 941	48 314	108 452	74 549	43 511	44 613
Chile	17 902	16 648	26 719	24 848	44 620	40 924	17 902	16 811
Colombia	9 812	9 812	14 644	14 644	24 456	24 456	9 812	10 514
Costa Rica	18 873	16 891	28 169	25 211	47 042	40 873	18 873	16 891
Czech Republic	24 395	20 428	36 411	29 319	60 806	47 371	24 395	26 912
Denmark	46 861	31 458	69 941	45 104	116 802	68 666	46 861	44 229
Estonia	22 846	20 031	34 099	27 828	56 945	44 827	22 846	23 901
Finland	41 391	31 703	61 778	42 550	103 169	63 192	41 391	36 467
France	39 828	30 487	59 445	43 006	99 273	66 021	39 828	40 994
Germany	50 342	34 000	75 137	47 013	125 479	72 606	50 342	43 261
Greece	23 967	19 813	35 772	27 550	59 739	42 292	23 967	21 845
Hungary	26 493	17 618	39 542	26 296	66 036	43 914	26 493	22 837
Iceland	49 511	37 558	73 897	53 060	123 407	81 685	49 511	43 141
Ireland	46 648	38 593	69 624	50 473	116 272	73 550	46 648	46 475
Israel	30 833	26 893	46 020	37 219	76 853	54 519	30 833	31 123
Italy	35 844	28 232	53 498	38 087	89 342	54 270	35 844	34 869
Japan	36 025	28 601	53 769	41 776	89 794	66 174	36 025	34 426
Korea	40 260	35 254	60 090	50 569	100 350	80 254	40 260	37 520
Latvia	21 349	16 575	31 864	23 416	53 212	37 645	21 349	21 139
Lithuania	27 944	18 824	41 708	26 229	69 652	42 139	27 944	22 546
Luxembourg	55 382	42 732	82 660	56 104	138 042	83 307	55 382	54 268
Mexico	10 187	9 310	15 204	13 489	25 391	21 373	10 187	9 310
Netherlands	51 345	41 514	76 635	55 373	127 980	81 765	51 345	54 127
New Zealand	31 851	27 173	47 539	37 966	79 390	59 306	31 851	36 994
Norway	47 387	36 202	70 726	51 384	118 113	77 748	47 387	41 457
Poland	25 790	20 612	38 493	29 735	64 283	48 257	25 790	29 015
Portugal	25 826	19 808	38 546	27 699	64 371	41 653	25 826	23 736
Slovak Republic	19 237	15 101	28 711	21 748	47 948	35 045	19 237	18 706
Slovenia	27 803	19 474	41 498	27 560	69 301	43 575	27 803	27 098
Spain	31 503	26 184	47 019	36 962	78 522	57 134	31 503	30 505
Sweden	38 479	30 584	57 432	43 496	95 911	62 672	38 479	34 277
Switzerland	63 382	53 705	94 601	77 082	157 983	120 922	63 382	63 031
Türkiye	19 655	15 705	29 336	21 639	48 991	33 686	19 655	15 705
United Kingdom	42 970	34 737	64 134	48 972	107 104	74 441	42 970	38 948
United States	43 476	34 028	64 889	48 793	108 365	76 360	43 476	40 666
Unweighted average								
OECD-Average	**34 971**	**27 487**	**52 195**	**38 482**	**87 166**	**59 225**	**34 971**	**33 587**
OECD-EU 22	**35 427**	**26 901**	**52 877**	**37 134**	**88 304**	**56 648**	**35 427**	**34 060**

StatLink https://stat.link/psinrv

Table 3.11. Annual gross wage and net income, married couple, 2022

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

	Married 2 children 100-0 (% AW)		Married 2 children 100-67 (% AW)[1]		Married 2 children 100-100 (% AW)[1]		Married no children 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	65 455	55 015	109 309	86 788	130 909	100 805	109 309	86 788
Austria	69 202	61 802	115 567	94 526	138 404	107 159	115 567	81 350
Belgium	74 273	58 674	124 037	85 653	148 547	96 636	124 037	78 011
Canada	64 941	55 483	108 452	84 699	129 883	98 020	108 452	82 089
Chile	26 719	24 848	44 620	41 659	53 437	49 697	44 620	41 497
Colombia	14 644	15 347	24 456	25 861	29 289	30 694	24 456	24 456
Costa Rica	28 169	25 211	47 042	42 102	56 337	50 422	47 042	42 102
Czech Republic	36 411	37 643	60 806	53 884	72 821	62 775	60 806	49 746
Denmark	69 941	51 751	116 802	80 548	139 883	94 194	116 802	76 563
Estonia	34 099	31 651	56 945	50 945	68 197	58 743	56 945	47 859
Finland	61 778	45 466	103 169	77 169	123 556	88 017	103 169	74 253
France	59 445	49 325	99 273	78 520	118 890	90 758	99 273	73 849
Germany	75 137	60 511	125 479	89 071	150 275	102 399	125 479	81 328
Greece	39 349	31 921	65 713	51 730	78 698	60 219	65 713	51 288
Hungary	39 542	31 289	66 036	48 908	79 085	57 585	66 036	43 914
Iceland	73 897	61 912	123 407	91 601	147 793	106 119	123 407	90 618
Ireland	69 624	61 251	116 272	93 394	139 248	105 226	116 272	89 113
Israel	46 020	39 776	76 853	68 630	92 039	80 206	76 853	64 469
Italy	53 498	45 846	89 342	73 588	106 996	82 541	89 342	66 320
Japan	53 769	45 029	89 794	72 881	107 538	86 056	89 794	70 377
Korea	60 090	53 113	100 350	88 068	120 180	103 384	100 350	85 823
Latvia	31 864	27 980	53 212	44 555	63 728	51 396	53 212	39 992
Lithuania	41 708	29 951	69 652	48 775	83 416	56 180	69 652	45 052
Luxembourg	82 660	75 165	138 042	110 188	165 320	123 386	138 042	101 222
Mexico	15 204	13 489	25 391	22 799	30 409	26 979	25 391	22 799
Netherlands	76 635	60 463	127 980	103 313	153 269	117 172	127 980	96 888
New Zealand	47 539	43 788	79 390	65 139	95 077	75 932	79 390	65 139
Norway	70 726	54 069	118 113	90 271	141 453	105 453	118 113	87 586
Poland	38 493	39 454	64 283	58 169	76 985	67 292	64 283	50 347
Portugal	38 546	32 622	64 371	49 752	77 091	57 539	64 371	47 611
Slovak Republic	28 711	27 250	47 948	40 881	57 423	47 527	47 948	36 849
Slovenia	41 498	34 256	69 301	51 786	82 995	59 057	69 301	47 034
Spain	47 019	40 051	78 522	64 668	94 038	75 445	78 522	63 146
Sweden	57 432	47 189	95 911	77 773	114 864	90 685	95 911	74 080
Switzerland	94 601	88 956	157 983	138 325	189 201	160 370	157 983	129 095
Türkiye	29 336	21 639	48 991	37 344	58 672	43 277	48 991	37 344
United Kingdom	64 134	52 074	107 104	86 446	128 268	100 681	107 104	83 710
United States	64 889	56 250	108 365	88 291	129 778	102 040	108 365	83 838
Unweighted average								
OECD-Average	**52 289**	**44 408**	**87 323**	**69 966**	**104 579**	**80 844**	**87 323**	**66 146**
OECD-EU 22	**53 039**	**44 614**	**88 576**	**69 445**	**106 079**	**79 633**	**88 576**	**64 355**

1. Two-earner couple.

StatLink https://stat.link/l5ids6

Table 3.12. Annual labour costs and net income, single person, 2022

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

	Single no children 67 (% AW)		Single no children 100 (% AW)		Single no children 167 (% AW)		Single 2 children 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	46 194	36 385	68 947	50 403	115 141	77 002	46 194	45 832
Austria	59 328	34 457	88 550	47 090	145 506	71 969	59 328	47 929
Belgium	62 801	33 598	94 362	44 305	157 585	64 389	62 801	44 191
Canada	48 218	33 775	70 907	48 314	115 463	74 549	48 218	44 613
Chile	17 902	16 648	26 719	24 848	44 620	40 924	17 902	16 811
Colombia	9 812	9 812	14 644	14 644	24 456	24 456	9 812	10 514
Costa Rica	23 874	16 891	35 633	25 211	59 508	40 873	23 874	16 891
Czech Republic	32 641	20 428	48 717	29 319	81 358	47 371	32 641	26 912
Denmark	46 861	31 458	69 941	45 104	116 802	68 666	46 861	44 229
Estonia	30 568	20 031	45 624	27 828	76 192	44 827	30 568	23 901
Finland	50 133	31 703	74 825	42 550	124 958	63 192	50 133	36 467
France	51 380	30 487	81 140	43 006	143 251	66 021	51 380	40 994
Germany	60 398	34 000	90 146	47 013	145 114	72 606	60 398	43 261
Greece	29 334	19 813	43 783	27 550	73 117	42 292	29 334	21 845
Hungary	29 937	17 618	44 683	26 296	74 620	43 914	29 937	22 837
Iceland	52 655	37 558	78 589	53 060	131 244	81 685	52 655	43 141
Ireland	51 803	38 593	77 318	50 473	129 121	73 550	51 803	46 475
Israel	32 356	26 893	48 697	37 219	81 873	54 519	32 356	31 123
Italy	47 163	28 232	70 393	38 087	117 556	54 270	47 163	34 869
Japan	41 559	28 601	62 028	41 776	102 816	66 174	41 559	34 426
Korea	44 690	35 254	66 702	50 569	110 387	80 254	44 690	37 520
Latvia	26 393	16 575	39 389	23 416	65 774	37 645	26 393	21 139
Lithuania	28 444	18 824	42 454	26 229	70 899	42 139	28 444	22 546
Luxembourg	63 047	42 732	94 100	56 104	157 147	83 307	63 047	54 268
Mexico	11 551	9 310	16 947	13 489	27 906	21 373	11 551	9 310
Netherlands	57 566	41 514	85 828	55 373	138 104	81 765	57 566	54 127
New Zealand	31 851	27 173	47 539	37 966	79 390	59 306	31 851	36 994
Norway	53 547	36 202	79 921	51 384	133 468	77 748	53 547	41 457
Poland	30 012	20 612	44 795	29 735	74 807	48 257	30 012	29 015
Portugal	31 959	19 808	47 700	27 699	79 659	41 653	31 959	23 736
Slovak Republic	24 950	15 101	37 239	21 748	62 189	35 045	24 950	18 706
Slovenia	32 280	19 474	48 179	27 560	80 458	43 575	32 280	27 098
Spain	40 922	26 184	61 078	36 962	102 000	57 134	40 922	30 505
Sweden	50 570	30 584	75 477	43 496	126 047	62 672	50 570	34 277
Switzerland	67 439	53 705	100 655	77 082	167 980	120 922	67 439	63 031
Türkiye	23 095	15 705	34 470	21 639	57 565	33 686	23 095	15 705
United Kingdom	47 302	34 737	71 544	48 972	120 761	74 441	47 302	38 948
United States	47 123	34 028	70 174	48 793	116 976	76 360	47 123	40 666
Unweighted average								
OECD-Average	**40 465**	**27 487**	**60 522**	**38 482**	**100 837**	**59 225**	**40 465**	**33 587**
OECD-EU 22	**42 659**	**26 901**	**63 896**	**37 134**	**106 467**	**56 648**	**42 659**	**34 060**

StatLink https://stat.link/z0lv9t

Table 3.13. Annual labour costs and net income, married couple, 2022

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

	Married 2 children 100-0 (% AW)		Married 2 children 100-67 (% AW)[1]		Married 2 children 100-100 (% AW)[1]		Married no children 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	68 947	55 015	115 141	86 788	137 893	100 805	115 141	86 788
Austria	88 550	61 802	147 878	94 526	177 100	107 159	147 878	81 350
Belgium	94 362	58 674	157 163	85 653	188 725	96 636	157 163	78 011
Canada	70 907	55 483	119 125	84 699	141 814	98 020	119 125	82 089
Chile	26 719	24 848	44 620	41 659	53 437	49 697	44 620	41 497
Colombia	14 644	15 347	24 456	25 861	29 289	30 694	24 456	24 456
Costa Rica	35 633	25 211	59 508	42 102	71 267	50 422	59 508	42 102
Czech Republic	48 717	37 643	81 358	53 884	97 435	62 775	81 358	49 746
Denmark	69 941	51 751	116 802	80 548	139 883	94 194	116 802	76 563
Estonia	45 624	31 651	76 192	50 945	91 248	58 743	76 192	47 859
Finland	74 825	45 466	124 958	77 169	149 651	88 017	124 958	74 253
France	81 140	49 325	132 520	78 520	162 280	90 758	132 520	73 849
Germany	90 146	60 511	150 544	89 071	180 292	102 399	150 544	81 328
Greece	48 161	31 921	80 429	51 730	96 322	60 219	80 429	51 288
Hungary	44 683	31 289	74 620	48 908	89 366	57 585	74 620	43 914
Iceland	78 589	61 912	131 244	91 601	157 178	106 119	131 244	90 618
Ireland	77 318	61 251	129 121	93 394	154 635	105 226	129 121	89 113
Israel	48 697	39 776	81 053	68 630	97 393	80 206	81 053	64 469
Italy	70 393	45 846	117 556	73 588	140 785	82 541	117 556	66 320
Japan	62 028	45 029	103 586	72 881	124 055	86 056	103 586	70 377
Korea	66 702	53 113	111 392	88 068	133 404	103 384	111 392	85 823
Latvia	39 389	27 980	65 782	44 555	78 777	51 396	65 782	39 992
Lithuania	42 454	29 951	70 899	48 775	84 909	56 180	70 899	45 052
Luxembourg	94 100	75 165	157 147	110 188	188 200	123 386	157 147	101 222
Mexico	16 947	13 489	28 498	22 799	33 894	26 979	28 498	22 799
Netherlands	85 828	60 463	143 395	103 313	171 657	117 172	143 395	96 888
New Zealand	47 539	43 788	79 390	65 139	95 077	75 932	79 390	65 139
Norway	79 921	54 069	133 468	90 271	159 842	105 453	133 468	87 586
Poland	44 795	39 454	74 807	58 169	89 589	67 292	74 807	50 347
Portugal	47 700	32 622	79 659	49 752	95 400	57 539	79 659	47 611
Slovak Republic	37 239	27 250	62 189	40 881	74 477	47 527	62 189	36 849
Slovenia	48 179	34 256	80 458	51 786	96 357	59 057	80 458	47 034
Spain	61 078	40 051	102 000	64 668	122 156	75 445	102 000	63 146
Sweden	75 477	47 189	126 047	77 773	150 954	90 685	126 047	74 080
Switzerland	100 655	88 956	168 094	138 325	201 310	160 370	168 094	129 095
Türkiye	34 470	21 639	57 565	37 344	68 940	43 277	57 565	37 344
United Kingdom	71 544	52 074	118 846	86 446	143 087	100 681	118 846	83 710
United States	70 174	56 250	117 297	88 291	140 349	102 040	117 297	83 838
Unweighted average								
OECD-Average	**60 637**	**44 408**	**101 179**	**69 966**	**121 274**	**80 844**	**101 179**	**66 146**
OECD-EU 22	**64 095**	**44 614**	**106 887**	**69 445**	**128 191**	**79 633**	**106 887**	**64 355**

1. Two-earner couple.

StatLink https://stat.link/ir2q6u

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 https://www.oecd.org/tax/tax-policy/tax-database/).

[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 effective tax rates in 2022

The chapter presents graphical expositions of effective tax rates on labour income in 2022 for gross wage earnings ranging from 50% to 250% of the average wage. These are illustrated in separate graphs for 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 components of the average and marginal tax wedge as percentage of total labour costs. The graphs also show the net personal average and marginal tax rates.

The graphs in this section show effective tax rates on labour income in 2022 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 [SSCs] net of cash benefits as a percentage of [the change in] gross wage earnings) are included in the graphs that show the average and the marginal tax wedge, respectively.[1]

The graphs illustrate the relative importance of the different components of the tax wedge: central government income taxes, local government income taxes, employee SSCs, employer SSCs (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 value of tax payments less benefits is not increasing as rapidly as the corresponding total labour costs. It does not necessarily imply that the value of payments less benefits is decreasing in cash terms.

Low-income households are treated favourably by the tax and benefit systems of 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 and the Slovak Republic because of non-wastable child tax credits; in the United Kingdom because of the non-wastable Universal Credit (UC) paid to low-income households; 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 a payable tax credit targeting low-income workers; in Luxembourg because of a tax credit for social minimum wage earners introduced in 2019; 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. In Sweden, the charts show negative central government income taxes for the four household types due to an EITC; however, the tax credit is wastable in the sense that it cannot reduce the individual's total income tax payments to less than zero. The EITC is also deducted from the local government income tax.

In some OECD countries, the net personal average tax rate is negative for single parents or one-earner married couples at lower income levels, meaning that these household types do not pay income taxes or SSCs, or these payments are fully offset by cash benefits. For example, the net personal average tax rate becomes positive at more than 90% of the AW in the Czech Republic (at 94% of the AW for the single parent) and in Poland (at 109% of the AW for the single parent and the one-earner married couple). 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 was negative mainly due to refundable tax credits in Spain (up to 61% 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, Denmark, New Zealand and Poland.

The marginal tax wedge is relatively flat across the earnings distribution in some countries because of flat SSC and personal income tax rates. The marginal tax wedge for single taxpayers without children on incomes between 50% to 250% of AW is flat in the Czech Republic (44.7%) and Hungary (41.2%). 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. Moreover, contributions to pension, health and employment risk insurance 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 40.2% on earnings below 118% of the AW, 43.0% % on earnings at

118% and then 47.7% on earnings from 119% of the AW to 250% of the AW. In Lithuania, it is 44.1% on earnings below 166% of the AW, 40.6% on earnings between 167% and 250% of the AW.

SSCs are levied at flat rates in many OECD countries. Some countries have an earnings ceiling above which no additional SSCs have to be paid. The variations in the marginal SSCs 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.

Within the income range of 50% to 250% of the AW, the marginal employer SSC rates fall to zero as a result of income ceilings in Germany (at 154% of the AW), Luxembourg (at 193% of the AW), the Netherlands (at 111%) and Spain (at 176%). Marginal employee SSC rates fall to zero in Austria (at 151% of the AW), Germany (at 154%), the Netherlands (at 204%), Spain (at 176%) and Sweden (at 116%). In Canada, the marginal employee SSC rate falls to zero at 89% of the AW. However, a spike is observed at 89% of the AW. 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 may experience declining marginal employee and/or employer SSC rates as a 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 marginal rates as a percentage of total labour costs were observed in Japan, where the marginal employee and employer SSC rates drop from 12.53% to 4.99% and from 13.31% to 5.85% respectively on earnings above 151% of the AW; in Luxembourg, where the marginal employee SSC rate drops from 10.94% to 1.40% on earnings above 193% of the AW; in the United Kingdom, where the marginal employee SSC rate drops from 11.12% to 2.39% of earnings above 113% of the AW; and in the United States, where the marginal employer and employee SSC rates drop from 7.11% to 1.43% on earnings above 226% of the AW.

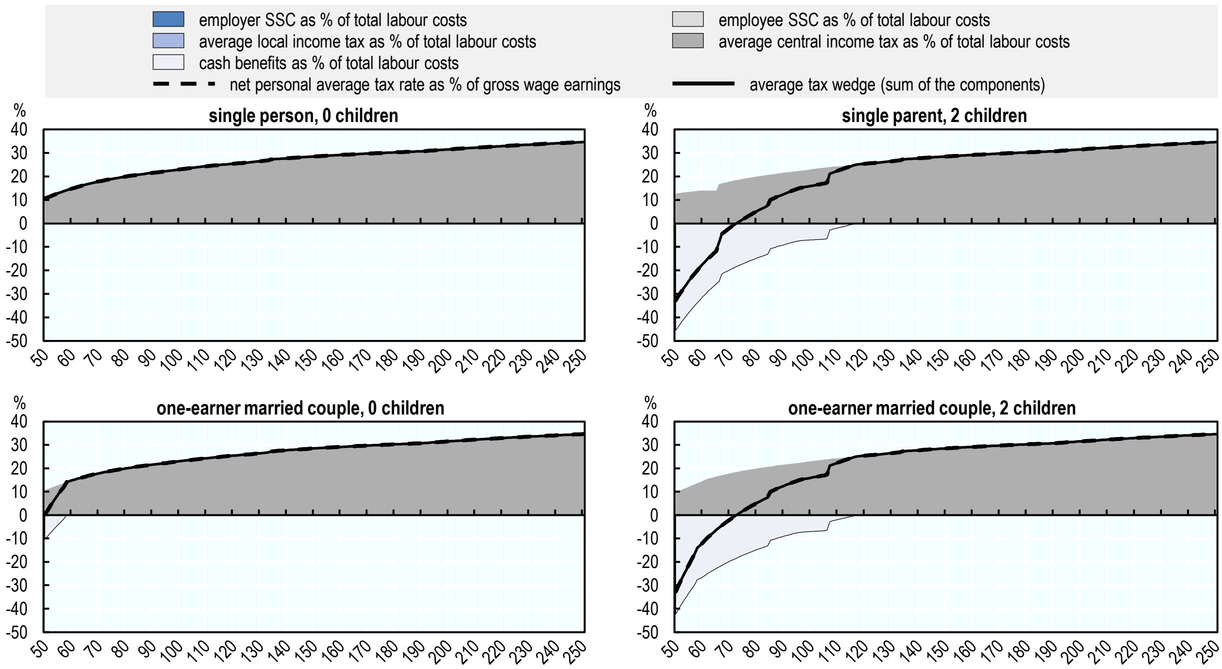
In Slovenia, the marginal employer SSCs are negative up to 60% of the AW. This is because the employer pays additional contributions on earnings that are below the social security minimum income threshold. This penalty decreases as earnings increase and is completely exhausted once the employee’s earnings reach the social security minimum income threshold. The negative marginal employer SSC 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, Israel, Italy, Luxembourg, Mexico and New Zealand. They also apply to families with children in Australia, Austria, Belgium, Canada, Chile, Greece, Iceland, Ireland, Italy, Japan, Lithuania, Mexico, New Zealand, Poland, Portugal, Slovenia, Spain, Türkiye and the United Kingdom. In many countries, these high marginal tax rates are partly the result of reductions in benefits, allowances or tax credits that are targeted at low-income taxpayers as income rises.

The zigzag movement in the marginal tax burdens observed in some of the graphs arises when the changes in taxes, SSCs 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 2022: average tax wedge decomposition

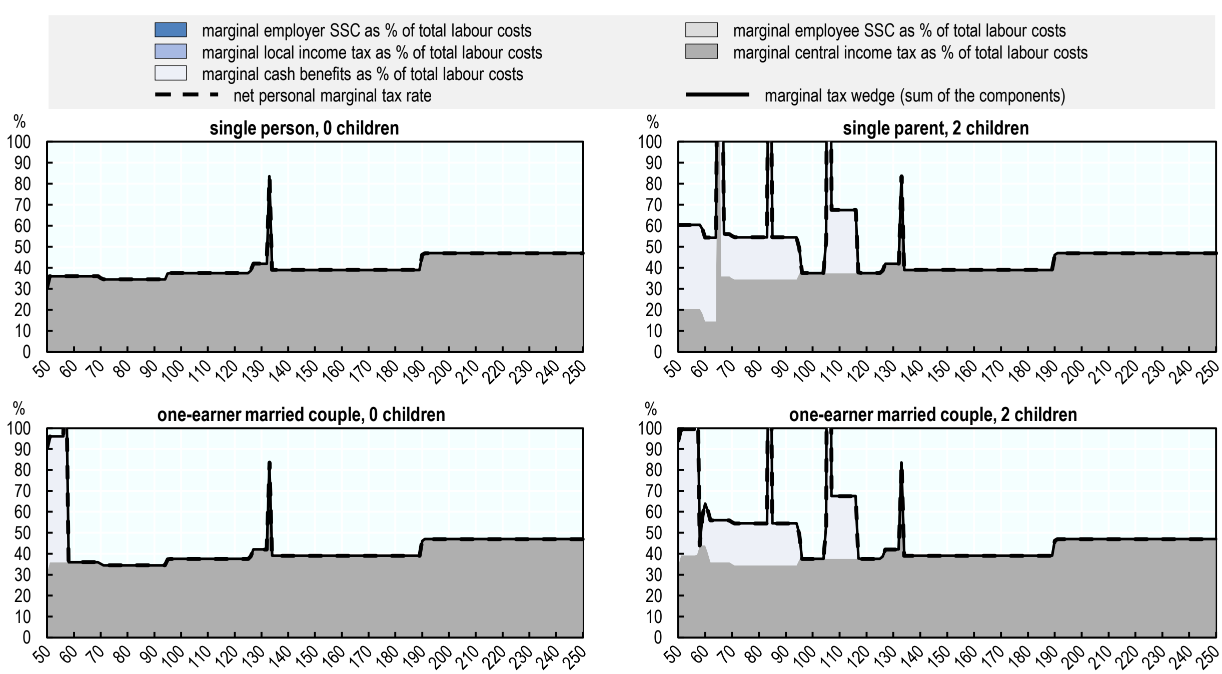
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/fov1pn

Australia 2022: marginal tax wedge decomposition

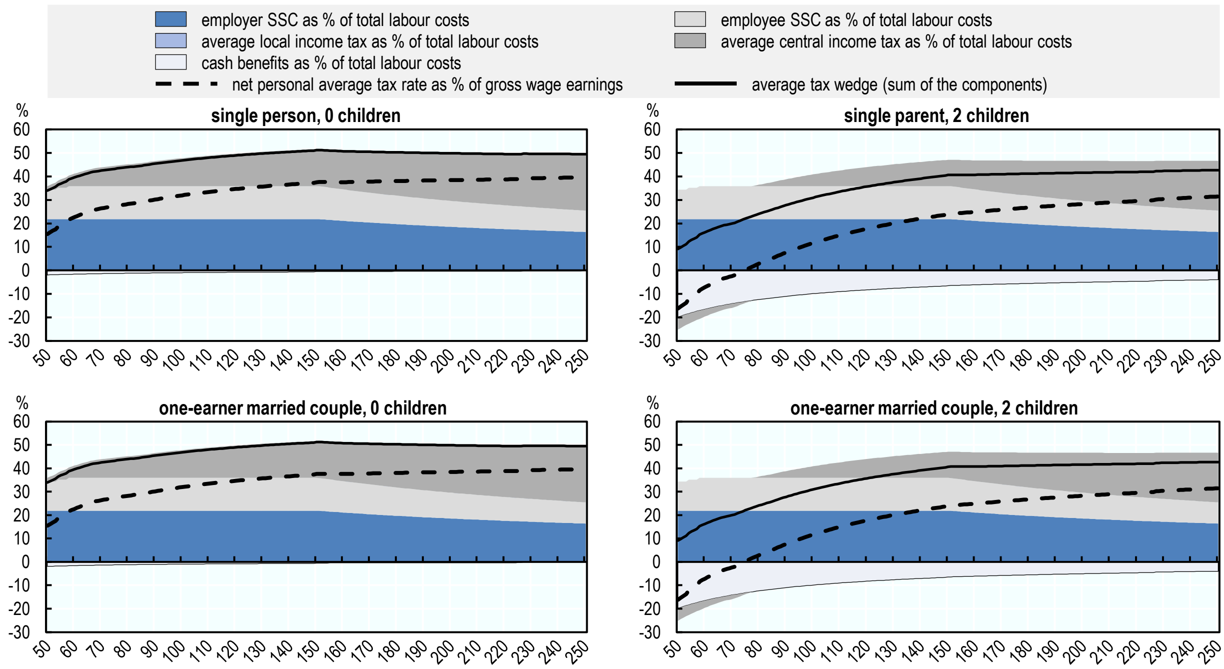
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/pyzf8l

Austria 2022: average tax wedge decomposition

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



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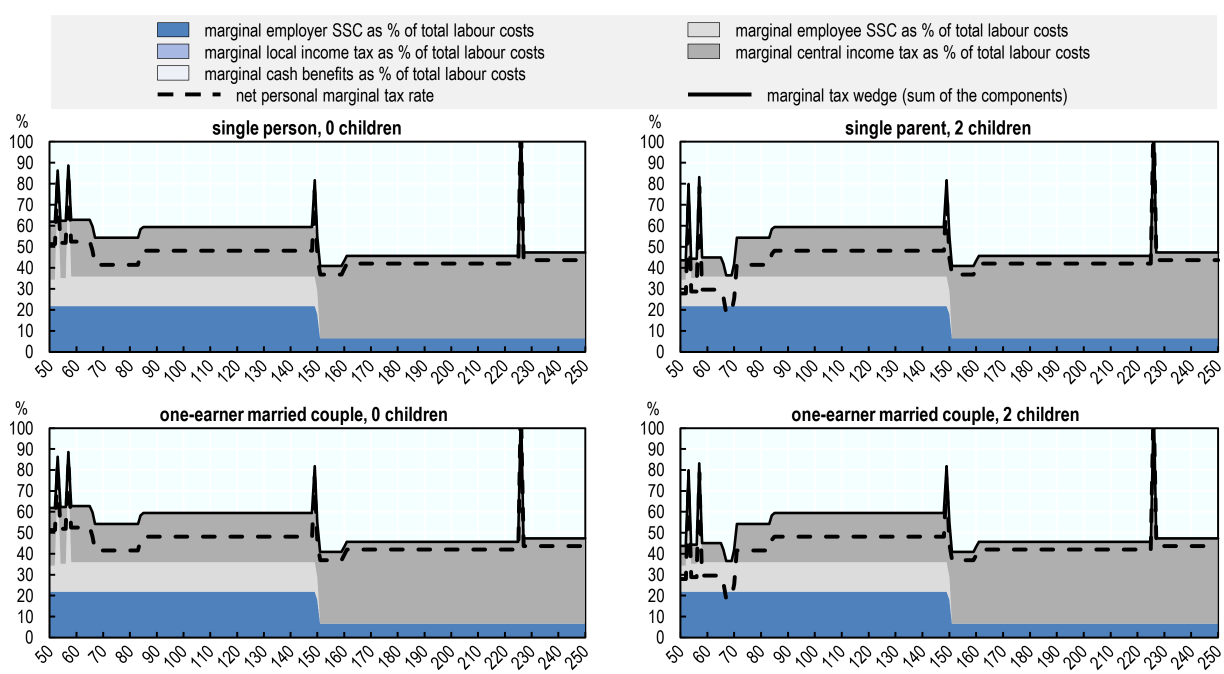
Austria 2022: marginal tax wedge decomposition

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



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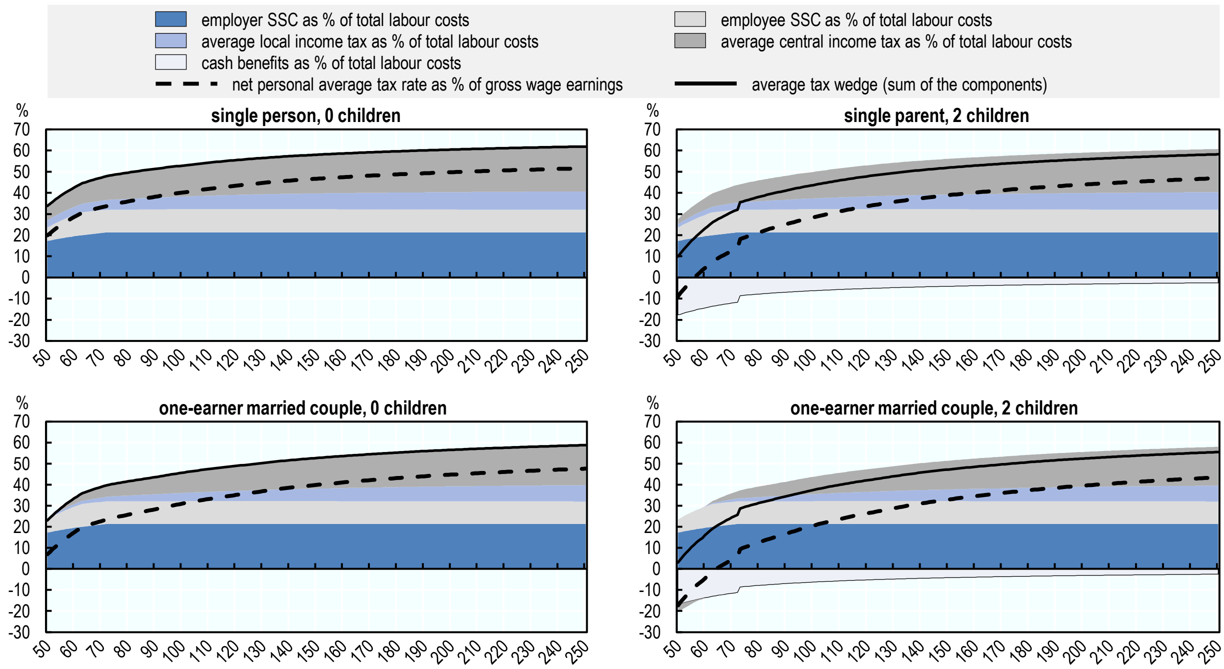
Belgium 2022: average tax wedge decomposition

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



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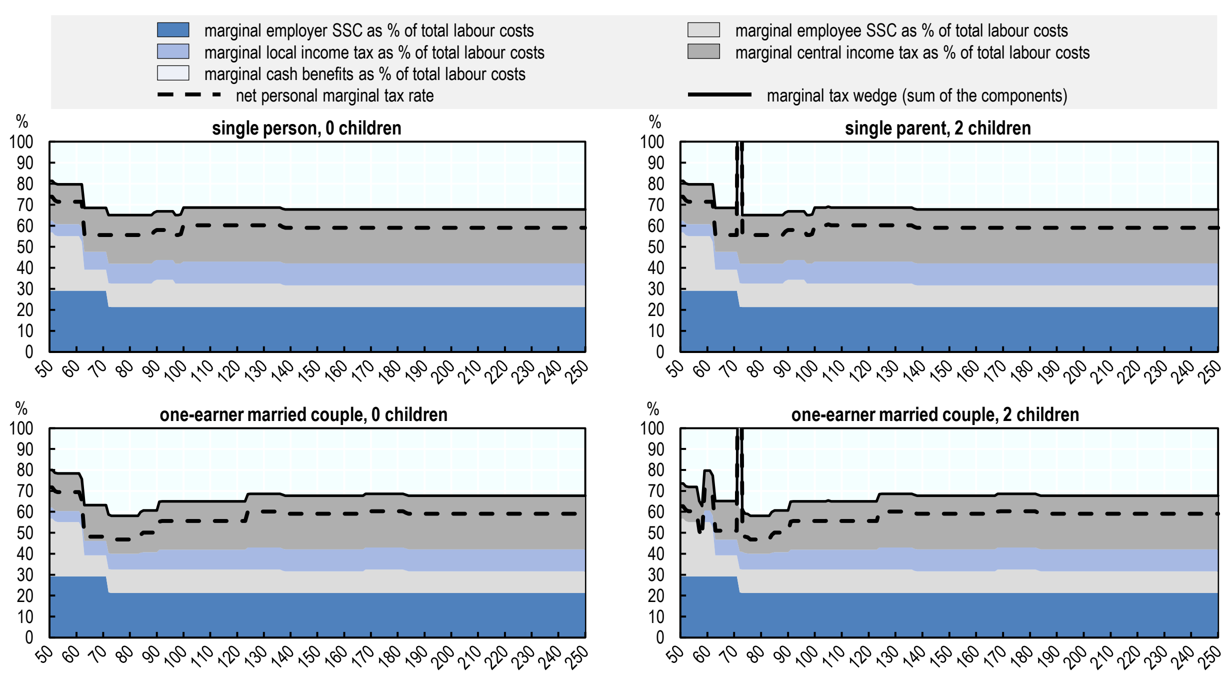
Belgium 2022: marginal tax wedge decomposition

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



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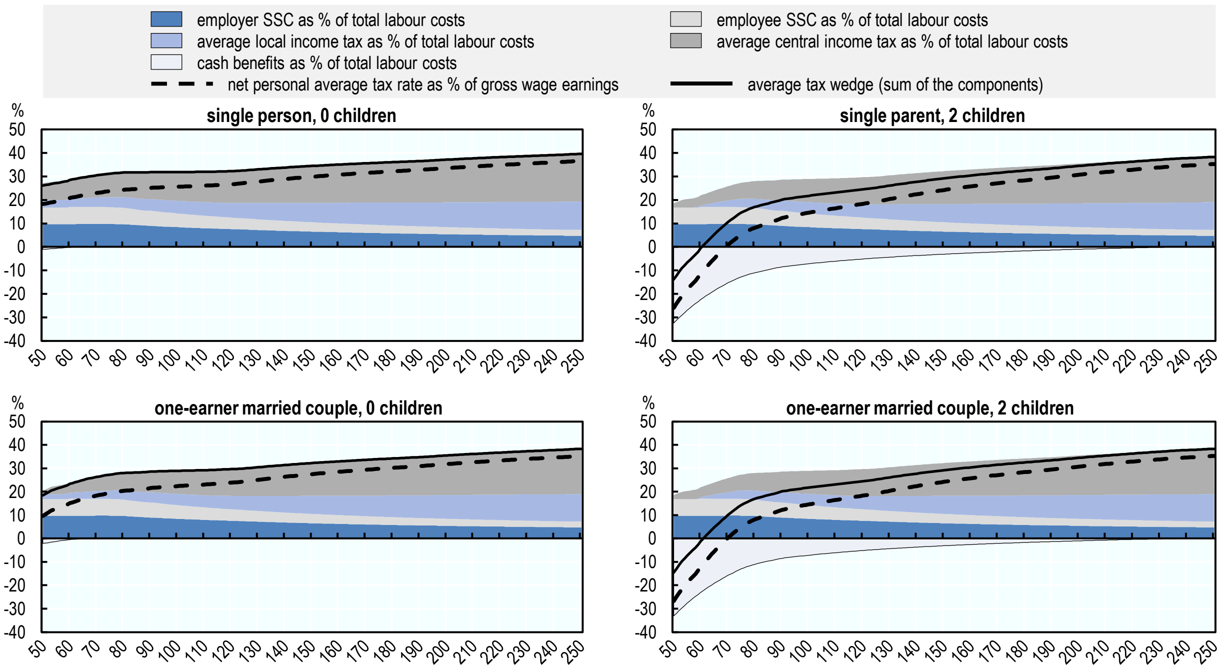
Canada 2022: average tax wedge decomposition

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



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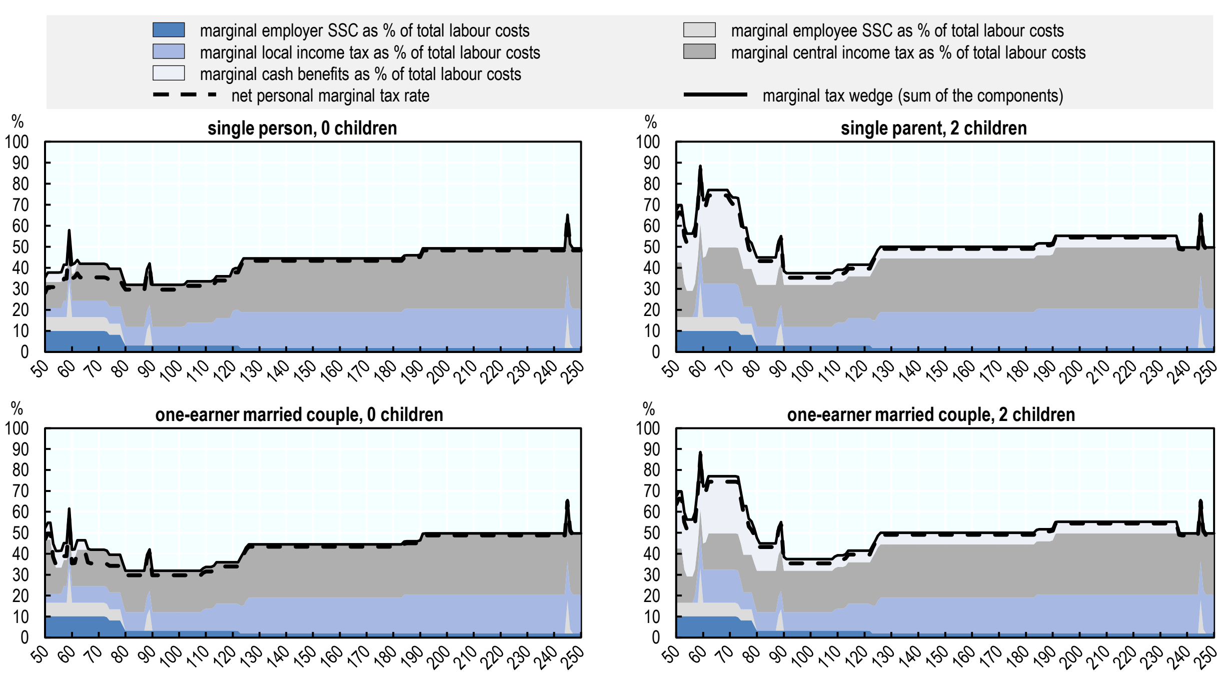
Canada 2022: marginal tax wedge decomposition

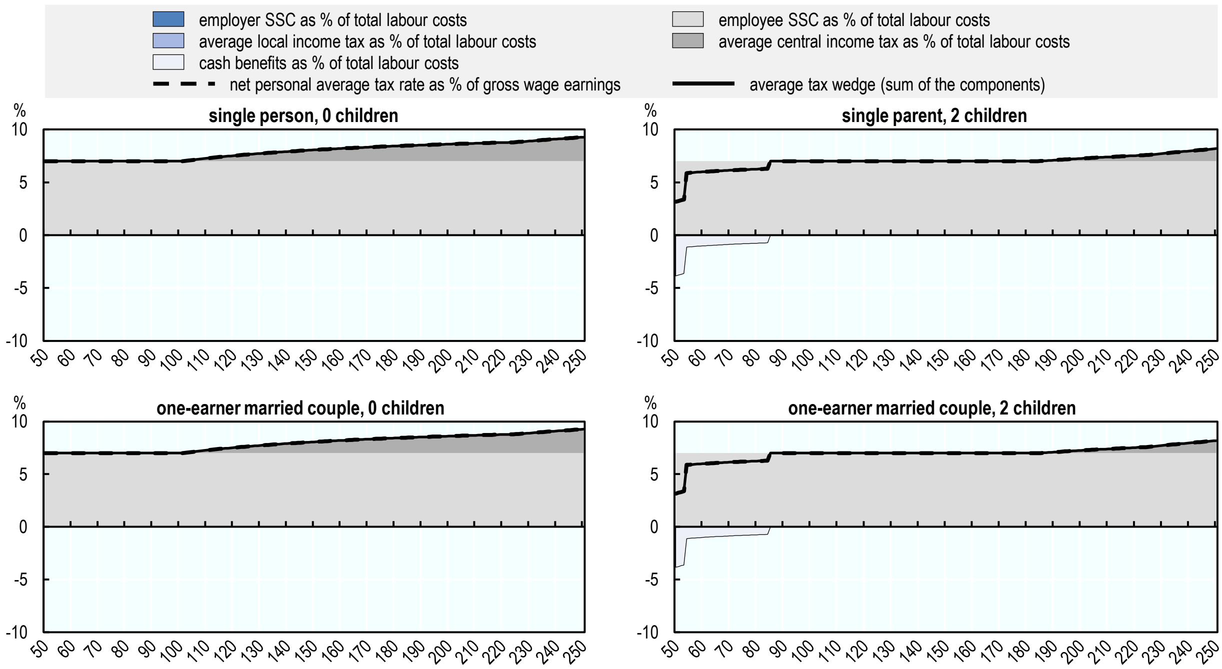
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/wv3ghq

Chile 2022: average tax wedge decomposition

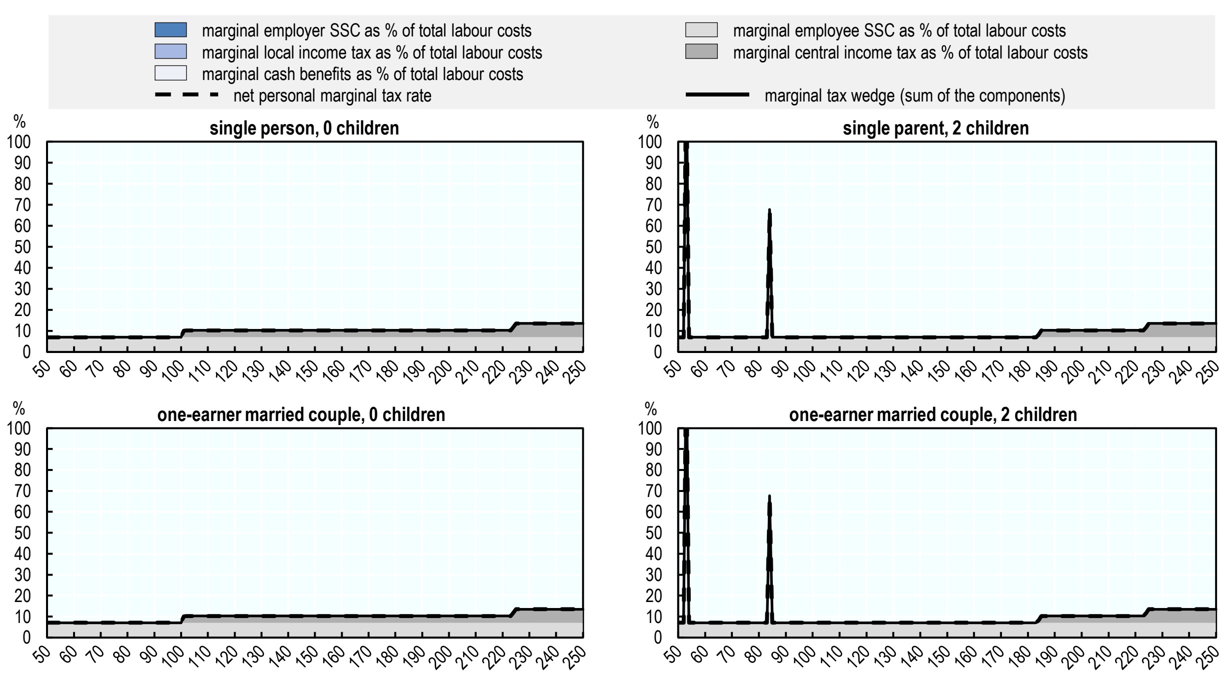
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/jfzna2

Chile 2022: marginal tax wedge decomposition

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



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Colombia 2022: average tax wedge decomposition

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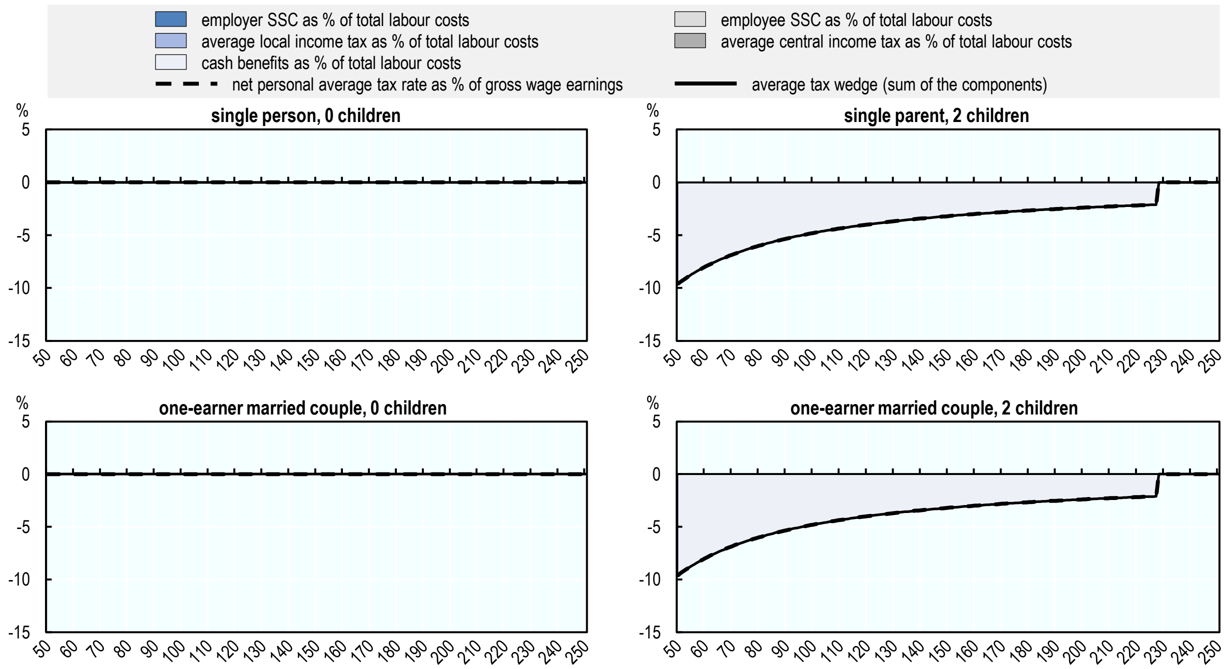

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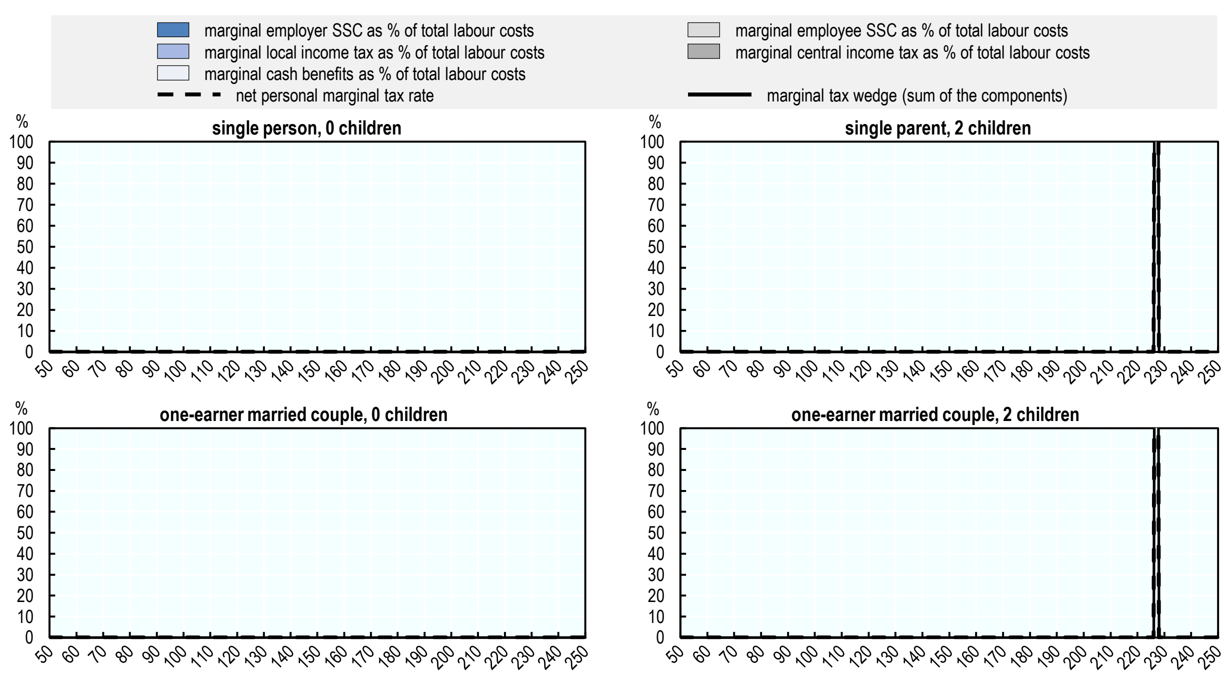
Colombia 2022: marginal tax wedge decomposition

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



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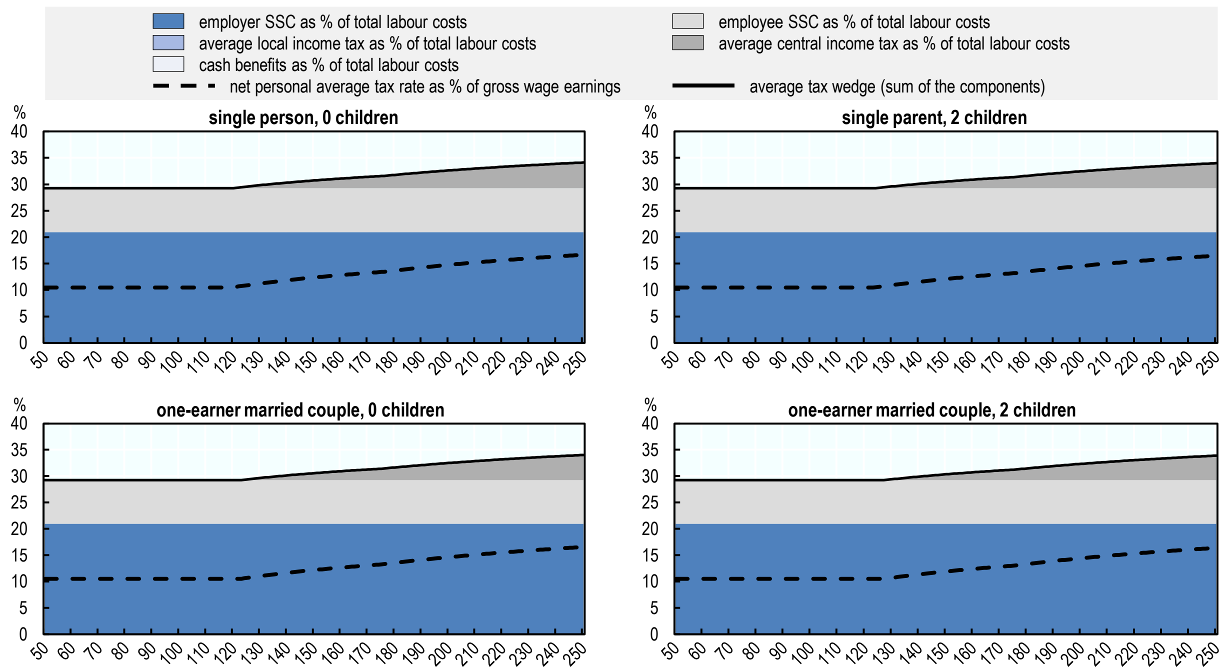
Costa Rica 2022: average tax wedge decomposition

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



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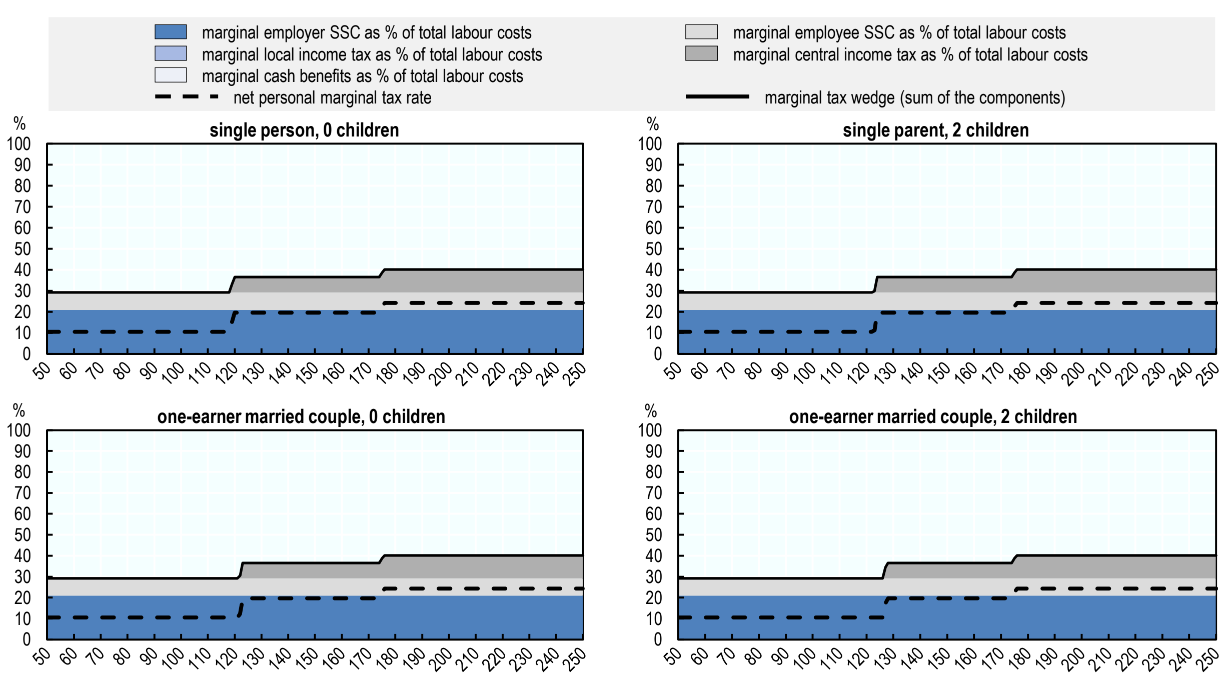
Costa Rica 2022: marginal tax wedge decomposition

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



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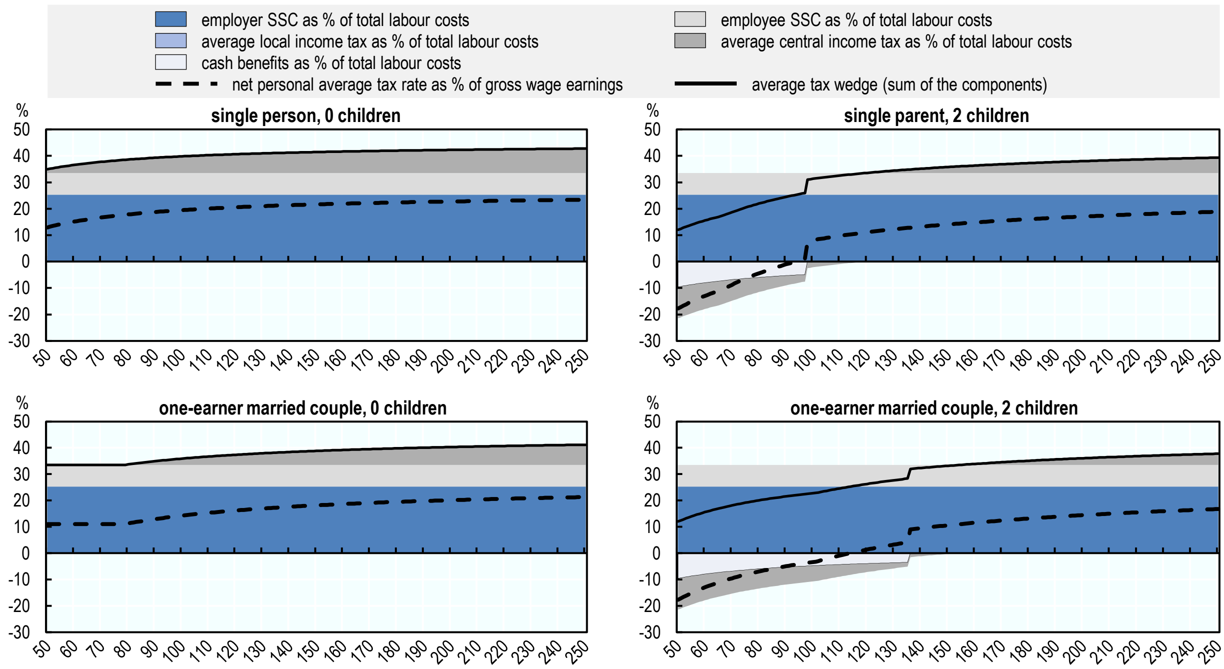
Czech Republic 2022: average tax wedge decomposition

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



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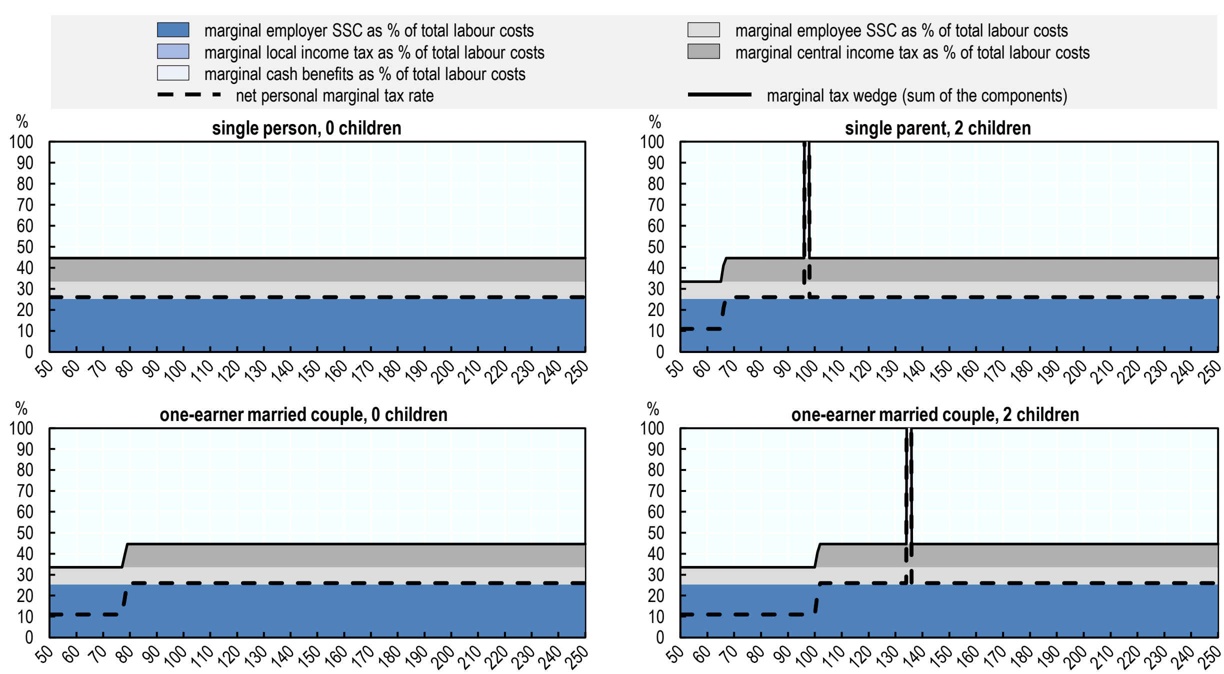
Czech Republic 2022: marginal tax wedge decomposition

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



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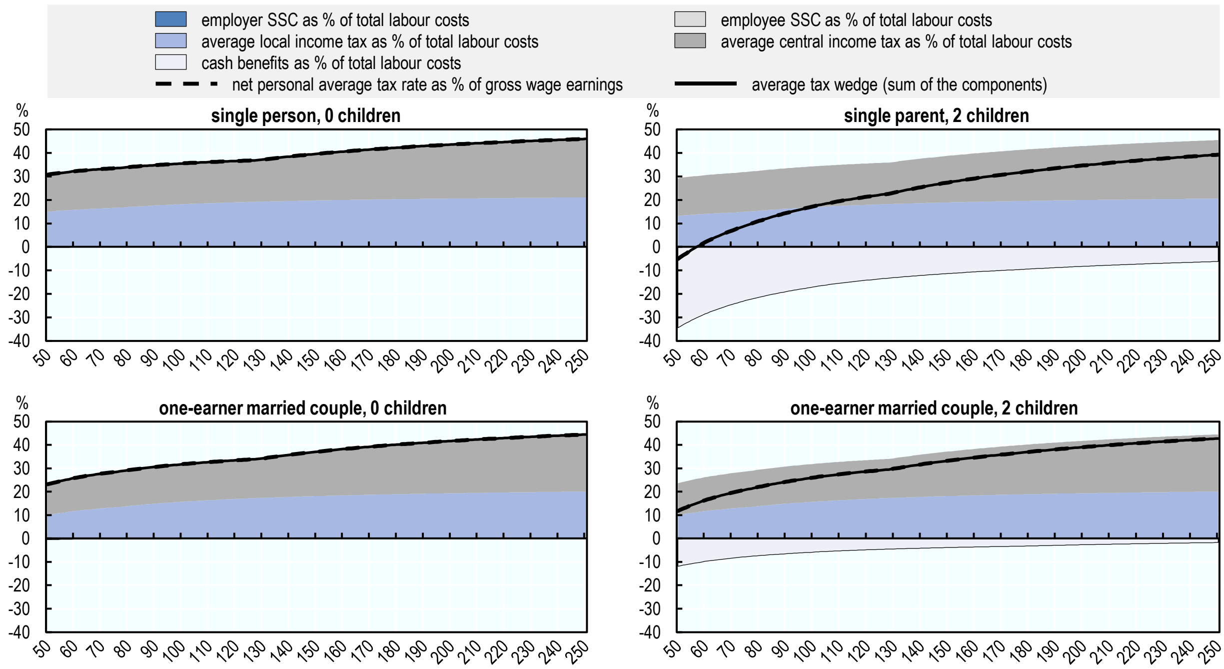
Denmark 2022: average tax wedge decomposition

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



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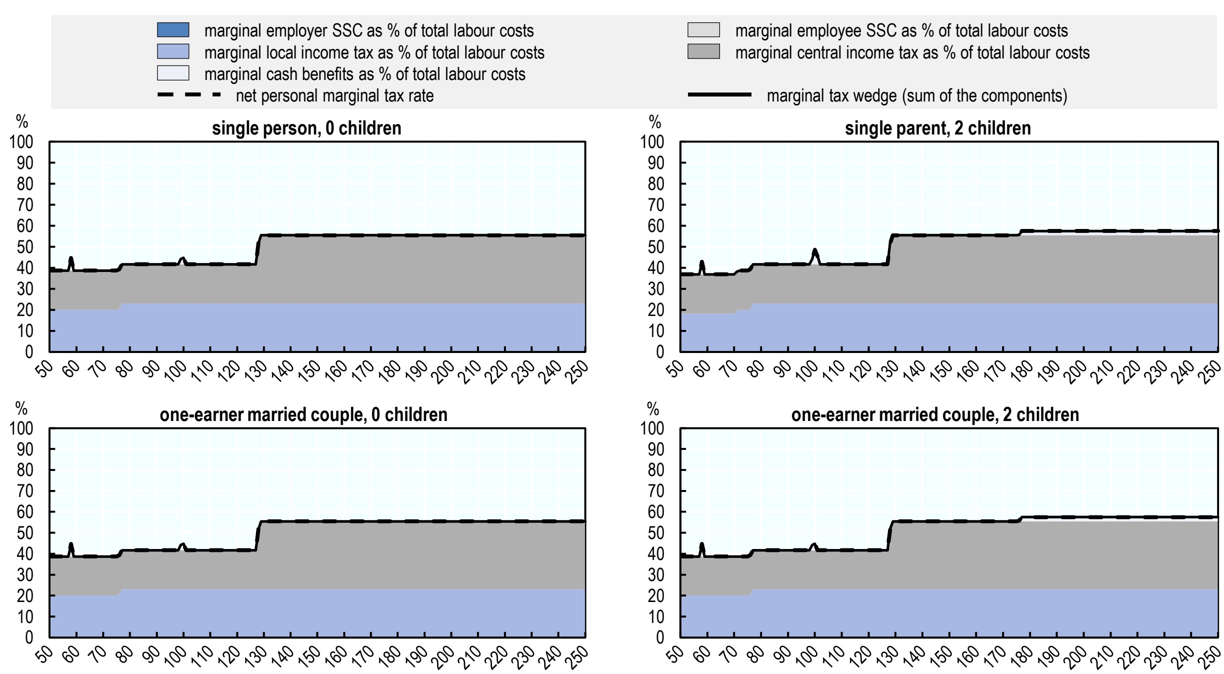
Denmark 2022: marginal tax wedge decomposition

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



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Estonia 2022: average tax wedge decomposition

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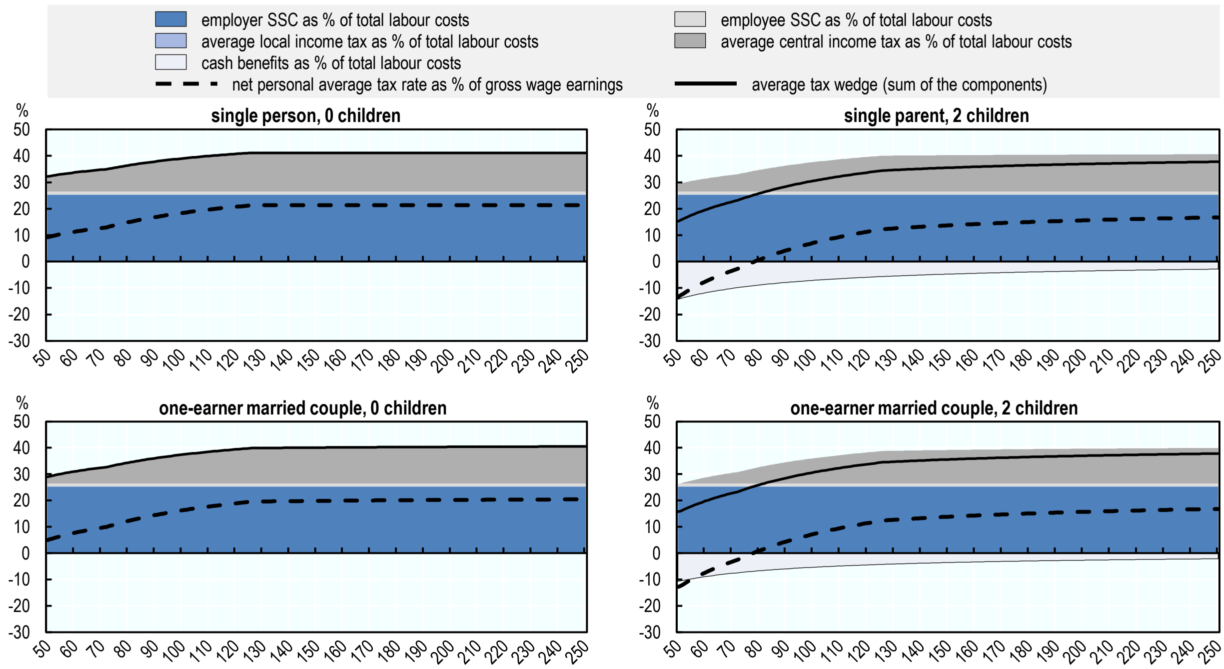

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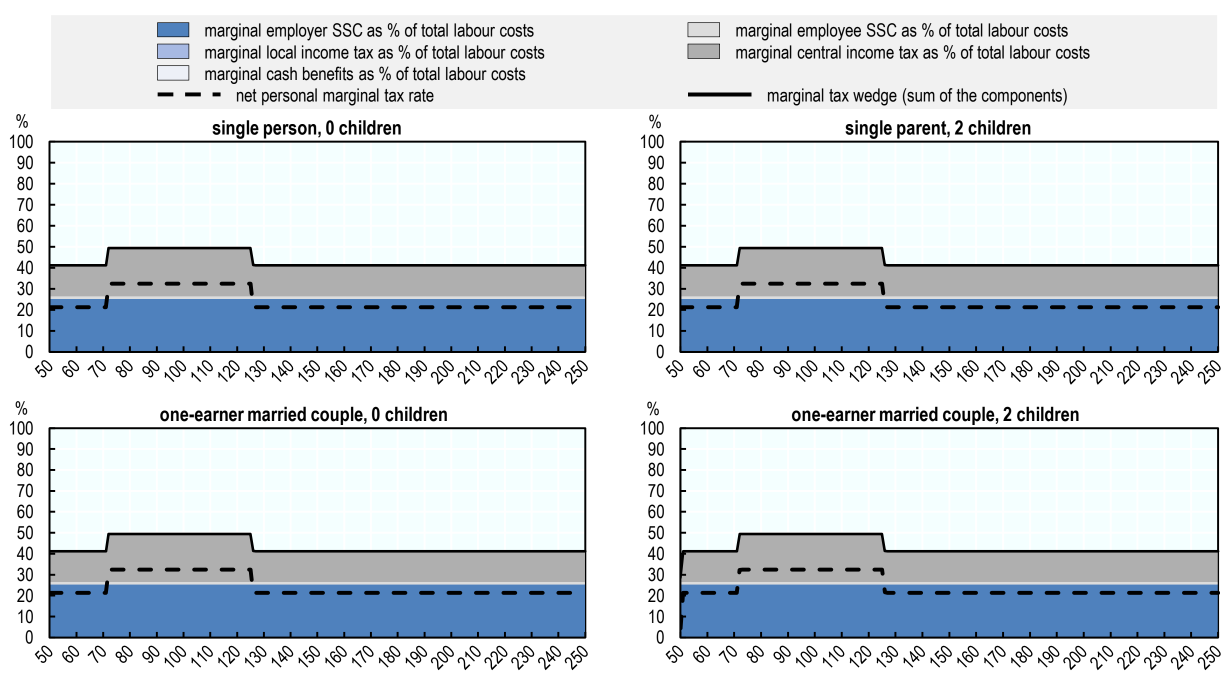
Estonia 2022: marginal tax wedge decomposition

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



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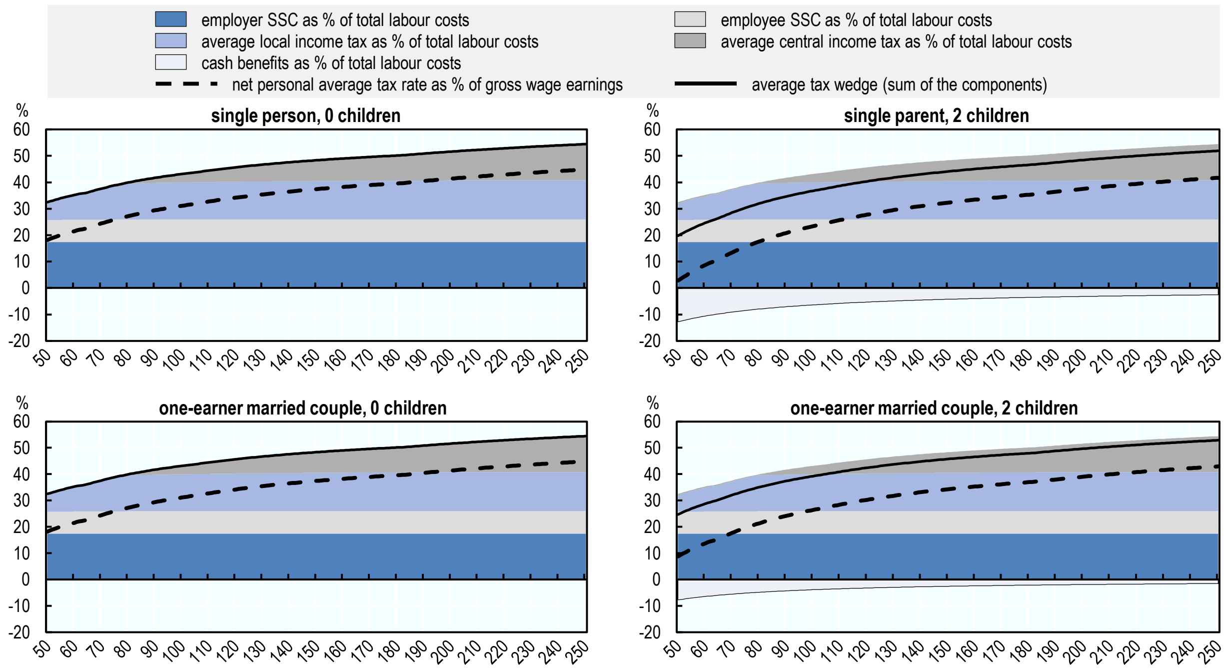
Finland 2022: average tax wedge decomposition

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



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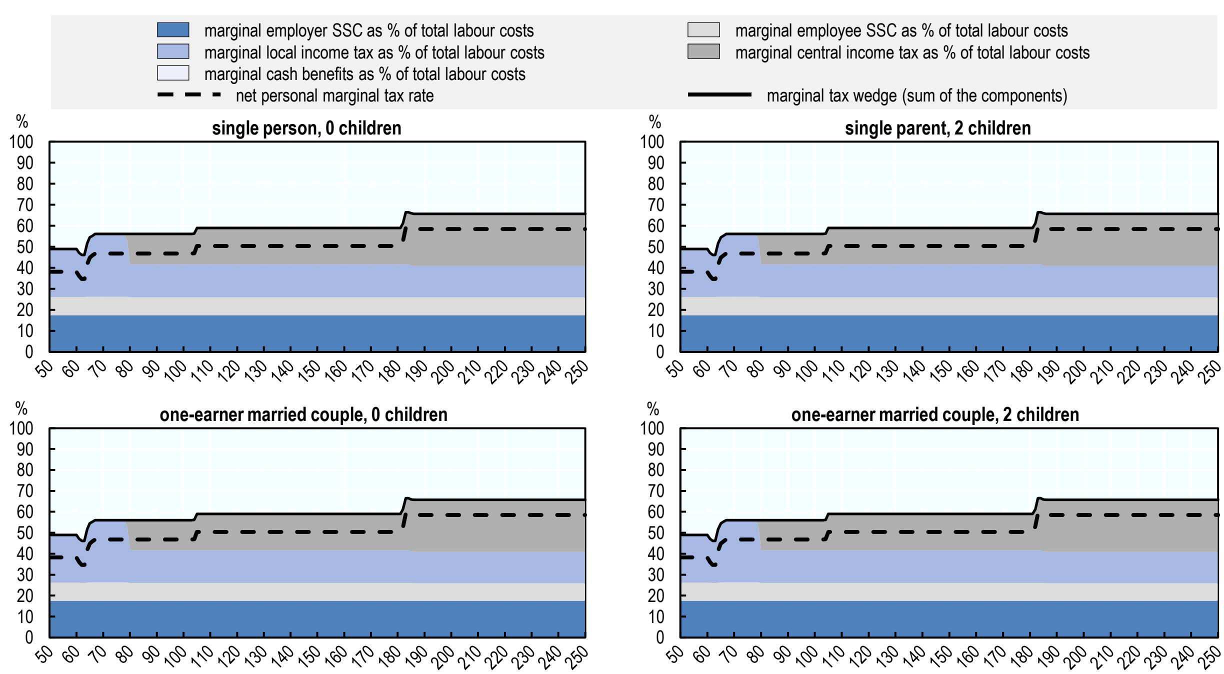
Finland 2022: marginal tax wedge decomposition

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



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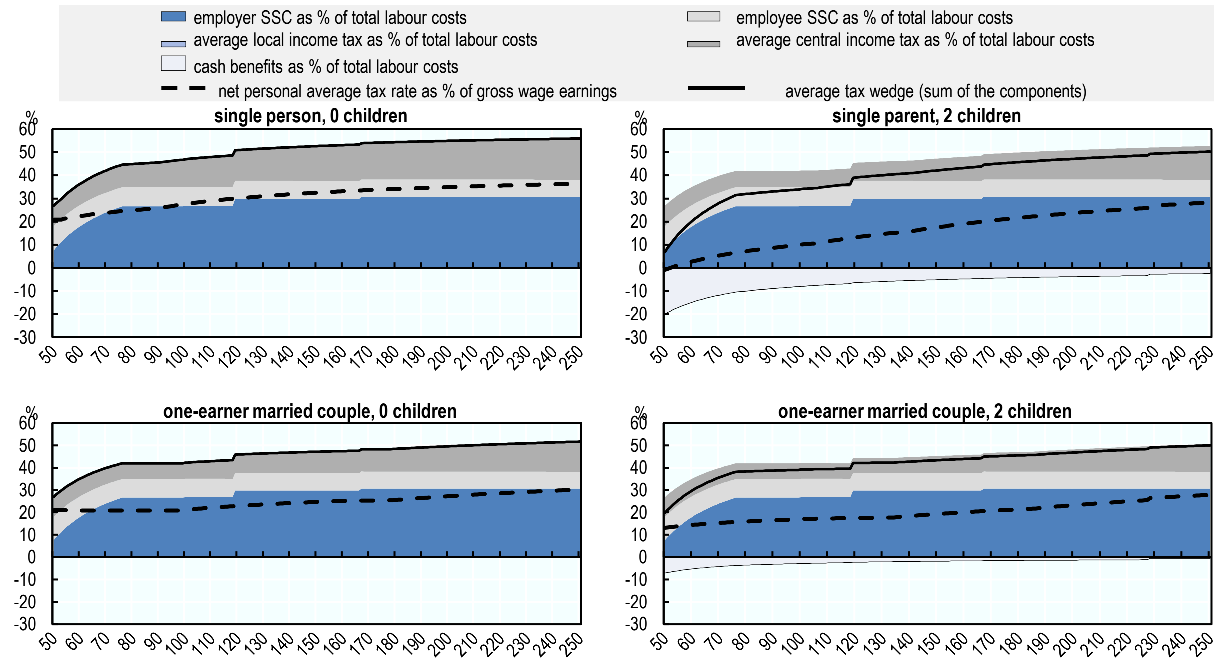
France 2022: average tax wedge decomposition

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



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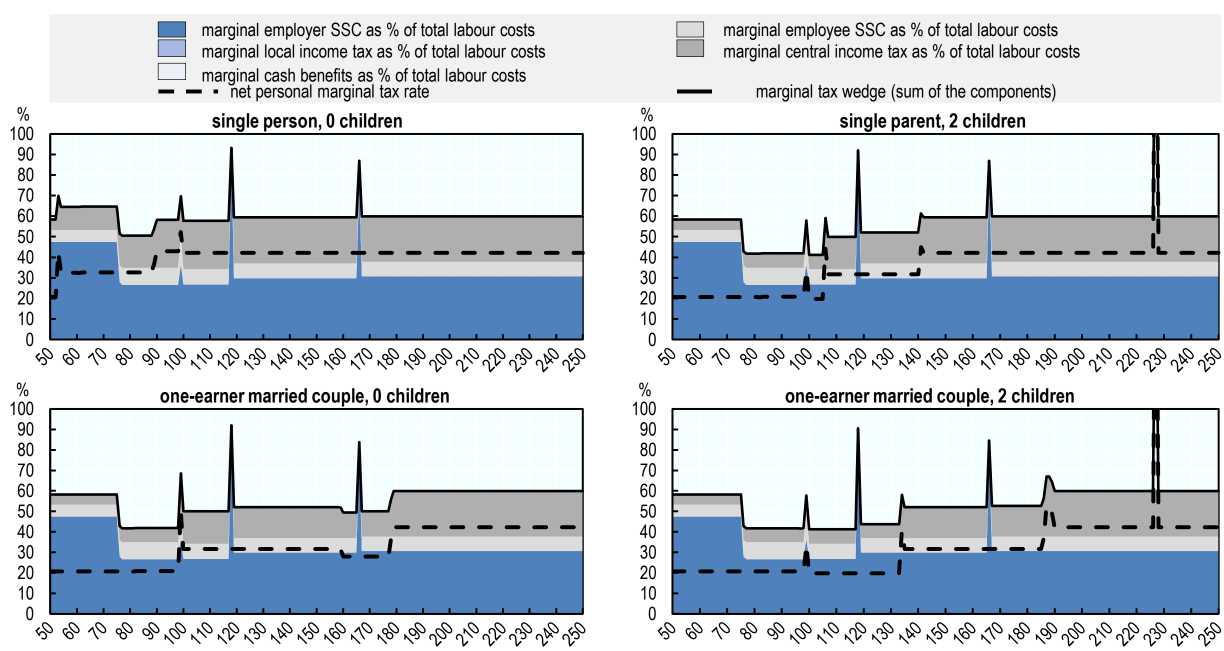
France 2022: marginal tax wedge decomposition

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



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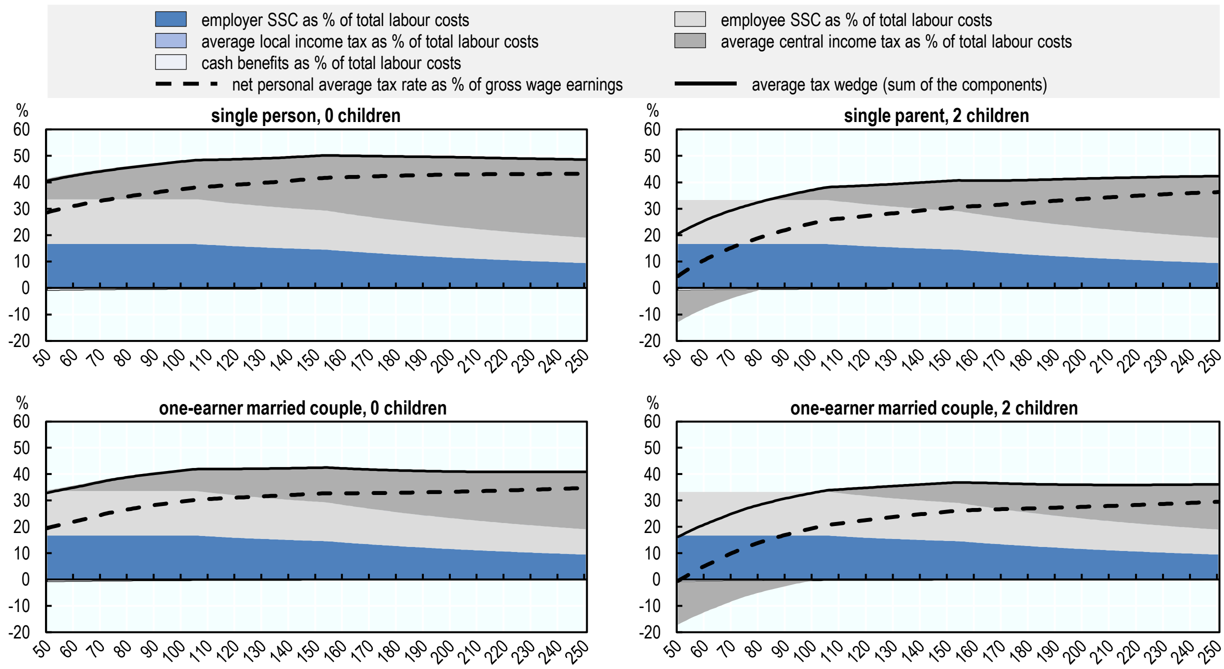
Germany 2022: average tax wedge decomposition

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



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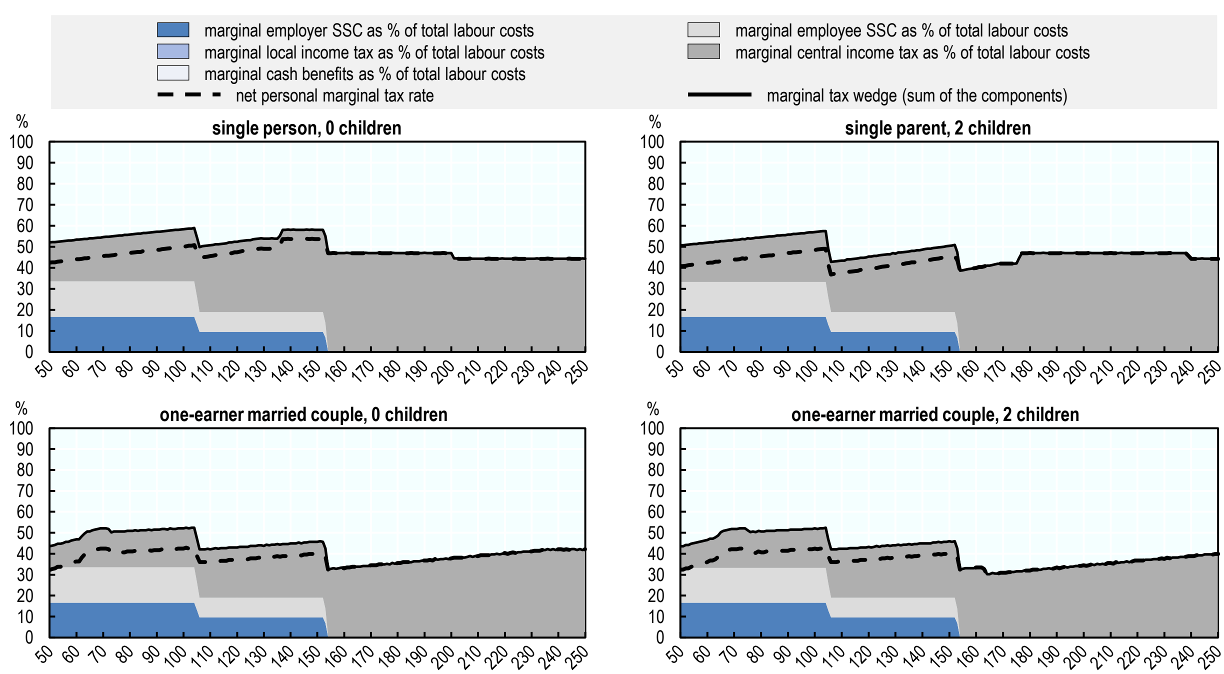
Germany 2022: marginal tax wedge decomposition

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



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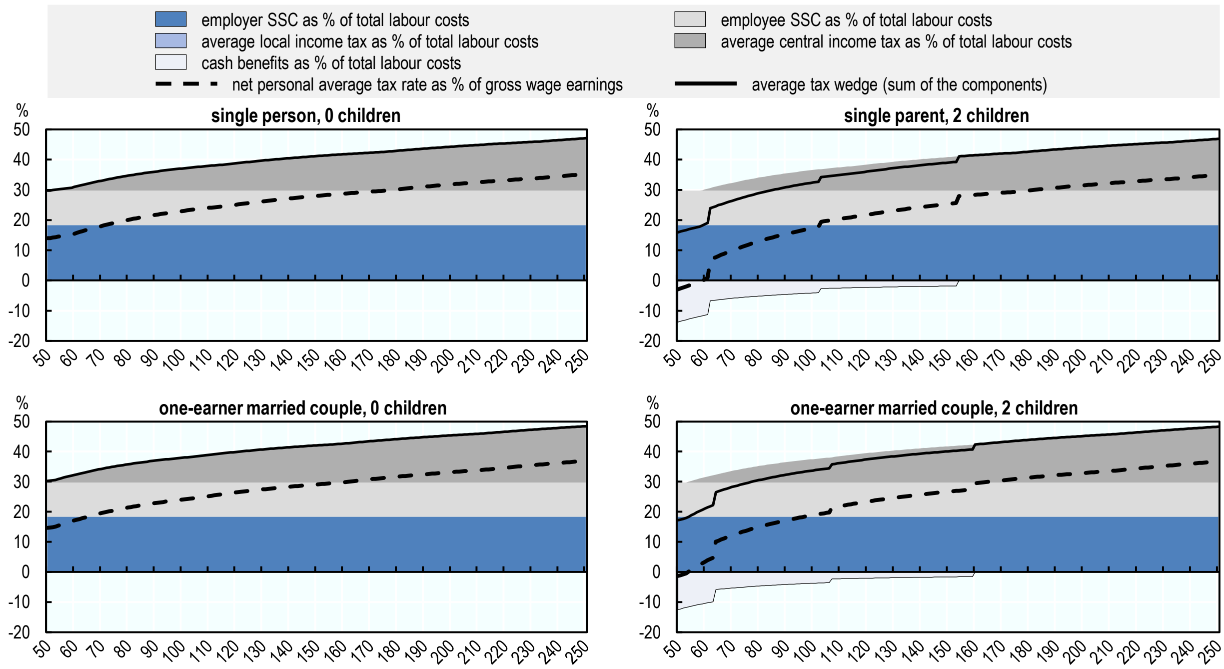
Greece 2022: average tax wedge decomposition

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



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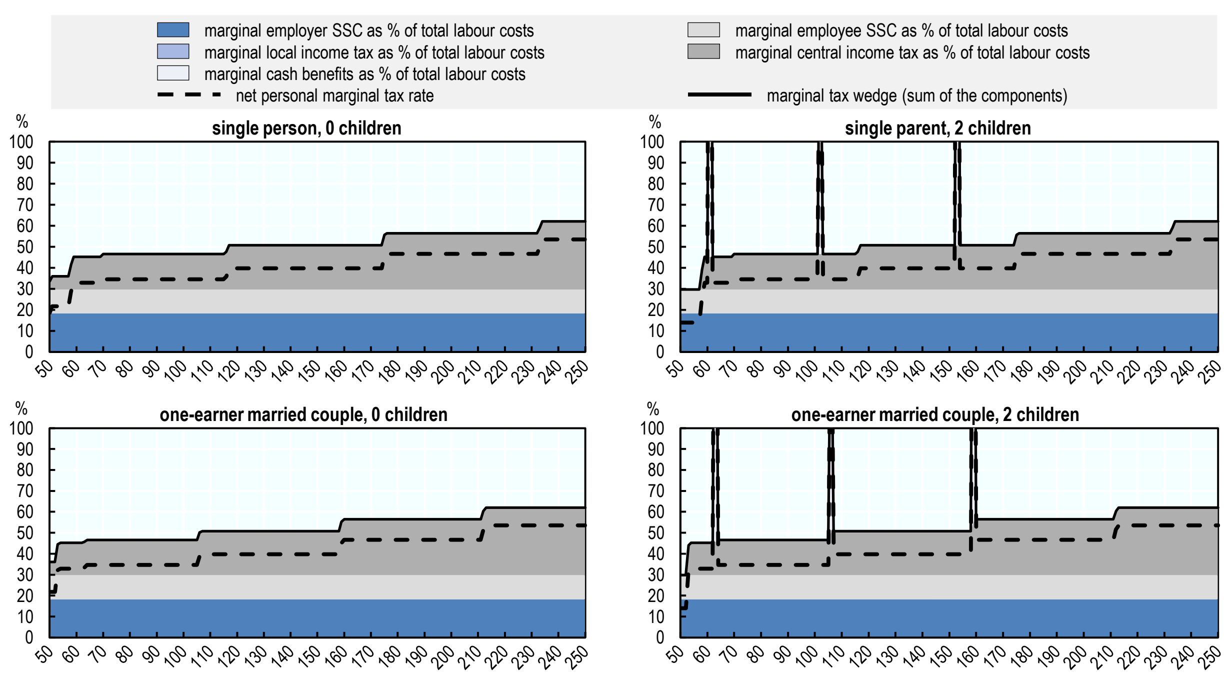
Greece 2022: marginal tax wedge decomposition

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



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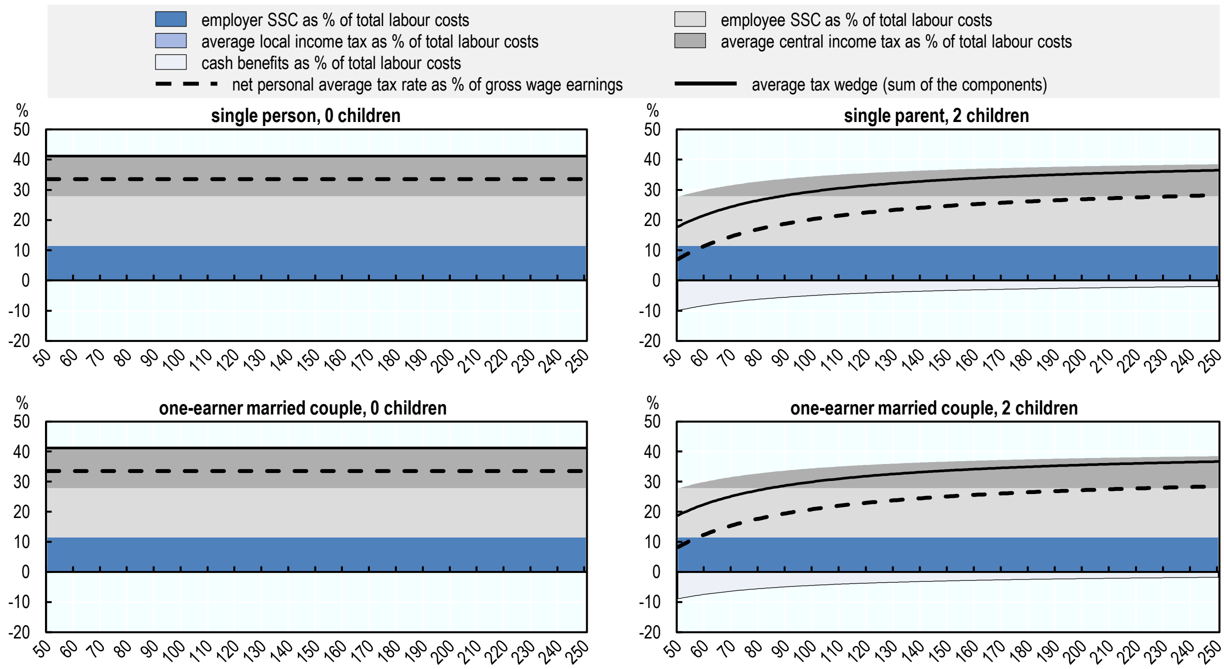
Hungary 2022: average tax wedge decomposition

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



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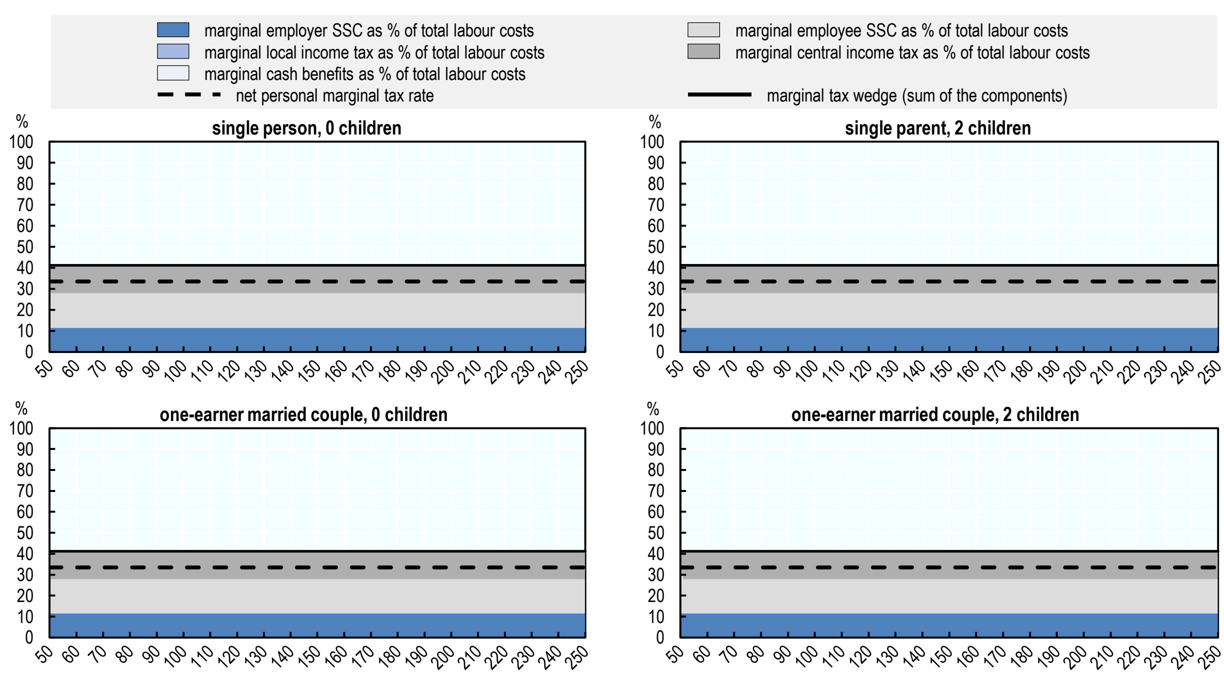
Hungary 2022: marginal tax wedge decomposition

