Taxing Wages

TAX AND GENDER THROUGH THE LENS OF THE SECOND EARNER

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Taxing Wages 2024

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BETTER POLICIES FOR BETTER LIVES

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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[2] 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.

This edition of the Report presents data on the tax and benefit position of employees in 2023, which it compares with corresponding data for the year 2022.

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 2023.
  - Chapter 2 contains the Special Feature on “Tax