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



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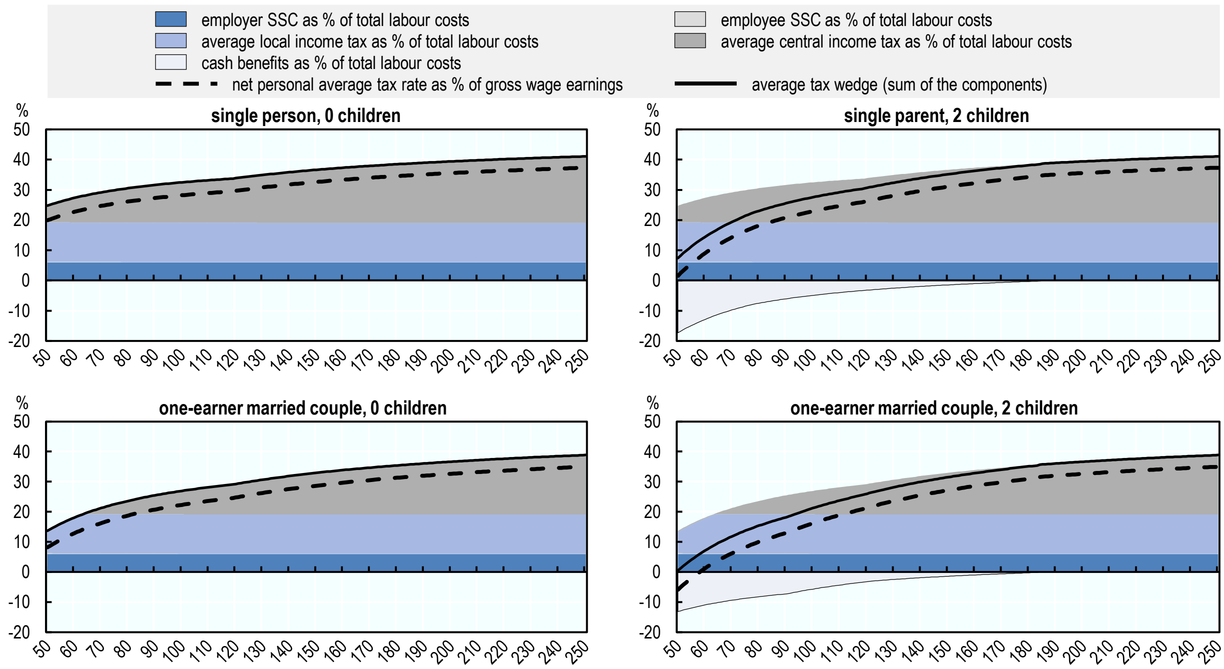
Iceland 2022: average tax wedge decomposition

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



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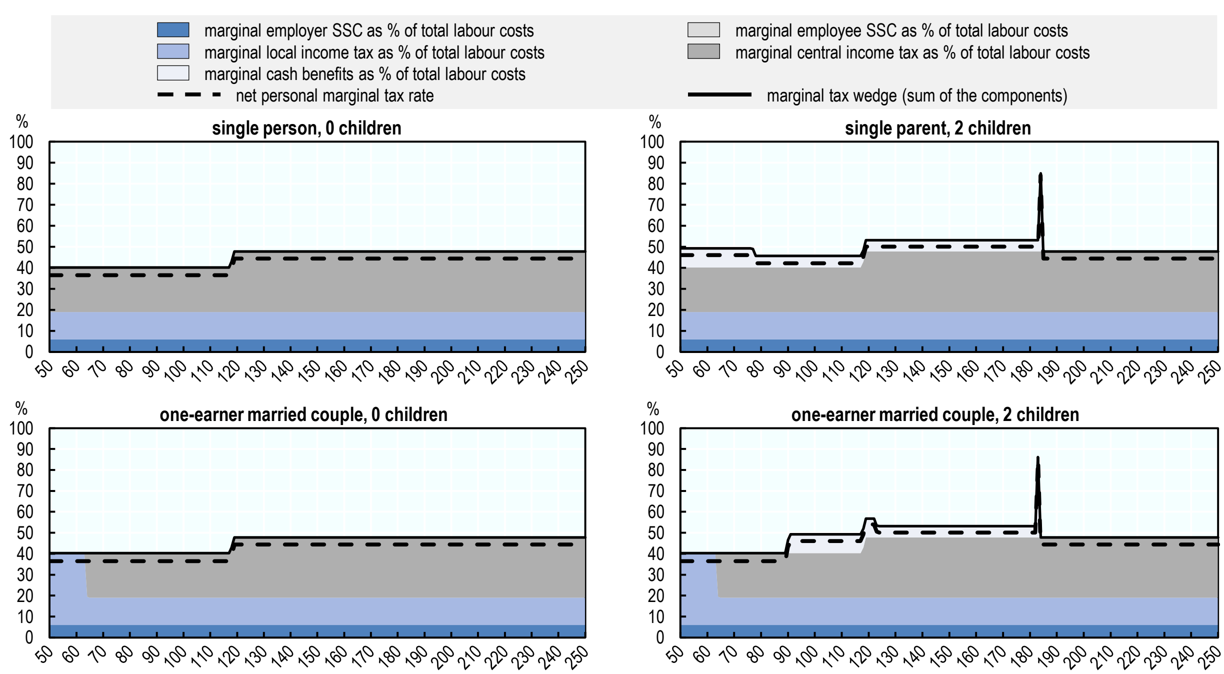
Iceland 2022: marginal tax wedge decomposition

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



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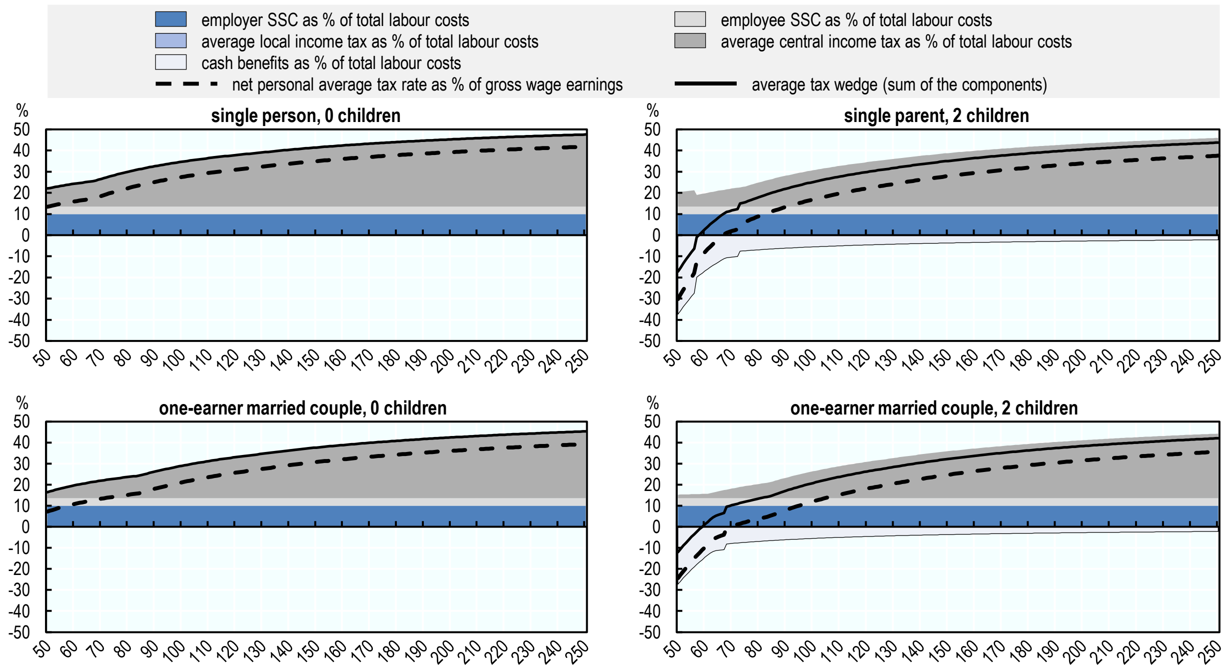
Ireland 2022: average tax wedge decomposition

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



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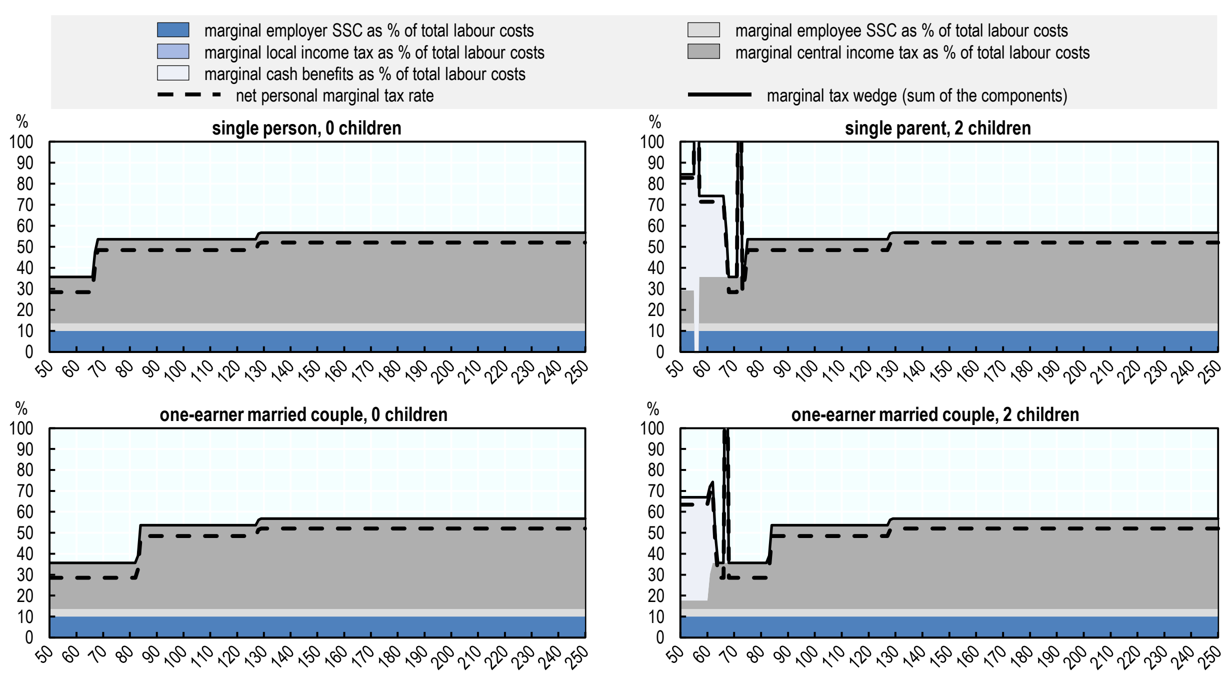
Ireland 2022: marginal tax wedge decomposition

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



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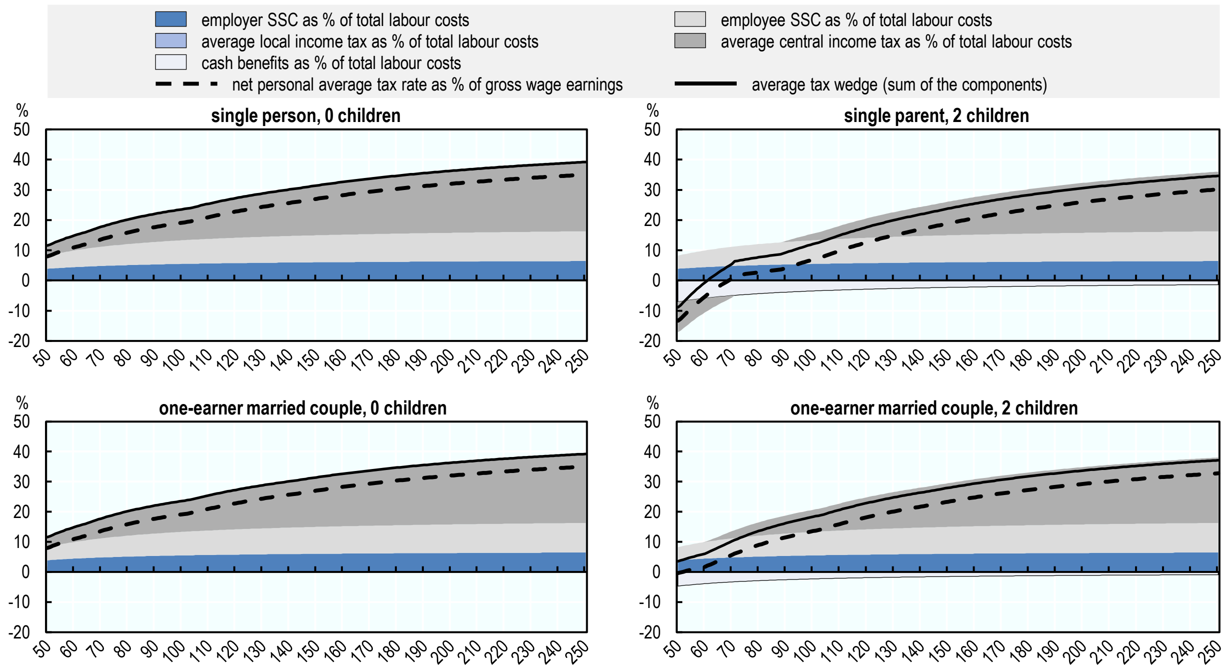
Israel 2022: average tax wedge decomposition

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



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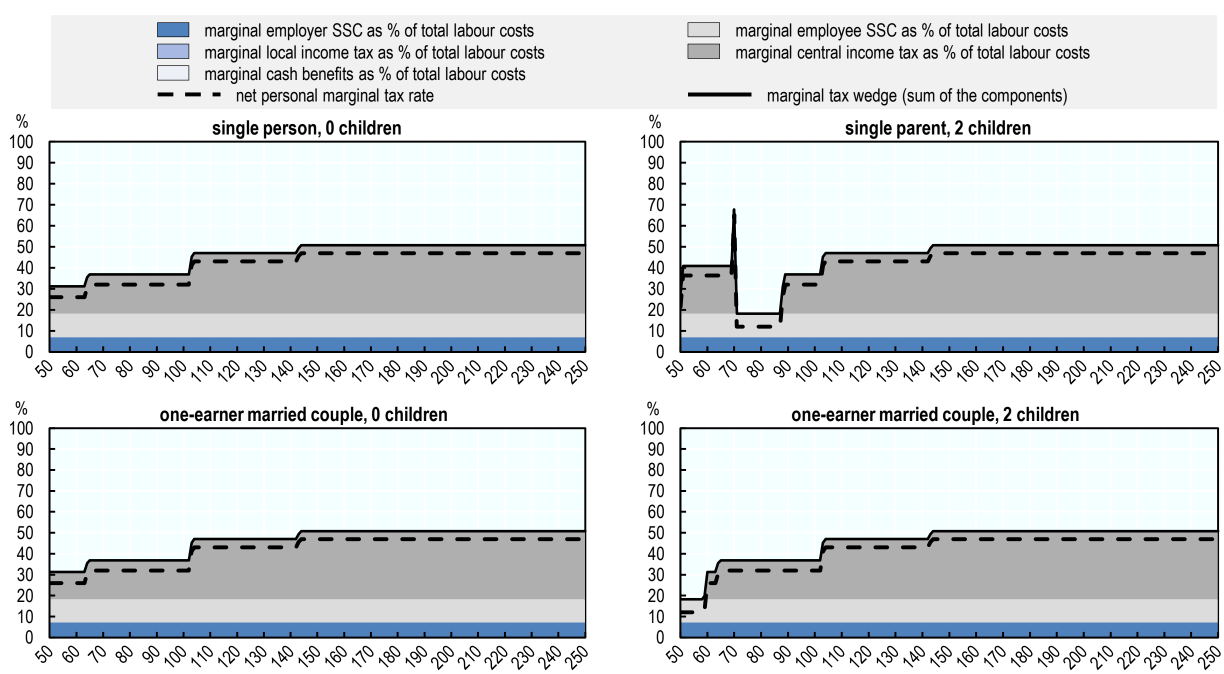
Israel 2022: marginal tax wedge decomposition

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



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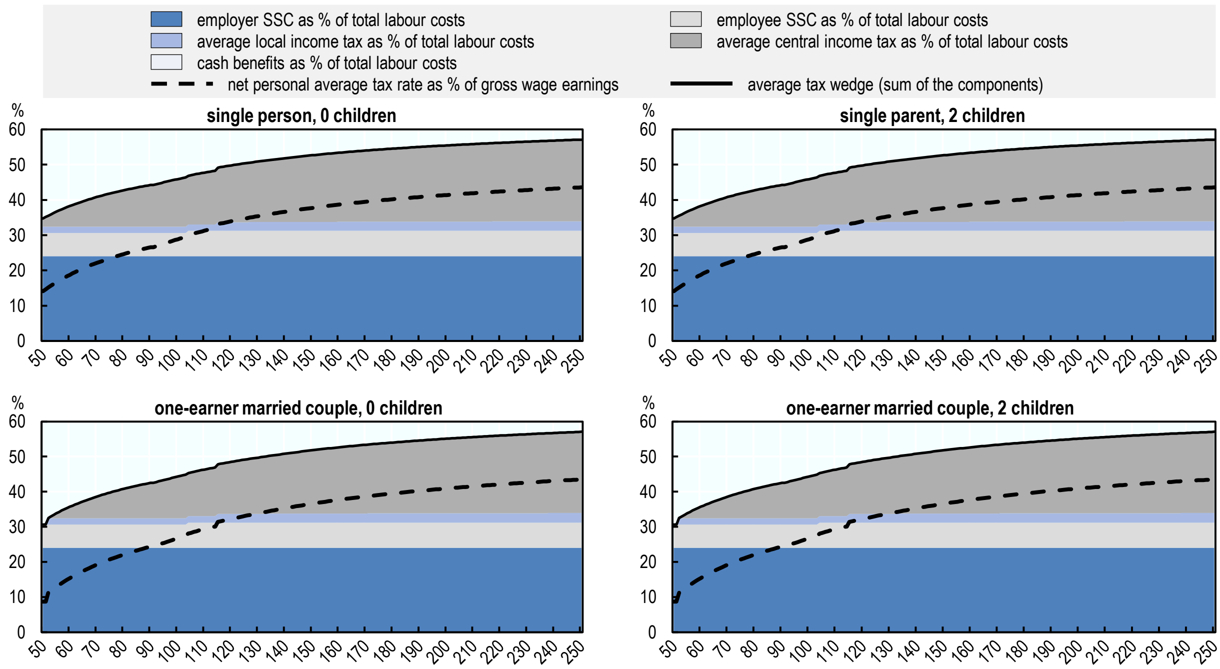
Italy 2022: average tax wedge decomposition

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



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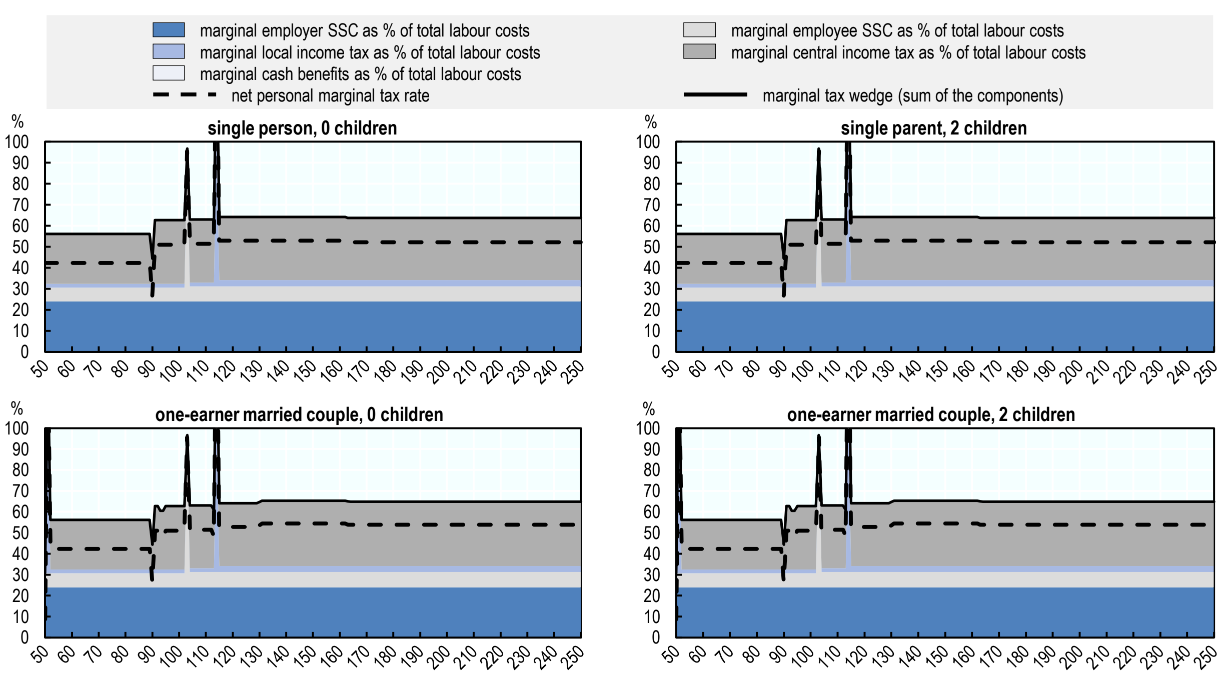
Italy 2022: marginal tax wedge decomposition

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



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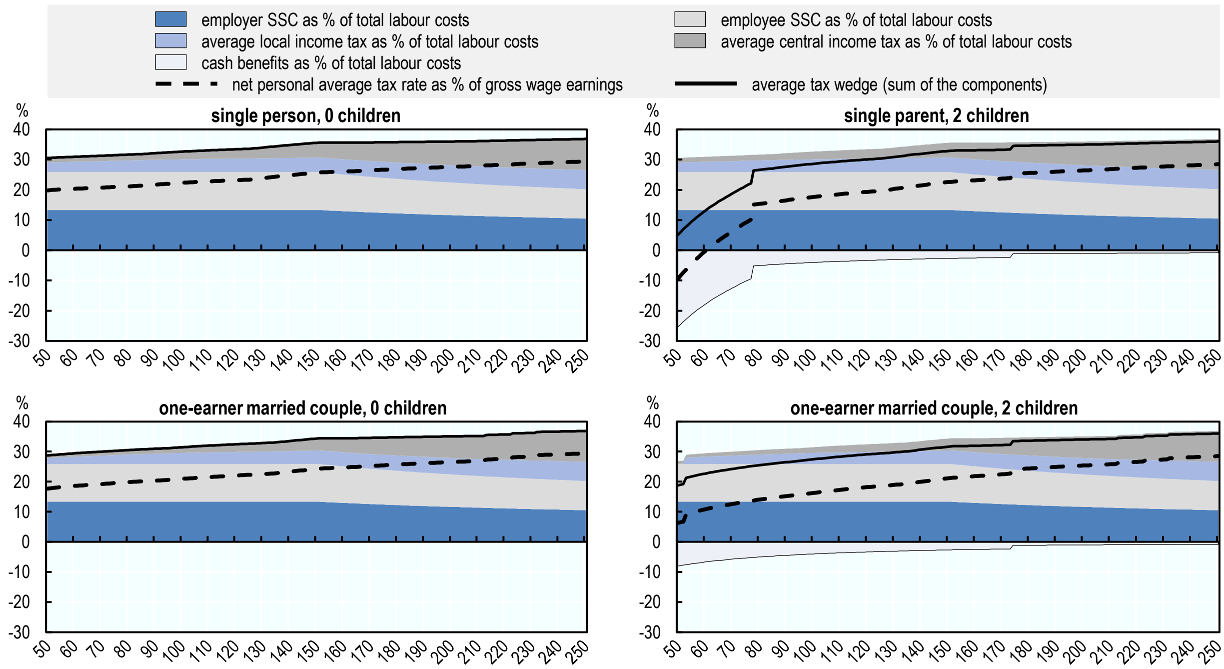
Japan 2022: average tax wedge decomposition

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



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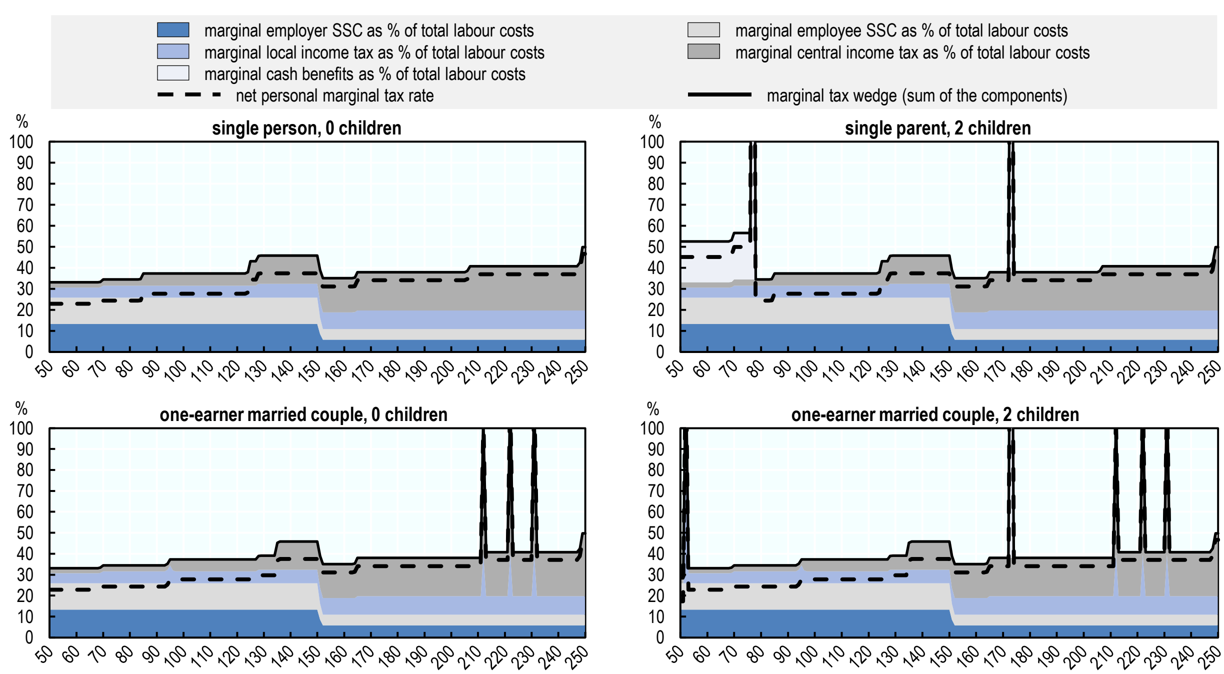
Japan 2022: marginal tax wedge decomposition

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



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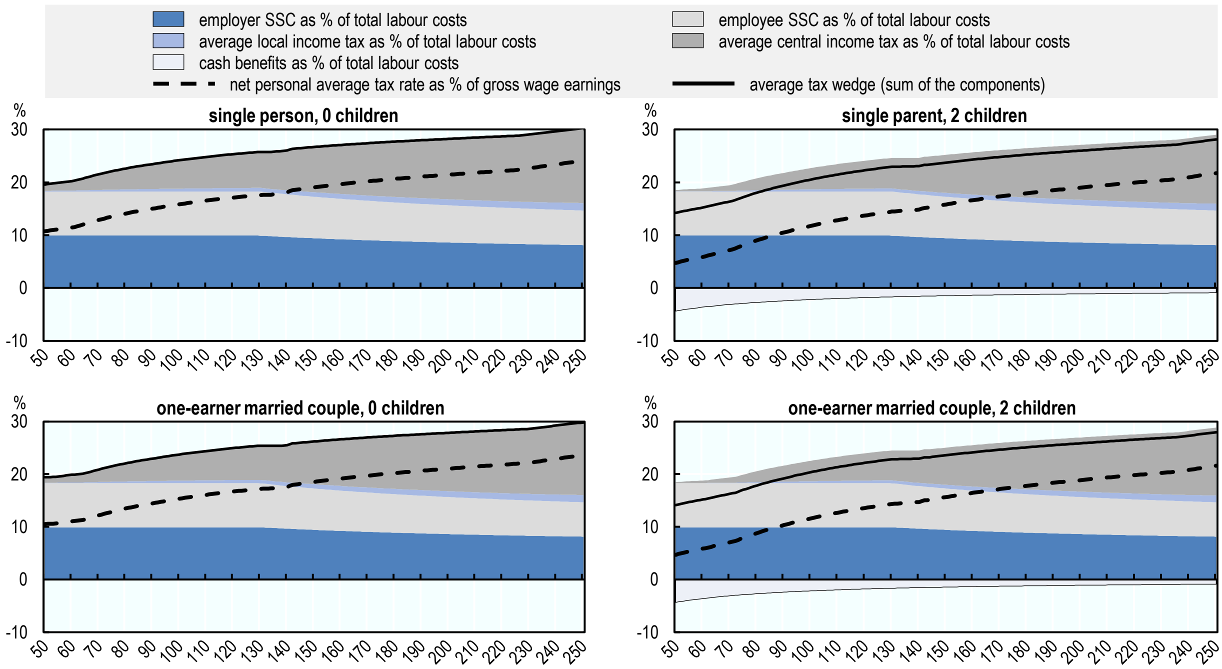
Korea 2022: average tax wedge decomposition

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



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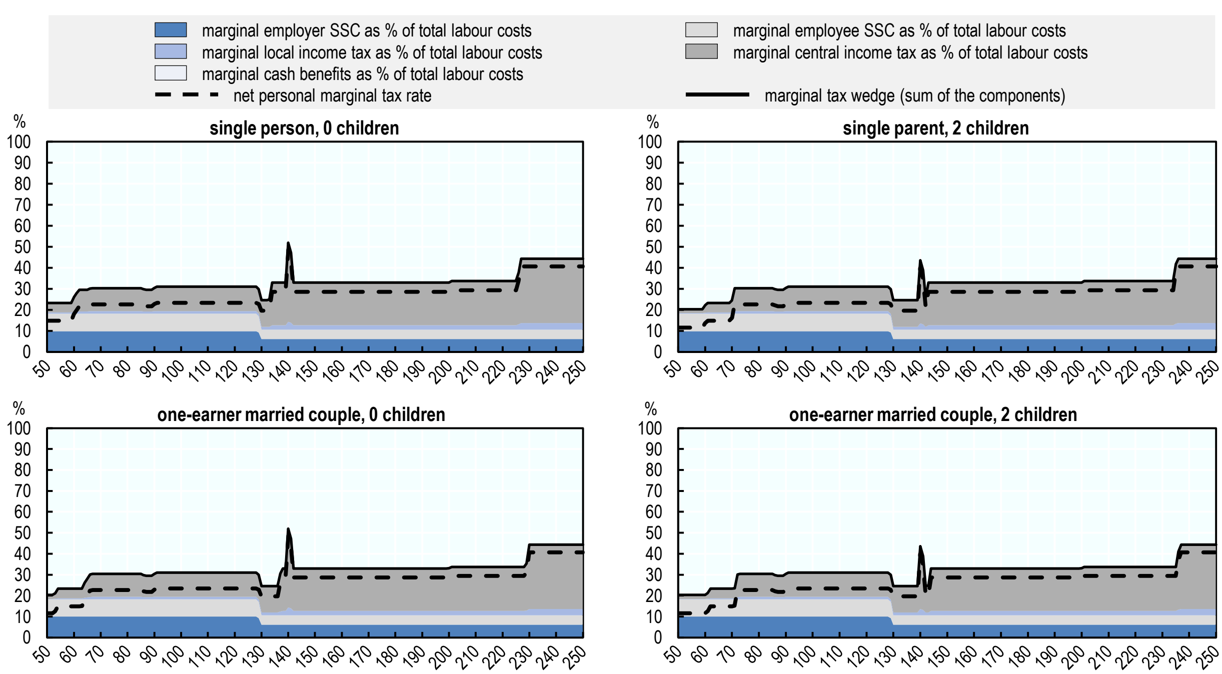
Korea 2022: marginal tax wedge decomposition

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



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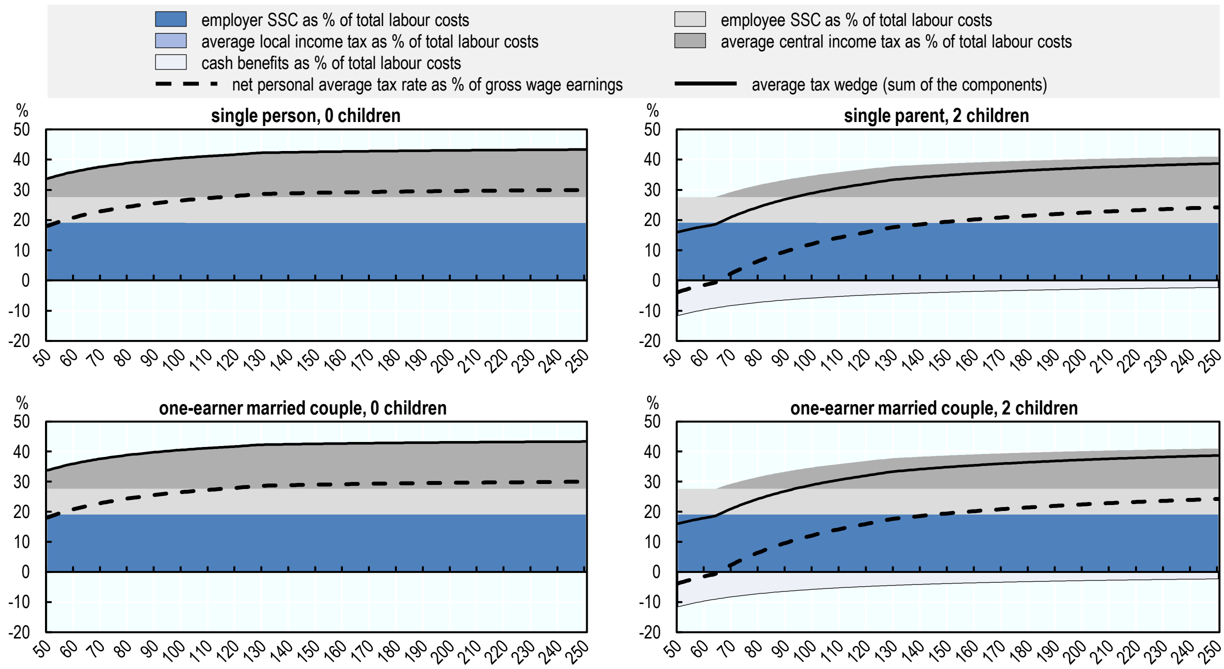
Latvia 2022: average tax wedge decomposition

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



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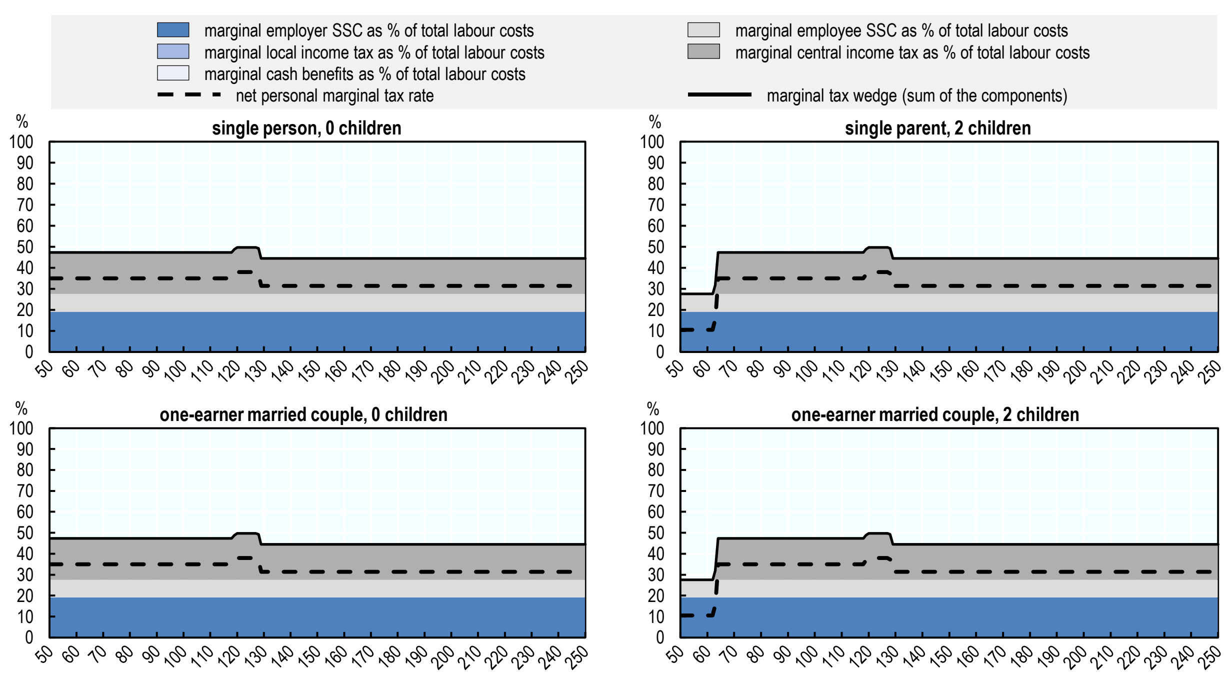
Latvia 2022: marginal tax wedge decomposition

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



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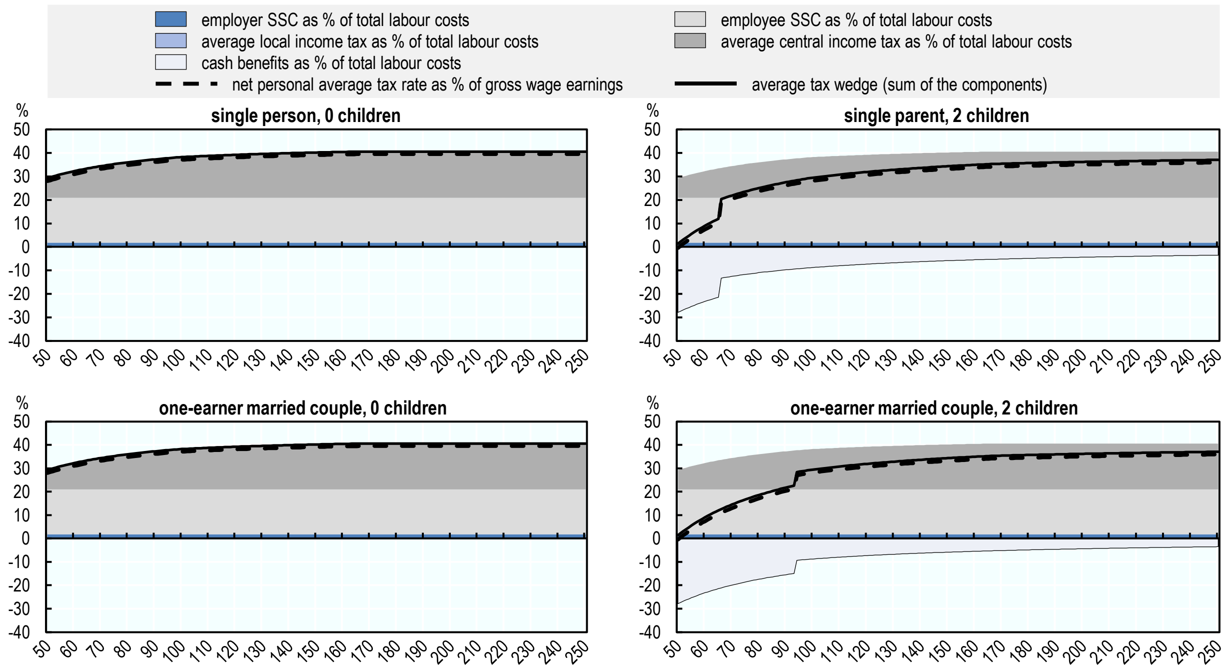
Lithuania 2022: average tax wedge decomposition

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



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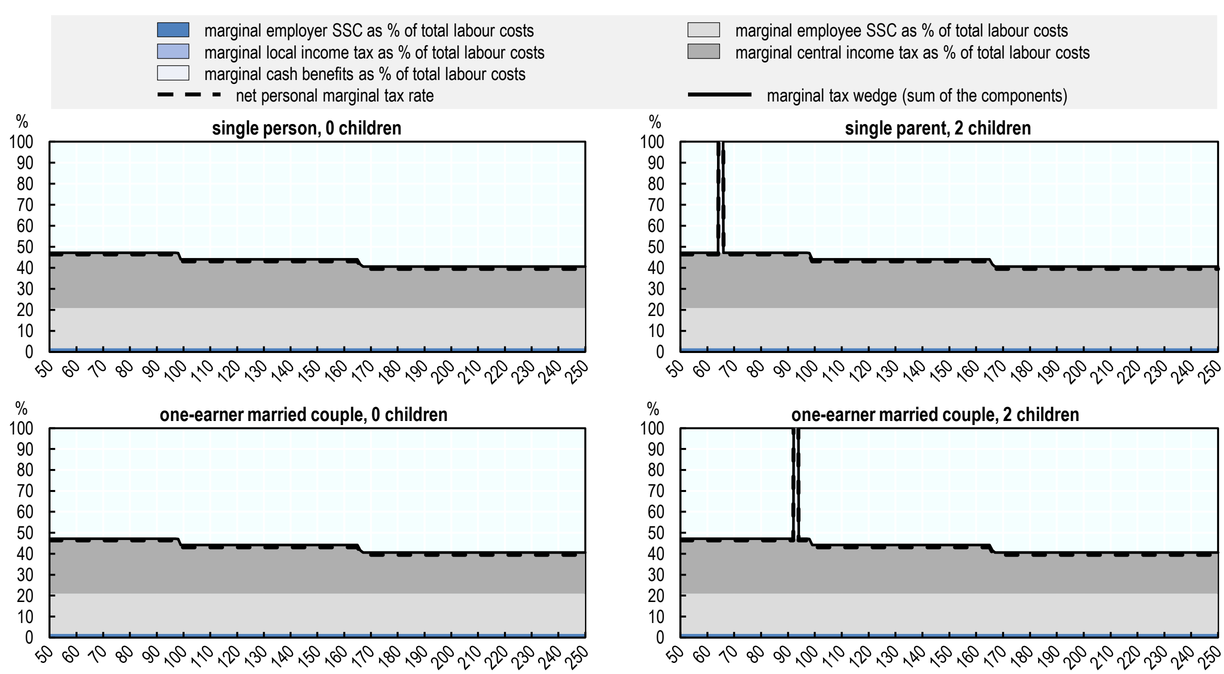
Lithuania 2022: marginal tax wedge decomposition

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



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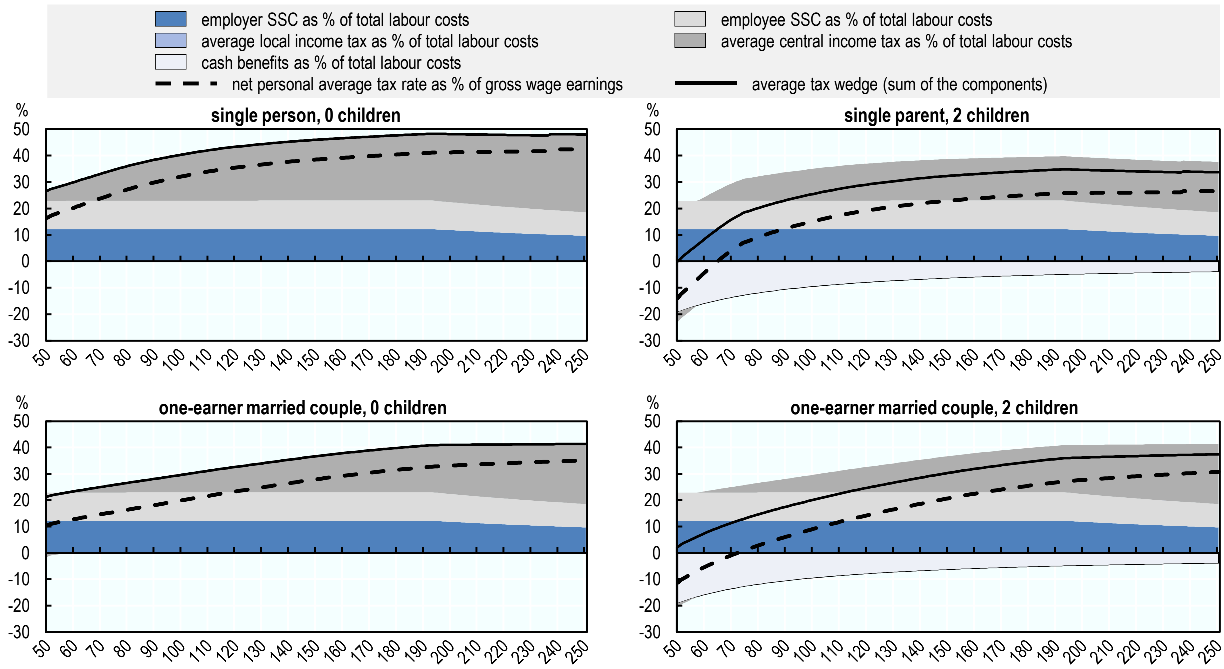
Luxembourg 2022: average tax wedge decomposition

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



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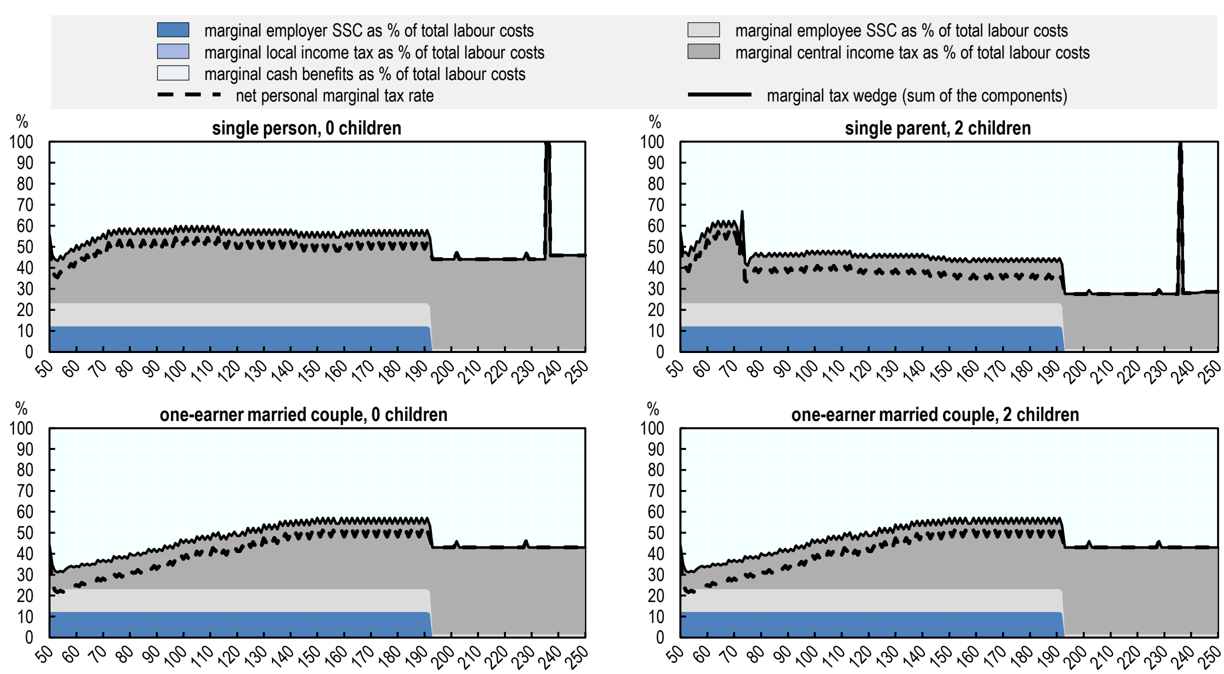
Luxembourg 2022: marginal tax wedge decomposition

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



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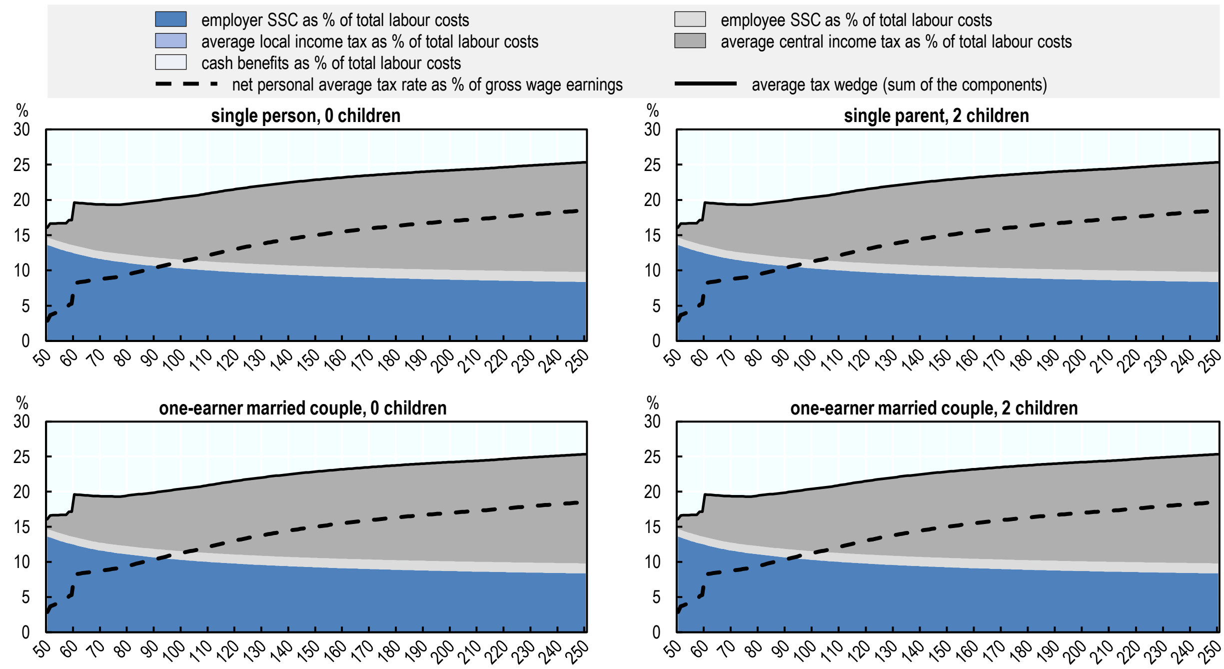
Mexico 2022: average tax wedge decomposition

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



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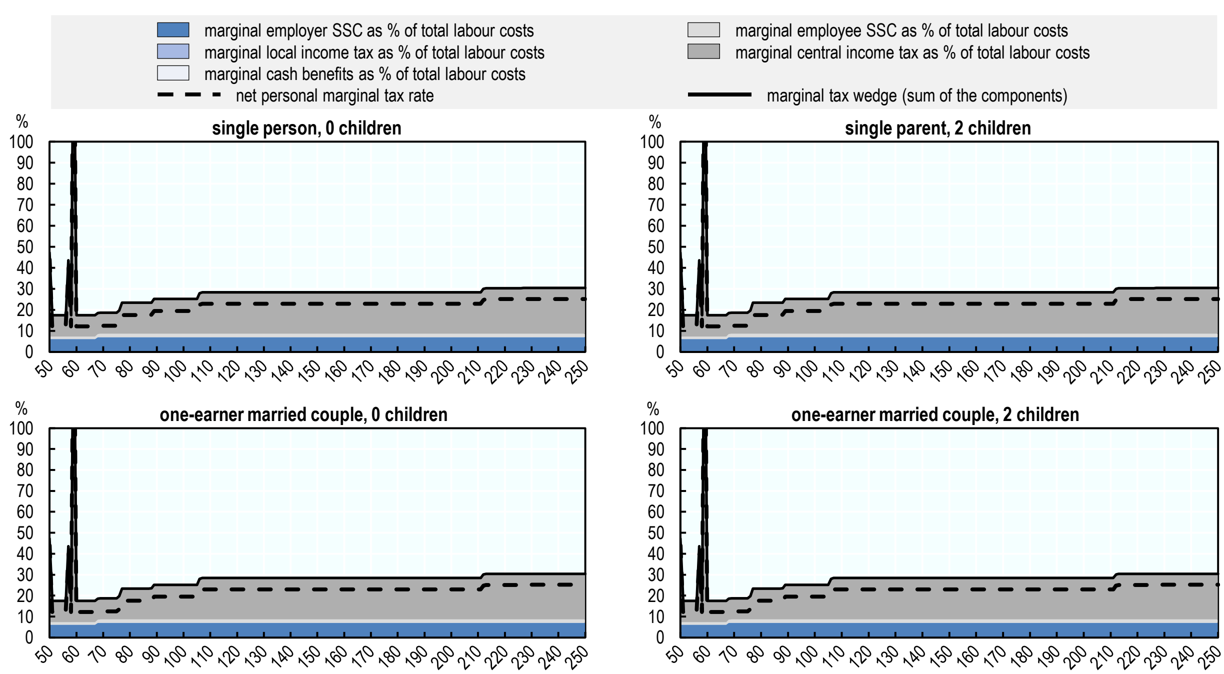
Mexico 2022: marginal tax wedge decomposition

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



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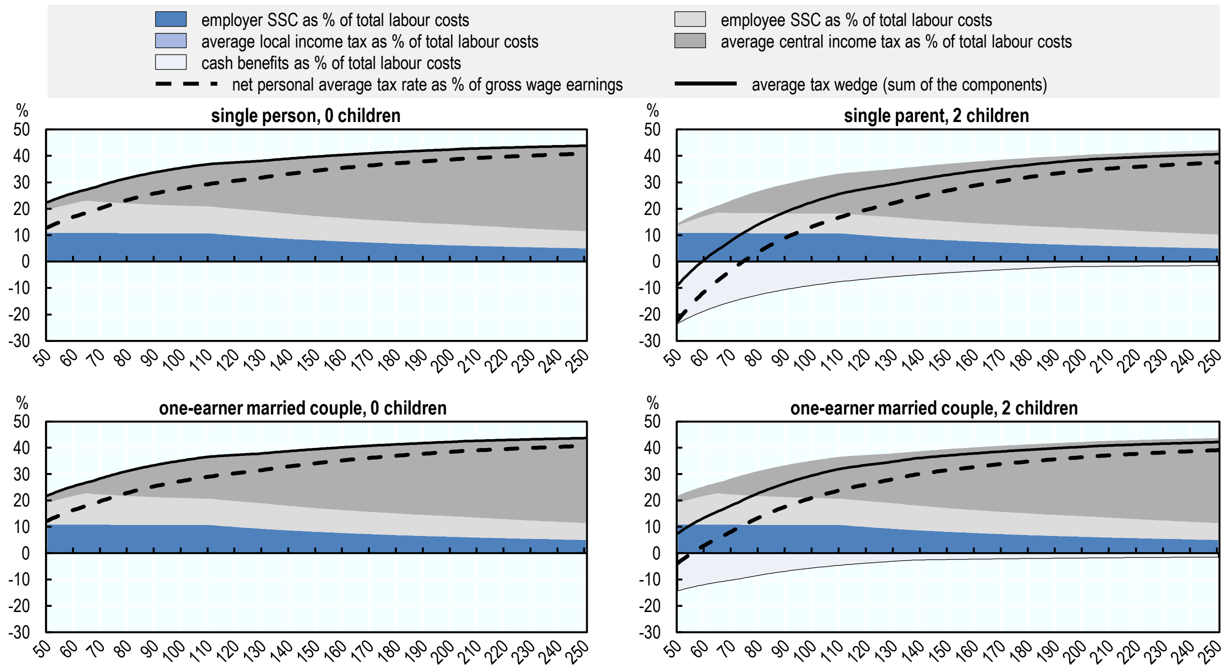
Netherlands 2022: average tax wedge decomposition

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



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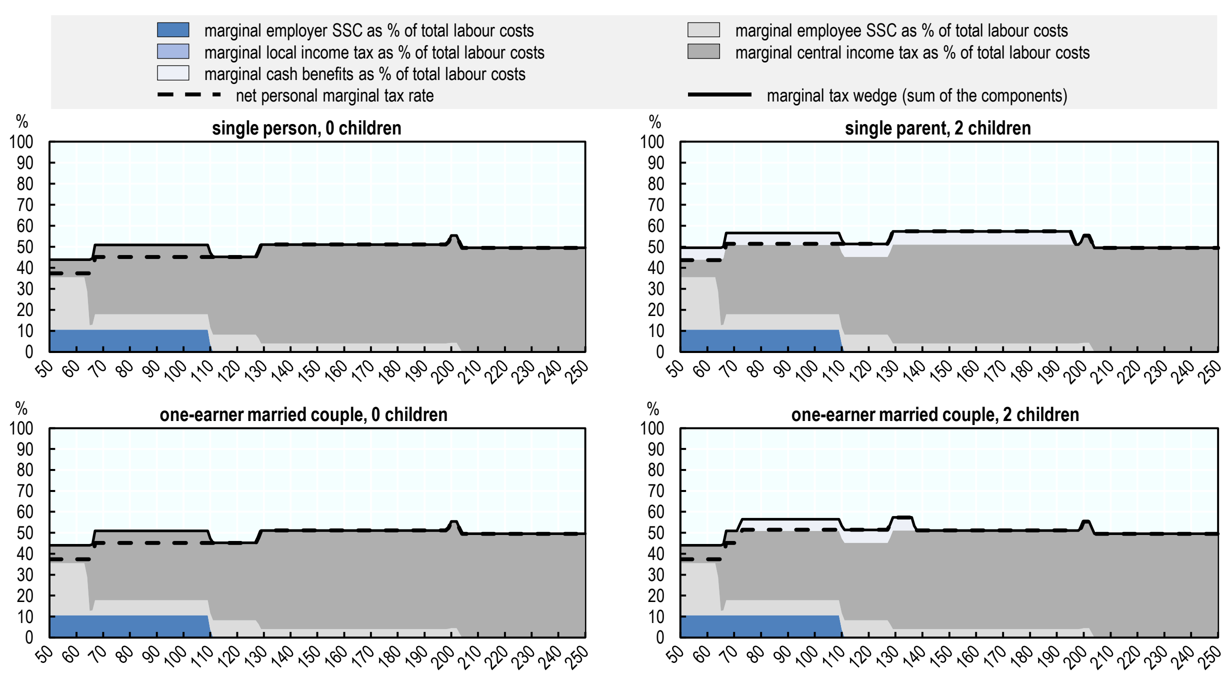
Netherlands 2022: marginal tax wedge decomposition

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



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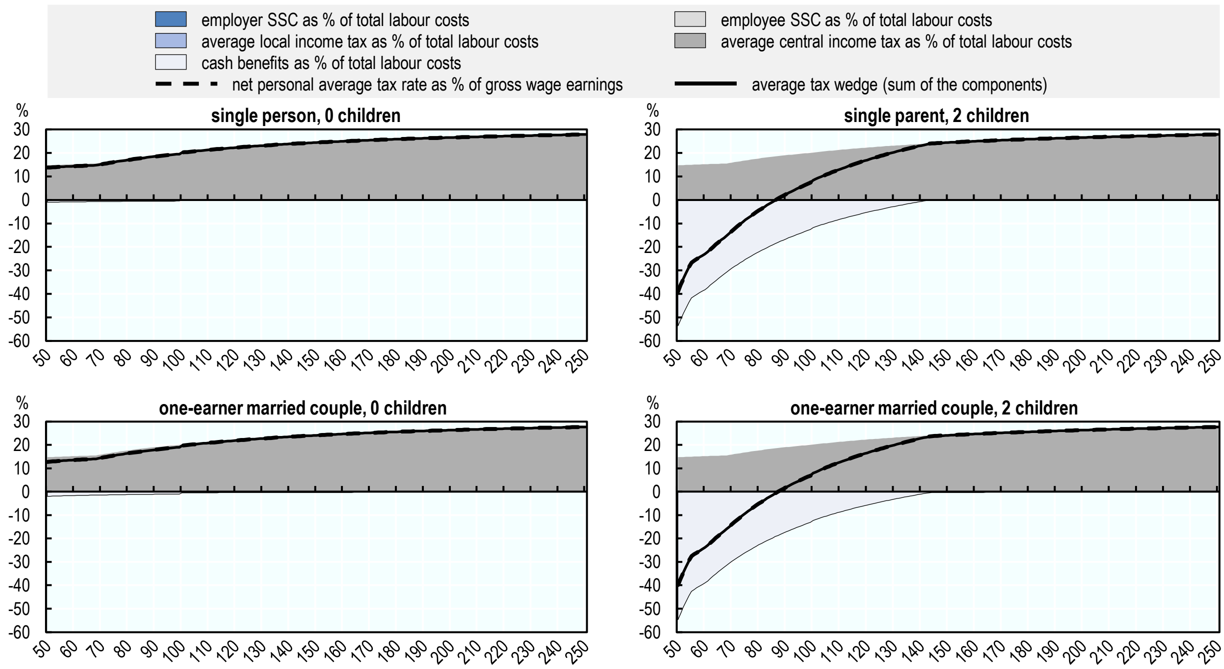
New Zealand 2022: average tax wedge decomposition

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



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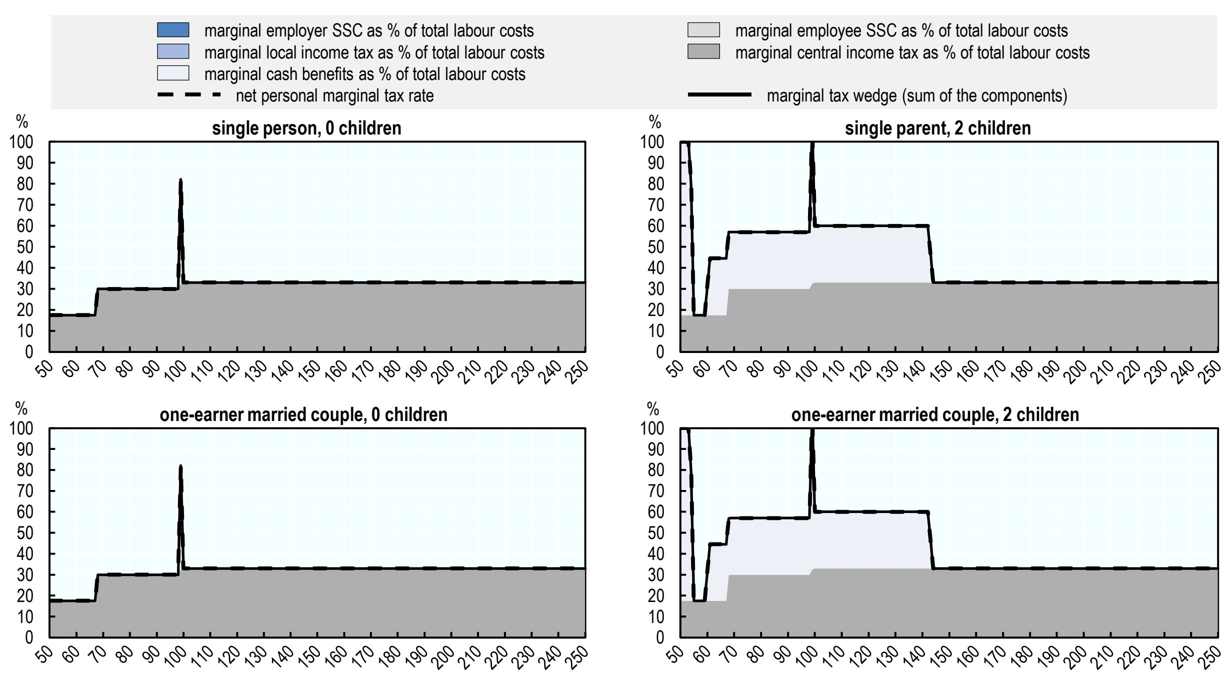
New Zealand 2022: marginal tax wedge decomposition

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



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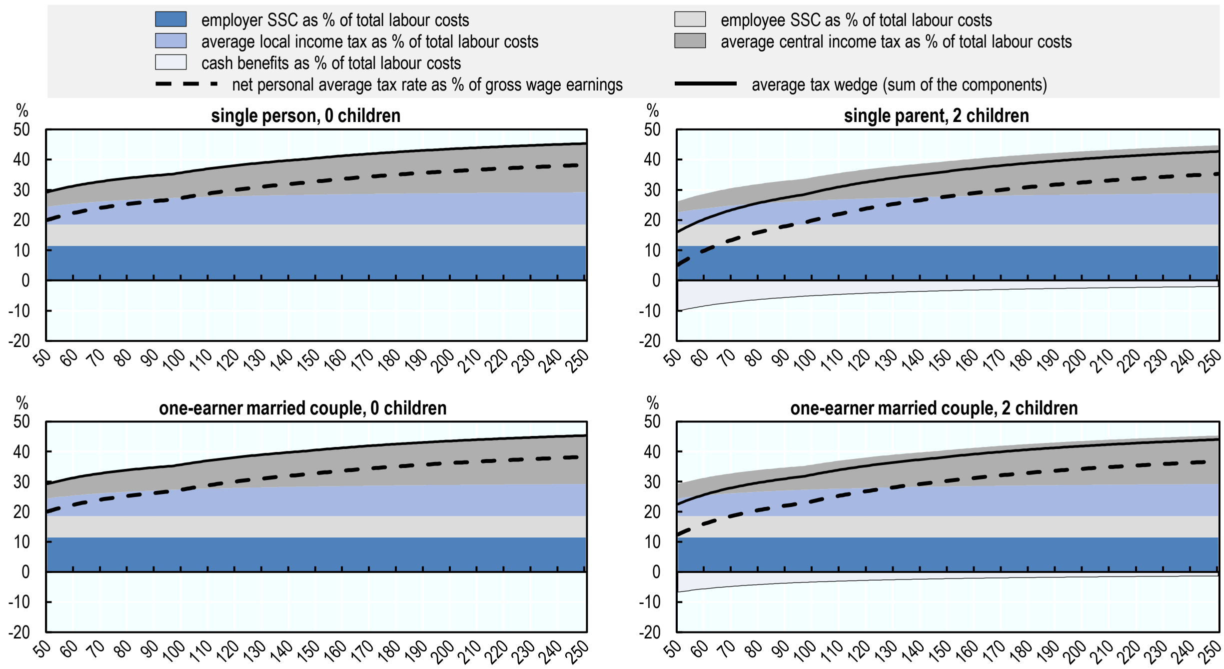
Norway 2022: average tax wedge decomposition

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



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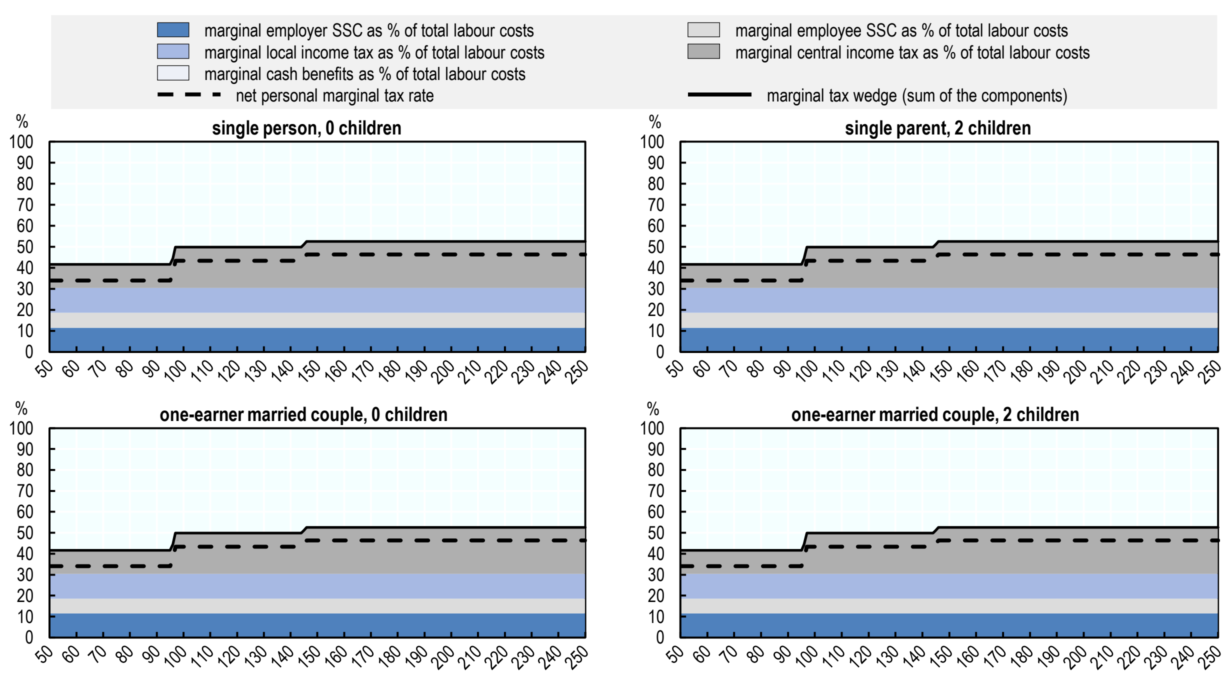
Norway 2022: marginal tax wedge decomposition

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



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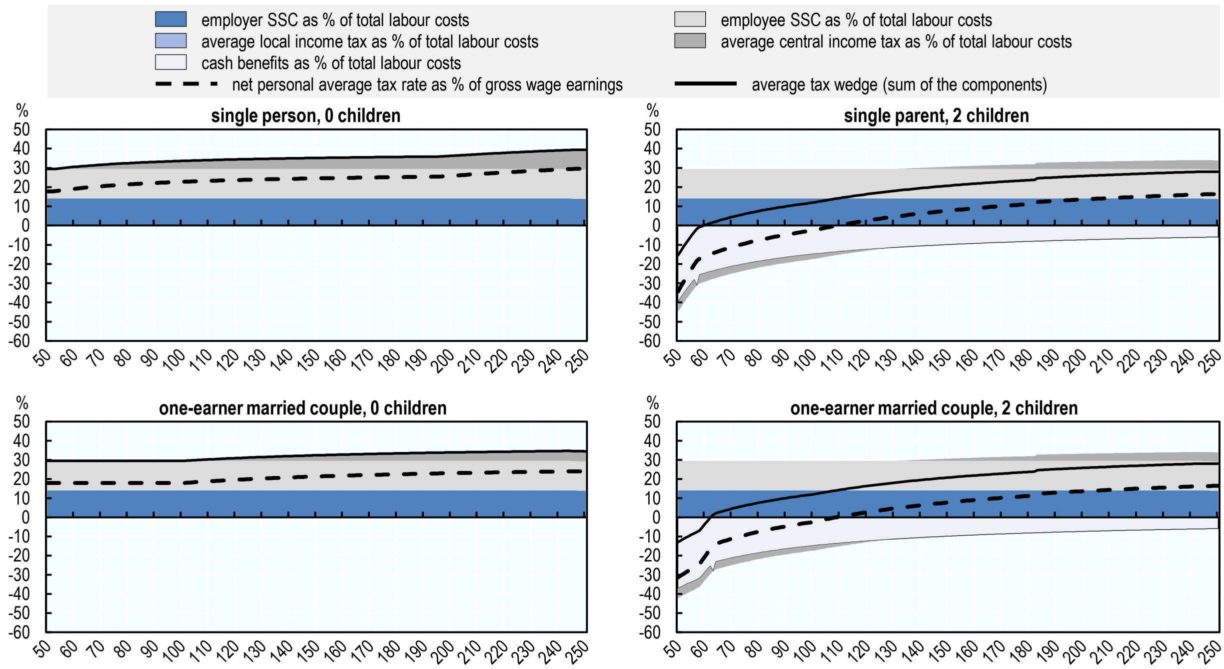
Poland 2022: average tax wedge decomposition

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



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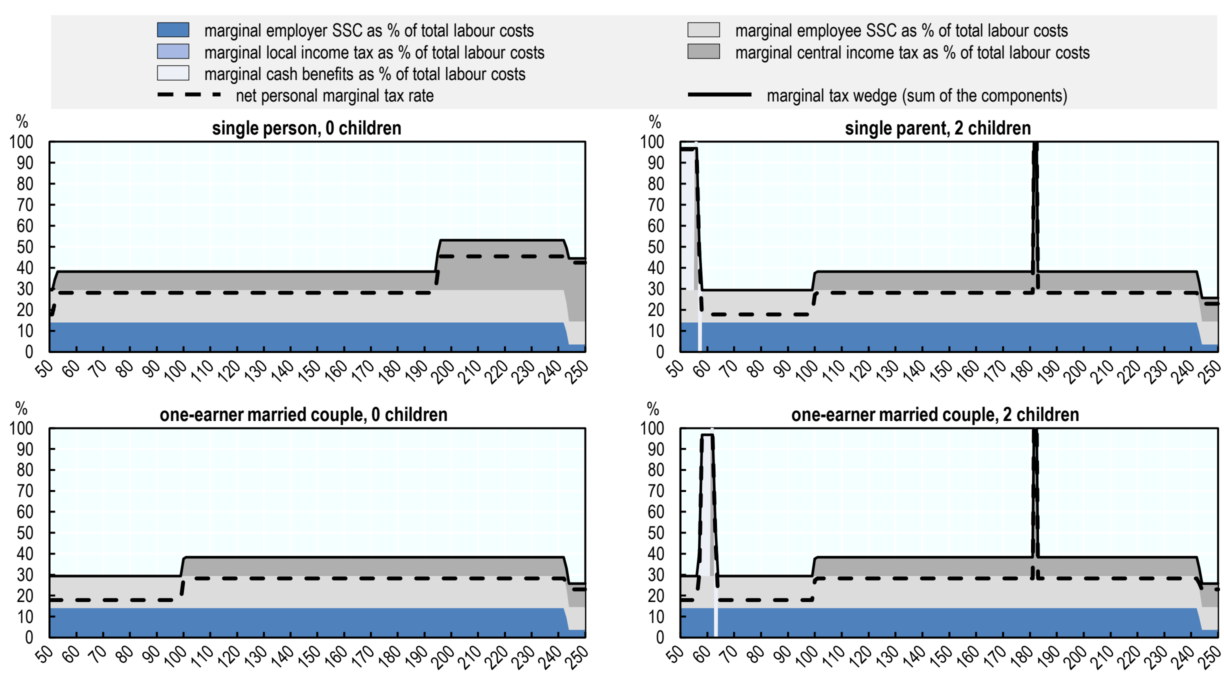
Poland 2022: marginal tax wedge decomposition

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



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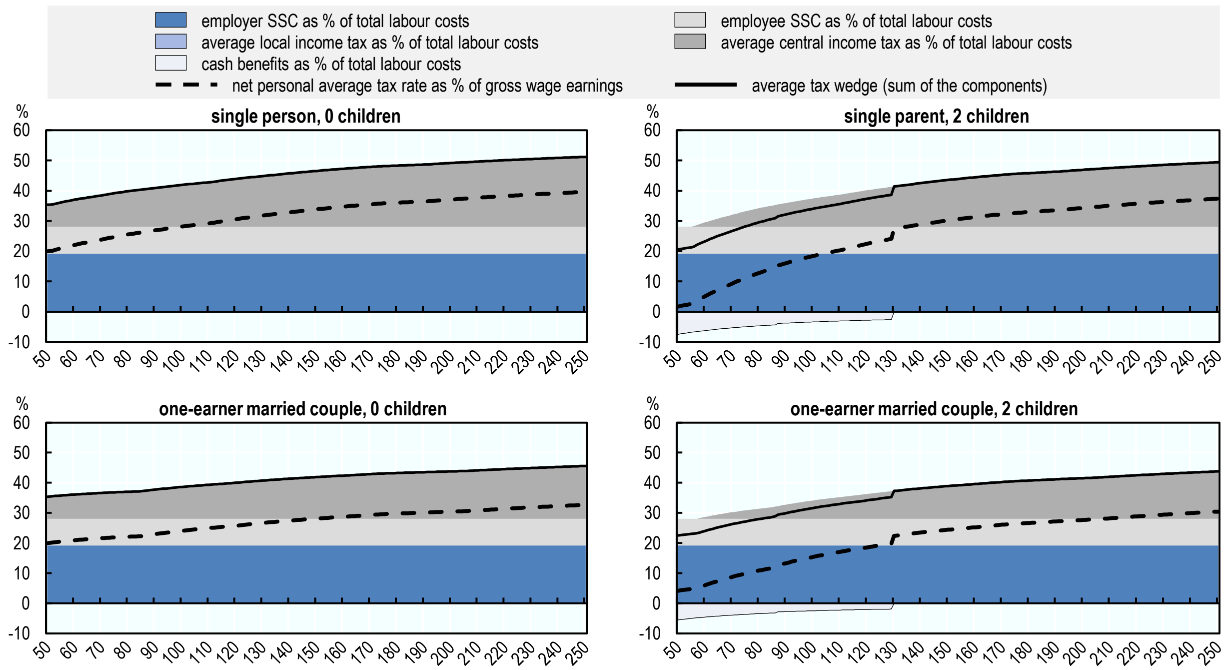
Portugal 2022: average tax wedge decomposition

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



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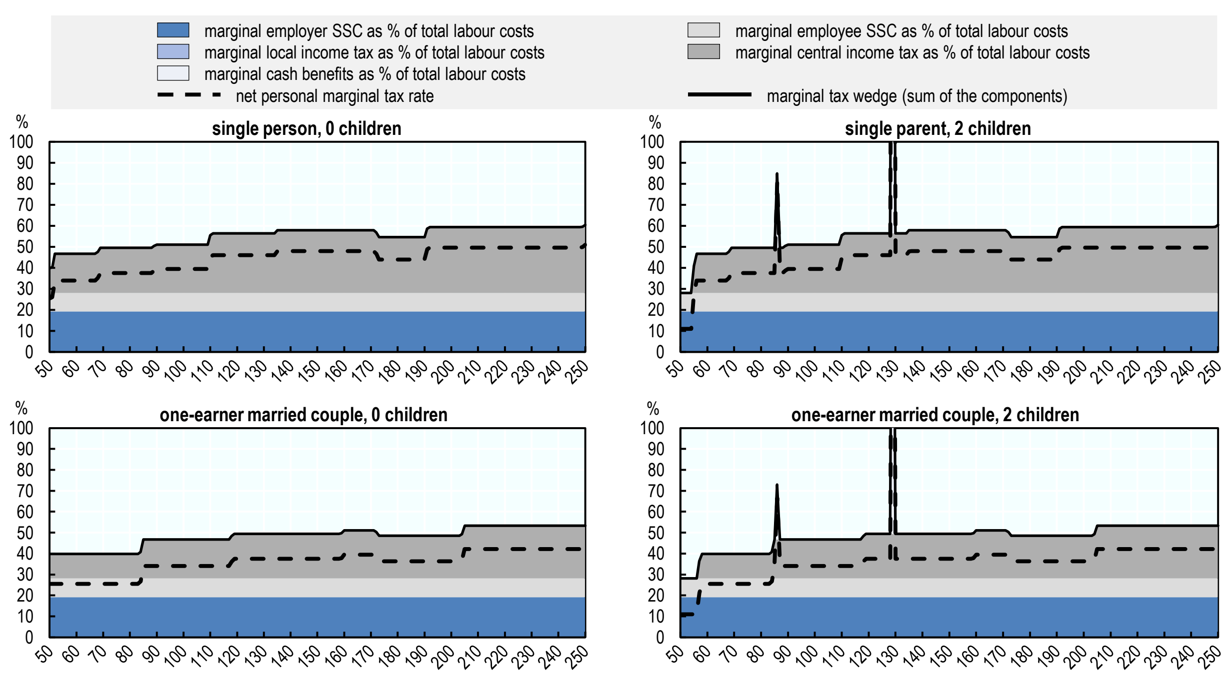
Portugal 2022: marginal tax wedge decomposition

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



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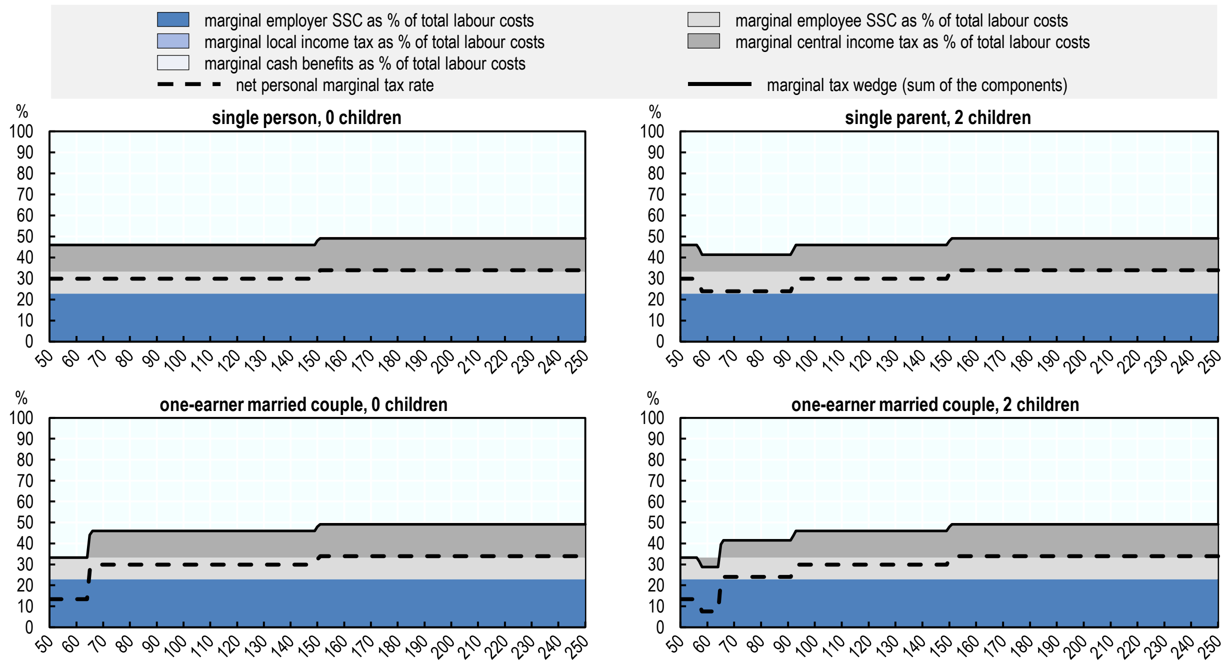
Slovak Republic 2022: average tax wedge decomposition

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



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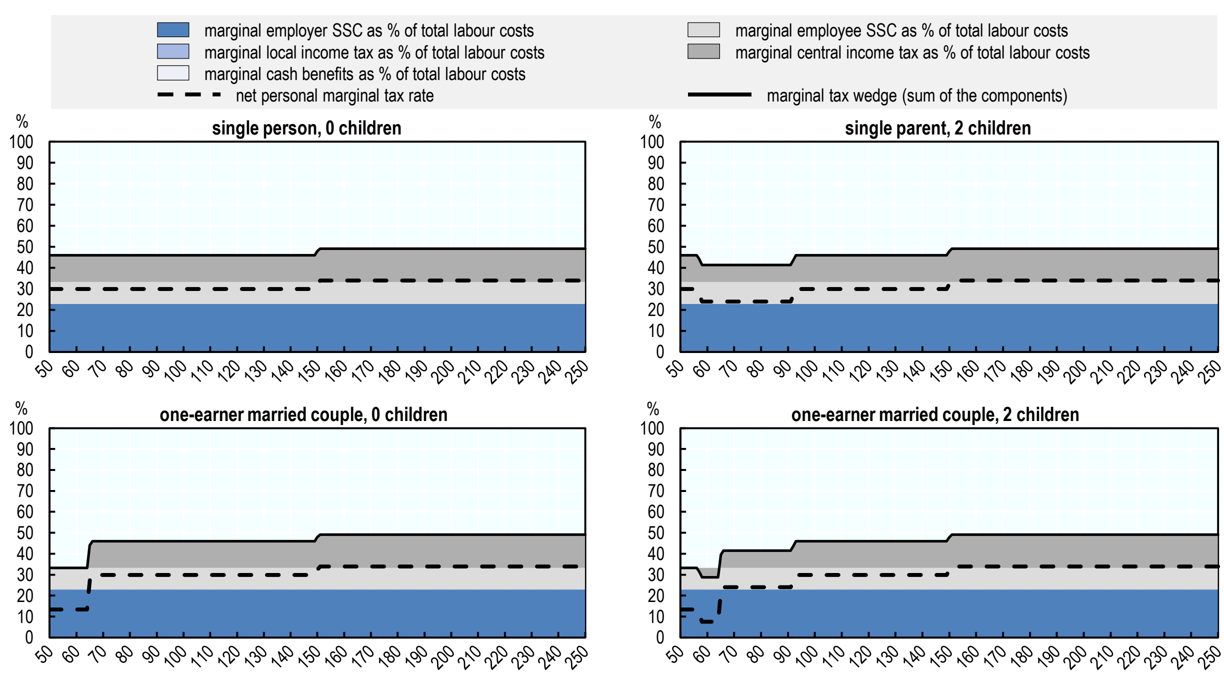
Slovak Republic 2022: marginal tax wedge decomposition

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



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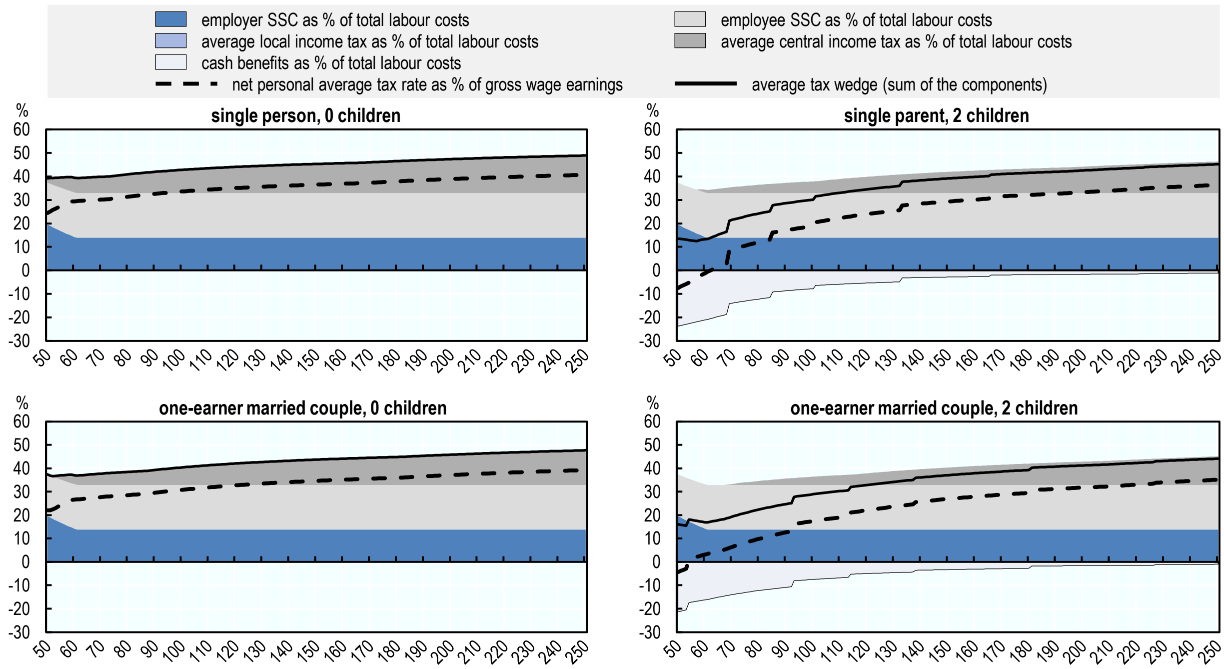
Slovenia 2022: average tax wedge decomposition

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



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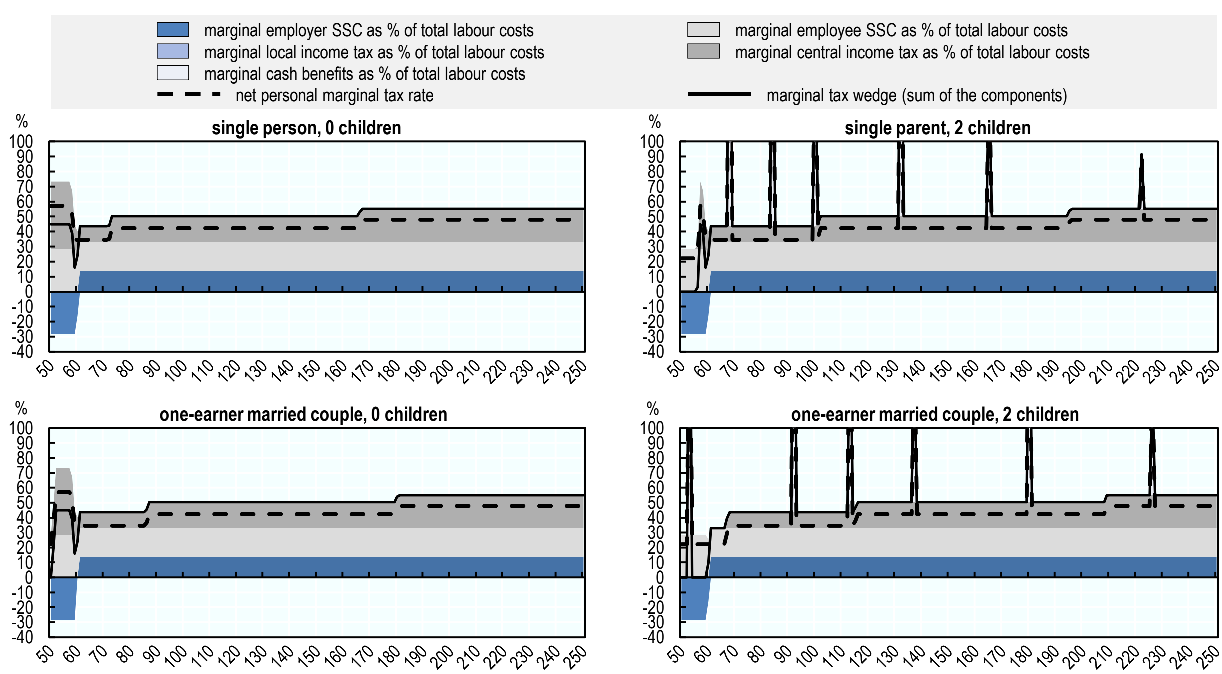
Slovenia 2022: marginal tax wedge decomposition

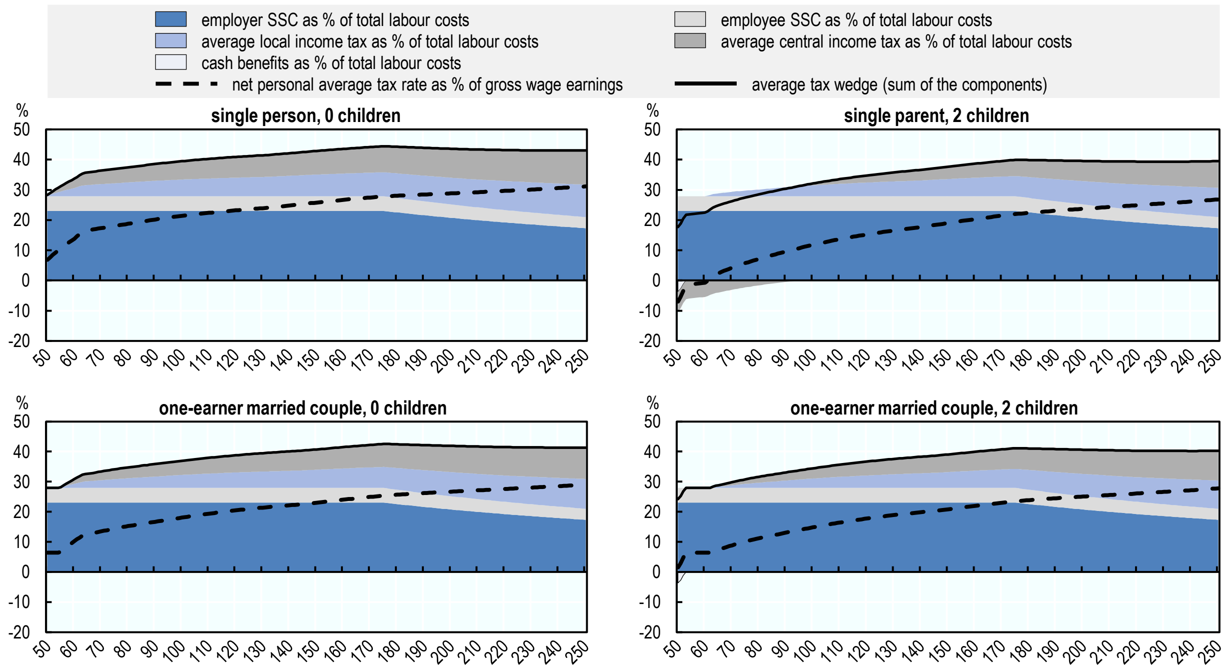
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/6fot4q

Spain 2022: average tax wedge decomposition

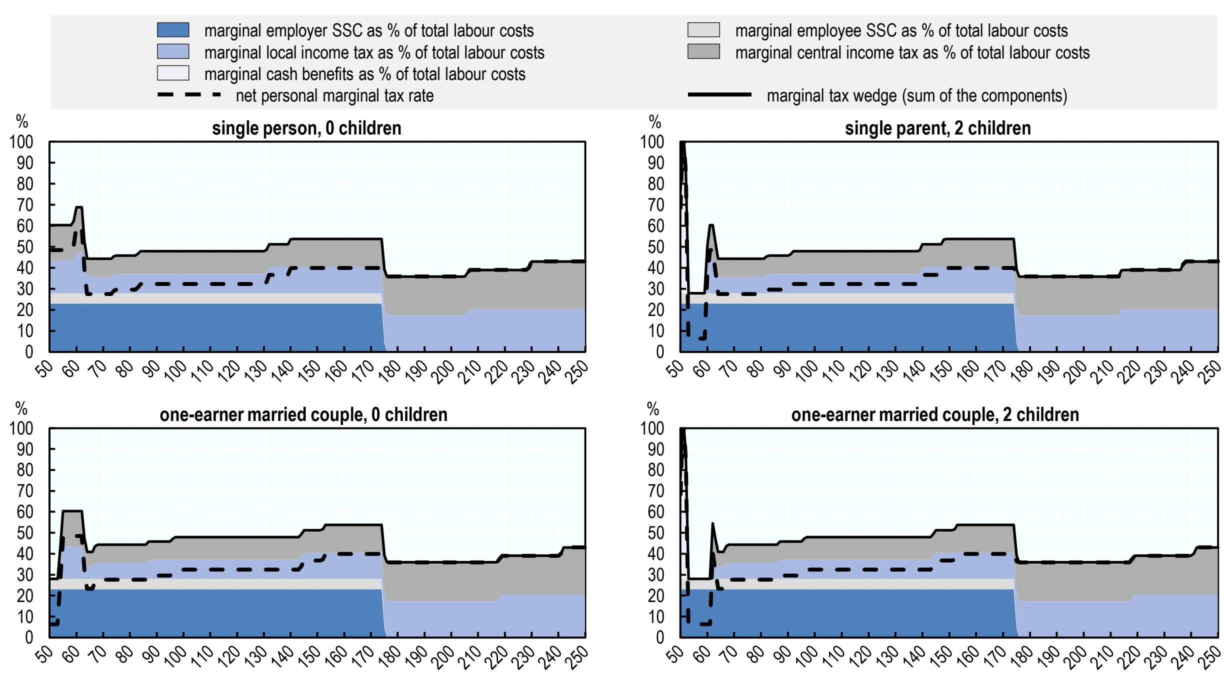
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/s683vp

Spain 2022: marginal tax wedge decomposition

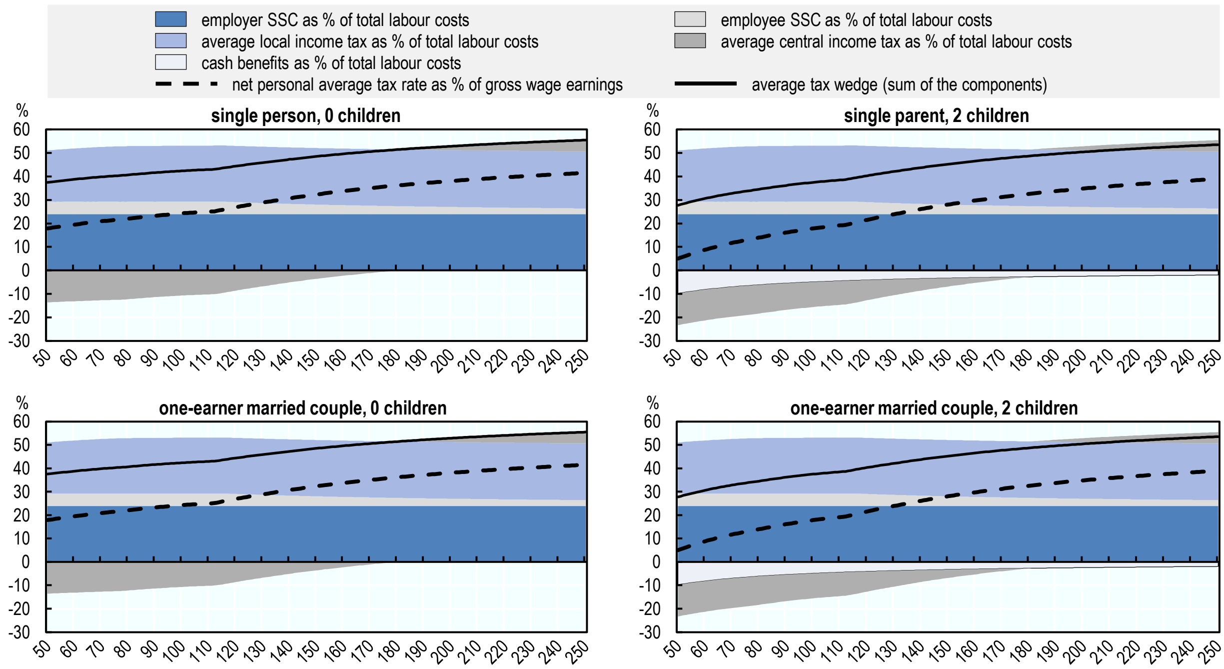
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/ydqpgk

Sweden 2022: average tax wedge decomposition

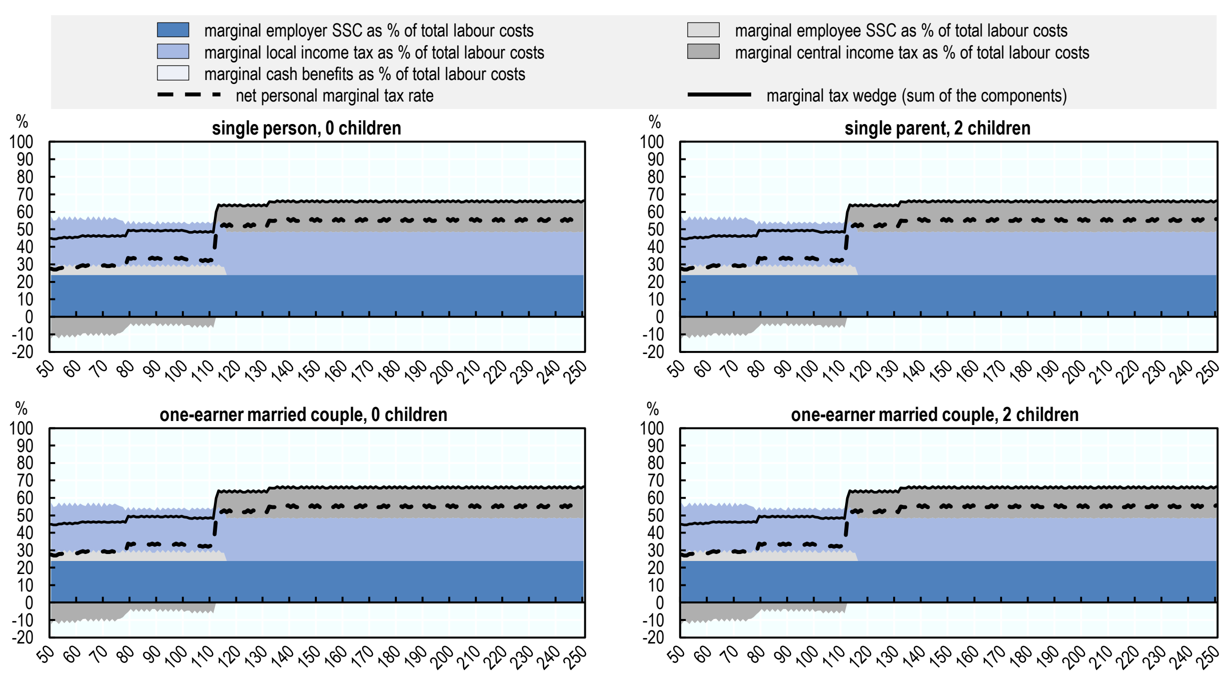
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/cb3n60

Sweden 2022: marginal tax wedge decomposition

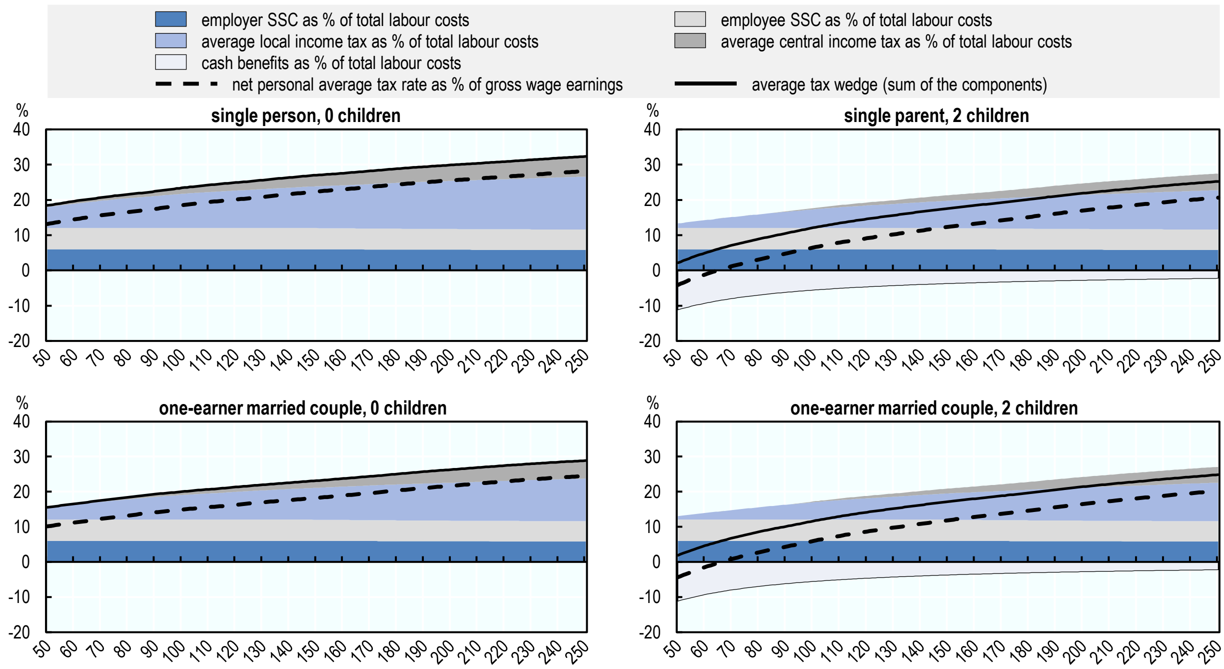
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/z7ij0u

Switzerland 2022: average tax wedge decomposition

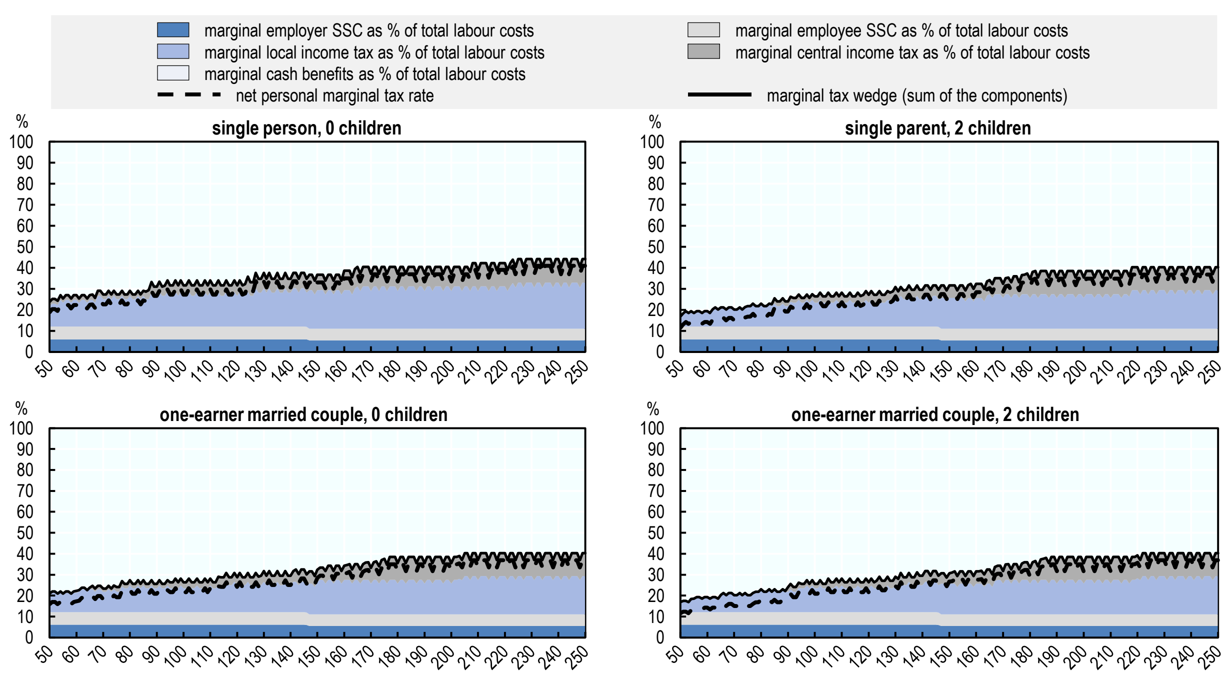
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/ae6oib

Switzerland 2022: marginal tax wedge decomposition

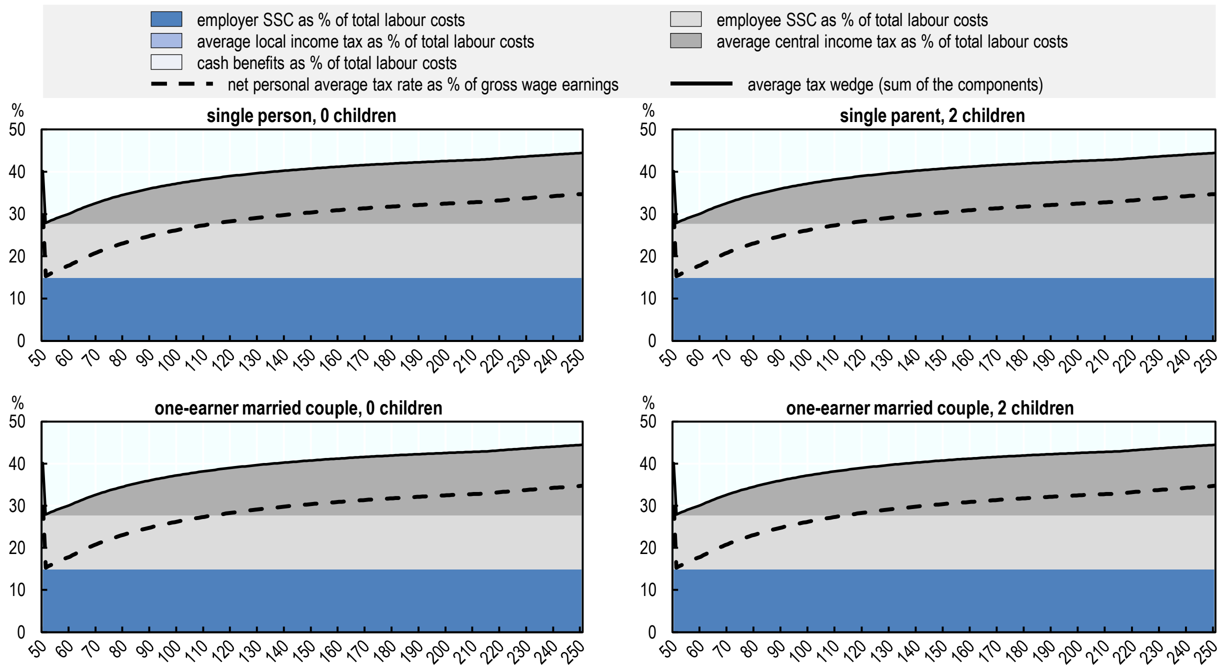
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/yf196o

Türkiye 2022: average tax wedge decomposition

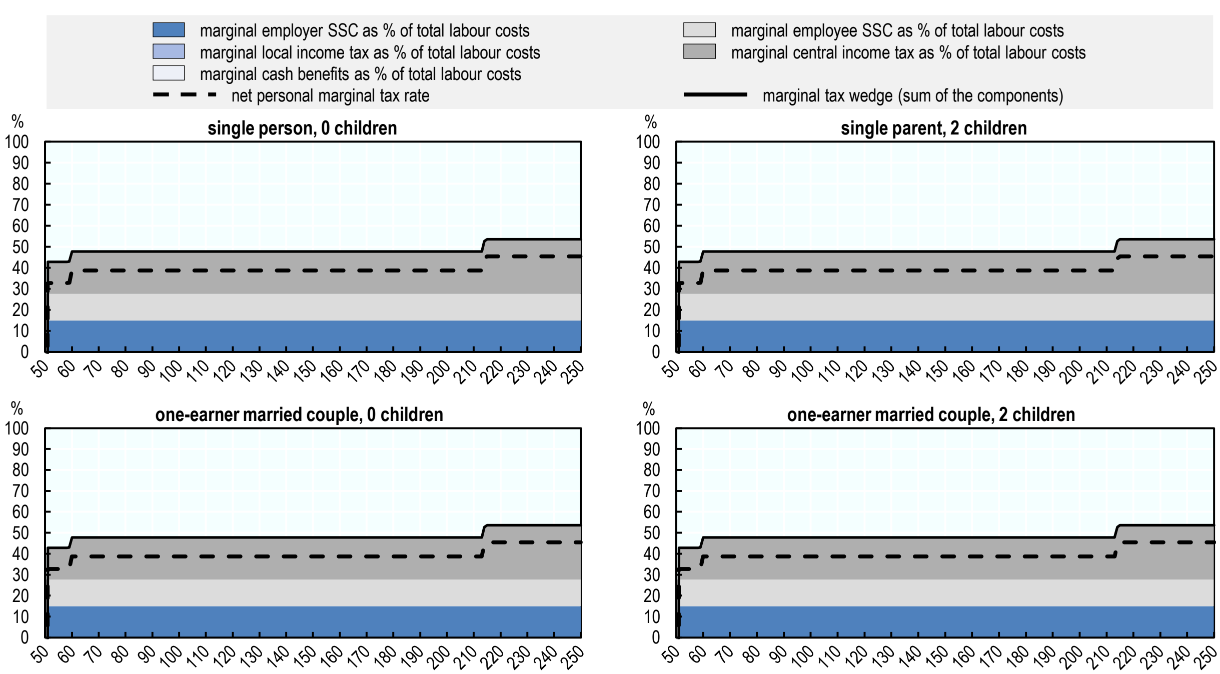
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/pak7e6

Türkiye 2022: marginal tax wedge decomposition

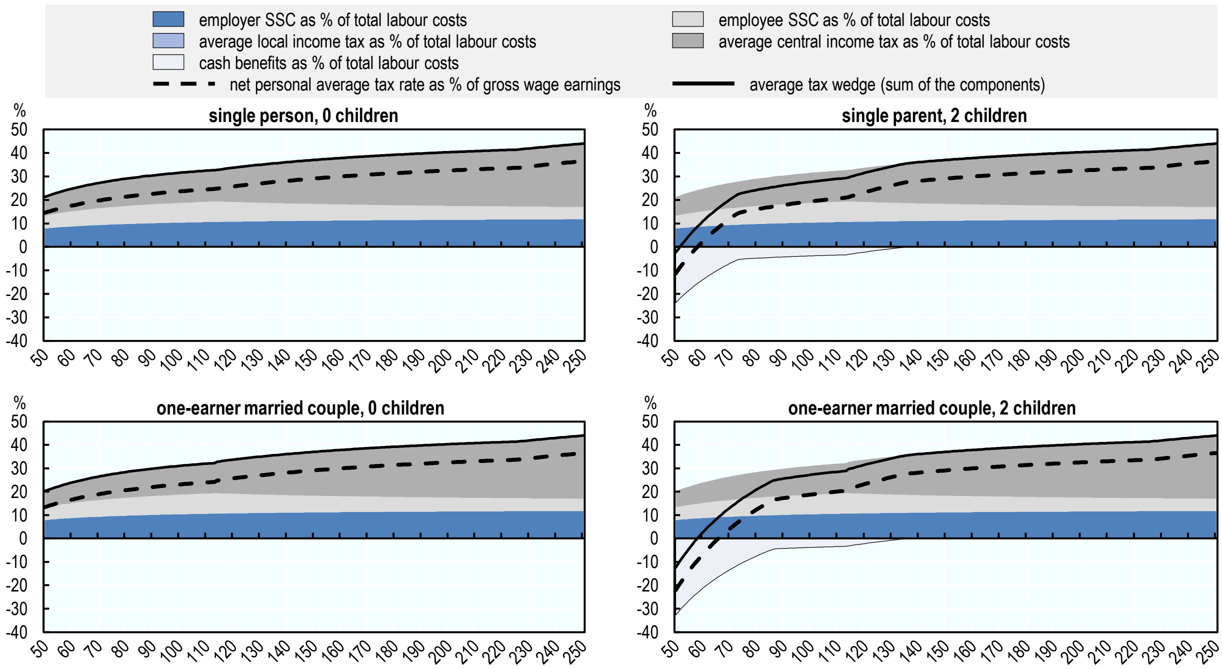
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/rpd1ou

United Kingdom 2022: average tax wedge decomposition

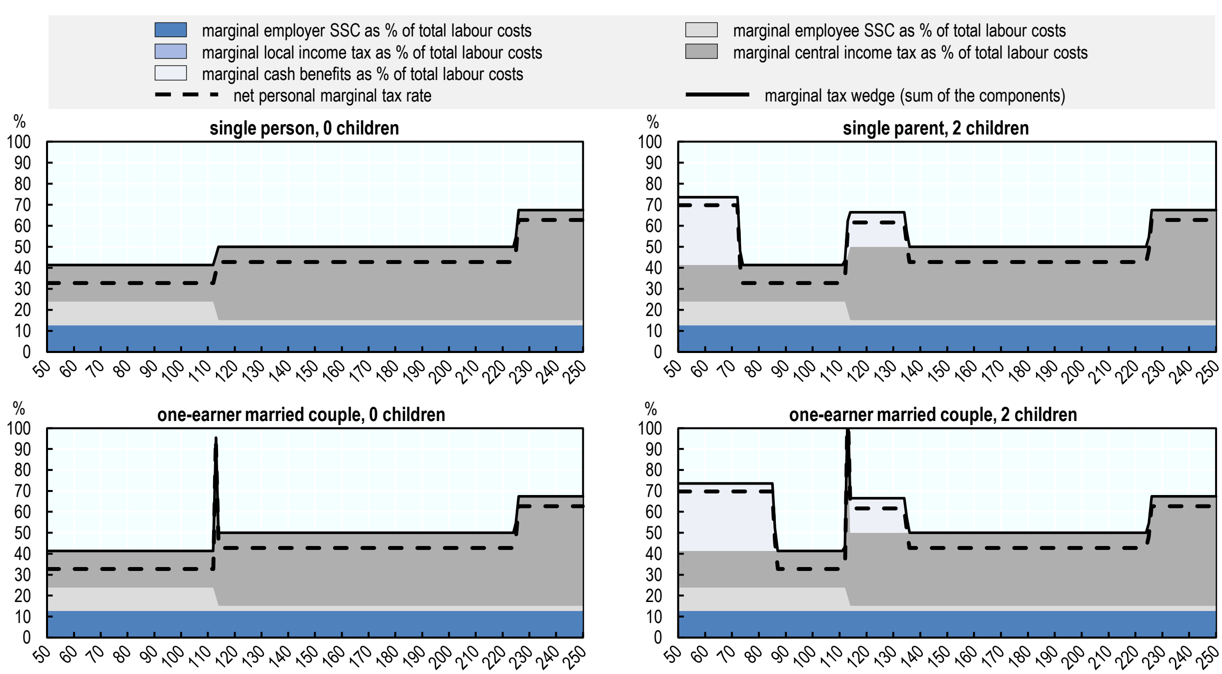
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/4yq21g

United Kingdom 2022: marginal tax wedge decomposition

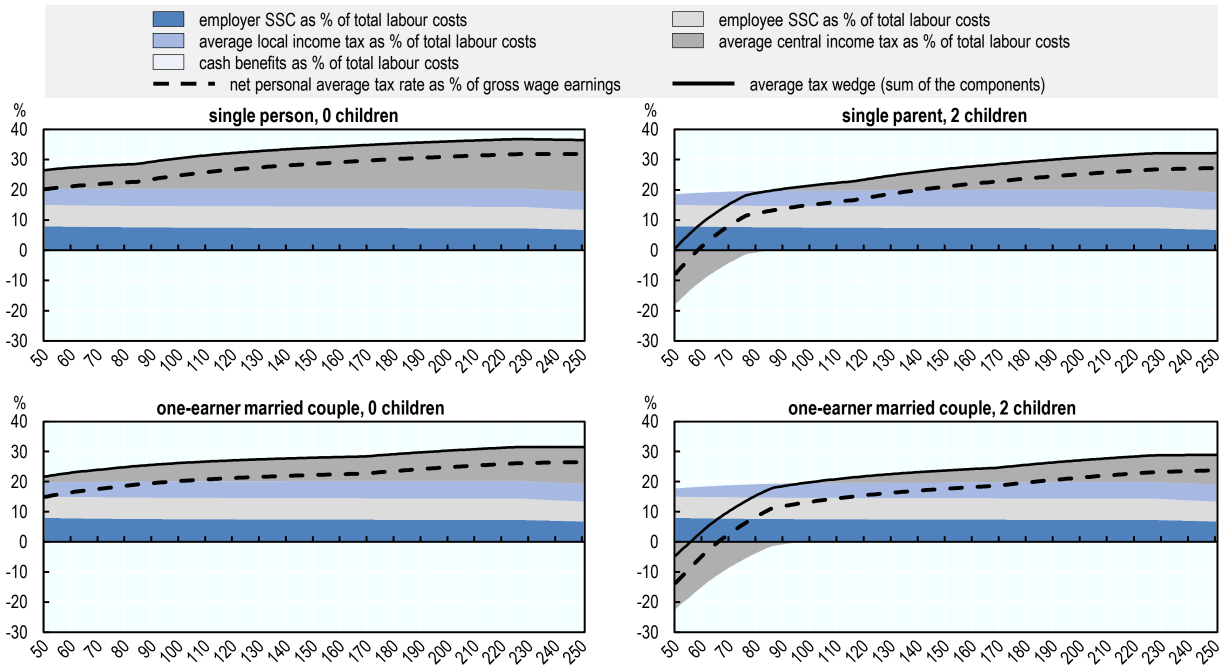
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/5v3yg9

United States 2022: average tax wedge decomposition

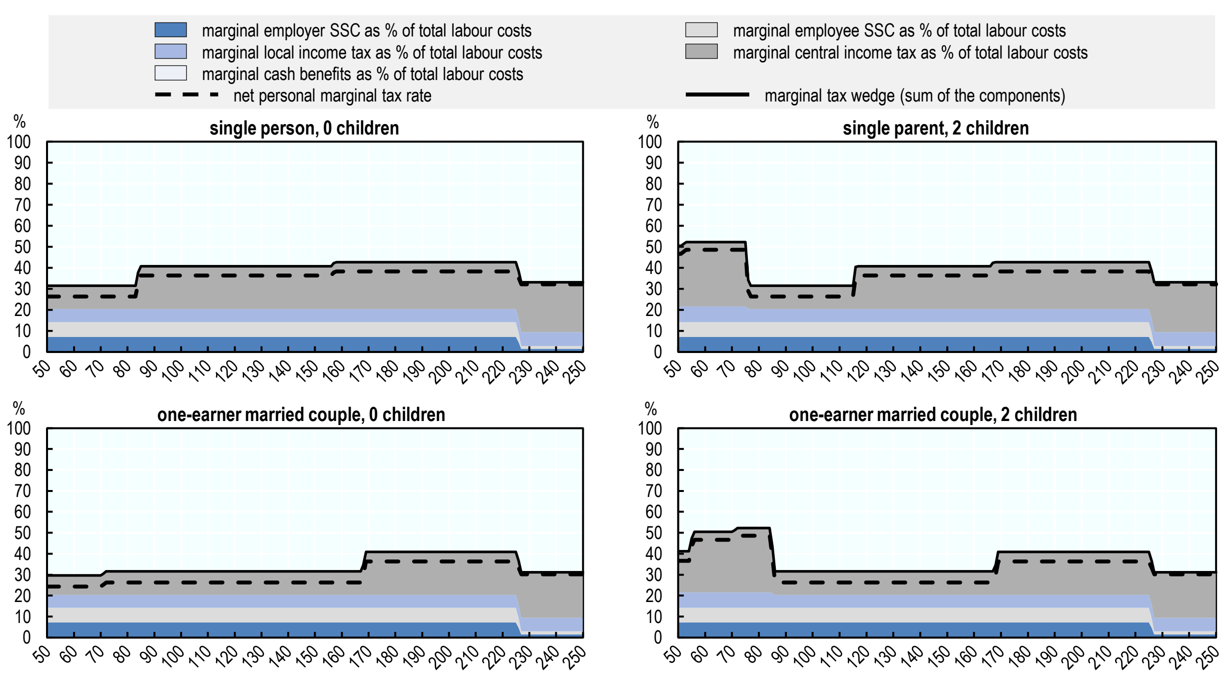
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/ynzu3b

United States 2022: marginal tax wedge decomposition

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



StatLink https://stat.link/v3xa1y

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 average wage 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 is 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 Effective tax rates on labour income in 2021

The chapter presents the effective tax rates on labour income for the eight model household types in 2021. Tables 5.1 to 5.13 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 in Chapter 3, which show the effective tax rates on labour income in 2022.

The following tables show the effective rax rates on labour income for the eight household types covered by the *Taxing Wages* models in 2021: 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 columns 1, 3-4 and 6-8 of the tables give corresponding results for the six other household types. Indicators presented in the tables can be compared with the corresponding indicators in Chapter 3, which show the results for 2022.

- Table 5.1 presents the total tax wedge (calculated as personal income tax plus employee and employer's social security contributions [SSCs] less cash benefits) by household type as a percentage of labour costs (gross wage plus employers' SSCs [including payroll taxes]). In the majority of countries, changes in the gap between total labour costs and the corresponding net take-home pay in 2022 compared with 2021 were within plus or minus one percentage point.
- Table 5.2 shows the combined burden of personal income tax and employee SSCs in the form of personal average tax rates as a percentage of gross wage earnings.
- Table 5.3 shows the net personal average tax rate, calculated as the total of personal income tax and employee SSCs less the amount of cash benefits as a percentage of gross wage earnings.
- Table 5.4 presents information on personal income tax due as a percentage of gross wage earnings.
- Table 5.5 provides information on employee SSCs as a percentage of gross wage earnings.
- Table 5.6 shows the marginal tax wedge (rate of personal income tax plus employee and employer SSCs and payroll taxes where applicable minus cash benefits) as a percentage of labour costs, when the gross wage earnings of the principal earner rose by 1 currency unit.
- Table 5.7 presents the marginal rate of personal income tax plus employee SSCs minus cash benefits (the net personal marginal tax rate) by household type and wage level, when the gross wage earnings of the principal earner rose by 1 currency unit.
- Table 5.8 shows the percentage increase in net income relative to the percentage increase in gross wages when the latter increased by 1 currency unit.
- Table 5.9 shows 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. The results shown in Tables 5.8 and 5.9 depend on the marginal and average tax rates
- Table 5.10 to Table 5.13 report background information on levels of labour costs plus gross and net wages.

Table 5.1. Income tax plus employee and employer contributions less cash benefits, 2021

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

	Single no children 67 (% AW)	Single no children 100 (% AW)	Single no children 167 (% AW)	Single 2 children 67 (% AW)	Married 2 children 100-0 (% AW)	Married 2 children 100-67 (% AW)[1]	Married 2 children 100-100 (% AW)[1]	Married no children 100-67 (% AW)[1]
Australia	21.6	27.1	33.0	-1.0	19.1	24.9	27.1	24.9
Austria	43.2	47.8	51.1	22.8	34.1	38.4	41.5	46.0
Belgium	45.7	52.4	58.7	28.0	36.5	44.8	48.1	49.7
Canada	29.5	31.5	35.0	6.1	21.1	28.4	30.4	30.7
Chile	-6.5	7.0	8.3	-24.3	-18.5	-8.6	-5.7	-1.8
Colombia	0.0	0.0	0.0	-7.6	-5.1	-6.1	-5.1	0.0
Costa Rica	29.2	29.2	31.0	29.2	29.2	29.2	29.2	29.2
Czech Republic	37.7	40.0	41.9	16.7	22.0	33.7	35.5	39.1
Denmark	32.6	35.4	40.9	4.9	25.5	30.7	32.4	34.2
Estonia	33.9	38.2	41.2	20.2	29.1	32.1	34.5	36.5
Finland	36.8	43.1	49.4	27.0	39.1	38.2	41.1	40.6
France	40.6	46.9	53.9	19.4	39.0	40.6	43.9	44.2
Germany	44.3	48.1	50.7	28.1	32.8	41.0	43.5	46.4
Greece	32.4	37.1	42.2	25.4	33.7	34.2	37.5	36.2
Hungary	43.2	43.2	43.2	23.5	30.6	35.6	36.9	43.2
Iceland	28.5	32.3	37.6	17.3	20.7	30.3	32.3	30.8
Ireland	25.3	34.5	42.8	8.1	20.0	27.3	31.6	30.8
Israel	16.7	23.4	33.3	4.4	21.1	17.1	20.4	20.3
Italy	40.4	45.4	54.2	24.1	35.8	39.5	42.6	43.4
Japan	31.2	32.6	35.6	16.7	27.3	29.6	30.5	32.0
Korea	20.7	23.8	26.8	15.7	19.9	20.5	22.1	22.6
Latvia	37.9	40.5	42.6	24.3	31.4	34.0	36.0	39.5
Lithuania	34.3	37.6	40.2	13.2	23.4	30.9	33.1	36.3
Luxembourg	31.8	39.8	46.4	11.6	19.0	28.7	33.4	34.8
Mexico	19.1	20.2	23.3	19.1	20.2	19.8	20.2	19.8
Netherlands	27.1	34.9	40.5	4.3	28.7	27.0	30.9	31.8
New Zealand	14.2	19.4	24.8	-16.4	6.4	17.3	19.4	17.3
Norway	32.6	35.7	41.4	22.4	32.1	32.3	33.9	34.4
Poland	34.2	34.9	35.9	1.5	14.3	22.7	24.9	34.6
Portugal	37.6	41.9	47.4	24.8	30.9	37.2	39.5	40.0
Slovak Republic	39.2	41.5	43.4	28.3	30.0	36.2	37.8	40.5
Slovenia	40.4	43.5	46.4	16.7	29.3	36.3	39.4	42.3
Spain	36.0	39.5	44.0	25.0	34.2	36.5	38.2	38.1
Sweden	39.8	42.5	50.3	32.2	37.4	38.3	39.9	41.4
Switzerland	20.2	23.2	27.7	6.1	11.2	17.3	19.9	22.9
Türkiye	36.3	39.9	43.1	34.9	38.3	37.9	39.4	38.5
United Kingdom	25.9	30.8	37.2	17.4	26.3	26.5	28.8	28.9
United States	24.7	28.3	34.6	-0.8	8.2	17.8	21.4	26.0
Unweighted average								
OECD-Average	**30.5**	**34.6**	**38.9**	**15.0**	**24.6**	**28.9**	**31.2**	**32.8**
OECD-EU 22	**37.0**	**41.3**	**45.8**	**19.6**	**29.9**	**34.7**	**37.4**	**39.5**

1. Two-earner couple.

StatLink https://stat.link/fjo10v

Table 5.2. Income tax plus employee contributions, 2021

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

	Single no children 67 (% AW)	Single no children 100 (% AW)	Single no children 167 (% AW)	Single 2 children 67 (% AW)	Married 2 children 100-0 (% AW)	Married 2 children 100-67 (% AW)[1]	Married 2 children 100-100 (% AW)[1]	Married no children 100-67 (% AW)[1]
Australia	17.4	23.2	29.4	17.4	23.2	20.9	23.2	20.9
Austria	27.3	33.2	38.2	16.5	25.9	27.3	30.2	30.8
Belgium	31.6	39.5	47.5	25.8	27.6	34.7	38.0	36.3
Canada	22.0	25.3	30.9	16.0	22.1	24.0	25.3	24.0
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
Costa Rica	10.5	10.5	12.8	10.5	10.5	10.5	10.5	10.5
Czech Republic	16.6	19.7	22.2	-1.2	2.5	11.3	13.7	18.5
Denmark	32.7	35.5	40.9	31.0	31.6	34.4	35.5	34.4
Estonia	11.6	17.2	21.3	8.6	12.9	13.8	16.2	15.0
Finland	23.7	31.3	38.9	23.7	31.3	28.2	31.3	28.2
France	23.5	27.6	33.5	20.8	20.8	23.2	25.5	25.5
Germany	33.1	37.8	42.7	13.8	19.4	29.2	32.2	35.7
Greece	17.2	22.9	29.1	16.3	23.4	21.2	23.4	21.9
Hungary	33.5	33.5	33.5	20.3	24.7	28.2	29.1	33.5
Iceland	24.2	28.2	33.8	24.2	22.3	26.6	28.2	26.6
Ireland	17.1	27.3	36.5	12.3	17.6	23.1	27.3	23.1
Israel	12.6	19.0	29.0	5.2	19.0	14.1	17.1	16.0
Italy	21.6	28.2	39.7	14.3	21.7	22.8	26.0	25.5
Japan	20.6	22.2	26.2	20.6	20.8	21.6	22.2	21.6
Korea	12.1	15.5	19.6	10.2	13.7	13.3	14.9	14.1
Latvia	23.3	26.5	29.0	11.6	18.6	20.5	22.6	25.2
Lithuania	33.1	36.4	39.1	33.1	36.4	35.1	36.4	35.1
Luxembourg	22.4	31.4	38.9	16.7	19.5	25.8	30.0	25.8
Mexico	8.6	11.3	15.8	8.6	11.3	10.2	11.3	10.2
Netherlands	18.9	27.7	36.1	11.4	27.0	21.1	25.2	24.2
New Zealand	14.2	19.4	24.8	15.3	19.4	17.3	19.4	17.3
Norway	23.9	27.3	33.8	21.2	27.3	25.9	27.3	25.9
Poland	23.4	24.2	25.4	17.0	19.9	21.8	22.5	23.9
Portugal	22.8	28.1	34.9	14.2	17.8	22.3	25.2	25.8
Slovak Republic	21.0	23.9	26.5	13.2	13.3	19.6	21.3	22.7
Slovenia	30.8	34.5	37.7	25.4	26.6	29.4	31.5	33.0
Spain	16.8	21.4	27.3	2.5	14.5	17.5	19.7	19.6
Sweden	20.8	24.4	34.7	20.8	24.4	23.0	24.4	23.0
Switzerland	15.1	18.2	23.1	9.2	11.6	15.7	17.8	18.0
Türkiye	25.2	29.4	33.1	23.5	27.5	27.0	28.8	27.7
United Kingdom	18.9	23.3	29.6	18.9	22.7	21.5	23.3	21.5
United States	21.7	24.7	29.4	0.8	9.7	16.4	19.5	22.6
Unweighted average								
OECD-Average	**20.4**	**24.6**	**29.8**	**15.2**	**19.6**	**21.2**	**23.2**	**22.9**
OECD-EU 22	**23.8**	**28.7**	**34.3**	**16.7**	**21.7**	**24.3**	**26.7**	**26.7**

1. Two-earner couple.

StatLink https://stat.link/hbpz80

Table 5.3. Income tax plus employee contributions less cash benefits, 2021

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

	Single no children 67 (% AW)	Single no children 100 (% AW)	Single no children 167 (% AW)	Single 2 children 67 (% AW)	Married 2 children 100-0 (% AW)	Married 2 children 100-67 (% AW)[1]	Married 2 children 100-100 (% AW)[1]	Married no children 100-67 (% AW)[1]
Australia	17.4	23.2	29.4	-6.4	14.8	20.9	23.2	20.9
Austria	27.3	33.2	38.2	1.2	15.7	21.1	25.1	30.8
Belgium	31.6	39.5	47.5	9.3	19.2	30.0	34.0	36.3
Canada	22.0	25.3	30.9	-3.9	14.0	21.5	24.1	24.0
Chile	-6.5	7.0	8.3	-24.3	-18.5	-8.6	-5.7	-1.8
Colombia	0.0	0.0	0.0	-7.6	-5.1	-6.1	-5.1	0.0
Costa Rica	10.5	10.5	12.8	10.5	10.5	10.5	10.5	10.5
Czech Republic	16.6	19.7	22.2	-11.5	-4.4	11.3	13.7	18.5
Denmark	32.6	35.4	40.9	4.9	25.5	30.7	32.4	34.2
Estonia	11.6	17.2	21.3	-6.7	5.1	9.1	12.4	15.0
Finland	23.7	31.3	38.9	11.9	26.5	25.3	28.9	28.2
France	23.5	27.6	33.5	-4.0	16.8	20.8	23.5	25.5
Germany	33.1	37.8	42.7	13.8	19.4	29.2	32.2	35.7
Greece	17.2	22.9	29.1	8.6	18.8	19.3	23.4	21.9
Hungary	33.5	33.5	33.5	10.6	18.8	24.7	26.1	33.5
Iceland	24.2	28.2	33.8	12.3	15.9	26.1	28.2	26.6
Ireland	17.1	27.3	36.5	-2.0	11.2	19.2	24.1	23.1
Israel	12.6	19.0	29.0	-0.3	16.6	12.6	15.8	16.0
Italy	21.6	28.2	39.7	0.1	15.5	20.4	24.4	25.5
Japan	20.6	22.2	26.2	3.9	16.1	18.7	19.9	21.6
Korea	12.1	15.5	19.6	6.5	11.2	11.9	13.6	14.1
Latvia	23.3	26.5	29.0	6.4	15.2	18.4	20.8	25.2
Lithuania	33.1	36.4	39.1	11.7	22.1	29.7	31.9	35.1
Luxembourg	22.4	31.4	38.9	-0.7	7.8	18.8	24.2	25.8
Mexico	8.6	11.3	15.8	8.6	11.3	10.2	11.3	10.2
Netherlands	18.9	27.7	36.1	-6.5	20.8	18.8	23.2	24.2
New Zealand	14.2	19.4	24.8	-16.4	6.4	17.3	19.4	17.3
Norway	23.9	27.3	33.8	12.3	23.3	23.5	25.3	25.9
Poland	23.4	24.2	25.4	-14.7	0.2	10.0	12.6	23.9
Portugal	22.8	28.1	34.9	6.9	14.5	22.3	25.2	25.8
Slovak Republic	21.0	23.9	26.5	6.9	9.0	17.1	19.2	22.7
Slovenia	30.8	34.5	37.7	3.3	17.9	26.0	29.6	33.0
Spain	16.8	21.4	27.3	2.5	14.5	17.5	19.7	19.6
Sweden	20.8	24.4	34.7	10.9	17.7	19.0	21.1	23.0
Switzerland	15.1	18.2	23.1	0.1	5.5	12.0	14.7	18.0
Türkiye	25.2	29.4	33.1	23.5	27.5	27.0	28.8	27.7
United Kingdom	18.9	23.3	29.6	9.6	18.3	18.9	21.1	21.5
United States	18.3	22.4	29.4	-9.2	0.7	11.0	15.0	19.9
Unweighted average								
OECD-Average	**20.0**	**24.6**	**29.8**	**2.2**	**13.1**	**18.1**	**20.7**	**22.6**
OECD-EU 22	**23.8**	**28.7**	**34.3**	**2.9**	**14.9**	**20.9**	**24.0**	**26.7**

1. Two-earner couple.

StatLink https://stat.link/hx9kr2

Table 5.4. Income tax, 2021

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

	Single no children 67 (% AW)	Single no children 100 (% AW)	Single no children 167 (% AW)	Single 2 children 67 (% AW)	Married 2 children 100-0 (% AW)	Married 2 children 100-67 (% AW)[1]	Married 2 children 100-100 (% AW)[1]	Married no children 100-67 (% AW)[1]
Australia	17.4	23.2	29.4	17.4	23.2	20.9	23.2	20.9
Austria	9.3	15.2	21.8	-1.5	7.9	9.3	12.2	12.8
Belgium	17.7	25.5	33.6	11.9	13.7	20.8	24.2	22.4
Canada	14.2	19.1	27.2	8.1	15.9	17.2	19.1	17.2
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
Costa Rica	0.0	0.0	2.3	0.0	0.0	0.0	0.0	0.0
Czech Republic	5.6	8.7	11.2	-12.2	-8.5	0.3	2.7	7.5
Denmark	32.7	35.5	40.9	31.0	31.6	34.4	35.5	34.4
Estonia	10.0	15.6	19.7	7.0	11.3	12.2	14.6	13.4
Finland	13.3	20.8	28.4	13.3	20.8	17.8	20.8	17.8
France	12.1	16.3	22.5	9.5	9.5	11.9	14.2	14.2
Germany	12.9	17.6	26.1	-6.2	-0.6	9.2	12.3	15.4
Greece	3.1	8.8	15.0	2.2	9.3	7.1	9.3	7.8
Hungary	15.0	15.0	15.0	1.8	6.2	9.7	10.6	15.0
Iceland	24.0	28.1	33.8	24.0	22.2	26.5	28.1	26.5
Ireland	13.1	23.3	32.5	8.3	13.6	19.1	23.3	19.1
Israel	6.3	10.8	19.3	-1.1	10.8	6.7	8.9	8.6
Italy	12.1	18.7	30.1	4.8	12.2	13.3	16.5	16.0
Japan	6.1	7.8	12.5	6.1	6.4	7.1	7.8	7.1
Korea	3.0	6.4	11.5	1.0	4.5	4.2	5.7	5.0
Latvia	12.8	16.0	18.5	1.1	8.1	10.0	12.1	14.7
Lithuania	13.6	16.9	19.6	13.6	16.9	15.6	16.9	15.6
Luxembourg	10.1	19.1	26.6	4.4	7.2	13.5	17.7	13.5
Mexico	7.4	9.9	14.3	7.4	9.9	8.9	9.9	8.9
Netherlands	5.3	15.8	26.6	3.3	15.6	10.8	15.1	11.6
New Zealand	14.2	19.4	24.8	15.3	19.4	17.3	19.4	17.3
Norway	15.7	19.1	25.6	13.0	19.1	17.7	19.1	17.7
Poland	5.6	6.4	7.6	-0.8	2.1	4.0	4.6	6.0
Portugal	11.8	17.1	23.9	3.2	6.8	11.3	14.2	14.8
Slovak Republic	7.6	10.5	13.1	-0.2	-0.1	6.2	7.9	9.3
Slovenia	8.7	12.4	15.6	3.3	4.5	7.3	9.4	10.9
Spain	10.5	15.1	20.9	-3.8	8.1	11.2	13.3	13.2
Sweden	13.8	17.4	29.8	13.8	17.4	16.0	17.4	16.0
Switzerland	8.7	11.8	16.8	2.8	5.2	9.3	11.4	11.6
Türkiye	10.2	14.4	18.1	8.5	12.5	12.0	13.8	12.7
United Kingdom	11.0	14.0	22.0	11.0	13.4	12.8	14.0	12.8
United States	14.0	17.0	21.8	-6.8	2.1	8.7	11.8	14.9
Unweighted average								
OECD-Average	**10.8**	**15.0**	**20.5**	**5.7**	**10.0**	**11.6**	**13.6**	**13.2**
OECD-EU 22	**11.7**	**16.7**	**22.7**	**4.9**	**9.7**	**12.3**	**14.8**	**14.6**

1. Two-earner couple.

StatLink https://stat.link/oxd7k9

Table 5.5. Employee contributions, 2021

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

	Single no children 67 (% AW)	Single no children 100 (% AW)	Single no children 167 (% AW)	Single 2 children 67 (% AW)	Married 2 children 100-0 (% AW)	Married 2 children 100-67 (% AW)[1]	Married 2 children 100-100 (% AW)[1]	Married no children 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	16.4	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	7.8	6.2	3.7	7.8	6.2	6.8	6.2	6.8
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
Costa Rica	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5
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	10.3	10.5	10.5	10.3	10.5	10.4	10.5	10.4
France	11.3	11.3	11.0	11.3	11.3	11.3	11.3	11.3
Germany	20.2	20.2	16.5	20.0	20.0	20.0	20.0	20.2
Greece	14.1	14.1	14.1	14.1	14.1	14.1	14.1	14.1
Hungary	18.5	18.5	18.5	18.5	18.5	18.5	18.5	18.5
Iceland	0.2	0.1	0.1	0.2	0.1	0.1	0.1	0.1
Ireland	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Israel	6.3	8.2	9.7	6.3	8.2	7.4	8.2	7.4
Italy	9.5	9.5	9.6	9.5	9.5	9.5	9.5	9.5
Japan	14.5	14.5	13.7	14.5	14.5	14.5	14.5	14.5
Korea	9.1	9.1	8.0	9.1	9.1	9.1	9.1	9.1
Latvia	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5
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	13.7	11.9	9.5	8.1	11.4	10.4	10.0	12.6
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	6.3	6.4	6.4	6.4	6.4	6.4
Türkiye	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**	**9.6**	**9.6**	**9.7**
OECD-EU 22	**12.1**	**12.0**	**11.6**	**11.8**	**12.0**	**11.9**	**11.9**	**12.1**

1. Two-earner couple.

StatLink https://stat.link/c5uwso

Table 5.6. Marginal rate of income tax plus employee and employer contributions less cash benefits, 2021

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

	Single no children 67 (% AW)	Single no children 100 (% AW)	Single no children 167 (% AW)	Single 2 children 67 (% AW)	Married 2 children 100-0 (% AW)	Married 2 children 100-67 (% AW)[1]	Married 2 children 100-100 (% AW)[1]	Married no children 100-67 (% AW)[1]
Australia	39.2	40.7	42.1	58.2	40.7	40.7	40.7	40.7
Austria	55.7	59.5	45.7	55.7	59.5	59.5	59.5	59.5
Belgium	68.5	65.1	67.8	68.5	65.1	64.2	64.2	64.2
Canada	41.6	31.9	44.5	76.9	37.4	37.4	37.4	31.9
Chile	7.0	7.0	10.2	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
Costa Rica	29.2	29.2	36.5	29.2	29.2	29.2	29.2	29.2
Czech Republic	44.7	44.7	44.7	44.7	33.5	44.7	44.7	44.7
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	54.5	56.1	59.0	54.5	56.1	56.1	56.1	56.1
France	64.6	58.2	60.0	74.6	41.9	50.6	58.2	47.9
Germany	53.9	58.1	47.0	52.6	51.8	55.9	55.6	56.0
Greece	45.3	46.7	50.9	45.3	46.7	46.7	46.7	46.7
Hungary	43.2	43.2	43.2	43.2	43.2	43.2	43.2	43.2
Iceland	40.1	40.1	47.6	50.5	49.1	46.9	40.1	40.1
Ireland	35.6	53.6	56.8	74.2	53.6	53.6	53.6	53.6
Israel	36.8	36.8	50.7	34.4	36.8	36.8	36.8	36.8
Italy	54.7	64.0	62.9	55.9	65.2	64.6	64.6	64.0
Japan	33.1	37.3	35.1	52.5	37.3	37.3	37.3	37.3
Korea	29.3	30.8	32.8	23.1	30.8	30.8	30.8	30.8
Latvia	45.8	45.8	44.5	45.8	45.8	45.8	45.8	45.8
Lithuania	44.1	44.1	44.1	44.1	44.1	44.1	44.1	44.1
Luxembourg	49.7	57.2	55.7	60.7	43.0	56.4	57.2	56.4
Mexico	18.7	25.2	28.4	18.7	25.2	25.2	25.2	25.2
Netherlands	50.8	50.8	51.4	56.4	56.4	50.8	50.8	50.8
New Zealand	30.5	30.0	33.0	42.5	55.0	30.0	30.0	30.0
Norway	41.8	41.8	52.6	41.8	41.8	41.8	41.8	41.8
Poland	36.2	36.2	48.3	96.9	36.2	36.2	36.2	36.2
Portugal	46.7	51.1	58.0	46.7	46.7	51.1	51.1	51.1
Slovak Republic	46.0	46.0	49.2	46.0	46.0	46.0	46.0	46.0
Slovenia	43.6	50.3	55.0	43.6	43.6	50.3	50.3	50.3
Spain	44.6	48.3	54.1	44.6	48.3	48.3	48.3	48.3
Sweden	46.2	49.3	66.0	46.2	49.3	49.3	49.3	49.3
Switzerland	26.5	32.5	37.8	20.8	26.3	30.3	35.1	32.8
Türkiye	42.8	47.8	47.8	42.8	47.8	47.8	47.8	47.8
United Kingdom	40.2	40.2	49.0	70.0	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	**40.6**	**42.9**	**46.1**	**47.3**	**42.2**	**42.7**	**43.1**	**42.3**
OECD-EU 22	**47.9**	**50.9**	**52.8**	**53.6**	**48.5**	**50.4**	**50.8**	**50.2**

Note: 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/mueoix

Table 5.7. Marginal rate of income tax plus employee contributions less cash benefits, 2021

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

	Single no children 67 (% AW)	Single no children 100 (% AW)	Single no children 167 (% AW)	Single 2 children 67 (% AW)	Married 2 children 100-0 (% AW)	Married 2 children 100-67 (% AW)[1]	Married 2 children 100-100 (% AW)[1]	Married no children 100-67 (% AW)[1]
Australia	36.0	37.5	39.0	56.0	37.5	37.5	37.5	37.5
Austria	43.3	48.2	42.0	43.3	48.2	48.2	48.2	48.2
Belgium	55.6	55.6	59.0	55.6	55.6	54.4	54.4	54.4
Canada	35.2	29.7	43.4	74.3	35.4	35.4	35.4	29.7
Chile	7.0	7.0	10.2	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
Costa Rica	10.5	10.5	19.7	10.5	10.5	10.5	10.5	10.5
Czech Republic	26.0	26.0	26.0	26.0	11.0	26.0	26.0	26.0
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	45.0	46.9	50.5	45.0	46.9	46.9	46.9	46.9
France	32.6	43.0	42.2	51.6	20.8	32.6	43.0	29.0
Germany	44.7	49.7	47.0	43.1	42.2	47.1	46.7	47.2
Greece	33.0	34.7	39.9	33.0	34.7	34.7	34.7	34.7
Hungary	33.5	33.5	33.5	33.5	33.5	33.5	33.5	33.5
Iceland	36.4	36.4	44.4	47.5	46.0	43.6	36.4	36.4
Ireland	28.5	48.5	52.0	71.4	48.5	48.5	48.5	48.5
Israel	32.0	32.0	47.0	29.4	32.0	32.0	32.0	32.0
Italy	40.4	52.6	51.2	42.0	54.2	53.4	53.4	52.6
Japan	22.8	27.7	31.1	45.2	27.7	27.7	27.7	27.7
Korea	21.6	23.3	28.5	14.8	23.3	23.3	23.3	23.3
Latvia	33.0	33.0	31.4	33.0	33.0	33.0	33.0	33.0
Lithuania	43.1	43.1	43.1	43.1	43.1	43.1	43.1	43.1
Luxembourg	42.7	51.3	49.6	55.2	35.1	50.4	51.3	50.4
Mexico	12.5	19.5	22.9	12.5	19.5	19.5	19.5	19.5
Netherlands	45.4	45.4	51.4	51.7	51.7	45.4	45.4	45.4
New Zealand	30.5	30.0	33.0	42.5	55.0	30.0	30.0	30.0
Norway	34.2	34.2	46.4	34.2	34.2	34.2	34.2	34.2
Poland	25.8	25.8	39.8	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	34.0	29.9	29.9	29.9	29.9	29.9
Slovenia	34.6	42.4	47.8	34.6	34.6	42.4	42.4	42.4
Spain	28.1	32.9	40.4	28.1	32.9	32.9	32.9	32.9
Sweden	29.3	33.4	55.3	29.3	33.4	33.4	33.4	33.4
Switzerland	21.8	28.2	34.1	15.8	21.6	25.9	31.0	28.5
Türkiye	32.8	38.7	38.7	32.8	38.7	38.7	38.7	38.7
United Kingdom	32.0	32.0	42.0	65.9	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	**31.1**	**34.5**	**38.9**	**38.8**	**33.4**	**34.2**	**34.7**	**33.8**
OECD-EU 22	**35.8**	**40.4**	**43.7**	**42.6**	**37.4**	**39.8**	**40.3**	**39.6**

Note: 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/qk6f71

Table 5.8. Percentage increase in net income relative to percentage increase in gross wages, 2021

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

	Single no children 67 (% AW)	Single no children 100 (% AW)	Single no children 167 (% AW)	Single 2 children 67 (% AW)	Married 2 children 100-0 (% AW)	Married 2 children 100-67 (% AW)[1]	Married 2 children 100-100 (% AW)[1]	Married no children 100-67 (% AW)[1]
Australia	0.77	0.81	0.86	0.41	0.73	0.79	0.81	0.79
Austria	0.78	0.78	0.94	0.57	0.61	0.66	0.69	0.75
Belgium	0.65	0.73	0.78	0.49	0.55	0.65	0.69	0.72
Canada	0.83	0.94	0.82	0.25	0.75	0.82	0.85	0.93
Chile	0.87	1.00	0.98	0.75	0.78	0.86	0.88	0.91
Colombia	1.00	1.00	1.00	0.93	0.95	0.94	0.95	1.00
Costa Rica	1.00	1.00	0.92	1.00	1.00	1.00	1.00	1.00
Czech Republic	0.89	0.92	0.95	0.66	0.85	0.83	0.86	0.91
Denmark	0.91	0.90	0.75	0.66	0.78	0.84	0.86	0.89
Estonia	0.89	0.82	1.00	0.74	0.71	0.74	0.77	0.80
Finland	0.72	0.77	0.81	0.62	0.72	0.71	0.75	0.74
France	0.88	0.79	0.87	0.47	0.95	0.85	0.75	0.95
Germany	0.83	0.81	0.92	0.66	0.72	0.75	0.79	0.82
Greece	0.81	0.85	0.85	0.73	0.80	0.81	0.85	0.84
Hungary	1.00	1.00	1.00	0.74	0.82	0.88	0.90	1.00
Iceland	0.84	0.89	0.84	0.60	0.64	0.76	0.89	0.87
Ireland	0.86	0.71	0.76	0.28	0.58	0.64	0.68	0.67
Israel	0.78	0.84	0.75	0.70	0.81	0.78	0.81	0.81
Italy	0.76	0.66	0.81	0.58	0.54	0.58	0.62	0.64
Japan	0.97	0.93	0.93	0.57	0.86	0.89	0.90	0.92
Korea	0.89	0.91	0.89	0.91	0.86	0.87	0.89	0.89
Latvia	0.87	0.91	0.97	0.72	0.79	0.82	0.85	0.90
Lithuania	0.85	0.90	0.93	0.64	0.73	0.81	0.84	0.88
Luxembourg	0.74	0.71	0.83	0.44	0.70	0.61	0.64	0.67
Mexico	0.96	0.91	0.92	0.96	0.91	0.90	0.91	0.90
Netherlands	0.67	0.75	0.76	0.45	0.61	0.67	0.71	0.72
New Zealand	0.81	0.87	0.89	0.49	0.48	0.85	0.87	0.85
Norway	0.86	0.90	0.81	0.75	0.86	0.86	0.88	0.89
Poland	0.97	0.98	0.81	0.03	0.74	0.82	0.85	0.97
Portugal	0.86	0.84	0.80	0.71	0.77	0.78	0.81	0.82
Slovak Republic	0.89	0.92	0.90	0.75	0.77	0.85	0.87	0.91
Slovenia	0.95	0.88	0.84	0.68	0.80	0.78	0.82	0.86
Spain	0.86	0.85	0.82	0.74	0.79	0.81	0.84	0.83
Sweden	0.89	0.88	0.68	0.79	0.81	0.82	0.84	0.86
Switzerland	0.92	0.88	0.86	0.84	0.83	0.84	0.81	0.87
Türkiye	0.90	0.87	0.92	0.88	0.85	0.84	0.86	0.85
United Kingdom	0.84	0.89	0.82	0.38	0.83	0.84	0.86	0.87
United States	0.90	0.82	0.87	0.47	0.74	0.83	0.75	0.92
Unweighted average								
OECD-Average	**0.86**	**0.86**	**0.86**	**0.63**	**0.76**	**0.80**	**0.82**	**0.85**
OECD-EU 22	**0.84**	**0.83**	**0.85**	**0.60**	**0.73**	**0.76**	**0.78**	**0.82**

Note: 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/ovuers

Table 5.9. Percentage increase in net income relative to percentage increase in gross labour cost, 2021

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

	Single no children 67 (% AW)	Single no children 100 (% AW)	Single no children 167 (% AW)	Single 2 children 67 (% AW)	Married 2 children 100-0 (% AW)	Married 2 children 100-67 (% AW)[1]	Married 2 children 100-100 (% AW)[1]	Married no children 100-67 (% AW)[1]
Australia	0.77	0.81	0.86	0.41	0.73	0.79	0.81	0.79
Austria	0.78	0.78	1.11	0.57	0.61	0.66	0.69	0.75
Belgium	0.58	0.73	0.78	0.44	0.55	0.65	0.69	0.71
Canada	0.83	0.99	0.85	0.25	0.79	0.87	0.90	0.98
Chile	0.87	1.00	0.98	0.75	0.78	0.86	0.88	0.91
Colombia	1.00	1.00	1.00	0.93	0.95	0.94	0.95	1.00
Costa Rica	1.00	1.00	0.92	1.00	1.00	1.00	1.00	1.00
Czech Republic	0.89	0.92	0.95	0.66	0.85	0.83	0.86	0.91
Denmark	0.91	0.90	0.75	0.66	0.78	0.84	0.86	0.89
Estonia	0.89	0.82	1.00	0.74	0.71	0.74	0.77	0.80
Finland	0.72	0.77	0.81	0.62	0.72	0.71	0.75	0.74
France	0.60	0.79	0.87	0.32	0.95	0.83	0.75	0.93
Germany	0.83	0.81	1.08	0.66	0.72	0.75	0.79	0.82
Greece	0.81	0.85	0.85	0.73	0.80	0.81	0.85	0.84
Hungary	1.00	1.00	1.00	0.74	0.82	0.88	0.90	1.00
Iceland	0.84	0.89	0.84	0.60	0.64	0.76	0.89	0.87
Ireland	0.86	0.71	0.76	0.28	0.58	0.64	0.68	0.67
Israel	0.76	0.83	0.74	0.69	0.80	0.76	0.79	0.79
Italy	0.76	0.66	0.81	0.58	0.54	0.58	0.62	0.64
Japan	0.97	0.93	1.01	0.57	0.86	0.89	0.90	0.92
Korea	0.89	0.91	0.92	0.91	0.86	0.87	0.89	0.89
Latvia	0.87	0.91	0.97	0.72	0.79	0.82	0.85	0.90
Lithuania	0.85	0.90	0.93	0.64	0.73	0.81	0.84	0.88
Luxembourg	0.74	0.71	0.83	0.44	0.70	0.61	0.64	0.67
Mexico	1.01	0.94	0.93	1.01	0.94	0.93	0.94	0.93
Netherlands	0.68	0.76	0.82	0.46	0.61	0.67	0.71	0.72
New Zealand	0.81	0.87	0.89	0.49	0.48	0.85	0.87	0.85
Norway	0.86	0.90	0.81	0.75	0.86	0.86	0.88	0.89
Poland	0.97	0.98	0.81	0.03	0.74	0.82	0.85	0.97
Portugal	0.86	0.84	0.80	0.71	0.77	0.78	0.81	0.82
Slovak Republic	0.89	0.92	0.90	0.75	0.77	0.85	0.87	0.91
Slovenia	0.95	0.88	0.84	0.68	0.80	0.78	0.82	0.86
Spain	0.86	0.85	0.82	0.74	0.79	0.81	0.84	0.83
Sweden	0.89	0.88	0.68	0.79	0.81	0.82	0.84	0.86
Switzerland	0.92	0.88	0.86	0.84	0.83	0.84	0.81	0.87
Türkiye	0.90	0.87	0.92	0.88	0.85	0.84	0.86	0.85
United Kingdom	0.81	0.86	0.81	0.36	0.81	0.81	0.84	0.84
United States	0.91	0.82	0.88	0.47	0.75	0.83	0.75	0.93
Unweighted average								
OECD-Average	**0.85**	**0.86**	**0.88**	**0.63**	**0.77**	**0.80**	**0.82**	**0.85**
OECD-EU 22	**0.83**	**0.83**	**0.87**	**0.59**	**0.73**	**0.76**	**0.78**	**0.82**

Note: 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/3wutmb

Table 5.10. Annual gross wage and net income, single person, 2021

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

	Single no children 67 (% AW)		Single no children 100 (% AW)		Single no children 167 (% AW)		Single 2 children 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	43 420	35 859	64 806	49 755	108 225	76 395	43 420	46 195
Austria	43 848	31 867	65 445	43 735	109 293	67 518	43 848	43 331
Belgium	46 302	31 693	69 108	41 824	115 410	60 549	46 302	42 007
Canada	41 715	32 534	62 262	46 507	103 977	71 869	41 715	43 336
Chile	16 804	17 890	25 081	23 325	41 885	38 408	16 804	20 888
Colombia	9 324	9 324	13 917	13 917	23 241	23 241	9 324	10 029
Costa Rica	17 680	15 823	26 388	23 617	44 067	38 439	17 680	15 823
Czech Republic	22 910	19 108	34 195	27 459	57 105	44 412	22 910	25 549
Denmark	45 909	30 955	68 521	44 297	114 430	67 591	45 909	43 657
Estonia	22 660	20 033	33 821	27 987	56 480	44 461	22 660	24 185
Finland	39 962	30 506	59 646	40 967	99 608	60 838	39 962	35 225
France	36 421	27 878	54 360	39 375	90 781	60 345	36 421	37 865
Germany	47 709	31 902	71 208	44 303	118 918	68 197	47 709	41 128
Greece	23 989	19 861	35 805	27 599	59 794	42 366	23 989	21 925
Hungary	23 503	15 630	35 079	23 328	58 583	38 957	23 503	21 023
Iceland	46 066	34 930	68 755	49 353	114 820	75 965	46 066	40 407
Ireland	44 357	36 791	66 205	48 137	110 562	70 224	44 357	45 257
Israel	29 666	25 927	44 277	35 863	73 943	52 522	29 666	29 744
Italy	32 795	25 724	48 948	35 148	81 742	49 290	32 795	32 746
Japan	33 946	26 961	50 666	39 401	84 613	62 440	33 946	32 620
Korea	38 423	33 783	57 348	48 438	95 772	77 013	38 423	35 936
Latvia	20 214	15 509	30 169	22 178	50 383	35 748	20 214	18 925
Lithuania	26 779	17 902	39 968	25 407	66 747	40 644	26 779	23 649
Luxembourg	51 563	40 021	76 959	52 782	128 522	78 488	51 563	51 903
Mexico	10 246	9 362	15 293	13 570	25 539	21 503	10 246	9 362
Netherlands	48 653	39 444	72 617	52 522	121 271	77 493	48 653	51 819
New Zealand	29 731	25 521	44 375	35 759	74 106	55 760	29 731	34 620
Norway	44 222	33 661	66 003	47 993	110 225	73 005	44 222	38 761
Poland	23 374	17 905	34 887	26 447	58 262	43 450	23 374	26 801
Portugal	24 241	18 708	36 180	26 026	60 421	39 354	24 241	22 560
Slovak Republic	17 909	14 150	26 730	20 337	44 640	32 817	17 909	16 676
Slovenia	26 372	18 246	39 361	25 800	65 732	40 943	26 372	25 492
Spain	29 581	24 600	44 151	34 699	73 732	53 633	29 581	28 831
Sweden	36 641	29 009	54 689	41 344	91 330	59 684	36 641	32 661
Switzerland	59 403	50 447	88 661	72 494	148 064	113 829	59 403	59 348
Türkiye	20 951	15 676	31 270	22 088	52 221	34 929	20 951	16 024
United Kingdom	40 500	32 826	60 447	46 390	100 947	71 091	40 500	36 631
United States	41 656	34 028	62 172	48 239	103 828	73 276	41 656	45 505
Unweighted average								
OECD-Average	**33 143**	**26 105**	**49 468**	**36 537**	**82 611**	**56 229**	**33 143**	**32 327**
OECD-EU 22	**33 441**	**25 338**	**49 911**	**35 077**	**83 352**	**53 500**	**33 441**	**32 419**

StatLink https://stat.link/yk24sn

Table 5.11. Annual gross wage and net income, married couple, 2021

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

	Married 2 children 100-0 (% AW)		Married 2 children 100-67 (% AW)[1]		Married 2 children 100-100 (% AW)[1]		Married no children 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	64 806	55 220	108 225	85 614	129 611	99 511	108 225	85 614
Austria	65 445	55 199	109 293	86 198	130 890	98 066	109 293	75 602
Belgium	69 108	55 812	115 410	80 775	138 216	91 164	115 410	73 528
Canada	62 262	53 529	103 977	81 671	124 523	94 475	103 977	79 042
Chile	25 081	29 715	41 885	45 491	50 162	53 041	41 885	42 621
Colombia	13 917	14 621	23 241	24 650	27 834	29 243	23 241	23 241
Costa Rica	26 388	23 617	44 067	39 440	52 775	47 234	44 067	39 440
Czech Republic	34 195	35 697	57 105	50 648	68 389	58 999	57 105	46 567
Denmark	68 521	51 053	114 430	79 261	137 042	92 604	114 430	75 252
Estonia	33 821	32 088	56 480	51 330	67 641	59 285	56 480	48 020
Finland	59 646	43 855	99 608	74 360	119 291	84 822	99 608	71 472
France	54 360	45 216	90 781	71 900	108 720	83 129	90 781	67 593
Germany	71 208	57 378	118 918	84 194	142 416	96 515	118 918	76 501
Greece	39 385	32 000	65 773	53 064	78 770	60 321	65 773	51 388
Hungary	35 079	28 489	58 583	44 119	70 159	51 817	58 583	38 957
Iceland	68 755	57 823	114 820	84 868	137 509	98 705	114 820	84 282
Ireland	66 205	58 816	110 562	89 289	132 409	100 540	110 562	85 022
Israel	44 277	36 949	73 943	64 597	88 554	74 533	73 943	62 134
Italy	48 948	41 362	81 742	65 085	97 895	73 999	81 742	60 872
Japan	50 666	42 507	84 613	68 752	101 333	81 193	84 613	66 362
Korea	57 348	50 925	95 772	84 416	114 697	99 071	95 772	82 222
Latvia	30 169	25 594	50 383	41 103	60 339	47 772	50 383	37 687
Lithuania	39 968	31 154	66 747	46 926	79 937	54 431	66 747	43 308
Luxembourg	76 959	70 926	128 522	104 344	153 918	116 714	128 522	95 401
Mexico	15 293	13 570	25 539	22 932	30 585	27 140	25 539	22 932
Netherlands	72 617	57 515	121 271	98 455	145 234	111 533	121 271	91 966
New Zealand	44 375	41 530	74 106	61 279	88 750	71 517	74 106	61 279
Norway	66 003	50 608	110 225	84 269	132 006	98 601	110 225	81 655
Poland	34 887	34 802	58 262	52 421	69 775	60 963	58 262	44 353
Portugal	36 180	30 921	60 421	46 927	72 360	54 151	60 421	44 828
Slovak Republic	26 730	24 314	44 640	37 013	53 461	43 201	44 640	34 487
Slovenia	39 361	32 297	65 732	48 643	78 722	55 424	65 732	44 046
Spain	44 151	37 751	73 732	60 810	88 301	70 910	73 732	59 299
Sweden	54 689	44 995	91 330	74 004	109 377	86 339	91 330	70 353
Switzerland	88 661	83 792	148 064	130 258	177 322	151 168	148 064	121 454
Türkiye	31 270	22 667	52 221	38 112	62 540	44 524	52 221	37 765
United Kingdom	60 447	49 399	100 947	81 861	120 894	95 426	100 947	79 216
United States	62 172	61 722	103 828	92 422	124 345	105 723	103 828	83 177
Unweighted average								
OECD-Average	**49 562**	**42 511**	**82 768**	**66 619**	**99 124**	**76 942**	**82 768**	**62 867**
OECD-EU 22	**50 074**	**42 147**	**83 624**	**65 494**	**100 148**	**75 123**	**83 624**	**60 750**

1. Two-earner couple.

StatLink https://stat.link/wxqp15

Table 5.12. Annual labour costs and net income, single person, 2021

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

	Single no children 67 (% AW)		Single no children 100 (% AW)		Single no children 167 (% AW)		Single 2 children 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	45 726	35 859	68 247	49 755	113 973	76 395	45 726	46 195
Austria	56 151	31 867	83 808	43 735	137 970	67 518	56 151	43 331
Belgium	58 370	31 693	87 867	41 824	146 738	60 549	58 370	42 007
Canada	46 157	32 534	67 868	46 507	110 612	71 869	46 157	43 336
Chile	16 804	17 890	25 081	23 325	41 885	38 408	16 804	20 888
Colombia	9 324	9 324	13 917	13 917	23 241	23 241	9 324	10 029
Costa Rica	22 365	15 823	33 380	23 617	55 745	38 439	22 365	15 823
Czech Republic	30 654	19 108	45 752	27 459	76 406	44 412	30 654	25 549
Denmark	45 909	30 955	68 521	44 297	114 430	67 591	45 909	43 657
Estonia	30 319	20 033	45 252	27 987	75 571	44 461	30 319	24 185
Finland	48 267	30 506	72 040	40 967	120 307	60 838	48 267	35 225
France	46 957	27 878	74 091	39 375	131 006	60 345	46 957	37 865
Germany	57 239	31 902	85 432	44 303	138 400	68 197	57 239	41 128
Greece	29 396	19 861	43 875	27 599	73 271	42 366	29 396	21 925
Hungary	27 499	15 630	41 043	23 328	68 542	38 957	27 499	21 023
Iceland	48 876	34 930	72 949	49 353	121 824	75 965	48 876	40 407
Ireland	49 259	36 791	73 520	48 137	122 779	70 224	49 259	45 257
Israel	31 110	25 927	46 832	35 863	78 753	52 522	31 110	29 744
Italy	43 151	25 724	64 405	35 148	107 557	49 290	43 151	32 746
Japan	39 161	26 961	58 449	39 401	96 975	62 440	39 161	32 620
Korea	42 614	33 783	63 602	48 438	105 178	77 013	42 614	35 936
Latvia	24 990	15 509	37 295	22 178	62 277	35 748	24 990	18 925
Lithuania	27 258	17 902	40 684	25 407	67 942	40 644	27 258	23 649
Luxembourg	58 699	40 021	87 610	52 782	146 309	78 488	58 699	51 903
Mexico	11 579	9 362	17 009	13 570	28 031	21 503	11 579	9 362
Netherlands	54 129	39 444	80 710	52 522	130 209	77 493	54 129	51 819
New Zealand	29 731	25 521	44 375	35 759	74 106	55 760	29 731	34 620
Norway	49 971	33 661	74 584	47 993	124 555	73 005	49 971	38 761
Poland	27 199	17 905	40 595	26 447	67 793	43 450	27 199	26 801
Portugal	29 998	18 708	44 773	26 026	74 771	39 354	29 998	22 560
Slovak Republic	23 273	14 150	34 736	20 337	58 010	32 817	23 273	16 676
Slovenia	30 618	18 246	45 698	25 800	76 315	40 943	30 618	25 492
Spain	38 426	24 600	57 352	34 699	95 777	53 633	38 426	28 831
Sweden	48 154	29 009	71 872	41 344	120 026	59 684	48 154	32 661
Switzerland	63 205	50 447	94 335	72 494	157 456	113 829	63 205	59 348
Türkiye	24 617	15 676	36 742	22 088	61 360	34 929	24 617	16 024
United Kingdom	44 328	32 826	67 028	46 390	113 116	71 091	44 328	36 631
United States	45 164	34 028	67 250	48 239	112 092	73 276	45 164	45 505
Unweighted average								
OECD-Average	**38 333**	**26 105**	**57 331**	**36 537**	**95 561**	**56 229**	**38 333**	**32 327**
OECD-EU 22	**40 269**	**25 338**	**60 315**	**35 077**	**100 564**	**53 500**	**40 269**	**32 419**

StatLink https://stat.link/lc2j7k

Table 5.13. Annual labour costs and net income, married couple, 2021

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

	Married 2 children 100-0 (% AW)		Married 2 children 100-67 (% AW)[1]		Married 2 children 100-100 (% AW)[1]		Married no children 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	68 247	55 220	113 973	85 614	136 495	99 511	113 973	85 614
Austria	83 808	55 199	139 959	86 198	167 616	98 066	139 959	75 602
Belgium	87 867	55 812	146 237	80 775	175 734	91 164	146 237	73 528
Canada	67 868	53 529	114 025	81 671	135 736	94 475	114 025	79 042
Chile	25 081	29 715	41 885	45 491	50 162	53 041	41 885	42 621
Colombia	13 917	14 621	23 241	24 650	27 834	29 243	23 241	23 241
Costa Rica	33 380	23 617	55 745	39 440	66 761	47 234	55 745	39 440
Czech Republic	45 752	35 697	76 406	50 648	91 505	58 999	76 406	46 567
Denmark	68 521	51 053	114 430	79 261	137 042	92 604	114 430	75 252
Estonia	45 252	32 088	75 571	51 330	90 504	59 285	75 571	48 020
Finland	72 040	43 855	120 307	74 360	144 080	84 822	120 307	71 472
France	74 091	45 216	121 047	71 900	148 181	83 129	121 047	67 593
Germany	85 432	57 378	142 672	84 194	170 864	96 515	142 672	76 501
Greece	48 262	32 000	80 598	53 064	96 525	60 321	80 598	51 388
Hungary	41 043	28 489	68 542	44 119	82 086	51 817	68 542	38 957
Iceland	72 949	57 823	121 824	84 868	145 898	98 705	121 824	84 282
Ireland	73 520	58 816	122 779	89 289	147 041	100 540	122 779	85 022
Israel	46 832	36 949	77 943	64 597	93 665	74 533	77 943	62 134
Italy	64 405	41 362	107 557	65 085	128 810	73 999	107 557	60 872
Japan	58 449	42 507	97 609	68 752	116 897	81 193	97 609	66 362
Korea	63 602	50 925	106 216	84 416	127 205	99 071	106 216	82 222
Latvia	37 295	25 594	62 285	41 103	74 590	47 772	62 285	37 687
Lithuania	40 684	31 154	67 942	46 926	81 368	54 431	67 942	43 308
Luxembourg	87 610	70 926	146 309	104 344	175 220	116 714	146 309	95 401
Mexico	17 009	13 570	28 588	22 932	34 017	27 140	28 588	22 932
Netherlands	80 710	57 515	134 838	98 455	161 420	111 533	134 838	91 966
New Zealand	44 375	41 530	74 106	61 279	88 750	71 517	74 106	61 279
Norway	74 584	50 608	124 555	84 269	149 167	98 601	124 555	81 655
Poland	40 595	34 802	67 793	52 421	81 190	60 963	67 793	44 353
Portugal	44 773	30 921	74 771	46 927	89 546	54 151	74 771	44 828
Slovak Republic	34 736	24 314	58 010	37 013	69 472	43 201	58 010	34 487
Slovenia	45 698	32 297	76 315	48 643	91 396	55 424	76 315	44 046
Spain	57 352	37 751	95 777	60 810	114 704	70 910	95 777	59 299
Sweden	71 872	44 995	120 026	74 004	143 744	86 339	120 026	70 353
Switzerland	94 335	83 792	157 540	130 258	188 670	151 168	157 540	121 454
Türkiye	36 742	22 667	61 360	38 112	73 485	44 524	61 360	37 765
United Kingdom	67 028	49 399	111 356	81 861	134 056	95 426	111 356	79 216
United States	67 250	61 722	112 413	92 422	134 500	105 723	112 413	83 177
Unweighted average								
OECD-Average	**57 446**	**42 511**	**95 857**	**66 619**	**114 893**	**76 942**	**95 857**	**62 867**
OECD-EU 22	**60 514**	**42 147**	**100 917**	**65 494**	**121 029**	**75 123**	**100 917**	**60 750**

1. Two-earner couple.

StatLink https://stat.link/4ts0li

6 Evolution of effective tax rates on labour income (2000-22)

This chapter presents the evolution of effective tax rates on labour income between 2000 and 2022 for the eight household types. 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 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).

Long-term trends in labour taxation since 2000

This chapter presents the evolution of the effective tax rates on labour income for the eight household types depicted by the *Taxing Wages* models over the period from 2000 to 2022. Tables 6.1 to 6.24, titled "Tables showing income taxes, social security contributions and cash benefits", correspond to a tax burden measure for a particular household type. The discussion focuses on the main observable trends over the period and highlights important year-on-year changes[1]. Effective tax rates on labour income shown in this chapter all declined between 2000 and 2022 for all of the household types.

- The fall over the period in the OECD average tax wedge ranged from 1.3 percentage points for single workers earning 167% of the average wage (AW) to 3.0 percentage points for single parents earning 67% of the AW.
- The decrease in the OECD average personal income tax rate ranged from 0.8 percentage points for single workers earning 100% of AW to 1.6 percentage points for single parents earning 67% of the AW.
- The OECD net personal average tax burden also declined for all household types in the period considered. The reduction ranged from 0.5 percentage points for single workers earning 167% of the AW to 1.7 percentage points for single parents earning 67% of the AW.

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	2015	2016	2017	2018	2019	2020	2021	2022
Australia	25.9	21.0	23.1	23.4	23.6	24.1	22.7	23.3	21.6	21.2
Austria	43.2	43.5	45.1	43.0	43.1	43.3	43.6	42.9	43.2	41.9
Belgium	51.4	50.4	49.4	47.5	47.3	46.1	45.5	45.4	45.7	46.5
Canada	29.4	29.0	29.6	29.3	28.7	28.8	28.2	28.7	29.5	30.0
Chile	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	-6.5	7.0
Colombia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costa Rica	27.8	28.0	28.2	28.2	28.6	29.0	29.0	29.2	29.2	29.2
Czech Republic	41.3	39.0	40.0	40.3	40.8	41.4	41.7	41.9	37.7	37.4
Denmark	37.4	33.5	33.4	33.4	33.3	32.6	32.7	32.5	32.6	32.9
Estonia	39.8	38.7	38.0	37.9	38.0	32.7	33.2	33.4	33.9	34.5
Finland	42.7	36.8	37.9	38.3	36.9	36.5	35.9	35.4	36.8	36.8
France	43.9	46.8	43.6	42.9	42.3	42.3	41.9	39.5	40.6	40.7
Germany	47.6	44.9	45.3	45.3	45.4	45.3	45.2	44.7	44.3	43.7
Greece	35.9	35.8	34.6	35.8	36.0	36.2	36.2	33.9	32.4	32.5
Hungary	51.4	43.8	49.0	48.2	46.2	45.0	44.6	43.6	43.2	41.2
Iceland	23.8	28.4	30.2	30.3	29.5	29.6	29.4	29.1	28.5	28.7
Ireland	27.5	24.2	24.9	24.3	24.0	24.3	24.6	25.0	25.3	25.5
Israel	23.2	14.1	14.8	15.2	15.1	15.0	15.4	15.7	16.7	16.9
Italy	43.6	44.0	40.8	40.8	40.7	40.8	41.0	40.9	40.4	40.1
Japan	28.7	28.9	30.9	31.0	31.0	31.2	31.2	31.2	31.2	31.2
Korea	15.0	17.4	18.4	18.6	18.9	19.2	19.7	20.2	20.7	21.1
Latvia	41.7	43.2	41.7	41.2	41.3	39.7	39.6	38.7	37.9	37.2
Lithuania	43.0	38.8	39.3	39.0	37.8	37.2	34.8	33.5	34.3	33.8
Luxembourg	29.8	28.8	32.4	32.5	30.2	30.5	30.7	31.7	31.8	32.2
Mexico	7.6	12.9	15.0	15.3	16.1	16.1	16.8	19.4	19.1	19.4
Netherlands	42.3	33.6	32.0	30.4	30.4	30.8	29.7	28.7	27.1	27.9
New Zealand	18.6	14.3	13.5	13.7	13.7	13.8	14.0	14.1	14.2	14.7
Norway	35.1	34.1	33.7	33.2	32.8	32.7	32.6	32.7	32.6	32.4
Poland	37.0	33.3	35.0	34.9	35.0	35.2	35.0	34.1	34.2	31.3
Portugal	33.2	32.2	36.3	36.4	36.6	36.7	37.1	37.3	37.6	38.0
Slovak Republic	40.7	35.0	39.1	39.3	39.4	39.7	39.7	39.0	39.2	39.5
Slovenia	42.6	38.6	38.6	38.7	40.0	39.8	40.3	40.2	40.4	39.7
Spain	34.9	36.5	35.8	35.8	35.8	35.9	35.9	34.7	36.0	36.0
Sweden	48.6	40.7	40.6	40.8	40.9	41.0	40.4	40.5	39.8	39.5
Switzerland	20.2	19.3	19.1	19.3	19.3	19.4	19.5	19.9	20.2	20.4
Türkiye[1]	39.1	34.4	35.9	32.9	33.4	34.6	36.2	36.2	36.3	32.0
United Kingdom	29.1	29.4	26.0	26.1	26.3	26.2	26.1	25.3	25.9	26.6
United States	29.0	28.3	29.2	29.2	29.2	27.6	27.5	23.5	24.7	27.8
Unweighted average										
OECD-Average	**33.1**	**31.3**	**31.8**	**31.6**	**31.4**	**31.2**	**31.2**	**30.9**	**30.5**	**30.7**
OECD-EU 22	**40.9**	**38.3**	**38.8**	**38.5**	**38.2**	**37.9**	**37.7**	**37.2**	**37.0**	**36.8**

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

StatLink https://stat.link/ymbhpg

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	2015	2016	2017	2018	2019	2020	2021	2022
Australia	31.0	26.8	28.3	28.6	28.6	28.9	27.9	28.4	27.1	26.9
Austria	47.3	48.2	49.6	47.3	47.4	47.6	47.9	47.5	47.8	46.8
Belgium	57.1	55.9	55.3	53.9	53.8	52.7	52.3	52.2	52.4	53.0
Canada	34.1	31.8	32.5	32.1	31.4	31.4	31.0	31.1	31.5	31.9
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
Costa Rica	27.8	28.0	28.2	28.2	28.6	29.0	29.0	29.2	29.2	29.2
Czech Republic	42.6	42.1	42.8	43.0	43.4	43.7	44.0	44.1	40.0	39.8
Denmark	41.5	35.9	35.9	35.9	35.8	35.4	35.5	35.3	35.4	35.5
Estonia	41.3	40.1	39.0	39.0	39.0	36.2	37.0	37.3	38.2	39.0
Finland	47.5	42.3	43.5	44.1	43.0	42.6	42.2	41.8	43.1	43.1
France	50.4	49.9	48.5	48.0	47.4	47.4	47.2	46.5	46.9	47.0
Germany	52.9	49.0	49.4	49.5	49.5	49.5	49.3	48.8	48.1	47.8
Greece	38.7	40.0	38.8	40.0	40.2	40.4	40.4	38.9	37.1	37.1
Hungary	54.7	46.6	49.0	48.2	46.2	45.0	44.6	43.6	43.2	41.2
Iceland	28.8	33.4	34.3	33.9	32.8	32.9	32.7	32.5	32.3	32.5
Ireland	35.3	30.9	33.2	32.7	32.6	32.9	33.3	34.0	34.5	34.7
Israel	29.6	20.7	21.8	22.3	22.1	22.0	22.5	22.8	23.4	23.6
Italy	47.1	47.2	47.8	47.8	47.7	47.7	47.9	46.9	45.4	45.9
Japan	29.8	30.2	32.3	32.4	32.5	32.7	32.7	32.6	32.6	32.6
Korea	16.4	20.1	21.4	21.8	22.0	22.4	22.9	23.4	23.8	24.2
Latvia	43.2	44.0	42.5	42.5	42.7	42.6	42.5	42.3	40.5	40.6
Lithuania	45.7	40.6	41.2	41.3	41.1	40.7	37.7	37.1	37.6	38.2
Luxembourg	35.8	35.3	39.5	39.6	37.8	38.2	38.5	39.5	39.8	40.4
Mexico	12.7	16.0	19.8	20.1	20.4	19.7	20.2	20.4	20.2	20.4
Netherlands	40.0	38.1	37.0	37.2	37.4	37.8	36.9	36.1	34.9	35.5
New Zealand	19.4	17.0	17.6	18.0	18.3	18.6	19.0	19.3	19.4	20.1
Norway	38.6	37.3	36.7	36.2	35.9	35.8	35.7	35.8	35.7	35.7
Poland	38.2	34.2	35.7	35.6	35.7	35.8	35.6	34.8	34.9	33.6
Portugal	37.3	37.1	42.1	41.5	41.4	40.9	41.4	41.5	41.9	41.9
Slovak Republic	42.1	38.1	41.5	41.7	41.7	41.9	41.9	41.3	41.5	41.6
Slovenia	46.3	42.5	42.6	42.7	42.9	43.2	43.5	43.1	43.5	42.8
Spain	38.6	39.7	39.4	39.4	39.3	39.4	39.4	39.0	39.5	39.5
Sweden	50.1	42.8	42.6	42.8	42.9	43.0	42.6	42.7	42.5	42.4
Switzerland	22.9	22.1	21.8	22.1	22.1	22.2	22.3	22.7	23.2	23.4
Türkiye[1]	40.4	37.0	38.2	38.2	38.9	39.2	39.6	39.5	39.9	37.2
United Kingdom	32.6	32.6	30.8	30.9	31.0	31.0	30.9	30.4	30.8	31.5
United States	30.8	30.7	31.4	31.6	31.8	29.6	29.7	27.2	28.3	30.5
Unweighted average										
OECD-Average	**36.2**	**34.5**	**35.2**	**35.2**	**35.1**	**34.9**	**34.9**	**34.6**	**34.6**	**34.6**
OECD-EU 22	**44.3**	**41.8**	**42.6**	**42.4**	**42.2**	**42.0**	**41.9**	**41.6**	**41.3**	**41.2**

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

StatLink https://stat.link/4k82oj

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	2015	2016	2017	2018	2019	2020	2021	2022
Australia	38.8	32.4	34.0	34.1	34.0	34.3	34.4	34.7	33.0	33.1
Austria	50.4	51.4	52.1	50.7	50.8	51.0	51.0	50.9	51.1	50.5
Belgium	62.6	61.0	60.7	59.9	59.6	59.0	58.7	58.6	58.7	59.1
Canada	37.0	35.0	35.5	34.8	34.5	34.5	34.0	34.7	35.0	35.4
Chile	8.3	8.0	8.2	8.3	8.3	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
Costa Rica	27.8	28.5	29.2	29.6	30.2	30.6	30.7	30.8	31.0	31.3
Czech Republic	44.8	44.7	45.1	45.3	45.5	45.7	45.8	45.9	41.9	41.8
Denmark	49.3	42.9	42.1	42.0	41.8	41.2	41.2	40.9	40.9	41.2
Estonia	42.5	41.2	39.9	39.9	39.9	41.2	41.2	41.2	41.2	41.2
Finland	53.2	48.2	49.4	50.1	49.1	48.8	48.4	48.3	49.4	49.4
France	52.5	53.6	54.3	54.4	54.4	54.0	54.1	53.2	53.9	53.9
Germany	56.2	51.5	51.3	51.4	51.5	51.3	51.0	51.3	50.7	50.0
Greece	44.7	45.5	45.1	45.6	45.7	45.9	46.0	44.8	42.2	42.2
Hungary	59.2	53.1	49.0	48.2	46.2	45.0	44.6	43.6	43.2	41.2
Iceland	39.6	37.8	38.6	38.5	37.7	37.5	37.4	37.4	37.6	37.8
Ireland	42.2	40.7	42.3	41.5	41.4	41.6	41.9	42.4	42.8	43.0
Israel	38.1	29.5	30.8	31.4	31.3	31.2	32.0	32.4	33.3	33.4
Italy	51.1	52.5	54.2	54.1	53.8	53.9	54.0	54.2	54.2	53.8
Japan	31.6	33.3	34.9	35.0	35.0	35.1	35.1	35.2	35.6	35.6
Korea	20.5	21.7	23.3	23.8	24.4	25.0	25.6	26.2	26.8	27.3
Latvia	44.4	44.7	43.2	43.3	43.5	42.6	42.8	42.9	42.6	42.8
Lithuania	47.9	42.0	42.1	42.1	42.1	42.1	40.0	40.0	40.2	40.6
Luxembourg	44.1	42.5	46.2	46.3	45.3	45.5	45.6	46.2	46.4	47.0
Mexico	19.5	21.4	22.8	23.1	23.4	22.8	23.2	23.4	23.3	23.4
Netherlands	44.9	41.8	42.2	42.0	42.0	42.3	42.1	41.2	40.5	40.8
New Zealand	24.2	23.3	23.4	23.7	23.9	24.1	24.4	24.6	24.8	25.3
Norway	45.2	43.0	42.4	41.9	41.6	41.5	41.5	41.5	41.4	41.7
Poland	39.1	35.0	36.3	36.2	36.2	36.3	36.1	35.5	35.9	35.5
Portugal	42.3	43.1	48.0	47.0	46.7	46.3	46.8	46.9	47.4	47.7
Slovak Republic	45.5	40.3	43.5	43.6	43.6	43.7	43.6	43.2	43.4	43.6
Slovenia	51.0	47.6	46.5	46.1	46.3	46.7	47.0	46.0	46.4	45.8
Spain	41.0	42.4	43.8	43.8	43.7	43.8	43.9	43.4	44.0	44.0
Sweden	55.7	51.0	50.7	51.5	51.6	51.6	50.7	50.3	50.3	50.3
Switzerland	27.4	26.6	26.4	26.7	26.7	26.9	27.0	27.3	27.7	28.0
Türkiye[1]	35.0	39.8	41.8	42.1	42.5	42.7	42.9	42.8	43.1	41.5
United Kingdom	35.8	37.2	37.3	37.5	37.4	37.4	37.1	36.7	37.2	38.4
United States	37.1	35.9	36.3	36.4	36.5	34.1	34.1	33.8	34.6	34.7
Unweighted average										
OECD-Average	**40.3**	**38.7**	**39.3**	**39.3**	**39.2**	**39.1**	**39.1**	**39.0**	**38.9**	**39.0**
OECD-EU 22	**48.4**	**46.2**	**46.7**	**46.6**	**46.4**	**46.3**	**46.2**	**46.0**	**45.8**	**45.7**

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

StatLink https://stat.link/y2cblg

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	2015	2016	2017	2018	2019	2020	2021	2022
Australia	4.0	-6.5	-1.4	-1.1	0.6	1.9	1.1	1.2	-1.0	0.8
Austria	25.2	26.1	29.6	27.4	27.7	28.1	22.3	20.2	22.8	19.2
Belgium	36.4	36.8	35.6	33.5	33.4	32.3	31.4	27.9	28.0	29.6
Canada	10.4	11.1	2.4	1.3	1.3	1.3	-0.4	3.0	6.1	7.5
Chile	5.9	6.1	6.2	6.2	6.2	6.2	6.2	6.1	-24.3	6.1
Colombia	-6.9	-5.6	-6.6	-6.7	-6.6	-6.4	-6.5	-7.2	-7.6	-7.2
Costa Rica	27.8	28.0	28.2	28.2	28.6	29.0	29.0	29.2	29.2	29.2
Czech Republic	12.7	15.8	24.7	22.0	22.6	21.4	22.8	23.2	16.7	17.5
Denmark	11.5	8.0	6.3	6.2	4.8	4.0	4.4	4.3	4.9	5.6
Estonia	18.5	24.1	21.7	21.8	22.8	17.4	18.1	18.7	20.2	21.8
Finland	28.3	25.5	27.2	27.9	26.5	26.5	26.1	25.2	27.0	27.3
France	34.5	38.8	36.0	24.3	23.6	23.9	20.2	16.1	19.4	20.2
Germany	31.8	29.8	30.9	31.1	31.3	31.5	31.4	27.6	28.1	28.4
Greece	35.2	34.4	30.8	31.4	31.6	29.6	29.7	26.7	25.4	25.5
Hungary	34.0	27.4	27.2	25.5	23.0	21.8	22.0	22.7	23.5	23.7
Iceland	5.9	16.7	20.5	21.0	19.1	17.9	18.1	17.1	17.3	18.1
Ireland	16.6	-4.5	0.1	0.0	1.2	3.8	5.6	7.2	8.1	10.3
Israel	3.3	1.6	2.9	0.9	1.7	1.5	2.8	2.8	4.4	3.8
Italy	29.5	28.1	25.3	25.2	25.1	25.3	25.8	24.8	24.1	26.1
Japan	15.9	9.5	17.0	17.2	17.0	17.3	16.9	16.7	16.7	17.2
Korea	14.4	16.7	17.0	17.0	17.0	17.3	17.0	14.0	15.7	16.0
Latvia	24.0	29.5	25.0	24.9	26.2	24.9	24.3	23.6	24.3	19.9
Lithuania	38.4	30.0	31.7	29.3	30.6	26.1	23.3	9.1	13.2	20.7
Luxembourg	4.4	2.0	9.0	9.3	6.6	7.6	8.3	10.9	11.6	13.9
Mexico	7.6	12.9	15.0	15.3	16.1	16.1	16.8	19.4	19.1	19.4
Netherlands	26.4	12.2	10.2	7.0	6.8	7.2	6.0	5.6	4.3	6.0
New Zealand	-3.0	-17.7	-14.1	-14.1	-12.9	-19.9	-18.8	-17.3	-16.4	-16.1
Norway	16.4	20.9	22.2	21.9	21.9	22.2	22.0	22.4	22.4	22.6
Poland	29.8	28.4	23.9	-16.3	-17.2	-10.7	-4.7	-2.0	1.5	3.3
Portugal	26.6	20.6	25.3	21.4	22.0	22.5	23.6	23.9	24.8	25.7
Slovak Republic	26.1	22.6	27.9	28.4	29.0	29.7	30.0	29.2	28.3	25.0
Slovenia	13.4	12.4	10.1	10.5	12.6	13.4	14.8	15.2	16.7	16.1
Spain	28.6	29.2	24.2	24.2	24.3	24.5	24.8	23.3	25.0	25.5
Sweden	39.9	32.3	33.2	33.6	33.9	33.1	32.5	32.7	32.2	32.2
Switzerland	6.5	4.7	4.1	4.5	4.5	4.7	4.9	5.4	6.1	6.5
Türkiye[1]	39.1	33.0	34.6	31.3	31.9	33.1	34.8	34.9	34.9	32.0
United Kingdom	15.3	9.3	5.3	7.3	9.5	11.0	12.6	6.0	17.4	17.7
United States	10.7	8.9	11.7	12.2	13.0	9.7	10.1	2.3	-0.8	13.7
Unweighted average										
OECD-Average	**19.6**	**17.3**	**17.9**	**16.1**	**16.2**	**16.0**	**16.0**	**15.1**	**15.0**	**16.6**
OECD-EU 22	**26.0**	**23.2**	**23.5**	**20.4**	**20.4**	**20.2**	**20.1**	**18.9**	**19.6**	**20.2**

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

StatLink https://stat.link/iv2wzf

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	2015	2016	2017	2018	2019	2020	2021	2022
Australia	23.4	14.6	17.8	18.0	20.7	21.5	20.8	20.8	19.1	20.2
Austria	35.2	36.4	39.2	36.8	37.0	37.3	33.7	32.2	34.1	30.2
Belgium	42.6	41.2	40.3	38.5	38.4	37.4	36.6	36.4	36.5	37.8
Canada	27.1	24.7	19.2	20.8	20.2	20.1	19.4	20.0	21.1	21.8
Chile	6.3	7.0	7.0	7.0	7.0	7.0	7.0	7.0	-18.5	7.0
Colombia	-4.6	-3.8	-4.4	-4.5	-4.4	-4.3	-4.3	-4.8	-5.1	-4.8
Costa Rica	27.8	28.0	28.2	28.2	28.6	29.0	29.0	29.2	29.2	29.2
Czech Republic	22.0	21.1	26.8	25.3	26.0	25.5	26.7	27.2	22.0	22.7
Denmark	28.2	24.9	25.3	25.2	25.2	24.9	25.3	25.2	25.5	26.0
Estonia	32.8	31.0	28.6	28.5	29.0	26.1	27.1	27.6	29.1	30.6
Finland	40.3	37.0	38.9	39.6	38.5	38.2	37.9	37.6	39.1	39.2
France	41.3	42.9	40.5	40.0	39.4	39.3	38.6	37.5	39.0	39.2
Germany	35.3	32.6	34.0	34.1	34.3	34.3	34.2	32.5	32.8	32.9
Greece	40.3	40.3	37.3	38.1	38.3	37.1	37.2	35.5	33.7	33.7
Hungary	43.9	36.7	35.3	33.8	31.4	30.2	30.1	30.2	30.6	30.0
Iceland	13.1	19.2	23.2	23.3	21.6	20.2	19.9	19.5	20.7	21.2
Ireland	20.4	14.7	17.7	16.9	16.9	17.6	18.0	19.1	20.0	20.8
Israel	25.5	17.5	19.2	19.6	19.5	19.4	20.0	20.4	21.1	18.3
Italy	39.3	37.8	38.6	38.6	38.4	38.6	39.0	37.3	35.8	34.9
Japan	26.4	22.1	27.0	27.2	27.3	27.5	27.5	27.3	27.3	27.4
Korea	15.7	17.8	19.0	19.5	19.7	20.3	20.4	18.5	19.9	20.4
Latvia	31.4	34.8	31.4	31.5	32.6	32.6	32.2	32.1	31.4	29.0
Lithuania	45.7	34.7	36.1	37.8	35.7	33.3	30.0	20.7	23.4	29.5
Luxembourg	11.7	12.9	17.5	17.7	16.6	17.1	17.4	18.6	19.0	20.1
Mexico	12.7	16.0	19.8	20.1	20.4	19.7	20.2	20.4	20.2	20.4
Netherlands	29.9	30.8	31.4	31.9	32.2	32.7	31.9	29.7	28.7	29.6
New Zealand	13.6	-0.9	5.2	5.9	7.0	2.7	4.3	5.7	6.4	7.9
Norway	28.4	30.7	31.9	31.6	31.3	32.3	32.0	32.2	32.1	32.3
Poland	33.3	28.4	30.6	14.4	10.8	15.1	17.4	13.5	14.3	11.9
Portugal	30.2	26.3	30.7	28.2	28.8	29.3	30.1	30.3	30.9	31.6
Slovak Republic	31.3	23.5	29.0	29.5	30.0	30.7	31.0	30.4	30.0	26.8
Slovenia	25.0	22.9	23.6	23.9	24.4	25.1	25.8	28.5	29.3	28.9
Spain	32.3	34.0	33.7	33.7	33.7	33.9	34.0	33.4	34.2	34.4
Sweden	44.3	37.2	37.7	38.0	38.2	37.7	37.3	37.4	37.4	37.5
Switzerland	11.7	10.3	9.2	9.6	9.6	9.8	10.0	10.5	11.2	11.6
Türkiye[1]	40.4	35.4	36.7	36.6	37.3	37.7	38.0	37.9	38.3	37.2
United Kingdom	27.8	26.5	25.8	26.0	26.3	26.3	26.4	25.7	26.3	27.2
United States	21.2	18.5	20.4	20.6	20.9	18.5	18.6	10.1	8.2	19.8
Unweighted average										
OECD-Average	**27.7**	**25.4**	**26.6**	**26.1**	**26.0**	**25.8**	**25.8**	**25.1**	**24.6**	**25.6**
OECD-EU 22	**33.5**	**31.0**	**32.0**	**31.0**	**30.7**	**30.7**	**30.5**	**29.7**	**29.9**	**29.9**

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

StatLink https://stat.link/z4vybq

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	2015	2016	2017	2018	2019	2020	2021	2022
Australia	26.7	23.8	26.2	26.5	26.6	27.0	25.8	26.3	24.9	24.6
Austria	39.0	40.1	42.2	39.9	40.0	40.3	38.3	37.1	38.4	36.1
Belgium	50.9	48.9	48.1	46.4	46.3	45.1	44.6	44.5	44.8	45.5
Canada	31.9	29.7	28.4	28.1	27.5	27.5	26.9	27.6	28.4	28.9
Chile	6.6	6.6	6.7	6.7	6.7	6.7	6.7	6.6	-8.6	6.6
Colombia	-5.5	-4.5	-5.3	-5.4	-5.3	-5.2	-5.2	-5.8	-6.1	-5.7
Costa Rica	27.8	28.0	28.2	28.2	28.6	29.0	29.0	29.2	29.2	29.2
Czech Republic	36.3	34.3	35.5	34.6	35.1	34.8	35.5	35.7	33.7	33.8
Denmark	35.8	31.0	31.1	31.1	31.0	30.6	30.8	30.6	30.7	31.0
Estonia	37.4	35.8	33.7	33.6	33.9	30.0	30.7	31.0	32.1	33.1
Finland	41.3	37.0	38.4	39.0	37.8	37.5	37.1	36.7	38.2	38.2
France	43.3	45.3	43.2	42.5	41.8	41.9	41.6	39.9	40.6	40.7
Germany	45.4	41.4	42.3	42.5	42.5	42.6	42.4	41.2	41.0	40.8
Greece	39.1	39.2	37.3	38.1	38.3	37.7	37.7	35.8	34.2	35.7
Hungary	47.0	39.6	40.8	39.6	37.3	36.2	35.9	35.6	35.6	34.5
Iceland	25.4	30.4	32.7	32.5	31.4	31.2	31.1	30.4	30.3	30.2
Ireland	29.3	22.1	24.8	24.3	24.4	24.9	25.6	26.6	27.3	27.7
Israel	21.6	14.4	15.5	15.8	15.8	15.7	16.1	16.3	17.1	15.3
Italy	44.2	42.5	41.5	41.5	41.4	41.5	41.7	40.6	39.5	37.4
Japan	28.2	25.4	29.3	29.4	29.5	29.7	29.7	29.6	29.6	29.6
Korea	15.5	17.9	19.0	19.4	19.7	20.1	20.4	19.5	20.5	20.9
Latvia	35.5	38.2	35.5	35.4	36.1	35.5	35.2	34.7	34.0	32.3
Lithuania	44.6	38.8	39.3	38.3	36.5	36.3	31.9	29.8	30.9	31.2
Luxembourg	21.4	22.5	27.5	27.7	25.8	26.4	26.8	28.3	28.7	29.9
Mexico	10.6	14.7	17.9	18.2	18.7	18.3	18.8	20.0	19.8	20.0
Netherlands	38.1	31.9	30.6	29.5	29.6	30.0	29.0	28.3	27.0	28.0
New Zealand	19.0	13.9	16.0	16.3	16.5	16.7	16.9	17.2	17.3	18.0
Norway	33.0	33.4	33.2	32.8	32.5	32.4	32.2	32.4	32.3	32.4
Poland	35.8	30.7	33.0	28.0	27.1	27.2	24.9	22.2	22.7	22.2
Portugal	33.0	32.5	35.7	35.9	36.2	35.8	36.5	36.7	37.2	37.5
Slovak Republic	37.2	31.9	36.0	36.3	36.6	37.0	37.1	36.5	36.2	34.3
Slovenia	37.1	34.0	34.6	34.4	35.1	35.3	35.7	35.8	36.3	35.6
Spain	35.4	36.7	36.3	36.3	36.2	36.3	36.4	35.6	36.5	36.6
Sweden	46.0	38.6	38.8	39.1	39.3	39.0	38.5	38.7	38.3	38.3
Switzerland	17.7	16.4	15.4	15.8	15.9	16.0	16.2	16.7	17.3	17.7
Türkiye[1]	39.9	35.4	36.7	35.5	36.2	36.8	37.7	37.6	37.9	35.1
United Kingdom	28.4	28.4	26.2	26.4	26.6	26.6	26.6	25.9	26.5	27.3
United States	26.9	25.3	26.3	26.4	26.5	24.0	24.0	18.9	17.8	24.7
Unweighted average										
OECD-Average	**31.8**	**29.8**	**30.5**	**30.2**	**30.0**	**29.9**	**29.7**	**29.2**	**28.9**	**29.4**
OECD-EU 22	**38.8**	**36.0**	**36.6**	**36.1**	**35.8**	**35.5**	**35.2**	**34.6**	**34.7**	**34.6**

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

StatLink https://stat.link/fhnax7

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	2015	2016	2017	2018	2019	2020	2021	2022
Australia	29.6	26.8	28.3	28.6	28.6	28.9	27.9	28.4	27.1	26.9
Austria	41.7	42.9	45.0	42.5	42.7	42.9	41.3	40.4	41.5	39.5
Belgium	53.7	51.8	51.1	49.7	49.5	48.4	48.0	48.0	48.1	48.8
Canada	34.1	31.4	30.9	30.5	29.9	29.8	29.3	29.6	30.4	30.9
Chile	6.6	7.0	7.0	7.0	7.0	7.0	7.0	7.0	-5.7	7.0
Colombia	-4.6	-1.9	-4.4	-4.5	-4.4	-4.3	-4.3	-4.8	-5.1	-4.8
Costa Rica	27.8	28.0	28.2	28.2	28.6	29.0	29.0	29.2	29.2	29.2
Czech Republic	39.4	37.2	37.7	36.9	38.8	37.1	39.6	37.8	35.5	35.6
Denmark	38.1	32.7	32.7	32.7	32.7	32.3	32.5	32.3	32.4	32.7
Estonia	38.6	36.9	34.9	34.8	35.1	32.2	33.0	33.4	34.5	35.6
Finland	43.9	39.7	41.2	41.8	40.7	40.4	40.0	39.7	41.1	41.2
France	46.5	47.1	45.6	45.1	44.4	44.4	44.2	43.4	43.9	44.1
Germany	48.3	44.1	44.7	44.8	44.9	44.9	44.7	43.9	43.5	43.2
Greece	40.8	41.0	39.6	40.4	40.6	40.8	40.8	39.4	37.5	37.5
Hungary	49.3	41.7	42.2	41.0	38.8	37.6	37.3	36.9	36.9	35.6
Iceland	28.8	33.3	34.3	33.9	32.8	32.9	32.7	32.2	32.3	32.5
Ireland	33.7	27.0	29.9	29.3	29.2	29.7	30.2	31.0	31.6	32.0
Israel	25.0	16.7	18.2	18.8	18.7	18.6	19.2	19.6	20.4	17.6
Italy	45.9	44.7	45.3	45.3	45.1	45.2	45.5	44.1	42.6	41.4
Japan	28.9	26.6	30.2	30.4	30.5	30.7	30.7	30.5	30.5	30.6
Korea	16.1	19.1	20.5	20.9	21.1	21.6	21.9	21.2	22.1	22.5
Latvia	37.3	39.4	36.9	37.0	37.7	37.6	37.3	37.2	36.0	34.8
Lithuania	45.7	39.7	40.3	39.5	38.4	38.2	33.8	32.2	33.1	33.8
Luxembourg	25.9	27.0	32.1	32.3	30.7	31.3	31.6	33.0	33.4	34.4
Mexico	12.7	16.0	19.8	20.1	20.4	19.7	20.2	20.4	20.2	20.4
Netherlands	37.6	34.3	33.3	33.0	33.2	33.6	32.7	32.0	30.9	31.7
New Zealand	19.4	17.0	17.6	18.0	18.3	18.6	19.0	19.3	19.4	20.1
Norway	35.1	35.1	34.8	34.4	34.1	34.0	33.8	34.0	33.9	34.0
Poland	36.6	31.6	33.7	29.5	28.7	28.9	26.9	24.5	24.9	24.9
Portugal	35.5	35.0	38.4	38.4	38.7	38.3	38.9	39.1	39.5	39.7
Slovak Republic	41.3	33.9	37.8	38.0	38.2	38.5	38.6	38.0	37.8	36.2
Slovenia	41.1	37.8	37.2	37.1	37.3	38.7	39.0	38.9	39.4	38.7
Spain	37.2	38.3	38.0	38.0	37.9	38.0	38.1	37.6	38.2	38.2
Sweden	47.2	40.0	40.1	40.4	40.6	40.4	39.9	40.0	39.9	39.9
Switzerland	20.1	18.9	17.9	18.3	18.3	18.5	18.7	19.2	19.9	20.3
Türkiye[1]	40.4	36.5	37.7	37.7	38.4	38.8	39.1	39.0	39.4	37.2
United Kingdom	30.2	30.3	28.6	28.7	28.9	28.9	28.9	28.3	28.8	29.6
United States	28.8	26.8	27.6	27.7	28.0	25.9	26.1	22.1	21.4	27.3
Unweighted average										
OECD-Average	**33.8**	**31.9**	**32.5**	**32.3**	**32.2**	**32.1**	**31.9**	**31.5**	**31.2**	**31.6**
OECD-EU 22	**41.1**	**38.4**	**39.0**	**38.5**	**38.4**	**38.2**	**37.9**	**37.4**	**37.4**	**37.2**

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

StatLink https://stat.link/4tr36x

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	2015	2016	2017	2018	2019	2020	2021	2022
Australia	29.0	24.5	26.2	26.5	26.6	27.0	25.8	26.3	24.9	24.6
Austria	45.7	46.3	47.8	45.6	45.7	45.9	46.2	45.6	46.0	45.0
Belgium	56.2	53.8	53.0	51.4	51.2	50.1	49.6	49.5	49.7	50.4
Canada	32.5	30.7	31.3	31.0	30.3	30.3	29.9	30.3	30.7	31.1
Chile	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	-1.8	7.0
Colombia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costa Rica	27.8	28.0	28.2	28.2	28.6	29.0	29.0	29.2	29.2	29.2
Czech Republic	42.1	40.9	41.7	41.9	42.4	42.8	43.1	43.2	39.1	38.9
Denmark	39.8	35.0	34.9	34.9	34.8	34.2	34.4	34.1	34.2	34.5
Estonia	40.7	39.5	38.6	38.6	38.6	34.8	35.5	35.7	36.5	37.2
Finland	45.6	40.1	41.3	41.8	40.6	40.2	39.7	39.3	40.6	40.6
France	47.7	48.7	46.7	46.4	45.9	45.8	45.4	43.7	44.2	44.3
Germany	50.5	47.2	47.6	47.6	47.7	47.6	47.4	47.0	46.4	46.0
Greece	38.7	39.2	38.0	39.2	39.4	39.6	39.6	38.0	36.2	36.2
Hungary	53.4	45.5	49.0	48.2	46.2	45.0	44.6	43.6	43.2	41.2
Iceland	26.8	31.4	32.7	32.5	31.5	31.6	31.4	31.1	30.8	31.0
Ireland	31.3	26.7	28.8	28.4	28.4	28.8	29.3	30.1	30.8	31.0
Israel	26.4	17.5	18.5	19.0	18.8	18.7	19.2	19.5	20.3	20.5
Italy	45.7	45.9	45.0	45.0	44.9	44.9	45.1	44.5	43.4	43.6
Japan	29.3	29.7	31.7	31.9	31.9	32.1	32.1	32.0	32.0	32.1
Korea	15.7	19.0	20.2	20.5	20.7	21.1	21.7	22.1	22.6	23.0
Latvia	42.6	43.7	42.2	42.0	42.2	41.4	41.3	40.8	39.5	39.2
Lithuania	44.6	39.9	40.4	40.4	39.7	39.3	36.5	35.7	36.3	36.5
Luxembourg	30.7	30.6	34.5	34.7	32.7	33.1	33.3	34.5	34.8	35.6
Mexico	10.6	14.7	17.9	18.2	18.7	18.3	18.8	20.0	19.8	20.0
Netherlands	41.0	36.3	35.0	34.5	34.6	35.0	34.0	33.2	31.8	32.4
New Zealand	19.0	15.9	16.0	16.3	16.5	16.7	16.9	17.2	17.3	18.0
Norway	37.2	36.0	35.5	35.0	34.6	34.5	34.4	34.5	34.4	34.4
Poland	37.7	33.8	35.4	35.3	35.4	35.5	35.3	34.5	34.6	32.7
Portugal	35.6	35.1	39.8	39.4	39.5	38.9	39.4	39.6	40.0	40.2
Slovak Republic	41.6	36.8	40.5	40.7	40.8	41.0	41.0	40.4	40.5	40.7
Slovenia	44.8	41.0	41.0	41.1	41.8	41.9	42.2	42.0	42.3	41.5
Spain	37.1	38.5	38.0	38.0	37.9	38.0	38.0	37.3	38.1	38.1
Sweden	49.5	41.9	41.8	42.0	42.1	42.2	41.7	41.8	41.4	41.2
Switzerland	22.9	21.8	21.6	21.8	21.9	22.0	22.1	22.5	22.9	23.2
Türkiye[1]	39.9	35.9	37.3	36.1	36.7	37.4	38.2	38.2	38.5	35.1
United Kingdom	31.2	31.3	28.9	29.0	29.1	29.1	29.0	28.4	28.9	29.6
United States	30.5	29.5	30.2	30.2	30.2	28.3	28.3	25.1	26.0	28.5
Unweighted average										
OECD-Average	**35.0**	**33.1**	**33.8**	**33.7**	**33.6**	**33.4**	**33.3**	**33.1**	**32.8**	**33.0**
OECD-EU 22	**42.8**	**40.3**	**41.0**	**40.8**	**40.6**	**40.3**	**40.1**	**39.7**	**39.5**	**39.4**

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

StatLink https://stat.link/mc7hly

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	2015	2016	2017	2018	2019	2020	2021	2022
Australia	21.1	16.0	18.5	18.8	19.1	19.6	18.1	18.7	17.4	17.0
Austria	7.6	9.0	11.1	8.5	8.9	9.3	9.7	8.8	9.3	9.5
Belgium	22.8	22.5	21.5	19.5	19.4	18.3	17.5	17.4	17.7	18.9
Canada	16.2	13.5	13.7	13.5	13.6	13.7	13.5	14.2	14.2	14.4
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
Costa Rica	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	8.5	9.0	9.7	10.4	11.0	11.3	5.6	5.3
Denmark	28.4	34.0	33.8	33.7	33.6	32.8	32.9	32.6	32.7	33.0
Estonia	19.9	14.8	15.5	15.3	15.4	8.3	9.0	9.3	10.0	10.7
Finland	20.9	15.7	15.8	15.0	13.5	13.1	13.0	13.3	13.3	13.2
France	12.5	12.2	11.8	10.9	10.9	12.7	12.8	11.9	12.1	12.1
Germany	16.3	13.8	14.2	14.1	14.0	14.1	14.2	13.6	12.9	13.0
Greece	2.1	1.7	3.0	4.1	4.0	4.2	4.5	2.1	3.1	3.4
Hungary	17.6	10.8	16.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
Iceland	20.0	22.0	24.8	25.0	24.6	24.7	24.6	24.4	24.0	24.0
Ireland	15.8	13.0	12.8	12.1	11.8	12.1	12.4	12.8	13.1	13.3
Israel	12.1	4.4	5.0	5.3	5.1	5.1	5.5	5.7	6.3	6.4
Italy	15.2	16.6	12.3	12.4	12.4	12.6	12.8	12.7	12.1	12.5
Japan	5.1	6.1	6.2	6.2	6.2	6.2	6.2	6.1	6.1	6.2
Korea	0.8	1.4	1.5	1.7	2.1	2.3	2.5	2.6	3.0	3.2
Latvia	17.0	20.5	17.4	16.8	16.9	14.2	14.0	12.9	12.8	11.9
Lithuania	22.2	10.7	11.4	11.0	9.4	8.5	14.1	12.8	13.6	13.1
Luxembourg	10.3	7.3	10.0	10.2	8.1	8.5	8.9	10.0	10.1	10.6
Mexico	-5.7	-0.4	2.1	2.4	3.4	3.3	4.3	7.3	7.4	7.4
Netherlands	5.3	5.3	7.2	6.3	6.7	6.8	5.6	5.4	5.3	5.7
New Zealand	18.6	14.3	13.5	13.7	13.7	13.8	14.0	14.1	14.2	15.4
Norway	19.0	17.8	16.9	16.3	15.9	15.7	15.6	15.9	15.7	15.6
Poland	5.3	5.6	6.3	6.4	6.5	6.7	6.4	5.5	5.6	2.3
Portugal	6.4	5.1	10.2	10.3	10.6	10.6	11.2	11.4	11.8	12.3
Slovak Republic	6.2	4.6	6.6	6.9	7.3	7.7	8.0	7.1	7.6	8.1
Slovenia	10.2	6.6	6.6	6.7	8.3	8.1	8.6	8.5	8.7	7.9
Spain	8.6	11.2	10.3	10.3	10.3	10.4	10.4	8.8	10.5	10.5
Sweden	24.7	15.0	15.0	15.3	15.4	15.4	14.8	14.8	13.8	13.5
Switzerland	8.4	8.3	7.8	8.1	8.1	8.2	8.3	8.4	8.7	8.9
Türkiye[1]	13.2	8.6	9.7	9.3	9.7	9.9	10.0	10.1	10.2	5.1
United Kingdom	15.1	14.4	11.2	11.1	11.1	11.1	10.9	10.7	11.0	11.5
United States	15.0	13.8	15.2	15.3	15.5	13.7	13.7	13.9	14.0	14.1
Unweighted average										
OECD-Average	**12.2**	**10.6**	**11.1**	**11.0**	**10.9**	**10.7**	**10.9**	**10.8**	**10.8**	**10.7**
OECD-EU 22	**13.8**	**12.0**	**12.6**	**12.3**	**12.2**	**11.8**	**12.1**	**11.7**	**11.7**	**11.6**

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

StatLink https://stat.link/hbunw9

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	2015	2016	2017	2018	2019	2020	2021	2022
Australia	26.6	22.3	24.1	24.3	24.4	24.6	23.6	24.1	23.2	23.0
Austria	12.9	15.0	17.0	14.1	14.5	14.8	15.2	14.7	15.2	15.2
Belgium	29.0	28.7	28.0	26.8	26.6	25.9	25.4	25.3	25.5	26.4
Canada	21.7	19.0	19.2	18.5	18.7	18.7	18.5	19.2	19.1	19.2
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
Costa Rica	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	12.4	12.7	13.1	13.6	14.0	14.2	8.7	8.5
Denmark	32.5	36.3	36.1	36.1	36.0	35.6	35.6	35.4	35.5	35.5
Estonia	21.9	16.7	16.8	16.8	16.8	13.0	14.1	14.5	15.6	16.8
Finland	26.9	22.3	22.6	22.0	20.9	20.6	20.5	20.8	20.8	20.8
France	15.7	14.2	14.8	14.7	14.6	16.5	16.7	15.8	16.3	16.2
Germany	22.7	18.7	19.2	19.1	19.0	19.1	19.1	18.5	17.6	17.7
Greece	5.7	7.1	8.2	9.3	9.2	9.5	9.7	8.4	8.8	9.0
Hungary	23.2	14.4	16.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
Iceland	25.3	27.4	29.2	28.9	28.2	28.2	28.2	28.1	28.1	28.1
Ireland	24.1	20.1	22.0	21.4	21.3	21.6	22.0	22.7	23.3	23.5
Israel	18.0	9.0	9.6	10.0	9.7	9.7	10.1	10.4	10.8	10.9
Italy	19.9	20.7	21.6	21.6	21.6	21.7	22.0	20.6	18.7	20.1
Japan	6.4	7.6	7.8	7.9	7.9	7.9	7.9	7.8	7.8	7.9
Korea	2.2	4.5	4.9	5.3	5.5	5.9	6.1	6.1	6.4	6.6
Latvia	18.9	21.5	18.4	18.4	18.7	17.7	17.6	17.3	16.0	16.0
Lithuania	25.8	13.1	13.9	14.0	13.7	13.1	17.0	16.5	16.9	17.6
Luxembourg	17.0	14.6	18.0	18.2	16.7	17.3	17.7	18.8	19.1	19.8
Mexico	1.0	4.8	9.1	9.4	9.8	9.0	9.6	9.9	9.9	9.9
Netherlands	9.6	16.2	17.1	16.6	17.2	17.5	16.3	16.0	15.8	16.1
New Zealand	19.4	17.0	17.6	18.0	18.3	18.6	19.0	19.3	19.4	20.1
Norway	22.9	21.5	20.3	19.7	19.3	19.2	19.1	19.3	19.1	19.3
Poland	6.6	6.7	7.1	7.2	7.3	7.4	7.2	6.3	6.4	4.9
Portugal	11.4	11.2	17.4	16.6	16.5	15.9	16.4	16.6	17.1	17.1
Slovak Republic	8.2	8.5	9.9	10.1	10.3	10.6	10.8	10.2	10.5	10.9
Slovenia	13.5	11.2	11.2	11.4	11.6	12.0	12.3	11.9	12.4	11.5
Spain	13.5	15.4	14.9	14.9	14.7	14.9	14.9	14.4	15.1	15.0
Sweden	26.7	17.8	17.6	17.9	18.0	18.1	17.6	17.6	17.4	17.3
Switzerland	11.3	11.3	10.7	11.0	11.0	11.2	11.3	11.4	11.8	12.1
Türkiye[1]	14.7	11.6	12.4	12.4	13.2	13.6	14.0	13.9	14.4	11.2
United Kingdom	17.4	16.2	14.1	14.1	14.0	14.0	13.9	13.7	14.0	14.3
United States	17.3	17.0	18.0	18.2	18.4	16.1	16.2	16.6	17.0	17.2
Unweighted average										
OECD-Average	**15.8**	**14.5**	**15.2**	**15.1**	**15.0**	**15.0**	**15.1**	**15.0**	**15.0**	**15.0**
OECD-EU 22	**18.0**	**16.4**	**17.3**	**17.0**	**17.0**	**16.9**	**17.1**	**16.9**	**16.7**	**16.9**

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

StatLink https://stat.link/5kg84c

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	2015	2016	2017	2018	2019	2020	2021	2022
Australia	34.9	28.2	30.1	30.2	30.1	30.4	30.5	30.8	29.4	29.6
Austria	20.4	22.2	23.4	21.2	21.4	21.6	21.9	21.5	21.8	22.1
Belgium	36.0	35.5	35.1	34.5	34.3	33.9	33.5	33.5	33.6	34.2
Canada	28.9	26.5	26.8	25.8	26.1	26.1	25.8	27.1	27.2	27.4
Chile	1.3	1.0	1.2	1.3	1.3	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
Costa Rica	0.0	0.6	1.3	1.8	1.9	1.9	2.1	1.9	2.3	2.6
Czech Republic	13.0	14.9	15.5	15.7	15.9	16.2	16.4	16.6	11.2	11.1
Denmark	40.3	42.9	42.1	42.0	41.8	41.2	41.2	40.9	40.9	41.2
Estonia	23.6	18.2	18.0	17.9	18.0	19.7	19.7	19.7	19.7	19.7
Finland	34.0	29.5	29.7	29.4	28.5	28.1	28.1	28.4	28.4	28.4
France	21.2	20.3	21.0	20.9	20.8	22.7	22.8	22.2	22.5	22.5
Germany	31.7	27.1	27.8	27.6	27.5	27.6	27.6	26.7	26.1	26.6
Greece	13.3	14.2	16.1	16.2	16.1	16.4	16.7	15.8	15.0	15.2
Hungary	30.3	22.8	16.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
Iceland	36.6	32.3	33.9	33.9	33.5	33.2	33.2	33.4	33.8	33.7
Ireland	32.9	30.9	32.1	31.2	31.1	31.3	31.5	32.1	32.5	32.7
Israel	26.3	16.4	17.0	17.5	17.3	17.3	18.0	18.5	19.3	19.3
Italy	25.3	27.7	29.9	29.9	29.6	29.7	29.9	30.2	30.1	29.8
Japan	10.6	12.0	12.6	12.8	12.8	12.9	13.0	12.6	12.5	12.7
Korea	6.7	8.6	8.9	9.5	10.1	10.8	11.1	11.1	11.5	11.8
Latvia	20.4	22.4	19.3	19.4	19.7	17.8	18.0	18.2	18.5	18.8
Lithuania	28.7	15.0	15.0	15.0	15.0	15.0	19.4	19.4	19.6	20.0
Luxembourg	26.2	22.6	25.7	25.8	25.2	25.5	25.7	26.4	26.6	27.3
Mexico	8.0	11.9	13.6	13.9	14.2	13.5	14.0	14.3	14.3	14.3
Netherlands	25.4	28.4	28.9	27.6	28.0	28.3	27.2	26.6	26.6	26.8
New Zealand	24.2	23.3	23.4	23.7	23.9	24.1	24.4	24.6	24.8	25.3
Norway	30.4	27.9	26.7	26.2	25.8	25.7	25.7	25.7	25.6	26.2
Poland	7.7	7.5	7.8	7.8	7.9	8.0	7.8	7.1	7.6	7.1
Portugal	17.6	18.5	24.7	23.4	23.1	22.5	23.2	23.3	23.9	24.3
Slovak Republic	12.8	11.7	12.5	12.6	12.8	13.0	13.0	12.7	13.1	13.5
Slovenia	19.1	17.0	15.8	15.3	15.6	16.0	16.3	15.2	15.6	15.0
Spain	18.5	20.6	21.1	20.9	20.5	20.7	20.8	20.1	20.9	20.9
Sweden	36.3	30.9	30.4	31.5	31.7	31.6	30.4	29.9	29.8	29.8
Switzerland	16.2	16.3	15.6	16.0	16.0	16.1	16.2	16.4	16.8	17.1
Türkiye[1]	18.0	14.9	16.6	17.0	17.4	17.7	17.9	17.8	18.1	16.2
United Kingdom	23.1	22.4	22.4	22.6	22.4	22.4	21.7	21.3	22.0	23.0
United States	24.3	22.9	23.5	23.6	23.7	21.2	21.2	21.5	21.8	21.9
Unweighted average										
OECD-Average	**21.7**	**20.2**	**20.6**	**20.4**	**20.4**	**20.4**	**20.6**	**20.5**	**20.5**	**20.6**
OECD-EU 22	**24.3**	**22.8**	**23.1**	**22.8**	**22.7**	**22.8**	**23.0**	**22.8**	**22.7**	**22.8**

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

StatLink https://stat.link/52x3d0

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	2015	2016	2017	2018	2019	2020	2021	2022
Australia	15.5	14.3	18.5	18.8	19.1	19.6	18.1	18.7	17.4	17.0
Austria	5.8	5.8	8.3	5.3	5.7	6.2	-1.6	-2.3	-1.5	-2.4
Belgium	16.7	17.2	16.0	14.0	14.0	12.9	11.6	11.5	11.9	13.4
Canada	8.9	4.9	6.9	6.4	6.8	6.8	6.4	8.0	8.1	8.5
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
Costa Rica	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	-5.1	-9.0	-8.6	-7.8	-6.4	-6.0	-12.2	-11.7
Denmark	28.4	34.0	32.2	32.2	32.1	31.1	31.1	30.9	31.0	31.2
Estonia	19.9	9.3	11.2	11.4	11.7	4.8	5.7	6.1	7.0	8.0
Finland	20.9	15.7	15.2	14.3	12.9	13.1	13.0	13.3	13.3	13.2
France	7.1	7.5	7.9	7.9	7.9	9.5	9.5	9.5	9.5	9.5
Germany	-2.6	-4.0	-2.7	-2.6	-2.6	-2.2	-2.0	-6.7	-6.2	-5.1
Greece	1.2	0.0	3.0	3.3	3.2	3.5	3.8	1.2	2.2	2.4
Hungary	10.3	10.8	4.7	1.6	0.6	0.0	0.0	0.8	1.8	3.7
Iceland	20.0	22.0	24.8	25.0	24.6	24.7	24.6	24.4	24.0	24.0
Ireland	9.0	6.5	7.2	6.6	6.4	6.9	7.4	7.9	8.3	8.8
Israel	1.1	0.0	0.0	-3.4	-2.8	-2.8	-1.9	-2.1	-1.1	-1.9
Italy	10.0	9.3	4.6	4.7	4.7	5.0	5.3	5.5	4.8	12.5
Japan	2.4	2.7	6.2	6.2	6.2	6.2	6.2	6.1	6.1	6.2
Korea	0.1	0.7	0.0	0.0	0.0	0.2	0.8	0.9	1.0	1.1
Latvia	5.4	9.0	3.2	2.6	3.8	2.1	1.2	0.0	1.1	1.2
Lithuania	16.2	7.3	7.6	4.1	0.0	8.5	14.1	12.8	13.6	13.1
Luxembourg	0.0	-0.3	3.3	3.6	0.7	1.5	2.1	4.0	4.4	6.0
Mexico	-5.7	-0.4	2.1	2.4	3.4	3.3	4.3	7.3	7.4	7.4
Netherlands	3.0	3.5	5.7	4.4	4.6	4.7	3.6	3.4	3.3	4.1
New Zealand	18.6	15.9	14.9	15.0	15.0	15.1	15.2	15.2	15.3	15.4
Norway	13.3	14.1	13.3	12.8	12.6	12.7	12.8	13.2	13.0	13.0
Poland	2.5	0.0	-2.7	-2.3	-1.6	-0.9	5.0	-1.2	-0.8	-4.6
Portugal	3.4	0.6	3.8	0.0	0.6	1.1	2.1	2.4	3.2	4.0
Slovak Republic	3.6	-2.9	-0.3	0.1	0.7	1.5	1.9	1.1	-0.2	-2.8
Slovenia	3.4	0.0	0.0	0.1	1.8	1.9	2.6	2.7	3.3	2.5
Spain	0.4	1.7	-4.8	-4.8	-4.7	-4.4	-4.1	-6.0	-3.8	-3.2
Sweden	24.7	15.0	15.0	15.3	15.4	15.4	14.8	14.8	13.8	13.5
Switzerland	4.0	3.4	2.2	2.3	2.3	2.4	2.5	2.6	2.8	3.0
Türkiye[1]	13.2	7.0	8.2	7.5	7.9	8.3	8.4	8.5	8.5	5.1
United Kingdom	8.6	0.0	-3.9	-2.3	-0.3	1.1	2.6	-3.6	11.0	11.5
United States	-5.0	-7.4	-3.8	-3.1	-2.1	-5.7	-5.2	-3.6	-6.8	-1.2
Unweighted average										
OECD-Average	**7.5**	**5.7**	**5.9**	**5.3**	**5.3**	**5.4**	**5.7**	**5.3**	**5.7**	**6.0**
OECD-EU 22	**8.7**	**6.4**	**6.1**	**5.1**	**5.0**	**5.2**	**5.5**	**4.8**	**4.9**	**5.3**

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

StatLink https://stat.link/dyifcw

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	2015	2016	2017	2018	2019	2020	2021	2022
Australia	25.6	21.1	24.1	24.3	24.4	24.6	23.6	24.1	23.2	23.0
Austria	11.7	12.8	15.0	11.9	12.2	12.6	7.7	7.3	7.9	6.3
Belgium	18.9	17.7	16.7	15.1	15.0	14.6	13.4	13.3	13.7	15.0
Canada	18.4	14.6	13.7	15.2	15.4	15.5	15.2	15.9	15.9	16.0
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
Costa Rica	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	-4.5	-6.8	-6.1	-5.1	-3.7	-3.3	-8.5	-7.9
Denmark	25.9	32.1	32.2	32.1	32.0	31.5	31.6	31.5	31.6	31.9
Estonia	17.9	9.2	11.2	11.2	11.5	7.9	9.4	9.9	11.3	12.8
Finland	26.9	22.3	22.5	21.9	20.9	20.6	20.5	20.8	20.8	20.8
France	7.3	8.3	7.9	7.9	7.9	9.5	9.5	9.5	9.5	9.5
Germany	1.5	-0.6	1.0	1.0	1.0	1.2	1.3	-0.8	-0.6	0.0
Greece	7.7	7.6	9.2	9.8	9.7	10.0	10.2	9.1	9.3	9.5
Hungary	18.4	14.4	8.4	6.0	5.4	4.8	4.6	5.5	6.2	7.4
Iceland	16.1	17.3	21.3	21.4	20.7	20.8	20.7	21.2	22.2	22.2
Ireland	11.1	10.8	12.3	11.5	11.3	11.8	11.9	12.8	13.6	14.2
Israel	18.0	9.0	9.6	10.0	9.7	9.7	10.1	10.4	10.8	7.8
Italy	15.6	13.9	14.7	14.7	14.8	14.9	15.3	14.1	12.2	18.0
Japan	2.5	3.9	6.4	6.5	6.5	6.5	6.5	6.4	6.4	6.5
Korea	1.5	1.9	2.2	2.7	3.0	3.5	4.1	4.2	4.5	4.7
Latvia	11.1	13.9	8.9	8.8	9.9	9.7	9.0	8.5	8.1	8.9
Lithuania	25.8	10.8	11.4	9.4	6.6	13.1	17.0	16.5	16.9	17.6
Luxembourg	2.3	4.5	6.4	6.5	5.6	5.9	6.2	7.0	7.2	7.6
Mexico	1.0	4.8	9.1	9.4	9.8	9.0	9.6	9.9	9.9	9.9
Netherlands	4.8	15.9	16.5	16.1	16.8	17.2	15.9	15.7	15.6	16.0
New Zealand	19.4	17.0	17.6	18.0	18.3	18.6	19.0	19.3	19.4	20.1
Norway	18.1	19.0	19.1	18.6	18.3	19.2	19.1	19.3	19.1	19.3
Poland	4.8	0.0	1.1	1.3	1.8	6.4	2.4	1.9	2.1	-3.0
Portugal	6.2	3.3	7.3	4.3	4.5	5.1	5.9	6.1	6.8	7.5
Slovak Republic	5.0	-4.5	-1.4	-0.9	-0.2	0.6	1.0	0.4	-0.1	-3.0
Slovenia	4.8	2.9	2.9	3.0	3.3	3.6	3.9	4.1	4.5	4.1
Spain	5.2	7.9	7.6	7.6	7.6	7.8	8.0	7.2	8.1	8.5
Sweden	26.7	17.8	17.6	17.9	18.0	18.1	17.6	17.6	17.4	17.3
Switzerland	6.2	5.9	4.3	4.5	4.5	4.6	4.7	4.8	5.2	5.5
Türkiye[1]	14.7	9.8	10.6	10.4	11.3	11.8	12.1	12.1	12.5	11.2
United Kingdom	17.4	14.6	13.5	13.5	13.4	13.4	13.3	13.1	13.4	13.8
United States	6.8	3.6	6.1	6.3	6.7	4.1	4.3	4.8	2.1	5.7
Unweighted average										
OECD-Average	**11.3**	**9.4**	**10.1**	**9.8**	**9.8**	**10.1**	**10.0**	**10.0**	**10.0**	**10.1**
OECD-EU 22	**12.0**	**9.8**	**10.2**	**9.6**	**9.5**	**10.1**	**9.9**	**9.8**	**9.7**	**9.9**

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

StatLink https://stat.link/sr01in

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	2015	2016	2017	2018	2019	2020	2021	2022
Australia	23.8	19.1	21.8	22.1	22.2	22.6	21.4	21.9	20.9	20.6
Austria	10.8	12.3	14.3	11.3	11.6	12.0	9.3	8.7	9.3	8.4
Belgium	26.4	24.8	23.9	22.4	22.2	21.4	20.7	20.6	20.8	21.9
Canada	19.5	16.2	16.9	16.5	16.6	16.7	16.5	17.2	17.2	17.3
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
Costa Rica	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	5.4	4.0	4.4	5.0	5.8	6.1	0.3	0.4
Denmark	30.8	35.4	35.2	35.2	35.1	34.5	34.5	34.3	34.4	34.5
Estonia	21.1	13.7	14.6	14.6	14.8	9.7	10.8	11.1	12.2	13.2
Finland	24.5	19.7	19.7	19.0	17.8	17.6	17.5	17.8	17.8	17.8
France	10.8	11.1	11.4	10.9	10.8	12.7	12.9	11.6	11.9	11.9
Germany	13.8	9.9	11.0	10.9	10.8	11.1	11.1	9.6	9.2	9.7
Greece	6.1	6.2	7.3	7.8	7.7	8.0	8.2	6.5	7.1	7.3
Hungary	18.0	13.0	11.5	9.6	9.2	8.9	8.7	9.3	9.7	10.5
Iceland	23.2	25.3	27.5	27.3	26.7	26.8	26.7	26.6	26.5	26.4
Ireland	19.7	15.6	17.1	16.7	16.7	17.1	17.5	18.4	19.1	19.4
Israel	12.5	5.4	5.7	6.0	5.8	5.8	6.0	6.2	6.7	4.6
Italy	16.8	16.3	14.9	15.0	15.0	15.2	15.5	14.7	13.3	17.1
Japan	4.5	5.5	7.1	7.2	7.2	7.2	7.2	7.1	7.1	7.2
Korea	1.3	2.0	2.3	2.6	2.9	3.3	3.8	3.9	4.2	4.4
Latvia	13.5	16.5	12.3	12.0	12.7	11.5	11.0	10.3	10.0	10.1
Lithuania	24.3	10.8	11.4	10.0	7.7	11.3	15.9	15.0	15.6	15.8
Luxembourg	8.2	9.3	12.4	12.6	10.9	11.4	11.9	13.2	13.5	14.4
Mexico	-1.7	2.7	6.3	6.6	7.2	6.7	7.5	8.9	8.9	8.9
Netherlands	7.9	11.7	12.5	11.7	12.2	12.4	11.2	10.9	10.8	11.2
New Zealand	19.0	16.5	16.0	16.3	16.5	16.7	16.9	17.2	17.3	18.2
Norway	20.6	20.0	18.9	18.3	17.9	17.8	17.7	17.9	17.7	17.8
Poland	6.1	2.6	3.9	4.1	4.4	4.7	4.6	3.8	4.0	2.0
Portugal	8.1	7.3	9.4	9.7	10.1	9.5	10.4	10.6	11.3	11.7
Slovak Republic	6.0	3.9	5.8	6.1	6.5	7.0	7.2	6.5	6.2	4.5
Slovenia	8.1	5.7	5.7	5.8	6.5	6.6	6.9	7.0	7.3	6.6
Spain	9.3	11.5	10.9	10.9	10.8	10.9	11.0	10.0	11.2	11.3
Sweden	25.9	16.7	16.5	16.8	16.9	17.0	16.4	16.5	16.0	15.8
Switzerland	9.8	9.5	8.1	8.4	8.4	8.6	8.7	8.9	9.3	9.6
Türkiye[1]	14.1	9.7	10.7	10.5	11.1	11.5	11.7	11.7	12.0	8.8
United Kingdom	16.5	15.4	12.9	12.9	12.8	12.8	12.7	12.5	12.8	13.2
United States	12.8	10.9	12.3	12.4	12.7	9.9	10.1	10.4	8.7	10.9
Unweighted average										
OECD-Average	**13.1**	**11.5**	**11.9**	**11.7**	**11.7**	**11.6**	**11.7**	**11.7**	**11.6**	**11.7**
OECD-EU 22	**14.7**	**12.7**	**13.0**	**12.6**	**12.5**	**12.5**	**12.7**	**12.4**	**12.3**	**12.5**

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

StatLink https://stat.link/qd2ux3

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	2015	2016	2017	2018	2019	2020	2021	2022
Australia	26.6	22.3	24.1	24.3	24.4	24.6	23.6	24.1	23.2	23.0
Austria	12.9	14.7	16.7	13.6	13.9	14.3	12.1	11.7	12.2	11.4
Belgium	29.0	27.5	26.8	25.5	25.4	24.7	24.1	24.0	24.2	25.1
Canada	21.7	18.5	19.2	18.5	18.7	18.7	18.5	19.2	19.1	19.2
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
Costa Rica	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	7.8	6.7	7.0	7.5	8.2	8.4	2.7	2.8
Denmark	32.5	36.3	36.1	36.1	36.0	35.6	35.6	35.4	35.5	35.5
Estonia	21.9	14.8	15.4	15.5	15.6	11.8	13.0	13.5	14.6	15.9
Finland	26.9	22.3	22.5	21.9	20.9	20.6	20.5	20.8	20.8	20.8
France	12.5	12.2	12.8	12.7	12.6	14.5	14.7	13.7	14.2	14.2
Germany	17.2	13.1	13.8	13.7	13.6	13.8	13.9	12.9	12.3	12.4
Greece	8.3	8.5	9.2	9.8	9.7	10.0	10.2	9.1	9.3	9.5
Hungary	20.8	14.4	12.2	10.5	10.2	9.9	9.8	10.2	10.6	11.2
Iceland	25.3	27.4	29.2	28.9	28.2	28.2	28.2	28.1	28.1	28.1
Ireland	24.1	20.1	22.0	21.4	21.3	21.6	22.0	22.7	23.3	23.5
Israel	15.4	6.5	7.2	7.7	7.5	7.5	8.0	8.4	8.9	5.8
Italy	18.9	18.6	19.3	19.3	19.3	19.4	19.7	18.5	16.5	20.1
Japan	5.3	6.3	7.8	7.9	7.9	7.9	7.9	7.8	7.8	7.9
Korea	2.0	3.4	3.9	4.3	4.6	5.0	5.4	5.4	5.7	5.9
Latvia	15.0	17.7	13.7	13.6	14.3	13.7	13.3	12.9	12.1	12.4
Lithuania	25.8	12.0	12.6	11.7	10.2	13.1	17.0	16.5	16.9	17.6
Luxembourg	12.0	12.8	16.4	16.6	15.1	15.7	16.1	17.4	17.7	18.5
Mexico	1.0	4.8	9.1	9.4	9.8	9.0	9.6	9.9	9.9	9.9
Netherlands	9.6	16.1	16.6	15.9	16.5	16.9	15.6	15.3	15.1	15.5
New Zealand	19.4	17.0	17.6	18.0	18.3	18.6	19.0	19.3	19.4	20.1
Norway	22.3	21.5	20.3	19.7	19.3	19.2	19.1	19.3	19.1	19.3
Poland	6.6	3.6	4.7	4.8	5.1	5.4	5.3	4.5	4.6	3.4
Portugal	10.9	10.1	12.8	12.8	13.1	12.6	13.4	13.6	14.2	14.4
Slovak Republic	7.0	6.0	7.5	7.8	8.1	8.5	8.7	8.2	7.9	6.5
Slovenia	10.0	8.1	8.1	8.3	8.5	8.8	9.1	8.9	9.4	8.6
Spain	11.6	13.5	13.1	13.1	12.9	13.1	13.2	12.6	13.3	13.4
Sweden	26.7	17.8	17.6	17.9	18.0	18.1	17.6	17.6	17.4	17.3
Switzerland	11.7	11.5	10.0	10.4	10.4	10.6	10.7	10.9	11.4	11.8
Türkiye[1]	14.7	11.0	11.8	11.8	12.6	13.1	13.4	13.3	13.8	11.2
United Kingdom	17.4	16.2	14.1	14.1	14.0	14.0	13.9	13.7	14.0	14.3
United States	15.1	12.6	13.9	14.0	14.3	12.2	12.3	12.9	11.8	13.7
Unweighted average										
OECD-Average	**14.9**	**13.3**	**13.8**	**13.6**	**13.6**	**13.6**	**13.8**	**13.7**	**13.6**	**13.7**
OECD-EU 22	**16.7**	**14.9**	**15.4**	**15.0**	**14.9**	**15.0**	**15.1**	**14.9**	**14.8**	**15.0**

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

StatLink https://stat.link/7oua68

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	2015	2016	2017	2018	2019	2020	2021	2022
Australia	24.4	19.8	21.8	22.1	22.2	22.6	21.4	21.9	20.9	20.6
Austria	10.8	12.6	14.6	11.9	12.2	12.6	13.0	12.4	12.8	12.9
Belgium	28.0	26.2	25.4	23.9	23.7	22.9	22.2	22.1	22.4	23.4
Canada	19.5	16.8	17.0	16.5	16.6	16.7	16.5	17.2	17.2	17.3
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
Costa Rica	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	10.8	11.2	11.8	12.3	12.8	13.0	7.5	7.2
Denmark	30.8	35.4	35.2	35.2	35.1	34.5	34.5	34.3	34.4	34.5
Estonia	21.1	15.9	16.3	16.2	16.2	11.1	12.1	12.4	13.4	14.4
Finland	24.5	19.7	19.9	19.2	18.0	17.6	17.5	17.8	17.8	17.8
France	14.1	13.4	13.8	13.7	13.7	15.5	15.5	14.1	14.2	14.2
Germany	19.8	16.5	16.9	16.8	16.7	16.8	16.9	16.3	15.4	15.5
Greece	5.6	6.2	7.3	8.3	8.2	8.5	8.7	7.3	7.8	8.0
Hungary	21.0	13.0	16.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
Iceland	23.2	25.3	27.5	27.3	26.7	26.8	26.7	26.6	26.5	26.4
Ireland	19.7	15.6	17.1	16.7	16.7	17.1	17.5	18.4	19.1	19.4
Israel	15.0	6.6	7.2	7.6	7.4	7.4	7.7	8.0	8.6	8.6
Italy	18.0	19.1	17.9	17.9	17.9	18.1	18.3	17.5	16.0	17.1
Japan	5.8	7.0	7.1	7.2	7.2	7.2	7.2	7.1	7.1	7.2
Korea	1.6	3.2	3.5	3.8	4.1	4.4	4.7	4.7	5.0	5.2
Latvia	18.1	21.1	18.0	17.8	18.0	16.3	16.2	15.5	14.7	14.3
Lithuania	24.3	12.2	12.9	12.8	11.9	11.3	15.9	15.0	15.6	15.8
Luxembourg	11.3	9.3	12.4	12.6	10.9	11.4	11.9	13.2	13.5	14.4
Mexico	-1.7	2.7	6.3	6.6	7.2	6.7	7.5	8.9	8.9	8.9
Netherlands	7.9	11.8	13.1	12.4	13.0	13.2	12.0	11.8	11.6	11.9
New Zealand	19.0	15.9	16.0	16.3	16.5	16.7	16.9	17.2	17.3	18.2
Norway	21.3	20.0	18.9	18.3	17.9	17.8	17.7	17.9	17.7	17.8
Poland	6.1	6.2	6.8	6.8	7.0	7.1	6.9	6.0	6.0	3.9
Portugal	9.2	8.7	14.5	14.1	14.1	13.4	14.1	14.2	14.8	15.0
Slovak Republic	7.4	6.9	8.6	8.8	9.1	9.5	9.6	9.0	9.3	9.7
Slovenia	12.2	9.4	9.4	9.5	10.3	10.4	10.8	10.5	10.9	10.0
Spain	11.5	13.7	13.1	13.1	12.9	13.1	13.1	12.2	13.2	13.2
Sweden	25.9	16.7	16.5	16.8	16.9	17.0	16.4	16.5	16.0	15.8
Switzerland	11.3	11.0	10.5	10.8	10.8	10.9	11.0	11.1	11.6	11.9
Türkiye[1]	14.1	10.4	11.3	11.2	11.8	12.1	12.4	12.4	12.7	8.8
United Kingdom	16.5	15.5	12.9	12.9	12.8	12.8	12.7	12.5	12.8	13.2
United States	16.8	15.4	16.5	16.6	16.7	14.7	14.7	14.8	14.9	15.0
Unweighted average										
OECD-Average	**14.3**	**12.9**	**13.5**	**13.4**	**13.3**	**13.2**	**13.4**	**13.3**	**13.2**	**13.2**
OECD-EU 22	**16.2**	**14.5**	**15.3**	**15.0**	**15.0**	**14.8**	**15.0**	**14.8**	**14.6**	**14.7**

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

StatLink https://stat.link/foi5g3

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	2015	2016	2017	2018	2019	2020	2021	2022
Australia	21.1	16.0	18.5	18.8	19.1	19.6	18.1	18.7	17.4	17.0
Austria	25.6	27.0	29.2	26.5	26.9	27.2	27.7	26.8	27.3	25.7
Belgium	35.8	36.4	35.4	33.4	33.3	32.1	31.4	31.3	31.6	32.5
Canada	21.3	20.8	21.1	20.8	20.8	20.8	20.6	21.2	22.0	22.4
Chile	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	-6.5	7.0
Colombia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costa Rica	9.0	9.2	9.3	9.3	9.8	10.3	10.3	10.5	10.5	10.5
Czech Republic	20.8	18.2	19.5	20.0	20.7	21.4	22.0	22.3	16.6	16.3
Denmark	37.4	33.5	33.4	33.4	33.3	32.6	32.7	32.5	32.6	32.9
Estonia	19.9	17.6	17.1	16.9	17.0	9.9	10.6	10.9	11.6	12.3
Finland	27.8	22.7	24.0	23.6	22.9	22.9	22.8	23.3	23.7	23.4
France	25.9	25.9	26.0	25.2	25.2	24.6	24.2	23.2	23.5	23.5
Germany	36.8	34.3	34.7	34.8	34.8	34.7	34.3	33.7	33.1	32.5
Greece	18.0	17.7	18.5	19.9	20.0	20.2	20.4	17.6	17.2	17.3
Hungary	30.1	27.8	34.5	33.5	33.5	33.5	33.5	33.5	33.5	33.5
Iceland	20.2	22.2	25.0	25.2	24.8	24.9	24.8	24.5	24.2	24.1
Ireland	18.8	16.0	16.8	16.1	15.8	16.1	16.4	16.8	17.1	17.3
Israel	19.4	10.4	11.0	11.3	11.2	11.0	11.4	11.7	12.6	12.8
Italy	24.4	26.1	21.8	21.9	21.9	22.1	22.3	22.2	21.6	21.2
Japan	18.4	19.1	20.4	20.5	20.6	20.6	20.6	20.6	20.6	20.6
Korea	7.5	9.2	9.9	10.1	10.5	10.8	11.2	11.6	12.1	12.4
Latvia	26.0	29.5	27.9	27.3	27.4	25.2	25.0	23.9	23.3	22.4
Lithuania	25.2	19.7	20.4	20.0	18.4	17.5	33.6	32.3	33.1	32.6
Luxembourg	21.8	19.4	22.7	22.9	20.3	20.8	21.1	22.3	22.4	22.8
Mexico	-4.4	0.8	3.4	3.7	4.7	4.6	5.5	8.6	8.6	8.6
Netherlands	32.9	27.1	24.7	22.5	22.5	22.8	21.2	20.1	18.9	19.1
New Zealand	18.6	14.3	13.5	13.7	13.7	13.8	14.0	14.1	14.2	14.7
Norway	26.8	25.6	25.1	24.5	24.1	23.9	23.8	24.1	23.9	23.6
Poland	26.5	23.4	24.1	24.2	24.3	24.5	24.3	23.3	23.4	20.1
Portugal	17.4	16.1	21.2	21.3	21.6	21.6	22.2	22.4	22.8	23.3
Slovak Republic	18.2	18.0	20.0	20.3	20.7	21.1	21.4	20.5	21.0	21.5
Slovenia	32.3	28.7	28.7	28.8	30.4	30.2	30.7	30.6	30.8	30.0
Spain	15.0	17.5	16.7	16.7	16.6	16.8	16.7	15.2	16.8	16.9
Sweden	31.7	22.0	22.0	22.3	22.4	22.4	21.7	21.8	20.8	20.5
Switzerland	14.9	14.4	14.1	14.3	14.3	14.4	14.5	14.8	15.1	15.3
Türkiye[1]	27.2	23.6	24.7	24.3	24.7	24.9	25.0	25.1	25.2	20.1
United Kingdom	22.8	22.6	19.2	19.3	19.3	19.3	19.1	18.4	18.9	19.2
United States	22.6	21.5	22.9	23.0	23.1	21.4	21.4	17.0	18.3	21.7
Unweighted average										
OECD-Average	**21.6**	**20.0**	**20.6**	**20.5**	**20.5**	**20.2**	**20.6**	**20.4**	**20.0**	**20.2**
OECD-EU 22	**25.8**	**23.9**	**24.5**	**24.2**	**24.1**	**23.6**	**24.4**	**23.9**	**23.8**	**23.5**

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

StatLink https://stat.link/cspyko

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	2015	2016	2017	2018	2019	2020	2021	2022
Australia	26.6	22.3	24.1	24.3	24.4	24.6	23.6	24.1	23.2	23.0
Austria	31.0	33.1	35.0	32.1	32.4	32.8	33.2	32.7	33.2	32.0
Belgium	43.0	42.7	42.0	40.7	40.6	39.9	39.4	39.3	39.5	40.3
Canada	26.9	25.0	25.3	24.7	24.6	24.6	24.6	25.1	25.3	25.6
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
Costa Rica	9.0	9.2	9.3	9.3	9.8	10.3	10.3	10.5	10.5	10.5
Czech Republic	22.5	22.5	23.4	23.7	24.1	24.6	25.0	25.2	19.7	19.5
Denmark	41.5	35.9	35.9	35.9	35.8	35.4	35.5	35.3	35.4	35.5
Estonia	21.9	19.5	18.4	18.4	18.4	14.6	15.7	16.1	17.2	18.4
Finland	33.9	29.4	30.9	30.8	30.2	30.3	30.3	31.0	31.3	31.1
France	29.2	27.8	29.0	29.0	29.0	28.4	28.0	27.1	27.6	27.7
Germany	43.2	39.2	39.7	39.7	39.7	39.7	39.2	38.6	37.8	37.4
Greece	21.6	23.1	23.7	25.1	25.2	25.5	25.5	23.9	22.9	23.0
Hungary	35.7	31.4	34.5	33.5	33.5	33.5	33.5	33.5	33.5	33.5
Iceland	25.4	27.6	29.4	29.0	28.3	28.4	28.3	28.2	28.2	28.2
Ireland	27.5	23.4	26.0	25.4	25.3	25.6	26.0	26.7	27.3	27.5
Israel	26.1	17.0	17.5	17.9	17.7	17.6	18.1	18.4	19.0	19.1
Italy	29.0	30.2	31.1	31.1	31.1	31.2	31.5	30.1	28.2	28.8
Japan	19.7	20.6	22.1	22.2	22.3	22.4	22.4	22.2	22.2	22.3
Korea	8.9	12.3	13.3	13.7	13.9	14.4	14.8	15.1	15.5	15.8
Latvia	27.9	30.5	28.9	28.9	29.2	28.7	28.6	28.3	26.5	26.5
Lithuania	28.8	22.1	22.9	23.0	22.7	22.1	36.5	36.0	36.4	37.1
Luxembourg	28.7	26.8	30.8	31.0	29.0	29.6	30.0	31.1	31.4	32.1
Mexico	2.5	6.1	10.4	10.8	11.1	10.4	10.9	11.2	11.3	11.3
Netherlands	33.6	31.7	30.3	30.2	30.3	30.5	29.4	28.5	27.7	27.7
New Zealand	19.4	17.0	17.6	18.0	18.3	18.6	19.0	19.3	19.4	20.1
Norway	30.7	29.3	28.5	27.9	27.5	27.4	27.3	27.5	27.3	27.3
Poland	27.8	24.5	24.9	25.0	25.1	25.2	25.0	24.1	24.2	22.8
Portugal	22.4	22.2	28.4	27.6	27.5	26.9	27.4	27.6	28.1	28.1
Slovak Republic	20.2	21.9	23.3	23.5	23.7	24.0	24.2	23.6	23.9	24.3
Slovenia	35.6	33.3	33.3	33.5	33.7	34.1	34.4	34.0	34.5	33.6
Spain	19.8	21.7	21.3	21.3	21.1	21.3	21.3	20.7	21.4	21.4
Sweden	33.7	24.8	24.6	24.9	25.0	25.1	24.5	24.6	24.4	24.3
Switzerland	17.8	17.4	17.0	17.2	17.2	17.4	17.5	17.8	18.2	18.5
Türkiye[1]	28.7	26.6	27.4	27.4	28.2	28.6	29.0	28.9	29.4	26.2
United Kingdom	25.8	25.4	23.4	23.5	23.5	23.5	23.4	22.9	23.3	23.6
United States	24.9	24.6	25.6	25.8	26.1	23.8	23.9	21.3	22.4	24.8
Unweighted average										
OECD-Average	**25.2**	**23.8**	**24.6**	**24.6**	**24.5**	**24.4**	**24.8**	**24.7**	**24.6**	**24.6**
OECD-EU 22	**29.9**	**28.1**	**29.0**	**28.8**	**28.8**	**28.6**	**29.3**	**29.0**	**28.7**	**28.8**

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

StatLink https://stat.link/6aclpt

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	2015	2016	2017	2018	2019	2020	2021	2022
Australia	34.9	28.2	30.1	30.2	30.1	30.4	30.5	30.8	29.4	29.6
Austria	36.3	38.3	39.4	37.5	37.7	38.0	38.1	38.0	38.2	37.7
Belgium	50.1	49.5	49.1	48.5	48.3	47.9	47.5	47.4	47.5	48.1
Canada	32.1	30.3	30.6	29.7	29.8	29.8	29.6	30.6	30.9	31.3
Chile	8.3	8.0	8.2	8.3	8.3	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
Costa Rica	9.0	9.8	10.6	11.1	11.8	12.3	12.4	12.4	12.8	13.1
Czech Republic	25.5	25.9	26.5	26.7	26.9	27.2	27.4	27.6	22.2	22.1
Denmark	49.3	42.9	42.1	42.0	41.8	41.2	41.2	40.9	40.9	41.2
Estonia	23.6	21.0	19.6	19.5	19.6	21.3	21.3	21.3	21.3	21.3
Finland	41.1	36.6	38.1	38.2	37.8	37.9	37.9	38.6	38.9	38.7
France	33.1	33.4	34.5	34.5	34.5	33.9	33.8	33.3	33.5	33.5
Germany	48.8	43.8	43.8	43.9	43.9	43.8	43.4	43.3	42.7	42.1
Greece	29.2	30.2	31.6	32.0	32.1	32.4	32.5	31.3	29.1	29.2
Hungary	42.8	39.8	34.5	33.5	33.5	33.5	33.5	33.5	33.5	33.5
Iceland	36.7	32.4	34.0	34.0	33.5	33.3	33.3	33.5	33.8	33.8
Ireland	35.6	34.4	36.1	35.2	35.1	35.3	35.5	36.1	36.5	36.7
Israel	35.0	26.0	26.5	27.1	26.9	26.9	27.6	28.1	29.0	29.1
Italy	34.5	37.3	39.5	39.5	39.2	39.3	39.5	39.8	39.7	39.3
Japan	22.6	24.5	25.9	25.9	26.0	26.1	26.1	25.9	26.2	26.3
Korea	13.4	15.0	16.2	16.8	17.4	18.1	18.6	19.0	19.6	20.0
Latvia	29.4	31.4	29.8	29.9	30.2	28.8	29.0	29.2	29.0	29.3
Lithuania	31.7	24.0	24.0	24.0	24.0	24.0	38.9	38.9	39.1	39.5
Luxembourg	37.9	34.9	38.6	38.7	37.6	37.9	38.1	38.7	38.9	39.7
Mexico	10.1	13.4	15.1	15.4	15.7	15.0	15.5	15.8	15.8	15.8
Netherlands	40.6	37.7	38.2	37.7	37.7	37.9	37.5	36.5	36.1	36.1
New Zealand	24.2	23.3	23.4	23.7	23.9	24.1	24.4	24.6	24.8	25.3
Norway	38.2	35.7	34.9	34.4	34.0	33.9	33.9	33.9	33.8	34.2
Poland	28.9	25.4	25.6	25.7	25.7	25.8	25.6	24.9	25.4	24.9
Portugal	28.6	29.5	35.7	34.4	34.1	33.5	34.2	34.3	34.9	35.3
Slovak Republic	24.8	24.9	25.9	26.0	26.2	26.4	26.4	26.1	26.5	26.9
Slovenia	41.2	39.1	37.9	37.4	37.7	38.1	38.4	37.3	37.7	37.1
Spain	24.4	26.5	27.3	27.2	26.8	27.0	27.1	26.5	27.3	27.2
Sweden	41.1	35.6	35.2	36.2	36.5	36.4	35.2	34.7	34.7	34.7
Switzerland	22.7	22.2	21.8	22.2	22.2	22.3	22.4	22.7	23.1	23.5
Türkiye[1]	26.9	29.9	31.6	32.0	32.4	32.7	32.9	32.8	33.1	31.2
United Kingdom	28.8	30.0	29.8	29.9	29.9	29.9	29.5	29.1	29.6	30.5
United States	31.9	30.6	31.1	31.2	31.4	28.8	28.9	28.5	29.4	29.5
Unweighted average										
OECD-Average	**30.3**	**29.0**	**29.5**	**29.5**	**29.5**	**29.5**	**29.9**	**29.8**	**29.8**	**29.9**
OECD-EU 22	**35.4**	**33.7**	**34.2**	**34.0**	**33.9**	**34.0**	**34.6**	**34.5**	**34.3**	**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/yo2vwc

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	2015	2016	2017	2018	2019	2020	2021	2022
Australia	-2.1	-13.2	-7.5	-7.2	-5.3	-3.9	-4.8	-4.7	-6.4	-4.5
Austria	2.0	4.6	9.3	6.4	7.1	7.7	0.4	-2.2	1.2	-3.4
Belgium	16.1	18.9	17.8	15.7	15.7	14.7	13.6	9.3	9.3	11.2
Canada	0.0	0.8	-9.4	-10.6	-9.7	-9.7	-10.9	-7.1	-3.9	-2.5
Chile	5.9	6.1	6.2	6.2	6.2	6.2	6.2	6.1	-24.3	6.1
Colombia	-6.9	-5.6	-6.6	-6.7	-6.6	-6.4	-6.5	-7.2	-7.6	-7.2
Costa Rica	9.0	9.2	9.3	9.3	9.8	10.3	10.3	10.5	10.5	10.5
Czech Republic	-17.9	-12.9	-0.9	-4.5	-3.7	-5.3	-3.3	-2.7	-11.5	-10.3
Denmark	11.5	8.0	6.3	6.2	4.8	4.0	4.4	4.3	4.9	5.6
Estonia	-8.5	-2.1	-4.8	-4.6	-3.2	-10.5	-9.5	-8.8	-6.7	-4.6
Finland	9.7	8.9	10.9	10.7	10.2	10.8	10.9	11.2	11.9	11.9
France	13.5	14.8	16.0	0.9	1.0	0.4	-4.2	-6.5	-4.0	-2.9
Germany	17.9	16.2	17.5	17.8	17.9	18.2	17.8	13.2	13.8	14.1
Greece	17.1	16.0	13.9	14.4	14.4	11.9	12.2	8.7	8.6	8.9
Hungary	5.0	6.7	6.5	4.3	4.9	5.4	6.4	8.8	10.6	13.8
Iceland	1.4	9.5	14.5	15.2	13.7	12.4	12.7	11.8	12.3	12.9
Ireland	6.6	-15.8	-10.7	-10.7	-9.5	-6.6	-4.8	-3.1	-2.0	0.4
Israel	-1.5	-2.6	-1.5	-3.7	-2.9	-3.0	-1.8	-1.8	-0.3	-0.9
Italy	5.5	5.1	1.3	1.4	1.4	1.7	2.3	1.0	0.1	2.7
Japan	3.8	-3.0	4.6	4.7	4.4	4.7	4.1	3.9	3.9	4.4
Korea	6.8	8.5	8.4	8.4	8.4	8.7	8.2	4.7	6.5	6.8
Latvia	3.5	12.4	7.3	7.1	8.7	6.7	6.0	5.2	6.4	1.0
Lithuania	19.2	8.2	10.3	7.3	9.0	3.0	22.0	7.5	11.7	19.3
Luxembourg	-6.4	-10.9	-4.1	-3.5	-6.6	-5.3	-4.3	-1.4	-0.7	2.0
Mexico	-4.4	0.8	3.4	3.7	4.7	4.6	5.5	8.6	8.6	8.6
Netherlands	14.5	3.6	0.6	-3.5	-3.8	-3.6	-5.3	-5.8	-6.5	-5.4
New Zealand	-3.0	-17.7	-14.1	-14.1	-12.9	-19.9	-18.8	-17.3	-16.4	-16.1
Norway	5.7	10.8	12.1	11.8	11.7	12.1	11.9	12.3	12.3	12.5
Poland	18.0	17.8	11.2	-35.4	-36.5	-28.9	-21.9	-18.7	-14.7	-12.5
Portugal	9.1	1.7	7.6	2.8	3.5	4.1	5.5	5.8	6.9	8.1
Slovak Republic	-2.0	2.3	5.4	6.1	7.0	8.1	8.7	7.8	6.9	2.8
Slovenia	-2.0	-1.7	-4.4	-3.9	-1.5	-0.5	1.0	1.5	3.3	2.5
Spain	6.8	8.1	1.5	1.5	1.6	2.0	2.3	0.3	2.5	3.2
Sweden	20.1	11.1	12.2	12.8	13.1	12.1	11.3	11.6	10.9	10.9
Switzerland	0.3	-1.1	-1.9	-1.5	-1.4	-1.2	-1.0	-0.6	0.1	0.6
Türkiye[1]	27.2	22.0	23.2	22.5	22.9	23.3	23.4	23.5	23.5	20.1
United Kingdom	7.7	0.6	-3.4	-1.4	0.9	2.6	4.3	-2.7	9.6	9.4
United States	2.6	0.2	3.9	4.5	5.5	2.0	2.4	-5.9	-9.2	6.5
Unweighted average										
OECD-Average	**5.6**	**3.9**	**4.5**	**2.4**	**2.8**	**2.4**	**3.1**	**2.1**	**2.2**	**3.8**
OECD-EU 22	**7.2**	**5.5**	**5.9**	**2.2**	**2.5**	**2.3**	**3.2**	**2.1**	**2.9**	**3.6**

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

StatLink https://stat.link/3murqy

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	2015	2016	2017	2018	2019	2020	2021	2022
Australia	18.4	9.3	12.9	13.1	16.0	16.9	16.0	16.1	14.8	15.9
Austria	15.1	17.9	21.6	18.6	19.1	19.6	15.0	13.2	15.7	10.7
Belgium	23.7	23.6	22.6	20.9	20.9	20.4	19.4	19.2	19.2	21.0
Canada	19.3	17.1	10.6	12.1	12.3	12.3	12.0	13.0	14.0	14.6
Chile	6.3	7.0	7.0	7.0	7.0	7.0	7.0	7.0	-18.5	7.0
Colombia	-4.6	-3.8	-4.4	-4.5	-4.4	-4.3	-4.3	-4.8	-5.1	-4.8
Costa Rica	9.0	9.2	9.3	9.3	9.8	10.3	10.3	10.5	10.5	10.5
Czech Republic	-5.3	-5.7	1.9	-0.2	0.8	0.2	2.0	2.6	-4.4	-3.4
Denmark	28.2	24.9	25.3	25.2	25.2	24.9	25.3	25.2	25.5	26.0
Estonia	10.6	7.3	4.5	4.3	5.0	1.1	2.4	3.1	5.1	7.2
Finland	24.8	23.0	25.2	25.2	24.8	25.0	25.1	26.0	26.5	26.4
France	16.1	17.7	18.0	18.1	18.1	17.4	16.3	14.8	16.8	17.0
Germany	22.0	19.6	21.2	21.4	21.5	21.6	21.2	19.1	19.4	19.5
Greece	23.6	23.6	21.9	22.7	22.8	21.4	21.5	19.7	18.8	18.9
Hungary	20.5	18.7	16.9	15.0	15.3	15.5	16.1	17.7	18.8	20.9
Iceland	8.9	12.2	17.5	17.7	16.3	14.8	14.6	14.4	15.9	16.2
Ireland	10.9	5.6	8.9	8.0	7.9	8.7	9.0	10.2	11.2	12.0
Israel	21.8	13.6	14.8	15.1	15.0	14.9	15.4	15.8	16.6	13.6
Italy	18.6	17.8	19.0	19.0	19.0	19.2	19.7	17.5	15.5	14.3
Japan	15.8	11.3	16.0	16.2	16.2	16.4	16.4	16.1	16.1	16.3
Korea	8.2	9.7	10.6	11.1	11.4	12.0	12.0	9.7	11.2	11.6
Latvia	12.8	19.1	15.2	15.3	16.7	16.4	15.8	15.7	15.2	12.2
Lithuania	28.8	14.4	16.1	18.4	15.6	12.4	28.7	19.3	22.1	28.2
Luxembourg	1.9	1.5	5.7	6.0	4.8	5.5	6.0	7.4	7.8	9.1
Mexico	2.5	6.1	10.4	10.8	11.1	10.4	10.9	11.2	11.3	11.3
Netherlands	22.4	23.6	24.1	24.3	24.5	24.9	23.8	21.2	20.8	21.1
New Zealand	13.6	-0.9	5.2	5.9	7.0	2.7	4.3	5.7	6.4	7.9
Norway	19.3	21.8	23.1	22.7	22.4	23.5	23.2	23.4	23.3	23.6
Poland	22.1	17.8	18.9	0.3	-3.9	1.2	3.9	-0.7	0.2	-2.5
Portugal	13.6	8.8	14.3	11.2	11.9	12.5	13.5	13.7	14.5	15.4
Slovak Republic	5.2	3.4	6.9	7.5	8.4	9.5	10.0	9.4	9.0	5.1
Slovenia	10.1	10.4	11.3	11.7	12.3	13.1	13.8	17.0	17.9	17.4
Spain	11.5	14.2	13.9	13.9	13.9	14.1	14.3	13.5	14.5	14.8
Sweden	26.0	17.4	18.1	18.5	18.8	18.2	17.6	17.8	17.7	17.8
Switzerland	5.9	4.9	3.6	4.0	4.0	4.2	4.4	4.8	5.5	6.0
Türkiye[1]	28.7	24.8	25.6	25.4	26.3	26.8	27.1	27.1	27.5	26.2
United Kingdom	20.6	18.7	17.8	18.0	18.2	18.3	18.4	17.7	18.3	18.8
United States	14.4	11.2	13.7	13.9	14.3	11.8	11.9	2.7	0.7	13.3
Unweighted average										
OECD-Average	**15.0**	**13.1**	**14.3**	**13.8**	**13.9**	**13.7**	**14.2**	**13.5**	**13.1**	**14.1**
OECD-EU 22	**16.5**	**14.8**	**16.0**	**14.8**	**14.7**	**14.7**	**15.5**	**14.7**	**14.9**	**15.0**

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

StatLink https://stat.link/fy4qo7

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	2015	2016	2017	2018	2019	2020	2021	2022
Australia	22.0	19.0	21.8	22.1	22.2	22.6	21.4	21.9	20.9	20.6
Austria	20.1	22.6	25.5	22.5	23.0	23.4	20.9	19.5	21.1	18.2
Belgium	35.0	33.9	33.1	31.5	31.3	30.5	29.8	29.8	30.0	30.9
Canada	24.4	22.2	20.3	19.9	19.9	20.0	19.8	20.8	21.5	21.9
Chile	6.6	6.6	6.7	6.7	6.7	6.7	6.7	6.6	-8.6	6.6
Colombia	-5.5	-4.5	-5.3	-5.4	-5.3	-5.2	-5.2	-5.8	-6.1	-5.7
Costa Rica	9.0	9.2	9.3	9.3	9.8	10.3	10.3	10.5	10.5	10.5
Czech Republic	14.0	12.0	13.6	12.4	13.0	12.6	13.6	14.0	11.3	11.4
Denmark	35.8	31.0	31.1	31.1	31.0	30.6	30.8	30.6	30.7	31.0
Estonia	16.8	13.7	11.2	11.1	11.6	6.3	7.2	7.7	9.1	10.5
Finland	26.0	22.9	24.6	24.4	23.9	24.2	24.2	24.9	25.3	25.2
France	21.4	22.2	23.2	22.7	22.7	22.1	21.8	20.4	20.8	20.9
Germany	34.3	30.1	31.2	31.3	31.4	31.4	31.0	29.5	29.2	29.0
Greece	22.0	22.2	22.0	22.7	22.8	22.1	22.2	20.1	19.3	21.3
Hungary	24.3	22.3	23.9	22.4	22.6	22.8	23.1	24.0	24.7	25.9
Iceland	21.9	24.4	27.6	27.5	26.8	26.5	26.5	26.0	26.1	25.8
Ireland	20.8	13.7	16.7	16.2	16.2	16.8	17.4	18.5	19.2	19.7
Israel	17.7	10.5	11.2	11.5	11.4	11.3	11.6	11.9	12.6	10.7
Italy	25.1	24.0	22.8	22.8	22.8	23.0	23.3	21.9	20.4	17.6
Japan	17.9	15.1	18.6	18.8	18.8	18.9	18.9	18.7	18.7	18.8
Korea	8.0	9.8	10.7	11.0	11.3	11.8	12.0	10.8	11.9	12.2
Latvia	18.1	23.3	20.3	20.1	21.0	19.9	19.5	19.0	18.4	16.3
Lithuania	27.3	19.8	20.4	19.0	16.7	16.4	30.7	28.5	29.7	30.0
Luxembourg	12.6	12.3	17.1	17.4	15.3	16.1	16.7	18.4	18.8	20.2
Mexico	-0.3	4.0	7.6	7.9	8.5	8.0	8.8	10.2	10.2	10.2
Netherlands	30.1	24.9	23.2	21.6	21.7	21.9	20.5	19.6	18.8	19.3
New Zealand	19.0	13.9	16.0	16.3	16.5	16.7	16.9	17.2	17.3	18.0
Norway	24.4	24.8	24.6	24.1	23.7	23.6	23.4	23.7	23.5	23.6
Poland	25.0	20.4	21.7	16.2	15.1	15.3	12.6	9.4	10.0	9.5
Portugal	17.0	16.5	20.4	20.7	21.1	20.5	21.4	21.6	22.3	22.7
Slovak Republic	13.3	14.0	16.1	16.5	17.0	17.6	18.0	17.3	17.1	14.7
Slovenia	25.1	23.4	24.1	23.8	24.6	24.9	25.3	25.4	26.0	25.3
Spain	15.6	17.8	17.2	17.2	17.1	17.3	17.4	16.3	17.5	17.6
Sweden	28.3	19.3	19.6	20.0	20.2	19.9	19.2	19.4	19.0	18.9
Switzerland	12.3	11.3	10.1	10.6	10.6	10.8	11.0	11.4	12.0	12.4
Türkiye[1]	28.1	24.7	25.7	25.5	26.1	26.5	26.7	26.7	27.0	23.8
United Kingdom	21.5	21.1	18.7	18.9	19.0	19.1	19.0	18.4	18.9	19.3
United States	20.5	18.5	20.0	20.1	20.3	17.6	17.7	12.2	11.0	18.5
Unweighted average										
OECD-Average	**19.9**	**18.2**	**19.0**	**18.6**	**18.6**	**18.4**	**18.7**	**18.3**	**18.1**	**18.5**
OECD-EU 22	**23.1**	**21.0**	**21.8**	**21.1**	**21.0**	**20.7**	**21.2**	**20.7**	**20.9**	**20.7**

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

StatLink https://stat.link/ap76zi

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	2015	2016	2017	2018	2019	2020	2021	2022
Australia	25.1	22.3	24.1	24.3	24.4	24.6	23.6	24.1	23.2	23.0
Austria	23.7	26.3	29.1	25.9	26.3	26.8	24.8	23.7	25.1	22.6
Belgium	38.4	37.4	36.6	35.3	35.1	34.4	33.9	33.9	34.0	34.9
Canada	26.9	24.4	23.5	22.9	22.9	22.9	22.8	23.5	24.1	24.5
Chile	6.6	7.0	7.0	7.0	7.0	7.0	7.0	7.0	-5.7	7.0
Colombia	-4.6	-1.9	-4.4	-4.5	-4.4	-4.3	-4.3	-4.8	-5.1	-4.8
Costa Rica	9.0	9.2	9.3	9.3	9.8	10.3	10.3	10.5	10.5	10.5
Czech Republic	18.2	15.9	16.5	15.5	18.0	15.7	19.2	16.8	13.7	13.8
Denmark	38.1	32.7	32.7	32.7	32.7	32.3	32.5	32.3	32.4	32.7
Estonia	18.3	15.2	12.9	12.8	13.2	9.2	10.4	10.9	12.4	13.9
Finland	29.3	26.2	28.0	28.0	27.5	27.7	27.7	28.5	28.9	28.8
France	23.5	23.8	25.0	25.0	24.9	24.4	24.0	22.9	23.5	23.7
Germany	37.7	33.3	34.1	34.2	34.2	34.2	33.7	32.8	32.2	31.9
Greece	24.2	24.5	24.7	25.6	25.7	26.0	26.1	24.6	23.4	23.5
Hungary	28.1	25.0	25.7	24.2	24.4	24.5	24.8	25.6	26.1	27.2
Iceland	25.4	27.5	29.4	29.0	28.3	28.4	28.3	27.9	28.2	28.2
Ireland	25.7	19.2	22.3	21.7	21.6	22.1	22.6	23.4	24.1	24.4
Israel	21.3	12.8	13.8	14.3	14.2	14.1	14.7	15.1	15.8	12.9
Italy	27.4	27.0	27.8	27.8	27.8	27.9	28.2	26.4	24.4	22.9
Japan	18.6	16.5	19.7	19.9	19.9	20.1	20.1	19.9	19.9	20.0
Korea	8.7	11.2	12.3	12.7	13.0	13.5	13.6	12.7	13.6	14.0
Latvia	20.4	24.8	22.0	22.1	22.9	22.6	22.2	22.0	20.8	19.4
Lithuania	28.8	21.0	21.6	20.7	19.2	18.9	32.6	31.0	31.9	32.7
Luxembourg	17.6	17.4	22.4	22.7	20.9	21.6	22.2	23.8	24.2	25.4
Mexico	2.5	6.1	10.4	10.8	11.1	10.4	10.9	11.2	11.3	11.3
Netherlands	30.9	27.5	26.2	25.5	25.7	25.9	24.7	23.9	23.2	23.6
New Zealand	19.4	17.0	17.6	18.0	18.3	18.6	19.0	19.3	19.4	20.1
Norway	26.8	26.8	26.3	25.8	25.5	25.4	25.2	25.5	25.3	25.5
Poland	25.9	21.4	22.5	18.0	17.1	17.2	14.9	12.1	12.6	12.6
Portugal	20.2	19.5	23.8	23.8	24.1	23.6	24.4	24.6	25.2	25.4
Slovak Republic	19.0	16.6	18.4	18.7	19.1	19.7	19.9	19.3	19.2	17.2
Slovenia	29.4	27.8	27.1	26.9	27.3	28.8	29.1	29.0	29.6	28.8
Spain	18.0	19.9	19.4	19.4	19.3	19.5	19.6	18.9	19.7	19.8
Sweden	29.9	21.1	21.3	21.7	21.9	21.6	21.1	21.2	21.1	21.1
Switzerland	14.8	14.0	12.8	13.2	13.3	13.5	13.7	14.1	14.7	15.2
Türkiye[1]	28.7	26.0	26.8	26.8	27.6	28.1	28.4	28.3	28.8	26.2
United Kingdom	23.2	22.8	20.9	21.0	21.2	21.2	21.2	20.6	21.1	21.5
United States	22.7	20.3	21.5	21.6	22.0	19.8	20.0	15.7	15.0	21.4
Unweighted average										
OECD-Average	**22.3**	**20.7**	**21.4**	**21.1**	**21.1**	**21.0**	**21.4**	**21.0**	**20.7**	**21.1**
OECD-EU 22	**26.0**	**23.8**	**24.6**	**24.0**	**24.0**	**23.8**	**24.5**	**24.0**	**24.0**	**23.9**

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

StatLink https://stat.link/0r1xym

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	2015	2016	2017	2018	2019	2020	2021	2022
Australia	24.4	19.8	21.8	22.1	22.2	22.6	21.4	21.9	20.9	20.6
Austria	28.8	30.7	32.7	29.9	30.2	30.6	31.0	30.3	30.8	29.6
Belgium	42.0	40.2	39.4	37.8	37.7	36.8	36.2	36.1	36.3	37.1
Canada	25.0	23.4	23.6	23.2	23.1	23.1	23.1	23.8	24.0	24.3
Chile	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	-1.8	7.0
Colombia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costa Rica	9.0	9.2	9.3	9.3	9.8	10.3	10.3	10.5	10.5	10.5
Czech Republic	21.8	20.7	21.8	22.2	22.8	23.3	23.8	24.0	18.5	18.2
Denmark	39.8	35.0	34.9	34.9	34.8	34.2	34.4	34.1	34.2	34.5
Estonia	21.1	18.7	17.9	17.8	17.8	12.7	13.7	14.0	15.0	16.0
Finland	31.5	26.7	28.1	27.9	27.3	27.4	27.3	27.9	28.2	28.0
France	27.5	27.1	28.0	28.0	28.0	27.4	26.9	25.4	25.5	25.6
Germany	40.3	37.0	37.4	37.5	37.5	37.4	37.0	36.4	35.7	35.2
Greece	21.5	22.2	22.8	24.1	24.2	24.5	24.6	22.8	21.9	22.0
Hungary	33.5	30.0	34.5	33.5	33.5	33.5	33.5	33.5	33.5	33.5
Iceland	23.3	25.4	27.6	27.5	26.9	27.0	26.9	26.8	26.6	26.6
Ireland	23.0	18.8	21.1	20.7	20.7	21.1	21.5	22.4	23.1	23.4
Israel	22.8	13.7	14.3	14.7	14.6	14.5	14.9	15.2	16.0	16.1
Italy	27.2	28.6	27.4	27.4	27.4	27.5	27.8	27.0	25.5	25.8
Japan	19.2	20.0	21.4	21.5	21.6	21.7	21.7	21.6	21.6	21.6
Korea	8.3	11.0	11.9	12.2	12.5	12.9	13.4	13.7	14.1	14.5
Latvia	27.1	30.1	28.5	28.3	28.5	27.3	27.2	26.5	25.2	24.8
Lithuania	27.3	21.2	21.9	21.8	20.9	20.3	35.4	34.5	35.1	35.3
Luxembourg	22.9	21.4	25.2	25.4	23.2	23.7	24.1	25.5	25.8	26.7
Mexico	-0.3	4.0	7.6	7.9	8.5	8.0	8.8	10.2	10.2	10.2
Netherlands	33.3	29.8	28.0	27.1	27.2	27.4	26.1	25.1	24.2	24.3
New Zealand	19.0	15.9	16.0	16.3	16.5	16.7	16.9	17.2	17.3	18.0
Norway	29.1	27.8	27.1	26.5	26.1	26.0	25.9	26.1	25.9	25.8
Poland	27.3	24.1	24.6	24.7	24.8	24.9	24.7	23.8	23.9	21.7
Portugal	20.2	19.7	25.5	25.1	25.1	24.4	25.1	25.2	25.8	26.0
Slovak Republic	19.4	20.3	22.0	22.2	22.5	22.9	23.0	22.4	22.7	23.1
Slovenia	34.3	31.5	31.5	31.6	32.4	32.5	32.9	32.6	33.0	32.1
Spain	17.9	20.1	19.4	19.4	19.3	19.5	19.5	18.5	19.6	19.6
Sweden	32.9	23.7	23.5	23.8	23.9	24.0	23.4	23.5	23.0	22.8
Switzerland	17.8	17.1	16.7	17.0	17.0	17.1	17.2	17.5	18.0	18.3
Türkiye[1]	28.1	25.4	26.3	26.2	26.8	27.1	27.4	27.4	27.7	23.8
United Kingdom	24.6	24.3	21.7	21.8	21.8	21.8	21.7	21.1	21.5	21.8
United States	24.4	23.1	24.2	24.2	24.3	22.3	22.4	18.9	19.9	22.6
Unweighted average										
OECD-Average	**23.7**	**22.2**	**23.0**	**22.9**	**22.9**	**22.7**	**23.1**	**22.9**	**22.6**	**22.8**
OECD-EU 22	**28.2**	**26.2**	**27.1**	**26.9**	**26.8**	**26.5**	**27.2**	**26.9**	**26.7**	**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/sxh4op

Table 6.25. Annual average gross and net wage earnings, single individual no children, 2000-22

In US dollars using PPP

	2000		2010		2015		2020		2021		2022	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Australia	31 507	23 127	44 385	34 494	54 774	41 591	62 838	47 707	64 806	49 755	65 455	50 403
Austria	32 758	22 615	45 719	30 599	54 970	35 708	64 257	43 241	65 445	43 735	69 202	47 090
Belgium	35 156	20 036	51 906	29 733	58 099	33 692	67 488	40 966	69 108	41 824	74 273	44 305
Canada	35 272	25 773	48 125	36 104	52 562	39 273	61 089	45 773	62 262	46 507	64 941	48 314
Chile	12 857	11 957	17 179	15 977	21 682	20 164	24 604	22 874	25 081	23 325	26 719	24 848
Colombia	7 117	7 117	10 936	10 936	11 718	11 718	13 554	13 554	13 917	13 917	14 644	14 644
Costa Rica	11 125	10 123	15 876	14 421	20 355	18 454	25 850	23 136	26 388	23 617	28 169	25 211
Czech Republic	11 228	8 703	21 015	16 296	24 782	18 994	33 107	24 762	34 195	27 459	36 411	29 319
Denmark	32 486	19 019	49 543	31 737	55 247	35 418	66 338	42 939	68 521	44 297	69 941	45 104
Estonia	8 382	6 543	18 966	15 271	24 266	19 789	32 123	26 940	33 821	27 987	34 099	27 828
Finland	26 787	17 712	43 749	30 876	47 665	32 959	56 905	39 282	59 646	40 967	61 778	42 550
France	28 711	20 340	40 594	29 290	46 958	33 336	51 780	37 765	54 360	39 375	59 445	43 006
Germany	36 471	20 715	51 843	31 519	60 530	36 512	69 073	42 382	71 208	44 303	75 137	47 013
Greece	23 081	18 096	33 458	25 717	33 648	25 658	34 070	25 914	35 805	27 599	35 772	27 550
Hungary	9 867	6 342	19 872	13 635	23 935	15 677	33 896	22 541	35 079	23 328	39 542	26 296
Iceland	32 006	23 864	39 554	28 638	54 010	38 155	63 653	45 685	68 755	49 353	73 897	53 060
Ireland	30 642	22 200	49 418	37 832	54 012	39 947	63 372	46 432	66 205	48 137	69 624	50 473
Israel	27 796	20 540	30 468	25 286	35 609	29 374	41 851	34 157	44 277	35 863	46 020	37 219
Italy	26 758	18 986	36 531	25 488	41 357	28 498	48 532	33 907	48 948	35 148	53 498	38 087
Japan	32 239	25 874	42 728	33 913	49 134	38 272	50 204	39 045	50 666	39 401	53 769	41 776
Korea	26 546	24 171	43 848	38 465	46 293	40 124	56 698	48 133	57 348	48 438	60 090	50 569
Latvia	6 418	4 629	14 981	10 408	19 270	13 696	27 686	19 842	30 169	22 178	31 864	23 416
Lithuania	7 055	5 026	14 954	11 646	19 341	14 919	36 973	23 678	39 968	25 407	41 708	26 229
Luxembourg	37 532	26 773	53 354	39 073	63 384	43 836	74 527	51 333	76 959	52 782	82 660	56 104
Mexico	7 964	7 766	11 416	10 717	12 915	11 566	14 259	12 655	15 293	13 570	15 204	13 489
Netherlands	35 822	23 779	52 942	36 182	61 162	42 657	70 684	50 572	72 617	52 522	76 635	55 373
New Zealand	24 186	19 501	32 070	26 621	38 184	31 451	45 249	36 534	44 375	35 759	47 539	37 966
Norway	32 838	22 758	51 545	36 460	55 743	39 884	62 123	45 056	66 003	47 993	70 726	51 384
Poland	12 580	9 082	20 214	15 264	26 138	19 618	34 537	26 202	34 887	26 447	38 493	29 735
Portugal	16 520	12 811	26 547	20 653	29 693	21 269	34 944	25 300	36 180	26 026	38 546	27 699
Slovak Republic	10 177	8 126	19 105	14 925	22 344	17 143	24 943	19 056	26 730	20 337	28 711	21 748
Slovenia	16 890	10 885	26 516	17 690	30 392	20 263	37 478	24 738	39 361	25 800	41 498	27 560
Spain	23 408	18 762	34 097	26 687	39 828	31 358	41 486	32 887	44 151	34 699	47 019	36 962
Sweden	28 762	19 062	40 800	30 694	46 768	35 272	53 063	39 992	54 689	41 344	57 432	43 496
Switzerland	40 757	33 494	58 025	47 938	70 005	58 137	82 311	67 657	88 661	72 494	94 601	77 082
Türkiye[1]	19 689	14 032	19 587	14 381	26 832	19 489	33 194	23 612	31 270	22 088	29 336	21 639
United Kingdom	35 353	26 229	48 839	36 438	51 950	39 784	58 024	44 740	60 447	46 390	64 134	48 972
United States	33 129	24 877	45 665	34 429	50 963	37 900	59 517	46 867	62 172	48 239	64 889	48 793
OECD average	**23 891**	**17 406**	**34 904**	**25 959**	**40 435**	**29 778**	**47 692**	**35 207**	**49 468**	**36 537**	**52 195**	**38 482**

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

StatLink https://stat.link/7mlzob

Table 6.26. Annual average gross and net wage earnings, single individual no children, 2000-22 (national currency)

		2000		2010		2015		2020		2021		2022	
		Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Australia	AUD	41 322	30 332	66 724	51 856	80 720	61 292	90 864	68 984	93 254	71 597	94 685	72 911
Austria	EUR	29 732	20 526	38 504	25 770	43 911	28 524	49 087	33 032	50 447	33 712	52 666	35 837
Belgium	EUR	31 644	18 035	43 423	24 873	46 479	26 954	50 312	30 540	51 328	31 064	55 332	33 006
Canada	CAD	43 300	31 639	58 800	44 113	65 600	49 015	76 100	57 020	78 018	58 277	81 704	60 785
Chile	CLP	3 690 623	3 432 280	6 181 738	5 749 016	8 481 551	7 887 842	10 277 863	9 555 132	10 793 531	10 037 984	11 492 895	10 688 392
Colombia	COP	1 604 324	1 459 935	5 191 869	4 715 774	7 205 069	6 532 116	8 294 100	7 423 220	8 761 423	7 841 473	9 445 151	8 453 410
Costa Rica	CRC	5 283 845	5 283 845	12 382 986	12 382 986	15 107 886	15 107 886	17 892 648	17 892 648	18 908 349	18 908 349	21 137 925	21 137 925
Czech Republic	CZK	160 922	124 729	287 320	222 803	320 624	245 750	423 535	316 783	441 784	354 760	472 783	380 699
Denmark	DKK	281 700	164 922	376 073	240 914	403 600	258 738	440 000	284 802	451 800	292 079	468 195	301 934
Estonia	EUR	3 931	3 068	9 712	7 820	13 045	10 638	17 224	14 445	18 489	15 300	19 996	16 319
Finland	EUR	26 362	17 431	39 395	27 804	43 268	29 918	48 083	33 192	49 491	33 992	50 774	34 972
France	EUR	26 712	18 923	34 693	25 032	37 975	26 959	37 660	27 467	39 429	28 559	41 540	30 053
Germany	EUR	34 400	19 539	41 736	25 374	47 100	28 411	51 000	31 293	52 800	32 850	55 041	34 439
Greece	EUR	15 459	12 120	24 156	18 567	20 494	15 628	18 834	14 325	19 614	15 119	19 912	15 335
Hungary	HUF	1 086 240	698 166	2 512 020	1 723 560	3 172 680	2 078 105	5 043 851	3 354 161	5 431 692	3 612 075	6 328 111	4 208 194
Iceland	ISK	2 712 000	2 022 102	5 256 000	3 805 407	7 668 000	5 417 104	9 528 000	6 838 404	10 357 357	7 434 574	10 959 626	7 869 300
Ireland	EUR	28 924	20 956	41 981	32 139	43 733	32 345	50 771	37 199	52 135	37 907	54 649	39 617
Israel	ILS	95 664	70 691	121 581	100 905	139 728	115 260	161 172	131 544	168 240	136 268	172 609	139 601
Italy	EUR	21 550	15 291	28 243	19 705	30 550	21 052	32 216	22 508	32 029	22 999	33 855	24 102
Japan	JPY	4 987 116	4 002 481	4 773 076	3 788 423	5 083 906	3 960 010	5 082 722	3 952 907	5 087 487	3 956 352	5 154 009	4 004 449
Korea	KRW	19 849 729	18 073 190	36 876 204	32 348 478	39 695 196	34 405 928	46 753 752	39 690 849	48 600 252	41 049 322	49 775 096	41 888 689
Latvia	EUR	2 316	1 670	7 296	5 069	9 588	6 815	13 656	9 787	15 276	11 229	16 758	12 315
Lithuania	EUR	3 187	2 270	6 735	5 245	8 623	6 652	16 844	10 788	18 560	11 798	20 667	12 997
Luxembourg	EUR	35 875	25 591	49 387	36 167	55 858	38 631	64 424	44 374	65 517	44 935	70 189	47 640
Mexico	MXN	48 607	47 400	87 672	82 301	107 551	96 320	138 349	122 787	153 588	136 288	154 646	137 204
Netherlands	EUR	31 901	21 176	45 215	30 901	49 540	34 552	54 710	39 143	55 904	40 433	57 513	41 557
New Zealand	NZD	34 923	28 159	48 007	39 850	56 436	46 485	64 994	52 476	65 957	53 150	70 588	56 374
Norway	NOK	298 385	206 788	471 696	333 655	553 670	396 149	628 685	455 971	638 564	464 323	666 115	483 940
Poland	PLN	23 061	16 649	36 482	27 548	46 136	34 628	61 839	46 915	64 095	48 589	72 945	56 349
Portugal	EUR	10 922	8 470	16 542	12 870	17 369	12 441	19 868	14 384	20 680	14 876	21 606	15 526
Slovak Republic	EUR	5 256	4 197	9 593	7 494	10 983	8 427	13 418	10 251	14 438	10 985	15 538	11 769
Slovenia	EUR	8 894	5 732	16 915	11 284	18 092	12 062	21 054	13 897	22 276	14 601	23 332	15 495
Spain	EUR	17 319	13 882	24 786	19 400	26 475	20 845	26 028	20 633	27 570	21 669	28 360	22 294
Sweden	EUR	263 581	174 686	368 208	277 001	414 105	312 312	464 186	349 843	476 276	360 056	494 513	374 518
Switzerland	CHF	72 910	59 918	85 068	70 280	86 512	71 845	93 816	77 114	97 927	80 071	100 885	82 203
Türkiye[1]	TRY	5 545	3 952	18 026	13 235	31 191	22 654	72 933	51 880	86 989	61 446	137 340	101 304
United Kingdom	GBP	24 910	18 481	34 297	25 589	35 978	27 552	39 978	30 825	41 878	32 139	44 300	33 827
United States	USD	33 129	24 877	45 665	34 429	50 963	37 900	59 517	46 867	62 172	48 239	64 889	48 793

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

StatLink https://stat.link/0tqxk1

Note

[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.

Part II Country details, 2022

Australia
(2021-2022 Income tax year)

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

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

Australia 2022

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**	63 439	94 685	158 123	63 439
	Principal Gross wage earnings	63 439	94 685	158 123	63 439
	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)**	63 439	94 685	158 123	63 439
5.	**Central government income tax liability (exclusive of tax credits)**				
	Income tax	11 085	21 240	43 573	11 085
	Medicare Levy	1 269	1 894	3 162	1 269
	Total	12 353	23 133	46 735	12 353
6.	**Tax credits**				
	Basic credit	1 548	1 359	0	1 548
	Married or head of family	0	0	0	0
	Children				
	Other				
	Total	1 548	1 359	0	1 548
7.	**Central government income tax finally paid (5-6)**	10 805	21 774	46 735	10 805
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)**	10 805	21 774	46 735	10 805
11.	**Cash transfers from general government**				
	For head of family	0	0	0	0
	For two children	0	0	0	13 665
	Total	0	0	0	13 665
12.	**Take-home pay (1-10+11)**	52 634	72 911	111 388	66 299
13.	**Employers' payroll tax (assumes NSW-based employer with more than $**	3 384	5 051	8 436	3 384
14.	**Average rates**				
	Income tax	17.0%	23.0%	29.6%	17.0%
	Employees' social security contributions	0.0%	0.0%	0.0%	0.0%
	Total payments less cash transfers	17.0%	23.0%	29.6%	-4.5%
	Total tax wedge including employer payroll taxes	21.2%	26.9%	33.1%	0.8%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	36.0%	37.5%	39.0%	56.0%
	Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner	39.2%	40.7%	42.1%	58.2%
	Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.

Australia 2022

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**	94 685	158 123	189 369	158 123
	Principal Gross wage earnings	94 685	94 685	94 685	94 685
	Spouse Gross wage earnings	0	63 439	94 685	63 439
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)**	94 685	158 123	189 369	158 123
5.	**Central government income tax liability (exclusive of tax credits)**				
	Income tax	21 240	32 324	42 479	32 324
	Medicare Levy	1 894	3 162	3 787	3 162
	Total	23 133	35 487	46 266	35 487
6.	**Tax credits**				
	Basic credit	1 359	2 908	2 719	2 908
	Married or head of family				
	Children				
	Other	0	0	0	0
	Total	1 359	2 908	2 719	2 908
7.	**Central government income tax finally paid (5-6)**	21 774	32 579	43 548	32 579
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)**	21 774	32 579	43 548	32 579
11.	**Cash transfers from general government**				
	For head of family	0	0	0	0
	For two children	6 672	0	0	0
	Total	6 672	0	0	0
12.	**Take-home pay (1-10+11)**	79 583	125 545	145 822	125 545
13.	**Employers' payroll tax (assumes NSW-based employer with more than $9**	5 051	8 436	10 103	8 436
14.	**Average rates**				
	Income tax	23.0%	20.6%	23.0%	20.6%
	Employees' social security contributions	0.0%	0.0%	0.0%	0.0%
	Total payments less cash transfers	15.9%	20.6%	23.0%	20.6%
	Total tax wedge including employer payroll taxes	20.2%	24.6%	26.9%	24.6%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	37.5%	37.5%	37.5%	37.5%
	Total payments less cash transfers: Spouse	27.5%	36.0%	37.5%	36.0%
	Total tax wedge: Principal earner	40.7%	40.7%	40.7%	40.7%
	Total tax wedge: Spouse	31.2%	39.2%	40.7%	39.2%

The national currency is the Australian dollar (AUD). For the 2021-2022 income tax year AUD 1.45 was equal to USD 1. The average full-time worker earned AUD 94 685 in 2021-2022.

1. Personal income tax system

1.1. Federal income tax

1.1.1. Tax unit

Members of a family unit are taxed separately. However, individual eligibility for some tax offsets, as well as liability for some taxes, levies and surcharges, are at least partially dependent on the circumstances of other members of an individual's household.

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 700 is available for low income earners called the Low Income Tax Offset. Taxpayers whose taxable income was less than or equal to AUD 37 500 in 2021-2022 are eligible to receive the full amount of the offset. Between taxable income ranges of AUD 37 501 and AUD 45 000, the offset is reduced by AUD 0.05 for every AUD 1 by which a taxpayer's taxable income exceeds AUD 37 500. When taxable income exceeds AUD 45 000, the offset is further reduced by 0.015 AUD for every AUD 1. The offset 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 1 500 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 or equal to AUD 37 000 in 2021-2022 are eligible to receive AUD 675. 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 1 500 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 taxpayer's earnings exceed AUD 90 000 and is no longer available once a taxpayer's taxable income is AUD 126 000 or more.
- 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 2 833 in 2021-2022. To qualify for the offset in 2021-2022, the combined adjusted taxable income of the taxpayer and their spouse (where one exists) should not exceed AUD 100 900. The

amount of offset that may be received is reduced by AUD 0.25 for every AUD 1 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 11 614. 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. The SAPTO is also available to Australians who meet all of the Age Pension eligibility criteria except the income and/or asset tests. The 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, 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 2021-2022, 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 2021-2022, eligible individuals with incomes not exceeding AUD 56 112 can make non-concessional contributions and receive a co-contribution of 50%, up to a maximum of AUD 500. The co-contribution rate progressively decreases for incomes between AUD 41 112 and AUD 56 112, at a rate of AUD 0.03 per AUD 1 of income above AUD 41 112.
- Relief for private health insurance: For the 2021-2022 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 24.608% of the cost of cover for eligible private health care for the 2021-2022 income year. The same rebate rates apply 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 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, and expenses related to working from home.

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	45 000	AUD 0.19 for each AUD in excess of AUD 18 200
45 001	120 000	AUD 5 092 + AUD 0.325 for each AUD in excess of AUD 45 000
120 001	180 000	AUD 29 467 + AUD 0.370 for each AUD in excess of AUD 120 000
180 001 and over		AUD 51 667 + AUD 0.450 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 2021-2022 the levy is applied at the rate of 2.0% of the taxable income of an individual.

Certain thresholds are applied before the Medicare levy is imposed. For taxpayers aged under Age Pension age in 2021-2022, an individual was not liable for the levy where their taxable income did not exceed AUD 23 365. 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 39 402. Individual senior Australians of Age Pension age were not liable to pay the levy where their taxable income did not exceed AUD 36 925. 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 2021-2022 exceeded AUD 51 401. The thresholds are increased by AUD 3 619 for each dependent child.

Where an individual's or family's taxable income exceeds these thresholds, the Medicare levy shades in at a rate of 10% of the excess taxable income over the threshold, until the levy is equal to 2.0% of the individual's or family's total taxable income.

Individual taxpayers who had income for surcharge purposes greater than AUD 90 000 in 2021-2022 (or if a couple had a combined income greater than AUD 180 000 plus AUD 1 500 for each dependent child after the first child) but who did not have a complying private health insurance policy, were liable for the Medicare levy surcharge. The surcharge rates are 1%, 1.25% and 1.5% depending on the taxpayer's income for surcharge purposes above these thresholds. The surcharge rate is applied as a flat rate on their taxable income, reportable fringe benefits and any amount on which family trust distribution tax has been paid. However, the majority of taxpayers with income above the thresholds purchase a complying policy and avoid incurring the surcharge. The surcharge is therefore not included in Taxing Wages 2021-22.

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 2021-2022 the Superannuation Guarantee required employers to pay 10% 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). 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 2021-2022 tax year this threshold was AUD 58 920 per quarter. The Superannuation Guarantee rate will 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 2021-2022 was 4.85% for employers with total Australian wages in excess of AUD 1 200 000. 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 1 200 000. 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 Part A (FTB(A)) is paid to a parent, guardian or an approved care organisation to help families meet the costs of raising children. For 2021-2022, the base rate of FTB(A) is payable where the combined adjusted taxable income of the family does not exceed AUD 99 864. 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 1 602.35 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 2021-2022 families may receive a maximum payment of AUD 4 985.90 for each child aged under 13 years and AUD 6 486.05 for each child aged 13 to 15 years and for each child aged 16 to 19 in full time secondary school. For 2021-2022 an end of year supplement of AUD 788.40 per child is also available for families with a combined adjusted taxable income of less than AUD 80 000. For 2021-2022, the higher benefit tapers out at the rate of AUD 0.20 for each dollar of income over AUD 55 137 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 100 900 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 2021-2022, this threshold is AUD 5 840, 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 2021-2022, the maximum payment is AUD 3 343.40 (including a one-off supplement of AUD 383.25 paid at the end of the financial year) 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 4 620.90 (including a one-off supplement of AUD 383.25 paid at the end of the financial year) 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 2021-2022 is up to AUD 2 300.36 for the first child (and all multiple births) and up to AUD 1 151.03 for subsequent children.
- Paid Parental Leave is provided through two payments, Parental Leave Pay (PLP) and Dad and Partner Pay (DAPP). PLP provides the primary carer of a child with 18 weeks' pay at the national minimum wage (AUD 772.55 per week before tax in 2021-2022), 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 equal to or less than an income test threshold in the financial year prior to the date of claim or date of birth or adoption, whichever is earlier. The income test threshold is AUD 156 647 for the 2021-22 financial year. 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 772.55 per week before tax in 2021-2022), 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 equal to or less than the income test threshold in the financial year prior to the date of claim or date of birth or adoption, whichever is earlier. The income test threshold is AUD 156 647 for the 2021-22 financial year. DAPP and PLP may be paid for the same child.
- Child Care Subsidy (CCS) is a means-tested payment which assists families with the cost of approved childcare. CCS is payable to eligible families with incomes up to AUD 354 305. A percentage of the cost of childcare is subsidised, up to a cap, with the applicable percentage varying from 85 per cent for families with income less than AUD 70 015 to 20 per cent for families with income between AUD 343 680 and AUD 353 680. From 7 March 2022, families with more than one child aged 5 or under received a higher subsidy of up to 95 per cent or 30 percentage points

more than the applicable percentage for the first child in care. CCS to families with income above AUD 189 390 was capped until 10 December 2021 at AUD 10 560 per child. The attached calculations assume no childcare usage.

4.3. Other transfers

Income support payments in Australia are assessed on fortnightly income. The descriptions below present annualised estimates of fortnightly rates and thresholds by summing up applicable rates across the 2021-22 year. The modelled results presented in Taxing Wages 2021-22 reflect people who have constant income over an entire year. In practice, it is common for fortnightly payment values to fluctuate as recipients' circumstances change.

JobSeeker Payment

JobSeeker Payment is the primary taxable payment payable to people aged from 22 years to Age Pension age (66 years and 6 months in 2021-22) who are unemployed or are regarded as unemployed. 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 or training. In 2021-2022 the annual JobSeeker amount for singles without dependants was AUD 16 407.20 and for partnered individuals was AUD 14 942.40. Recipients are also eligible for an Energy Supplement, and potentially other supplementary payments. These payments taper out at a rate of AUD 0.50 per AUD 1 for incomes between AUD 3 900 and AUD 6 656, and reduce at a rate of AUD 0.60 per AUD for incomes over AUD 6 656. Under the thresholds and taper rates that applied in 2021-2022, the JobSeeker payment may be available to some full-time workers under the OECD definition of 30 or more hours of work per week. The JobSeeker Payment for partnered individuals reduced by AUD 0.60 for each AUD 1 of their partner's income above AUD 29 633.73. 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 3 900.

Parenting Payment

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 2021-2022 the maximum annual amount of Parenting Payment (Partnered) (PP(P)) was AUD 14 942.40. Only one parent in a couple can be entitled to PP(P). The maximum annual amount of Parenting Payment (Single) (PP(S)) in 2021-22 was AUD 22 469.90. Recipients are also eligible for an Energy Supplement, and potentially other supplementary payments. 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 3 900 up to AUD 6 656, and reduces at a rate of AUD 0.60 per AUD 1 for income over AUD 6 656. 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 29 633.73. If the spouse has little or no income (less than AUD 3 900 per annum), he or she would not receive any Parenting Payment when the higher earning partner's income exceeds AUD 54 537.73. PP(S) reduces by AUD 0.40 for each AUD 1 of income above AUD 5 059.60 plus AUD 639.60 for each child other than the first.

Pharmaceutical Allowance

Pharmaceutical Allowance (PA) is a non-taxable supplementary payment 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 2021-2022, the payment is AUD 161.20 for singles and AUD 80.60 for coupled individuals.

Telephone Allowance

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 125.60 for 2021-2022.

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 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 2021-2022.

5. Recent changes in the tax/benefit system

Cost of Living Payment

Concession card holders and recipients of a range of income support payments, including the Age Pension and JobSeeker Payment, were eligible for a one-off non-taxable Cost of Living Payment. The payment was issued in March 2022 and worth AUD 250. Cost of Living Payments are not included in the Taxing Wages calculations as they are non-taxable, one-off payments.

Increase of the Low and Middle Income Tax Offset (LMITO)

The Low and Middle Income Tax Offset was increased by AUD 420 for the 2021-22 income year. The maximum rebate for low income earners was increased to AUD 675 and the maximum rebate was increased to AUD 1 500 for middle income earners. Taxpayers with a taxable income that is equal to or greater than AUD 126 000 will not receive any rebate. The Low and Middle Income Tax Offset will cease after the 2021-2022 income year.

Cessation of the COVID-19 Disaster Payment

The COVID-19 Disaster Payment was announced by the Australian Government on 3 June 2021 in response to COVID-19 lockdown measures. It was a lump sum payment paid by the Australian Government directly to claimants who lost work or income because of a COVID-19 lockdown.

The COVID-19 Disaster Payment had three different rates based on the number of hours of work lost by an eligible recipient and whether or not they were receiving an income support payment:

- AUD 200 per week for those in receipt of an income support payment who lost eight or more hours of work per week or a full day of their usual hours per week (i.e. what the person was scheduled to work, including shifts of less than eight hours) as a result of a lockdown;
- AUD 450 for those who lost between eight and less than 20 hours of work per week or a full day of their usual work hours per week as a result of a lockdown; and
- AUD 750 for those who lost 20 hours or more of work as a result of a lockdown.

The automatic renewal of the COVID-19 Disaster Payment was phased out once states and territories reached 70 per cent full vaccination of its population over 16 years of age. The payment rates were reduced over a two-week period once a state or territory reached 80 per cent full vaccination.

The modelled income earners in Taxing Wages 2021-22 are assumed to work full-time, and not lose hours during the COVID-19 pandemic. As such, modelled income earners would not meet the eligibility requirements for the COVID-19 Disaster Payments. These payments have therefore not been modelled.

Changes to the Pandemic Leave Disaster Payment

The Pandemic Leave Disaster Payment (PLDP) was announced by the Australian Government on 3 August 2020 after several state governments introduced payments for those without access to paid leave entitlements or Australian Government income support, and who were required to isolate or quarantine due to COVID-19. The payment initially provided AUD 1 500 for each 14-day period a person must self-isolate, quarantine or care for a person with COVID-19. On 10 December 2021, the payment was reduced to AUD 750 when isolation periods were halved to 7 days. On 18 January 2022, two different rates of payment were introduced:

- AUD 750 per seven-day period for those who expected to lose 20 hours of work during their isolation/quarantine/care period
- AUD 450 per seven-day period for those who expected to lose at least a whole day's work or up to 19 hours during their isolation/quarantine/care period

The payment is taxable. This payment has not been modelled in Taxing Wages 2021-22, as it is paid on an ad-hoc basis.

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 (ABS) publication Average Weekly Earnings — Australia. 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 2021-22 income tax year have been calculated as the average of the two biannual figures (November 2021 and May 2022 (released in August 2022)).

In August 2009, the 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.

2022 Parameter values

Average earnings/yr	Ave_earn	94 685	
Low Income Tax Offset	low_inc_cr	700	
	low_inc_lim	37 500	
	low_inc_redn	0.05	
	low_inc_lim_2	45 000	
	low_inc_redn_2	0.015	
	low_inc_lim_3	66 667	
Tax schedule	tax_sch	0.000	18 200
		0.190	45 000
		0.325	120 000
		0.370	180 000
		0.450	
Medicare levy	medic_rate	0.02	
exemption limits	sing_lim	23 365	
married	m_lim	39 402	
sing parent receiving PPS	SAPTO_lim	51 401	
+ per child	ch_lim	3 619	
shading-in rate	shade_rate	0.1	
Part A FTB max	FTB_A_max	4 985.9	
Part A FTB basic	FTB_A_base	1 602.35	
part A income limit 1	FTB_A_lim1	56 137	
part A income limit 2	FTB_A_lim2	99 864	
reduction rate 1	FTB_A_taper1	0.2	
reduction rate 2	FTB_A_taper2	0.3	
additional limit2 per extra child	FTB_A_child	0	
Large family supplement	FTB_A_large	0	
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	788.4	
Part A FTB max end of year supplement threshold	FTB_A_supp_lim	80 000	
Part B FTB	FTB_B	3 343.4	
part B partner income limit	FTB_B_lim	5 840	
reduction rate	FTB_B_taper	0.2	
income limit (primary earner)	FTB_B_lim_p	100 900	
Part B FTB ES no child <5 years old	FTB_B_CES_5	51.1	
Single Income Family Supplement max rate	SIFS_max	0	
Single Income Family Supplement phase-in threshold	SIFS_in_lim_pr	68 000	
Single Income Family Supplement taper in Rate - primary earner	SIFS_in_taper_pr	0.025	
Single Income Family Supplement phase-out threshold (primary earner)	SIFS_out_lim_pr	120 000	
Single Income Family Supplement taper out rate (primary earner)	SIFS_out_taper_pr	0.01	
Single Income Family Supplement phase out threshold (secondary earner)	SIFS_out_lim_sec	16 000	
Single income family supplement phase out taper - secondary earner	SIFS_out_taper_sec	0.15	
Parenting payment single	PPS	22 470	
reduction rate	PPS_taper	0.4	
income limit	PPS_lim	5 059.6	
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	0.0485	
Additional parameters			
JobSeeker Payment single rate	NSAS	16 407	

JobSeeker Payment single ES	NSAS_CES	229	
JobSeeker Payment partnered rate	NSAP	14 942	
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	3 900	
income limit 2	NSA_lim2	6 656	
Senior Australian and Pensioner Tax Offset	SAPTO	2 230	
Senior Australian and Pensioner Tax Offset Maximum Section 159N rebate	SAPTO_Max_159N	445	
Senior Australian and Pensioner Tax Offset single threshold	SAPTO_thresh	32 279	
Senior Australian and Pensioner Tax Offset taper rate	SAPTO_taper	0.125	
SchoolKids Bonus	SKB	0	
	SKB_lim		
Telephone allowance	Tele_A	124.49	
Low and Middle Income Tax Offset	LMITO_Base	675	
	LMITO_Taper1	0.075	
	LMITO_Taper2	0.03	
	LMITO_Max	1 500	
	LMITO_Thr1	37 000	
	LMITO_Thr2	90 000	
	LMITO_Thr3	126 000	

2022 Tax Equations

The equations for the Australian system in 2022 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 considers 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	B	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	B	IF(AND(Children>0,Married=0),0,IF(AND(Children=0,Married=0),0,IF(Married>0,taper3(NSAP,earn_spouse,earn_princ,NSA_lim1,NSA_lim2,NSA_taper1,NSA_taper2,0),0)))
4.	CG taxable income	tax_inc	B	earn+taxbl_cr
5.	CG tax before credits			
	Medicare Levy	med_levy	B	medicare(tax_inc,sing_lim,m_lim,SAPTO_lim,ch_lim,shade_rate,medic_rate,Married,tax_inc_oth,Children)
	Tax liability	liab	P	Tax(tax_inc, tax_sch)
6.	Tax credits :			
	Low Income Tax Offset	low_cr	B	LITO(Tax_Inc,low_inc_lim,low_inc_cr,low_inc_lim_2,low_inc_redn,low_inc_lim_3,low_inc_redn_2)
	Senior Australian and Pensioner Tax Offset	sap_cr	P	IF(AND(taxbl_cr_princ>0,NOT(AND(Children>0,Married=0))),Tax(taxbl_cr_princ,tax_sch),IF(taxbl_cr_princ>0,Taper(SAPTO,tax_inc,SAPTO_thresh,SAPTO_taper),0)
	Beneficiary tax offset	ben_cr	B	IF(AND(taxbl_cr>0, NOT(AND(Children>0, Married=0))), Tax(taxbl_cr, tax_sch), 0)
	Low and Middle Income Tax Offset	lmito_cr	B	IF(Tax_Inc<=LMITO_Thr1,LMITO_Base,IF(Tax_Inc<=LMITO_Thr2,MIN(LMITO_Max,LMITO_Base+(Tax_Inc-LMITO_Thr1)*LMITO_Taper1),IF(Tax_Inc<LMITO_Thr3,LMITO_Max-(Tax_Inc-LMITO_Thr2)*LMITO_Taper2,IF(Tax_Inc>=LMITO_Thr3,0)))))
	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	J	IF(PA>0,((FTB_A_max+FTB_A_CES_max+IF(earn_princ+earn_spouse<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(earn_princ+earn_spous<FTB_A_supp_lim,FTB_A_supp,0))*Children-Positive((earn_princ+earn_spous+taxbl_cr_princ+taxbl_cr_spouse)-FTB_A_lim1)*FTB_A_taper1),Positive((FTB_A_base+FTB_A_CES_basic)*Children-Positive((earn_princ+earn_spous+taxbl_cr_princ+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)
	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)
	Energy Supplement	CES	J	IF(AND(Children>0,Married=0,Taper(PPS+PPS_CES,earn_princ,PPS_lim+PPS_ch_lim*(Children-1),PPS_taper)>0),MAX(0,Taper(PPS+PPS_CES,earn_princ,PPS_lim+PPS_ch_lim*(Children-1),PPS_taper)-Taper(PPS, earn_princ,PPS_lim+PPS_ch_lim*(Children-1),PPS_taper)),IF(AND(Children>0,Married=0,Taper(PPS+PPS_CES,earn_princ,PPS_lim+PPS_ch_lim*(Children-1),PPS_taper)=0),0,IF(AND(Children=0,Married=0,taper2(NSAS+NSAS_CES,earn_princ,NSA_lim1,NSA_lim2,NSA_taper1,NSA_taper2)>0),taper2(NSAS+NSAS_CES,earn_princ,NSA_lim1,NSA_lim2,NSA_taper1,NSA_taper2)-taper2(NSAS,earn_princ,NSA_lim1,NSA_lim2,NSA_taper1,NSA_taper2),IF(AND(Married>0,taper3(NSAP,earn_spouse,earn_princ,NSA_lim1,NSA_lim2,NSA_taper1,NSA_taper2,NSAP_CES)>0),taper3(NSAP,earn_spouse, earn_princ,NSA_lim1,NSA_lim2,NSA_taper1,NSA_taper2,NSAP_CES)-taper3(NSAP,earn_spouse,earn_princ,NSA_lim1,NSA_lim2,NSA_taper1, NSA_taper2,NSAP_CES-NSAP_CES)))))+IF(AND(Married>0,taper2(NSAP+NSAP_CES,earn_princ,NSA_lim1,NSA_lim2,NSA_taper1,NSA_taper2)>0),max(0, taper2(NSAP+NSAP_CES,earn_princ,NSA_lim1,NSA_lim2,NSA_taper1,NSA_taper2)-taper2(NSAP,earn_princ,NSA_lim1,NSA_lim2,NSA_taper1,NSA_taper2)),0)
	SchoolKids Bonus	SKB	J	0
	Single Income Family Supplement	SIFS	J	sifs(tax_inc_princ,tax_inc_spouse,ftbA+ftbB,SIFS_max,SIFS_in_lim_pr,SIFS_in_taper_pr,SIFS_out_lim_pr,SIFS_out_taper_pr,SIFS_out_lim_sec,SIFS_out_taper_sec)
		cash_trans	J	ftbA+ftbB+taxbl_cr_princ+PA+taxbl_cr_spouse+Tele_A +CES+SKB+SIFS
	Telephone Allowance	TA	B	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)
	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 JobSeeker Payment for spouse versus Parenting Payment for spouse and JobSeeker Payment 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 2022

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**		35 286	52 666	87 952	35 286
2.	**Standard tax allowances**					
	Basic allowance		0	0	0	0
	Married or head of family					
	Dependent children		0	0	0	0
	Deduction for social security contributions and income taxes		6 343	9 468	14 270	6 343
	Work-related expenses		132	132	132	132
	Other		0	0	0	0
		Total	6 475	9 600	14 402	6 475
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		28 811	43 066	73 550	28 811
5.	**Central government income tax liability (exclusive of tax credits)**		3 769	8 411	19 810	3 769
6.	**Tax credits**					
	Basic credit		0	0	0	0
	Married or head of family		0	0	0	669
	Children		0	0	0	3 556
	Other		400	400	400	400
		Total	400	400	400	4 625
7.	**Central government income tax finally paid (5-6)**		3 369	8 011	19 410	- 856
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		6 343	9 468	14 270	6 343
	Taxable income					
		Total	6 343	9 468	14 270	6 343
10.	**Total payments to general government (7 + 8 + 9)**		9 713	17 479	33 680	5 488
11.	**Cash transfers from general government**					
	For head of family		650	650	500	650
	For two children		0	0	0	6 028
		Total	650	650	500	6 678
12.	**Take-home pay (1-10+11)**		26 224	35 837	54 772	36 476
13.	**Employer's wage dependent contributions and taxes**					
	Employer's compulsory social security contributions		7 431	11 091	16 716	7 431
	payroll taxes		2 435	3 634	6 069	2 435
		Total	9 866	14 725	22 785	9 866
14.	**Average rates**					
	Income tax		9.5%	15.2%	22.1%	-2.4%
	Employees' social security contributions		18.0%	18.0%	16.2%	18.0%
	Total payments less cash transfers		25.7%	32.0%	37.7%	-3.4%
	Total tax wedge including employer's social security contributions		41.9%	46.8%	50.5%	19.2%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		41.5%	48.2%	42.0%	18.7%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		54.3%	59.5%	45.7%	36.5%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Austria 2022

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**		52 666	87 952	105 332	87 952
2.	**Standard tax allowances**					
	Basic allowance		0	0	0	0
	Married or head of family					
	Dependent children		0	0	0	0
	Deduction for social security contributions and income taxes		9 468	15 811	18 936	15 811
	Work-related expenses		132	264	264	264
	Other		0	0	0	0
		Total	9 600	16 075	19 200	16 075
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		43 066	71 877	86 132	71 877
5.	**Central government income tax liability (exclusive of tax credits)**		8 411	12 180	16 821	12 180
6.	**Tax credits**					
	Basic credit		0	0	0	0
	Married or head of family		669	0	0	0
	Children		4 000	4 000	4 000	0
	Other		400	800	800	800
		Total	5 069	4 800	4 800	800
7.	**Central government income tax finally paid (5 - 6)**		3 342	7 380	12 021	11 380
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		9 468	15 811	18 936	15 811
	Taxable income					
		Total	9 468	15 811	18 936	15 811
10.	**Total payments to general government (7 + 8 + 9)**		12 810	23 191	30 957	27 191
11.	**Cash transfers from general government**					
	For head of family		1 150	1 150	1 150	1 150
	For two children		6 028	6 028	6 028	0
		Total	7 178	7 178	7 178	1 150
12.	**Take-home pay (1-10+11)**		47 034	71 939	81 553	61 911
13.	**Employer's wage dependent contributions and taxes**					
	Employer's compulsory social security contributions		11 091	18 521	22 181	18 521
	Payroll taxes		3 634	6 069	7 268	6 069
		Total	14 725	24 590	29 449	24 590
14.	**Average rates**					
	Income tax		6.3%	8.4%	11.4%	12.9%
	Employees' social security contributions		18.0%	18.0%	18.0%	18.0%
	Total payments less cash transfers		10.7%	18.2%	22.6%	29.6%
	Total tax wedge including employer's social security contributions		30.2%	36.1%	39.5%	45.0%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		48.2%	48.2%	48.2%	48.2%
	Total payments less cash transfers: Spouse		29.4%	41.5%	48.2%	41.5%
	Total tax wedge: Principal earner		59.5%	59.5%	59.5%	59.5%
	Total tax wedge: Spouse		44.8%	54.3%	59.5%	54.3%

The Austrian currency is the Euro (EUR). In 2022, EUR 0.96 was equal to USD 1. In that year, the average worker in Austria earned EUR 52 666 (Secretariat estimate).

1. Personal Income Tax

1.1. Central government income tax

1.1.1. Tax unit

Each person is taxed separately. However, the Austrian taxation system follows the “ability-to-pay” principle. Several tax reliefs depend on non-personal characteristics but requirements related to special life circumstances, including such connected to the family situation given.

1.1.2. Tax allowances

1.1.2.1. Standard tax reliefs

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

1.1.2.2. Non-standard tax reliefs

- Mainly work related expenses (‘Werbungskosten’) are - if qualified - deductible in the amount effectively expended.
- 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:

- Special expenses (‘Sonderausgaben’): 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 2022 the tax schedule is:

Income (EUR) up to	Marginal rate %
11 000	0
18 000	20
31 000	32.5
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 using the regular rate schedule (MTR of 50% or 55%, see above).

1.1.4. Tax credits

1.1.4.1. Standard tax credits:

- Traffic (commuting) tax credit of up to EUR 1 050, composed by the basic traffic tax credit of EUR 400 and a supplement of EUR 650. In the case of a current income above EUR 16 000, the tax credit is faded out uniformly to EUR 400 for income above EUR 24 500. For commuters with a traffic allowance (see 1.1.2.2.) the basic traffic tax credit is EUR 690. Thus, the deductible amount accumulates to a maximum of EUR 1 090.

  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 55% of overall social security contributions paid. The refundable amount is capped at EUR 1 150 (the case for commuters with a traffic allowance earning below EUR 16,000). The standard case, however, on

  allows a refund of up to EUR 1 050. However, this threshold does not apply in 2022

- For 2022 a one-time inflation tax credit of EUR 500 is introduced. The tax credit is faded out to zero uniformly for current income between EUR 18,200 and EUR 24 500.

  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 70% of overall social security contributions paid. The maximum refundable amount in 2022 is EUR 1 550. The payable amount covers the basic traffic tax credit, the supplement to the traffic tax credit and the inflation tax credit.

The following tax credits exist for tax payers with children:

- Non-payable family tax credit of EUR 2 000 each child (EUR 650 if the child is older than 18 years). There exist several options for allocating the credit between the eligible parties. The parents can split up the tax credit one half each or one parent receives the full benefit. The allocation can be defined for each child separately.
- Child tax credit of EUR 700.8 (EUR 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 the OECD Revenue Statistics). Sole earner or single parent tax credit for families with children: The sole earner credit is not given when a spouse's yearly income exceeds EUR 6 000. The single parent credit is not granted if the parent lives more than 6 months per calendar year with a partner. 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).
- Tax payers with an income tax liability below EUR 550 receive an additional transfer, the so-called 'Kindermehrbetrag'. If the income tax liability (exclusive of tax credits) is lower than EUR 550 (in the case of one child), the difference of EUR 550 and the correspondent tax liability is refunded. The maximum amount payable is EUR 550 for each child.

1.1.4.2 Non-standard tax credit

- 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.
- Tax payers who make legally required alimony payments to their child qualify for an alimony tax credit of EUR 350 (EUR 29.2 per month). For a second child, the credit is EUR 43.8 per month. For every other child the monthly deductible amount is EUR 58.4. The alimony tax credit is non-payable.
- A tax credit for retired persons which amounts to EUR 1 214 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 825. The tax credit is linearly reduced to 0 for incomes between EUR 17 500 (EUR 19 930 for sole earners) and EUR 25 500. If the income tax liability is negative, a refund of social security contributions applies. The refund is limited to 80% of total social security contributions paid, respectively to EUR 550.

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	5 670	11 340	3.87	3.78
Unemployment insurance	5 670	11 340	(4)	3.00
Pension insurance	5 670	11 340	10.25	12.55

Accident insurance	5 670	11 340	--	1. 20
Contribution to the labour chamber	5 670	(1)	0.50	--
Contribution for the promotion of residential building	5 670	(1)	0.50	0.50
Addition to secure wage payments in the case of bankruptcy	5 670	11 340	--	0.1

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 485.85 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 2022, it is zero for monthly earnings up to EUR 1 828, 1% up to EUR 1 994, 2% up to EUR 2 161 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%). If the assessment basis does not exceed 1460 EUR per calendar month, it is reduced by 1095 EUR. The wage-dependent part of the contribution to the Austrian Economic Chamber (listed under heading 1000, Taxes on profits, OECD 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, OECD Revenue Statistics) is included in the social security contributions shown above. It is levied by the Health Insurance Companies on monthly (current) income) 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 section 1.1.4) 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 15 years every September.

Due to the COVID-19 pandemic parents are entitled to additional EUR 360 family allowance each child in 2020. For beneficiaries of minimum income or social transfers, an additional EUR100 are paid out in 2020 and 2021, respectively.

For August 2022 an additional family allowance of EUR 180 is given.

3.3. Other cash transfers

With the eco-social tax reform 2021 a national emissions certificate trading scheme covering non-ETS sectors has been introduced. The system comprises a regional climate bonus to compensate for the resulting additional burden on households. For 2022, every Austrian resident (primary residency for at least 6 months in the calendar year) is entitled to a direct payment of EUR 250 per person. Children up to the age of 18 years receive half the amount.

For 2022 a supplement to the climate bonus is paid: the anti-inflation bonus. For income tax purposes, this bonus of EUR 250 is only defined as tax-exempt up to a yearly taxable income of EUR 90 000. Above this threshold, the bonus is taxed at the applicable rate. For children up to the age of 18 years a tax-exempt bonus of EUR 125 is paid.

To combat the rising energy prices, an energy cost credit worth EUR 150 can be redeemed by each household in 2022. The bonus is not granted above a certain income threshold. For single-occupancy households this threshold is set at EUR 55 000 per year (gross annual income after deduction of the SSCs and allowable expenses). In the case of multi-occupancy households, the threshold is EUR 110 000.

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.

From 2021 on, the standard tax allowance for special expenses of EUR 60 was abolished.

From 2022 on, the supplement to the traffic tax credit is raised from EUR 400 to EUR 650. In case of a negative income tax liability, the refund is capped at 55% of overall social security contributions paid or a maximum of EUR 550.

The non-payable family tax credit is increased to EUR 2000 for each child (EUR 650 if the child is older than 18 years). From now on the maximum amount payable by child via the so-called `Kindermehrbetrag' is EUR 550. Also the definition of eligible recipients has been expanded and is not limited anymore to qualifiers for sole- or single earner tax credits.

Several new (mostly one-time) tax credits and cash transfers have been introduced:

- An inflation tax credit of EUR 500 that is faded out uniformly to zero for current income between EUR 18 200 and EUR 24
- 500. In case of a negative income tax liability, the refund for 2022 is limited to 70% of overall social security contributions paid (max. refundable amount: EUR 1 550).
- The `climate bonus': direct, tax-free lump-sum payment of EUR 250 per person. Children up to the age of 18 years receive half the amount. The stated amount applies only for 2022.
- A one-time supplement to the climate bonus (the anti-inflation bonus). Payment of EUR 250 that is tax-exempt up to a yearly taxable income of EUR 90 000. Again, for children only EUR 125 are paid.
- An energy cost credit worth EUR 150 (only for households with adjusted gross annual income of EUR 55 000 (single household) or EUR 110 000 (multiple earners)). This cash transfer is a one-time measure to counteract risen energy prices.
- An additional family allowance of EUR 180 is given in August 2022.

4.1. Changes to labour taxation due to the COVID-19 pandemic in 2020 and 2021

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.

In response to the increased popularity of working from home two new specific legal regulations have been introduced. First, expenses for ergonomic office furniture (e.g. desks, swivel chairs or desk lamps) are tax-deductible in a sum of up to EUR 300 per year. Second, to compensate for additional expenses, a lump-sum allowance of EUR 3 per day worked from home can be deducted. This is possible for a maximum of 100 home office days per year. Thus, up to EUR 300 per year and employee can be left tax-free. One option is that the employer can pay out up to 3 euros per home office day tax-exempt. If the tax-free maximum amount of EUR 3 per day is not used up or if the employer does not grant a lump sum at all, the employee can claim the difference as income-related expenses.

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.

2022 Parameter values

Average earnings/yr	Ave_earn	52 666	
Non current income as %	non_cur_pc	14.29%	
Tax schedule for nci	nci_sch	0	2 000
		0.3	2 345
		0.06	25 000
		0.27	50 000
Maximum non-current income tax base	nci_base_max	0.3575	83 333
Work related	work_rel	132	
Family tax credit	fam_cr	2 000	
Sole-, single earner family tax credit	fam_cr_sole	550	
Max. neg. employee's tax credit	neg_wage_cr	1 550	
Max. neg. employee's tax credit rate	neg_wage_cr_rate	70%	
Traffic (commuting) tax credit	traffic_cr	400	
Supplement to traffic (commuting) tax credit	traffic_cr_sppl	650	
Lower Limit of traffic tax credit	traffic_cr_ll	16 000	
Upper Limit of traffic tax credit	traffic_cr_ul	24 500	
Children suppl.to SETC: 1st child	dsole1_cr	494	
2nd child	dsole2_cr	175	
3rd+ child	dsole3_cr	220	
Spouse with children	sole_lim1	6 000	
Income tax schedule	Tax_sch	0	11 000
		0.20	18 000
		0.325	31 000
		0.42	60 000
		0.48	90 000
		0.50	1 000 000
		0.55	
Ceiling f. soc. security contributions	SSC_ceil	5670	
lower limit	SSC_low	485.85	
Employees' contr. rates	health_rate	3.87%	
	unemp_rate	0.00%	1 828
		1.00%	1 994
		2.00%	2 161
		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	0.1%	
sum without others	empr_14	20.88%	
	others_empr	0.50%	
Payroll taxes	payroll_rate	6.90%	
Child benefit: 1st child	CB_1	1 368.0	
2nd child	CB_2	1 538.4	
suppl.>=3years	CB03sppl	94.8	

suppl.>=10years	CB10sppl	330.0	
5<suppl<16	CB6to15	100	
Child tax credit	child_cr_1	700.8	
Child benefit year 2022	CB_2022	180	
Compensation of energy costs	energy_2022	150	
Upper limit for compensation of energy costs	energy_2022_ul	55 000	
Climate bonus 2022	klima_2022	250	
Supplement to the climate bonus for 2022	klima_sppl	250	
Upper limit for tax-free supplement to the climate bonus	klima_sppl_ul	90 000	
Climate bonus <18years	klima_2022_child	125	
Supplement to the climate bonus for 2022	klima_sppl_child	125	
Inflation tax credit	inflation_cr	500	
Lower Limit of inflation tax credit	inflation_cr_ll	18 200	
Upper Limit of inflation tax credit	inflation_cr_ul	24 500	

2022 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, 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
89	SSC on curr.inc.	SSCc	=IF(cearn/12>=1460;(empl_14+unemp(earn,unemp_rate)+others_rate)* MIN(12*SSC_ceil;cearn)*(cearn>12*SSC_low);(empl_14+unemp(earn,unemp_rate) +others_rate)* ((cearn/12-1095)*12)*(cearn>12*SSC_low))
10	Work related expenses	work_rel	=(earn>14*SSC_low)*work_rel
12	Tax base for schedule	ctbase	=IF((cearn-SSCc-work_rel)+max(0;ncearn-SSCnc-nci_base_max)<=klima_sppl_ul;(cearn-SSCc-work_rel)+max(0;ncearn-SSCnc-nci_base_max);(cearn-SSCc-work_rel)+max(0;ncearn-SSCnc-nci_base_max)+klima_sppl)
13	Gross tax on current income	gtaxcur	=Tax(ctbase;tax_sch)
15	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)
16	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
17	Other	othcr	=(B5>14*SSC_low)*(traffic_cr+MIN(1;MAX(0;(traffic_cr_ul-B12)/(traffic_cr_ul-traffic_cr_ll)))*traffic_cr_sppl+MIN(1;MAX(0;(inflation_cr_ul-B12)/(inflation_cr_ul-inflation_cr_ll)))*inflation_cr)
18	Interm. tax on current income	itcur	=gtaxcur -headcr-othcr
19	Net tax on current income	ntaxcur	=max(gtaxcur-btaxcr-other;-neg_wage_cr_rate*SSC;-neg-wage_cr)-child>0)-headcr
20	Non current income	ncearn	=earn-cearn
21	SSC on non-curr. inc.	SSCnc	=(health_rate+unemp(earn,unemp_rate)+pension_rate)* MIN(2*SSC_ceil;ncearn)*(ncearn>2*SSC_low)
22	Tax base for non-current income	ncearn_adj1	=min(ncearn-SSCnc;nci_base_max)
23	Tax schedule	nci_sch	=min(ncearn-SSCnc;nci_base_max)
24	Taxable income	taxinc	=ctbase+ncearn_adj1
25	Tax liability excl. tax credits	inctax_ex	=gtaxcur+taxnc
26	Income tax finally paid	inctax	=ntaxcur+taxnc
27	Employee's SSC	SSC	=SSCc+SSCnc

Bn	Variable	code for docn equations	Excel-Function
28	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)
29	Pay-roll taxes	payroll	=payroll_rate*earn
30	Cash transfers	cash	=klima_2022+IF((cearn-SSCc-work_rel+MAX(0;ncearn-SSCnc-nci_base_max))<=klima_sppl_ul;klima_sppl;0)+WENN((cearn-SSCc-work_rel)+max(0;ncearn-SSCnc-nci_base_max)<=energy_2022_ul;energy_2022;0)
31	Cash transfers for dependent children	cash_child	=IF(B4=0;0;IF(B4=2;CB_1+CB_2+2*(CB10sppl+CB6to15+child_cr_1+CB_2022+klima_2022_child+klima_sppl_child)))
32	Take-home pay		=earn-inctax-SSC+cash+cash_child
33	Wage cost		=earn+SSCf+payroll

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

Belgium

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

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

Belgium 2022

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**		37 072	55 332	92 404	37 072
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		4 845	7 232	12 077	4 845
	Work-related expenses		5 040	5 040	5 040	5 040
	Other					
		Total	9 885	12 272	17 117	9 885
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		27 187	43 060	75 287	27 187
5.	**Central government income tax liability (exclusive of tax credits)**		8 930	16 107	32 220	8 930
6.	**Tax credits**					
	Basic credit		0	0	0	0
	Married or head of family		2 318	2 318	2 318	2 740
	Children		0	0	0	1 506
	Other					
		Total	2 318	2 318	2 318	4 246
7.	**Central government income tax finally paid (5-6)**		4 962	10 348	22 440	3 515
8.	**State and local taxes**		2 032	4 237	9 188	1 439
9.	**Employees' compulsory social security contributions**					
	Gross earnings		4 845	7 232	12 077	4 845
	Taxable income		203	509	731	203
		Total	5 049	7 741	12 808	5 049
10.	**Total payments to general government (7 + 8 + 9)**		12 042	22 326	44 436	10 003
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	5 852
		Total	0	0	0	5 852
12.	**Take-home pay (1-10+11)**		25 030	33 006	47 968	32 921
13.	**Employer's compulsory social security contributions**		9 713	14 966	24 993	9 713
14.	**Average rates**					
	Income tax		18.9%	26.4%	34.2%	13.4%
	Employees' social security contributions		13.6%	14.0%	13.9%	13.6%
	Total payments less cash transfers		32.5%	40.3%	48.1%	11.2%
	Total tax wedge including employer's social security contributions		46.5%	53.0%	59.1%	29.6%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		55.6%	60.2%	59.0%	55.6%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		68.5%	68.7%	67.8%	68.5%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Belgium 2022

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		55 332	92 404	110 663	92 404
2. Standard tax allowances					
Basic allowance					
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes		7 232	12 077	14 464	12 077
Work-related expenses		5 040	10 080	10 080	10 080
Other					
	Total	12 272	22 157	24 544	22 157
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		43 060	70 247	86 120	70 247
5. Central government income tax liability (exclusive of tax credits)		13 782	25 037	32 214	25 037
6. Tax credits					
Basic credit		0	0	0	0
Married or head of family		4 635	4 635	4 635	4 635
Children		1 278	1 278	1 278	0
Other					
	Total	5 913	5 913	5 913	4 635
7. Central government income tax finally paid (5-6)		5 905	14 351	19 737	15 310
8. State and local taxes		2 418	5 876	8 081	6 269
9. Employees' compulsory social security contributions					
Gross earnings		7 232	12 077	14 464	12 077
Taxable income		410	632	732	632
	Total	7 642	12 709	15 195	12 709
10. Total payments to general government (7 + 8 + 9)		15 965	32 936	43 014	34 288
11. Cash transfers from general government					
For head of family					
For two children		4 344	4 341	4 341	0
	Total	4 344	4 341	4 341	0
12. Take-home pay (1-10+11)		43 711	63 809	71 991	58 116
13. Employer's compulsory social security contributions		14 966	24 678	29 932	24 678
14. Average rates					
Income tax		15.0%	21.9%	25.1%	23.4%
Employees' social security contributions		13.8%	13.8%	13.7%	13.8%
Total payments less cash transfers		21.0%	30.9%	34.9%	37.1%
Total tax wedge including employer's social security contributions		37.8%	45.5%	48.8%	50.4%
15. Marginal rates					
Total payments less cash transfers: Principal earner		55.6%	59.0%	59.0%	59.0%
Total payments less cash transfers: Spouse		45.8%	54.4%	59.0%	54.4%
Total tax wedge: Principal earner		65.0%	67.8%	67.8%	67.8%
Total tax wedge: Spouse		57.0%	67.7%	67.8%	67.7%

The national currency is the Euro (EUR). In 2022, EUR 0.96 was equal to USD 1. The Secretariat has estimated that in that same year the average worker earned EUR 55 332 (Secretariat's 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—13 870	25
13 870—24 480	40
24 480—42 370	45
42 370—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 5 040 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 4 430 per spouse.

Gross earnings less social insurance contributions (EUR)	Rate (%)
Below 6 410	28.70
Between 6 410 and 12 730	10
Between 12 730 and 21 190	5
Above 21 190	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 2 660 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 0.25 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 11 450.

1.1.2.4. Exempt income

The base amount is: 9 270. These amounts vary with regards to the family situation. Additional exemptions for dependent children (a handicapped child counts as two children):

- 1 child: 1 690
- 2 children: 4 340
- 3 children: 9 730
- 4 children: 15 740
- > 4 children: 6 010 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 480 per dependent child.

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

- Other dependants: 1 690
- Handicapped / handicapped spouse: 1 690
- Other handicapped dependants: 1 690
- Widow(er) with dependent child(ren): 1 690
- Single father or mother: 1 690

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—9 750	25
9 750—13 870	30
13 870—23 120	40
23 120—42 370	45
42 370—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 6.3%. 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 880 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 01.01.2022 is as follows:

2021	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		0.21	0.21
Wage restraint		5.23	5.23
Tax shift 2017		-5.04	-5.04
Total	13.07	27.05	40.12

The schedule applicable as from 01.10.2022 is as follows:

2021	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		0.21	0.21
Wage restraint		5.23	5.23
Tax shift 2017		-5.04	-5.04
Total	13.07	27.04	40.11

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 01.01.2022 is as follows:

Gross annual earnings (S) in EUR	Fixed amount	Variable amount
0–38 052.04	0	0.140 (38 052.04–S)
38 052.04 and up	0	0

The schedule applicable as from 01.04.2022 is as follows:

Gross annual earnings (S) in EUR	Fixed amount	Variable amount
0–39 119.08	0	0.140 (39 119.08–S)
39 119.08and 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 01.01.2022 is as follows:

Gross annual salary (S) in EUR	Reduction in Euros
0 < S < 20 905.68	2 567.52
20 905.68< S < 31 341.36	Min (2 567.52, (2 567.52–0.2194 (S–20 905.68))
S > 31 341.36	0

The schedule applicable as from 01.03.2022 is as follows:

Gross annual salary (S) in EUR	Reduction in Euros
0 < S < 21 323.64	2 618.88
21 323.64 < S < 31 341.36	Min (2 618.88, (2 618.88–0.2194 (S–21 323.64))
S > 31 341.36	0

The schedule applicable as from 01.04.2022 is as follows:

Gross annual salary (S) in EUR	Reduction in Euros
0 < S < 22 324.08	2 741.76
22 324.08 < S < 31 341.36	Min (2 741.76, (2 741.76–0.2313 (S–22 324.08))
S > 31 341.36	0

The schedule applicable as from 01.05.2022 is as follows:

Gross annual salary (S) in EUR	Reduction in Euros
0 < S < 22 770.60	2 796.60467.80
22 770.60 < S < 31 341.36	Min (2 796.60, (2 796.60–0.2313 (S–22 770.60))
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. Since 01.01.2022, two schedules are created, one for the single persons and one for couples. The amount of the contribution is as follows:

Single persons:

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	5
from 21 070.96 to 37 344.00	123.95	1.3
from 37 344.00 to 40 997.26	335.50	4.009
from 40 997.26 to 60 161.85	481.96	1.2996
60 161.85 and above	731.28	0

Couple :

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	5
from 21 070.96 to 60 161.85	123.95	1.3
from 60 161.85 to 74 688.00	623.39	0
from 74 688.00 to 81 994.00	623.39	1.3629
81 994.00 and above	731.28	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 1 974.66 (But if the child is born before 1st January 2020, the amount is reduced by EUR 131.62 until 31th December 2025).

Age supplement:

≥ 12 years	131.62
≥ 18 years and an enrolment in higher education	263.24

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 ≤ 34 381.85	526.54	921.52	1448.04
34 381.85 < S ≤ 49 909.13	0	329.06	947.86
S > 46 436.25	0	0	0
Children over the age of 11	1 child	2 children	3 children or more
S ≤ 34 381.85	658.16	1053.14	1579.66
34 381.85 < S ≤ 46 436.25	0	329.08	947.86
S > 46 436.25	0	0	0

Single parent supplement, per child:

	1 child	2 children	3 children or more
S ≤ 34 381.85	0	131.62	263.26
S > 34 381.85	0	0	0

Annual supplement, per child

< 3 years	3 – 5 years	6 – 11 years	≥ 12 years
22.08	0,00	33.12	55.21
	But if pre-school education:		But if an enrolment in higher education:
	22.08		88.33

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	1 283.30	1 294.34	1 514.08	1 536.17	1 650.99	1 650.99	1 746.15
2nd child	2 355.66	2 366.70	2 804.88	2 826.97	3 058.27	3 058.27	3 240.01
3rd child	3 506.24	3 517.28	3 955.46	3 977.55	4 208.85	4 208.85	4 390.59

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 in 2020 and 2021

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-19 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-19 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-19 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.

2022 Parameter values

	Ave_earn	55 332	Secretariat estimate		
Work-related expenses	work_rel_max	5 040			
	work_rel_sch	0	0		
		0	0		
		0.3			
Tax credits (exempt income)	single_cr	9 270			
	Married_cr	9 270			
	Supp_cr_base	0			
	supp_cr_thrsh1	0			
One child	child_cr1	1 690			
Two children	child_cr2	4 340			
Single parents	s_parent_cr	1 690			
Maximum Child Credit Payment	child_cr_max	480			
Basic Credit	basic_cr_base	0			
	basic_cr_thrsh1	5 570			
	basic_cr_thrsh2	7 430			
	basic_cr_thrsh3	18 590			
	basic_cr_thrsh4	24 160			
Basic exemption plus any additional exemption schedule		Ex_rate1			
	Ex_sch	0.25	9 750		
		0.30	13 870		
		0.40	23 120		
		0.45	42 370		
		0.50			
Income tax schedule		tax_rate1			
	tax_sch	0.00	0		
		0.25	13 870		
		0.40	24 480		
		0.45	42 370		
		0.50			
	quote_max	11 450			
	quote_rate	0.3			
Regional tax	red_rate	0.24957			
	reg_tax_rate	0.32591			
Local tax	local_rate	0.063			
	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	2 739.04	0
	(annual)	22 301.99	22 301.99	2 739.04	0.228325
		34 293.81	22 301.99	2 739.04	0.228325
		34 293.81	0	0	0
		99 999 999	0		0
Special annual contribution	SSC_special	0.000	0		
		0	0		

		0		0		
		0.000				
Employer contributions	SSC_empr_rt	0.270475				
	SSC_empr_red	0		0	0.1400	39 318.52
		39 318.52		0	0	0
		39 318.52		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	880.00				
Child benefit (age 7-10) old system	CB_1	1 536.17				
second child (age 7-10) old system	CB_2	2 804.88				
third child (age 7-10) old system	CB_3	3 955.46				
Child benefit (age 6-12) (new sytem)	CB	1 843.04				
Social supplement (children < 12)	Number of children		0	1	2	3
	CS_social	0	0	526.54	951.52	1 448.04
		34 381.85	0	0	329.08	947.86
		49 909.13	0	0	0	0
		99999999	0	0	0	0
Single parent supplement	CS_Single	0	0	0	131.62	263.26
		34 381.85	0	0	0	0
		99999999	0	0	0	0
New Special annual contribution : Single person	SSC_special_single	0.000000		18592.02		
		0.050000		21070.96		
		0.013000		37344.00		
		0.040090		40997.26		
		0.012996		60161.85		
		0.000000				
New Special annual contribution : couple	SSC_special_couple	0.000000		18592.02		
		0.050000		21070.96		
		0.013000		60161.85		
		0.000000		74688.00		
		0.013629		81994.00		
		0.000000				

2022 Tax equations

The equations for the Belgian system in 2022 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)*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, IF(Married, SSC_special_couple, SSC_special_single))
		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 2022

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**	54 742	81 704	136 446	54 742
2.	**Standard tax allowances**				
	Basic allowance				
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes	384	461	461	384
	Work-related expenses				
	Other				
	Total	384	461	461	384
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**	54 357	81 243	135 985	54 357
5.	**Central government income tax liability (exclusive of tax credits)**	8 382	13 894	27 074	8 382
6.	**Tax credits**				
	Basic credit	2 353	2 353	2 353	2 353
	Married or head of family	0	0	0	2 160
	Other(CPP & EI)	510	599	599	510
	Total	2 863	2 952	2 952	5 023
7.	**Central government income tax finally paid (5-6)**	5 519	10 943	24 122	3 360
8.	**State and local taxes**	2 344	4 774	13 329	1 319
9.	**Employees' compulsory social security contributions**				
	Gross earnings	3 786	4 453	4 453	3 786
	Taxable income (Provincial Health Care Levy)	600	750	750	600
	Total	4 386	5 203	5 203	4 386
10.	**Total payments to general government (7 + 8 + 9)**	12 249	20 919	42 654	9 064
11.	**Cash transfers from general government**				
	For head of family	0	0	0	0
	For two children	0	0	0	10 450
	Total	0	0	0	10 450
12.	**Take-home pay (1-10+11)**	42 492	60 785	93 792	56 128
13.	**Employer's compulsory social security contributions**	5 922	7 505	8 820	5 922
14.	**Average rates**				
	Income tax	14.4%	19.2%	27.4%	8.5%
	Employees' social security contributions	8.0%	6.4%	3.8%	8.0%
	Total payments less cash transfers	22.4%	25.6%	31.3%	-2.5%
	Total tax wedge including employer's social security contributions	30.0%	31.9%	35.4%	7.5%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	35.4%	29.7%	43.4%	74.4%
	Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner	41.9%	31.9%	44.5%	77.0%
	Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.

Canada 2022

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		81 704	136 446	163 408	136 446
2. Standard tax allowances					
Basic allowance					
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes		461	845	921	845
Work-related expenses					
Other					
	Total	461	845	921	845
3. Tax credits or cash transfers included in taxable income		0	0	0	0
4. Central government taxable income (1 - 2 + 3)		81 243	135 601	162 487	135 601
5. Central government income tax liability (exclusive of tax credits)		13 894	22 276	27 788	22 276
6. Tax credits					
Basic credit		2 353	4 706	4 706	4 706
Married or head of family		2 160	0	0	0
Other(CPP & EI)		599	1 109	1 198	1 109
	Total	5 111	5 815	5 903	5 815
7. Central government income tax finally paid (5-6)		8 783	16 462	21 885	16 462
8. State and local taxes		4 297	7 118	9 549	7 118
9. Employees' compulsory social security contributions					
Gross earnings		4 453	8 238	8 905	8 238
Taxable income (Provincial Health Care Levy)		750	1 350	1 500	1 350
	Total	5 203	9 588	10 405	9 588
10. Total payments to general government (7 + 8 + 9)		18 282	33 169	41 839	33 169
11. Cash transfers from general government					
For head of family		0	0	0	0
For two children		6 383	3 284	1 752	0
	Total	6 383	3 284	1 752	0
12. Take-home pay (1-10+11)		69 805	106 561	123 321	103 277
13. Employer's compulsory social security contributions		7 505	13 427	15 011	13 427
14. Average rates					
Income tax		16.0%	17.3%	19.2%	17.3%
Employees' social security contributions		6.4%	7.0%	6.4%	7.0%
Total payments less cash transfers		14.6%	21.9%	24.5%	24.3%
Total tax wedge including employer's social security contributions		21.8%	28.9%	30.9%	31.1%
15. Marginal rates					
Total payments less cash transfers: Principal earner		35.4%	35.4%	35.4%	29.7%
Total payments less cash transfers: Spouse		32.9%	41.1%	35.3%	35.4%
Total tax wedge: Principal earner		37.4%	37.4%	37.4%	31.9%
Total tax wedge: Spouse		39.4%	47.0%	37.4%	41.9%

The national currency is the Canadian dollar (CAD). In 2022, CAD 1.31 was equal to USD 1. In that year, the average worker earned CAD 81 704 (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 15 000 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 155 625 in 2022), and be fully phased out by the fifth federal bracket threshold (CAD 221 708 in 2022). 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 2022 is CAD 2 159.70, which is calculated by applying the lowest personal income tax rate (15% in 2022) to the sum of the original BPA (CAD 12 719 in 2022) and the full value of the increase (CAD 1 679 in 2022).
- 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 2 159.70 in 2022.
- 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 460.50 in 2022) (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 3 039.30 for the CPP and CAD 3 315.60 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 952.74 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 1 158.32.
- Canada Workers Benefit[1] (CWB): The CWB was enhanced in 2021 and now provides a non-wastable tax credit equal to 27% of each dollar of earned income in excess of CAD 3 000 to a maximum credit of CAD 1 428 for single individuals without dependents and CAD 2 461 for families (couples and single parents). The credit is reduced by 15% of net family income in excess

of CAD 23 495 for single individuals and CAD 26 805 for families. This is the default national design; provinces may choose to propose jurisdiction-specific changes to this design, subject to certain principles. In 2022, the secondary earner exemption allows the spouse or common-law partner with the lower working income to exclude up to CAD 14 336 of their working income in the computation of their adjusted net income, for the purpose of the CWB phase-out.

- Canada Employment Tax Credit: A tax credit of up to CAD 193.05 on employment income.

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

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

- Medical expenses credit: Taxpayers are entitled to a 15% tax credit for an amount of eligible medical expenses that exceeds the lesser of 3% of net income or CAD 2 479.
- 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 221 708, who may claim a 33% tax credit on the portion of total annual donations over CAD 200 made from taxable income greater than CAD 221 708. 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 3 256). Employee contributions to a defined contribution registered pension plan are limited to 18% of earned income up to a maximum of CAD 29 300.
- 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 28 521 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 28 521, 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

2021 Federal Income Tax Rates

Taxable Income (CAD)	Rate (%)
0—50 197	15
50 197—100 392	20.5
100 392—155 625	26
155 625—221 708	29
221 708 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—46 226	5.05
46 226 —92 454	9.15
92 454—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 4 991	20% of the excess amount
Amounts Exceeding CAD 6 387	36% of the excess amount

Wastable tax credits

- A basic tax credit of CAD 562.62.
- A maximum credit of CAD 477.73 for a dependant spouse or eligible dependant that is withdrawn as the income of the spouse or eligible dependant exceeds CAD 946 and is completely withdrawn when the income of the spouse is at least CAD 10 406.
- 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 257 plus CAD 475 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. In 2022, 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, 0.30% for 2020, 0.50% for 2021, and 0.75% for 2022) 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 460.50 for a total maximum contribution of CAD 3 499.80 (CAD 3 776.10 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 3 039.30 and CAD 3 315.60 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 3 039.30 is reached at an earnings level of CAD 64 900 (i.e. (CAD 64 900 - CAD 3 500) x 4.95% = CAD 3 039.30). 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 10.9% and 11.8% 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 3 499.80 (CAD 3 776.10 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 2022.

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 2022, 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 60 300 per year. The maximum employee contribution is therefore CAD 952.74 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 2022 are CAD 88 000. For a Quebec resident, the maximum employee contribution (EI plus Quebec Parental Insurance Plan) is CAD 1 158.32.

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 5.70% of earnings (less the CAD 3 500 earnings exemption) to a maximum of CAD 3 499.80. For the QPP, the contribution rate is 6.15% of earnings, to a maximum of CAD 3 776.10.[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 1 000 000.

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, 1.32% of the wages paid to each employee to a maximum of CAD 100 422.

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 2022 to June 2023 benefit year is based on 2021 adjusted family net income. The CCB provides a maximum benefit of CAD 7 207 per child under age six and CAD 6 081 per child for those aged six through seventeen. On the portion of adjusted family net income between CAD 33 781 and CAD 73 192, 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 73 192, 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 73 192. The Goods and Services Tax Credit provides a relief of CAD 315 for each adult 19 years of age or older and CAD 166 for each dependent child under the age of 19. Single tax filers without children and with an employment income higher than CAD 10 216 receive an additional CAD 166 that is phased in at a rate of 2%. Single tax filers with children receive an additional CAD 166 that is not subject to phase-in. The credit received for the first dependent child of a single parent is also increased from CAD 166 to CAD 315. The total amount is reduced at a rate of 5% of net family income over CAD 41 020. The amount is paid directly to families.[4]

3.2.2. Provincial

For each child under eighteen, qualifying families can receive up to CAD 1 555 from the Ontario Child Benefit. The benefit is withdrawn at a rate of 8% of family income that exceeds CAD 23 735.

Ontario has a Sales Tax Credit that provides a relief of up to CAD 334 for each adult and each child. It is reduced by 4% of adjusted family net income over CAD 25 663 for single people and over CAD 32 079 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 in 2020 and 2021[5]

4.1.1. CCB: extra payments

An extra CAD 300 per child was delivered through the Canada Child Benefit (CCB) to families already receiving the CCB for the 2019-20 benefit year delivered in May 2020.

A temporary support of up to CAD 1 200 delivered to families which have children under the age of 6[6] and are entitled to the CCB:

- CAD 300 per child with family net income equal to or less than CAD 120 000, and
- CAD 150 per child with family net income above CAD 120 000.
- Payment dates are May, July, and October 2021.

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 in April 2020. The amount was calculated based on information from tax filers' 2018 income tax and benefit return. The maximum amounts for the 2019-20 benefit year were effectively doubled increasing from:

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

4.2. 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. [7]

4.3. Employer contributions to private health and pension schemes

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

2021 Parameter values

Average earnings/yr	Ave_earn	81 704	Secretariat estimate	
Tax credits BPA - original	BPA_org	12 719		
Tax credits BPA - increased	BPA_ins	1 679		

First threshold	BPA_ins_thrsh1	155 625		
Second threshold	BPA_ins_thrsh2	221 708		
Reduction rate	BPA_ins_redn	0.0254		
withdrawal rate	Sp_crd_wth	0.15		
Threshold	Sp_crd_thrsh	0		
Canada Employment Tax Credit	Empl_crd	193.05		
Canada Child Benefit amount per child under 6	ccb_credit1	7 207		
Canada Child Benefit amount per child aged 6-17	ccb_credit2	6 081		
First threshold	ccb_crd_thrsh1	33 781		
Second threshold	ccb_crd_thrsh2	73 192		
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	0.27		
CWB–Maximum Credit (per Adult/Equiv.)	CWB_max	1 428		
CWB–Addl. Maximum Credit (Fam.)	CWB_max_fam	1 033		
CWB–Reduction Rate	CWB_phzout_rt	0.15		
CWB–Threshold	CWB_phzout_thrsh	23 495		
CWB–Addl. Threshold (Fam.)	CWB_phzn_thrsh_fam	3 310		
CWB-Secondary Earner Exemption	CWB_see	14 336		
Federal tax schedule	Fed_sch	0.15	50 197	
		0.205	100 392	
		0.26	155 625	
		0.29	221 708	
		0.33		
Canada pension plan rate (creditable)	CPP_rate	0.0495		
Canada pension plan rate – enhanced (deductible)	CPP_ratededuc	0.0075		
exemption	CPP_ex	3 500		
Upper bound	CPP_up	64 900		
max contrib.(creditable portion)	CPP_max	3 039.30		
Unemployment ins.rate	Unemp_rate	0.0158		
max contrib.	Unemp_max	952.74		
Social security tax credit rate	ssc_crd_rate	0.15		
employer contrib. mult.	Unemp_emplr	1.4		
GST adult credit	GST_crd_ad	315		
child credit	GST_crd_ch	166		
threshold	GST_crd_thrsh	41 020		
reduction rate	GST_crd_redn	0.05		
single supplement	GST_crd_sgsp	166		
single supplement eligibility threshold	GST_sgsp_thrsh	10 216		
single supplement phase-in rate	GST_sgsp_rate	0.02		
Province: Ontario				
Tax Credits	P_basic_crd	562.62		
Spouse	P_spouse_crd	477.73		
withdrawal rate	P_sp_crd_wd	0.0505		

threshold	P_sp_crd_thr	946		
Social security tax credit rate	P_ssc_tc_rt	0.0505		
Surtax rate 1	P_sur_rt1	0.20		
threshold	P_sur_thr1	4 991		
rate 2	P_sur_rt2	0.36		
threshold	P_sur_thr2	6 387		
Tax reduction	P_tax_red	257		
amount per dependent	P_tr_chld	475		
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	46 226	
		0.0915	92 454	
		0.1116	150 000	
		0.1216	220 000	
		0.1316		
Ontario Child Benefit				
amount per child	P_ch_amt	1 555		
threshold	P_ch_thresh	23 735		
reduction rate	P_ch_redn_rate	0.08		
Sales tax credits				
sales tax credit adult	P_sales_cred	334		
sales tax credit child	P_salcr_chd	334		
threshold	P_ps_thresh	25 663		
threshold seniors/families	P_ps_thr_sen	32 079		
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	0.0132		
Employer Workers Compensation Levy Ceiling	emp_workcomp_ceil	100 422		

2021 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	MAX(0,MIN((CWB_max+CWB_max_fam*OR(Married=1,Children>0)),(CWB_phzn_rt*MAX(0,F_EARN-CWB_phzin_thrsh)))- MAX(0,CWB_phzout_rt*MAX(0,(F_NETINC)- MIN(CWB_see,S_EARN,S_NETINC)- (CWB_phzout_thrsh+CWB_phzn_thrsh_fam*OR(Married=1,Children>0)))))
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)))))
	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 - 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 - Child	GST_cr_child	P	GST_cr-GST_cr_adult
	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 + GST_cr_child +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. In 2021, it was again enhanced with increases to the phase-in rate from 26 per cent to 27 per cent, the phase-out thresholds from CAD 13 194 to CAD 22 944 for single individuals without dependants and from CAD 17 522 to CAD 26 177 for families, and the phase-out rate from 12 per cent to 15 per cent. In addition, a secondary earner exemption was added to allow the spouse or common-law partner with the lower working income to exclude up to CAD14,000 of their working income in the computation of their adjusted net income, for the purpose of the CWB phase-out.

[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 2022 tax year and shown in the 2022 model are payable between July 2023 and June 2024. The amounts shown in this Report assume indexation of 3.0% for the 2022 tax year (and 2023-24 benefit year); the actual indexation parameter will be announced in December 2022.

[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] Due that in the OECD Taxing Wages model, any children in the household are assumed to be aged between six and eleven inclusive, this policy does not have impact on the model for Canada.

[7] 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 2022

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**		7 700 240	11 492 895	19 193 135	7 700 240
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		539 017	804 503	1 343 519	539 017
	Work-related expenses					
	Other		904 778	1 350 415	2 255 193	904 778
		Total	1 443 795	2 154 918	3 598 713	1 443 795
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		6 256 445	9 337 977	15 594 422	6 256 445
5.	**Central government income tax liability (exclusive of tax credits)**		0	0	246 330	0
6.	**Tax credits**					
	Basic credit					
	Married or head of family					
	Children		0	0	0	312 278
	Other					
		Total	0	0	0	312 278
7.	**Central government income tax finally paid (5-6)**		0	0	246 330	0
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		539 017	804 503	1 343 519	539 017
	Taxable income					
		Total	539 017	804 503	1 343 519	539 017
10.	**Total payments to general government (7 + 8 + 9)**		539 017	804 503	1 589 849	539 017
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	69 864
		Total	0	0	0	69 864
12.	**Take-home pay (1-10+11)**		7 161 223	10 688 392	17 603 285	7 231 087
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%	7.0%	10.2%	7.0%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		7.0%	7.0%	10.2%	7.0%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Chile 2022

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**			11 492 895	19 193 135	22 985 790	19 193 135
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			804 503	1 343 519	1 609 005	1 343 519
	Work-related expenses						
	Other			1 350 415	2 255 193	2 700 830	2 255 193
			Total	2 154 918	3 598 713	4 309 836	3 598 713
3.	**Tax credits or cash transfers included in taxable income**			0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**			9 337 977	15 594 422	18 675 954	15 594 422
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			312 278	312 278	312 278	0
	Other						
			Total	312 278	312 278	312 278	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			804 503	1 343 519	1 609 005	1 343 519
	Taxable income						
			Total	804 503	1 343 519	1 609 005	1 343 519
10.	**Total payments to general government (7 + 8 + 9)**			804 503	1 343 519	1 609 005	1 343 519
11.	**Cash transfers from general government**						
	For head of family						
	For two children			0	69 864	0	0
			Total	0	69 864	0	0
12.	**Take-home pay (1-10+11)**			10 688 392	17 919 479	21 376 785	17 849 615
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%	7.0%
	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%	7.0%
	Total tax wedge: Spouse			6.1%	7.0%	7.0%	7.0%

Chile's national currency is the peso (CLP). For 2022, the average exchange rate was CLP 882.19to USD 1.[1] That same year, the average worker in Chile earned 11 492 895 (country estimate).[2]

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, 2022, the following currency values applied to these units:

Major revenue items	Unit	CLP	USD
Social security contributions	Unidad de Fomento[1] (UF)	33 086.83	39.84
Monthly tax thresholds	Unidad Tributaria Mensual[1] (UTM)	57 557	69.31
Annual tax thresholds	Unidad Tributaria Anual[1] (UTA)	690 684	831.80

1. These amounts are subject to adjustments 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 28 105 034 (UF 792), are entitled to a tax credit of CLP 156 139 (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 21 291 692 (UF 600.)
- Mortgage Interest: Taxpayers whose annual income falls below CLP 62 907 840 (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 104 846 400 (UTA 150). This relief cannot be granted along-side the DFL2 Housing Mortgage Loan Payments benefit, and cannot exceed CLP 5 591 808 (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 2021, the maximum marginal tax rate was raised from 35% to 40%, and the number of tax brackets was augmented from seven to eight):

Taxable income (UTA)	Taxable income (CLP thousands)	Tax rates
0 -13.5	0 – 9 436	EXEMPT
13.5 - 30	9 436 – 20 969	4.0%
30 - 50	20 969 – 34 949	8.0%
50 - 70	34 949 – 48 928	13.5%
70 - 90	48 928 – 62 908	23.0%
90 - 120	62 908 – 83 877	30.4%
120 - 310	83 877 – 216 683	35.0%
310 and over	216 683 - 0	40.0%

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 – 9 436	exempt
13.5–30	9 436 – 20 969	4%
30–50	20 969 – 34 949	8%
50–70	34 949 – 48 928	13.5%
70–90	48 928 – 62 908	23%
90–120	62 908 – 83 877	30.4%
120 – 150	83 877 – 104 846	35%
150 and over	104 846 - 0	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 32 579 570 (UF 979.2). They are free to choose whether to pay into a government-managed plan or alternatively to a private insurer[3] (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 32 579 570 (UF 979.2). Added to that there is an amount that varies depending on the managing company that covers the management of each pension fund account.[4] The monthly unemployment insurance premium is 0.6% of the employee's gross income, with an upper earnings limit of CLP 48 949 207 (UF 1 471.2). 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 32 579 570 (UF 979.2) 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%.
- Employers shall make a mandatory contribution of 0.03% of the employee' gross income to a fund which finances 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. 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 48 949 207 (UF 122.6 monthly) to finance unemployment insurance. These funds are managed privately.

- Employers are required to pay a disability insurance of 1.86% (Projected average for 2022) of the employees' gross income, with an upper earnings limit of CLP 32 579 570 (UF 979.2), 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 32 579 570 (UF 979.2) to the pension fund account.
- Employers must purchase an individual Covid-19 insurance for private-sector employees working on-site. The estimated average price is CLP 5 089.

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 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.

2022 Transfer by Dependant	
Annual Income Range (CLP)	Annual Payment (CLP)
0-4 240 272	180.104
4 240 272-6 193 368	110.520
6 193 368-9 659 544	34.932
9 659 544-9 659 556	0

4. Recent changes in the tax/benefit system

4.1. Changes to labour taxation due to the COVID pandemic in 2020 and 2021

The Employment Protection Law No. 21,227/2020, 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 ended in October 2021.

Direct cash transfers regarding COVID pandemic were temporary and ended in 2021, so they are reversed in 2022 TW model

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,[5] covering workers in industry sectors B to R.[6]
- 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.

2022 Parameter values

	Year	2022	
Average earnings/yr	Ave_earn	11 492 895	Country estimate. based on information of wages up to March 2022
Allowances	Basic_al	0	
Income tax	Tax_sch	0.0%	9 436 176
		4.0%	20 969 280
		8.0%	34 948 800
		13.5%	48 928 320
		23.0%	62 907 840
		30.4%	83 877 120
		35.0%	216 682 560
		40.0%	
Education tax credit	edu_tax_cre	156 139	
	edu_tax_cre_lim	28 105 034	
Employees SSC			
Upper threshold	SSC_sch	7%	32 579 570
		0	
Family Allowance			
Child element	CTR_child	-	180 104
		4 240 272	110 520
		6 193 368	34 932
		9 659 544	-
Non-tax compulsory			
payments			
	DummyNTC	0	
pensions	NTC_pens	11.15%	32 579 570
		0.00%	
	NTC_pens_er	1.86%	
unemployment	NTC_un	0.6%	49 220 713

2022 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;SI(Gross_earnings_spouse>0;VLOOKUP(Gross_earnngs_spouse;CTR_child;2);VLOOKUP(Gross_earnings_pricipal;CTR_child;2))*Children)
13.	Employer's soc security	SSC_empr		DummyNTCP*((NTC_un_er+NTC_pens_er)*gross_earnings)+countif(gross_earnings;">0")*COVID_Insurance

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] Available value up to July 8, 2022.

[2] Information of monthly earnings available up to March 2022.

[3] Enrolment in the private health system by December 2021 amounted to 13.95% of all main contributors (17.94% of the beneficiaries).

[4] Average cost in 2022 was 1.15% of gross income.

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

[6] 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, 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.

Colombia 2022

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**		14 162 410	21 137 925	35 300 335	14 162 410
2.	**Standard tax allowances**					
	Basic allowance		3 257 354	4 861 723	8 119 077	2 903 294
	Married or head of family					
	Dependent children		0	0	0	1 416 241
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other		1 132 993	1 691 034	2 824 027	1 132 993
		Total	4 390 347	6 552 757	10 943 104	5 452 528
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		9 772 063	14 585 168	24 357 231	8 709 882
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	1 014 023
		Total	0	0	0	1 014 023
12.	**Take-home pay (1-10+11)**		14 162 410	21 137 925	35 300 335	15 176 432
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%	-7.2%
	Total tax wedge including employer's social security contributions		0.0%	0.0%	0.0%	-7.2%
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 2022

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**		21 137 925	35 300 335	42 275 850	35 300 335
2.	**Standard tax allowances**					
	Basic allowance		4 333 275	7 590 629	9 194 997	8 119 077
	Married or head of family					
	Dependent children		2 113 793	2 113 793	2 113 793	0
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other		1 691 034	2 824 027	3 382 068	2 824 027
		Total	8 138 101	12 528 448	14 690 858	10 943 104
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		12 999 824	22 771 887	27 584 992	24 357 231
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		1 014 023	2 028 045	2 028 045	0
		Total	1 014 023	2 028 045	2 028 045	0
12.	**Take-home pay (1-10+11)**		22 151 948	37 328 380	44 303 895	35 300 335
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		-4.8%	-5.7%	-4.8%	0.0%
	Total tax wedge including employer's social security contributions		-4.8%	-5.7%	-4.8%	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		-7.2%	0.0%	0.0%	0.0%
	Total tax wedge: Principal earner		0.0%	0.0%	0.0%	0.0%
	Total tax wedge: Spouse		-7.2%	0.0%	0.0%	0.0%

Colombia's national currency is the peso (COP). For 2022, the average exchange rate was COP 3 923.67 to USD 1. That same year, the average worker in Colombia earned COP 21 137 925 (country estimate).

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 2022, the following currency values applied to these units are:

Major revenue items	Unit	COP	USD
Social security contributions	*Salario mínimo legal mensual vigente* (SMLMV)	1 000 000	254.86
Annual tax thresholds	*Unidad de Valor Tributario* (UVT)	38 004	9.69

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 109 451 520). 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 14 593 536).

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 144 415 000). 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 45 605 000).
  - 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 7 297 000).

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 191 540 160 (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	41 424 000	0%	0	0
> 1 090	1 700	41 424 000	64 607 000	19%	0	0
> 1 700	4 100	64 607 000	155 816 000	28%	116	4 408 000
> 4 100	8 670	155 816 000	329 495 000	33%	788	29 947 000
> 8 670	18 970	329 495 000	720 936 000	35%	2 296	87 257 000
> 18 970	31 000	720 936 000	1 178 124 000	37%	5 901	224 262 000
> 31 000	and over	1 178 124 000	and over	39%	10 352	393 417 000

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 the employees, the total contributions are 12.5% of the monthly wage, of which 8.5% is paid 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. Although the contributions to the contributive regime are mandatory, they are not classified as taxes but 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. Although these contributions are mandatory, they are not classified as taxes but 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 1 000 000 and COP 25 000 000) 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 4 000 000). 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 4 000 000 (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 6 000 000 (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 2022 was COP 507 011 for one beneficiary.

4. Main Changes in Tax/Benefit Systems Since 2019

4.1. Changes to labour taxation due to the COVID pandemic in 2020 and 2021

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 later.

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).

2022 Parameter values

Average earnings/yr	Ave_earn	21 137 925		
Allowances	Basic_al	0		
	Depend_child	14 593 536		
	Exempt_labor_income_limit	109 451 520		
	Upper_limit_Ex_and_ded	191 540 160		
Income tax	Tax_sch	0	41 424 000	
		0.19	64 607 000	
		0.28	155 816 000	4 408 000
		0.33	329 495 000	29 947 000
		0.35	720 936 000	87 257 000
		0.37	1 178 124 000	224 262 000
		0.39	And more	393 417 000
Family allowance				
Child element	CTR_child	507 011		
	CTR_child_limit1	48 000 000		
	CTR_child_limit2	72 000 000		
Non-tax compulsory payments				
Health-pensions Employee	NTC_hlth_pens	0.08	300 000 000	
		0.00		
	Low_limit_Income_NTC_hlth_pens	12 000 000		
	NTC_solid_fund	0.00	48 000 000	
		0.01	191 999 999	
		0.012	204 000 000	
		0.014	216 000 000	
		0.016	228 000 000	
		0.018	240 000 000	
		0.02		
	Upper_limit_Income_NTC_solid_fund	300 000 000		

2022 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.

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.

Costa Rica

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.

Costa Rica 2022

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**	6 328 251	9 445 151	15 773 402	6 328 251
2.	**Standard tax allowances**				
	Basic allowance	0	0	0	0
	Married or head of family	0	0	0	0
	Dependent children	0	0	0	0
	Deduction for social security contributions and income taxes	0	0	0	0
	Work-related expenses				
	Other	520 130	776 314	1 296 444	520 130
	Total	520 130	776 314	1 296 444	520 130
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**	5 808 121	8 668 837	14 476 958	5 808 121
5.	**Central government income tax liability (exclusive of tax credits)**	0	0	412 096	0
6.	**Tax credits**				
	Basic credit	0	0	0	0
	Married or head of family	0	0	0	0
	Children	0	0	0	38 640
	Other				
	Total	0	0	0	38 640
7.	**Central government income tax finally paid (5-6)**	0	0	412 096	0
8.	**State and local taxes**	0	0	0	0
9.	**Employees' compulsory social security contributions**				
	Gross earnings	664 466	991 741	1 656 207	664 466
	Taxable income				
	Total	664 466	991 741	1 656 207	664 466
10.	**Total payments to general government (7 + 8 + 9)**	664 466	991 741	2 068 303	664 466
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)**	5 663 785	8 453 410	13 705 099	5 663 785
13.	**Employer's compulsory social security contributions**	1 676 987	2 502 965	4 179 951	1 676 987
14.	**Average rates**				
	Income tax	0.0%	0.0%	2.6%	0.0%
	Employees' social security contributions	10.5%	10.5%	10.5%	10.5%
	Total payments less cash transfers	10.5%	10.5%	13.1%	10.5%
	Total tax wedge including employer's social security contributions	29.2%	29.2%	31.3%	29.2%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	10.5%	10.5%	19.7%	10.5%
	Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner	29.2%	29.2%	36.5%	29.2%
	Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.

Costa Rica 2022

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**		9 445 151	15 773 402	18 890 301	15 773 402
2.	**Standard tax allowances**					
	Basic allowance		0	0	0	0
	Married or head of family		0	0	0	0
	Dependent children		0	0	0	0
	Deduction for social security contributions and income taxes		0	0	0	0
	Work-related expenses					
	Other		776 314	1 296 444	1 552 628	1 296 444
		Total	776 314	1 296 444	1 552 628	1 296 444
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		8 668 837	14 476 958	17 337 674	14 476 958
5.	**Central government income tax liability (exclusive of tax credits)**		0	0	0	0
6.	**Tax credits**					
	Basic credit		0	0	0	0
	Married or head of family		29 160	29 160	29 160	29 160
	Children		38 640	38 640	38 640	0
	Other					
		Total	67 800	67 800	67 800	29 160
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		991 741	1 656 207	1 983 482	1 656 207
	Taxable income					
		Total	991 741	1 656 207	1 983 482	1 656 207
10.	**Total payments to general government (7 + 8 + 9)**		991 741	1 656 207	1 983 482	1 656 207
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)**		8 453 410	14 117 195	16 906 820	14 117 195
13.	**Employer's compulsory social security contributions**		2 502 965	4 179 951	5 005 930	4 179 951
14.	**Average rates**					
	Income tax		0.0%	0.0%	0.0%	0.0%
	Employees' social security contributions		10.5%	10.5%	10.5%	10.5%
	Total payments less cash transfers		10.5%	10.5%	10.5%	10.5%
	Total tax wedge including employer's social security contributions		29.2%	29.2%	29.2%	29.2%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		10.5%	10.5%	10.5%	10.5%
	Total payments less cash transfers: Spouse		10.5%	10.5%	10.5%	10.5%
	Total tax wedge: Principal earner		29.2%	29.2%	29.2%	29.2%
	Total tax wedge: Spouse		29.2%	29.2%	29.2%	29.2%

The national currency is the Costa Rican colon. In 2022, in average the CRC 644.765equalled a 1 US dollar. The average worker earned CRC 9.445.151 on an annual basis.

1. Personal income tax system

The fiscal year begins on January 1st and ends the following December 31th.

1.1. Central government income tax

The Costa Rica Income tax is applied to the income in cash or in kind, continuous or occasional, from any Costa Rican source perceived or accrued by individuals or legal entities domiciled in the country;

Costa Rica's labor legislation provides for payment of an additional salary or "bonus" paid in December of each year, the benefit is determined on the monthly average wage of the worker's other concepts be paid as overtime. This concept is not subject to social security contributions and is not taxed on the income tax.

Exempt income:

The most noteworthy types of exempt income include:

- Inheritances, bequests and other forms of inherited property.
- Lottery prizes.
- The annual bonus paid up one twelfth of the annual income.

1.1.1. Tax unit

Domestic natural persons who receive income of Costa Rican source, whether or not they have resided in the country during the respective fiscal period. Resident individuals are also subject to social security contributions to the Costa Rican Social Security Fund (CCSS) and fees to the Popular Bank.

1.1.2. Tax allowances and tax credits

Standard tax allowances and tax credits

- CRC 19 320 for each child in the household.
- CRC 29 160 for the spouse, which can only be claimed by one of the spouses.

Those tax credits are wastable.

Main non-standard tax allowances and tax credits

None.

1.1.3. Tax schedule

The annual income tax schedule is determined on the taxable income according to the following schedule for 2021:

From	Up to	Rate
0	CRC 10 356 000	0%
CRC 10 356 000	CRC 15 204 000	10%
CRC 15 204 000	CRC 26 676 000	15%
CRC 26 676 000	CRC 53 340 000	20%
CRC 53 340 000	Onwards	25%

1.2. State and local taxes

No state or local taxes are levied on wages.

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

2.1. Employee contributions

Program	Rate (%)
Oldage, disability and death program (IVM)	4.00
Healthcare and Maternity Insurance (SEM)	5.50
Popular Bank Fee	1.00

2.2. Employer contributions

Employers are required to contribute to the following public programs.

Program	Rate %
Oldage, disability and death program (IVM)	5.25
Healthcare and Maternity Insurance (SEM)	9.25
Popular Bank Fee	0.50
Unemployment insurance	3.00
Family allowances	5.00
Complementary pensions	1.50
Learning National Institute (INA)	1.50
Joint Institute for Social Aid (IMAS)	0.50

3. Universal cash transfers

3.1. Marital status-related transfers

None.

3.2. Transfers related to dependent children

None.

4. Recent changes in the tax/benefit system

4.1. Changes to labour taxation due to the COVID pandemic in 2020, 2021 and 2022

None.

5. Memorandum items

5.1. Identification of an average worker

The average worker's wage was calculated according to the official data of the CCSS that represents the official salaries of the formal sector for year 2022, adjusted for the year-on-year growth rate of wages according to the Continuous Employment Survey.[1]

2022 Parameter values

Average earnings/yr	Ave_earn	9 445 151	Country estimate
Allowances			
	Basic_al	0	
	Spouse_al	0	
	Child_al	0	
	T_days	365	
	Bonus	30	
Income tax	Tax_sch	0.00	10 356 000
		0.10	15 204 000
		0.15	26 676 000
		0.20	53 340 000
		0.25	
Tax credits	Tax_cr_ch	19 320	
	Tax_cr_sp	29 160	
Employees SSC	SSC_IVM_ee	0.0400	
	SSC_SEM_ee	0.0550	
	SSC_PBF_ee	0.0100	
	SSC_total_ee	0.1050	
	Min_wage	3 915 043	
Employers SSC	SSC_IVM_er	0.0525	
	SSC_SEM_er	0.0925	
	SSC_PBF_er	0.0050	
	SSC_ump_er	0.0300	
	SSC_fam_er	0.0500	
	SSC_com_pen_er	0.0150	
	SSC_INA_er	0.0150	
	SSC_IMAS_er	0.0050	
	SSC_total_er	0.2650	

2022 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(earn/12,earn/T_days*Bonus)
3.	Credits in taxable income	taxbl_cr		-
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(Married=1,Tax_cr_sp,0)+ Tax_cr_ch*Children
7.	CG tax	CG_tax	B	Positive(CG_tax_excl-tax_cr)
8.	State and local taxes	local_tax		-
9.	Employees' soc security	SSC	B	MAX(Min_wage,earn)*SSC_total_ee
11.	Cash transfers	cash_trans		-
13.	Employer's soc security	SSC_empr	B	MAX(Min_wage,earn)*SSC_total_er

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] At the time of the consultation, the CCSS did not have the necessary systems enabled due to hacking problems. Therefore, it was decided to update the data contingently in this way. The survey is supplied by Instituto Nacional de Estadisticas y Censos.

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 2022

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**		316 765	472 783	789 548	316 765
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)**		316 765	472 783	789 548	316 765
5.	**Central government income tax liability (exclusive of tax credits)**		47 515	70 917	118 432	47 515
6.	**Tax credits**					
	Basic credit					
	Married or head of family					
	Children					
	Other		30 840	30 840	30 840	84 564
		Total	30 840	30 840	30 840	84 564
7.	**Central government income tax finally paid (5-6)**		16 675	40 077	87 592	- 37 049
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		34 844	52 006	86 850	34 844
	Taxable income					
		Total	34 844	52 006	86 850	34 844
10.	**Total payments to general government (7 + 8 + 9)**		51 519	92 084	174 442	- 2 205
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	30 480
		Total	0	0	0	30 480
12.	**Take-home pay (1-10+11)**		265 246	380 699	615 105	349 450
13.	**Employer's compulsory social security contributions**		107 066	159 801	266 867	107 066
14.	**Average rates**					
	Income tax		5.3%	8.5%	11.1%	-11.7%
	Employees' social security contributions		11.0%	11.0%	11.0%	11.0%
	Total payments less cash transfers		16.3%	19.5%	22.1%	-10.3%
	Total tax wedge including employer's social security contributions		37.4%	39.8%	41.8%	17.5%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		26.0%	26.0%	26.0%	26.0%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		44.7%	44.7%	44.7%	44.7%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Czech Republic 2022

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**		472 783	789 548	945 566	789 548
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)**		472 783	789 548	945 566	789 548
5.	**Central government income tax liability (exclusive of tax credits)**		70 917	118 432	141 835	118 432
6.	**Tax credits**					
	Basic credit					
	Married or head of family					
	Children					
	Other		109 404	84 564	84 564	30 840
		Total	109 404	84 564	84 564	30 840
7.	**Central government income tax finally paid (5-6)**		- 37 524	3 028	26 431	56 752
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		52 006	86 850	104 012	86 850
	Taxable income					
		Total	52 006	86 850	104 012	86 850
10.	**Total payments to general government (7 + 8 + 9)**		14 482	89 878	130 443	143 602
11.	**Cash transfers from general government**					
	For head of family					
	For two children		30 480	0	0	0
		Total	30 480	0	0	0
12.	**Take-home pay (1-10+11)**		488 781	699 669	815 123	645 945
13.	**Employer's compulsory social security contributions**		159 801	266 867	319 601	266 867
14.	**Average rates**					
	Income tax		-7.9%	0.4%	2.8%	7.2%
	Employees' social security contributions		11.0%	11.0%	11.0%	11.0%
	Total payments less cash transfers		-3.4%	11.4%	13.8%	18.2%
	Total tax wedge including employer's social security contributions		22.7%	33.8%	35.6%	38.9%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		11.0%	26.0%	26.0%	26.0%
	Total payments less cash transfers: Spouse		33.4%	26.0%	26.0%	26.0%
	Total tax wedge: Principal earner		33.5%	44.7%	44.7%	44.7%
	Total tax wedge: Spouse		50.2%	44.7%	44.7%	44.7%

The national currency is the Czech koruna (CZK). In 2022, CZK 23.64 were equal to USD 1. In that year, the average worker earned CZK 472 783 (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

Standard reliefs

- Relief for social and health security contributions. Employees' social security contributions (see Section 2.1.) are not deductible for income tax purposes.

Main non-standard tax reliefs applicable to an AW

- Charitable donations allowance: It is possible to deduct from the tax base the value of gratuitous performance provided to municipalities, regions, government branches, and legal entities defined in Income Tax Law that organise public collections for science and education, research and development purposes, culture, schools, healthcare, environmental, humanitarian or charitable purposes (more information in Income Tax Law). The provision of allowances is provided if the total value of gratuitous performance in the period of taxation exceeds 2 % of the tax base or amounts to at least CZK 1,000. A similar procedure shall apply for gratuitous performance to finance removing the consequences of a natural disaster occurring in the territory of the EU Member State or a State of the European Economic Area. In total, a maximum of 15% can be deducted from the tax base; this does not apply to the tax periods of the calendar years 2020, 2021 and 2022, for which a maximum of 30% of the tax base can be deducted in total. Furthermore, for the tax period of 2022 it is possible to deduct the value of gratuitous performance provided in order to support the State of Ukraine. As gratuitous performance for healthcare purposes, the value of one donation of blood or blood components from a donor who was not provided with financial compensation for the expenses connected with, shall be valued at a sum of CZK 3 000, the value of donation of an organ from a living donor shall be valued at a sum of CZK 20 000, and the value of one donation of hematopoietic cells, shall be valued at a sum of CZK 20 000.
- Interest payments: The tax base shall be reduced by the sum equal to the interest paid in the period of taxation on building society credit, interest on mortgage credit loaned by a bank, reduced by the State contribution granted under special legal regulations that is used to finance housing needs (more information in Income Tax Law). The total sum of interest by which the tax base is reduced on all credits of taxpayers in the same jointly managed household must not exceed CZK 150,000 (For mortgage loans originated before January 1, 2021 the total sum of interest which can be reduced is CZK 300 000 per a household.) When interest is only paid for part of the year, the deducted sum must not exceed one twelfth of such maximum amount for each month of paying interest.
- 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: a) supplementary pension insurance with a State contribution, the sum that may be deducted in this manner equals the total amount of those parts of monthly contributions that, in individual calendar

months of the period of taxation, exceeded the sum from which the maximum State contribution is granted (CZK 12 000); b) pension insurance, the amount that may be deducted in this manner equals the total amount of contributions paid by the taxpayer for their pension insurance in the period of taxation; c) supplementary pension savings, the sum that may be deducted in this manner equals the total amount of those parts of monthly contributions that, in individual calendar months of the period of taxation, exceeded the sum from which the maximum State contribution is granted.

- Private life insurance premiums: The tax base for a period of taxation may be reduced by the premium paid by a taxpayer in the period of taxation for their private life insurance under an insurance contract that it was agreed that the insurance benefit (pension or lump-sum benefit) would not be paid earlier than after 60 calendar months from entering into the contract and, at the same time, not earlier than in the calendar year in the course of which the taxpayer reaches the age of 60 years. The maximum total sum that may be deducted for the period of taxation amounts to CZK 24 000 even if the taxpayer has several contracts entered into with several insurance companies.

Tax schedule

Since 2021, the tax base is determined on gross income. The tax is calculated from the tax base reduced by the non-taxable part of the tax base and by items deductible from the tax base (see 1.1.2.2. - Main non-standard tax reliefs), rounded down to whole hundreds of CZK.

As of 2021, the Czech Republic returns to progressive taxation, the tax rate amounts to

- 15% for the tax base up to 48-fold of an average salary, which represent the social security payment cap (the threshold for 2022 is CZK 1 867 728).
- 23% for the part of the tax base exceeding 48-fold of an average salary.

Tax credits

The calculated tax liability (see 1.1.2.3) shall be further reduced by tax credits.

- Basic tax credit of CZK 30 840 per taxpayer.
- Tax credit of CZK 24,840 for spouse living with a taxpayer in a jointly managed household, provided that such a spouse does not have their own income exceeding CZK 68 000 for the period of taxation.
- Credit of CZK 15 204 for first child, credit of CZK 22 320 for second child, credit of CZK 27 840 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:
  - 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.
- Basic disability tax credit of CZK 2 520, if the taxpayer is granted a disability pension for a first or second degree disability under a special law.
- Extended disability tax credit of CZK 5 040 if the taxpayer is granted a disability pension for a third degree disability under a special law.

- Tax credit of CZK 16 140 for the holder of a card identifying them as a person with a particularly severe disability requiring a guide (ZTP/P).
- Student tax credit of CZK 4 020 for a taxpayer for the duration of their systematic preparation for a future occupation through study or prescribed training until reaching the age of 26 years or for the duration of full-time study in a doctoral study programme that provides university education until reaching the age of 28 years).
- Tax credit for child placement, the amount of tax credit corresponds to the amount of expenses demonstrably incurred by the taxpayer for placing a maintained child for the given period of taxation in a pre-school facility. For each maintained child the tax credit may be used in an amount not exceeding the minimum wage (for the year 2022: MW CZK 16 200).

The non-standard tax are not included in the tax equations underlying the Taxing Wages results.

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 1 867 728 for the year 2022. 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 3.4 times the relevant family's living minimum (LM) and simultaneously fulfils the minimum income condition of CZK 4 620/monthly/one of parents since 1 July 2022. 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 3.4 LM
Age of child	Total payment CZK per month
below 6 years of age	1 130
6–15 years	1 270
15–26 years	1 380

The monthly family's LM for the AW-type family with children can be calculated by summing the following amounts (in CZK) since 1 July 2022:

Living minimum	
Basic personal requirement	
Single	4 620
First person in household	4 250
Second and other persons who are not a dependent child	3 840
Child aged below 6	2 360
Child aged between 6 and 15	2 900
Child aged between 15 and 26	3 320
Household expenses	
One person household	4 620
Two person household	8 090
Three person household	9 510
Four person household	13 350
Five person household	16 670

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.

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 2022

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

- Since 2021: a reduction of the tax base of employees by about 25 % (abolition of the so-called super gross wage concept, so that only the employee's gross income is included in the tax base) and introduction of progressive taxation.
- Since 2022:
  - Further increase of the basic tax credit for the taxpayer from CZK 27 840 to CZK 30 840.

- Increase in the amount of the minimum wage for the year 2022: CZK 16 200 (reflects the increase in the price level).
- Increase of transfers for a dependent child (reflects the increase in the price level).
- Increase in the amount of the living minimum (reflects the increase in the price level).

4.1. Changes to labour taxation due to the COVID pandemic in 2020, 2021 and 2022

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.

2022 Parameter values

	Ave_earn	472 783	Secretariat'sestimate
Income tax rate - base	tax_rate_base	0.15	
Income tax rate – second bracket	Tax_rate_secbracket	0.23	
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	22 320	
- third child	child_cr_3	27 840	
Tax credit for individuals	tax_cr_base	30 840	
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	4 620	
	basic_household	8 090	
	basic_child	2 900	
	house_exp	1	4 620
		2	8 090
		3	9 510
		4	13 350
		5	16 670
Cash transfers	transf_1	1 270	
Social security, social insurance - ceiling	soc_sec_si_ceil	1 867 728	
Minimum Wage	tax_cr_preschool	16 200	

2021 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 a	CG taxable income base	tax_inc_princ_base	B	IF(earn<soc_se_si_ceil;earn;IF(earn>soc_se_si_ceil;soc_sec_si_ceil))
2b	CG taxable income second bracket	Tax_inc_princ_sec	B	IF(earn>soc_se_si_ceil;earn-soc_se_si_ceil;0)
	CG tax before credits			
	CG tax before credits principal	CG_tax_excl_princ	B	Tax(tax_inc_princ_base, tax_rate_base)+Tax(tax_inc_princ_se,tax_rate_sec)
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;child_cr_1; 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	VLOOKUP((1+Married+Children);house_exp;2;FALSE)
10.	Total cash transfers	cash_trans	J	Children*IF(net_inc<='(3,4)*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.

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 2022

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**		313 691	468 195	781 885	313 691
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		25 095	37 456	62 551	25 095
	Work-related expenses		0	0	0	0
	Other					
		Total	25 095	37 456	62 551	25 095
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
	Earnings tax credit deduction		37 964	43 500	43 500	60 243
		Total	- 37 964	- 43 500	- 43 500	- 60 243
4.	**Central government taxable income (1 - 2 + 3)**		250 632	387 239	675 835	228 352
5.	**Central government income tax liability (exclusive of tax credits)**		34 891	52 076	111 989	34 891
6.	**Tax credits**					
	Basic credit		7 591	8 222	9 505	7 591
	Married or head of family					
	Children					
	Other					
		Total	7 591	8 222	9 505	7 591
7.	**Central government income tax finally paid (5-6)**		52 396	81 310	165 035	52 396
8.	**State and local taxes**		50 971	85 099	157 195	45 405
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)**		103 367	166 408	322 231	97 801
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	79 560
	Green check		263	147	0	623
		Total	263	147	0	80 183
12.	**Take-home pay (1-10+11)**		210 586	301 934	459 655	296 072
13.	**Employer's compulsory social security contributions**		0	0	0	0
14.	**Average rates**					
	Income tax		33.0%	35.5%	41.2%	31.2%
	Employees' social security contributions		0.0%	0.0%	0.0%	0.0%
	Total payments less cash transfers		32.9%	35.5%	41.2%	5.6%
	Total tax wedge including employer's social security contributions		32.9%	35.5%	41.2%	5.6%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		38.7%	48.6%	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%	48.6%	55.5%	36.9%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Denmark 2022

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**		468 195	781 885	936 390	781 885
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		37 456	62 551	74 911	62 551
	Work-related expenses		0	0	0	0
	Other					
		Total	37 456	62 551	74 911	62 551
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
	Earnings tax credit deduction		43 500	43 500	43 500	43 500
		Total	- 43 500	- 43 500	- 43 500	- 43 500
4.	**Central government taxable income (1 - 2 + 3)**		387 239	637 871	774 479	637 871
5.	**Central government income tax liability (exclusive of tax credits)**		52 076	86 968	104 153	86 968
6.	**Tax credits**					
	Basic credit		19 490	15 813	16 445	15 813
	Married or head of family					
	Children					
	Other					
		Total	19 490	15 813	16 445	15 813
7.	**Central government income tax finally paid (5-6)**		75 676	133 705	162 619	133 705
8.	**State and local taxes**		73 457	136 070	170 197	136 070
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)**		149 133	269 775	332 816	269 775
11.	**Cash transfers from general government**					
	For head of family					
	For two children		26 316	26 316	26 316	0
	Green check		1 050	770	654	410
		Total	27 366	27 086	26 970	410
12.	**Take-home pay (1-10+11)**		346 428	539 196	630 544	512 520
13.	**Employer's compulsory social security contributions**		0	0	0	0
14.	**Average rates**					
	Income tax		31.9%	34.5%	35.5%	34.5%
	Employees' social security contributions		0.0%	0.0%	0.0%	0.0%
	Total payments less cash transfers		26.0%	31.0%	32.7%	34.5%
	Total tax wedge including employer's social security contributions		26.0%	31.0%	32.7%	34.5%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		48.6%	48.6%	48.6%	48.6%
	Total payments less cash transfers: Spouse		38.5%	38.7%	48.6%	38.7%
	Total tax wedge: Principal earner		48.6%	48.6%	48.6%	48.6%
	Total tax wedge: Spouse		38.5%	38.7%	48.6%	38.7%

The national currency in Denmark is the Danish krone (DKK). In 2022, the exchange rate were USD 1 to DKK 7.15. In that year, the average worker earned DKK 468 195 (Secretariat estimate).

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 10.65% of earned income (including pension contributions) to a maximum of DKK 43 500 when calculating taxable income. Single parents get an extra employment allowance of 6.25% in 2022 with a maximum allowance of DKK 23 700. The effective value of the credit is equal to the average municipality tax (24.98%) multiplied by the value of the allowance.

Additionally from 2018, working taxpayers with an income (including pension contributions) of at least DKK 202 700 receives a job allowance of 4.5% on taxable income. The maximum allowance of DKK 2 700 is achieved at an income of DKK 262 700 and the effective value of the credit is equal to about DKK 675 (24.982% x DKK 2 700 = DKK675).

Pension contributions, except to lump sum savings, 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. The allowance applies only to pension contributions up to DKK 75 600.

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 2.16 per km. Above 120 km.: DKK 1.08 per km. as a standard, but transport from municipalities placed in the outskirts of the country gives a credit of DKK 2.16 per km. also above 120 km. The deduction is only applicable for the days, where the transport is actually performed;
  - Other costs above DKK 6 600, 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 17 200);
  - 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	12.09% of DKK 46 600 = DKK 5 634
For municipal income tax	24.982% of DKK 46 600 = DKK 11 642

Special personal allowance for an individual younger than 18: DKK 37 300.

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 12.09%.

From 2010 and onwards the medium tax bracket was abolished.

Top tax bracket to the central government is assessed on the excess of DKK 552 500 of the aggregate of personal income and positive net capital income in excess of DKK 57 200 at the rate of 15%. If a married individual cannot utilise the total allowance of DKK 552 500, the unutilised part is not transferred to the spouse.

If the marginal tax rate including local tax exceeds 52.07%, the top tax bracket rate is reduced by the difference between the marginal tax rate and 52.07%.

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: 22.80% (municipalities);
- Highest rate: 26.30% (municipalities);
- Average rate: 24.982% (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

In 2022 employees on average paid DKK 12 185 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 4 416) while the other part consists of a voluntary contribution to an early retirement scheme (DKK 6 252). In addition, an administration fee of DKK 1 517 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	4 653
3–6	3 681
7–17	2 898

The transfer is reduced when the tax base of the top-bracket tax of a parent exceeds DKK 828 100. There are additional special amounts for single parents: the transfer for each dependent child is DKK 6 068 per year and a yearly transfer of DKK 6 184 regardless of the number of children. In addition, there is a state transfer of DKK 17 520 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 262,5; this amount is increased with DKK 180 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 429 200. If the yearly income of the individuals is lower than DKK 250 800 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.

The Finance Act of 2021 included a reduction of the bottom tax from of 0.02 percentages points relative to baseline in 2021 and 2022 – so the bottom tax went from expected 12,11 and 12,12 percentages respectively to 12,09 and 12,10 percentages respectively – as compensation for an increase in the municipal tax.

The Finance Act of 2022 included a reduction in the bottom-bracket tax of 0,01 percentage points as a compensation for an increase in the municipal tax. Thereby the bottom-bracket tax in 2022 and 2023 is at 12,09 pct.

In January 2022 it was agreed to increase the maximum employment allowance with DKK 3.700 from 2023 and with another DKK 1.200 from 2025. With the increase, the maximum employment allowance is going to be DKK 46.500 in 2025, and the maximum employment allowance is reached with an earned income (including pension contributions) at DKK 436.600. With the agreement the tax deduction on trade union membership dues is increased from DKK 6.000 to DKK 7.000 yearly from 2023.

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.

2022 Parameter values

	Ave_earn	468 195	Secretariat estimate
	Ave_pens	63 234	
Central taxes	Health_tax_rate	0	
	Low_rate	0.1209	
	Medium_thrsh	0	
	Medium_rate	0	
	Top_thrsh	552 500	
	Top_rate	0.15	
	Marg_rate_ceil	0.5207	
	Adj_top_rate	0.1500	
	Temp_tax_rate	0	
	Temp_tax_thrsh	0	
	Personal_al	46 600	
	Job_deduc_min	202 700	
	Job_deduc_rate	0.0450	
	Job_deduc_max	2 700	
Pension payments tax credit scheme	Pens_deduc_rate_o_15	0.12	
	Pens_deduc_rate_u_15	0.32	
	Pens_deduc_max	75 600	
The green check	green_check	262.5	
	1 child	180	
	child max	360	
	Green_check_thrsh	429 200	
	Green_check_taper_rate	0.075	
	Extra_green_check	280	
	Extra_green_check_thrsh	250 800	
Local taxes	gener_rate	0.24954	
	church_rate	0	
total local tax rate	Local_rates	0.24982	
Earned income tax credit scheme	earncredit_rate	0.1065	
	earncredit_max	43 500	
for single parents	Sing_par_earncredit_rate	0.0625	
	Sing_par_earncredit_max	23 700	
Child transfers	Child_3to6	14 724	
	Child_7to14	11 592	
	Child_limit	828 100	
	Child_red	0.02	
for single parents	Sing_par_basic	6 068	
	Sing_par_ch	23 588	
Labour Market Contribution	Labour_market_rate	0.08	

2022 Tax equations

The equations for the Danish system in 2022 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
10.	Total payments	tot_payments	J	Positive(CG_tax_total+local_tax_total+SSC_total)

	Line in country table and intermediate steps	Variable name	Range	Equation
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 2022

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**		13 397	19 996	33 394	13 397
2.	**Standard tax allowances**					
	Basic allowance		6 000	2 891	0	7 848
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		214	320	534	214
	Work-related expenses					
	Other					
		Total	6 214	3 211	534	8 062
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		7 183	16 785	32 859	5 335
5.	**Central government income tax liability (exclusive of tax credits)**		1 437	3 357	6 572	1 067
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)**		1 437	3 357	6 572	1 067
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		214	320	534	214
	Taxable income					
		Total	214	320	534	214
10.	**Total payments to general government (7 + 8 + 9)**		1 651	3 677	7 106	1 281
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)**		11 746	16 319	26 288	14 016
13.	**Employer's compulsory social security contributions**		4 528	6 759	11 287	4 528
14.	**Average rates**					
	Income tax		10.7%	16.8%	19.7%	8.0%
	Employees' social security contributions		1.6%	1.6%	1.6%	1.6%
	Total payments less cash transfers		12.3%	18.4%	21.3%	-4.6%
	Total tax wedge including employer's social security contributions		34.5%	39.0%	41.2%	21.8%
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 2022

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**	19 996	33 394	39 992	33 394
2.	**Standard tax allowances**				
	Basic allowance	6 899	10 739	7 630	8 891
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes	320	534	640	534
	Work-related expenses				
	Other				
	Total	7 219	11 273	8 270	9 425
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**	12 777	22 120	31 723	23 968
5.	**Central government income tax liability (exclusive of tax credits)**	2 555	4 424	6 345	4 794
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)**	2 555	4 424	6 345	4 794
8.	**State and local taxes**	0	0	0	0
9.	**Employees' compulsory social security contributions**				
	Gross earnings	320	534	640	534
	Taxable income				
	Total	320	534	640	534
10.	**Total payments to general government (7 + 8 + 9)**	2 875	4 958	6 984	5 328
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)**	18 561	29 875	34 448	28 066
13.	**Employer's compulsory social security contributions**	6 759	11 287	13 517	11 287
14.	**Average rates**				
	Income tax	12.8%	13.2%	15.9%	14.4%
	Employees' social security contributions	1.6%	1.6%	1.6%	1.6%
	Total payments less cash transfers	7.2%	10.5%	13.9%	16.0%
	Total tax wedge including employer's social security contributions	30.6%	33.1%	35.6%	37.2%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	32.4%	32.4%	32.4%	32.4%
	Total payments less cash transfers: Spouse	15.5%	21.3%	32.4%	21.3%
	Total tax wedge: Principal earner	49.5%	49.5%	49.5%	49.5%
	Total tax wedge: Spouse	36.9%	41.2%	49.5%	41.2%

The Estonian currency is the Euro (EUR). In 2021, EUR 0.96 was equal to USD 1. In 2022, the average worker in Estonia earned EUR 19 996 (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 2022. 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 2021, 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 became wholly voluntary and will remain so until August 31, 2021. Only about 10 thousand employees stopped their payments. In 2021, different opt-out options were introduced, making the II pillar, in effect, voluntary. People have four basic options: 1. Continue as is; 2. The accumulated pension assets will be transferred to a special private investment account, the 2% and 4% payments will continue to that account, people will basically become their own second pillar pension fund investment manager; 3. Stop the payments into the pillar, existing assets remain invested in the fund, the person can opt in with their payments again after 10 years; 4. Stop the payments and take out assets (pay income tax), the person can opt in again after 10 years. New entrants to the labour market are automatically added to the second pillar, but have the same opt-out options. About 153 000 persons younger than pension age chose to leave the scheme from Sept, 2021. Also pension age people are leaving the scheme. In the beginning of 2022 about 57% of resident employees made II pillar payments compared to 77% in 2021.
- 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 2021 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 584.

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 192.72 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 2021 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 pandemic in 2020 and 2021

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 suspended pension payments to the second pillar that are made at the expense of social tax from 1st of July 2020 until 31th of August 2021. In October 2020, everyone who had joined the mandatory funded pension, was able to decide whether to waive their contribution as well. To do this, an application had to be submitted in October and payments will be stopped from December. There is a compensation mechanism for people who decide to continue their contributions. Only about 10 thousand employees stopped their payments.
- Unemployment Insurance Fund measure for labour market support within 4 months (wage support measure). Wage support measure will help to maintain the income of employees during the emergency situation. It was continued in 2021 for 3 months (from March to May).
- 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. In 2021 state reimburses 6th+ sick day (normally from 9th day).

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.

2022 Parameter values

Average earnings/yr	Ave_earn	19 996	Secretary 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	7 008	
	lump_sum	2 312.6	
	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	

2022 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 2022

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**		34 019	50 774	84 793	34 019
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		3 344	4 991	8 335	3 344
	Work-related expenses		750	750	750	750
	Other					
		Total	4 094	5 741	9 085	4 094
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		29 925	45 033	75 708	29 925
5.	**Central government income tax liability (exclusive of tax credits)**		789	3 395	9 823	789
6.	**Tax credits**					
	Basic credit		1 925	1 596	930	1 925
	Married or head of family					
	Children		0	0	0	0
	Other					
		Total	1 925	1 596	930	1 925
7.	**Central government income tax finally paid (5-6)**		163	1 962	9 057	163
8.	**State and local taxes**		4 341	8 621	15 066	4 341
9.	**Employees' compulsory social security contributions**					
	Gross earnings		3 344	4 991	8 335	3 344
	Taxable income		115	228	399	115
		Total	3 459	5 219	8 734	3 459
10.	**Total payments to general government (7 + 8 + 9)**		7 963	15 803	32 856	7 963
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)**		26 056	34 972	51 937	29 972
13.	**Employer's compulsory social security contributions**		7 185	10 724	17 908	7 185
14.	**Average rates**					
	Income tax		13.2%	20.8%	28.4%	13.2%
	Employees' social security contributions		10.2%	10.3%	10.3%	10.2%
	Total payments less cash transfers		23.4%	31.1%	38.7%	11.9%
	Total tax wedge including employer's social security contributions		36.8%	43.1%	49.4%	27.3%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		46.8%	46.8%	50.4%	46.8%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		56.1%	56.1%	59.0%	56.1%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Finland 2022

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**		50 774	84 793	101 549	84 793
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		4 991	8 335	9 982	8 335
	Work-related expenses		750	1 500	1 500	1 500
	Other					
		Total	5 741	9 835	11 482	9 835
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		45 033	74 958	90 066	74 958
5.	**Central government income tax liability (exclusive of tax credits)**		3 395	4 185	6 791	4 185
6.	**Tax credits**					
	Basic credit		1 596	3 521	3 193	3 521
	Married or head of family					
	Children		0	0	0	0
	Other					
		Total	1 596	3 521	3 193	3 521
7.	**Central government income tax finally paid (5-6)**		1 962	2 125	3 924	2 125
8.	**State and local taxes**		8 621	12 962	17 242	12 962
9.	**Employees' compulsory social security contributions**					
	Gross earnings		4 991	8 335	9 982	8 335
	Taxable income		228	343	457	343
		Total	5 219	8 678	10 439	8 678
10.	**Total payments to general government (7 + 8 + 9)**		15 803	23 766	31 606	23 766
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)**		37 368	63 424	72 340	61 027
13.	**Employer's compulsory social security contributions**		10 724	17 908	21 447	17 908
14.	**Average rates**					
	Income tax		20.8%	17.8%	20.8%	17.8%
	Employees' social security contributions		10.3%	10.2%	10.3%	10.2%
	Total payments less cash transfers		26.4%	25.2%	28.8%	28.0%
	Total tax wedge including employer's social security contributions		39.2%	38.2%	41.2%	40.6%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		46.8%	46.8%	46.8%	46.8%
	Total payments less cash transfers: Spouse		23.4%	46.8%	46.8%	46.8%
	Total tax wedge: Principal earner		56.1%	56.1%	56.1%	56.1%
	Total tax wedge: Spouse		36.8%	56.1%	56.1%	56.1%

The national currency is the Euro (EUR). In 2022, EUR 0.96 was equal to USD 1. In that year, the average worker earned EUR 50 774 (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

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 13% of income exceeding EUR 2 500, until it reaches its maximum of EUR 1 930. The amount of the credit is reduced by 1.96% of the earned income minus work related expenses exceeding EUR 33 000. The credit is fully phased out when taxpayers' income is about EUR 132 000.

Main non-standard tax reliefs applicable to an AW

- Interest: Interest on loans associated with the earning of taxable income, 5% 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 8 400.
- 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 (%)
19 200-28 700	8	6
28 700-47 300	578	17.25
47 300-82 900	3 786.50	21.25
82 900	11 351.50	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 2022 the tax rate varies between 17.00 and 23.50%, the average rate being approximately 20.01%.

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 3 740, 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 2022, the rate of the health insurance contribution for medical care paid by an employee is 0.53%. The tax base for this contribution is net taxable income for municipal income tax purposes.

In addition, there is an employees' pension insurance contribution that amounts to 7.15% of gross salary, an employees' unemployment insurance contribution equal to 1.50% 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 2022 is 21.12% of gross wage.

	Contribution rates (%)
Health insurance	1.34
Unemployment insurance (avg)	1.51
Earnings-related pension insurance	17.40
Accident insurance (avg)	0.8
Group life insurance (avg)	0.07
Total	21.12

3. Universal Cash Transfers

3.1. Amount for marriage

None.

3.2. Amount for children

The central government pays in 2022 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 2022

Adjustments for inflation and rise of earnings levels were made to the central government tax scale in 2022.

The maximum amount of the basic allowance in municipal taxation was raised from EUR 3 630 to EUR 3 740. The maximum amount of the earned income tax credit in state taxation was raised from EUR 1 840 to EUR 1 930.

Home-loan interest counts at 5%, down from 10%, as deductible/creditable interest.

4.1. Changes to labour taxation due to the COVID pandemic in 2022

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. In 2021 the tax deferral scheme was renewed with similar terms as in

2020 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 2021. In 2022, the tax deferral scheme was eased by extending amortisation periods for payments due between 1 January and 31 March 2022.

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.

2022 Parameter values

Average earnings	Ave_earn	50 774	Secretariat estimate
Expenses	Work_exp_max	750	
	Work_exp_rate	1	
Allowances	al_SSC_rate	0.0983	
State tax	Tax_min	8	
Tax schedule	Tax_sch	0	19200
		0.06	28700
		0.1725	47300
		0.2125	82900
		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	0.13	
	eitc_redn_thrsh	33 000	
	eitc_redn_rate	0.0196	
	eitc_max	1930	
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	3740	
	SL_rate	0.18	
Local intax	Local_rate	0.2001	
	Church_rate	0	
	Local_tot	0.2001	
Soc sec taxpayer	SSC_rate	0,0053	
soc.sec empr	SSC_empr	0.2112	
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	

2022 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 2022

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**		27 832	41 540	69 372	27 832
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		5 007	7 527	12 241	5 007
	Work-related expenses		2 282	3 401	5 713	2 282
	Other					
		Total	7 290	10 928	17 954	7 290
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		20 542	30 612	51 419	20 542
5.	**Central government income tax liability (exclusive of tax credits)**		3 380	6 736	15 631	2 652
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)**		3 380	6 736	15 631	2 652
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		3 148	4 751	7 606	3 148
	Taxable income					
		Total	3 148	4 751	7 606	3 148
10.	**Total payments to general government (7 + 8 + 9)**		6 528	11 488	23 237	5 800
11.	**Cash transfers from general government**					
	In-work benefit (Gross)		0	0	0	2 106
	For two children (Gross)		0	0	0	4 542
	CRDS Deducted		0	0	0	- 33
		Total	0	0	0	6 615
12.	**Take-home pay (1-10+11)**		21 304	30 053	46 136	28 647
13.	**Employers' compulsory social security contributions**		8 073	15 161	30 732	8 073
14.	**Average rates**					
	Income tax		12.1%	16.2%	22.5%	9.5%
	Employees' social security contributions		11.3%	11.4%	11.0%	11.3%
	Total payments less cash transfers		23.5%	27.7%	33.5%	-2.9%
	Total tax wedge including employer's social security contributions		40.7%	47.0%	53.9%	20.2%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		32.6%	42.2%	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%	57.7%	60.0%	74.5%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

France 2022

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**		41 540	69 372	83 081	69 372
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		7 527	12 534	15 053	12 534
	Work-related expenses		3 401	5 684	6 803	5 684
	Other					
		Total	10 928	18 218	21 856	18 218
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		30 612	51 155	61 225	51 155
5.	**Central government income tax liability (exclusive of tax credits)**		3 959	8 242	11 795	9 867
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)**		3 959	8 242	11 795	9 867
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		4 751	7 899	9 503	7 899
	Taxable income					
		Total	4 751	7 899	9 503	7 899
10.	**Total payments to general government (7 + 8 + 9)**		8 710	16 141	21 297	17 767
11.	**Cash transfers from general government**					
	In-work benefit (Gross)		0	0	0	0
	For two children (Gross)		1 647	1 647	1 647	0
	CRDS Deducted		- 8	- 8	- 8	0
		Total	1 639	1 639	1 639	0
12.	**Take-home pay (1-10+11)**		34 469	54 870	63 422	51 606
13.	**Employers' compulsory social security contributions**		15 161	23 233	30 321	23 233
14.	**Average rates**					
	Income tax		9.5%	11.9%	14.2%	14.2%
	Employees' social security contributions		11.4%	11.4%	11.4%	11.4%
	Total payments less cash transfers		17.0%	20.9%	23.7%	25.6%
	Total tax wedge including employer's social security contributions		39.2%	40.7%	44.1%	44.3%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		19.8%	31.7%	42.2%	28.0%
	Total payments less cash transfers: Spouse		26.7%	32.6%	42.2%	29.0%
	Total tax wedge: Principal earner		41.2%	50.0%	57.7%	47.3%
	Total tax wedge: Spouse		43.2%	64.6%	57.7%	62.6%

The national currency is the Euro (EUR). In 2022, EUR 0.96 equalled USD 1. In that year, the average worker earned EUR 41 540 (Secretariat estimate).

1. Personal income tax system

1.1. Tax levied by the central government on 2022 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 472 and a ceiling of EUR 13 522 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 1 678 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 3 959.

1.1.2.2. Main non-standard reliefs available to the average worker

There are compensatory allowances in case of divorce if paid in a lump sum (25% reduction, capped at EUR 30 500); home employment costs (child care, home help, housekeeper…) (50% reduction up to annual expenditure of EUR 12 000 with additional EUR 1 500 per dependent), 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 10 777	0
2nd bracket	From 10 777 to 27 478	11
3rd bracket	From 26 070 to 78 570	30
4th bracket	From 78 570 to 168 994	41
5th bracket	From 168 994	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 1 840 for single households and less than 3 044 for couples. The rebate is equal to 45.25 % of the difference between this ceiling and the amount of tax before the rebate.

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"): since 2018, the residency tax on main residence has progressively decreased for all households. In 2021, 80 % of French households were not paying any tax anymore and the 20 % richer households benefitted from a 30 % tax reduction. Such reduction for the 20 % richer households increased to 65 % in 2022. From 2023 onwards, every household will be exempt from residency tax on main residence. Residency tax on secondary homes continues to apply at rates 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). It did not change in January 2021 and in January 2022.

2.1. Employee contributions

2.1.1. Pension

- 6.9% on earnings up to the ceiling (unchanged compared to 2021).
- 0.4% on total earnings (unchanged compared to 2021).

2.1.2. Illness, pregnancy, disability, death

- 0.0% on total earnings (0.0% in 2021)

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") replaced AGFF and GMP in 2019. 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 2021) of gross pay, up to the ceiling, plus a 1.90% (1.90% in 2021) levy on total pay.

2.2.2. Illness, pregnancy, disability, death

13.0% of total earnings (after 13.0% in 2021). 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 2021) (4.5%, 5.5% or 7% for some temporary contracts), up to four times the ceiling; in addition, 0.15% (0.15% in 2021) 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 2022, the average rate is 2.23% (after 2.24% in 2021.

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 whose 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

The reduction of employer-paid social insurance contributions, introduced in 1993, has been gradually extended and strengthened. As of 2022, it includes two types of measures:

(i) The general reduction of employer-paid social insurance (ex-"Fillon Act", also called today "zero contributions URSSAF") is a decreasing reduction in social security contributions, which eliminates all common law social contributions paid at the minimum wage and whose level decreases with wage to become zero for a gross annual wage equal to 1.6 times the gross annual minimum wage. It applies irrespective of the number of hours worked for workers with contracts of at least three months. Since 1st of January 2022, the maximum reduction is 32.35% for companies with more than 50 employees. For companies with less than 50 employees, it is 31.95% since January 1st 2022.

(ii) A proportional reduction in health insurance and family allowance contributions, which allow for a reduction of 6 and 1.8 percentage points respectively for gross annual wage below 2.5 and 3.5 times the gross annual minimum wage. The 6 percentage point's reduction replaces since 1st January 2019 the competitive tax credit (CICE – *crédit d'impôt pour la compétitivité et l'emploi*), whereas the 1.8 percentage point reduction was introduced in 2015 by the Responsibility Act (Phase 1).

The gross annual minimum wage (for 1 820 hours) was changed twice in 2022: it was at EUR 19 237 from January 1st 2022, increased to EUR 19 747 from May 1st 2022 and increased again to EUR 20 147 from August 1st 2022.

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: the monthly base for family allowances (BMAF) was equal to EUR 414.81 between January 1st and end of March 2022. It was automatically adjusted on April 1st 2022 to EUR 422.28. As an exception in a context of high inflation, an anticipated adjustment of the BMAF amounts occurred on July 1st, leading to a +4% increase amounting to EUR 439.17. 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, and adjusted every year:
  - Up to EUR 70 074 (+EUR 5 839 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 years old (the extra amount is not incorporated into the model).
  - Between EUR 70 074 (+EUR 5 839 per child after the second child) and EUR 93 399 (+EUR 5 839 per child after the second child), the above rates are divided by 2.
  - Beyond EUR 93 399 (+EUR 5 839 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 2021
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 aged between 3 and 21. An extra amount (20.83% of BMAF) is reversed for families whose incomes are below a given threshold. The family supplement is 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 grant of 459.5% of the BMAF is received upon the adoption of a child.
  - 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 benefit is not paid if its monthly amount is less than EUR 15.

The amount of in-work benefit is equal to a targeted income, less the maximum between resources and a lump sum. The lump sum (*montant forfaitaire de la prime d'activité*) was equal to EUR 553.71 from January 1st 2022 to April 1st 2022, it then increased to EUR 563.68 and increased again on July 1st 2022 to EUR 586.23.

The targeted income is determined as the sum of three elements:

- A lump sum (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 and 40% for each additional child. The amount may be increased for a temporary period[2] for an isolated parent (128.412% 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 resources 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 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

- Tax system (2020 income)
  - New tax schedule following the personal income tax reform (Budget Act 2020):

    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.
- 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 pandemic in 2020 and 2021

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, May and June 2020 (first lockdown) and from September to December 2020 (second lockdown). This measure was extended to August 2021 and for the whole period of administrative closures for affected businesses. 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 and support for the payment of employer's social security contributions** for SMEs and VSEs during the administrative closure (activity periods from February to May 2020, September 2020 to May 2021), in particular in tourism, hotels, cafés and restaurants, events and cultural sectors. Since June 2021, exemptions from social security contributions for SMEs and VSEs have been interrupted, except for businesses that remained closed by administrative order. Support for social security contribution payments were extended but lowered (15 % of total payroll compared to 20 % previously) until August 2021, except in the confined overseas territories.

The French government has also launched measures for **enhancing labour flexibility and household income support**:

- **Implementation of an exceptional and massive short-time work scheme (Covid STW).** Between March 2020 and June 2021, employees have received an allowance of 70 % of their gross salary (approximately 84 % of their net salary), and 100 % for minimum-wage workers. STW earnings have been exempted from social security contributions and the CSG rate is lower (6.2 % instead of 9.2 %). The employer received full State compensation during lockdown and up to 85 % of the employee's STW allowance, except for businesses that remained closed by administrative order and in the hardest hit sectors (hotels, restaurants, cafes, events, sport, culture, *etc.*). This scheme was in force until April 2021 for all businesses. As of May 2021, the State compensation has been gradually reduced (see table below).
- **The exceptional short-time work scheme has been replaced by an Ordinary STW scheme** (APDC, *activité partielle de droit commun*) **since September 2021 for the hardest hit sectors, and since July 2021 for the other sectors.** Employees receive an allowance of 60 % of their gross salary (approximately 72 % of their net salary), and 90 % for minimum-wage workers. Employers contribute up to 40 % of the employees' STW allowance. Businesses operating in the hardest-hit sectors that are still impacted by COVID-19 restrictions such as density limits or that are reporting a drop in revenue of more than 80 % (from March 2021 to November 2021) and of more than 65 % (from December 2021) continued to benefit from a null contribution until March 2022. Since April 2022, all sectors returned to the Ordinary STW scheme.

	May 2021	June 2021	July 2021	August 2021	September 2021 to March 2022	April 2022 onwards
*Plants closed by administrative decision or plants in priority sectors strongly affected **	Covid STW (0 remaining costs to the employer)	Covid STW (0 remaining costs to the employer)	Covid STW (0 remaining costs to the employer)	Covid STW (0 remaining costs to the employer)	Covid STW (0 remaining costs to the employer)	Ordinary STW (40% remaining costs to the employer)
Hardest hit sectors (S1 et S1bis)	Covid STW (0 remaining costs to the employer)	Covid STW (0 remaining costs to the employer)	Covid STW (15% remaining costs to the employer)	Covid STW (25% remaining costs to the employer)	Ordinary STW (40% remaining costs to the employer)	Ordinary STW (40% remaining costs to the employer)
Other sectors	Covid STW (15% remaining costs to the employer)	Covid STW (25% remaining costs to the employer)	Ordinary STW (40% remaining costs to the employer)	Ordinary STW (40% remaining costs to the employer)	Ordinary STW (40% remaining costs to the employer)	Ordinary STW (40% remaining costs to the employer)

* Firms in priority sectors with a 80% minimum loss of turnover in 2021, with regard to the same month in 2019 or 2020 (from March 2021 to November 2021) and with a minimum 65% turnover (from December 2021), and firms located in a territory subject to specific restrictions on with a turnover of at least 60% in turnover (from January 2021).

- **Moreover, since July 2020 , a Long-Term job retention scheme ("*Activité partielle de longue durée"*, APLD) can cover employees of firms that are durably affected by the Covid crisis.** It offers a more generous protection than the Ordinary STW scheme (employee allowance of 70 % of their gross salary, and only 15 % remaining costs to the employer). As for the STW scheme, the allowances are exempted from social security contributions and the CSG rate is lower (6.2 %). Unions and business must reach an agreement at firm, group or sector level on a reduction of working time. The agreement and the company's document must include a diagnosis on the economic situation and activity prospects of the company, group or sector as well as the maximum reduction of working time (capped by law at 40 % of the usual working time per worker) and commitments in terms of jobs and training. These agreements can be concluded **until December 31st 2022** and the benefit of the allowance is granted within the limit of 36 months, consecutive or not, over a reference period of 48 consecutive months.
- **Exemption from income tax and social security contributions for overtime worked by employees**, from 16 March to 10 July 2020, up to a maximum of EUR 7 500 per year (currently EUR 5 000).
- An exceptional bonus scheme (*Prime Exceptionnelle de Pouvoir d'Achat*) introduced in 2018 was renewed in 2020 and 2021 to support households during the Covid 19 pandemic. The bonus scheme introduced in 2021 is exempt from tax and social security charges up to a limit of EUR 1 000. The amount of the exceptional bonus is capped at 2,000 euros under certain conditions (signature of a profit-sharing agreement or companies with less than 50 employees or companies that undertake to revalue jobs affected wages that have been affected by the pandemic). This bonus only concerns employees earning less than 3 times the minimum wage.

4.2. Changes to labour taxation in 2022

In August 2022, the French Parliament adopted the permanent raise of overtime pay exemption ceiling from EUR 5 000 to EUR 7 500 for income tax only, applicable from 2023 (tax on 2022 income).

The exceptional bonus scheme (*Prime Exceptionnelle de Pouvoir d'Achat*, see above) was replaced in July 2022 by a permanent value-sharing bonus scheme (*Prime de Partage de la Valeur*) with new conditions for the transitory phase applying from July 2022 to end of 2023, before the permanent scheme takes place from 2024 onwards. Value-sharing bonuses from July 2022 can be paid with a limit of EUR 3 000 (EUR 6 000 in the case of the signature of a profit-sharing agreement). Under the transitory scheme, tax exemptions vary depending on the employee's salary. For employees earning less than 3 times the minimum wage, the payment of a value-sharing bonus is exempt from employer's and employee's social charges, income tax and the additional employer social contribution (*forfait social*). For employees earning at least 3 times the minimum wage, the exemption from social charges does not cover the CSG and CRDS and *forfait social*, if applicable, while income tax must also be paid. A permanent scheme will be applicable from 2024 for all employees onwards with only an exemption of social security contributions while CSG/CRDS, income tax and *forfait social* will have to be paid. *The value-sharing bonus scheme is not taken into account in the model as it is not mandatory for employers to use it.*

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.

Additionally, the 2020 annual average wage decreased compared to previous years due to the exceptional use of Covid STW schemes in 2020. Indeed, Covid STW schemes led to the substitution of unemployment benefits to wages for workers benefitting from such schemes while contract duration includes periods of STW during which the contract is only suspended. Therefore, the annualised average wage which is computed as the ratio of wages to contract length that year declined by 3.7 % between 2019 and 2020. The OECD series of compensation per employee used as a proxy to forecast the 2022 average wage (2022 forecast is obtained by applying to the latest level published by Insee, which refers to year 2020, the evolution rates published by OECD for years 2021 and 2022) decreased as well in 2020 for the same reason, although to a slightly lesser extent: compensation per employee declined by 2.7 % in 2020 followed by a rebound in 2021 and 2022 by 5.2 % and 5.4 % respectively. The discrepancy between the variation in the INSEE series of average wage and the variation in the OECD series of compensation per employee in 2020 (i.e., 1 percentage point) can be regarded as standard compared to historical differences between these two times series.[7] Therefore, the usual methodology is kept unchanged: the 2022 average wage value is derived from the INSEE 2020 average wage level and evolutions in the OECD compensation per employee series in 2021 and 2022. No specific correction has been brought to forecast in order to take into account the difference between these two series for 2020 since this difference is not particularly important compared to what is observed in other years.

2022 Parameter values

APW earnings	Ave_earn	41 540	Secretariat estimate
Income tax			
Work expenses	work_rel_fl	472	
	work_rel_ceil	13 522	
	work_rel_rate	0.100	
Tax schedule	tax_sch	0.000	10 777
		0.110	27 478
		0.300	78 570
		0.410	168 994
		0.450	
	limit_demipart	1 678	
	limit_sp_demipart1	3 959	
Décote value	decote_sing	1 840	
	decote_mar	3 044	
	decote_pente	0.4525	
Tax reduction	red_taux	0.0000	
	red_seuil_1	0.0000	
	red_seuil_2	0.0000	
	red_seuil_dp	0.0000	
	tax_min	61	
CEHR	cehr_rate1	0.0300	
	cehr_rate2	0.0400	
	cehr_ceil1	250 000	
	cehr_ceil2	500 000	
CSG+CRDS	CSG_CRDS_abat	0.0175	
	CSG_rat_noded	0.0240	
	CRDS_rat_noded	0.0050	
	CSG_CRDS_rat_noded	0.0290	
	CSG_rat_ded	0.0680	
	CRDS_special	0.0050	
Employee contributions			
	pension_rate	0.0690	
	pension_rate2	0.0040	
Sickness	sickness_rate	0.0000	
Unemployment	unemp_rate	0.0000	
Extra pension (non-cadres) (incl. AGFF)	pens_rate_ex	0.0401	
	pens_rate_ex2	0.09716	
	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	0.0223	
Family Allowance	fam_empr	0.0525	
	fam_empr_2	0.0345	
Extra pension (incl. AGFF)	pens_empr_ex	0.0601	
	pens_empr_ex2	0.1457	
	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	0.3235	
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	0.0	
	cice_max	2.5	
Social transfers			
Child benefit (second child)	CB_2	1 646.81	
third & subsequent before CRDS	CB_3	2 109.98	
First ceiling for CB	CB_c1	70 074.00	
Second ceiling for CB	CB_c2	93 399.00	

Increase of ceiling per child	CB_ceiling_extra_child	5 839.00	
Extra child benefit for isolated parent	CB_isol	1 477.65	
Prime d'activité	pa_forf	572.46	
	pa_maj1	0.50	
	pa_maj2	0.30	
	pa_maj3	0.40	
	pa_maj_isol1	0.28412	
	pa_maj_isol2	0.42804	
	pa_min	15*12	
	pa_pct	0.61	
	pa_bonus	0.29101	
	pa_bonus1	=(59*(SMIC_horraire*12))/SMIC	
	pa_bonus2	=(120*(SMIC_horraire*12))/SMIC	
	pa_forf_logement1	0.12	
	pa_forf_logement2	0.16	
	pa_forf_logement3	0.165	
Others			
Social security contributions	SSC_ceil	41 136	
Derivation of minimum income	SMIC_horaire	10.85	
	SMIC_heures	1 820	
	SMIC	19 744	

2022 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)
		calculated_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)
		final_gross _in_work benefit_gross		SI(calculated_in_work_benefit_gross>pa_min; calculated_in_work_benefit_gross;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.

[7] Discrepancies can be explained by differences of coverage. For instance, the INSEE average wage series excludes public administration workers from its scope while the OECD series includes them.

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 2022

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**		36 877	55 041	91 918	36 877
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		6 524	9 738	12 443	6 395
	Work-related expenses		1 200	1 200	1 200	1 200
	Other		36	36	36	36
		Total	7 760	10 974	13 679	11 879
3.	**Tax credits or cash transfers included in taxable income**		300	300	300	300
4.	**Central government taxable income (1 - 2 + 3)**		29 417	44 367	78 539	25 298
5.	**Central government income tax liability (exclusive of tax credits)**		4 776	9 715	24 445	3 577
6.	**Tax credits**					
	Basic credit					
	Married or head of family					
	Children		0	0	0	5 456
	Other					
		Total	0	0	0	5 456
7.	**Central government income tax finally paid (5-6)**		4 776	9 715	24 445	- 1 879
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		7 495	11 187	14 586	7 366
	Taxable income					
		Total	7 495	11 187	14 586	7 366
10.	**Total payments to general government (7 + 8 + 9)**		12 271	20 902	39 032	5 487
11.	**Cash transfers from general government**					
	For head of family		300	300	300	300
	For two children		0	0	0	0
		Total	300	300	300	300
12.	**Take-home pay (1-10+11)**		24 906	34 439	53 186	31 690
13.	**Employers' compulsory social security contributions**		7 366	10 994	14 383	7 366
14.	**Average rates**					
	Income tax		12.95%	17.65%	26.59%	-5.10%
	Employees' social security contributions		20.33%	20.33%	15.87%	19.98%
	Total payments less cash transfers		32.46%	37.43%	42.14%	14.07%
	Total tax wedge including employer's social security contributions		43.71%	47.85%	49.97%	28.37%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		44.98%	50.06%	47.00%	43.33%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		54.14%	58.37%	47.00%	52.76%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Germany 2022

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**	55 041	91 918	110 082	91 918
2.	**Standard tax allowances**				
	Basic allowance				
	Married or head of family	0	0	0	0
	Dependent children	0	0	17 096	0
	Deduction for social security contributions and income taxes	9 545	15 940	19 090	16 262
	Work-related expenses	1 200	2 400	2 400	2 400
	Other	72	72	72	72
	Total	10 817	18 412	38 658	18 734
3.	**Tax credits or cash transfers included in taxable income**	300	600	600	600
4.	**Central government taxable income (1 - 2 + 3)**	44 524	74 106	72 024	73 784
5.	**Central government income tax liability (exclusive of tax credits)**	5 476	14 366	13 682	14 260
6.	**Tax credits**				
	Basic credit				
	Married or head of family				
	Children	5 456	5 456	0	0
	Other				
	Total	5 456	5 456	0	0
7.	**Central government income tax finally paid (5-6)**	20	8 910	13 682	14 260
8.	**State and local taxes**	0	0	0	0
9.	**Employees' compulsory social security contributions**				
	Gross earnings	10 994	18 361	21 989	18 682
	Taxable income				
	Total	10 994	18 361	21 989	18 682
10.	**Total payments to general government (7 + 8 + 9)**	11 014	27 271	35 671	32 942
11.	**Cash transfers from general government**				
	For head of family	300	600	600	600
	For two children	0	0	0	0
	Total	300	600	600	600
12.	**Take-home pay (1-10+11)**	44 327	65 248	75 011	59 576
13.	**Employers' compulsory social security contributions**	10 994	18 361	21 989	18 361
14.	**Average rates**				
	Income tax	0.04%	9.69%	12.43%	15.51%
	Employees' social security contributions	19.98%	19.98%	19.98%	20.33%
	Total payments less cash transfers	19.47%	29.02%	31.86%	35.19%
	Total tax wedge including employer's social security contributions	32.87%	40.83%	43.20%	45.98%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	42.29%	47.34%	46.98%	47.52%
	Total payments less cash transfers: Spouse	43.81%	47.34%	46.98%	47.52%
	Total tax wedge: Principal earner	51.90%	56.11%	55.81%	56.26%
	Total tax wedge: Spouse	53.17%	56.11%	55.81%	56.26%

The national currency is the Euro (EUR). In 2022, EUR 0.96 was equal to USD 1. The average worker earned EUR 55 041annually Secretariat estimate).

1. Personal Income Tax Systems

1.1. Central/federal government income taxes

1.1.1. Tax unit

Generally, the tax unit is the individual. Spouses may choose between two options: Joint assessment or individual assessment. In the case of joint assessment the tax unit is the married couple. For the vast majority of couples joint assessment is beneficial compared to individual assessment. The income of dependent children is not assessable with that of the parents. Therefore, the calculations in this Report are based on the assumption of joint taxation for spouses.

1.1.2. Tax allowances and tax credits:

1.2. Standard reliefs and work related expenses

- Basic reliefs: None.
- Standard marital status reliefs: In the case of joint assessment the income tax liability for spouses is computed by the following splitting method:
  - First step: The taxable incomes of the spouses are calculated, summed up (specific allowances are doubled) and the resulting sum is divided by two.
  - Second step: The tax rate is applied to this averaged tax base.
  - Third step: The tax liability is calculated by doubling the result of step two.

Results: Given the progressive income taxation and different income levels the resulting tax liability for the couple is lower than with individual taxation. That is why the household as an economic unit benefits from this system. The splitting effect is the highest for couples with one zero taxable income and decreases with converging incomes of spouses. The splitting method results in identical average and marginal income tax rates for the principal and second earner, irrespective of the income distribution among them.

- Relief(s) for children: In 2022, there are tax credits of EUR 2 628 for the first and the second child, of EUR 2 700 for the third child and of EUR 3 000 for the fourth and subsequent children. There is an increased tax allowance per parent of EUR 2 810 for the subsistence of a child and an additional EUR 1 464 for minding and education or training needs (EUR 4 274). The amount of these allowances is doubled in case of jointly assessed parents and for lone parents if the other parent does not pay alimony. If the value of the tax credit is less than the relief calculated applying the tax allowances, the tax allowance is applied instead of the tax credit. In the calculations presented in this Report we assume that a lone parent always receives the doubled child allowances.
- In 2022, families with children receive a one-time bonus benefit payment of EUR 100 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.

- In 2020, the standard tax allowance for lone parents has been increased to EUR 4 008. Initially, this has been a temporary measure for the years 2020 and 2021 to mitigate the particular challenges faced by this family type due to the pandemic. Later on, the increase was made permanent from 2022 onwards to further support 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 2022: EUR 25 639). 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: Increased EUR 1 200 lump-sum deduction for work related expenses per gainfully employed person (until 2021: EUR 1 000). Work related expenses that exceed the lump-sum are fully deductible (no ceiling). In December 2020, a "home office" deduction for the years 2020 and 2021 came into effect. It adds up to EUR 5 per day spent exclusively working at home and is limited to a maximum amount of EUR 600 per year (corresponding to 120 working days). The "home office" deduction is counted against the general lump sum deduction for work-related expenses. The "home office" deduction has been prolonged for the year 2022.
- 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.
- Relief for citizens to help them deal with rising energy prices: a one-time lump-sum energy price allowance payment of EUR 300 for all working taxpayers in 2022. This payment is subject to income tax, but not to social security contributions.

1.3. 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.).
- Medical expenses: Partially deductible if not covered by insurance.

1.3.1. Tax schedule

The German tax schedule is formula based. Taxable income is rounded down (to the EUR).

- The basic allowance in 2022 is EUR 10 347.
- X is the taxable income.
- T is the income tax liability.

- As of 1 January 2022 the following definitions are used in the income tax liability formulas:

$$Y = \frac{X - 10\,347}{10\,000}$$

$$Z = \frac{X - 14\,926}{10\,000}$$

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

1. $T = 0 \; for \; X \leq 10\,347$
2. $T = (1\,088.67 \; Y + 1\,400)Y \; for \; 10\,348 \leq X \leq 14\,926$
3. $T = (206.43 \; Z + 2\,397)Z + 869.32 \; for \; 14\,927 \leq X \leq 58\,596$
4. $T = 0.42\,X - 9\,336.45 \; for \; 58\,597 \leq X \leq 277\,825$
5. $T = 0.45\,X - 17\,671.20 \; for \; 277\,826 \leq X$

These formulas are used to calculate the income tax for single individuals and married couples too.

If families choose the option of being assessed separately these formulas are applied to the individual taxable income of the principal earner and the spouse. In the case of jointly assessed families these rates are applied to half of the joint taxable income (see point 1.1.2.1. Splitting method).

1.3.2. Solidarity surcharge

As of 1 January 2021, the solidarity surcharge is levied at 5.5% of the income tax liability subject to an exemption limit of EUR 16 956/33 912 (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 11.9% of the difference between the income tax liability and the exemption limit until it equals 5.5% of the total liability.

1.4. 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 level and the insurance contribution rates. All contributions are subject to a contribution ceiling, i.e. the maximum income up to 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. As of 1 October 2022, the upper earnings limit will rise to EUR 520 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 2022). 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/her 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 in 2013 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). As of 1 October 2022, the earnings limits within the 'transition band' will increase to EUR 520.01 and EUR 1 600 per month (EUR 6 240.12 and EUR 19 200 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 (as of 1 October 2022 EUR 1 600) per month. Within the 'transition band', employees' reduced contribution rates to statutory pension insurance do not reduce their pension entitlements. Details on social security contributions for workers earning more than EUR 16 500 in 2022 are provided below.

2.1.1. Pensions

Employers and employees pay each half of the contribution rate of 18.6% in 2022, that is 9.3% of the employee's gross wage earnings, up to a contribution ceiling of EUR 84 600.

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 to pay one half each of this supplementary contribution which amounts to 1.3% on average in 2022 (portion of 0.65% for employers and employees). Therefore, the contribution rate averages 7.95% for employers and employees in 2022. The contribution ceiling in 2022 is EUR 58 050. 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 2022, the contribution rate is 2.4% of assessable income. Employee and employer each pay 1.2%. The contribution ceiling in 2021 is EUR 84 600.

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 58 050 in 2022.

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%. As of 1 January 2022, the contribution rate adds up to 1.875% for a childless employee.

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 by 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
2021[3]	2 628	2 628	2 700	3 000	8 388
2022[4]	2 628	2 628	2 700	3 000	8 548

1. plus EUR 100 one-off child credit payment for each child.
2. plus EUR 300 one-time bonus benefit payment per child.
3. plus EUR 150 one-time bonus benefit payment per child.
4. plus EUR 100 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 paid an income-linked contribution of 0.9% to which employers do not contributed. In return 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.

In 2020, the standard tax allowance for lone parents has been increased to EUR 4 008. Initially, this has been a temporary measure for the years 2020 and 2021 to mitigate the particular challenges faced by this family type due to the pandemic. Later on, the increase was made permanent from 2022 onwards to further support 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. In 2021, the basic allowance has been increased to EUR 9 744 and the thresholds for tax rates have been increased to account for the impact of inflation (see section 1.1.3.). The basic allowance was further increased from EUR 9 984 to EUR 10 347 with retroactive effect from 1 January 2022 (moving the thresholds for tax rates accordingly).

The steep increase of the thresholds for the solidarity surcharge (see section 1.1.4.) corresponds to an abolishment for around 90% of those who paid it in 2020. For a further 6.5% of taxpayers, the surcharge has been reduced this way.

4.1. Changes to labour taxation due to rising prices, particularly in the area of energy in 2022

The basic allowance was increased from EUR 9 984 to EUR 10 347 with retroactive effect from 1 January 2022 (moving the thresholds for tax rates accordingly). Similarly, the standard tax allowance for employees was increased by EUR 200 to EUR 1 200.

In 2022, families with children will receive a one-time bonus benefit payment of EUR 100 per child. The bonus will not be offset against basic income support for jobseekers. However, in the case households with higher incomes, the bonus will be offset against the tax allowance for children.

Furthermore, all workers who are liable for income tax will receive a one-off energy price allowance of EUR 300. This lump-sum payment will be subject to income tax, but not to social security contributions,

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.

2022 Parameter values

Average earnings/yr	Ave_earn	55 041	Secretariat estimate
Tax allowances	Child_al	8 548	
Lone Parents, first child	Lone_al	4 008	
Lone parents, subsequent child	Lone_al_add	240	
Work related	Work_rel_al	1 200	
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	10 347	
	Tax_thrsh2	14 926	
Top Rate Tax Reduction	Reduction	9 336.45	
	Reduction2	17 671.20	
Tax Equation Rates			
tax_eqn_rates	Squared	Single	Constant
Z	206.43	2 397	869.32
Y	1 088.67	1 400	0
Income tax rate stage	tax_first_stage	10 347	
	tax_second_stage	14 926	
	tax_third_stage	58 596	
	tax_fourth_stage	277 825	
Solidarity Surcharge	surcharge	0.055	
Solidarity Exemption Limit	surcharge_limit	16 956	
Alternative Surcharge Rate	surcharge_alt	0.119	
Child credit	Ch_cred		
	1. ch.	2 628 + 100	
	2. ch.	2 628 + 100	
	3.ch.	2 700 + 100	
	4.ch.	3 000 + 100	

2022 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	0.0795	0.093	0.012	0.01525	0.3	0.7509
employer_2	0	0	0	0		
employee_1	0.0795	0.093	0.012	0.01525	0.036	0.7509
employee_2	0	0	0	0		
childless_1	0.0795	0.093	0.012	0.01875	0.036	0.7509
childless_2	0	0	0	0		
ceil	58 050	84 600	84 600	58 050	2 100	
SSC Floor	SSC_floor	16 500				
Intermediate SSC Ceiling	SSC_floor1	5 610				
SSC miners' pension ceiling	SSC_pension_miners_ceil	103 800				
SSC miners' contribution rate	SSC_pension_miners_rate	0.247				
one-time taxable lump-sum payment	Taxable cash transfer	300				

2022 Tax equations

The equations for the German system in 2022 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 2022

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**		13 341	19 912	33 253	13 341
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		1 864	2 783	4 647	1 864
	Work-related expenses					
	Other					
		Total	1 864	2 783	4 647	1 864
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		11 477	17 130	28 606	11 477
5.	**Central government income tax liability (exclusive of tax credits)**		1 225	2 469	5 510	1 225
6.	**Tax credits**					
	Basic credit		777	674	445	900
	Married or head of family					
	Children					
	Other					
		Total	777	674	445	900
7.	**Central government income tax finally paid (5-6)**		448	1 794	5 065	325
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		1 864	2 783	4 647	1 864
	Taxable income					
		Total	1 864	2 783	4 647	1 864
10.	**Total payments to general government (7 + 8 + 9)**		2 312	4 577	9 712	2 189
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)**		11 029	15 335	23 541	12 160
13.	**Employer's compulsory social security contributions**		2 988	4 459	7 447	2 988
14.	**Average rates**					
	Income tax		3.4%	9.0%	15.2%	2.4%
	Employees' social security contributions		14.0%	14.0%	14.0%	14.0%
	Total payments less cash transfers		17.3%	23.0%	29.2%	8.9%
	Total tax wedge including employer's social security contributions		32.5%	37.1%	42.2%	25.5%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		32.9%	34.6%	39.8%	32.9%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		45.2%	46.6%	50.8%	45.2%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Greece 2022

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**	21 903	36 579	43 807	36 579
2.	**Standard tax allowances**				
	Basic allowance				
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes	3 061	5 112	6 122	5 112
	Work-related expenses				
	Other				
	Total	3 061	5 112	6 122	5 112
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**	18 843	31 467	37 685	31 467
5.	**Central government income tax liability (exclusive of tax credits)**	2 845	4 323	5 691	4 323
6.	**Tax credits**				
	Basic credit	763	1 651	1 526	1 405
	Married or head of family				
	Children				
	Other				
	Total	763	1 651	1 526	1 405
7.	**Central government income tax finally paid (5-6)**	2 082	2 672	4 164	2 918
8.	**State and local taxes**	0	0	0	0
9.	**Employees' compulsory social security contributions**				
	Gross earnings	3 061	5 112	6 122	5 112
	Taxable income				
	Total	3 061	5 112	6 122	5 112
10.	**Total payments to general government (7 + 8 + 9)**	5 143	7 784	10 286	8 030
11.	**Cash transfers from general government**				
	For head of family				
	For two children	1 008	0	0	0
	Total	1 008	0	0	0
12.	**Take-home pay (1-10+11)**	17 768	28 795	33 521	28 549
13.	**Employer's compulsory social security contributions**	4 905	8 191	9 810	8 191
14.	**Average rates**				
	Income tax	9.5%	7.3%	9.5%	8.0%
	Employees' social security contributions	14.0%	14.0%	14.0%	14.0%
	Total payments less cash transfers	18.9%	21.3%	23.5%	22.0%
	Total tax wedge including employer's social security contributions	33.7%	35.7%	37.5%	36.2%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	34.6%	34.6%	34.6%	34.6%
	Total payments less cash transfers: Spouse	24.0%	34.6%	34.6%	34.6%
	Total tax wedge: Principal earner	46.6%	46.6%	46.6%	46.6%
	Total tax wedge: Spouse	37.9%	46.6%	46.6%	46.6%

The national currency is the Euro (EUR). In 2022, EUR 0.96 was equal to USD 1. In 2022, the estimated gross earnings of the average worker are EUR 19 912 (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.

Individuals who are Greek tax residents are subject to income tax in Greece on their worldwide income earned in a certain tax year, whereas non-residents are subject to tax in Greece only on income sourced in Greece irrespective of their nationality, or place of domicile. Moreover, an individual whose stay in Greece exceeds183 days cumulatively in a twelve month period is considered as a tax resident in Greece and is subject to tax of his/her worldwide income irrespective of the individual's nationality. This does not apply in the case of individuals who are in Greece exclusively for tourism or medical, therapeutic or similar purposes of private nature and their stay does not exceed 365 days, including short periods of stay abroad. Due consideration is given to bilateral conventions, for the elimination of double taxation, their provisions superseding domestic law.

Individuals who have completed 18 years of age are obliged to file an income tax return regardless whether they have taxable income or not.

Spouses file a joint income tax return but each spouse is liable for the tax payable on his or her share of the joint income. Persons who have entered into a civil union – partnership can also file a joint income tax return. In this case, civil union partners have the same tax treatment as married couples. The tax return can be filed separately, if at least one of the spouses opts for it, with an irrevocable declaration for each tax year until 28 February of the year of submission of the return. This option is binding for the concerned tax year and also applies to the other spouse. Especially for tax year 2021, the deadline for submitting the irrevocable declaration was set at 2 March 2022.

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.

Losses incurred by a spouse or civil union partner cannot be set off against the income of the other spouse or partner. Spouses or civil union partners 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 civil union partners is bankrupt or has been subject to guardianship. The taxpayer's spouse can be considered as a dependent member, provided that he/she does not have any taxable income.

As dependent members, related to the taxpayer, are regarded single children under the age of 18, adult children up to the age of 25 years studying at the university or serving their military service or registered as unemployed to the Manpower Employment Organisation (OAED); taxpayers are deem to be in charge for their ascendants and/or their spouses' relatives (up to the 3rd degree) who are orphans provided that they live with them and their annual taxable income does not exceed the amount of EUR 3 000 (alimony and disability benefits and similar allowances are not included). The taxpayer children and siblings of both spouses with a disability of at least 67% who are single or divorced or widowed: are also considered as dependent members, unless their annual income exceeds the amount of EUR 6 000 (not including alimony and disability benefits and similar allowances).

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.
- Tax is reduced for employees and pensioners, for each tax bracket, as follows:
  - by EUR 777 for annual income up to EUR 12 000, for taxpayers with no dependent children;
  - by EUR 810 for annual income up to EUR 12 000 for taxpayers with one dependent child;
  - by EUR 900 for annual income up to EUR 12 000 for taxpayers with two dependent children;
  - by EUR 1 120 for annual income up to EUR 12 000 for taxpayers with 3 dependent children;
  - by EUR 1 340 for annual income up to EUR 12 000 for taxpayers with 4 dependent children;
  - for taxpayers with more than 4 dependent children, the above mentioned tax credit is increased by EUR 220 per child;
  - for income exceeding EUR 12 000, the aforementioned tax credit is reduced by EUR 20 for every EUR 1 000 of taxable income.

If the amount of tax is less than these amounts, the reduction of tax is limited to the relevant amount of tax.

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. If this amount of electronic payments is not reached, a penalty of 22% is imposed to the remaining amount. The calculation of the income does not include the amount of the solidarity contribution of article 43A and the amount of alimony given to the divorced spouse or a civil union partner and/or a dependent child, if it is paid by electronic means of payment. In the case that the expenses incurred concern PIT payments and Single Property Ownership Tax (ENFIA), loan obligations to financial institutions and rents exceeding 60% of the income, the required expenses are limited to 20% of taxable income; this applies provided that such expenses have been effected with electronic means of payment.

The amount of tax, as calculated for each tax bracket, is further reduced by EUR 200 for the taxpayer as well as for each dependent member, provided that the taxpayer or his/her 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 in the capacity of war victims or on grounds of disability.

Note: Foreign tax residents are not eligible to tax deductions, unless they are tax resident in an EU/EEA member State and (a) derive at least 90% of their total income from sources in Greece or (b) prove that their taxable income is so low that they would be entitled to tax reduction under the tax legislation of the State of their tax residency.

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, if donations exceed the amount of EUR 100 during the tax year. The total amount of donations cannot exceed 5% of the taxable income. Especially for donations to charitable institutions and registered Civil Society Organizations, the amount of tax is reduced by 40% on the amounts of donations, as long as the donations exceed during the tax year the amount of EUR 100 and are deposited in special accounts held for this purpose at a bank legally operating in an EU or EEA Member State. The total amount of donations in this case cannot exceed 40% of the taxable income.

1.1.2.3. Exemptions

Certain types of income, as specified in the Income Tax Code are exempt from ~~the~~ tax.

Examples:

- income earned in the performance of their duties by foreign diplomatic representatives or consulate agents, 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 that have been installed under an international treaty applied by Greece.;
- alimony received by the beneficiary according to the Court adjudication or notary Document;
- all forms of pensions 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 (at least 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 personsresiding 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;
- pensioners' social solidarity allowance (EKAS-EFKA);
- income from employment obtained by foreign officers and low crew members of merchant ships, who are foreign tax residents, on merchant ships with Greek flag, which perform exclusively international trips.

1.1.2.4. Tax calculation

Taxable income is derived from the following sources:

a) income from employment and pensions;
b) income from business activity ;investment income which includes income from dividends, interest, royalties and income from immovable property (rental income);
c) 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.

The taxpayer is subject to an alternative minimum tax when his/her imputed income is higher than his/her 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/her dependents' living expenses.

Income from employment 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 salaries plus one 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)
10 000	9%	900	10 000	900
10 000	22%	2 200	20 000	3 100
10 000	28%	2 800	30 000	5 900
10 000	36%	3 600	40 000	9 500
Excess	44%			

The above tax scale does not apply for employment income acquired by:

- Officers working in merchant ships, whose income is taxed at a 15% flat rate.
- Low- crew members working in merchant ships, whose income is taxed at a 10% flat rate.
- Pilots, co-pilots and aircraft engineers who are tax residents in Greece for their monthly compensation, which is taxed at a tax flat rate of 15% and whose air company has a tax residency or permanent establishment in Greece,
- Members of the Independent Board of Refugees Appeal for their monthly compensation, which is taxed at a tax flat rate of 15%.

The aforementioned categories of employment income are taxed independently, with exhaustion of the tax liability of their beneficiaries.

For deductions see above section 1.1.2.1.

Income from agricultural business is taxed independently but ~~with~~ under the same tax schedule. The previously described tax credit is granted to farmers as well. In case a farmer is earning income from employment / pension, only one tax credit is given.

Income from dividends is taxed at a 5% flat rate, income from interest is taxed at a 15% flat rate and 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, income derived from short term rentals of sharing economy (if it is not considered as income from business activity) is taxed with the above tax scale.

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. The Special Solidarity Contribution is levied, taking into account the total income from salaries and pensions, business activity, capital, capital transfer, capital gains, taxable or exempt, real or assumed The Special Solidarity contribution applies to income exceeding EUR 12 000 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%

Due to the Covid-19 pandemic, the solidarity contribution for private sector employees has been suspended for tax years 2021 and 2022. The suspension also applies forincome from business activity, investment and capital gains for tax years 2020 and 2021.

1.1.4 Income tax return submission and tax payment for tax year 2021

Income tax returns are timely submitted by 29 July 2022 and the tax is paid in eight (8) equal, monthly installments, of which the first two (2) are paid due until the last working day of August 2021 and each of the following within the last working day of six (6) next months in three (3) equal bimonthly installments, of which the first is paid until the last working day of the month of July and each of the following until the last working day of the months of September and November 2022.

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. Mandatory 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 subject to a mandatory principal and direct insurance at the Electronic National Social Security Fund (e-EFKA) for their main pension and health care.

Apart from the main contribution, e-EFKA compulsorily collects contributions for other minor Funds created for the employee’s benefit (Unemployment Benefits Funds, etc.).

The average rates of contributions payable by white-collar employees as a percentage of gross earnings are as follows (%):

From January 1st 2022 to 31 December 2022

For work in private sector (full time)

	Employer	Employee	Total
1. National Social Security Fund (e- EFKA) – Main Pension	13.33	6.67	20.00
2. e-EFKA- Supplementary Pension (exETEAEP)) (1.1.22-31.5.22)	3.25	3.25	6.50
e-EFKA- Supplementary Pension (exETEAEP) (1.6.22 and on)	3.00	3.00	6.00
3. National Social Security Fund (e- EFKA) - Healthcare Coverage	4.55	2.55	7.10

4. Other Funds	1.41	1.65	3.06
Total	22.54	14.12	36.66

For blue-collar workers engaged in heavy work (unhealthy, dangerous etc.), higher contributions are due (17,57% paid by the employee and 24,69% paid by the employer), so that such individuals become entitled to pension five years earlier than other workers (2.20% for e-EFKA-Main Pension and 1.25% for e- EFKA - Supplementary Pension, paid by the employee, and 1.40% for e-EFKA- Main Pension and 0.75% for e-EFKA -Supplementary Pension, paid by the employer). In the industrial sector, a contribution at a rate of 1% is added as an occupational risk contribution which is paid by the employer, since these workers because of their difficult employment conditions are vulnerable to an increased risk of labour accidents and occupational diseases.

For work in private sector (part time)

	Employer	Employee	Total
1. National Social Security Fund (e- EFKA) – Main Pension	13.33	6.67	20.00
2. e-EFKA- Supplementary Pension (exETEAEP))(1.1.22-31.5.22)	3.25	3.25	6.50
e-EFKA- Supplementary Pension (exETEAEP) (1.6.22 and on)	3.00	3.00	6.00
3. National Social Security Fund (e- EFKA) - Healthcare Coverage	4.55	2.55	7.10
4. Other Funds	1.89	2.07	3.96
Total	23.02	14.54	37.56

For work in public sector (full time)

	Employer	Employee	Total
1. National Social Security Fund (e- EFKA) – Main Pension	13.33	6.67	20.00
2. e-EFKA- Supplementary Pension (exETEAEP) (1.1.22-31.5.22)	3.25	3.25	6.50
e-EFKA- Supplementary Pension (exETEAEP) (1.6.22 and on)	3.00	3.00	6.00
3. National Social Security Fund (e- EFKA) - Healthcare Coverage	4.55	2.55	7.10
4. Other Funds	3.20	2.86	6.06
Total	24.33	15.33	39.66

For work in public sector (part time)

	Employer	Employee	Total
1. National Social Security Fund (e- EFKA) – Main Pension	13.33	6.67	20.00
2. e-EFKA- Supplementary Pension (exETEAEP)) (1.1.22-31.5.22)	3.25	3.25	6.50
e-EFKA- Supplementary Pension (exETEAEP) (1.6.22 and on)	3.00	3.00	6.00
3. National Social Security Fund (e- EFKA) - Healthcare Coverage	4.55	2.55	7.10
4. Other Funds	3.68	3.28	6.96
Total	24.81	15.75	40.56

It should be noted that the amount of the maximum insurable earnings for calculating the monthly insurance contribution of employees and employers is set to EUR 6 500.

The contribution for lawyers and engineers providing dependent services (Law 4756/2020, art. 35) of the Supplementary Insurance Branch of the former ETEAEP from 1 January 2020 until 31 May 2022 is a fixed sum of EUR 42, EUR 51 or EUR 61 per month, depending on the respective insurance class level. From 1-6-2022 the above sums are reduced to 39, 47, 56€ respectively. The insured persons are subject, from 1 January 2020, to the first insurance class, with the obligation to contribute EUR 42 (39 from 1-6-22) per month, while from 1 July 2020 onwards they are entitled to opt for their insurance class. This contribution is shared between the lawyer or engineer and their employer.

From 1.1.2022, new entrants in social security are subject to the new Hellenic Auxiliary Pensions Defined Contributions Fund (TEKA). Already insured may optionally insure in TEKA, on the condition they are born from 1/1/1987 onwards. The contributions rates and categories are the same as for the Branch of Supplementary Insurance of e-EFKA (ex-ETEAEP)

For the former Lump Sum section of ex-ETEAEP, the contribution and the monthly basis on which the contribution is calculated, for employees first insured before 1992, is determined by the social security body which was integrated into ex-ETEAEP. The contribution for employees first insured after 1992, for the former Lump Sum of ex- 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 engineers, lawyers and doctors providing dependent services and insured at the former Lump-sum section of ex-ETEAEP is calculated from 1 January 2020 as a fixed amount of EUR 26, EUR 31 or EUR 37 per month, depending on the respective insurance class. The insured persons are subject to the first insurance class, onwards they are entitled to opt for their insurance class. The contribution for lawyers is shared between the lawyer and his/her employer.

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

The changes in the tax and benefit system since 2016 include the following:

- A new income tax scale was introduced with Law 4646/2019 for tax years 2020 and onwards, reducing the tax rate for the lower tax bracket (income up to EUR 10,000) from 22% to 9%; for the calculation of tax reduction, s. 1.1.2.1.
- Social security contributions have been reduced since 2020 by 3.9 %. Since 1 June 2022, supplementary pension contributions are reduced, by an equal percentage both for employers and employees, from 6.5 % to 6 % in total (s. table in Section 2).

4.1. Changes to labour taxation due to the COVID pandemic in 2020 and 2021

A monthly special tax – free allowance has been granted to employees of enterprises affected by the coronavirus crisis, whose labour contracts have been suspended based on specific NACE codes. A tax-free monthly fee was also provided for private practitioners employed under the emergency situation of the COVID pandemic in public hospitals.

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 2000-2021 Greece

Year	*NACE Rev 2 classification*
2000	15.459
2001	15.715
2002	**17.359**
2003	19.240
2004	21.446
2005	22.012
2006	**23.800**
2007	23.935
2008	23.849
2009	24.569
2010	**24.156**
2011	23.929
2012	23.309
2013	21.101
2014	**21.322**
2015	20.494
2016	20.033
2017	19.913
2018	**19.924**

2019	20.243
2020	18.834
2021	19.614

Note: The Average gross Annual Earnings per full time employee for the period 2000 to 2021 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 2019 and onwards will be revised when the final results of the SES 2022 will be available.
Data in bold refer to data from SES 2002, 2006, 2010, 2014 and 2018.
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 LCI_Wages. 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 - 2021 the calculation of LCI_Wages was based on the quarterly Labour Cost Survey.
Source: ELSTAT

5.2. Main employers' contributions to private pension, health, and related schemes

Contributions to private pension and sickness schemes made by employers are not added to employees' gross earnings for tax purposes (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.

2022 Parameter values

Average earnings/yr	Ave_earn	19 912	Secretariat estimate
Tax credit	Child_cred	0	
Rates of family subsidies			
paid by employers	Wife_sub	0.1	
children (up to 3)	Child_sub	0	
Income tax schedule	Tax_sch	0.09	10000
		0.22	20000
		0.28	30000
		0.36	40000
		0.44	
Tax deduction	tax_cred	777	
	tax_cred_1dc	810	
	tax_cred_2dc	900	
	tax_cred_3dc	1120	
	tax_cred_4dc	1340	
	num_ch_over4	1	
	tax_cred_over4	220	
	tax_cred_5dc	1560	
	tax_cred_thrsh	12000	
	tax_cred_red	0.02	
Solidarity contribution (Only for Employees of Public Sector Tax year 2021))	Solidarity_sch	0	12000
		0.022	20000
		0.05	30000
		0.065	40000
		0.075	65000
		0.09	220000
		0.1	
Social security contributions	SSC_rate	0.1397	
	SSC_rate_empr	0.2239	
	SSC_ceil	91000	
	SSC_ceil_use	1	
Single children support allowance	Child_all	0	840
		6000	504
		10000	336
		15000	0
	Spouse_weight	0.50	
	Child_weight	0.25	

2021 Tax equations

The equations for the Greek system in 2021 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.

Note

[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 2022

The tax/benefit position of single persons

		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1.	**Gross wage earnings**		4 239 834	6 328 111	10 567 945	4 239 834
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)**		4 239 834	6 328 111	10 567 945	1 039 914
5.	**Central government income tax liability (exclusive of tax credits)**					
	Central government income tax liability (exclusive of tax credits)		635 975	949 217	1 585 192	155 987
		Total	635 975	949 217	1 585 192	155 987
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)**		635 975	949 217	1 585 192	155 987
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		784 369	1 170 700	1 955 070	784 369
	Taxable income					
		Total	784 369	1 170 700	1 955 070	784 369
10.	**Total payments to general government (7 + 8 + 9)**		1 420 344	2 119 917	3 540 262	940 356
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)**		2 819 490	4 208 194	7 027 683	3 654 678
13.	**Employer's wage dependent contributions and taxes**					
	Employer's compulsory social security contributions		551 178	822 654	1 373 833	551 178
	Payroll taxes		0	0	0	0
		Total	551 178	822 654	1 373 833	551 178
14.	**Average rates**					
	Income tax		15.0%	15.0%	15.0%	3.7%
	Employees' social security contributions		18.5%	18.5%	18.5%	18.5%
	Total payments less cash transfers		33.5%	33.5%	33.5%	13.8%
	Total tax wedge including employer's social security contributions		41.2%	41.2%	41.2%	23.7%
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		41.2%	41.2%	41.2%	41.2%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Hungary 2022

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**		6 328 111	10 567 945	12 656 222	10 567 945
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)**		3 128 191	7 368 025	9 456 302	10 567 945
5.	**Central government income tax liability (exclusive of tax credits)**					
	Central government income tax liability (exclusive of tax credits)		469 229	1 105 204	1 418 445	1 585 192
		Total	469 229	1 105 204	1 418 445	1 585 192
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)**		469 229	1 105 204	1 418 445	1 585 192
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		1 170 700	1 955 070	2 341 401	1 955 070
	Taxable income					
		Total	1 170 700	1 955 070	2 341 401	1 955 070
10.	**Total payments to general government (7 + 8 + 9)**		1 639 929	3 060 274	3 759 846	3 540 262
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)**		5 007 382	7 826 871	9 215 575	7 027 683
13.	**Employer's wage dependent contributions and taxes**					
	Employer's compulsory social security contributions		822 654	1 373 833	1 645 309	1 373 833
	Payroll taxes		0	0	0	0
		Total	822 654	1 373 833	1 645 309	1 373 833
14.	**Average rates**					
	Income tax		7.4%	10.5%	11.2%	15.0%
	Employees' social security contributions		18.5%	18.5%	18.5%	18.5%
	Total payments less cash transfers		20.9%	25.9%	27.2%	33.5%
	Total tax wedge including employer's social security contributions		30.0%	34.5%	35.6%	41.2%
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		41.2%	41.2%	41.2%	41.2%
	Total tax wedge: Spouse		41.2%	41.2%	41.2%	41.2%

The national currency is the Forint (HUF). In 2022, HUF 377.21 were equal to USD 1. In 2022, the average worker earned HUF 6 328 111 (Source: 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

1.2. 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 are 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 have been 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).
- From 1st January 2022, young persons under the age of 25 are exempt from personal income tax payments up to the national average wage calculated in July of the previous year (the threshold is HUF 433 696/month in 2022).

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.

1.2.2. Tax schedule

The rate of personal income tax amounts to 15%.

1.3. 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 – have been 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 has decreased by 2 percentage points to 15.5% from 1st July 2020. From 1st January 2022, the rate was lowered by further 2.5 percentage points and the training levy (1.5%) was abolished, thus making the total employer side contributions 13% (previously 17%).

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 167 400 per month in 2021, raised to HUF 200 000 per month from 1st January 2022.

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 reduction (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 reduction (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 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 decreased by further 2 percentage points to 15.5%.
- From 1st July 2020 employees' social security contributions have been 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).
- From 1st January 2022, the rate was lowered by further 2.5 percentage points and the training levy (1.5%) was abolished, thus making the total employer side contributions 13% (previously 17%).

4.1. Changes to labour taxation due to the COVID pandemic in 2020 and 2021

- Sectors that were severely hit by the pandemic (e.g. tourism, restaurants, entertainment venues, sports, cultural services, transportation, agriculture, aviation industry) were 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 decreased 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.
- Sectors that were severely hit by the second wave of the pandemic (tourism, catering, leisure and cultural services) were temporarily exempted from paying social security contributions, payroll taxes and kiva (small business tax) from November 2020 to May 2021. This measure was further extended to the retail sector and other services during the stricter lockdown regulations in March and April 2021.

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 one-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.

2022 Parameter values

Average earnings/yr	Ave_earn	6 328 111	Secretariat's 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_emp	0.185			
Payroll taxes *	SSC_empr	0.13			
	payroll_rate	0			
		# 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

2022 Tax equations

The equations for the Hungarian system in 2022 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_emp,Positive(tax_al-earn_princ)*tax_sch)
	Child tax allowance (Employees' SSC)		S	=MIN(earn_spouse*SSC_emp,Positive(-earn_princ)*tax_sch)
9.	Employees' soc security	SSC	B	earn*SSC_emp-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 2022

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**		7 342 950	10 959 626	18 302 576	7 342 950
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		293 718	438 385	732 103	293 718
	Work-related expenses					
	Other					
		Total	293 718	438 385	732 103	293 718
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		7 049 232	10 521 241	17 570 473	7 049 232
5.	**Central government income tax liability (exclusive of tax credits)**		1 367 593	2 183 516	4 262 489	1 367 593
6.	**Tax credits**					
	Basic credit		646 993	646 993	646 993	646 993
	Married or head of family					
	Children					
	Other					
		Total	646 993	646 993	646 993	646 993
7.	**Central government income tax finally paid (5-6)**		740 800	1 556 723	3 635 696	740 800
8.	**State and local taxes**		1 018 614	1 520 319	2 538 933	1 018 614
9.	**Employees' compulsory social security contributions**					
	Gross earnings		13 284	13 284	13 284	13 284
	Taxable income					
		Total	13 284	13 284	13 284	13 284
10.	**Total payments to general government (7 + 8 + 9)**		1 772 698	3 090 326	6 187 913	1 772 698
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	828 077
		Total	0	0	0	828 077
12.	**Take-home pay (1-10+11)**		5 570 251	7 869 300	12 114 663	6 398 328
13.	**Employer's compulsory social security contributions**		466 277	695 936	1 162 214	466 277
14.	**Average rates**					
	Income tax		24.0%	28.1%	33.7%	24.0%
	Employees' social security contributions		0.2%	0.1%	0.1%	0.2%
	Total payments less cash transfers		24.1%	28.2%	33.8%	12.9%
	Total tax wedge including employer's social security contributions		28.7%	32.5%	37.8%	18.1%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		36.4%	36.4%	44.4%	46.0%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		40.2%	40.2%	47.7%	49.3%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Iceland 2022

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**	10 959 626	18 302 576	21 919 253	18 302 576
2.	**Standard tax allowances**				
	Basic allowance				
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes	438 385	732 103	876 770	732 103
	Work-related expenses				
	Other				
	Total	438 385	732 103	876 770	732 103
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**	10 521 241	17 570 473	21 042 482	17 570 473
5.	**Central government income tax liability (exclusive of tax credits)**	2 183 516	3 551 109	4 367 031	3 551 109
6.	**Tax credits**				
	Basic credit	1 293 986	1 293 986	1 293 986	1 293 986
	Married or head of family				
	Children				
	Other				
	Total	1 293 986	1 293 986	1 293 986	1 293 986
7.	**Central government income tax finally paid (5-6)**	909 730	2 297 523	3 113 445	2 297 523
8.	**State and local taxes**	1 520 319	2 538 933	3 040 639	2 538 933
9.	**Employees' compulsory social security contributions**				
	Gross earnings	13 284	26 568	26 568	26 568
	Taxable income				
	Total	13 284	26 568	26 568	26 568
10.	**Total payments to general government (7 + 8 + 9)**	2 443 333	4 863 025	6 180 652	4 863 025
11.	**Cash transfers from general government**				
	For head of family				
	For two children	665 876	145 772	0	0
	Total	665 876	145 772	0	0
12.	**Take-home pay (1-10+11)**	9 182 169	13 585 323	15 738 600	13 439 551
13.	**Employer's compulsory social security contributions**	695 936	1 162 214	1 391 873	1 162 214
14.	**Average rates**				
	Income tax	22.2%	26.4%	28.1%	26.4%
	Employees' social security contributions	0.1%	0.1%	0.1%	0.1%
	Total payments less cash transfers	16.2%	25.8%	28.2%	26.6%
	Total tax wedge including employer's social security contributions	21.2%	30.2%	32.5%	31.0%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	46.0%	42.2%	36.4%	36.4%
	Total payments less cash transfers: Spouse	40.0%	42.2%	36.4%	36.4%
	Total tax wedge: Principal earner	49.3%	45.6%	40.2%	40.2%
	Total tax wedge: Spouse	43.6%	45.6%	40.2%	40.2%

The national currency is the Króna (plural: Krónur) (ISK). In 2022, ISK 136.24were equal to USD 1. That year, the average worker is expected to earn ISK 10 959 626(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

1.2. Standard reliefs

- Basic tax credit: A fixed tax credit, amounting to ISK 646 993 in 2022, 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.

1.3. 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 2022 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 7 500 000 for a single individual and a single parent and ISK 12 000 000 for a couple and are eliminated altogether at a 60% higher amount, or ISK 12 000 000 and 19 200 000, respectively. (These amounts are based on income in the year 2022 but are paid out in 2023).

1.3.1. 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 2022 is 17.0% for income up to ISK 370 482 per month. The tax rate is 23.5% for income ISK 370 483 to ISK 1 040 106. For income exceeding ISK 1 040 106 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 178 577 per month (ISK 2 142 929 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 300 000 per year and 50% of income from long-term rent of a maximum of two residential properties is tax free.

Fee to the national broadcast media: 16 to 70 year-old individuals with taxable income over ISK 2 057 212 for the year are subject to a fixed tax of ISK 20 200 in 2022, which will be collected in 2023.

1.4. 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 2022 is 14.45%.

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 13 284 in 2022, provided the individual's taxable income is at least ISK 2 057 212 for the year. This tax will be collected in 2023.

2.2. Employers' contributions

Employers 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 0.05% Wage Guarantee Fund Fee and a payroll tax, the Promote Iceland Market Fee, also 0,05%. 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 2022 they are as follows (in ISK per year):

- For each child under the age of seven: 138 000
- Children under the age of eighteen at the end of 2022:

  - Each child: 295 000
- Benefits for single parents:
  - Each child: 440 000
- Income threshold for benefit curtailment:
  - For couples: 9 500 000
  - For a single parent: 4 750 000
- 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%

A special child benefit supplement has been granted since 2020 as a response to the Covid crisis. Although first implemented as a temporary measure it was extended in 2021 and now again for 2022. The eligibility criteria for receiving the supplement is the same as in 2021 but the amount is lower. Benefits are granted for each child but only to households where other child benefits are not fully curtailed by income thresholds. This special child benefit supplement will not be extended past 2022.

- For each child:
  - If households receive other child benefits: 20 000

Note that child benefits in this Report are based on income in the year 2022 but are paid out in 2023.

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 1997-2022

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 in 2022 are 17.0% for income up to ISK 370 482 per month, 23.5% for income exceeding that up to ISK 1 040 106 and 31.8% for income higher than ISK 1 040 106; 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
2021	17.0	14.45	31.45	6.5/8.3
2022	17.0	14.45	31.45	6.5/8.3

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 2013–2022, benefits are as follows (in ISK per year):

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
For all children under the age of seven	100 000	115 825	119 300	122 879	133 300	140 000	140 000	140 000	148 000	138 000
Children under the age of eighteen:										
First child	167 564	194 081	199 839	205 834	223 300	234 500	234 500	234 500	248 000	295 000
Each additional child	199 455	231 019	237 949	245 087	265 900	279 200	279 200	279 200	295 000	295 000
Benefits for single parents:										
First child	279 087	323 253	332 950	342 939	372 100	390 700	390 700	390 700	413 000	440 000
Each additional child	286 288	331 593	341 541	351 787	381 700	400 800	400 800	400 800	423 000	440 000
Income threshold for benefit curtailment:										
For couples	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	9 098 000 / 12 320 000	9 500 000
For a single parent	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	4 549 000 / 6 160 000	4 750 000
Curtailment of benefits under the age of seven:										
For each child	3%	4%	4%	4%	4%	4%	4%	4%	4%	4%
Curtailment of benefits under the age of eighteen:										
For one child	3%	4%	4%	4%	4%	4% / 5.5%	4% / 5.5%	4% / 5.5%	4% / 5.5%	4%
For two children	5%	6%	6%	6%	6%	6% / 7.5%	6% / 7.5%	6% / 7.5%	6% / 7.5%	6%
For three children or more	7%	8%	8%	8%	8%	8% / 9.5%	8% / 9.5%	8% / 9.5%	8% / 9.5%	8%

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. In 2022 the net worth ceiling was raised by 50% for all households; 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 pandemic in 2020 and 2021

4.7.1. Changes in 2020

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.

- 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.

4.7.2. Changes in 2021

The special child benefit supplement was extended to 2021, although amended. In 2021 benefits are only granted to households already receiving other child benefits and are granted for each child. This special child benefit supplement will only be paid out in 2021.

- For each child:
  - If households receive other child benefits: 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 2020 but paid out in 2021.

A payment deferral scheme was also introduced in 2021 for monthly pay-as-you-go payments of withheld central and local PIT and social security contributions on previous month wages. Employers who postponed payments in 2020 and suffered significant loss of income in 2020 compared to earlier operating years, can request further postponement of the payments previously postponed until June, July and August 2021. Employers meeting the same criteria may also defer 100% of the monthly payable amount up to two times in 2021. Deferred amounts are due for payment in January 2022.

4.7.3. Changes in 2022

The special child benefit supplement was again extended to 2022. As in the year before benefits are only granted to households already receiving other child benefits and are granted for each child. This special child benefit supplement will only be paid out in 2022.

- For each child:
  - If households receive other child benefits: ISK 20 000

Note that as regular child benefits in this Report, this one-off special child benefit supplement is based on income in the year 2021 but paid out in 2022.

A payment deferral scheme was introduced again in 2022 for monthly pay-as-you-go payments of withheld central and local PIT and social security contributions on previous month wages. Employers may defer up to two monthly payments payable in the period January to June 2022. Deferred amounts are due for first payment in September 2022 followed by monthly payments.

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.

2022 Parameter values

Average earnings/yr	Ave_earn	10 959 626	Secretariat estimate
Pension rate for tax allowance	pension_rate	0.04	
Tax credit	Basic_crd	646 993	
	Married_propn	1	
Central income tax	tax_sch	0.17	4 445 784
		0.235	12 481 272
		0.3180	
Broadcast fee	broadcast_fee	20 200	
Special tax	special_rate		
threshold	special_thrsh		
Local tax	local_rate	0.1445	
Church tax	church_tax	0	
Social Security Contr.	SSC_fixed	13 284	
	SSC_thrsh	2 057 212	
Employer SSC (incl. payroll taxes)	SSC_empr	0.0635	
General child allowance:			
child allowance	CA	138 000	
Maximum number of children under 7	max_child_under7	1	
Supplement child allowance:			
Married couple case			
first child	SA_first_m	295 000	
other children	SA_others_m	295 000	
income threshold	SA_tresh_m	9 500 000	
	SA_thresh_m_2		
Single parent case			
first child	SA_first_s	440 000	
other children	SA_others_s	440 000	
income threshold	SA_tresh_s	4 750 000	
	SA_thresh_s_2		
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		
Special child benefit supplement:			
Households receiving other child benefits	SCBS_high	20 000	
Households not receiving other child benefits	SCBS_low	0	

2022 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)
	Broadcast fee		B	broadcast_fee*(earn>SSC_thrsh)
		special_tax	J	0
7.	CG tax	CG_tax	B	CG_tax_excl-tax_cr+special_tax+Broadcast fee
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)))))
12.	Special child benefit supplement	SCBS	J	IF(Children>0;IF(AY10>0;SCBS_high*Children;SCBS_low*Children);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.

Note

[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 2022

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**	36 615	54 649	91 264	36 615
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)**	36 615	54 649	91 264	36 615
5.	**Central government income tax liability (exclusive of tax credits)**	7 323	14 500	29 146	7 323
6.	**Tax credits**				
	Basic credit	1 700	1 700	1 700	1 700
	Single, head of family	0	0	0	1 650
	Children				
	Other	1 700	1 700	1 700	1 700
	Total	3 400	3 400	3 400	5 050
7.	**Central government income tax finally paid (5-6)**	4 858	12 846	29 883	3 208
8.	**State and local taxes**	0	0	0	0
9.	**Employees' compulsory social security contributions**				
	Gross earnings	1 465	2 186	3 651	1 465
	Taxable income				
	Total	1 465	2 186	3 651	1 465
10.	**Total payments to general government (7 + 8 + 9)**	6 323	15 032	33 533	4 673
11.	**Cash transfers from general government**				
	For head of family	0	0	0	1 177
	For two children	0	0	0	3 360
	Total	0	0	0	4 537
12.	**Take-home pay (1-10+11)**	30 292	39 617	57 731	36 479
13.	**Employer's compulsory social security contributions**	4 046	6 039	10 085	4 046
14.	**Average rates**				
	Income tax	13.3%	23.5%	32.7%	8.8%
	Employees' social security contributions	4.0%	4.0%	4.0%	4.0%
	Total payments less cash transfers	17.3%	27.5%	36.7%	0.4%
	Total tax wedge including employer's social security contributions	25.5%	34.7%	43.0%	10.3%
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 2022

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**		54 649	91 264	109 298	91 264
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)**		54 649	91 264	109 298	91 264
5.	**Central government income tax liability (exclusive of tax credits)**		12 700	21 786	28 999	21 786
6.	**Tax credits**					
	Basic credit		3 400	3 400	3 400	3 400
	Single, head of family		0	0	0	0
	Children					
	Other		3 300	3 400	3 400	3 400
		Total	6 700	6 800	6 800	6 800
7.	**Central government income tax finally paid (5-6)**		7 746	17 667	25 693	17 667
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		2 186	3 651	4 372	3 651
	Taxable income					
		Total	2 186	3 651	4 372	3 651
10.	**Total payments to general government (7 + 8 + 9)**		9 932	21 318	30 064	21 318
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)**		48 077	73 306	82 594	69 946
13.	**Employer's compulsory social security contributions**		6 039	10 085	12 077	10 085
14.	**Average rates**					
	Income tax		14.2%	19.4%	23.5%	19.4%
	Employees' social security contributions		4.0%	4.0%	4.0%	4.0%
	Total payments less cash transfers		12.0%	19.7%	24.4%	23.4%
	Total tax wedge including employer's social security contributions		20.8%	27.7%	32.0%	31.0%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		48.5%	48.5%	48.5%	48.5%
	Total payments less cash transfers: Spouse		31.1%	48.5%	48.5%	48.5%
	Total tax wedge: Principal earner		53.6%	53.6%	53.6%	53.6%
	Total tax wedge: Spouse		38.0%	53.6%	53.6%	53.6%

The national currency is the Euro (EUR). In 2022, EUR 0.96 was equal to USD 1. In that year, the average worker earned EUR 54 649. (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

1.2. Standard reliefs:

- Basic reliefs: The single person's credit is EUR 1 700 per year.
- Standard marital status reliefs: The married person's credit is EUR 3 400 per year (i.e. twice the basic credit of EUR 1 700).
- 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 1 700.
- Earned Income credit: Individuals in receipt of earned income are entitled to an earned income credit of EUR 1 700. Note: The combined employee credit and earned income credit is limited to EUR 1 700.
- One-Parent Family credit: The single parent family credit is EUR 1 650.

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

- Interest on qualifying loans: No relief will be available from 1 January 2021 onward 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 for 2020.

	First Time Mortgage Holders	Other Mortgage Holders
Married Couple	EUR 5 000	EUR 1 500
Widowed Person	EUR 5 000	EUR 1 500
Single Person	EUR 2 500	EUR 750

- 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 1 600 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 10 400: 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.

1.3.1. Tax schedule

Band of taxable Income (EUR)				Rate (%)
Single/ Widow(er)	Married Couple (One Income)	Married Couple (Two Incomes)	One-Parent Families	
Up to 36 800	Up to 45 800	Up to the lesser of 73 600 - 45 800 plus the amount of the lowest income	40 800	20
Balance	Balance	Balance	Balance	40

1.3.2. 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.

1.3.3. 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 EUR21 295, at 4.5% for income in excess of EUR 21 295 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.

1.4. 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 2021 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 2021 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 2021, the total employers’ contribution is 11.05% and is reduced to 8.8% in respect of employees earning less than EUR 410 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 2022 are as follows:

If you have twins, you get one-and-a-half times the normal monthly rate of Child Benefit for each child. For triplets and other multiple births, Child Benefit is paid at double the normal monthly rate for each child, provided at least 3 of the children meet the conditions (such as being under 16).

Period	Monthly rate per child	
January 2022 to December 2022	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 2022 is EUR 652 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. From April 2021 working lone parents will no longer lose their One-Parent Family Payment (OFP) when their employment income exceeds the current EUR 425 weekly limit. The amount of the full payment for 2022 is EUR 208 per week (plus EUR 40 per week for each child).

4. 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 1 650 for 2020 and 2021, increasing to 1 700 in 2022. Note: The combined employee credit and earned income credit is limited to EUR 1 700.

4.2. Changes to labour taxation due to the COVID pandemic in 2020 and 2021

The TWSS, EWSS and PUP schemes referred to in last year's report have ceased. Enhanced Illness Benefit will be in place until the end of September 2022.

5. Memorandum Items

5.1. Employer contributions to private social security arrangements

Information not available, although such schemes do exist.

2022 Parameter values

Average earnings/yr	Ave_earn	54 649	Secretariat estimate
Tax allowances			
Tax Credits	Basic_al_at_standardrate	1700	
	Married_al_at_standardrate	1700	
	Empl_al_at_standardrate	1700	
	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	36 800
		0.4	
	Single_sch_child	0.2	40 800
		0.4	
	Married_sch_oneinc	0.2	45 800
		0.4	
	Married_sch_twoinc	0.2	73 600
		0.4	
Universal Social Charge	USC	0.005	12 012
		0.02	21 295
		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	27 800	
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	21320	
Child benefit	Empr_ceil	Limit Abolished	
	Ch_ben	1680	
Family income supplement	Ch_ben_3	1680	
	FIS_pay_limit	33904	
	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	10816	
	opf_inclim_1	8580	
	opf_inclim_2	22 100	
	opf_inclim_3	11055.2	
	opf_dis	0.5	
	opf_thrsh	395.2	
	opf_red	130	
	opf_childincr	2080	

2022 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 2022

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**		115 648	172 609	288 256	115 648
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)**		115 648	172 609	288 256	115 648
5.	**Central government income tax liability (exclusive of tax credits)**		13 381	24 773	61 655	13 381
6.	**Tax credits**					
	Basic credit		6 021	6 021	6 021	7 359
	Married or head of family		0	0	0	2 676
	Children		0	0	0	10 704
	EITC		0	0	0	2 181
	Unused wastable tax credits		0	0	0	7 358
		Total	6 021	6 021	6 021	22 920
7.	**Central government income tax finally paid (5-6)**		7 360	18 752	55 634	- 2 181
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		7 420	14 255	28 133	7 420
	Taxable income					
		Total	7 420	14 255	28 133	7 420
10.	**Total payments to general government (7 + 8 + 9)**		14 780	33 007	83 767	5 239
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	6 328
		Total	0	0	0	6 328
12.	**Take-home pay (1-10+11)**		100 868	139 601	204 490	116 737
13.	**Employer's compulsory social security contributions**		5 712	10 041	18 831	5 712
14.	**Average rates**					
	Income tax		6.4%	10.9%	19.3%	-1.9%
	Employees' social security contributions		6.4%	8.3%	9.8%	6.4%
	Total payments less cash transfers		12.8%	19.1%	29.1%	-0.9%
	Total tax wedge including employer's social security contributions		16.9%	23.6%	33.4%	3.8%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		32.0%	32.0%	47.0%	36.4%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		36.8%	36.8%	50.7%	40.9%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Israel 2022

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**	172 609	288 256	345 217	288 256
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)**	172 609	288 256	345 217	288 256
5.	**Central government income tax liability (exclusive of tax credits)**	24 773	38 154	49 546	38 154
6.	**Tax credits**				
	Basic credit	6 021	13 380	13 380	13 380
	Married or head of family	0	0	0	0
	Children	5 352	16 056	16 056	0
	EITC	0	0	0	0
	Unused wastable tax credits	0	4 682	0	0
	Total	11 373	29 436	29 436	13 380
7.	**Central government income tax finally paid (5-6)**	13 400	13 400	20 110	24 774
8.	**State and local taxes**	0	0	0	0
9.	**Employees' compulsory social security contributions**				
	Gross earnings	14 255	21 676	28 511	21 676
	Taxable income				
	Total	14 255	21 676	28 511	21 676
10.	**Total payments to general government (7 + 8 + 9)**	27 655	35 075	48 621	46 449
11.	**Cash transfers from general government**				
	For head of family				
	For two children	4 236	4 236	4 236	0
	Total	4 236	4 236	4 236	0
12.	**Take-home pay (1-10+11)**	149 189	257 417	300 833	241 807
13.	**Employer's compulsory social security contributions**	10 041	15 754	20 083	15 754
14.	**Average rates**				
	Income tax	7.8%	4.6%	5.8%	8.6%
	Employees' social security contributions	8.3%	7.5%	8.3%	7.5%
	Total payments less cash transfers	13.6%	10.7%	12.9%	16.1%
	Total tax wedge including employer's social security contributions	18.3%	15.3%	17.6%	20.5%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	32.0%	32.0%	32.0%	32.0%
	Total payments less cash transfers: Spouse	6.4%	12.0%	32.0%	32.0%
	Total tax wedge: Principal earner	36.8%	36.8%	36.8%	36.8%
	Total tax wedge: Spouse	10.8%	18.2%	36.8%	36.8%

The Israeli currency is the Israeli Shekel (ILS). In 2022, ILS 3.38 was equal to USD 1. In that year, the average worker in Israel earned ILS 172 609(Secretariat estimate).

1. Personal income tax system

1.1. Central government income tax

1.1.1. Tax unit

In general, spouses are taxed separately on their earned income, subject to the condition that its sources are independent. The household is taxed jointly if their earned income is deemed to be interdependent. Until 2014, the conditions for interdependence involved situations where one spouse worked in a business that 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

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 2 676 in 2022.

- *Basic credit*: Every resident taxpayer is entitled to 2.25 credit points (ILS 6 021 in 2022).
- *Additional credit for women*: Women are entitled to a further half credit point (ILS 1 338 in 2022).
- *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 2 676 in 2022). 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. 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. In 2022, as a temporary measure, both parents will benefit from one extra credit point per child aged between 6 and 11 inclusive. This change was included in the 2022 model.
- *Single parent credit:* Single parents (male or female) are entitled to one additional credit point.

Non – standard tax credits applicable to income from employment

- Tax credits are awarded for contributions to approved pension schemes, up to a ceiling that 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 2022 the credits range from 7 % in the lowest category to 20% in the highest category with ceilings between ILS 134 760 and 246 840. About 20% of the population lives in these areas.
- Up to 2021 new immigrants were 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. From 2022 new immigrants are entitled to one additional credit point in their first year in

Israel, three additional credit points in the following eighteen months, 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 2022 is as follows:

Taxable income (ILS per year)	Tax rate (%)
0 - 77400	10
77400 - 110880	14
110880 - 178080	20
178080 - 247440	31
247440 - 514920	35
514920 - 663240	47
Above 663240	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 consist of a combination of social security contributions 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 2022).
- A full rate for income exceeding 60% of the average wage per employee post and up to ILS 45 075 per month (in 2022).

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 2022 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 2022 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 2022.

	Children born before 1 June 2003	Children born on or after 1 June 2003
First child	156	156
Second child	197	197
Third child	197	197
Fourth child	349	197
Fifth child and above	368	156

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 2022, the grant per child was ILS 1 046.

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%. 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 increased gradually from 9.7% in 2002 to 12% in 2006. The reduced contribution rate decreased 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. Since 2012 the upper threshold is indexed to the CPI and its value against the average wage has eroded to 3.5 times the average wage in 2022.
- Prior to July 2005, there was only one contribution rate for employer social security contributions, 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. In 2022, as a temporary measure, both parents will benefit from one extra credit point per child aged between 6 and 11 inclusive.
- The tax benefits for new immigrants arriving in 2022 onwards were improved.

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

People entitled to the EITC and who worked during the pandemic in April-December 2020 got a special bonus (see details in paragraph 6.3).

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. In 2019 the series was again revised retroactively from 2000 due to several methodological changes introduced in the Household expenditure survey.

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 2022 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 introduced 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).

By law, workers aged 23 (lowered to 21, as a temporary measure for 2022-2024) and over who are the parents of one or two children under the age of 18 (or workers aged 55 and over even without children), and earn at least ILS 2 230 per month (about 40% of the minimum wage) but not more than ILS 6 720 per month are entitled to a monthly supplement of up to 360 ILS. The corresponding figure for a family with three or more children is ILS 520.

Since 2016, single parents are eligible for the EITC for a wider income range – from ILS 1 370 per month to ILS 10 180 per month (for a single parents of 1-2 children) or ILS 12 430 per month (for a single parent 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 no longer in effect and is not included in the Taxing Wages modelling for 2022.

To help workers specially hurt by the COVID-19 pandemic, a temporary measure (for earnings in 2020 only), added a 62% bonus to the EITC for April-December 2020 (but not less than ILS 990). Therefore, an equivalent annual 46.5% bonus was included in the 2020 Taxing Wages model but not in the 2022 Taxing Wages model.

A temporary measure (for earnings in 2022 only), provided an extra 40% bonus to all beneficiaries of the EITC. This measure is included in the Taxing Wages modelling for 2022.

Families in which both parents work, and their joint income does not exceed ILS 12 930, 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.

2022 Parameter values

Average earnings/yr	Ave_earn	172 609	Secretariat estimate
Income tax	Tax_sch	0.10	77400
		0.14	110880
		0.20	178080
		0.31	247440
		0.35	514920
		0.47	663240
		0.50	
Employees SSC	SSC_sch	0.035	75 972
		0.12	540 900
		0	
Employers SSC	SSC_rate2	0.0355	75 972
		0.0760	540 900
		0.0000	
Child benefit	CB_firstchild	1872	
	CB_secondchild	2364	
	Studygrant_rate	1046	
Wastable tax credits			
Basic element	WTC_Basic	6021	
Lone parent	WTC_lone	2676	
Mother/per child	WTC_ChildM	5352	
Father/per child	WTC_ChildF	2676	
Women	WTC_woman	1338	
Negative Income tax			
Married with 1 or	NIT_sch1	0	26760
2 children		0.151	46548
		21.001	46560
		0	62040
		-0.230	80640
Married with 3 or	NIT_sch2	0	26760
more children		0.235	46548
		2.485	46560
		0	62040
		-0.235	88440
Single with 1 or	NIT_sch3	0	16440
2 children		0.108	46440
		-	46560
		0	87360
		-0.116	122160
Single with 3 or	NIT_sch4	0	16440
		0.155	46548
		1.105	46560
		0	97560
		-0.116	149160
	NIT_basic1	1080	
	NIT_basic2	1560	
	NIT_min	360	
	NIT_MinIncome1	26760	
	NIT_MinIncome2	16440	
	Nit_AddIncome1	18600	
	Nit_AddIncome2	62040	

	Nit_MaxIncome	155160	
	NIT_Bonus1	1.5	
	NIT_Bonus2	1	
	NIT_Bonus3	1	
	NIT_Bonus4	1.4	
	NIT_PartnerIncome	0	
	NIT_MinCovid	0	
Days in tax year	numdays	366	

2022 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+(wtc_childF*children)) (IF(married=0)*(children>0),wtc_woman+wtc_lone+(wtc_childM*children))
	Spouse	tax_cr_spouse	B	(earn>0)*(wtc_basic+wtc_woman+(wtc_childM*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) +MAX(NIT_MinCovid*(NIT>=NIT_min) ,(NIT_Bonus3-1) *IF(NIT<NIT_min,0,NIT)*IF(Married=1,1,NIT_Bonus1) *IF(Spouse_earnings >NIT_PartnerIncome,NIT_Bonus2,1) *(NIT_Bonus4)
		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) +MAX(NIT_MinCovid*(NIT>=NIT_min) ,(NIT_Bonus3-1) *IF(NIT<NIT_min,0,NIT)*IF(Married=1,1,NIT_Bonus1) *IF(Spouse_earnings >NIT_PartnerIncome,NIT_Bonus2,1) *(NIT_Bonus4)
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 2022

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**		22 683	33 855	56 537	22 683
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		1 971	2 942	5 365	1 971
	Work-related expenses					
	Other					
		Total	1 971	2 942	5 365	1 971
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		20 712	30 913	51 172	20 712
5.	**Central government income tax liability (exclusive of tax credits)**		4 878	7 719	14 904	4 878
6.	**Tax credits**					
	Basic credit		2 577	1 722	0	2 577
	Married or head of family		0	0	0	0
	Children		0	0	0	0
	Other		0	0	0	0
		Total	2 577	1 722	0	2 577
7.	**Central government income tax finally paid (5-6)**		2 301	5 997	14 904	2 301
8.	**State and local taxes**		545	813	1 925	545
9.	**Employees' compulsory social security contributions**					
	Gross earnings		1 971	2 942	5 365	1 971
	Taxable income					
		Total	1 971	2 942	5 365	1 971
10.	**Total payments to general government (7 + 8 + 9)**		4 817	9 752	22 194	4 817
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	4 200
		Total	0	0	0	4 200
12.	**Take-home pay (1-10+11)**		17 866	24 102	34 343	22 066
13.	**Employer's compulsory social security contributions**		7 163	10 691	17 855	7 163
14.	**Average rates**					
	Income tax		12.5%	20.1%	29.8%	12.5%
	Employees' social security contributions		8.7%	8.7%	9.5%	8.7%
	Total payments less cash transfers		21.2%	28.8%	39.3%	2.7%
	Total tax wedge including employer's social security contributions		40.14%	45.89%	53.8%	26.1%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		42.3%	51.0%	52.2%	42.3%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		56.1%	62.7%	63.7%	56.1%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Italy 2022

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**	33 855	56 537	67 709	56 537
2.	**Standard tax allowances**				
	Basic allowance				
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes	2 942	4 913	5 884	4 913
	Work-related expenses				
	Other				
	Total	2 942	4 913	5 884	4 913
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**	30 913	51 624	61 826	51 624
5.	**Central government income tax liability (exclusive of tax credits)**	7 719	12 597	15 439	12 597
6.	**Tax credits**				
	Basic credit	1 722	4 299	3 444	4 299
	Married or head of family	710	0	0	0
	Children	0	0	0	0
	Other	0	0	0	0
	Total	2 432	4 299	3 444	4 299
7.	**Central government income tax finally paid (5-6)**	5 287	8 298	11 995	8 298
8.	**State and local taxes**	813	1 358	1 626	1 358
9.	**Employees' compulsory social security contributions**				
	Gross earnings	2 942	4 913	5 884	4 913
	Taxable income				
	Total	2 942	4 913	5 884	4 913
10.	**Total payments to general government (7 + 8 + 9)**	9 042	14 569	19 505	14 569
11.	**Cash transfers from general government**				
	For head of family				
	For two children	4 200	4 600	4 029	0
	Total	4 200	4 600	4 029	0
12.	**Take-home pay (1-10+11)**	29 012	46 568	52 234	41 969
13.	**Employer's compulsory social security contributions**	10 691	17 855	21 383	17 855
14.	**Average rates**				
	Income tax	18.0%	17.1%	20.1%	17.1%
	Employees' social security contributions	8.7%	8.7%	8.7%	8.7%
	Total payments less cash transfers	14.3%	17.6%	22.9%	25.8%
	Total tax wedge including employer's social security contributions	34.87%	37.40%	41.37%	43.58%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	51.0%	51.0%	51.0%	51.0%
	Total payments less cash transfers: Spouse	24.4%	42.3%	51.0%	42.3%
	Total tax wedge: Principal earner	62.7%	62.7%	62.7%	62.7%
	Total tax wedge: Spouse	42.5%	56.1%	62.7%	56.1%

The national currency is the Euro (EUR). In 2022, EUR 0.96 was equal to USD 1. In that year the average worker earned EUR 33 855 (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

Tax allowances

Social security contributions due by law.

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, while an additional tax credit was assigned for incomes from 28 000 to 40 000 euros.

As from 2022, Budget Law n. 234/2021 modified the Personal Income Tax (IRPEF). The payable tax credits amount for 2022 is 1 200 EUR for net income under 15 000 EUR.[1]

The payable tax credits amount for 2022 has to be estimated as follows:

Taxable income (EUR)	Fiscal bonus (EUR)
Up to 8 145	0
From 8 146 to 15 000	1200
More than 15 000	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)
Lower than 15 000	1 880
From 15 000 to 28 000	Maximum tax credit + 1190*(28 000 – taxable income)/13 000
From 28 001 to 50 000	Maximum tax credit*(50 000 – taxable income)/22 000
More than 50 000	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 14 999	1 880
From 15 000 to 50 000	1 910

An additional maximum credit amount of 65 EUR applies to taxable income from 25 000 up to 35 000 EUR.

- 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

(*) 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

As from 1/1/2022 the tax credit for children under 21 years old, the previous family allowance, and some minor measures to support households have been replaced by the new family allowance (the '*Assegno Unico e Universale*'), while for children over 21 years old the previous family allowance still applies. Please see section Cash Transfers for details.

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 2021 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 2021 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 if taxable income is under 40 000 EUR (up to EUR 2 100);
- Most veterinary expenses that exceed EUR 129.11 (up to EUR 550).

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

As from 2022, Budget Law n. 234/2021 reduced both the number of brackets (from 5 to 4), the number of the tax rates to apply (from 5 to 4) and the central tax rates levels. The following tax schedule is applied to taxable income:

Bracket (EUR)	Rate (%)
up to 15 000	23
over 15 000 up to 28 000	25
over 28 000 up to 50 000	35
over 50 000	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 the PIT (personal income tax).

1.2.1. 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 2022 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. 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%.

1.2.2. 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 2022 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 48 279; However a temporary decrease in rate of social security contributions from 9.49% to 8.69% (-0.8 p.p.) applies for employees having income up to 35,000 euros. The measure is in force from 1/1/2022 until 31/12/2022.
  - The average rate is 10.49% on earnings over EUR 48 279 and up to EUR 105 014;
  - For earnings exceeding EUR 105 014, the employee pays a fixed amount given by (0.0949 x 48 279) + 0.1049 x (105 014 – 48 279).
- Distinction by marital status or sex
  - None.

2.2. Employer contributions

- Contributions equal 31.58% on earnings up to EUR 105 014. For earnings exceeding EUR 103 055, the employer pays a fixed amount given by 0.3158 x 105 014.
- 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

As from 1/1/2022 the tax credit for children under 21 years old, the previous family allowance, and some minor measures to support households have been replaced by the new family allowance (the ‘*Assegno Unico e Universale*’). This is a single and universal allowance for children from the 7th month of pregnancy until 21 years old, consisting in a monthly cash-transfer calculated on the ISEE (*i.e.* equivalent economic status indicator), an index accounting both for taxable and exempt income and for real estate and financial wealth, made equivalent using a scale accounting for the number of components, the disability of children, and the working status of parents[2].

The ‘*Assegno Unico e Universale*’ follows a progressive scheme, implying a maximum amount (175 EUR per month for minors; 85 EUR for adult younger than 21 years) for households with less than 15 000 EUR of ISEE, and a *dècalage* until a minimum amount (50 EUR per month for minors; 25 EUR for adult younger than 21 years) for ISEE greater than 40 000 EUR[3]. It also provides additional bonus for children with disability, large households, and young mother (younger than 21 years).

The following table shows computations for different family schemes to be entitled to the universal family allowance: in this simulation the ISEE solely takes into account labour income with no additional information on wealth and real estate.

Principal earner	Second earner	Married	Children*	Total Taxable income	Deduction employee	Equivalent scale	ISEE	Total Family allowance
0,67	0,00	0	0	20 820	3 000	1,20	14 850	0
1,00	0,00	0	0	31 075	3 000	1,20	23 395	0
1,33	0,00	0	0	40 967	3 000	1,20	31 639	0
1,67	0,00	0	2	51 440	3 000	2,24	21 625	3 405
1,00	0,00	1	2	31 075	3 000	2,46	11 412	4 200
1,00	0,67	1	2	51 895	6 000	2,66	17 254	4 585
1,00	1,00	1	2	62 149	6 000	2,66	21 109	4 011
1,00	1,00	1	0	51 895	6 000	1,77	25 929	0

(*) Children < 18 years old, without disabilities

4. Main Changes

As from 2022, Budget Law n. 234/2021 modified the Personal Income Tax (IRPEF). The tax brackets passed from 5 to 4, with different thresholds, the central tax rates decreased and the employment tax credits increased (with a modification of the refundable fiscal bonus of 100 euros).

The tax credit for children and the previous family cash transfer (plus some minor measures[4]) to support households have been replaced by a single and universal allowance, in most cases more generous than the previous benefits.

A decrease in rate of social security contributions from 9.49% to 8.69% (-0.8 p.p.) applies for employees having income up to 35,000 euros. The measure is temporary, in force from 1/1/2022 until 31/12/2022 and does not apply to domestic workers.

Tax schedule of the regional tax in Lazio has been modified.

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.

2022 Parameter values

Average earnings/yr	Ave_earn	33 855	Secretary estimate
Tax schedule	tax_sch	0.23	15 000.00
		0.25	28 000.00
		0.35	50 000.00
		0.43	999 999 999.99
Tax credits			
Fiscal bonus 100 euro	new_thre_min	8 146	
	new_thre_max	15 000	
	new_f_bonus	1 200	
Employment			
	emp_add	0	1 880.00
		8 000	1 880
		15 000	3 100
		19 000	1 910
		24 000	1 910
		25 000	1 910
		26 000	1 910
		27 700	1 910
		28 000	1 910
		50 000	0.00
Spouse	Spouse_cred	0	800.00
		15 000	690.00
		29 000	700.00
		29 200	700.00
		34 700	710.00
		35 000	720.00
		35 100	710.00
		35 200	700.00
		40 000	690.00
		80 000	0
Limit	Sp_crd_lim	2 840.51	
Child credit	Child_credit		
Additional child credit	add_child		
Regional and local tax	reg_rt_sch	0.0173	15 000.00
		0.0173	35 000.00
		0.0333	999999999.99
	reg_rt	0.0173	
	Local_rt	0.009	
Social security contributions	SSC_sch	0.0949	48 279
		0.1049	105 014
		0.00	999 999 999.99
Employer contributions	Empr_sch	0.3158	105 014
		0.00	999 999 999.99
Cash transfers:			
Universal child benefit		Table is too long to be included	

2022 Tax equations

The equations for the Italian system in 2021 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<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)) + Children*6*(IF(Children<3;37,50;55)
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] If the income is between 15 001 and 28 000, the 100 euros can be assigned whether the tax credit for employee is lower than the difference between the tax liability and the tax credits for dependents (plus other minor tax credits). These tax credits are those listed in art 15 comma 1, letter a), b), c), comma 1-ter, and art. 16-bis of the TUIR. For more details see art. Law n. 234/2021, art 1, comma 3, letter a).

[2] To calculate the tax wedge for the stylized OECD households, we calculate the ISEE based on the taxable income only, not being able to make hypothesis on the wealth.

[3] To calculate the tax wedge for the stylized OECD households, we assume children are under 18 years old and without disabilities.

[4] The minor measures were not affecting the TW calculations.

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 2022

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**		3 453 186	5 154 009	8 607 195	3 453 186
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		498 985	744 754	1 169 881	498 985
	Work-related expenses		1 115 956	1 470 802	1 950 000	1 115 956
	Other					
		Total	2 094 941	2 695 556	3 599 881	2 094 941
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		1 358 245	2 458 453	5 007 314	1 358 245
5.	**Central government income tax liability (exclusive of tax credits)**		69 338	151 461	586 016	69 338
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)**		69 338	151 461	586 016	69 338
8.	**State and local taxes**		143 324	253 345	508 231	143 324
9.	**Employees' compulsory social security contributions**					
	Gross earnings		498 985	744 754	1 169 881	498 985
	Taxable income					
		Total	498 985	744 754	1 169 881	498 985
10.	**Total payments to general government (7 + 8 + 9)**		711 648	1 149 560	2 264 129	711 648
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	558 352
		Total	0	0	0	558 352
12.	**Take-home pay (1-10+11)**		2 741 538	4 004 449	6 343 067	3 299 890
13.	**Employer's compulsory social security contributions**		530 409	791 656	1 248 207	530 409
14.	**Average rates**					
	Income tax		6.2%	7.9%	12.7%	6.2%
	Employees' social security contributions		14.5%	14.5%	13.6%	14.5%
	Total payments less cash transfers		20.6%	22.3%	26.3%	4.4%
	Total tax wedge including employer's social security contributions		31.2%	32.6%	35.6%	17.2%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		22.8%	27.7%	34.1%	45.2%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		33.1%	37.3%	38.0%	52.5%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Japan 2022

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**		5 154 009	8 607 195	10 308 018	8 607 195
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		744 754	1 243 740	1 489 509	1 243 740
	Work-related expenses		1 470 802	2 586 758	2 941 604	2 586 758
	Other					
		Total	3 075 556	4 790 497	5 391 112	4 790 497
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		2 078 453	3 816 698	4 916 906	3 816 698
5.	**Central government income tax liability (exclusive of tax credits)**		112 663	220 799	302 921	220 799
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)**		112 663	220 799	302 921	220 799
8.	**State and local taxes**		220 345	396 670	506 691	396 670
9.	**Employees' compulsory social security contributions**					
	Gross earnings		744 754	1 243 740	1 489 509	1 243 740
	Taxable income					
		Total	744 754	1 243 740	1 489 509	1 243 740
10.	**Total payments to general government (7 + 8 + 9)**		1 077 762	1 861 208	2 299 120	1 861 208
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)**		4 316 247	6 985 987	8 248 898	6 745 987
13.	**Employer's compulsory social security contributions**		791 656	1 322 065	1 583 312	1 322 065
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%	18.8%	20.0%	21.6%
	Total tax wedge including employer's social security contributions		27.4%	29.6%	30.6%	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 2022, JPY 132.88 were equal to USD 1. In that year, the average worker is assumed to earn JPY 5 154 009 (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

Standard reliefs

First step deductions:

- *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. The minimum amount deductible is JPY 550 000, even if the amount of income is very small.
  - 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.
  - As of January 2022, if gross employment income exceeds JPY 8 500 000, the deduction is fixed at JPY 1 950 000. However, a certain amount (up to JPY 150,000) is deducted from gross employment income if taxpayers are on care[1], if they have dependent relatives under 23 years of age, or if they have spouse or dependent relatives on care.

Second step deductions:

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. Specifically, the allowance is JPY 320 000 for a taxpayer with income from JPY 24 000 001 to JPY 24 500 000, JP 160 000 for those from JPY 24 500 001 to JPY 25 000 000, and zero for those above JPY 25 000 000.
- 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 aged 70 or older, whose reference income does not exceed JPY 480 000.

This allowance may replace the allowance for spouse described above.

- Special allowance for spouse(*): a tax allowance up to the amount shown in the following table is given to a resident taxpayer whose reference income does not exceed JPY 10 000 000 and who lives with a spouse whose reference 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 from JPY 9 000 001 to JPY 10 000 000, then they become zero. Specifically, the amounts of the allowances is as follows:

- Reference income not more than JPY 9 000 000: full amount;
- Reference income from JPY 9 000 001 to JPY 9 500 000: full amount*2/3;
- Reference income from JPY 9 500 001 to JPY 10 000 000: full amount*1/3;
- Reference income above JPY 10 000 000: no allowance.

Allowance amounts are rounded up to the closest multiple of JPY 10 000. For instance, an amount of JPY 73 333 is rounded to JPY 80 000.

- Allowance for dependents: if a resident taxpayer has dependent children or other dependent relatives who are aged 16 or older, whose reference income does not exceed JPY 480 000, a tax allowance of JPY 380 000 per each is given for each dependent. Two taxpayers cannot receive the allowance for the same dependent.
- Special allowance for dependents: if a resident taxpayer has dependents whose reference income does not exceed JPY 480 000 and who are aged 19 to 22, an allowance of JPY 630 000 is given for each dependent, instead of the allowances for dependents mentioned above. Two taxpayers cannot receive the allowance for the same dependent.
- Allowance for elderly dependent: if a resident taxpayer has dependents who are aged 70 or older whose reference income does not exceed JPY 480 000, there is a tax allowance of JPY 480 000 per each dependent, instead of the allowances for dependents mentioned above. If the dependents are direct ascendants of the taxpayer or their spouse and permanently live with the taxpayer or their spouse, a tax allowance of JPY 580 000 per each dependent is given to the taxpayer.
- Deduction for social insurance contributions: the amount of social insurance contributions for a resident taxpayer or their dependents are deducted from their income without any limit.

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.

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

- 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.
- 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, timber income and so on, the excess amount is deductible from his/her ordinary income, retirement income or timber income. The maximum deduction is JPY 2 million.
- Deduction for earthquake insurance premiums: Earthquake insurance premiums up to JPY 50 000 can be deducted from income. Although the income deduction for casualty insurance premiums 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.
- Taxpayers can also apply other tax reliefs established by Act on Special Measures Concerning Taxation (such as self-medication taxation system and credit for housing loans).

1.1.3. *Tax schedule*

Taxable Income (JPY) (*)		Tax Rate (%)	Deductible Amounts for Each Bracket (JPY
Equal to or over	Less than	(A)	(B)
	1 950 000	5	--
1 950 000	3 300 000	10	97 500
3 300 000	6 950 000	20	427 500
6 950 000	9 000 000	23	636 000
9 000 000	18 000 000	33	1 536 000
18 000 000	40 000 000	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.

Finally, the tax amount is increased by 2.1%. This provision will apply in each year from 2013 until 2037.

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 is JPY 430 000, tax deduction for dependents is JPY 330 000, and tax allowance for spouse is up to JPY 330 000, the amount of specified allowance for dependents 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%).

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.

Adjusted credit is applied if the total amount of income is JPY 25 000 000 or less. Amounts of the credit are as follows:

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)))

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 650 000 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 children

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 650 000 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. Children

0.36% of total remuneration (Child and Childcare contribution). This contribution is used for child-rearing support measures such as child allowance.

3. Cash Benefits

3.1. Benefits related to marital status

Not available.

3.2. Benefits for dependent children

a) For persons earning incomes below JPY 6 220 000 per year
   - 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 JPY 6 220 000 per year
   - 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.
   - For persons earning incomes of JPY 8 580 000 or more per year are not eligible for the Special Interim Allowances from June 2022 payments.

The income is 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 deduction, single parent 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
2020/4	43 160	10 190	6 110
2021/4	43 160	10 190	6 110

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
2020/4	43 150	0.0230559-	10 180	0.0035524	6 100	0.0021259
2021/4	43 150	0.0230559	10 180	0.0035524	6 100	0.0021259

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 = 43 160－{(Amount of income － "Income–tested threshold of full benefit") ×0.0230559 +10}

The additional amount for the second child is calculated as follows:

- Benefit amount = 10 190－{Amount of income － "Income–tested threshold of full benefit") ×0.0035524 +10}

And the additional amount for the third and subsequent children as follows:

- Benefit amount = 6 110－{(Amount of income － "Income–tested threshold of full benefit") ×0.0021259 +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 JPY 100 000 while the amount of personal deduction will be raised uniformly by JPY 100 000.
- The amount of employment income deduction from income exceeding JPY 8 500 000 will be reduced to JPY 1 950 000. 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 JPY 1 955 000 will be put on pension income deduction for pension income exceeding JPY 10 000 000. The deduction will be reduced for pensioners with income other than pension exceeding JPY 10 000 000 after deductions.
- Personal deduction will be diminished for people with total income exceeding JPY 24 000 000 after deductions, and the amount will be further reduced gradually to zero when total income exceeds JPY 25 000 000.

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 threshold of JPY 6 220 000 is applied beginning from June 2012 payments):

a) For persons earning incomes below JPY 6 220 000 per year
   - 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 JPY 6 220 000 per year
   - JPY 5 000 (per month) is paid to parents/guardians for each child until he/she graduates from junior high school as the Special Interim Allowances.

As from June 2022, those who with incomes of JPY 8 580 000 or more per year are not eligible for the Special Interim Allowances.

4.1. Changes to labour taxation due to the COVID pandemic in 2020 and 2021

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 due to the impact of COVID-19 and is deemed to have difficulties to pay tax (only the national tax for which payment is due from 1 February 2020 to 1 February 2021), 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 JPY 200 000).

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

If individuals cannot start to use the house by 31 December 2020 or by 6 month after the day of purchase due to the delay in housing construction caused by COVID-19, and if they use the house by 31 December 2021, under certain conditions, more flexibility is added to the application requirements of the tax deduction for housing loan so that they can be entitled to the deduction for 13 years.

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 in 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, and professional, scientific and technical activities are surveyed in the statistics. Their gross annual earnings are calculated by multiplying monthly contractual cash earnings by 12 and adding any annual special cash earnings. In the Basic Survey, various allowances such as overtime, sickness and leave allowances are included in cash earnings. The survey covers the whole country, and no special assumption is made regarding the place of residence of the workers surveyed. The calculation method has been changed to adjust weights taking into account the response rate since 2020.

5.2. Employer contributions to private pension and health schemes

DB: JPY 2 919 billion (FY 2019)

Employees' Pension Funds (EPFs): JPY 76 billion (FY 2020)

DC: JPY 1 177 billion (FY2020)

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.

2021 Parameter values

Average earnings/yr	Ave_earn	5 154 009	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	
		8500001	0	1950000	
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	430 000			
	s_spouse_al	330 000			
	s_spouse_al_sp	0	0		
		480 001	330 000		
		1000001	310000		
		1050001	260000		
		1100001	210000		
		1150001	160000		
		1200001	110000		
		1250001	60000		
		1300001	30000		
		1330001	0		

	S_spouse_al_ceil	480 000			
	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	7 800 000			
	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	43160	870000	2300000	0.023056
		10190	1250000	2680000	0.003552
		6110	1630000	3060000	0.002126
	Child_rear_c	80000			

2021 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,2,TRUE)+VLOOKUP(earn_princ,emp_inc_sch,3,TRUE)),emp_inc_min) +SSC_princ))
			S	Positive(earn_spouse-(s_basic_al+(earn_spouse>0)* MAX((earn_spouse*VLOOKUP(earn_spouse,emp_inc_sch,2,TRUE)+VLOOKUP(earn_spouse,emp_inc_sch,3,TRUE)),emp_inc_min) +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] Persons 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 2022

The tax/benefit position of single persons

		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1.	**Gross wage earnings**		33 349 315	49 775 096	83 124 411	33 349 315
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		1 500 719	2 239 879	2 907 900	1 500 719
	Work-related expenses					
	Other		11 844 439	14 614 937	17 874 444	12 844 439
		Total	14 845 158	18 354 816	22 282 344	18 845 158
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		18 504 156	31 420 281	60 842 067	14 504 156
5.	**Central government income tax liability (exclusive of tax credits)**		1 695 623	3 633 042	9 382 096	1 095 623
6.	**Tax credits**					
	Basic credit		737 205	660 000	500 000	602 593
	Married or head of family					
	Children		0	0	0	150 000
	Other					
		Total	737 205	660 000	500 000	752 593
7.	**Central government income tax finally paid (5-6)**		958 418	2 973 042	8 882 096	343 031
8.	**State and local taxes**		95 842	297 304	888 210	34 303
9.	**Employees' compulsory social security contributions**					
	Gross earnings		3 092 761	4 616 061	6 876 123	3 092 761
	Taxable income					
		Total	3 092 761	4 616 061	6 876 123	3 092 761
10.	**Total payments to general government (7 + 8 + 9)**		4 147 021	7 886 407	16 646 429	3 470 095
11.	**Cash transfers from general government**					
	For head of family		0	0	0	0
	For two children		0	0	0	1 200 000
		Total	0	0	0	1 200 000
12.	**Take-home pay (1-10+11)**		29 202 294	41 888 689	66 477 982	31 079 220
13.	**Employer's compulsory social security contributions**		3 669 704	5 477 170	8 314 176	3 669 704
14.	**Average rates**					
	Income tax		3.2%	6.6%	11.8%	1.1%
	Employees' social security contributions		9.3%	9.3%	8.3%	9.3%
	Total payments less cash transfers		12.4%	15.8%	20.0%	6.8%
	Total tax wedge including employer's social security contributions		21.1%	24.2%	27.3%	16.0%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		22.6%	23.4%	28.6%	14.9%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		30.3%	31.0%	33.0%	23.3%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Korea 2022

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**		49 775 096	83 124 411	99 550 193	83 124 411
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		2 239 879	3 740 598	4 479 759	3 740 598
	Work-related expenses					
	Other		14 614 937	26 459 375	29 229 873	26 459 375
		Total	22 854 816	36 199 974	39 709 632	33 199 974
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		26 920 281	46 924 437	59 840 561	49 924 437
5.	**Central government income tax liability (exclusive of tax credits)**		2 958 042	4 878 666	6 816 084	5 328 666
6.	**Tax credits**					
	Basic credit		660 000	1 397 205	1 320 000	1 397 205
	Married or head of family					
	Children		150 000	150 000	150 000	0
	Other					
		Total	810 000	1 547 205	1 470 000	1 397 205
7.	**Central government income tax finally paid (5-6)**		2 148 042	3 331 460	5 346 084	3 931 460
8.	**State and local taxes**		214 804	333 146	534 608	393 146
9.	**Employees' compulsory social security contributions**					
	Gross earnings		4 616 061	7 708 822	9 232 122	7 708 822
	Taxable income					
		Total	4 616 061	7 708 822	9 232 122	7 708 822
10.	**Total payments to general government (7 + 8 + 9)**		6 978 907	11 373 428	15 112 815	12 033 428
11.	**Cash transfers from general government**					
	For head of family		0	0	0	0
	For two children		1 200 000	1 200 000	1 200 000	0
		Total	1 200 000	1 200 000	1 200 000	0
12.	**Take-home pay (1-10+11)**		43 996 189	72 950 983	85 637 378	71 090 983
13.	**Employers' compulsory social security contributions**		5 477 170	9 146 874	10 954 340	9 146 874
14.	**Average rates**					
	Income tax		4.7%	4.4%	5.9%	5.2%
	Employees' social security contributions		9.3%	9.3%	9.3%	9.3%
	Total payments less cash transfers		11.6%	12.2%	14.0%	14.5%
	Total tax wedge including employer's social security contributions		20.4%	20.9%	22.5%	23.0%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		23.4%	23.4%	23.4%	23.4%
	Total payments less cash transfers: Spouse		13.2%	22.6%	23.4%	22.6%
	Total tax wedge: Principal earner		31.0%	31.0%	31.0%	31.0%
	Total tax wedge: Spouse		21.8%	30.3%	31.0%	30.3%

The national currency is the Won (KRW). In 2022, KRW 1 307.28were equal to USD 1. In that year, the average worker was expected to earn KRW 49 775 096 (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

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 7 500 000 plus 15% of the salary over KRW 15 000 000
KRW 45 000 000 to KRW 100 000 000	KRW 12 000 000 plus 5% of the salary over KRW 45 000 000
Over KRW 100 000 000	KRW 14 750 000 plus 2% of the salary over KRW 100 000 000

- Basic allowance: a taxpayer can deduct KRW 1 500 000 from his/her income for each person who meets one of following conditions:
  - the taxpayer him/herself;
  - the taxpayer's spouse whose taxable income (gross earnings net of employment income deduction) is less than KRW 1 000 000 (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%]

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 7 000 000 (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.

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, andKRW 700 000 for the third child or more for birth and adoption of the year.

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.

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, 30% of medical expenses for the treatment of infertility can be deducted from his/her income tax amount. There is no deduction limitation.
  - In addition, 20% of medical expenses for the treatment of premature baby and congenital abnormality 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
300 000 000	500 000 000	40
500 000 000	1 000 000 000	42
1 000 000 000		45

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 350 000 to KRW 5 530 000 as of 1 July 2022.

If the average monthly wage income of a person is less than KRW 350 000, the average monthly wage income of the person is regarded as KRW 350 000 and the rate (0.045) is applied. If the average monthly wage income of a person is more than KRW 5 530 000, the average monthly wage income of the person is regarded as KRW 5 530 000 and the rate (0.045) is applied; so the minimum of the national pension contribution per year is KRW 189 000 (KRW 350 000 x 0.045 x 12 months), and the maximum of the national pension contribution per year is KRW 2 986 200 (=KRW 5 530 000 x 0.045 x 12 months).

2.1.2. National health insurance

The National health insurance premium, which has a rate of 3.923836 % (National health insurance: 3.495 %, Long term care insurance 12.27 % of National Health insurance premium rate), is levied on average monthly wage income as of 1 January 2022.

The scope of the monthly National health insurance premium (excluding Long term care insurance premium) is from KRW 9 750 to KRW 3 653550. To include Long term care insurance, we should multiply 1.1227. Thus, the scope of the total monthly premium is from KRW 10 946 to 4 101 841. If the calculated premium is less than KRW 10 946, the worker should pay KRW 10 946. Likewise, if the calculated premium is more than KRW 4 101 841, the worker only pays KRW 4 101 841.

2.1.3. Employment insurance

0.8% of gross income as of 1 October 2019.

0.9% of gross income as of 1 July 2022.

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 350 000 to KRW 5 530 000 as of 1 July 2022.

If the average monthly wage income of a person is less than KRW 350 000, the average monthly wage income of the person is regarded as KRW 350 000 and the rate (0.045) is applied. If the average monthly wage income of a person is more than KRW 5 530 000, the average monthly wage income of the person is regarded as KRW 5 530 000 and the rate (0.045) is applied; so the minimum of the national pension contribution per year is KRW 189 000 (KRW 350 000 x 0.045 x 12 months), and the maximum of the national pension contribution per year is KRW 2 986 200 (=KRW 5 530 000 x 0.045 x 12 months).

2.2.2. National health insurance

The National health insurance premium, which has a rate of 3.923836 % (National health insurance 3.495 %, Long term care insurance: 12.27 % of National health insurance premium rate), is levied on average monthly wage income as of 1 January, 2022.

The scope of the monthly National health insurance premium (excluding Long term care insurance premium) is from KRW 9 750 to KRW 3 653 550. To include Long term care insurance, we should multiply 1.1227. Thus, the scope of the total monthly premium is from KRW 10 946 to 4 101 841. If the calculated premium is less than KRW 10 946, the employer should pay KRW 10 946. Likewise, if the calculated premium is more than KRW 4 101 841, the employer only pays KRW 4, 101 841.

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 1.53 %.

3. Universal Cash Transfers

- Child Benefit

Child home care allowance is granted every month to those who have children aged 7 years or younger: KRW 300 000 for a child aged 2years or younger.

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.

Starting in 2022, a voucher of KRW 2 000 000 will be given to all newborns

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 8.

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 500000 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 150 000 000 up to KRW 300 000 000 and over KRW 300 000 000 up to KRW 500 000 000 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.
2021	Tax schedule has been changed: tax base over KRW 500 000 000 is divided into over KRW 500 000 000 to KRW 1 000 000 000 and over KRW 1 000 000 000. Tax rate to be applied is 42% and 45% respectively.
2022	Special tax credit rate of medical expenses for the treatment of infertility has been changed: 20%->30% Special tax credit of medical expenses for the treatment of premature baby and congenital abnormality has been newly set up.(20%)

4.1. Changes to labour taxation due to the COVID pandemic in 2020 and 2021

- 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. On top of that, limitation of deduction has been raised. The limitation of deduction is the lesser of KRW 3 300 000 (originally 3 000 000) or 20% of their total income in the case of the total income not over KRW 70 000 000 (the lesser of KRW 2 800 000 (originally 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 the lesser of KRW 2 300 000 (originally 2 000 000 for 2020) or 20% of their total income in the case of the total income over KRW 120 000 000). Moreover, if the size of purchase has been increased over 5% in 2021 compared to 2020, 10% of such excess can also be deducted, up to KRW 1 000 000.
- Monthly payment of the National pension can be exempted for 3 times between Mar 2020 and Jun 2020 and 9 times between Jan 2021 to Sep 2021, 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, Jan 2021 to Mar 2021, Apr 2021 to Jun 2021 and Jul 2021 to Sep 2021 is deferred for 3 months respectively, 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 and from Jan 2021 to Mar 2021.
- 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).

2022 Parameter values

Average earnings/yr	Ave_earn	49775096	Secretariat estimate
Tax allowances	basic_al	1500000	
spouse	spouse_al	1500000	
	spouse_al_lim	1000000	
dependents including children	dep_al	1500000	
additional allowance	add_all	500000	
	add_all_lim	30000000	
additional allowance 2	add2_all	1000000	
Employment income deduction	empdedsch	0	0.7
		5000000	0.4
		15000000	0.15
		45000000	0.05
		100000000	0.02
	max_empded	20000000	
Earned income special credit threshold	earntaxcred	0.55	
		0.3	1300000
credit limit	credlimit	740000	Ave_earn < 33000000
		660000	Ave_earn < 70000000
		500000	Ave_earn > 70000000
Child tax credit	child_cred	150000	
Lump sum tax credit	lump_cred	130000	
	lump_thresh	866,667	
Tax schedule	tax_sch	0.06	12000000
		0.15	46000000
		0.24	88000000
		0.35	150000000
		0.38	300000000
		0.40	500000000
		0.42	1000000000
		0.45	
Local tax rate	local_rate	0.1	
Cash Transfer for kids under 8 age	cash_child	1200000	
max number of kids permitted to be under 7	child_und7_max	1	
Social security contributions	SSC_pens	0.045	
	SSC_pens_max	2907900	
	SSC_pens_min	183600	
	SSC_sick	0.03923837	
	SSC_sick_max	49222087	
	SSC_sick_min	131355.9	
	SSC_unemp	0.0085	
Employer contributions	emp_pens	0.045	
	emp_sick	0.03923837	
	emp_unemp	0.0105	
	emp_inj	0.0153	

2022 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 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.

Latvia 2022

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**		11 228	16 758	27 986	11 228
2.	**Standard tax allowances**					
	Basic allowance		3 391	1 583	0	3 391
	Married or head of family					
	Dependent children		0	0	0	6 000
	Deduction for social security contributions and income taxes		1 179	1 760	2 939	1 179
	Work-related expenses					
	Other					
		Total	4 570	3 343	2 939	10 570
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		6 658	13 415	25 047	658
5.	**Central government income tax liability (exclusive of tax credits)**		1 332	2 683	5 249	132
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)**		1 332	2 683	5 249	132
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		1 179	1 760	2 939	1 179
	Taxable income					
		Total	1 179	1 760	2 939	1 179
10.	**Total payments to general government (7 + 8 + 9)**		2 511	4 443	8 187	1 311
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	1 200
		Total	0	0	0	1 200
12.	**Take-home pay (1-10+11)**		8 717	12 315	19 798	11 117
13.	**Employer's compulsory contributions**					
	Employer's compulsory social security contributions		2 649	3 953	6 602	2 649
	Payroll taxes		4	4	4	4
		Total	2 653	3 958	6 606	2 653
14.	**Average rates**					
	Income tax		11.9%	16.0%	18.8%	1.2%
	Employees' social security contributions		10.5%	10.5%	10.5%	10.5%
	Total payments less cash transfers		22.4%	26.5%	29.3%	1.0%
	Total tax wedge including employer's social security contributions		37.2%	40.6%	42.8%	19.9%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		34.9%	34.9%	31.4%	34.9%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		47.4%	47.4%	44.5%	47.4%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Latvia 2022

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**	16 758	27 986	33 516	27 986
2.	**Standard tax allowances**				
	Basic allowance	1 583	4 974	3 166	4 974
	Married or head of family				
	Dependent children	6 000	6 000	6 000	0
	Deduction for social security contributions and income taxes	1 760	2 939	3 519	2 939
	Work-related expenses				
	Other				
	Total	9 343	13 912	12 685	7 912
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**	7 415	14 074	20 831	20 074
5.	**Central government income tax liability (exclusive of tax credits)**	1 483	2 815	4 166	4 015
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)**	1 483	2 815	4 166	4 015
8.	**State and local taxes**	0	0	0	0
9.	**Employees' compulsory social security contributions**				
	Gross earnings	1 760	2 939	3 519	2 939
	Taxable income				
	Total	1 760	2 939	3 519	2 939
10.	**Total payments to general government (7 + 8 + 9)**	3 243	5 753	7 685	6 953
11.	**Cash transfers from general government**				
	For head of family				
	For two children	1 200	1 200	1 200	0
	Total	1 200	1 200	1 200	0
12.	**Take-home pay (1-10+11)**	14 715	23 433	27 031	21 033
13.	**Employer's compulsory contributions**				
	Employer's compulsory social security contributions	3 953	6 602	7 906	6 602
	Payroll taxes	4	9	9	9
	Total	3 958	6 611	7 915	6 611
14.	**Average rates**				
	Income tax	8.9%	10.1%	12.4%	14.3%
	Employees' social security contributions	10.5%	10.5%	10.5%	10.5%
	Total payments less cash transfers	12.2%	16.3%	19.4%	24.8%
	Total tax wedge including employer's social security contributions	29.0%	32.3%	34.8%	39.2%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	34.9%	34.9%	34.9%	34.9%
	Total payments less cash transfers: Spouse	22.4%	34.9%	34.9%	34.9%
	Total tax wedge: Principal earner	47.4%	47.4%	47.4%	47.4%
	Total tax wedge: Spouse	37.2%	47.4%	47.4%	47.4%

Since 2014, the Latvian currency is the Euro (EUR). In 2022, EUR 0.96 was equal to USD 1. That year, the average worker in Latvia earned EUR 16 758 annually (Secretariat estimate).

1. Personal income tax system

From 1st January 2018, Latvia has introduced an ambitious tax reform. One of the main goals of this reform was to 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

In 2018 with the labour tax reform the progressive income tax system was introduced for the first time, as well as the differentiated non-taxable minimum, the allowance for dependents and the non-taxable minimum for pensioners was increased, and the minimum monthly wage was raised.

1.1.1. Tax unit

The tax unit are individuals.

1.1.2. The main tax allowance

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 lower or zero for higher wages. The differentiated non-taxable minimum is gradually raised.

In 2020 and 2021 the differentiated non-taxable minimum varies from EUR 0 to 300 per month, but from 1st January 2022 - from EUR 0 to 350 per month and from 1st July 2022 from EUR 0 to EUR 500 per month (see table below).

Differentiated non-taxable minimum criteria's:

	2018	2019	2020	2021	2022
Maximum non-taxable minimum, *EUR per month*	200	230	300	300	350 | 500[1]
Minimum non-taxable minimum, *EUR per month*	0	0	0	0	0
Taxable income* minimum threshold up to which the maximum annual non-taxable minimum is applied, *EUR per month*	440	440	500	500	500
Taxable income* maximum threshold up to which the annual non-taxable minimum is applied, *EUR per month*	1 000	1 100	1 200	1 800	1 800

* Calculating the taxable income not only the salary is taken into account, but also other income (such as dividends and income from real estate etc.). Similarly, if a person works in several jobs, the salaries are summed up and the non-taxable minimum is applied to the total revenue

For example, in the first half year of 2022, the maximum tax allowance amount is EUR 350 per month and it is applied to the taxable income below EUR 500 per month. If the taxable income is between EUR 500 per month and EUR 1 800 per month, the differentiated annual non-taxable minimum is calculated according to a specific formula. The allowance gradually decreases until it reaches zero and above income EUR 1800 per month is not applied. 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 into account the taxpayer's 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 in the next taxation year, when the taxpayer submitted the annual tax return, it was applied based on the annual taxable income data of a person.

- The allowance for dependents

The allowance for dependents is also deductible from the income before taxes.

The tax allowance for each dependant (which in most cases are children) is gradually raised - in 2018 from EUR 175 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 2021 and 2022 this allowance remained in the same amount as in 2020.

- The taxpayer can apply the allowance for a child aged 18 years and younger and for a child while he or she continues the acquisition of the general, professional, higher or special education, but not longer than until reaching 24 years of age. The allowance for dependents is applicable for a taxpayer's child and in certain cases and under certain conditions for sisters, brothers, grandchildren, spouses, parents and grandparents with disability as well as persons under guardianship.

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 was expanded by non-working spouse, who is taking care of a 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 of age;
- three or more children below 18 years or below 24 years of age (if he/she studies), of which at least one is below 7 years of age;
- five children below 18 years of age or below 24 years of age (if he/she studies).

To support youth employment during the summer (from June 1st to August 31st), parents can still receive tax allowance for dependents (children while they are employed).

Relief for compulsory social security contributions: Employee's state social security contributions are deductible from the income before taxes.

Tax credits: none for employees.

The main exemptions:

- income from rural tourism and agricultural production, as well as of mushrooming, berry-picking or the collection of wild medicinal plants and flowers or an uncultivated species or individuals of non-game species - edible snails (Helix pomatia), if it does not exceed 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 (the relevant immovable property is registered in the Land Register as only immovable property of the payer), if this income is invested a new in a functionally similar immovable property within 12 months following the alienation of the immovable property or before alienation of the immovable property;
- 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 except author's fees (royalty) which is paid to the inheritors of the copyright and for the State funded pension capital which is inherited in case of the death of a participant of a State funded pension scheme;
- 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 2022, 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 78 100 per year (in 2021 not exceeding EUR 62 800 per year);
- 31% - for income exceeding EUR 78 100 per year (in 2021 exceeding EUR 62 800 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 23% rate should be applied.

The rate 31% is calculated only in the annual tax return. During the year, the tax is paid as Solidarity tax for an employee whose revenue exceeds EUR 78 100 per year. The Solidarity tax part of 10.0% is transformed into the Personal income tax rate of 31%. The compulsory social security contributions from income above EUR 78 100 per year shall not be paid.

1.2. Regional and local income tax

There are no regional and local income taxes.

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

In 2018, the compulsory social security contribution rate was 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). From 2021 the social security contribution rate has been reduced by 1 percentage point to the same rate level as it was in force before 2018, i.e. from 35.09% to 34.09% (for employers from 24.09% to 23.59%, for employees from 11% to 10.5%).

The social security 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 2022, the maximum object of mandatory social payments is EUR 78 100 per year (in 2021 EUR 62 800).

2.1. Employees' contributions

Employees pay 10.5% of their earnings in social security 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 23.59% 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 in 2022 are divided:

Scheme name	Rate of contribution (%)
Pension insurance	23.91
Unemployment insurance	1.6
Insurance of accidents at work and occupational diseases	0.66
Disability insurance	2.29
Maternity and sickness insurance	3.47
Parental insurance	1.16
Health insurance	1.00
Total	34.09

2.3. Solidarity tax

From 2016 the Solidarity tax was introduced.

From 2019 the Solidarity tax rate has been reduced from 35.09% (2018) to 25.50%, and from 2021 to 25%. See more in the table below on the distribution of Solidarity tax rate from 2017 to 2021.

The difference between 2018 and onwards is that:

- in 2018 the 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 was set at 25.5%, which was less than the current social security contributions rate of 35.09% (11% and 24.09%). In 2021 the Solidarity tax was reduced to 25%. The Solidarity tax is applied during the tax year at the same rate as the social security contributions (34.09% in 2021 and 2022, 35.09% in 2019 and 2020). Therefore, the overpaid solidarity tax is refunded to the employer in the next taxation year.

The tax is paid for the income exceeding the amount of the maximum social security contribution object. From 2022 the social security contribution ceiling was raised to EUR 78 100 per year (in 2019-2021 was EUR 62 800 per year). The taxation period is the calendar year.

The purpose of the Solidarity tax is to eliminate the existing regressivity in the labour tax system and to equalize the tax burden on labour between low-wage earners and high wage earners. This problem appeared when the social contribution ceiling was re-introduced in 2014.

The Solidarity tax applies to all socially insured individuals – employees, self-employed, if their income during the calendar year exceeds the amount of the maximum compulsory social security contributions. Employers are also subject to the solidarity tax (in the same way, as they are liable for paying employer social security contributions).

Solidarity tax rate distribution

		2018	2019-2020	2021-2022
Solidarity tax rate		**35.09%**	**25.50%**	**25%**
Employer's rate distribution:		**24.09%**	**14.50%**	**14.50%**
	State budget (not tied to social services)			
	Funded pension (2nd pillar pension scheme) *	6.00%		
	Private pension in the Fund's Pension Plan (3rd pillar pension scheme) *	4.00%		
	State Pension	13.59%		
	Pension insurance		14.00%***	14.00%***
	Health care	0.50%	0.50%	0.50%
Employee's rate distribution:		**11.00%**	**11.00%**	**10.50%**
	State budget (not tied to social services)			
	Personal income tax**	10.50%	10.50%	10.00%
	Health care	0.50%	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 income above EUR 78,100 per year in 2022, above EUR 62,800 per year in 2019-2021) part of 10.0% (before 2021 10.5%) is transformed into a Personal income tax rate of 31% (before 2021 31.4%). It means that, by submitting the annual income declaration and performing the conversion of the PIT into three PIT rates (the third rate of 31%), the share of paid Solidarity Tax is equal to PIT rate 31% (before 2021 31.4%).
***From 2019 to 2020, 14% of the paid solidarity tax was transferred to the State pension special budget and registered in the personal account of the taxpayer in accordance with the law On State Pensions (in 2018 13.59% were transferred to the State pension special budget). As of 2021, 14% of the paid solidarity tax are transferred to the State pension special budget non-personalised.

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 1 March 2018 a supplement to the state benefit for families was 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 the supplement payment was EUR 216 per month (EUR 66 (for 3) + EUR 50 + EUR 50 + EUR 50).

From 2022 the supplement to the state benefit has been abolished and the family state benefit has been significantly increased:

- EUR 25 per month for one child,
- EUR 50 per month for two children (per each child),
- EUR 75 per month for three children (per each child),
- EUR 100 per month for four and more children (per each child).

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 20.

In addition there are four other types of family benefits for which the 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 2022

- From January 1 the differentiated non-taxable minimum and the non-taxable minimum for pensioners has been raised from EUR 300 to EUR 350 per month, from July 1 both have been raised to EUR 500 per month.
- The VAT rate for books, press and other mass media issued in the form of printed or electronic publication has been reduced from 12% to 5% and the VAT rate for e-books, newspapers and periodicals and media content in digital format has been reduced from 21% to 5%.
- The maximum social security contribution object has been raised from EUR 62,800 to EUR 78,100.
- The employer's health service has been included in the benefits provided for in collective agreements with a limit of 480 euros per year.
- The family state benefits have been raised (see section 3.2.) and the supplement to the state benefit has been abolished.

4.1. Changes to labour taxation due to the COVID pandemic in 2020 and 2021

No specific changes to labour taxation were made due to the COVID pandemic.

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.

2022 Parameter values

Average earnings/yr	Ave_earn	16 758	Secretariat estimate
Basic allowance	Basic_al		
Minimum non-taxable minimum	MIN_non_taxable	0	
Maximum non-taxable minimum	MAX_non_taxable	5 100	
Taxable income maximum threshold up to which the annual non-taxable minimum will be applied	Income_for_MIN_non_taxable	21 600	
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	0.32692	
Allowance for dependants	Child_al	3 000	
Income tax schedule	Tax_sch	0.20	20 004
	Tax_rate_2	0.23	78 100
	Tax_rate_3	0.31	
Payroll tax - Business risk fee	payroll	4.32	
Income ceiling	Ceiling	78 100	
Employers SSC	SSC_rate1	0.2359	
Employers Solidarity Tax	Sol_tax_rate_1	0.145	
Employees SSC (without health ins.)	SSC_rate2	0.10	
Employees health insurance	Health_ins2	0.005	
Employees Solidarity tax (without health ins.)	Sol_tax_rate_2	0.10	
Child allowances	CA_one	300	
	CA_two	1 200	
	CA_three	2 700	
	CA_four	4 800	
Additional child allowance			
Days in tax year	numdays	365	

* Calculating taxable income not only the salary is taken into account, but also other income (such as economic activity, pension etc.). Similarly, if a person works in several jobs, the salaries are summed up and the non-taxable minimum is applied to the total revenue.

2022 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_one;IF(Children=2;CA_two;IF(Children =3;CA_three;IF(Children=4;CA_four;IF(Children>4;CA_four/4*Children))))))
13.				
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.

[1] From 1st January 2022 EUR 350 per month, from 1st July 2022 EUR 500 per month

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 2022

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**		13 847	20 667	34 514	13 847
2.	**Standard tax allowances**					
	Basic allowance		4 750	2 467	0	4 750
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other					
		Total	4 750	2 467	0	4 750
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		9 096	18 200	34 514	9 096
5.	**Central government income tax liability (exclusive of tax credits)**		1 819	3 640	6 903	1 819
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)**		1 819	3 640	6 903	1 819
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		2 700	4 030	6 730	2 700
	Taxable income					
		Total	2 700	4 030	6 730	2 700
10.	**Total payments to general government (7 + 8 + 9)**		4 519	7 670	13 633	4 519
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	1 845
		Total	0	0	0	1 845
12.	**Take-home pay (1-10+11)**		9 327	12 997	20 881	11 172
13.	**Employer's wage dependent contributions and taxes**					
	Employer's compulsory social security contributions		204	304	507	204
	Payroll taxes		44	66	110	44
		Total	248	370	618	248
14.	**Average rates**					
	Income tax		13.1%	17.6%	20.0%	13.1%
	Employees' social security contributions		19.5%	19.5%	19.5%	19.5%
	Total payments less cash transfers		32.6%	37.1%	39.5%	19.3%
	Total tax wedge including employer's social security contributions		33.8%	38.2%	40.6%	20.7%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		46.3%	43.1%	39.5%	46.3%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		47.2%	44.1%	40.6%	47.2%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Lithuania 2022

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**		20 667	34 514	41 334	34 514
2.	**Standard tax allowances**					
	Basic allowance		2 467	7 217	4 933	7 217
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other					
		Total	2 467	7 217	4 933	7 217
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		18 200	27 297	36 401	27 297
5.	**Central government income tax liability (exclusive of tax credits)**		3 640	5 459	7 280	5 459
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)**		3 640	5 459	7 280	5 459
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		4 030	6 730	8 060	6 730
	Taxable income					
		Total	4 030	6 730	8 060	6 730
10.	**Total payments to general government (7 + 8 + 9)**		7 670	12 190	15 340	12 190
11.	**Cash transfers from general government**					
	For head of family					
	For two children		1 845	1 845	1 845	0
		Total	1 845	1 845	1 845	0
12.	**Take-home pay (1-10+11)**		14 841	24 169	27 838	22 324
13.	**Employer's wage dependent contributions and taxes**					
	Employer's compulsory social security contributions		304	507	608	507
	Payroll taxes		66	110	132	110
		Total	370	618	740	618
14.	**Average rates**					
	Income tax		17.6%	15.8%	17.6%	15.8%
	Employees' social security contributions		19.5%	19.5%	19.5%	19.5%
	Total payments less cash transfers		28.2%	30.0%	32.7%	35.3%
	Total tax wedge including employer's social security contributions		29.5%	31.2%	33.8%	36.5%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		43.1%	43.1%	43.1%	43.1%
	Total payments less cash transfers: Spouse		32.6%	46.3%	43.1%	46.3%
	Total tax wedge: Principal earner		44.1%	44.1%	44.1%	44.1%
	Total tax wedge: Spouse		33.8%	47.2%	44.1%	47.2%

The Lithuanian currency is the Euro (EUR). In 2022, EUR 0.96 was equal to USD 1. In 2022, the average worker in Lithuania was expected to earn EUR 20 667 (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 2022 the annual tax-exempt amount is EUR 6 480 for individuals whose annual income does not exceed twelve minimum monthly wages effective on 1 January of a respective calendar year (EUR 8 760 in 2022). For others, the annual tax-exempt amount is calculated using the following formula:

$$\begin{cases} 6\,480 - 0.34 \cdot (annual\ income - 8\,760), & if\ annual\ income \leq 20\,448, \\ 4\,800 - 0.18 \cdot (annual\ income - 7\,704), & if\ annual\ income > 20\,448. \end{cases}$$

- 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 34 370.67.

  An allowance for disadvantaged is applied as follows: in 2022 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 10 440. The 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 9 720. 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 (for vocational training under a formal vocational training programme, when appropriate qualification is obtained, a module of the formal vocational training programme leading to the acquisition of an appropriate competence (competences) and/or for studies when a higher education qualification is obtained) 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.
- 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.

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 60 average wages per year (EUR 90 246 in 2022), 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 2022, the ceiling is set at 60 average wages per year (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 2021, the rate of the employee's social security contributions is 19.5%, as follows:

- pension insurance – 8.72%;
- health insurance – 6.98%;
- sickness insurance – 1.99%;
- maternity insurance – 1.81%.

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 2021, 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	0.47
Category III	0.70
Category IV	1.40

A minimum amount ("floor") of social security contributions is applied. Employers must pay a top up of the social security contributions (both employer's and employee's contributions) on the difference between minimum monthly wage and the actual wage, in case it is lower than the minimum monthly wage (i.e. the overall SSC, including health insurance contributions, paid both by employee and employer, must be paid from the amount not smaller than a set minimum wage). This applies to all workers except:

- 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 the amount of his creditor's claim, but not more than 6 minimal monthly wages.

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 for employer contributions will no longer apply from 2021. Some employers are exempt from these taxes (0.16% to the Guarantee Fund and 0.16% to the Long-term employment benefit fund), 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 benefit in Lithuania depends 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 (from 2022 - the age of 23). In 2022, the size of the universal child benefit is EUR 922.25 per child per year. An additional child benefit (EUR 542.81 per child per year, which is paid on top of the universal child benefit) is granted if family’s income per person per year did not exceed EUR 3 348 for families with up to two children. For families with three or more children and disabled 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 minimum monthly wage. 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 minimum monthly wage.
- 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.
- From 2021 the ceiling is applied only for the employee's overall employment income (combined from all employers, as opposed to each employer individually, as was applied previously), except for health insurance contributions. The ceiling is no longer applied for the SSC paid by the employer.
- Since 2021 the ceiling for employee's SSC (excluding health insurance contributions) was reduced from 84 to 60 average wages per year.

- Since 2021 the personal income tax threshold above which 32% rate is applied was reduced from 84 to 60 average wages per year.
- In 2022 the basic allowance formula was changed so that the annual basic allowances is first tapered rapidly (until around 12 average wages) and then gradually. Hereby the level of the taxation was reduced by increasing non-taxable amount only for those individuals whose monthly income did not exceeded the average wage. Applying the non-taxable amount to individuals with income above one average wage maintained unchanged.
- In 2022 the maximum non-taxable amount was increased from EUR 400 up to 460 and then from 460 up to 540 per month. Proportionally increased non-taxable amounts applicable to disabled.From 2022 temporary tax relief that was applicable from 2019 until 2021 (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)) was no longer available.

4.2. Benefit system

- Between 2000 and June 2004, the child benefit was 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 benefit for children up to 3 years of age, as well as benefit for children from 3 years to 16 years of age.
- Between July 2004 and 2008, the child benefit was paid without testing family income. The range of the age of children for which the benefit was 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. The 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. The size of the universal child benefit is EUR 30.02 per child per month. Large and low-income families receive the additional child benefit (on top of the universal child benefit): to children from birth to the age of 2 years amounting to EUR 28.5 per child per month and to children from 2 to 18 years of age amounting to EUR 15.2.
- In 2019, the 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. The size of the universal child benefit increased from EUR 30.02 to EUR 50.16 per child per month, while for the disabled children – to EUR 69.92. Large and low-income families receive the additional child benefit (on top of the universal child benefit) amounting to EUR 20.14 per child per month.

- In 2020, the 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. The size of the universal child benefit increased from EUR 50.16 to EUR 60.06 per child per month. The size of the additional child benefit (on top of the universal child benefit) for large and low-income families increased from EUR 20.14 to EUR 40.17 per child per month, the additional child benefit of the same amount has been established for disabled children.
- In 2021, the 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. The size of the universal child benefit increased from EUR 60.06 to EUR 70 per child per month. Large and low-income families and disabled children receive the additional child benefit (on top of the universal child benefit) amounting to EUR 41.2 per child per month.
- In 2022, the 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 23. The size of the universal child benefit increased from EUR 70 to EUR 73.5 (from 1 June 2022 – to EUR 80.5) per child per month. Large and low-income families and disabled children receive the additional child benefit (on top of the universal child benefit) amounting to EUR 43.26 (from 1 June 2022 – EUR 47.38) per child per month. Changes to labour taxation and benefit system due to the covid-19 pandemic

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 taxpayers with their ongoing obligations.

Related measures by the PIT administrator - State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania (hereinafter - STI):

- STI 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, applicable for tax debts incurred before 31 August 2021, and the following fiscal measures apply to the listed entrepreneurs:
  - **Recovery of unpaid taxes is suspended**. Interest on late payment are not to be calculated;
  - **Accumulated unpaid taxes have can be paid without interest until 31 December 2022.** In order to conclude a tax loan agreement without interest, taxpayers have to submit an application to the STI by 31 August 2021, and the agreement must be concluded by 31 December 2021. Otherwise, all accumulated unpaid taxes should be paid by 31 October 2021.
  - **Possibility to pay accumulated unpaid taxes exists beyond 31 December 2022.** Companies that cannot pay accumulated taxes within the set deadline can apply to STI for postponement of tax payment. Interest will be charged only on subsequent installments.

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.

Related measures by the SSC administrator (State Social Insurance Fund Board):

- Aid measures apply to adversely affected insurers. An adversely affected insurer is an insurer whose activities are restricted because the quarantine has been announced in the territory of the Republic of Lithuania or the quarantine has been announced in the territory of the municipality, and if an insurer specifies in the prescribed application that he operates in this territory of the municipality, and:

- who is automatically listed on the list “Legal entities that are subject to tax aid measures due to COVID-19 without submitting an application” that is published by the STI; or
- whose application for tax aid measures due to COVID-19 has been approved by the STI.

Insurers, having not found themselves among the published taxpayers, but having suffered adverse effects due to COVID-19, may apply to STI for the said aid measures by submitting an application for the application of selected aid measures.

Recovery of unpaid taxes is suspended. State Social Insurance Fund Board would not start tax recovery if these companies have social security debts arising from a declaration filed from 16th March 2020 till 16th of June 2020 and from 7th of November 2020 (in local quarantines from 26th of October 2020) till the end of quarantine.

- 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 paid out in 2020. 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. One-off child benefit was paid out for children who were / became child benefit eligible according to the Law on Benefits for Children throughout the period between 16 May 2020 and 31 December 2020.

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 during the six months of the enrollment process (after this period the opt-out is not possible). If the person chooses to opt-out during the first auto-enrollment procedure, 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).

2022 Parameter values

Average earnings/yr	Ave_earn	20 667	Secretariat estimate
Threshold for SSC ceilings	Threshold_SSC_ceilings	90 246	
Allowances	Max_basic_al	6480	
	Threshold_max_basic_al	8760	
	Reduction_coeficient	0,34	
	Max_basic_al_2	4 800	
	Threshold_max_basic_al_2	7 704	
	Reduction_coeficient_2	0,18	
	Brake_point_basic_al	20 448	
Income tax schedule	Tax_sch	0.20	90 246
		0.32	
Tax credit	tax_cred	0	
Minimum threshold for employer SSC and payroll tax	SSC_employer_min	8760	
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	922,25	
Need-based child benefits			
for each child	CB	543	
Need-based family threshold			
each member	F_thrsh	3072	
Days in tax year	numdays	365	

2022 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; IF(earn <Brake_point_basic_al; Max_basic_al-Reduction_coeficient*(earn-Threshold_max_basic_al); Max_basic_al_2-Reduction_coeficient_2*(earn-Threshold_max_basic_al_2)))))
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, 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, 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 2022

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**		47 027	70 189	117 216	47 027
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		5 196	7 756	12 952	5 196
	Work-related expenses		540	540	540	540
	Other		0	0	0	0
		Total	6 216	8 776	13 972	6 216
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government rounded taxable income (1 - 2 + 3)**		40 800	61 400	103 200	40 800
5.	**Central government income tax liability (exclusive of tax credits)**		6 053	14 502	31 979	5 243
6.	**Tax credits**					
	Basic credit		574	171	0	574
	Married or head of family					
	Children					
	Other		0	0	0	1 371
		Total	1 072	596	0	2 443
7.	**Central government income tax finally paid (5-6)**		4 981	13 906	31 979	2 800
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		5 760	8 644	14 499	5 760
	Taxable income					
		Total	5 760	8 644	14 499	5 760
10.	**Total payments to general government (7 + 8 + 9)**		10 741	22 550	46 478	8 560
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)**		36 285	47 640	70 739	46 081
13.	**Employer's compulsory social security contributions**		6 509	9 714	16 223	6 509
14.	**Average rates**					
	Income tax		10.6%	19.8%	27.3%	6.0%
	Employees' social security contributions		12.2%	12.3%	12.4%	12.2%
	Total payments less cash transfers		22.8%	32.1%	39.7%	2.0%
	Total tax wedge including employer's social security contributions		32.2%	40.4%	47.0%	13.9%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		46.8%	52.7%	50.5%	55.4%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		53.2%	58.5%	56.5%	60.9%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Luxembourg 2022

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**		70 189	117 216	140 379	117 216
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		7 756	12 952	15 512	12 952
	Work-related expenses		540	1 080	1 080	1 080
	Other		0	4 500	4 500	4 500
		Total	8 776	19 492	22 052	19 492
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government rounded taxable income (1 - 2 + 3)**		61 400	97 700	118 300	97 700
5.	**Central government income tax liability (exclusive of tax credits)**		5 930	18 529	27 125	18 529
6.	**Tax credits**					
	Basic credit		171	744	341	744
	Married or head of family					
	Children					
	Other		0	0	0	0
		Total	596	1 667	1 191	1 667
7.	**Central government income tax finally paid (5-6)**		5 334	16 862	25 934	16 862
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		8 644	14 404	17 288	14 404
	Taxable income					
		Total	8 644	14 404	17 288	14 404
10.	**Total payments to general government (7 + 8 + 9)**		13 978	31 266	43 222	31 266
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)**		63 825	93 565	104 771	85 951
13.	**Employer's compulsory social security contributions**		9 714	16 223	19 428	16 223
14.	**Average rates**					
	Income tax		7.6%	14.4%	18.5%	14.4%
	Employees' social security contributions		12.3%	12.3%	12.3%	12.3%
	Total payments less cash transfers		9.1%	20.2%	25.4%	26.7%
	Total tax wedge including employer's social security contributions		20.1%	29.9%	34.4%	35.6%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		38.5%	52.7%	52.7%	52.7%
	Total payments less cash transfers: Spouse		36.8%	51.5%	52.7%	51.5%
	Total tax wedge: Principal earner		45.9%	58.5%	58.5%	58.5%
	Total tax wedge: Spouse		44.5%	57.4%	58.5%	57.4%

The national currency is the Euro (EUR). In 2022, EUR 0.96 equalled USD 1. The Secretariat has estimated that in that same year the average worker earned EUR 70 189 (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

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 is 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.

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 696 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. Since 2022, payments made to a Pan-European Personal Pension Product (PEPP) are tax deductible under certain conditions. The PEPP enables retirement savers to transfer the benefits accumulated in one Member State to another, when moving between them. This new product will coexist alongside the existing complementary pension scheme and the same tax provisions apply (e.g. deduction limit of EUR 3200).
- 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.
- 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	135 417,24
b) Health insurance	3.05	3.05	135 417,24
c) Dependency insurance		1.4	Monthly allowance 578.35 *
d) Health in the workplace	0.14		
e) Accident insurance	0.75		

(Monthly allowance: EUR 564.24 = 0.25 social minimum salary / 12). The social minimum salary in 2022 is equal to EUR 27 083.40.

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 0.60 % to 2.98 %. A representative rate of 1.90 % 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 2021 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. The indexation of the amount of child benefit with retroactive effect to 1 October 2021 has come into effect since 1 January 2022. For 2022, the new amounts are as follows:

Effective date	As of 1 August 2016
1 eligible child	EUR 278.45
2 eligible children	EUR 556.90
3 eligible children	EUR 835.35

The amounts indicated above (under the old regime as well as under the new regime) are increased by EUR 21.05 for children aged 6 to 11 and by EUR 52.53 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 20 respectively EUR 50.

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. From 2021 onwards, the amount of EUR 600 is increased to EUR 696.
- 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.

From July 2022 until March 2023 inclusive, a new tax credit is introduced in order to compensate households for the rising energy prices and the postponement of the indexation of the salaries. The new energy tax credit is paid on a monthly basis and amounts to 84 euros per month for taxpayers earning a monthly gross salary between 78 euros and 3.367 euros. For taxpayers earning between 3 367 euros and 5 667 euros per month, the tax credit declines progressively to 76 euros. For taxpayers earning between 5 667 euros and 8 334 euros per month, the tax credit will decline progressively to 0 euros.

4.3. Changes to labour taxation due to the COVID pandemic in 2020 and 2021

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

For 2021, the following measures were introduced or extended:

- For physical persons, the deadline for submitting the 2019 tax returns is postponed to 31 March 2021. The deadline for submitting the 2020 tax returns is postponed to 30 June 2021.
- Extension of the short-time working scheme until 30 June 2021.

- Extension of scheme allowing cross-border workers living in France, Germany and Belgium 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 affecting labour taxation but from which some categories of physical persons can benefit:

- Possibility, for physical persons exercising a liberal profession, and active in the HORECA sector, to cancel the last two quarterly advance tax payments for 2020, and the first two quarterly advance tax payments for 2021. This measures targets personal income taxes, but only if profit derives from a commercial activity.
- Tax allowance in favor of owners who reduce or give up part of the rents to be due by companies in 2021. The tax allowance is double the amount of the reduction granted and limited to EUR 15 000.

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.

2022 Parameter values

Average earnings/yr	Ave_earn	70 189	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	27 083,40	
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	135 417,24	
	infirm	0.014	
	infirm_abatement	0.25	
Employer contributions	workhealth	0.0014	
	SSC_empr	0.1105	
	SSC_acc	0.0075	
	empr_mutual	0.0190	
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	396	
	wtc_basic_2	696	
	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	0.0174	
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	
Energy prices compensation	entc_basic	84	
	entc_incomelim_1	78	
	entc_incomelim_2	3667	
	entc_incomelim_3	5667	
	entc_incomelim_4	8334	
	entc_upper	76	

2022 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
				=(Positive(IF(AND(EARN_PRINC/12>entc_incomelim_1, EARN_PRINC/12<entc_incomelim_2), entc_basic,0)) +Positive(IF(AND(EARN_PRINC/12>entc_incomelim_2, EARN_PRINC/12<entc_incomelim_3), (entc_basic-(EARN_PRINC/12-entc_incomelim_2)*8/(entc_incomelim_3-entc_incomelim_2)),0)) +Positive(IF(AND(EARN_PRINC/12>entc_incomelim_3, EARN_PRINC/12<entc_incomelim_4), (entc_upper-(EARN_PRINC/12-entc_incomelim_3)*(entc_upper/(entc_incomelim_4-entc_incomelim_3))), 0)) +Positive(IF(AND(EARN_SPOUSE/12>entc_incomelim_1, EARN_SPOUSE/12<entc_incomelim_2), entc_basic,0)) +Positive(IF(AND(EARN_SPOUSE/12>entc_incomelim_2, EARN_SPOUSE/12<entc_incomelim_3), (entc_basic-(EARN_SPOUSE/12-entc_incomelim_2)*8/(entc_incomelim_3-entc_incomelim_2)),0))+ +Positive(IF(AND(EARN_SPOUSE/12>entc_incomelim_3, EARN_SPOUSE/12<entc_incomelim_4), (entc_upper-(EARN_SPOUSE/12-entc_incomelim_3)*(entc_upper/(entc_incomelim_4-entc_incomelim_3))), 0)))*6
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 underlying the data.

Mexico 2022

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**		103 613	154 646	258 259	103 613
2.	**Standard tax allowances**					
	Basic allowance		3 312	3 522	3 948	3 312
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other					
		Total	3 312	3 522	3 948	3 312
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		100 301	151 124	254 311	100 301
5.	**Central government income tax liability (exclusive of tax credits)**		7 625	15 311	37 027	7 625
6.	**Tax credits**					
	Basic credit		0	0	0	0
	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)**		7 625	15 311	37 027	7 625
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		1 295	2 130	3 840	1 295
	Taxable income					
		Total	1 295	2 130	3 840	1 295
10.	**Total payments to general government (7 + 8 + 9)**		8 920	17 442	40 867	8 920
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)**		94 693	137 204	217 392	94 693
13.	**Employers' compulsory social security contributions**		13 876	17 726	25 581	13 876
14.	**Average rates**					
	Income tax		7.4%	9.9%	14.3%	7.4%
	Employees' social security contributions		1.3%	1.4%	1.5%	1.3%
	Total payments less cash transfers		8.6%	11.3%	15.8%	8.6%
	Total tax wedge including employer's social security contributions		19.4%	20.4%	23.4%	19.4%
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		17.4%	25.2%	28.4%	17.4%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Mexico 2022

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**	154 646	258 259	309 292	258 259
2.	**Standard tax allowances**				
	Basic allowance	3 522	6 835	7 044	6 835
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes				
	Work-related expenses				
	Other				
	Total	3 522	6 835	7 044	6 835
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**	151 124	251 425	302 248	251 425
5.	**Central government income tax liability (exclusive of tax credits)**	15 311	22 936	30 623	22 936
6.	**Tax credits**				
	Basic credit	0	0	0	0
	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)**	15 311	22 936	30 623	22 936
8.	**State and local taxes**	0	0	0	0
9.	**Employees' compulsory social security contributions**				
	Gross earnings	2 130	3 426	4 261	3 426
	Taxable income				
	Total	2 130	3 426	4 261	3 426
10.	**Total payments to general government (7 + 8 + 9)**	17 442	26 362	34 884	26 362
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)**	137 204	231 897	274 409	231 897
13.	**Employers' compulsory social security contributions**	17 726	31 602	35 452	31 602
14.	**Average rates**				
	Income tax	9.9%	8.9%	9.9%	8.9%
	Employees' social security contributions	1.4%	1.3%	1.4%	1.3%
	Total payments less cash transfers	11.3%	10.2%	11.3%	10.2%
	Total tax wedge including employer's social security contributions	20.4%	20.0%	20.4%	20.0%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	19.5%	19.5%	19.5%	19.5%
	Total payments less cash transfers: Spouse	8.6%	12.1%	19.5%	12.1%
	Total tax wedge: Principal earner	25.2%	25.2%	25.2%	25.2%
	Total tax wedge: Spouse	19.4%	17.4%	25.2%	17.4%

The national currency is the peso (MXN). In 2022, MXN 20.09were equal to USD 1. That year, the estimated earnings of the average worker are MXN 154 646 (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

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.

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 175 505 (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 5 427 554. 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 175 505 in 2022). The limit does not apply to private school´s tuition, complementary contributions to retirement´s personal accounts, professional fees, and medical expenses in the event of incapacity or disability. Since 2022 these limits applies to charity donations.

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

Tax schedule

Taxable income (MXN)		Fixed quota (MXN)	Tax on the amount in excess of the lower limit (%)
Lower Limit	Upper Limit		
0.01	7 735.00	0.00	1.92
7 735.01	65 651.07	148.51	6.40
65 651.08	115 375.90	3 855.14	10.88
115 375.91	134 119.41	9 265.20	16.00
134 119.42	160 577.65	12 264.16	17.92
160 577.66	323 862.00	17 005.47	21.36
323 862.01	510 451.00	51 883.01	23.52
510 451.01	974 535.03	95 768.74	30.00
974 535.04	1 299 380.04	234 993.95	32.00
1 299 380.05	3 898 140.12	338 944.34	34.00
3 898 140.13	And over	1 222 522.76	35.00

The income tax schedule is updated once the accumulated inflation reaches 10% the last update was in 2021.

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 2.62%. 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 2022, 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, 1.981% of worker's monthly wage.[2]

In 2022, 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 in 2020 and 2021

Federal Government.

- The Tax Administration Service extended the deadline for filing the individual 2020 annual tax return until May 31st, 2021 (originally April 30).
- 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.

- Waiver of the Payroll Tax corresponding to the month of January 2021 for taxpayers of sectors affected by the pandemic in the historic downtown area of Mexico City & for all the restaurants in Mexico City.
- The Mexico City Government suspended tax inspection acts from December 17th, 2020 to January 6th, 2021.
- 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

2022 Parameter values

Average earnings/yr	Ave_earn	154 646	Secretariat estimate	
Unit of Measure and Update	UMA	96.22		
Income tax	tax_table	0.00	0	0.0192
		7 735.01	148.51	0.0640
		65 651.08	3 855.14	0.1088
		115 375.91	9 265.20	0.1600
		134 119.42	12 264.16	0.1792
		160 577.66	17 005.47	0.2136
		323 862.01	51 883.01	0.2352
		510 451.01	95 768.74	0.3000
		974 535.04	234 993.95	0.3200
		1 299 380.05	338 944.34	0.3400
		3 898 140.13	1 222 522.76	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	0.06481		
	SSC_empr_min	0.2040		
	SSC_empr_sur	0.0110		

2022 Tax equations

The equations for the Mexican system in 2022 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*30.4*12*ssc_rate)+MIN(Positive(earn-(3*30.4*12*UMA))*ssc_rate_sur, UMA*(25-3)*30.4*12*ssc_rate_sur)
11.	Cash transfers	cash_trans	B	0
13.	Employer's soc security	SSC_empr	B	MIN(earn*ssc_empr, UMA*25*30.4*12*ssc_empr)+30.4*12*UMA*ssc_empr_min +MIN(Positive(earn-(3*30.4*12*UMA))*ssc_empr_sur, UMA*(25-3)*30.4*12*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 2022, the value of the UMA is 96.22, mean while the general minimum wage is 172.87 and 260.34 in the northern border region. The municipalities constituting the northern border region are as follows: Ensenada, Playas de Rosarito, Mexicali, Tecate, Tijuana, San Quintín and San Felipe 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, Práxedis 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 underlying the data.

Netherlands 2022

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**		38 534	57 513	96 046	38 534
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		1 846	3 296	6 240	1 846
		Total	1 846	3 296	6 240	1 846
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		36 688	54 217	89 807	36 688
5.	**Central government income tax liability (exclusive of tax credits)**		3 792	10 290	26 020	3 792
6.	**Tax credits :**					
	Basic credit					
	Married or head of family					
	Children					
	Other					
		Total	1 581	1 053	291	2 225
7.	**Central government income tax finally paid (5-6)**		2 211	9 238	25 729	1 567
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)		5 167	6 718	8 954	3 277
		Total	5 167	6 718	8 954	3 277
10.	**Total payments to general government (7 + 8 + 9)**		7 378	15 956	34 683	4 844
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	6 932
		Total	0	0	0	6 932
12.	**Take-home pay (1-10+11)**		31 156	41 557	61 363	40 622
13.	**Employers' compulsory social security contributions**		4 669	6 900	7 598	4 669
14.	**Average rates**					
	Income tax		5.7%	16.1%	26.8%	4.1%
	Employees' social security contributions		13.4%	11.7%	9.3%	8.5%
	Total payments less cash transfers		19.1%	27.7%	36.1%	-5.4%
	Total tax wedge including employer's social security contributions		27.9%	35.5%	40.8%	6.0%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		45.2%	45.2%	51.1%	51.4%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		51.0%	51.0%	51.1%	56.5%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Netherlands 2022

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**		57 513	96 046	115 026	96 046
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		3 296	5 142	6 592	5 142
		Total	3 296	5 142	6 592	5 142
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		54 217	90 905	108 434	90 905
5.	**Central government income tax liability (exclusive of tax credits)**		10 290	14 082	20 580	14 082
6.	**Tax credits :**					
	Basic credit					
	Married or head of family					
	Children					
	Other					
		Total	1 102	3 278	2 749	2 634
7.	**Central government income tax finally paid (5-6)**		9 189	10 805	17 831	11 449
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)		6 575	9 995	11 547	11 885
		Total	6 575	9 995	11 547	11 885
10.	**Total payments to general government (7 + 8 + 9)**		15 764	20 800	29 378	23 334
11.	**Cash transfers from general government**					
	For head of family					
	For two children		3 627	2 288	2 288	0
		Total	3 627	2 288	2 288	0
12.	**Take-home pay (1-10+11)**		45 377	77 535	87 936	72 713
13.	**Employers' compulsory social security contributions**		6 900	11 569	13 800	11 569
14.	**Average rates**					
	Income tax		16.0%	11.2%	15.5%	11.9%
	Employees' social security contributions		11.4%	10.4%	10.0%	12.4%
	Total payments less cash transfers		21.1%	19.3%	23.6%	24.3%
	Total tax wedge including employer's social security contributions		29.6%	28.0%	31.7%	32.4%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		51.4%	45.2%	45.2%	45.2%
	Total payments less cash transfers: Spouse		16.5%	45.2%	45.2%	45.2%
	Total tax wedge: Principal earner		56.5%	51.0%	51.0%	51.0%
	Total tax wedge: Spouse		25.6%	51.0%	51.0%	51.0%

The national currency is the Euro (EUR). In 2022, EUR 0.96 was equal to USD 1. In that year, the average worker earned EUR 57 513 (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 2 214 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 36 409. 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 36 409. People with an income above EUR 36 409 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 8 093 and is below EUR 42 986. If income is lower than or equal to EUR 8 093, the non-deductible limit is EUR 141. For a person with a partner: the joint income is used to determine the non-deductible amounts and the non-deductible limit is EUR 278.
- If income exceeds EUR 42 986 the specific expenses in excess of 1.65% of EUR 42 986 increased with 5.75% of income above EUR 42 986 are 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	
		< 66 years and 7 months	> 66 years and 7 months
0–35 473	9.42	27.65	9.75
35 473–69 398	37.07	-	-
69 399 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 2022, this ratio was 25.47% (= 9.42% / (9.42% + 27.65%), implying that 25.41% of the (tax) credit is attributed to the personal income tax and the remaining 74.59% 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 2022, the maximum of the general tax credit is EUR 2 888 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 21 317. For incomes above this threshold, the general tax credit is fully phased out at a rate of 6.007% (per euro). So incomes above EUR 69 398 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 10 350. On this first trajectory, work credit equals 4.541% of taxable income from work. On the second trajectory, which runs from EUR 10 350 to EUR 22 357, the work credit equals EUR 470 plus 28.461% of the part of income that is above EUR 10 350. On the third trajectory, which runs from EUR 22 357 to EUR 36 650, the work credit equals EUR 3 887 plus 2.610% of the part of income that is above EUR 22 357. So at an income of EUR 36 650, the maximum of EUR 4 260 is reached. Above this income of EUR 36 650, the work credit is fully phased out at a rate of 5.860% (per euro) so that incomes above EUR 109 347 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 5 219, is entitled to an income dependent combination credit of 11.45% of taxable income from work above EUR 5 219. The maximum total combination credit is EUR 2 534 and reached at an income level of EUR 27 350.
- 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 1 726 if their income is below EUR 38 465. This tax credit is gradually phased out to 0 at a rate of 15.0% for incomes from EUR 38 465. Individuals above the pension age who do not have a partner receive an additional tax credit of EUR 449 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 6.67% 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 7 months old in 2022 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: .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 1 522 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 1 522 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 1 522 (see https://oe.cd/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: 1749 – 1.848% * 22 356 – 13.61% * (taxable income – 22 356)
    - Married couples: number of adults * 1749 – 4.225% * 22 356 – 13.61% * (taxable income principal and spouse – 22 356).

2.2. Employers' contributions

Schemes for employers:

- Unemployment: 3.95% of gross earnings below EUR 59 706 for the general unemployment fund and a contribution of 0% of gross earnings below EUR 59 706 for the industrial insurance associations redundancy payments fund;
- Invalidity: 8.78% of gross earnings below EUR 59 706;
- For medical care employers contribute 6.75% of gross earnings net of employees' pension premiums and unemployment social security contributions until a maximum of gross earnings of EUR 59 706. 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 2 288 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 1 220 per year for families with one child in 2022. The maximum value is EUR 2 326 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 22 356, for couples it equals EUR

39 596. 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 3 285 in 2022. This amount is also phased out at a rate of 6.75% from the threshold. Therefore this total benefit is completely phased out for families with two children when the taxable income exceeds EUR 105 482 for single parents and EUR 74 056 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 1 052, 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 pandemic in 2020 and 2021

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).

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.

2022 Parameter values

Average earnings/yr	Ave_earn	57 513	Secretariat estimate
minimum wage	min_wage	22558	
Social security contributions	SSC_ceil	59706	
Employees' schemes	Unemp_rate1	0	
	Unemp_franchise1	0	
Medical care	Med_rate	0.0675	
	Med_limit	999999	
	Med_ceil	59706	
	Med_adult	1522	
	Med_child	0	
	Med_compensation1	0.01848	
	Med_compensation2	0.13610	
	Med_compenation 3	0.04225	
	Med_compensation 4	0.13610	
	Med_key	22356	
	Med_adult for care benefit	1749	
General schemes	Old_rate	0.179	
	Wid_rate	0.001	
	Ex_med_rate	0.0965	
	Gen_Schemes_thrsh	35472	
	Unemp_empr1	0.0395	
	Unemp_empr2	0	
	Unemp_unempr_franchise1	0	
	Unemp_unempr_franchise2	0	
	Inv_empr_rate	0.0878	
	Inv_empr_franchise	0	
	Med_empr	0.0675	
	Med_franchise	0	
Payroll tax	Extra_wage_tax	0	
	EWT_threshold	0	
Tax schedule	Tax_sch	0.0942	21317
	"tax_sch_lowest"	0.0942	35472
	"tax_thrsh_1"	0.3707	69398
	"tax_sch_2"	0.495	
Tax credits	Gen_credit_1	2837	
	Gen_credit_2	0	
	Gen_credit1_thr	2888	
	Gen_credit2_thr	0	
	Gen_credit_per	0.06007	
	Red_gen_credit	193	
	Emp_credit1	470	
	Emp_credit2	3417	
	Emp_credit3	373	
	Emp_credit4	0	
	Emp_credit1_thr	10350	
	Emp_credit2_thr	22356	

	Emp_credit3_thr	36649	
	Emp_credit4_thr	109345	
	Comb_credit	0	
	Comb_credit_franchise	5219	
	add_comb_credit	0	
	income_dependant_comb_credit1	0	
	income_dependant_comb_credit_max	2534	
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	1144	
	Ch2_trans	2288	
	Child_ben_1child	1220	
	Child_ben_2children	2326	
	Extra_cash_sing_par	3285	
	Child_ben_redn	0.0675	
	Child_ben_ceil	22356	
	Child_ben_incr_ceil_couple	17240	
Non-tax compulsory payments	dummyNTCP	0	
	NTCP_pension_ee	0.0764	
	NTCP_pension_er	0.1146	
	NTCP_pension_franchise	14374	
	NTCP_pension_max	114866	

2022 Tax equations

The equations for the tax system in the Netherlands in 2022 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 (2022-2023 Income tax year)

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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 2022

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**		47 294	70 588	117 882	47 294
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)**		47 294	70 588	117 882	47 294
5.	**Central government income tax liability (exclusive of tax credits)**		7 296	14 214	29 821	7 296
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)**		7 296	14 214	29 821	7 296
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)**		7 296	14 214	29 821	7 296
11.	**Cash transfers from general government**					
	For head of family					
	For two children		350	0	0	14 934
		Total	350	0	0	14 934
12.	**Take-home pay (1-10+11)**		40 348	56 374	88 061	54 931
13.	**Employer's compulsory social security contributions**		0	0	0	0
14.	**Average rates**					
	Income tax		15.4%	20.1%	25.3%	15.4%
	Employees' social security contributions		0.0%	0.0%	0.0%	0.0%
	Total payments less cash transfers		14.7%	20.1%	25.3%	-16.1%
	Total tax wedge including employer's social security contributions		14.7%	20.1%	25.3%	-16.1%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		17.5%	33.0%	33.0%	44.5%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		17.5%	33.0%	33.0%	44.5%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

New Zealand 2022

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**	70 588	117 882	141 176	117 882
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)**	70 588	117 882	141 176	117 882
5.	**Central government income tax liability (exclusive of tax credits)**	14 214	21 510	28 428	21 510
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)**	14 214	21 510	28 428	21 510
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)**	14 214	21 510	28 428	21 510
11.	**Cash transfers from general government**				
	For head of family				
	For two children	8 644	350	0	350
	Total	8 644	350	0	350
12.	**Take-home pay (1-10+11)**	65 018	96 721	112 748	96 721
13.	**Employer's compulsory social security contributions**	0	0	0	0
14.	**Average rates**				
	Income tax	20.1%	18.2%	20.1%	18.2%
	Employees' social security contributions	0.0%	0.0%	0.0%	0.0%
	Total payments less cash transfers	7.9%	18.0%	20.1%	18.0%
	Total tax wedge including employer's social security contributions	7.9%	18.0%	20.1%	18.0%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	60.0%	33.0%	33.0%	33.0%
	Total payments less cash transfers: Spouse	33.0%	17.5%	33.0%	17.5%
	Total tax wedge: Principal earner	60.0%	33.0%	33.0%	33.0%
	Total tax wedge: Spouse	33.0%	17.5%	33.0%	17.5%

The national currency is the New Zealand dollar (NZD). In the year to March 2022, NZD 1.47 was equal to USD 1 on average. The average worker earned NZD 70 588 (Country estimate[1]).

1. Personal Income Tax System

In New Zealand, the tax year starts April 1st and ends March 31st.

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 1.3.

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

Refer to section 1.3.

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 but does not exceed NZD 180 000: 33%;

On so much of the income as exceeds NZD 180 000:

- 39%.

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 will increase for 2022/23 to represent 1.27% of their gross earnings from 1.21% for gross earnings for 2021/22. 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 0.63% for 2022/23). 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 1.3.2 – 1.3.5 below. The Independent Earner Tax Credit (IETC) is another form of support that is separate from WFF and is described in 1.3.6 below.

3.1. Amount for marriage

None.

3.2. Best Start Tax Credit

The Best Start Tax Credit ("BSTC") is a payment made to families with a new-born baby. From 1 April 2022, the BSTC payment increased to NZD 65 per week (3 388 per year) for the first year of the child's life. There is no income limit for receiving the BSTC payment in the first year of the child's life. The BSTC continues to provide NZD 3 388 per year for the second and third year of a child's life, but this 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 BSTC payment begins after paid parental leave ends.

3.3. Family Tax Credit

The Family Tax Credit (FTC) is available to families with dependent children regardless of whether they receive a main benefit. FTC pays an amount for a family's eldest child, and a lesser amount for each subsequent child. From 1 April 2022, the eldest child rate increased to NZD 6 642 per year and the subsequent child rate increased to NZD 5 412. The total credit is abated by 27.00 cents (increasing from 25 cents from 1 April 2022) on each dollar earned over NZD 42 700. The abatement is based on the combined family income.

3.4. In Work Tax Credit

The In Work Tax Credit (IWTC) is available to families with dependent children who have some income from paid employment each week, and who are not receiving an income-tested benefit or student allowance. IWTC provides 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 (or NZD 15 a week) for fourth and subsequent children. It uses the same abatement regime used with the FTC, although it does not begin to abate until the FTC entitlement has been abated to zero.

From 1 April 2021, the IWTC is available for up to two weeks when taking an unpaid break from work. This is intended to provide support for those transitioning between jobs or who are unpaid for a period.

3.5. Minimum Family Tax Credit

The Minimum Family Tax Credit ("MFTC") effectively guarantees a minimum after-tax income for all full-time working families with dependent children, and is intended to ensure that working families are better off in work than they would be if they were on a benefit. For the purposes of MFTC, "full-time" employment is defined as 20 hours or more per week for a sole parent, and 30 hours or more per week combined for a two-parent family.

The MFTC threshold (the level to which after-tax income is topped up to) rose from NZD 30 576 per year to NZD 31 096 on 1 July 2021. It increased further to NZD 32 864 on 1 April 2022.

3.6. Independent Earner Tax Credit

The Independent Earner Tax Credit (IETC) of up to NZD 520 per year is available to individuals who do not receive other forms of support such as WFF tax credits or benefits, and who have an annual net income between NZD 24 000 and NZD 48 000. The IETC abates at a rate of 13 cents on each dollar earned over NZD 44 000. Unlike WFF tax credits, the IETC is calculated on the recipient's individual income rather than family income, and does not require the recipient to have dependent children.

4. Main Changes in Personal Tax/Benefit Systems since 2020/21

4.1. General changes to the tax/benefit system in 2022

4.1.1. The Government announced a Cost of Living Payment as part of Budget 2022.

The payment will total up to $350, split into 3 monthly payments of around NZD 116. The first payment was made on 1 August 2022. The payment will be available to eligible individuals who earned NZD 70 000 or less during the period from 1 April 2021 to 31 March 2022, and who are not eligible to receive the Winter Energy Payment. Eligible individuals will receive the payment directly into their bank account from Inland Revenue.

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 (QES) for those employees in the B-N industry groups based on the ISIC Rev.4 definition. 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. In 2021 the QES has been redesigned, which means that the average wage data for 2021 may not be directly comparable to previous years.[2] In 2022 the ISIC version 4 replaced the version 3 concordance, which has changed average annual earnings estimates for previous years and limits comparability.

5.2. Employer's contributions to private pension, health schemes, etc.

No information available.

2022 Parameter values

	Ave_earn	70 588	Country estimate
Income tax schedule	Tax_sch	0.105	14 000
		0.175	48 000
		0.3	70 000
		0.33	180 000
		0.39	
Family tax credit	Fam_sup_eld	6 642	
	Fam_sup_oth	5 412	
	Fam_sup_thrsh	42 700	
	Fam_sup_rate	0.27	
In-work tax credit	In_work_children123	3 770	
	In_work_children4plus	780	
Minimum Family Tax Credit	Min_inc	32 864	
Independent Earner Tax Credit	IETC	520	
	IETC_thrsh1	24 000	
	IETC_thrsh2	44 000	
	IETC_rate	0.13	
Cost of Living Payment	COL	350	
	COL_thrsh	70 000	

Note: Those with children under 3 years of age receive the Best Start Tax Credit and will therefore have a lower effective tax rate than implied by the model.

2022 Tax equations

The equations for the New Zealand system in 2021 are mostly repeated for each individual of a 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(cash_trans=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))
	Cost of Living Payment	COL_pay	B	(earn<=COL_thrsh)*COL
	Cash transfers	cash_trans	J	tax_cr_ab + min_fam_tax_cr+COL_pay
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.

Notes

[1] In the year to March 2022.

[2] https://www.stats.govt.nz/methods/effects-of-the-qes-redesign-on-the-march-2021-quarter-statistics.

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 2022

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**		446 297	666 115	1 112 412	446 297
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other					
		Total	168 200	168 200	168 200	220 676
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable (ordinary) income (1 - 2 + 3)**		278 097	497 915	944 212	225 621
5.	**Central government income tax liability (ordinary + personal)**		32 510	62 414	165 119	27 970
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)**		32 510	62 414	165 119	27 970
8.	**State and local taxes (net of tax credits)**		37 126	66 472	126 052	30 120
9.	**Employees' compulsory social security contributions**					
	Gross earnings		35 704	53 289	88 993	35 704
	Taxable income					
		Total	35 704	53 289	88 993	35 704
10.	**Total payments to general government (7 + 8 + 9)**		105 339	182 175	380 165	93 795
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)**		340 958	483 940	732 248	390 447
13.	**Employer's compulsory social security contributions**		58 019	86 595	144 614	58 019
14.	**Average rates**					
	Income tax		15.6%	19.3%	26.2%	13.0%
	Employees' social security contributions		8.0%	8.0%	8.0%	8.0%
	Total payments less cash transfers		23.6%	27.3%	34.2%	12.5%
	Total tax wedge including employer's social security contributions		32.4%	35.7%	41.7%	22.6%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		34.0%	43.4%	46.4%	34.0%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		41.6%	49.9%	52.6%	41.6%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Norway 2022

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**		666 115	1 112 412	1 332 230	1 112 412
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	168 200	336 400	336 400	336 400
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable (ordinary) income (1 - 2 + 3)**		497 915	776 012	995 830	776 012
5.	**Central government income tax liability (ordinary + personal)**		62 414	94 924	124 829	94 924
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)**		62 414	94 924	124 829	94 924
8.	**State and local taxes (net of tax credits)**		66 472	103 598	132 943	103 598
9.	**Employees' compulsory social security contributions**					
	Gross earnings		53 289	88 993	106 578	88 993
	Taxable income					
		Total	53 289	88 993	106 578	88 993
10.	**Total payments to general government (7 + 8 + 9)**		182 175	287 515	364 350	287 515
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)**		509 236	850 194	993 176	824 898
13.	**Employer's compulsory social security contributions**		86 595	144 614	173 190	144 614
14.	**Average rates**					
	Income tax		19.3%	17.8%	19.3%	17.8%
	Employees' social security contributions		8.0%	8.0%	8.0%	8.0%
	Total payments less cash transfers		23.6%	23.6%	25.5%	25.8%
	Total tax wedge including employer's social security contributions		32.3%	32.4%	34.0%	34.4%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		43.4%	43.4%	43.4%	43.4%
	Total payments less cash transfers: Spouse		23.6%	34.0%	43.4%	34.0%
	Total tax wedge: Principal earner		49.9%	49.9%	49.9%	49.9%
	Total tax wedge: Spouse		32.4%	41.6%	49.9%	41.6%

The national currency is the Kroner (NOK). In 2021, NOK 9.72 were equal to 1 USD. In that year the average worker earned NOK 666 115 (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, 8.65% is considered to be the central government income tax.

1.1.3. Rate schedule of the bracket tax

Rate (%)	NOK
0	0–190 350
1.7	190 350–267 900
4.0	267 900–643 800
13.4	643 800–969 200
16.4	969 200–2 000 000
17.4	2 000 000 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 13.35% points of the overall rate. Tax on ordinary income is levied after taking into account a standard allowance of NOK 58 250. Single parents are eligible to an additional special tax allowance of NOK 52 476. The deductions in the computation of ordinary income are:

1.2.1. Standard reliefs

- Basic allowance: each individual receives a minimum allowance equal to 46% of personal income, with a minimum of NOK 4 000 and a maximum of NOK 109 950. 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 14 000;
- Labour union fees up to NOK 5 800;
- Donations to voluntary organisations up to NOK 25 000;
- Contributions to individual pension agreement schemes, maximum NOK 15 000;
- Premiums and contributions to occupational pension schemes in the private and public sector, unlimited;
- Unlimited deduction for interest payments.

The main non-standard tax credits are:

- Home savings scheme (BSU): The BSU scheme aims to encourage young people (under 34 years old) to save for a future home purchase. A wastable tax credit of 20% of annual savings up to NOK 27 500 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 8.0% of personal wage income. Employees do not make contributions if their wage income is less than NOK 64 650. 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 8.0% of the total wage income.

Contributions from the self-employed are 11.2% 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 20 112 per child aged 0–5 years (NOK 1 676 per month).

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 2022:
  - The rate for employees' contributions to the National Insurance Scheme was reduced for earned income and for self-employed.
  - The thresholds in the progressive bracket tax was reduced for higher incomes (bracket 3 and 4) and tax rates were increased.
  - A new bracket was introduced in the central government bracket tax for income above 2 million NOK with a tax rate of 17.4%.
  - The allowance for Labour Union fees was increased from NOK 3 850 to NOK 5 800.
  - The "Finnmark allowance", a special allowance for people who are resident in the northernmost municipalities in the county Troms and Finnmark, was increased from NOK 15 500 to NOK 20 000.
  - The upper limit for the seafarer's allowance was increased from NOK 80 000 to NOK 83 000.
- Most important changes related to wage taxation in 2021:
  - Rates in bracket 1 and 2 in the central government bracket tax were reduced from 1.9% and 4.2% to 1.7% and 4.0%, respectively.
  - The minimum allowance rate for personal income was increased from 45% to 46%.
- 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 pandemic in 2020 and 2021

- Payment of the second and third instalments (there are 6 instalments annually) employer's social security contribution in 2020 was postponed from May 15th and July 15th to August 15th and October 15th, respectively.
- For the third instalment of the employer's social security contribution in 2020, the rate was reduced by 4 percentage points. In municipalities were the employer's social security contribution rate is 0%, a subsidy equating to 4% of gross wages is paid to employers.
- Payment of the first and second instalment (there are 4 instalments annually) of the advance tax of self-employed in 2020 was postponed from March 15th and May 15th to May 1st and July 15th, respectively.

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.

2022 Parameter values

Average earnings/yr	Ave_earn	662 146	Secretariat estimate
Central rate (pers)	Tax_sch	0	190 350
		0.017	267 900
		0.04	643 800
		0.134	969 200
		0.164	2 000 000
		0.174	
Central rate (ord)	Cent_rate_ord	0.0865	
Local rate (ord)	Local_rate	0.1335	
Allowances	Class_al	58 250	
	Special_al	52 476	
Basic relief	Basic_min	4 000	
	Basic_max	109 950	
	Basic_rel_rate	0.46	
	Basic_min_wage	31 800	
Soc security contribs	SSC_rate	0.08	
Employer	SSC_empr	0.13	
Trygd. low.lim	SSC_low_lim	64 650	
pct.rate	SSC_low_rate	0.25	
Ref. Income "G"	SSC_G	109 784	
"G" Multiple	SSC_Gmult	16	
Supplemental Rate	SSC_rate_sup	0	
Child cash transfer	Child_sup	12 648	

2022 Tax equations

The equations for the system for Norway in 2021 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 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.

Poland 2022

The tax/benefit position of single persons

		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1.	**Gross wage earnings**		48 873	72 945	121 819	48 873
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		6 701	10 001	16 701	6 701
	Work-related expenses		3 000	3 000	3 000	3 000
	Other					
		Total	9 701	13 001	19 701	9 701
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		39 173	59 945	102 118	39 173
5.	**Central government income tax liability (exclusive of tax credits)**		4 701	7 193	12 254	4 701
6.	**Tax credits**					
	Basic credit		3 600	3 600	3 600	7 200
	Married or head of family					
	Children		0	0	0	2 224
	Other (health insurance)		0	0	0	0
		Total	3 600	3 600	3 600	9 424
7.	**Central government income tax finally paid (5-6)**		1 101	3 593	8 654	- 2 224
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		4 917	7 338	12 255	4 917
	Taxable income		3 796	5 665	9 461	3 796
		Total	8 712	13 003	21 715	8 712
10.	**Total payments to general government (7 + 8 + 9)**		9 813	16 597	30 369	6 488
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	12 600
		Total	0	0	0	12 600
12.	**Take-home pay (1-10+11)**		39 061	56 349	91 450	54 985
13.	**Employer's wage dependent contributions and taxes**					
	Employer's compulsory social security contributions		6 755	10 082	16 837	6 755
	payroll taxes		1 246	1 860	3 106	1 246
		Total	8 001	11 942	19 944	8 001
14.	**Average rates**					
	Income tax		2.3%	4.9%	7.1%	-4.6%
	Employees' social security contributions		17.8%	17.8%	17.8%	17.8%
	Total payments less cash transfers		20.1%	22.8%	24.9%	-12.5%
	Total tax wedge including employer's social security contributions		31.3%	33.6%	35.5%	3.3%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		28.2%	28.2%	28.2%	17.8%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		38.3%	38.3%	38.3%	29.4%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Poland 2022

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**		72 945	121 819	145 891	121 819
2.	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		10 001	16 701	20 002	16 701
	Work-related expenses		3 000	6 000	6 000	6 000
	Other					
		Total	13 001	22 701	26 002	22 701
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		59 945	99 118	119 889	99 118
5.	**Central government income tax liability (exclusive of tax credits)**		7 193	11 894	14 387	11 894
6.	**Tax credits**					
	Basic credit		7 200	7 200	7 200	7 200
	Married or head of family					
	Children		2 224	2 224	2 224	0
	Other (health insurance)		0	0	0	0
		Total	9 424	9 424	9 424	7 200
7.	**Central government income tax finally paid (5-6)**		- 2 224	2 470	4 963	4 694
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		7 338	12 255	14 676	12 255
	Taxable income		5 665	9 461	11 330	9 461
		Total	13 003	21 715	26 006	21 715
10.	**Total payments to general government (7 + 8 + 9)**		10 779	24 185	30 969	26 409
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)**		74 766	110 234	127 522	95 410
13.	**Employer's wage dependent contributions and taxes**					
	Employer's compulsory social security contributions		10 082	16 837	20 165	16 837
	payroll taxes		1 860	3 106	3 720	3 106
		Total	11 942	19 944	23 885	19 944
14.	**Average rates**					
	Income tax		-3.0%	2.0%	3.4%	3.9%
	Employees' social security contributions		17.8%	17.8%	17.8%	17.8%
	Total payments less cash transfers		-2.5%	9.5%	12.6%	21.7%
	Total tax wedge including employer's social security contributions		11.9%	22.2%	24.9%	32.7%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		17.8%	28.2%	28.2%	28.2%
	Total payments less cash transfers: Spouse		27.4%	28.2%	28.2%	28.2%
	Total tax wedge: Principal earner		29.4%	38.3%	38.3%	38.3%
	Total tax wedge: Spouse		37.6%	38.3%	38.3%	38.3%

The national currency is the Zloty (PLN). In 2022, PLN 4.51 were equal to USD 1. In that year, the average worker earned PLN 72 945 (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. This joint taxation can be applied only to taxpayers who file their tax declaration under the general tax scale. Effectively, it excludes capital income taxed at the flat 19% rate or sole proprietorship income taxed with lump-sum tax (tax rate depends on a type of activity). 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.

Tax base

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

Standard reliefs

- Basic relief (since 1st January 2022 to 30th June 2022): A non-refundable tax credit of:[2]
  – PLN 5 100 – for the tax base without upper limit.
- Basic relief (since 1st July 2022): A non-refundable tax credit of:[3]
  – PLN 3 600 – for the tax base without upper limit.
- Marital status relief: None.
- Relief for children: Yes.[4]

Note: The basic relief tax credit amount will be settled on the final-year tax return according to the rules applicable from July 1st 2022 for the whole tax year.

A taxpayer can deduct from the due tax 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 taxpayers who do not settle their taxes jointly 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 paid social security contributions: An allowance is provided for all social security contributions paid by the taxpayer. The allowance is deducted from taxable income.
- 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	3 000 since 1st October 2019[5]	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.

Main non-standard tax reliefs

Allowances:

- Specified expenses for the purpose of rehabilitation incurred by a taxpayer who is a disabled person, or a taxpayer, who supports the disabled. For particular expenses exists deduction limit;
- 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 PLN 53 000,
- 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 1,5% of due tax.[6]
- 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 PLN 85 528 for people under 26 years old are exempted from PIT.
- Gross wages up to PLN 85 528 for employed seniors or entrepreneurs who, despite having reached the retirement age, did not take up a pension and are still economically active, are exempted from PIT;

- Gross wages up to PLN 85 528 for Polish citizens returning from abroad (before the decision to return to the country, a minimum of three years of residence and work abroad) are exempted from PIT for a period of 4 years;
- Revenues up to PLN 85 528 for families with 4 or more children (for taxpayers who in the tax year held parental authority, the function of legal guardian or for persons who held the function of a foster family) are exempted from PIT.

1.1.3. Tax schedule

Since 1st January 2022 to 30th June 2022:

Tax base (in PLN)		Tax amount	
Over	Below		less a basic tax credit
0	120 000	17%	
120 000		PLN 15 300+ 32% of surplus over PLN 120 000	

Since 1st July 2022:

Tax base (in PLN)		Tax amount	
Over	Below		less a basic tax credit
0	120 000	12%	
120 000		PLN 10 800+ 32% of surplus over PLN 120 000	

Note: Two tax schedules for 2022 exists due to the overhaul of the Polish Deal tax reform (first introduced in 1st January 2022 and then overhauled in June 2022). The new tax schedule is in force from 1st July 2022 and is applicable for the whole tax year.

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 legislative proposal was to introduce a new institution in a form of fund, managed by the Minister of Family, Labour and Social Policy, which would be focused on social support for people with disabilities. In 2020 the Fund was renamed to Solidarity Fund. The source of the Fund's revenues are primarily a compulsory contribution to the Fund representing 0.15% in 2019, 0.45% in 2020 and since 2021 1.45% of the base of the contribution 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% in 2020 and to 1% since 2021), 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. Solidarity contribution is paid on the basis of the previous 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.[7] 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 177 660.[8]

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 20.01% of gross wage. This value consists of:

A) Social security contributions:

- 9.76 % are aimed for pension insurance.[9] 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,
- 1.21 % (on average) accident insurance,
- In case of pension and disability insurance, contributions are not paid on the part of the wage that exceeds PLN 177 660.

B) Payroll taxes:

- 1 % for Labour Found,
- 1,45% for Solidarity Fund,
- 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 were increased to 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.

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;
- for single parents - 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);
- for parents of new born children – a supplement of PLN 1000 paid once;
- for parents of children starting school year – a supplement of PLN 100 paid each year;
- for parents of children studying outside the place of residence – a supplement of PLN 113 paid monthly for children living in area where school is located or a supplement of PLN 69 for children who are commuting to school;
- for parents taking care of children during parental leave – a supplement of PLN 400 paid monthly.

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 PLN 500 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)[10]. 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 PLN 300 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.

3.2.1. Family Care Capital

Since 2022 a new benefit up to PLN 12 000 was introduced. Family Care Capital is granted to parent for the second and subsequent children in a family (age 12-35 months). Child's parent can choose whether to receive the benefit in the amount of PLN 500 for 24 months or PLN 1 000 for 12 months. The benefit is not granted if child has been placed in foster care, parent has been deprived of parental authority or parent or a member of family are entitled to receive abroad a benefit similar to Family Care Capital (not applicable to benefits from EU/EFTA Member States or the United Kingdom). The support will be independent of family income and funds are tax exempted.

Additionally, The Act on Family Care Capital introduced a mechanism of co-financing care facilities for children below three who are not eligible for Family Care Capital benefit.

The co-financing will amount up to PLN 400 per month for a child in a nursery, children's club or daily care provider (but not more than the fee paid). There is no income limit. The solution came in force in 1st April 2022 with possible compensation as from 1st January 2022.

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 PLN 85 528 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.

Since 1st January 2022 major fiscal reform called Polish Deal was introduced, including, inter alia:

- The new non-refundable tax credit of PLN 3600 for the tax base without upper limit;
- The new income threshold for 32% PIT tax rate – the rate is applicable for the excess of taxable income over 120 000 PLN;
- The elimination of tax deductible health insurance contribution – before 2022 the amount of 7.75% of health insurance contribution base was deductible from the tax liability;
- The introduction of the middle-class tax relief which aimed at compensating for abolition of health insurance tax deduction. The middle-class tax relief applied for selected taxpayers who earn between PLN 5 701 to PLN 11 141 and were taxed under the tax scale;
- The increase of the amount of revenue subject to 50% tax-deductible costs for copyrights and related disposal of copyrights from PLN 85 525 to PLN 120 000;
- A new tax reliefs for income up to PLN 85 528 for: parents of four or more children, persons returning from abroad and working seniors.

Since 1st July 2022 Polish Deal tax reform was thoroughly overhauled and modified. The amendments of the previous reform were introduced, including, inter alia:

- The reduction of the PIT rate for the first income tax bracket from 17 to 12 percent;
- The abolition of the middle-class relief, with the qualification that taxpayers might settle their tax return for 2022 applying previous tax rules, if it is more advantageous for them;
- The introduction of tax deductible health insurance contribution for individuals who obtain revenue from business activity subject to fixed amount tax, flat tax or lump-sum tax on recorded revenue. The annual deduction cap amounts to PLN 8 700 for flat tax payers, to 50 percent of the amount of contribution paid for lump-sum tax on recorded revenue payers and to 19% of contribution paid for fixed amount tax payers. Health insurance can be deducted from taxable income, not from tax, as it was before the reform;
- Due to the reduction of the PIT rate the new deductible amount is equal to PLN 3 600 (PLN 30 000 x 12%) and the amount reducing the monthly advance tax payments will be decreased to PLN 300 (PLN 3 600/12).

Additionally, since 1st January 2022 new SSC ceiling was introduced. Income over 177 660 PLN is contribution exempt. This number is calculated as an average earnings in economy multiplied by 30 and changed each year.

4.1. Changes to labour taxation due to the COVID pandemic in 2020 and 2021s

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.

From May 16th 2022 the COVID-19 epidemic state in Poland ceased to apply. During the pandemic period there were introduced numerous tax and contribution preferences. Those preferences have limited application time. They expired at the end of May, or at the end of a fiscal year when the recall took place, or at the end of the next fiscal year.

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.

2021 Parameter values

Average earnings/yr	Ave_earn	72 945	Secretariat Estimate
Work expenses	work_exp	3 000[11]	
Income tax schedule	tax_sch		
		0.12	120 000
		0.32	
Tax credits			
Basic credit	basic_cr1	3 600	
Health insurance	health_ins	0.09	
	health_ins_credit	0	
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	0.0121	
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	177 660	
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	

2022 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	3600
	Health insurance	health_ins_cr	B	0
	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] Applicable only in a tax return.

[4] 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.

[5] For the purpose of the calculations in this publication, it is assumed that the worker has the same town/city as place of residence.

[6] This relief is distinct from an allowance for donations deducted from income. It allows for transferring 1.5% of final tax contribution to a selected public benefit organization. It lowers the final tax effectively going to the tax office, but not the total tax liability for the taxpayer.

[7] 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.

[8] 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.

[9] 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.

[10] 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.

[11] 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 2022

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**		14 476	21 606	36 083	14 476
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)**		10 372	17 502	31 979	10 372
5.	**Central government income tax liability (exclusive of tax credits)**		1 781	3 703	8 765	1 781
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)**		1 781	3 703	8 765	581
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		1 592	2 377	3 969	1 592
	Taxable income					
		Total	1 592	2 377	3 969	1 592
10.	**Total payments to general government (7 + 8 + 9)**		3 373	6 080	12 734	2 173
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)**		11 103	15 526	23 348	13 305
13.	**Employer's compulsory social security contributions**		3 438	5 132	8 570	3 438
14.	**Average rates**					
	Income tax		12.3%	17.1%	24.3%	4.0%
	Employees' social security contributions		11.0%	11.0%	11.0%	11.0%
	Total payments less cash transfers		23.3%	28.1%	35.3%	8.1%
	Total tax wedge including employer's social security contributions		38.0%	41.9%	47.7%	25.7%
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 2022

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**		21 606	36 083	43 213	36 083
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)**		17 502	27 875	35 005	27 875
5.	**Central government income tax liability (exclusive of tax credits)**		2 816	5 426	7 406	5 426
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)**		1 616	4 226	6 206	5 426
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		2 377	3 969	4 753	3 969
	Taxable income					
		Total	2 377	3 969	4 753	3 969
10.	**Total payments to general government (7 + 8 + 9)**		3 993	8 195	10 960	9 395
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)**		18 286	27 888	32 253	26 688
13.	**Employer's compulsory social security contributions**		5 132	8 570	10 263	8 570
14.	**Average rates**					
	Income tax		7.5%	11.7%	14.4%	15.0%
	Employees' social security contributions		11.0%	11.0%	11.0%	11.0%
	Total payments less cash transfers		15.4%	22.7%	25.4%	26.0%
	Total tax wedge including employer's social security contributions		31.6%	37.5%	39.7%	40.2%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		34.0%	37.5%	39.5%	37.5%
	Total payments less cash transfers: Spouse		33.7%	37.5%	39.5%	37.5%
	Total tax wedge: Principal earner		46.7%	49.5%	51.1%	49.5%
	Total tax wedge: Spouse		46.4%	49.5%	51.1%	49.5%

The national currency is the Euro (EUR). In 2022, EUR 0.96 equaled USD 1. The Secretariat has estimated that in that same year the average worker earned EUR 21 606 (Secretariat estimate.

1. Personal Income Tax

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

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.

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 following whose age does not exceed 3 years old. The value is increased to EUR 175 and EUR 75 for the second and following whose age does not exceed 6 years old in 2022. In 2023 these values will converge with the ones for 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 dependents: 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) 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); 30% of the amount spent (up to EUR 300) on rents paid by students under 25 years old, studying more than 50km away from home; and 15% of the amount spent (up to EUR 502) 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.

$$296 + [(450 - 296) * \left(\frac{3000 - liable\ income}{3000 - 7116}\right)]$$

- 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), 22.5% of VAT paid for veterinarian medicines an 100% of VAT paid for public transport use 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 7 116	Without limit
Between 7 116 and 75009	$75009 - \mathit{liable\ income}$ $1000 + [(2500 - 1000) * (75009\text{-}7116]$
Over 75009	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 2021 income)

Taxable income (EUR) (R)	Marginal tax rate (%) (T)	Amount to deduct (EUR) (K)
Up to 7 116	14.50	---
Over 7 116 up to 10 736	23.00	604.86
Over 10 736 up to 15 216	26.50	980.63
Over 15 216 up to 19 696	28.50	1284.99
Over 19 969 up to 25 076	35.00	2565.21
Over 25 076 up to 36 757	37.00	3066.79
Over 36 757 up to 48 033	43.50	5455.84
Over 48 033 up to 75 009	45.00	6176.56
Over 75 009	48.00	8426.51

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 9 307.2.

For residents in the Autonomous Regions of the Azores, reduced tax rates are applicable. Tax calculation formula (I = Income tax due:

Un married 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 80 000 and EUR 250 000 and 5% for taxable income above EUR 250 000

1.1.7. Special family situations

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.

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.

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

Monthly social benefits per child are as follows:

- Level 1: Families whose reference income is under 50% of 14 times the reference value (i.e., under EUR 3 071.67);
- Level 2: Families whose reference income is under 50% and under 100% of 14 times the reference value (i.e., over EUR 3 071.87 and under EUR 6 143.34);
- Level 3: Families whose reference income is over 100% and under 150% of 14 times the reference value (i.e., over EUR 6 143.84 and under EUR 9 215.01);
- Level 4: Families whose reference income is over 150% (i.e., over EUR 9 215.01).

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:

	Child under 36 months	Benefit per child under 36 months in a family with 2 children	Benefit per child 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	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 tax/benefit systems 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 pandemic in 2020 and 2021

2/3 of remuneration, min. EUR 635 and max. EUR 1 905, supported equally by the Social Security (a group of seven institutions under the Ministry of Labour, 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 1 097.03.

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.

2022 Parameter values

Average earnings/yr	Ave_earn	21 606	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	7 116	
		0.23	10 736	
		0.235	15 216	
		0.285	19969	
		0.35	25076	
		0.37	36757	
		0.435	48033	
		0.45	75009	
		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
		3102.4	371.16	2nd echelon
		6204.8	336.00	3rd echelon
		9307.2	0	4th echelon
Extra child benefit for lone parents	ch_ben_lone	0.35		
Minimum Wage	MW	9870		
Minimum Disposable Income	MinDispY	9307.2		Note: for PIT purposes the value is 9415

2022 Tax equations

The equations for the Portuguese system in 2022 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.

Line in country table and intermediate steps	Variable name	Range	Equation
Earnings	earn		
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)
Credits in taxable income	taxbl_cr		0
CG taxable income	tax_inc	B	earn-tax_al
Adjusted taxable income	tax_inc_adj	J	tax_inc/(1+Married)
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)
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,Child ren*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_thrsTopIncBracket)+surtax_rate2*(tax_inc-surtax_thrs)),surtax_rate*Positive(tax_inc-TopIncBracket))
		J	IF(tax_inc_adj>surtax_thrs,(surtax_rate*(surtax_thrsTopIncBracket)+surtax_rate2*(tax_inc_adj-surtax_thrs))*(1+Married),surtax_rate*Positive(tax_inc_adjTopIncBracket)*(1+Married))
CG tax	CG_tax	B	IF(earn-CG-tax-excl> MinDispY,Positive(CG_tax_excltax_cr),0)+surtax
			IF(earn-CG-tax-excl> MinDispY*(1+(Married*earn_spouse>0)),Positive(CG_tax_excltax_cr),0)+surtax
State and local taxes	local_tax	B/J	0
Employees' soc security	SSC	B	earn*SSC_rt
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. 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.

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.

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 2022

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**		10 410	15 538	25 948	10 410
2.	**Standard tax allowances**					
	Basic allowance		4 579	4 579	4 021	4 579
	Married or head of family		0	0	0	0
	Dependent children		0	0	0	0
	Deduction for social security contributions and income taxes		1 395	2 082	3 477	1 395
	Work-related expenses					
	Other					
		Total	5 974	6 661	7 498	5 974
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		4 436	8 876	18 450	4 436
5.	**Central government income tax liability (exclusive of tax credits)**		843	1 687	3 506	843
6.	**Tax credits**					
	Basic credit		0	0	0	0
	Married or head of family		0	0	0	0
	Children		0	0	0	1 132
	Other (ETC)		0	0	0	0
		Total	0	0	0	1 132
7.	**Central government income tax finally paid (5-6)**		843	1 687	3 506	- 289
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		1 395	2 082	3 477	1 395
	Taxable income					
		Total	1 395	2 082	3 477	1 395
10.	**Total payments to general government (7 + 8 + 9)**		2 238	3 769	6 983	1 106
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	819
		Total	0	0	0	819
12.	**Take-home pay (1-10+11)**		8 172	11 769	18 965	10 123
13.	**Employers' compulsory social security contributions**		3 092	4 615	7 707	3 092
14.	**Average rates**					
	Income tax		8.1%	10.9%	13.5%	-2.8%
	Employees' social security contributions		13.4%	13.4%	13.4%	13.4%
	Total payments less cash transfers		21.5%	24.3%	26.9%	2.8%
	Total tax wedge including employer's social security contributions		39.5%	41.6%	43.6%	25.0%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		29.9%	29.9%	34.0%	24.0%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		45.9%	45.9%	49.1%	41.4%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Slovak Republic 2022

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**		15 538	25 948	31 075	25 948
2.	**Standard tax allowances**					
	Basic allowance		4 579	9 159	9 159	9 159
	Married or head of family		4 187	0	0	0
	Dependent children		0	0	0	0
	Deduction for social security contributions and income taxes		2 082	3 477	4 164	3 477
	Work-related expenses					
	Other					
		Total	10 848	12 636	13 323	12 636
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		4 690	13 312	17 753	13 312
5.	**Central government income tax liability (exclusive of tax credits)**		891	2 529	3 373	2 529
6.	**Tax credits**					
	Basic credit		0	0	0	0
	Married or head of family		0	0	0	0
	Children		1 363	1 363	1 363	0
	Other (ETC)		0	0	0	0
		Total	1 363	1 363	1 363	0
7.	**Central government income tax finally paid (5-6)**		- 472	1 166	2 010	2 529
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		2 082	3 477	4 164	3 477
	Taxable income					
		Total	2 082	3 477	4 164	3 477
10.	**Total payments to general government (7 + 8 + 9)**		1 610	4 643	6 174	6 006
11.	**Cash transfers from general government**					
	For head of family					
	For two children		819	819	819	0
		Total	819	819	819	0
12.	**Take-home pay (1-10+11)**		14 747	22 124	25 720	19 942
13.	**Employers' compulsory social security contributions**		4 615	7 707	9 229	7 707
14.	**Average rates**					
	Income tax		-3.0%	4.5%	6.5%	9.7%
	Employees' social security contributions		13.4%	13.4%	13.4%	13.4%
	Total payments less cash transfers		5.1%	14.7%	17.2%	23.1%
	Total tax wedge including employer's social security contributions		26.8%	34.3%	36.2%	40.7%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		29.9%	29.9%	29.9%	29.9%
	Total payments less cash transfers: Spouse		29.1%	29.9%	29.9%	29.9%
	Total tax wedge: Principal earner		45.9%	45.9%	45.9%	45.9%
	Total tax wedge: Spouse		45.4%	45.9%	45.9%	45.9%

On 1 January 2009 Slovakia joined the Euro zone; the national currency became the Euro (EUR). In 2022, EUR 0.96 was equal to USD 1. In that year, the average worker earned EUR 15 538 (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 2022 (EUR 4 579.26). In 2022, the basic personal allowance for taxpayers with gross earnings net of employee social security contributions in excess of the threshold of EUR 20 235.97 per year (20 235.97 = 92.8 x MLS, which is approximately equal to an employee's monthly gross wage of EUR 1 947) is gradually withdrawn. If gross earnings net of employee social security contributions exceed EUR 20 235.97, 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 38 533.01 per year (employee's monthly gross wage of approximately EUR 3 710). 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 4 186.75. As from January 1, 2008 the value of the spouse allowance depends on the gross earnings net of employee social security contributions of both the principal and the 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 2022 are lower or equal to EUR 38 553.01 (= 176.8 times MLS) and the spouse's gross earnings net of employee social security contributions are lower than EUR 4 186.75, 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 4 186.75, the spouse allowance is 0. If the principal's gross earnings net of employee social security contributions exceed EUR 38 553,01 (= 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 an 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 on January 1 by the MLS growth from the previous year. Monthly tax credit in 2022 is EUR 23.57 per child for the whole year. The annual amount will be EUR 282.84. 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 2022 is set at EUR 646.00 (the total annual earnings must therefore be at least EUR 3 876.00). 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.
- Since January 2022, 1.85-times the basic value of the tax credit is provided for children aged 6 to 15 years (1.85*23.57 = EUR 43.60 in 2022). This follows an earlier increase to 1.7 times the basic value valid in July-December 2021.
- Since July 2022, a new system of the tax credit on dependent children has been introduced with a monthly fixed values of EUR 70 for children below the age of 15 years and EUR 40 for children aged 15 and more years. The eligibility condition of income at least 6 times the minimum wage has been abolished. Instead, the credit amount is capped at a given percentage of the partial tax base (= gross income net of employee social security contributions) based on the number of children in the following amount:

Number of dependent children	Cap as % of the partial tax base
1	20 %
2	27 %
3	34 %
4	41 %
5	48 %
6 and more	55 %

  Only for the second half of 2022, 50% of the partial tax base enters the calculation of the tax credit cap. Due to legislative reasons, both the old and the new system of the tax credit are in force in July-December 2022 and the tax payer claims whichever value is higher for them. As of January 2023, only the new system will be in force.
- As of January 2023, the annual indexation of the child tax credit is abolished. Instead, the amounts are set to increase once to EUR 100 for children younger than 15 years and to EUR 50 for children aged 15 years or older.
- 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.

In 2018, a tax allowance for spa treatment was introduced. Each taxpayer can deduct up to EUR 50 per year per each member of the family (the principal earner, the spouse and their children) for expenses on domestic spa services. The allowance was abolished in 2021.

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 2022 the partial tax base at the level of the minimum wage (EUR 6 713.23) is higher than the basic allowance (EUR 4 579.26). 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 38 553.01), which secures its automatic indexation. The tax schedule is as follows:

Annual taxable income (EUR)*	Rate (%)
0–38 553.01	19
38 553.01 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, the MSSAB for health insurance contributions are abolished. As of 2017, 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 the MSSAB was 5 x AW(t-2)). The average wage (AW) is determined by the Statistical Office of the Slovak Republic – for 2020 it was EUR 1 133 per month.

In 2015, the health insurance contribution (HIC) allowance was 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. In 2018, the 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 2022, the unemployment insurance has been reduced to 0.5% and a new type of insurance contribution for the financing of short-time work support with the rate 0.5% has been introduced.

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 the pension sharing scheme has been changed. The 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 the 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 the average and marginal tax rates. For the purposes of this Report, the total contribution rate for employers in 2022 is 29.7% with contributions to the second pension pillar not included in the rate.

In 2015 the health insurance contribution (HIC) allowance was introduced and in 2018 it was 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, short-time work support, disability, Guarantee fund, Reserve fund	7.0 x AW (t-2)	95 172. 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%
System up to December 2020	13% (9% employer + 4% employee contribution)	5% (employer contribution)	18%
System up to December 2021	12.75% (8.75% employer + 4% employee contribution)	5.25% (employer contribution)	18%
Current system from January 2022	12.5% (8.5% employer + 4% employee contribution)	5.5% (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 a benefit for each dependent child in the amount of EUR 25.88 per month in January-May 2022, a one-off increase to EUR 100 in June 2022, and a permanent increase to EUR 30.00 in July-December 2022. In January 2008 a benefit surcharge for dependent children whose parents are not eligible for the non-wastable child tax credit was introduced. The monthly amount of this benefit is EUR 12.14 in January-June 2022 and EUR 30 from July 2022. For the purpose of the tax wedge calculations this benefit 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 surcharge.

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. The MLS amounts are indexed on 1 July. For 2022, these amounts are:

	MLS monthly (1.7.2021 – 30.06.2022)	MLS monthly (1.7.2022 – 30.06.2023)
First adult	218.06	234.42
Second adult	152.12	163.53
Child	99.56	107.03

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 for 2022) are:

- EUR 68.80 per month for an individual.
- EUR 130.90 per month for an individual with between one and four children.
- EUR 119.60 per month for a couple without children.
- EUR 179.00 per month for a couple with between one and four children.
- EUR 191.20 per month for an individual with more than four children.
- EUR 241.30 per month for a couple with more than four children.
- activation allowance: EUR 70.40 per month – for people who become active either by accepting qualifying employment opportunities or participating in retraining courses.
- housing allowance: EUR 59.40 per month for individual in material need, EUR 94.80 for a household in material need (if household has more than 1 person).
- protection allowance: EUR 70.40 per month for an individual in material need where employment is not possible due to such circumstances as a disability or old age, EUR 38.70 per month for individual on sick leave for at least 30 consecutive days and EUR 15.10 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 68.80 for each individual).
- specific allowance: EUR 70.40 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 19.30 per month for a child who properly fulfils compulsory school attendance.

The amounts are indexed on January 1 in line with the growth of the MLS on July 1 in the previous year.

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 2022 the contribution rate to the II. pillar is 5.5 % and contribution to the I. Pillar is 8.5% (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.

In 2018, there were 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 is allowed to reduce their tax base by up to EUR 50 each for themselves, their spouse and children if they spent money on domestic spa services. The allowance was abolished in 2021.

The second change is related to support for housing mortgage interest payments for young people. Since 2018 taxpayers are allowed to deduct half of the 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 SIC 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 exemptions from health insurance contributions, the PIT, and from 2019 onwards also from social insurance contributions. Maximum exemption is EUR 500 per additional salary. Since 2021, the exemptions of the 13th and 14th salary are abolished.

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 the basic allowance is gradually withdrawn was adjusted accordingly from 100 times the MLS to 92.8 times the MLS.

Since July 2021, the child tax credit has been increased to 1.7-times the basic value for children aged 6 to 15 years. The multiple is set to increase to 1.85-times the basic value from January 2022.

Since July 2022, a new system of the tax credit on dependent children has been introduced with a monthly fixed values of EUR 70 for children below the age of 15 years and EUR 40 for children aged 15 and more years. The eligibility condition of income at least 6 times the minimum wage has been abolished. Instead, the credit amount is capped at a given percentage of the partial tax base (= gross income net of employee social security contributions) based on the number of children in the following amount:

Number of dependent children	Cap as % of the partial tax base
1	20 %
2	27 %
3	34 %
4	41 %
5	48 %
6 and more	55 %

Only for the second half of 2022, 50% of the partial tax base enters the calculation of the tax credit cap. Due to legislative reasons, both the old and the new system of the tax credit are in force in July-December 2022 and the tax payer claims whichever value is higher for them. As of January 2023, only the new system will be in force.

As of January 2023, the annual indexation of the child tax credit is abolished. Instead, the amounts are set to increase once to EUR 100 for children younger than 15 years and to EUR 50 for children aged 15 years or older. The benefit for each dependent child has been increased as from July 2022 to EUR 30.00 and its annual indexation in line with the growth of the MLS has been abolished. Instead, the benefit amount is set to increase once to EUR 40 in January 2023.

As from March 2022, the employer social insurance contributions for financing of short-time work support of 0.5% of the assessment base and an equivalent reduction of the employer contribution rate for unemployment insurance from 1% to 0.5% were introduced.

4.1. Changes to labour taxation due to the COVID pandemic in 2020 and 2021

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 (including the II. Pillar contributions if applicable) 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.

2022 Parameter values

Average earnings/yr	Ave_earn	15 538	Secretariat estimate
Minimum living standard (MLS)	basic_adult	218.06	
	basic_adult1	152.12	
	basic_child	99.56	
	ave_basic_adult	226.24	
	ave_basic_adult1	157.825	
	ave_basic_child	103.295	
Basic allowance	basic_al_mult	21.0	
	basic_al	4579.26	
	basic_al_mult1	92.8	
	basic_al_mult2	44.2	
	basic_al_redn	0.25	
Spouse allowance	spouse_al_limit	4186.75	
	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	38553.01
		0.25	
Tax credits - nonwastable	tax_cr	523.2	
	tax_cr1	840	
	tax_cr_lim1	0.13	
	tax_cr_lim2	0.07	
	tax_cr_lim6	0.55	
	min_wage	646	
	minwage_mult	6	
	etc_thresh	6713.23	
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	0.189	
	SSC_empsick	0.014	
	SSC_empret	0.085	
	SSC_empdis	0.03	
	SSC_empunemp	0.005	
	SSC_empshort	0.005	
	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	95172	
Cash transfers	transf_1	409.40	
	transf_indiv	825.6	
	transf_indiv_child	1570.8	
	transf_couple	1435.2	
	transf_couple_child	2148	
	transf_hous_indiv	712.8	
	transf_hous_couple	1137.6	
	transf_dep	231.6	

2022 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/2+MAX((earn>=min_wage*minwage_mult)*Children*tax_cr;MIN(Children*tax_cr1;MIN(tax_cr_lim6;tax_cr_lim1+Children*tax_cr_lim2)*(earn-SSC)/2))/2
	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)<(ave_basic_adult+Married*ave_basic_adult1+ Children*ave_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 2022

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**		15 632	23 332	38 964	15 632
2.	**Standard tax allowances**					
	Basic allowance		4 500	4 500	4 500	4 500
	Married or head of family					
	Dependent children					5 239
	Deduction for social security contributions and income taxes		3 455	5 156	8 611	3 455
	Work-related expenses		0	0	0	0
	Other					
		Total	7 955	9 656	13 111	13 193
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		7 677	13 675	25 853	2 439
5.	**Central government income tax liability (exclusive of tax credits)**		1 228	2 680	5 853	390
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)**		1 228	2 680	5 853	390
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		3 455	5 156	8 611	3 455
	Taxable income					
		Total	3 455	5 156	8 611	3 455
10.	**Total payments to general government (7 + 8 + 9)**		4 683	7 836	14 464	3 845
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	3 448
		Total	0	0	0	3 448
12.	**Take-home pay (1-10+11)**		10 949	15 495	24 499	15 235
13.	**Employer's wage dependent contributions and taxes**		2 517	3 756	6 273	2 517
	Employer's compulsory social security contributions		2 517	3 756	6 273	2 517
	Payroll taxes		0	0	0	0
14.	**Average rates**					
	Income tax		7.9%	11.5%	15.0%	2.5%
	Employees' social security contributions		22.1%	22.1%	22.1%	22.1%
	Total payments less cash transfers		30.0%	33.6%	37.1%	2.5%
	Total tax wedge including employer's social security contributions		39.7%	42.8%	45.8%	16.1%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		34.6%	42.4%	47.8%	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%	55.0%	43.6%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Slovenia 2022

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**	23 332	38 964	46 663	38 964
2.	**Standard tax allowances**				
	Basic allowance	4 500	9 000	9 000	9 000
	Married or head of family				
	Dependent children	5 239	5 239	5 239	
	Other dependent family member	2 510			
	Deduction for social security contributions and income taxes	5 156	8 611	10 313	8 611
	Work-related expenses	0	0	0	0
	Total	17 405	22 850	24 551	17 611
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**	5 927	16 114	22 112	21 353
5.	**Central government income tax liability (exclusive of tax credits)**	948	2 578	4 030	3 908
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)**	948	2 578	4 030	3 908
8.	**State and local taxes**	0	0	0	0
9.	**Employees' compulsory social security contributions**				
	Gross earnings	5 156	8 611	10 313	8 611
	Taxable income				
	Total	5 156	8 611	10 313	8 611
10.	**Total payments to general government (7 + 8 + 9)**	6 105	11 189	14 343	12 519
11.	**Cash transfers from general government**				
	For head of family				
	For two children	2 033	1 342	883	0
	Total	2 033	1 342	883	0
12.	**Take-home pay (1-10+11)**	19 260	29 116	33 204	26 444
13.	**Employer's wage dependent contributions and taxes**	3 756	6 273	7 513	6 273
	Employer's compulsory social security contributions	3 756	6 273	7 513	6 273
	Payroll taxes	0	0	0	0
14.	**Average rates**				
	Income tax	4.1%	6.6%	8.6%	10.0%
	Employees' social security contributions	22.1%	22.1%	22.1%	22.1%
	Total payments less cash transfers	17.4%	25.3%	28.8%	32.1%
	Total tax wedge including employer's social security contributions	28.9%	35.6%	38.7%	41.5%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	34.6%	34.6%	34.6%	42.4%
	Total payments less cash transfers: Spouse	37.0%	34.6%	42.4%	34.6%
	Total tax wedge: Principal earner	43.6%	43.6%	43.6%	50.3%
	Total tax wedge: Spouse	45.7%	43.6%	50.3%	43.6%

The Slovenian currency is the euro (EUR). In 2022, EUR 0.96 was equal to USD 1. In that year, the average worker in Slovenia earned EUR 23 332 (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 4 500.00 is deductible from income in 2022. For lower income groups whose taxable income equals up to EUR 13 716.33 an additional general allowance is determined linearly by the following equation: 19 261.43 – 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 2022 are as follows:
  - EUR 2 510.03 for the first dependent child;
  - EUR 2 728.72 for the second child;
  - EUR 4 551.10 for the third child;
  - EUR 6 373.48 for the fourth child;
  - EUR 8 195.86 for the fifth child;
  - for the sixth and all additional dependent children the allowance is higher by EUR 1 822.38 relating to the amount of allowance for the preceding maintained children;
  - EUR 9 094.90 for a dependent child who requires special care;
  - EUR 2 510.03 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 2022 such deductions are subject to an annual limit of EUR 2 903.66 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 an amount corresponding to 100% of the last published average monthly salary in the Republic of Slovenia *or* to an employee's average salary, whichever is favourable for an employee. '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 2022 is as follows:

Taxable income (EUR)	Tax rate (in %)
Up to 8 755.00	16
8 755.00–25 750.00	26
25 750.00–51 500.00	33
51 500.00–74 160.00	39
Above 74 160.00	45

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 2022 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 2 409.36	122.79	135.06	147.35
2	2 409.36 – 4 015.80	104.98	116.05	127.05
3	4 015.80 – 4 819.08	80.01	89.43	98.81
4	4 819.08 – 5 622.12	63.11	72.00	81.07
5	5 622.12 – 7 094.76	51.60	60.22	68.78
6	7 094.76 – 8 567.04	32.70	40.92	49.10
7	8 567.04 – 10 976.64	24.53	32.70	40.92
8	10 976.64 – 13 251.96	21.36	29.54	37.71

- 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	8 567.04 – 10 976.64	30.97	39.14	53.33
8	10 976.64 – 13 251.96	24.58	32.76	42.85

In 2021, the maximum annual benefit levels for children in a two-parent family till the end of primary school are set by:

- EUR 1 473.48 for the first child;
- EUR 1 620.72 for the second child;
- EUR 1 768.20 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 January 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 June 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 EUR 13 316.83. The linear function was updated accordingly.

- On 1 January 2022 revised tax brackets thresholds were introduced. Tax rate in the highest tax bracket was reduced from 50% to 45%. General tax allowance was increased to EUR 4 500; linear function for additional tax allowance was updated accordingly, but only in constant term and the income interval for which it is used. Family allowances were adjusted due to indexation. Salary paid on the basis of business performance is now exempt from the income tax up to 100% of the average wage in Slovenia *or* up to an employee's average salary, whichever is favourable for an employee. An automatic adjustment of tax credits and net annual tax basis in the scale for assessing personal income tax with the growth in consumer prices was also introduced.

5.1. Changes to labour taxation due to the COVID pandemic in 2020 and 2021

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 were unable to work due to force majeure (i.e. caring for children, their own inability to come to work and due to other epidemic-related reasons) the state budget financed social security contributions, i.e. contributions for pension and disability insurance as well as health insurance. The measure was valid only in 2020.
- Also in 2020, the state budget covered 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 the data, this measure was not considered in the Taxing Wages model for 2020.
- In 2021 no such measure that would affect the Taxing Wages model has been implemented.

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.

2022 Parameter values

Ave_earn	23 332	Secretariat estimate					
Ave_earn_1	22 276						
Ave_net_earnfam							
Ave_gross_earnSSC	23 635.08						
Basic_al1	4 500						
Basic_al2							
Income_lim							
Add_al	19 261.43						
Red_rate	1.40427						
Child_al1	2 510.03						
Child_al2	5 238.75						
Child_al3	9 789.85						
Child_al4	16 163.33						
Child_al5	24 359.19						
Depend_al	2 510.03						
Tax_sch	0.16	8 755					
	0.26	25 750					
	0.33	51 500					
	0.39	74 160					
	0.45						
SSC_rate1	0.221						
SSC_minbase	14 181.05						
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	122.79	135.06	147.35	1 473.48	3 094.20	4 862.40
	2 409.36	104.98	116.05	127.05	1 259.76	2 652.36	4 176.96
	4 015.80	80.01	89.43	98.81	960.12	2 033.28	3 219.00
	4 819.08	63.11	72.00	81.07	757.32	1 621.32	2 594.16
	5 622.12	51.60	60.22	68.78	619.20	1 341.84	2 167.20
	7 094.76	32.70	40.92	49.10	392.40	883.44	1 472.64
	8 567.04	24.53	32.70	40.92	294.36	686.76	1 177.80
	10 976.64	21.36	29.54	37.71	256.32	610.80	1 063.32
	13 251.96	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	159.63	175.58	191.56	1 915.52	4 022.46	6 321.12
	2 409.36	136.47	150.87	165.17	1 637.69	3 448.07	5 430.05
	4 015.80	104.01	116.26	128.45	1 248.16	2 643.26	4 184.70
	4 819.08	82.04	93.60	105.39	984.52	2 107.72	3 372.41
	5 622.12	67.08	78.29	89.41	804.96	1 744.39	2 817.36
	7 094.76	42.51	53.20	63.83	510.12	1 148.47	1 914.43
	8 567.04	31.89	42.51	53.20	382.67	892.79	1 531.14
	10 976.64	27.77	38.40	49.02	333.22	794.04	1 382.32
	13 251.96	0.00	0.00	0.00	0.00	0.00	0.00
numdays	365						

2022 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 2022

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**		19 001	28 360	47 362	19 001
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		1 207	1 801	3 007	1 207
	Work-related expenses		2 000	2 000	2 000	2 000
	Other					
		Total	3 207	3 801	5 007	5 357
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central and state government taxable income (1 - 2 + 3)**		15 795	24 559	42 354	13 645
5.	**Central and state government income tax liability (exclusive of tax credits)**		3 000	5 265	10 892	2 512
6.	**Central and state government tax credits**					
	Basic credit		999	999	999	3 117
	Married or head of family					
	Children					
	Other					
		Total	999	999	999	3 117
7.	**Central government income tax finally paid (5-6)**		1 057	2 239	5 159	- 886
8.	**State and local taxes**		944	2 026	4 734	281
9.	**Employees' compulsory social security contributions**					
	Gross earnings		1 207	1 801	3 007	1 207
	Taxable income					
		Total	1 207	1 801	3 007	1 207
10.	**Total payments to general government (7 + 8 + 9)**		3 208	6 066	12 900	602
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)**		15 794	22 294	34 461	18 400
13.	**Employer's compulsory social security contributions**		5 681	8 480	14 161	5 681
14.	**Average rates**					
	Income tax		10.5%	15.0%	20.9%	-3.2%
	Employees' social security contributions		6.35%	6.35%	6.35%	6.35%
	Total payments less cash transfers		16.9%	21.4%	27.2%	3.2%
	Total tax wedge including employer's social security contributions		36.0%	39.5%	44.0%	25.5%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		27.6%	32.4%	40.0%	27.6%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		44.3%	47.9%	53.8%	44.3%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Spain 2022

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**		28 360	47 362	56 721	47 362
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		1 801	3 007	3 602	3 007
	Work-related expenses		2 000	4 000	4 000	4 000
	Other					
		Total	7 201	7 007	7 602	7 007
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central and state government taxable income (1 - 2 + 3)**		21 159	40 354	49 119	40 354
5.	**Central and state government income tax liability (exclusive of tax credits)**		4 319	8 265	10 529	8 265
6.	**Central and state government tax credits**					
	Basic credit		1 917	2 916	2 916	1 998
	Married or head of family					
	Children					
	Other					
		Total	1 917	2 916	2 916	1 998
7.	**Central government income tax finally paid (5-6)**		1 245	2 812	3 994	3 296
8.	**State and local taxes**		1 157	2 537	3 619	2 970
9.	**Employees' compulsory social security contributions**					
	Gross earnings		1 801	3 007	3 602	3 007
	Taxable income					
		Total	1 801	3 007	3 602	3 007
10.	**Total payments to general government (7 + 8 + 9)**		4 203	8 356	11 215	9 274
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)**		24 157	39 005	45 506	38 087
13.	**Employer's compulsory social security contributions**		8 480	14 161	16 959	14 161
14.	**Average rates**					
	Income tax		8.5%	11.3%	13.4%	13.2%
	Employees' social security contributions		6.35%	6.35%	6.35%	6.35%
	Total payments less cash transfers		14.8%	17.6%	19.8%	19.6%
	Total tax wedge including employer's social security contributions		34.4%	36.6%	38.2%	38.1%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		32.4%	32.4%	32.4%	32.4%
	Total payments less cash transfers: Spouse		21.9%	27.6%	32.4%	27.6%
	Total tax wedge: Principal earner		47.9%	47.9%	47.9%	47.9%
	Total tax wedge: Spouse		39.8%	44.3%	47.9%	44.3%

The national currency is the Euro (EUR). In 2022, EUR 0.96 was equal to USD 1. In that year the average worker earned EUR 28 360 (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

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 family 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.

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 2 000.

Moreover, those households whose second earner has net labour income below EUR 8 000 may reduce taxable income up to a maximum of EUR 1 000 on a yearly basis if the principal earner contributes to a Pension Fund for the spouse.

- Relief for subscriptions paid in respect of membership of a trade union and business or professional associations (last item is limited to mandatory membership) up to EUR 500.
- Relief for expenses made for the legal defence of the taxpayer for labour-related conflicts up to a maximum limit of EUR 300.

Other non-standard reliefs provided as deductions are:

- Investment in the acquisition and rehabilitation of own-housing: 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: 80% of the amounts (below EUR 150) donated to non-profit entities, public administration, public universities and other qualifying institutions. For larger gifts, 35% on the excess, which may be increased to 40% 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.

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.
- Childcare 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
60 000-300 000	8 950.75	22.50
Over 300 000	62 950.75	24.50

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 2022, those tax rate schedules vary from five to ten brackets and their marginal rates from 9.0 to 29.5%. 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 2022

Taxable income (EUR)	Tax at the lower limit (EUR)	Tax rate on taxable income in excess of the lower limit (%)
0–12 450	0	8.50
12 450–17 707.20	1 058.25	10.70
17 707.20–33 007.20	1 620.77	12.80
33 007.20-53 407.20	3 579.17	17.40
Over 53 407.20	7 128,77	20.50

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 2022, these ceilings are:

- Lower ceiling: EUR 14 000.40
- Upper Ceiling: EUR 49 672.80

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

As of the 1st of June 2020, the means-tested allowance (*prestaciones familiars por hijo a cargo*) has been subsumed in the new national Minimum Income Benefit Scheme (*Ingreso Mínimo Vital)*. However, grandfathering rules apply in 2022. 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 pandemic in 2020 and 2021

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5. Memorandum Items

5.1. Identification of an AW and calculation of earnings

Refer to the information provided in the Annex of this Report.

2022 Parameter values

Average earnings/yr	Ave_earn	28 360	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%
		300 000	62 950.75	24.50%
	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

2022 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 2022

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**		331 323	494 513	825 836	331 323
2.	**Standard tax allowances**					
	Basic allowance		19 100	14 200	14 200	19 100
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		0	0	0	0
	Work-related expenses					
	Other					
		Total	19 100	14 200	14 200	19 100
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		312 200	480 300	811 600	312 200
5.	**Central government income tax liability (exclusive of tax credits)**		0	0	54 180	0
6.	**Tax credits**					
	Basic credit					
	Married or head of family					
	Children					
	Other		55 869	69 453	69 738	55 869
		Total	55 869	69 453	69 738	55 869
7.	**Central government income tax finally paid (5-6)**		- 55 869	- 69 453	- 15 558	- 55 869
8.	**State and local taxes**		100 653	154 848	261 659	100 653
9.	**Employees' compulsory social security contributions**					
	Gross earnings		23 200	34 600	40 100	23 200
	Taxable income					
		Total	23 200	34 600	40 100	23 200
10.	**Total payments to general government (7 + 8 + 9)**		67 984	119 995	286 201	67 984
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)**		263 339	374 518	539 635	295 139
13.	**Employer's wage dependent contributions and taxes**					
	Employer's compulsory social security contributions		65 602	97 913	163 515	65 602
	payroll taxes		38 499	57 462	95 962	38 499
		Total	104 101	155 375	259 477	104 101
14.	**Average rates**					
	Income tax		13.5%	17.3%	29.8%	13.5%
	Employees' social security contributions		7.0%	7.0%	4.9%	7.0%
	Total payments less cash transfers		20.5%	24.3%	34.7%	10.9%
	Total tax wedge including employer's social security contributions		39.5%	42.4%	50.3%	32.2%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		29.2%	33.4%	55.2%	29.2%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		46.2%	49.3%	65.9%	46.2%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Sweden 2022

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**		494 513	825 836	989 025	825 836
2.	**Standard tax allowances:**					
	Basic allowance		14 200	33 300	28 400	33 300
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		0	0	0	0
	Work-related expenses					
	Other					
		Total	14 200	33 300	28 400	33 300
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		480 300	792 500	960 600	792 500
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		69 453	125 322	138 906	125 322
		Total	69 453	125 322	138 906	125 322
7.	**Central government income tax finally paid (5-6)**		- 69 453	- 125 322	- 138 906	- 125 322
8.	**State and local taxes**		154 848	255 501	309 696	255 501
9.	**Employees' compulsory social security contributions**					
	Gross earnings		34 600	57 800	69 200	57 800
	Taxable income					
		Total	34 600	57 800	69 200	57 800
10.	**Total payments to general government (7 + 8 + 9)**		119 995	187 979	239 990	187 979
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)**		406 318	669 657	780 835	637 857
13.	**Employer's wage dependent contributions and taxes**					
	Employer's compulsory social security contributions		97 913	163 515	195 826	163 515
	payroll taxes		57 462	95 961	114 924	95 961
		Total	155 375	259 476	310 750	259 476
14.	**Average rates**					
	Income tax		17.3%	15.8%	17.3%	15.8%
	Employees' social security contributions		7.0%	7.0%	7.0%	7.0%
	Total payments less cash transfers		17.8%	18.9%	21.1%	22.8%
	Total tax wedge including employer's social security contributions		37.5%	38.3%	39.9%	41.2%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		33.4%	33.4%	33.4%	33.4%
	Total payments less cash transfers: Spouse		20.5%	29.2%	33.4%	29.2%
	Total tax wedge: Principal earner		49.3%	49.3%	49.3%	49.3%
	Total tax wedge: Spouse		39.5%	46.2%	49.3%	46.2%

The national currency is the Swedish Kronor (SEK). In 2022, SEK 10.22 were equal to USD 1. In that year, the average worker earned SEK 494 513 (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

Standard reliefs

- Basic reliefs: A basic allowance is given for assessed earned income and varies between SEK 14 200 and SEK 37 200, depending on income. When individuals pay central government income tax, the basic allowance is at its lowest level, which equals SEK 14 200. The basic allowance depends on the assessed earned income and the basic amount, which equals SEK 48 300 in 2022.

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 - 1.965	1.11	+0.257
1.965 - 3.24	1.333	+0.3949
3.24 - 5.53	1.8365	+0.133
5.53 - 7.88	2.141	+0.112
7.88 - 8.08	2.405	+0.128
8.08 - 11.48	2.432	
11.48 - 12.8	2.432	-0,62
12.8 - 13.54	1.613	
13.54 - 36.54	1.613	-0.0574
36.54 -	0.293	

- Standard marital status reliefs: None.
- Relief(s) for children: None.
- Work-related expenses: None.
- Other: None.

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—540 700	0	0
Over 540 700	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 33 300 at the average local tax rate is granted on labour income. The EITC is connected to the basic allowance (BAL), the basic amount (BA) and the local tax rate (LTR). The Basic Allowance is determined in Section 1.121; the local tax rate is discussed in Section 1.2. The Basic Amount (BA) in 2022 is SEK 48 300. For those older than 65 a simplified EITC (not connected to the local tax rate, the basic allowance or the basic amount) worth up to SEK 30 000 is granted. The EITC is phased-out for those with incomes above around SEK 600 000 a year.

The tax credits are non-refundable 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 + 0.3874 * (EI—0.91 BA)—BAL)*LTR
3.24 BA—8.08 BA	(1.812 BA + 0.128 * (EI—3.24 BA)—BAL)*LTR
8.08 BA—13.54 BA	(2.432 BA—BAL)*LTR
13.54 BA-	(2.432BA—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

During 2021 and 2022 there is also a temporary earned income tax credit. For earned income between SEK 60 000 and SEK 240 000 per year the tax credit is 1.25 percent of the income exceeding SEK 60 000. For earned income between SEK 240 000 and SEK 300 000 the tax credit is SEK 2 250. For earned income between SEK 300 000 and SEK 500 000 the tax credit is SEK 2 250 minus 1.125 percent of the income exceeding SEK 300 000. This tax credit is non-refundable and it is a temporary measure due to the pandemic.

Since 1st of January 2021 a wastable general tax credit applies to taxable income exceeding SEK 40 000 per year. The tax credit is 0.75 percent of exceeding income up to a maximum tax credit of SEK 1 500.

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 14 200 and SEK 37 200; it depends on the taxpayer’s income. For a taxpayer earning the AW, this basic allowance amounts to SEK 14 200.

1.2.3. Tax rates

The local government personal income tax is proportional and differs between municipalities. The average rate amounts to 32.24% in 2022, with the maximum and minimum rates being 35.15% and 28.98%, 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 40 100 since the general pension contributions are not paid for income over SEK 572 900 (=8.07*71 000). 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 2022 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.

There is a temporary reduction of the employers' contributions for employees between the ages of 18 and 23 (by the beginning of the year) during the period 1st of January 2021 to 31st of March 2023. For salaries and benefits less than SEK 25 000 per month the employers' contributions are reduced to the retirement pension fee and 45 percent of other social security contributions. During the period 1st of June to 31st of August 2022 the employers' contributions are reduced to the retirement pension fee.

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:

	2022
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.

In 2021 a general tax credit was introduced. The tax credit is 0.75% of taxable income exceeding SEK 40 000 per year up to a maximum tax credit of SEK 1 500.

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, 2020, 2021 and 2022.

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, 2019 and 2022. 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. This tax credit was increased in 2022.

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 of 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.

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.

2022 Parameter values

Average earnings/yr	Ave_earn	494 513	Secretariat estimate
Central income tax			
	tax_rate	0.2	
	tax_thrsh	540 700	
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	0.3224	
	min_taxl	0	
Soc. security amount			
	basic_amt	48 300	
	basic_ant	71 000	
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	1.812	
	ep_2	0.3874	
	ep_3	0.128	
	ep_4	2.432	
	ep_5	0.03	
Temporary EITC	teitc_1	0.0125	
	teitc_2	0.01125	
	teitc_lim_1	60 000	
	teitc_lim_2	300 000	
	teitc_max	2 250	
General wastable tax credit	gen_tax_cr_rate	0.0075	
	gen_tax_cr_lim	40000	
	gen_tax_cr_max	1500	
Employer payroll tax	PRT	0.1162	

2022 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)
		Temporary eitc	B	Trunc(MAX(MIN(teitc_1*MAX(EI-teitc_lim_1,0),teitc_max)-teitc_2*MAX(EI-teitc_lim_2,0),0),0)
		gen_tax_cr	B	MIN(gen_tax_cr_rate*MAX(tax_inc-gen_tax_cr_lim,0),gen_tax_cr_max)
		tax_cr	B	ssc_credit+localtax_credit+final_eitc+gen_tax_cr+teitc
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 2022

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**	67 593	100 885	168 478	67 593
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	7 683	12 444	21 988	7 683
	Work-related expenses	2 000	2 833	4 000	2 000
	Other	1 700	1 700	1 700	3 100
	Total	11 383	16 977	27 688	25 783
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	6 000
4.	**Central government taxable income (1 - 2 + 3)**	56 200	83 900	140 700	47 800
5.	**Central government income tax liability (exclusive of tax credits)**	612	1 811	6 511	195
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)**	612	1 811	6 511	0
8.	**State and local taxes**	5 382	10 414	22 352	2 049
9.	**Employees' compulsory social security contributions**				
	Gross earnings	4 326	6 457	10 661	4 326
	Taxable income				
	Total	4 326	6 457	10 661	4 326
10.	**Total payments to general government (7 + 8 + 9)**	10 320	18 682	39 523	6 375
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)**	57 273	82 203	128 955	67 218
13.	**Employer's compulsory social security contributions**	4 326	6 457	10 661	4 326
14.	**Average rates**				
	Income tax	8.9%	12.1%	17.1%	3.0%
	Employees' social security contributions	6.4%	6.4%	6.3%	6.4%
	Total payments less cash transfers	15.3%	18.5%	23.5%	0.6%
	Total tax wedge including employer's social security contributions	20.4%	23.4%	28.0%	6.5%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	22.0%	28.1%	36.0%	15.7%
	Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner	26.7%	32.5%	39.5%	20.8%
	Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.

Switzerland 2022

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**		100 885	168 478	201 770	168 478
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		12 444	22 127	27 721	22 127
	Work-related expenses		2 833	2 833	2 833	2 833
	Other		4 900	4 900	4 900	3 500
		Total	35 777	58 860	64 454	44 460
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)**		71 100	115 600	143 300	124 000
5.	**Central government income tax liability (exclusive of tax credits)**		757	2 879	5 208	3 467
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)**		255	2 377	4 706	3 467
8.	**State and local taxes**		5 308	13 804	19 127	16 557
9.	**Employees' compulsory social security contributions**					
	Gross earnings		6 457	10 783	12 913	10 783
	Taxable income					
		Total	6 457	10 783	12 913	10 783
10.	**Total payments to general government (7 + 8 + 9)**		12 020	26 963	36 747	30 807
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)**		94 865	147 514	171 023	137 671
13.	**Employer's compulsory social security contributions**		6 457	10 783	12 913	10 783
14.	**Average rates**					
	Income tax		5.5%	9.6%	11.8%	11.9%
	Employees' social security contributions		6.4%	6.4%	6.4%	6.4%
	Total payments less cash transfers		6.0%	12.4%	15.2%	18.3%
	Total tax wedge including employer's social security contributions		11.6%	17.7%	20.3%	23.2%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		21.5%	26.7%	32.6%	28.5%
	Total payments less cash transfers: Spouse		22.1%	27.3%	32.6%	29.2%
	Total tax wedge: Principal earner		26.3%	31.1%	36.7%	32.8%
	Total tax wedge: Spouse		26.8%	31.7%	36.7%	33.5%

The national currency is the Swiss franc (CHF). In 2022, CHF 0.97 equalled USD 1. The Secretariat has estimated that in that same year the average worker earned CHF 100 885 (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 (5.3% 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 7.90% 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	5.3%	5.3%
Unemployment insurance	1.1%[2]	1.1%[2]
Pension fund	7.90%	7.90%
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 y amounts 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	5.3%	5.3%
-- Unemployment insurance	1.1%[2]	1.1%[2]
-- Pension fund	7.90%	7.90%
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)[1]	Base amount (CHF)	Plus % of the excess (CHF)	
Up to 13 500	--	0	--
13 500 to 19 600	--	2	13 500
19 160 to 27 300	122	3	19 600
27 300 to 36 700	353	4	27 300
36 700 to 47 400	729	5	36 700
47 400 to 61 300	1 264	6	47 400
61 300 to 92 100	2 098	7	61 300
92 100 to 122 900	4 254	8	92 100
122 900 to 169 300	6 718	9	122 900
169 300 to 224 700	10 984	10	169 300
224 700 to 284 800	16 434	11	224 700
284 800 to 354 100	23 045	12	284 800
Over 354 100	31 361	13	354 100

b) Basic income tax rates for other taxpayers (single without children).

Taxable income (CHF)[1]	Base amount (CHF)	Plus % of the excess (CHF)	
Up to 6 700	--	0	--
6 700 to 11 400	--	2	6 700
11 400 to 16 100	94	3	11 400
16 100 to 23 700	235	4	16 100
23 700 to 33 000	539	5	23 700
33 000 to 43 700	1 004	6	33 000
43 700 to 56 100	1 646	7	43 700
56 100 to 73 000	2 514	8	56 100
73 000 to 105 500	3 866	9	73 000
105 500 to 137 700	6 791	10	105 500
137 700 to 188 700	10 011	11	137 700
188 700 to 254 900	15 621	12	188 700
Over 254 900	23 565	13	254 900

1. Fractions below CHF 100 are disregarded.

c) Annual multiple as a percentage of basic tax rates:

-- Canton of Zurich	100
-- Commune of Zurich	119
-- Roman Catholic church tax	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

5.3% 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

5.3% of gross income for old age insurance.

2.2.2. Health insurance

--

2.2.3. Unemployment

1.1% on the portion of income up to CHF 148 200; 0.5% for income over CHF 148 200.

2.2.4. Work-related accidents

--

2.2.5. Family allowances

The employer pays a benefit for dependent children of an employee. The effective benefits paid depend on the Canton of residence and the respective employer. As of 1 January 2009, a new Swiss-wide minimum amount of CHF 2 400 (for children up to 16 years of age and CHF 3 000 for children in education between 16 and 25 years of age) has been established. In most cases, the benefit paid exceeds this minimum. The average family benefit is estimated to amount to CHF 3 000 per child per year.

This benefit is taxable along with other components of income.

The family allowance contributions are not included in the Taxing Wages results either as they are paid to a privately-managed fund. These contributions therefore qualify as non-tax compulsory payments (see also section 5.3).

2.2.6. Other

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3. Universal cash benefits

3.1. Benefits linked to marital status

No such benefits are paid.

3.2. Benefits for dependent children

The employer pays a benefit of, on average, approximately CHF 3 000 per year for each dependent child of an employee. This benefit is taxable along with other components of income. See 2.25.

4. Main changes in the tax/benefit system since 1998

On 1 January 1999, the canton of Zurich switched from biennial praenumerando taxation to annual postnumerando taxation on individual income. As a result, the direct federal tax is based on annual postnumerando taxation as well.

As of 1 January 2008, the basic deduction for married couples and the deduction for two-income couples were introduced. These measures are intended to minimise the marriage penalty and to reduce the high taxation of secondary earners, thereby increasing labour force participation of skilled secondary earners.

As of 1 January 2012, the tax credit for children reduces the tax liability by CHF 251 per child.

4.1. Changes to labour taxation due to the COVID pandemic in 2020 and 2021

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 8.06% for employees and 10.86% for employers in 2018.
- 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 2022 amount to CHF 5 832.00 for adults and CHF 1 382.40 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.

2022 Parameter values

Average earnings/yr	Ave_earn	100 885	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	755 200
		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	2.18	
Social security contributions	old_age	0.053	
Pension	pension_rate	0	
Pillar 2 pension	NTCP_old_age_max	28 440	
	NTCP_pension_ee	0.0806	
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	

2022 Tax equations

The equations for the Swiss system in 2022 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.

Türkiye

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.

Türkiye 2022

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**		92 018	137 340	229 358	92 018
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		13 803	20 601	34 404	13 803
	Work-related expenses					
	Other					
		Total	13 803	20 601	34 404	13 803
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		78 215	116 739	194 954	78 215
5.	**Central government income tax liability (exclusive of tax credits)**		14 618	25 019	46 138	14 618
	Stamp tax		176	520	1 218	176
		Total	14 794	25 539	47 356	14 794
6.	**Tax credits**					
	Basic credit		10 105	10 105	10 105	10 105
	Married or head of family					
	Children					
	Other					
		Total	10 105	10 105	10 105	10 105
7.	**Central government income tax finally paid (5-6)**		4 689	15 435	37 251	4 689
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		13 803	20 601	34 404	13 803
	Taxable income					
		Total	13 803	20 601	34 404	13 803
10.	**Total payments to general government (7 + 8 + 9)**		18 492	36 036	71 655	18 492
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)**		73 526	101 304	157 703	73 526
13.	**Employer's compulsory social security contributions**		16 103	24 034	40 138	16 103
14.	**Average rates**					
	Income tax		5.1%	11.2%	16.2%	5.1%
	Employees' social security contributions		15.0%	15.0%	15.0%	15.0%
	Total payments less cash transfers		20.1%	26.2%	31.2%	20.1%
	Total tax wedge including employer's social security contributions		32.0%	37.2%	41.5%	32.0%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		38.7%	38.7%	38.7%	38.7%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		47.8%	47.8%	47.8%	47.8%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Türkiye 2022

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**	137 340	229 358	274 680	229 358
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	20 601	34 404	41 202	34 404
	Work-related expenses				
	Other				
	Total	20 601	34 404	41 202	34 404
3.	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**	116 739	194 954	233 478	194 954
5.	**Central government income tax liability (exclusive of tax credits)**	25 019	39 638	50 039	39 638
	Stamp tax	520	520	520	520
	Total	25 539	40 157	50 559	40 157
6.	**Tax credits**				
	Basic credit	10 105	20 209	20 209	20 209
	Married or head of family				
	Children				
	Other				
	Total	10 105	20 209	20 209	20 209
7.	**Central government income tax finally paid (5-6)**	15 435	20 124	30 870	20 124
8.	**State and local taxes**	0	0	0	0
9.	**Employees' compulsory social security contributions**				
	Gross earnings	20 601	34 404	41 202	34 404
	Taxable income				
	Total	20 601	34 404	41 202	34 404
10.	**Total payments to general government (7 + 8 + 9)**	36 036	54 528	72 072	54 528
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)**	101 304	174 830	202 608	174 830
13.	**Employer's compulsory social security contributions**	24 034	40 138	48 069	40 138
14.	**Average rates**				
	Income tax	11.2%	8.8%	11.2%	8.8%
	Employees' social security contributions	15.0%	15.0%	15.0%	15.0%
	Total payments less cash transfers	26.2%	23.8%	26.2%	23.8%
	Total tax wedge including employer's social security contributions	37.2%	35.1%	37.2%	35.1%
15.	**Marginal rates**				
	Total payments less cash transfers: Principal earner	38.7%	38.7%	38.7%	38.7%
	Total payments less cash transfers: Spouse	20.1%	38.7%	38.7%	38.7%
	Total tax wedge: Principal earner	47.8%	47.8%	47.8%	47.8%
	Total tax wedge: Spouse	32.0%	47.8%	47.8%	47.8%

The national currency unit is the "Türk Lirası" (TL). In 2022, TL 16.56 were equal to USD 1. In that year, the average worker earned TL 137 340 (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

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 Wage tax exemption.[1]

With the new regulation introduced by Law No. 7349, the wages corresponding to the remaining amount after deducting the worker's social security institution premium and unemployment insurance premium from the monthly gross minimum wage is exempted from income and stamp taxes. The deductable premiums should be the amount valid in the month in which the wage payment is made.

The tax amount to be paid regarding the wages is calculated by deducting the portion corresponding to the exemption amount. The tax that will not be collected due to the exception does not exceed the tax that should be calculated over the monthly minimum wage in the relevant month. This exception applies only to the highest wage for those who receive wages from more than one employer.

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 and 3rd degree if they lost their working capacity with at least 60% and 40% respectively. In these cases, the following amounts are deductible from monthly wages:
  - Disabled in the 1st degree: TL 2 000
  - Disabled in the 2nd degree: TL 1 170
  - Disabled in the 3rd degree: TL 500
- 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 Türkiye. (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 2022 is as follows:

Taxable income (TL)	Tax on lower threshold (TL)	Tax on excess amount above lower threshold (%)
Up to 32 000		15
32 000 up to 70 000	4 800	20
70 000 up to 250 000	12 400	27
250 000 up to 880 000	61 000	35
Over 880 000	281 500	40

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 2022

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

2.1. Employees' contributions

2.1.1. For long term insurance branches; invalidity, old age and survivors: 9%

2.1.2. Health insurance: 5%

2.1.3. Unemployment insurance: 1%

2.2. Employers' contributions

2.2.1. For long term insurance branches; invalidity, old age and survivors: 11%

2.2.2. Health insurance: 7.5%

2.2.3. Unemployment insurance: 2%

2.2.4. For short term insurance branches; work accident, occupational diseases, sickness, maternity: 2%

In order to increase employment and reduce regional imbalances in Türkiye; various incentives policies have been implemented by state. One of the various incentives is reduction of contributions for 5 points. If the employer pays contributions regularly without interruption and has no outstanding dept to SGK, 5 points of employer's share of long term insurance contributions (%11) is paid by the State.

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 2022, the base amount is approximately TL 68 850 and the ceiling amount is approximately TL 516 375. 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 paid less than the minimum wage, the base wage is not considered in this publication. However, the ceiling earnings are considered for the purposes of this Report.

3. Universal Cash Transfers

Employees obtain universal cash transfers according to the collective labour agreements that are signed between their employer and the labour union(s). These agreements vary with the bargaining power of the different parties in the different sectors in the economy. This explains why there is no standard amount reflecting these general transfers.

4. Main Changes in Tax/Benefit System Since 2004

The main laws about tax/benefit system are the Personal Income Tax Law (No: 193) that covers personal income taxation, Social Security and General Health Insurance Law (No: 5510) that covers social security contributions and Unemployment Insurance Law (No: 4447) that covers unemployment insurance fund.

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” started 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 Türkiye 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.
- According to Act No: 7349, Instead of the minimum living allowance applied since 2008, the minimum wage tax exemption has been introduced beginning from 2022.

4.1. Changes to labour taxation due to the COVID pandemic in 2020 and 2021

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[2] information obtained from 'Structure of Earnings Survey, 2010', published by TURKSTAT, according to NACE Rev.2 classification for B-N sections is calculated[3] 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 2018-2022 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.

2022 Parameter values

Average earnings/yr.	Ave_earn	137 340	Country estimate
Income tax	Tax_sch	0 .15	32 000
		0 .20	70 000
		0 .27	250 000
		0 .35	880 000
		0 .40	
Stamp tax	Stamp_rate	0 .00759	
Employees SSC	SSC_rate	0 .15	
	SSC_ceil	516 375	
	SSC_support	600	
	SSC_supp_lim	32 220	
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	68 850	
	min_wage_taxable_income	58 523	

2022 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] Instead of the minimum living allowance applied since 2008, the minimum wage tax exemption has been introduced since 2022.

[2] 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.

[3] The average wage amount beginning from 2010 is calculated as a result of a joint working performed by authorities from TURKSTAT and Ministry of Treasury and Finance.

United Kingdom (2022-2023 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 2022

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**		29 681	44 300	73 982	29 681
2.	**Standard tax allowances**					
	Basic allowance		12 570	12 570	12 570	12 570
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other					
		Total	12 570	12 570	12 570	12 570
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		17 111	31 730	61 412	17 111
5.	**Central government income tax liability (exclusive of tax credits)**		3 422	6 346	17 025	3 422
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)**		3 422	6 346	17 025	3 422
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		2 264	4 127	5 537	2 264
	Taxable income					
		Total	2 264	4 127	5 537	2 264
10.	**Total payments to general government (7 + 8 + 9)**		5 687	10 473	22 562	5 687
11.	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	2 909
		Total	0	0	0	2 909
12.	**Take-home pay (1-10+11)**		23 995	33 827	51 420	26 903
13.	**Employer's compulsory social security contributions**		2 993	5 118	9 434	2 993
14.	**Average rates**					
	Income tax		11.5%	14.3%	23.0%	11.5%
	Employees' social security contributions		7.6%	9.3%	7.5%	7.6%
	Total payments less cash transfers		19.2%	23.6%	30.5%	9.4%
	Total tax wedge including employer's social security contributions		26.6%	31.5%	38.4%	17.7%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		32.7%	32.7%	42.7%	69.7%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		41.3%	41.3%	50.0%	73.6%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

United Kingdom 2022

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**		44 300	73 982	88 601	73 982
2.	**Standard tax allowances**					
	Basic allowance		13 830	25 140	25 140	25 140
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other					
		Total	13 830	25 140	25 140	25 140
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		30 470	48 842	63 461	48 842
5.	**Central government income tax liability (exclusive of tax credits)**		6 094	9 768	12 692	9 768
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)**		6 094	9 768	12 692	9 768
8.	**State and local taxes**		0	0	0	0
9.	**Employees' compulsory social security contributions**					
	Gross earnings		4 127	6 391	8 254	6 391
	Taxable income					
		Total	4 127	6 391	8 254	6 391
10.	**Total payments to general government (7 + 8 + 9)**		10 221	16 159	20 946	16 159
11.	**Cash transfers from general government**					
	For head of family					
	For two children		1 890	1 890	1 890	0
		Total	1 890	1 890	1 890	0
12.	**Take-home pay (1-10+11)**		35 970	59 712	69 545	57 822
13.	**Employer's compulsory social security contributions**		5 118	8 111	10 236	8 111
14.	**Average rates**					
	Income tax		13.8%	13.2%	14.3%	13.2%
	Employees' social security contributions		9.3%	8.6%	9.3%	8.6%
	Total payments less cash transfers		18.8%	19.3%	21.5%	21.8%
	Total tax wedge including employer's social security contributions		27.2%	27.3%	29.6%	29.6%
15.	**Marginal rates**					
	Total payments less cash transfers: Principal earner		32.7%	32.7%	32.7%	32.7%
	Total payments less cash transfers: Spouse		20.0%	32.7%	32.7%	32.7%
	Total tax wedge: Principal earner		41.3%	41.3%	41.3%	41.3%
	Total tax wedge: Spouse		27.3%	41.3%	41.3%	41.3%

The national currency is the Pound Sterling (GBP). In 2022, GBP 0.82 was equal to USD 1. In 2021-2022, the Average Worker is estimated to earn GBP 44 300 (Secretariat estimate).

1. Personal Income Tax System

1.1. Central government income taxes

1.1.1. Tax unit

The tax unit is the individual, but certain reliefs depend on family circumstances (see Section 1.1.2.1.).

1.1.2. Tax allowances and tax credits

All figures shown are those applying at the start of the tax year in April.

Standard reliefs

- Basic reliefs: A personal allowance of GBP 12 570 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.
- Relief for social security contributions and other taxes: None.

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.

1.1.3. Tax schedule

In 2022-23 all taxpayers are liable on taxable income other than savings and dividend income at the basic rate of 20% on the first GBP 37 700, 40% over the basic rate limit of GBP 37 700 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 8.75% up to the basic rate limit of GBP 37 700, 33.75% above GBP 37 500 and 39.35% above GBP 150 000. The Dividend Allowance is GBP 2 000 in 2022-23, 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 37 700, 40% above GBP 37 700 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 %
0–37 700	20
37 700–150 000	40
Over 150 000	45

1.2. 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 2022-23, the starter rate band applied from GBP 12 570 to GBP 14 732. The basic rate band for non-savings non-dividend income is set from GBP 14 732 to GBP 25 688. The Scottish Government has an intermediate rate band for non-savings non-dividend income of Scottish taxpayers from GBP 25 688 to GBP 43 662. The higher rate band for non-savings non-dividend income of Scottish taxpayers in 2022-23 is from GBP 43 662 to GBP 150 000.

In 2022-23 all Scottish taxpayers are liable on taxable income other than savings and dividend income at the starter rate of 19% on the first GBP 2 097, 20% over the starter rate limit of GBP 2 162, 21% over the basic rate limit of GBP 13 118, 41% over the intermediate rate limit of GBP 31 092 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.)

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

2.1. Employees' contributions

Due to an in-year policy change, the Primary Threshold of earnings at which National Insurance contributions are payable by employees changed mid-year in the 2022-23 tax year. From 6 April 2022 to 5 July 2022 National Insurance contributions (NICs) were payable by employees earning more than GBP 190 in any week, and from 6 July 2022 to 5 April 2023 NICs are payable by employees earning more than GBP 242 in any week. This averages out to an annual equivalent of GBP 11 908. These NICs are 13.25% of weekly earnings between the Primary Threshold (GBP 190/242) and GBP 967 and 3.25% of earnings above GBP 967.Depending on eligibility, members of the National Insurance scheme qualify for pensions, sickness, industrial injury, unemployment benefits, etc. All employees earning under the weekly Primary Threshold have no National Insurance contribution liability but a notional contribution will be deemed to have been paid in respect of earnings between GBP 123 and the Primary Threshold to protect benefit entitlement.

From November 2022 onwards, the rates of National Insurance were reduced by 1.25 percentage points (to 12% and 2% respectively).

2.2. Employers' contributions

Employer's contributions are not payable for employees earning less than GBP 175 per week. The rate of employers' contributions for employees is 15.05% of earnings above GBP 175 per week. From November 2022 onwards, the rate of Employer National Insurance was reduced by 1.25 percentage points (to 13.8%).

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

3. Universal Cash Transfers

3.1. Transfers related to marital status

None (widows' benefit is covered by the government pensions scheme noted above).

3.2. Transfers for dependent children

Child Benefit: GBP 21.80 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 14.45 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.

Universal Credit (UC): a payment available to low income families with or without children which is gradually replacing a number of benefits and tax credits (including Working and Child Tax Credit). The maximum amount depends on the age of the claimant(s), whether they are single or in a couple, the number of children, whether claimant(s) have a disability or health condition that limits their capability for work, if claimant(s) have disabled children, whether the claimant(s) are carers, and childcare and housing costs. A couple where one is aged over 25 with a child born prior to 6 April 2017 would receive a maximum UC monthly amount of GBP 815.72 or GBP 9 788.64 per year, assuming no other elements are payable. UC is reduced by a "taper rate" of 55 pence for each GBP of earnings (net of income tax and employee social security contributions) above a threshold (or "work allowance") of GBP 573 per month; a different threshold of GBP 344 per month is applied if the claimant has housing costs.

Claimant(s) receive a work allowance if they have limited capability for work or have children. UC may also be reduced by other income the claimant may have. There are further rules around the amount of savings held by claimants, and for some claimants the total amount payable is subject to a cap.

4. Recent changes in the tax/benefit system

4.1. Changes to labour taxation due to the COVID pandemic in 2022

As a continued response to the COVID-19 pandemic, for the first six months of the tax year (April to September 2021) the standard allowance for UC is temporarily increased by GBP 86.67 per month.

Coronavirus Job Retention Scheme: The Coronavirus Job Retention Scheme enables employers to claim a taxable grant covering up to 80% of the wages for furloughed employees (capped at GBP 2 500 a month per employee). The initial scheme applied from March to July 2020 and was open to all employers. The Coronavirus Job Retention Scheme has since been extended four times, with the latest extension until 30 September 2021.

Self-Employment Income Support Scheme - initial two grants: The Self-Employment Income Support Scheme provided taxable grants to self-employed people, or members of a partnership, who have lost income. It was open to around 3.4 million people. On 17 August 2020, the scheme reopened for a second round of grant applications (open until 19 October 2020).

Self-Employment Income Support Scheme-third grant: The Self-Employed Income Support Scheme grant extension provided a grant to self-employed individuals who were eligible for the Self-Employed Income Support Scheme and were actively continuing to trade but facing reduced demand due to COVID-19.

Self-Employment Income Support Scheme-fourth and fifth grants: The Self-Employment Income Support Scheme grant extension provides a grant to self-employed individuals who are currently eligible for the Self-Employment Income Support Scheme and are actively continuing to trade but are facing reduced demand due to COVID-19. The fourth grant will cover the period February to April 2021, and can be claimed from late April. The fifth grant will cover the period May to September 2021 and can be claimed from July 2021.

Income Tax Self-Assessment- Deferral: Self-Assessment taxpayers who cannot pay tax bills on time because of COVID-19 were given the option of deferring payment of their July 2020 Payment on Account until 31 January 2021. Taxpayers who deferred payments were expected to make payment at the start of 2021.

Employment-related securities- Enterprise Management Incentive: Those participating in an Enterprise Management Incentive scheme are required to meet the 'working time requirement'. This means that the employee's time committed to the company must be equal to or exceed the statutory threshold of 25 hours per week or if less, 75% of their working time. This measure introduces a time-limited exception to the disqualifying event rules, whereby, if an employee would otherwise have met the scheme requirements but did not do so for reasons connected to the COVID-19 pandemic, the time that they would have spent on the business of the company will count towards their working time.

Time to Pay - Income Tax Self-Assessment: Enhanced Time to Pay: Time to Pay is an existing service that supports businesses and individuals in financial difficulty to pay back outstanding tax liabilities using payment plans. HM Revenue & Customs announced a helpline to promote and improve access to the scheme for businesses affected by COVID-19. On 25 September 2020, the government announced the eligibility criteria for self-serve Time to Pay arrangements would be extended to allow taxpayers with outstanding Self-Assessment tax bills of up to GBP 30 000 (previously GBP 10 000) to arrange a Time to Pay of up to 12 months online. This built on the Self-Assessment deferral policy, allowing taxpayers who deferred their liabilities until January 2021 the option to pay back outstanding tax bills in instalments.

Income tax exemptions for COVID-19 tests: The government will legislate in the Finance Bill 2021 to introduce a retrospective income tax exemption for payments that an employer makes to an employee to reimburse for the cost of a relevant coronavirus antigen test for the tax year 2020-21.

Self-assessment- Penalty easement: Self-assessment customers were not issued a late-filing penalty for the 31 January 2021 deadline for 2019-20 returns, provided they did file by the 28 February 2021. From the 1 March 2021, late filing penalties will be administered for those who are still yet to submit their return.

4.2 Other changes

Universal Credit taper: From December 2021, the UC taper was reduced by 8 percentage points, from 63 pence for each GBP of net earnings, to 55 pence. Work allowances, the levels above which the taper is applied, were also increased by GBP 500 per year (GBP 41.67 per month). This results in UC claimants keeping more of their Universal Credit when their earnings rise.

Health and Social Care Levy: There was a temporary 1.25 percentage point increase in all existing social security contributions, the National Insurance Contributions rates for employees and employers, from 6 April 2022 to 5 November 2022 following the introduction and subsequent reversal of the Health and Social Care Levy. From 6 November 2022 onwards, SSC rates decreased back to 2021-22 tax year levels.

The tax rates on Dividend Income were increased in line with the Health and Social Care Levy from 2022-23 by 1.25 percentage points. These increased from 7.5% at the basic rate, 32.5% above the basic rate limit and 38.1% above the higher rate limit to 8.75%, 33.75% and 39.35% respectively. These have remained at their increased rates following the reversal of the Health and Social Care Levy.

5. Memorandum Items

5.1. 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).

5.2. 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.

2022 Parameter values

Average earnings/yr	Ave_earn	44 300	Secretariat's estimate
Allowances	Basic_al	12570	
	PA taper start	100000	
	Married_al	1260	
	Married_rate	0	
Income tax	Tax_sch	0.2	37700
		0.4	150000
		0.45	
Employees SSC			
Primary threshold	SSC_sch	0	11908
Upper earnings limit		0.1325	50270
		0.0325	
Employers SSC	SSC_rate2	0.1505	
	ST	9100	
Child benefit (first)	CB_first	21.80	
Child benefit (others)	CB_others	14.45	
	CB_1st_thres	50000.00	
	CB_2nd_thres	60000.00	
	CB_taper1	0.01	
	CB_taper2	100.00	
UNIVERSAL CREDIT			
Monthly rates			
Standard allowance (single over 25)	UC_standard_single	334.91	
Standard allowance (couple over 25)	UC_standard_couple	525.72	
Child element (first child born<6 Apr 2017)	UC_child_1	290.00	
Child element	UC_child	244.58	
Work allowance (no housing costs)	UC_WA	573.00	
Taper rate	UC_taper	0.55	
Number of days in year	numdays	365.00	

2022 Tax equations

The equations for the UK system are mostly on an individual basis. But Universal Credit is 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	tax_cr	J	0
7.	CG tax	CG_tax	B	CG_tax_excl-tax_cr
8.	State and local taxes	local_tax	B	0
9.	Employees' soc security	SSC	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)))))+(SINGLE(IF(Children>0,IF(Married=0,Taper(SUM(UC_child_1,(Children-1)*UC_child,UC_standard_single),((monthly_net_earnings),UC_WA,UC_taper),Taper(SUM(UC_child_1,(Children-1)*UC_child,UC_standard_couple),(monthly_net_earnings),UC_WA,UC_taper)),IF(Married=0,Taper(sum(UC_standard_single),(monthly_net_earnings),0,UC_taper),Taper(sum(UC_standard_couple),(monthly_net_earnings),0,UC_taper)))))*12
13.	Employer's soc security	SSC_empr	B	(earn>ST)*(earn-ST)*SSC_rate2
	Memorandum item: Non-wastable tax credit			
	tax expenditure component	Taxexp	J	Tax_cr-transfer
	cash transfer component	Transfer	J	IF(CG_tax_excl<0, -CG_tax_excl, 0)

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

United States

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

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

United States 2022

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**		43 476	64 889	108 365	43 476
2.	**Standard tax allowances**					
	Basic allowance		12 950	12 950	12 950	19 400
	Married or head of family					
	Dependent children		0	0	0	0
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other					
		Total	12 950	12 950	12 950	19 400
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		30 526	51 939	95 415	24 076
5.	**Central government income tax liability (exclusive of tax credits)**		3 458	7 044	16 735	2 596
6.	**Tax credits**					
	Basic credit		0	0	0	1 247
	Married or head of family					
	Children		0	0	0	4 000
	Other					
		Total	0	0	0	5 247
7.	**Central government income tax finally paid (5-6)**		3 458	7 044	16 735	- 2 651
8.	**State and local taxes**		2 664	4 088	6 979	2 136
9.	**Employees' compulsory social security contributions**					
	Gross earnings		3 326	4 964	8 290	3 326
	Taxable income					
		Total	3 326	4 964	8 290	3 326
10.	**Total payments to general government (7 + 8 + 9)**		9 448	16 096	32 004	2 810
11.	**Cash transfers from general government**					
	For head of family		0	0	0	0
	For two children					
		Total	0	0	0	0
12.	**Take-home pay (1-10+11)**		34 028	48 793	76 360	40 666
13.	**Employer's compulsory social security contributions**		3 647	5 285	8 611	3 647
14.	**Average rates**					
	Income tax		14.1%	17.2%	21.9%	-1.2%
	Employees' social security contributions		7.7%	7.7%	7.7%	7.7%
	Total payments less cash transfers		21.7%	24.8%	29.5%	6.5%
	Total tax wedge including employer's social security contributions		27.8%	30.5%	34.7%	13.7%
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 2022

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**		64 889	108 365	129 778	108 365
2.	**Standard tax allowances**					
	Basic allowance		25 900	25 900	25 900	25 900
	Married or head of family					
	Dependent children		0	0	0	0
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other					
		Total	25 900	25 900	25 900	25 900
3.	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4.	**Central government taxable income (1 - 2 + 3)**		38 989	82 465	103 878	82 465
5.	**Central government income tax liability (exclusive of tax credits)**		4 268	9 485	14 087	9 485
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)**		268	5 485	10 087	9 485
8.	**State and local taxes**		3 408	6 299	7 723	6 752
9.	**Employees' compulsory social security contributions**					
	Gross earnings		4 964	8 290	9 928	8 290
	Taxable income					
		Total	4 964	8 290	9 928	8 290
10.	**Total payments to general government (7 + 8 + 9)**		8 639	20 073	27 738	24 527
11.	**Cash transfers from general government**					
	For head of family		0	0	0	0
	For two children					
		Total	0	0	0	0
12.	**Take-home pay (1-10+11)**		56 250	88 291	102 040	83 838
13.	**Employer's compulsory social security contributions**		5 285	8 933	10 571	8 933
14.	**Average rates**					
	Income tax		5.7%	10.9%	13.7%	15.0%
	Employees' social security contributions		7.7%	7.7%	7.7%	7.7%
	Total payments less cash transfers		13.3%	18.5%	21.4%	22.6%
	Total tax wedge including employer's social security contributions		19.8%	24.7%	27.3%	28.5%
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 2022, the average worker earned USD 64 889 (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

Standard reliefs

- Basic reliefs: In 2022 a married couple filing a joint tax return is entitled to a standard deduction of USD 25 900. The standard deduction is USD 19 400 for heads of households and USD 12 950 for single individuals. This relief is indexed for inflation. More liberal standard deductions are available for taxpayers who are age 65 or older and taxpayers who are blind. Special rules apply to children who have sufficient income to pay tax and are also claimed as dependents by their parents.
- 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 10 980 of earned income in 2022. The credit phases down when income exceeds USD 20 130 (26 260 for married taxpayers) and phases out when it reaches USD 43 492 (49 622 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 15,410 of earned income in 2022. The credit phases down when income exceeds USD 20 130 (26 260 for married taxpayers) and phases out when it reaches USD 49 399 (55 529 for married taxpayers). For taxpayers with three or more children the credit is 45% of up to USD 15 410 of earned income. The credit phases down when income exceeds USD 20 130 (26 260 for married taxpayers) and phases out when it reaches USD 53 057 (59 187 for married taxpayers).
- Since 1998, taxpayers are permitted a tax credit for each qualifying child under the age of 17. The special rules for taxable year 2021 have expired, returning the credit to its pre-2021 rules and values (but for inflation). For 2022 the maximum credit per child is USD 2 000 for otherwise qualifying children under 17. The refundable (non-wastable) child credit for 2022 is 15 percent of earnings greater than 2 500 up to the lesser of the amount of any child credit unclaimed due to limited tax liability or 1 500 per child.
- 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 total credit is reduced for taxpayers with income in excess of certain thresholds. The total of the child tax credit plus the 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).
- Relief for low income workers without children: since 1994, low income workers without children have been eligible for the earned income tax credit. In 2022, low income workers without children are permitted a non-wastable earned income credit of 7.76% of up to USD 7 320 of earned income. The credit phases down in 2022 when income exceeds USD 9 160 (15 290 for married taxpayers) and phases out completely when income reaches USD 16 480 (22 610 for married taxpayers). In 2022, this credit is available for taxpayers at least 25 years old and less than 65.
- Relief for social security and other taxes. In 2022, 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. Only a portion of Social Security benefits are subject to tax.

Main non-standard reliefs applicable to an AW

The basic non-standard relief is the deduction of certain expenses to the extent that, when itemised, they exceed in aggregate the standard deduction. For the purposes of this Report, it is assumed that workers claim the standard deduction. The principal itemised deductions claimed by individuals where the standard deduction is not being claimed are:

- Medical and dental expenses that exceed 7.5% of income;
- State and local income taxes, real property taxes, and personal property taxes are capped at USD 10 000 per return;
- Home mortgage interest on up to 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);
- Personal casualty and theft losses due to a disaster to the extent that each loss exceeds USD 100 and that all such losses combined exceed 10% of income;
- Gambling losses up to the amount of gambling winnings, casualty and theft losses of income-producing property, and impairment related work expenses of disabled persons;
- 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.

In 2020 based on preliminary statistics[1], the most recent year for which such statistics are available, the 11% 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 6 911; charitable contributions, USD 5 743; home mortgage interest expense, USD 9 644.

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 10 275	0 to 20550	0 to 14 650	10
10 276 to 41 775	20 551 to 83 550	14 651 to 55900	12
41 776 to 89 075	83 551 to 178 150	55901 to 89 050	22
89 076 to 170 050	178 151 to 340 100	89 051 to 170 050	24
170 050 to 215 950	340 101 to 431 900	170 051 to 215 950	32
215 950 to 539 900	431 901 to 647 850	215 951 to 539 900	35
539 900 and over	647 851 and over	539 901 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 up to 20 percent of qualified business income (QBI). QBI is subject to limitations, depending on the taxpayer's taxable income, based on factors 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 a general 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 use definitions of taxable income that are broadly similar to their analogues in the federal tax system 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 5 000 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 2022, 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 147 000. 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 147 000 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 2022 the estimated average unemployment insurance tax rate in Michigan was 2.94% of the first USD 9 500 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.

See Section 1.1.2.1 for a complete description of parameters and income thresholds.

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 62 172 for 2021.

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 2021 for employees in private industry:

	Pension	Health	Life
% of workers covered	56	58	59
USD employer portion per covered employee	n.a.	9 595 (family) 4 776 (single)	n.a.

2022 Parameter values

Average earnings/yr	Ave_earn	64 889	Secretariat estimate			
Standard deductions	Married_al	25900				
	hh_al	19400				
	single_al	12950				
Federal tax schedules						
Single individuals	Fed_sch_s	0.1	10 275			
		0.12	41 775			
		0.22	89 075			
		0.24	170 050			
		0.32	215 950			
		0.35	539 900			
		0.37				
Married filing jointly	Fed_sch_m	0.1	205 50			
		0.12	83 550			
		0.22	178 150			
		0.24	340 100			
		0.32	431 900			
		0.35	64 7850			
		0.37				
Head of household	Fed_sch_h	0.1	14 650			
		0.12	55 900			
		0.22	89 050			
		0.24	170 050			
		0.32	215 950			
		0.35	539900			
		0.37				
Earned income credit	EIC_sch	rate	income limit	threshold	thresh-married	phase-out
	no children	0.0765	7320	9160	15290	0.0765
	1 child	0.34	10 980	20 130	26 260	0.1598
	2 children	0.4	15 410	20 130	26 260	0.2106
	3 or more children	0.45	15 410	20 130	26 260	0.2106
Child credit	chcrd_max	2 000				
	Chrd_lim	1500				
	chcrd_rdn	50				
	chcrd_thrsh_m	400 000				
	chcrd_thrsh_oth	200 000				
	Chcrd_ref_perct	.15				
	Chcrd_ref_thresh	2,500				
Detroit	Detroit_ex	600				
	Detroit_rate	0.024				
Michigan	Mich_ex	45 000				
	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	147 000				
	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 unemployment insurance	Mich_unemp_rate	0.0294				
	Mich_unemp_max	9500				

2022 Tax equations

The equations for the US system in 2022 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	(Positive((chcrd_rdn_lim*Children)-(chcrd_rdn*Positive(TRUNC(earn,-3)-IF(Married>0,chcrd_thrsh_m,chcrd_thrsh_oth))/1000))+Positive(((Children*chcrd_max)-(chcrd_rdn_lim*Children))-(chcrd_rdn*Positive(TRUNC(earn,-3)-IF(Married>0,chcrd_thrsh1_m,chcrd_thrsh1_oth))/1000)))*(Children>0)
		tax_cr	J	EIC+ch_crd
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			
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] Due to the Tax Cuts and Jobs Act, beginning in 2017 fewer individual taxpayers itemize deductions but instead use the standard deduction.

[2] New Hampshire taxes only interest and dividend income received by individuals. Tennessee eliminated their interest and dividend income tax beginning in tax year 2021.

Annex A. Methodology and limitations

Methodology

Introduction

The personal circumstances of taxpayers vary greatly. This Report adopts a specific methodology to produce comparative statistics covering taxes, benefits and labour costs across OECD member countries. The framework of the methodology is as follows:

- The Report focuses on eight 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 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)[1] (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 Türkiye), 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 has been taken because:
    - these types of benefits are difficult to evaluate in a consistent way (they may be valued at the actual cost to the employer, their value to the employee or their fair market value).
    - in most countries, they are of minimal importance for workers at the average wage level.
    - the tax calculations would be significantly more complicated if the tax treatment of fringe benefits were to be incorporated.

- Employers' contributions to private pension, family allowance or health and life insurance schemes are excluded from the calculations, though the amounts involved can be significant. In the United States, for example, these contributions can account for more than 5% 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	Exc	Annual wages, salaries and commissions from administrative tax	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
Costa Rica	Inc	Inc	Inc	Inc	Exc	Inc	Inc	Inc	Average annual earnings	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	Calendar year

										December	
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 that exceed the upper social contribution limit (7 times the minimum wage) are not recorded.	31st December	Calendar year
Mexico	Exc	Inc	Exc	Inc	Exc	Inc	Inc	Exc	Average monthly earnings x 12	31st December	Calendar year
Netherlands	Exc	Inc	Exc	Inc	Exc	Inc	Inc	Exc	Annual gross earnings	31st December	Calendar year
New Zealand	Exc	Inc	Inc	Inc	Exc	Inc	Inc [5]	Inc [6]	Average weekly earnings in each quarter x 13	31st March	Tax year
Norway	Exc	Exc	Inc	Inc	Exc	Inc	Inc	Inc [6]	Annual wages + estimated overtime	31st December	Calendar year
Poland	Inc	Inc	Inc	Inc	Exc	Inc	Inc	Inc [6]	Average monthly earnings x 12	31st December	Calendar year
Portugal	Exc	Inc	Inc	Inc	Inc	Inc	Inc	Exc	Weighted monthly average x 12	31st December	Calendar year
Slovak Republic	Exc	Inc	Inc	Inc	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	Calendar year

										December	
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
Türkiye	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, 2022

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	Annual household survey	Statistics Canada, "Survey of Labour and Income Dynamics" and "Canadian Income Survey"
Chile	Monthly sample of businesses with 10+ employees.	National Statistics Institute of Chile (INE).
Colombia	The Great Integrated Household Survey	National Administrative Department of Statistics (DANE)
Costa Rica	Salaries and total number of workers by salary scale and institutional sector.	Actuarial and Economic Management. Statistics Area. "Caja Costarricense del Seguro Social" (CCSS)
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	Statistics Norway Wage.

	sector statistics for 3rd quarter – except agriculture, forestry and fishing and private households.	
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.
Türkiye	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 2022 were not available when the current Report was written. For most countries, estimates of gross wage earnings of average workers in 2022 were therefore derived by the Secretariat on the basis of a uniform approach: year 2021 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 2022 issue 2*) . This transparent procedure is intended to avoid any bias in the results. In some countries, there were varying approaches;

- The final 2022 average gross wage earnings was used for Australia.
- National estimates were used for Chile, Colombia, Costa Rica, New Zealand and Türkiye as the *OECD Economic Outlook Volume 2022 Issue 2* did not provide percentages changes in wages for those countries.
- In some countries, average wage earnings were also estimated for prior years – Canada (2021), Finland (2021), France (2021), Iceland (2021), Ireland (from 2019), Korea (2021), Mexico (2021), the Netherlands (2021), Poland (from 2021), Portugal (from 2013 onwards) and Switzerland (2007, 2009, 2011, 2013, 2015, 2017,2019 and 2021) as no country information on average wage earnings levels was available for these years in these particular countries.

Eighteen OECD countries have opted to provide national estimates of the level of gross wage earnings of average workers in 2022. 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, 2021-2022 (in national currency)

	Average wage 2021	Average wage 2022 (Secret. estimates)	Average wage 2022 (country estimates)	EO 2022 (issue 2) forecasted rates for 2022[1]
Australia[1]	93 254		94 685	3.1
Austria	50 447	52 666	52 314	4.4
Belgium	51 328	55 332		7.8
Canada	78 018	81 704		4.7
Chile[1]	10 793 531		11 492 895	
Colombia[1]	18 908 349		21 137 925	
Costa Rica[1]	8 761 423		9 445 151	
Czech Republic	441 784	472 783	462 106	7.0
Denmark	451 800	468 195		3.6
Estonia	18 489	19 996	19 782	8.2
Finland	49 491	50 774	50 253	2.6
France	39 429	41 540	41 741	5.4
Germany	52 800	55 041		4.2
Greece	19 614	19 912	19 614	1.5
Hungary	5 431 692	6 328 111		16.5
Iceland	10 357 357	10 959 626		5.8
Ireland	52 135	54 649		4.8
Israel	168 240	172 609	171 600	2.6
Italy	32 029	33 855		5.7
Japan	5 087 487	5 154 009		1.3
Korea	48 600 252	49 775 096		2.4
Latvia	15 276	16 758	16 188	9.7
Lithuania	18 560	20 667	21 010	11.3
Luxembourg	65 517	70 189		7.1
Mexico[2]	153 588	154 646		0.7
Netherlands	55 904	57 513		2.9
New Zealand[1]	65 957		70 588	
Norway	638 564	666 115	662 191	4.3
Poland	64 095	72 945		13.8
Portugal	20 680	21 606		4.5
Slovak Republic	14 438	15 538	15 748	7.6
Slovenia	22 276	23 332	22 872	4.7
Spain	27 570	28 360		2.9
Sweden	476 276	494 513		3.8
Switzerland	97 927	100 885		3.0
Türkiye[1]	86 989		137 340	
United Kingdom	41 878	44 300		5.8
United States	62 172	64 889		4.4

1. The country AW estimate is used instead of the OECD Secretariat's AW estimate in the Taxing Wages calculations.
2. National average wage estimates differ from the OECD estimates as the OECD estimates do not include the impact of the Labour Outsourcing Reform 2021, which led to an increase of the base salary between 2020 and 2022.

StatLink https://stat.link/jua8tf

Table A A.7. Purchasing power parities and exchange rates for 2022

	Monetary unit	Exchange rates[1]	Purchasing power parities
Australia	AUD	1.5	1.4
Austria	EUR	0.96	0.8
Belgium	EUR	0.96	0.7
Canada	CAD	1.3	1.3
Chile	CLP	882.2	430.1
Colombia	COP	4293.9	1443.4
Costa Rica	CRC		335.3
Czech Republic	CZK	23.6	13.0
Denmark	DKK	7.2	6.7
Estonia	EUR	0.96	0.6
Finland	EUR	0.96	0.8
France	EUR	0.96	0.7
Germany	EUR	0.96	0.7
Greece	EUR	0.96	0.6
Hungary	HUF	377.2	160.0
Iceland	ISK	136.2	148.3
Ireland	EUR	0.96	0.8
Israel	ILS	3.4	3.8
Italy	EUR	0.96	0.6
Japan	JPY	132.9	95.9
Korea	KRW	1307.3	828.3
Latvia	EUR	0.96	0.5
Lithuania	EUR	0.96	0.5
Luxembourg	EUR	0.96	0.8
Mexico	MXN	20.1	10.2
Netherlands	EUR	0.96	0.8
New Zealand	NZD	1.6	1.5
Norway	NOK	9.7	9.4
Poland	PLN	4.5	1.9
Portugal	EUR	0.96	0.6
Slovak Republic	EUR	0.96	0.5
Slovenia	EUR	0.96	0.6
Spain	EUR	0.96	0.6
Sweden	SEK	10.2	8.6
Switzerland	CHF	0.96	1.1
Türkiye	TRL	16.6	4.7
United Kingdom	GBP	0.8	0.7
United States	USD	1.0	1.0

Note: 1. Average of 12 months daily rates.
Source: *OECD Economic Outlook Volume 2022* Issue 2.

StatLink https://stat.link/vdxk0a

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.

The Report covers the personal income tax, employee and employer social security and cash benefits regulations that are applied during the whole tax year. Any changes that occur during the tax year are taken into account in the Taxing Wages calculations.

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. In the case of 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 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, supposing 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 benefit amount increases 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 *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 credit 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.

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 programme applies, the figures represent aggregates covering all the programmes. Total programme 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. For this particular 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 household types 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 for 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. 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 refer to the position of workers earning a wage equal to (a proportion of) 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.

The definition of the average worker has changed 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*. Since 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] 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.

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Taxing Wages

INDEXATION OF LABOUR TAXATION AND BENEFITS IN OECD COUNTRIES

This annual publication provides details of taxes paid on wages in OECD countries. This year's edition focuses on the impact of recent inflation on labour taxation in the OECD and how countries adjust their tax systems in response. For the year 2022, the report also examines 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.

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PRINT ISBN 978-92-64-84550-3
PDF ISBN 978-92-64-59193-6

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2023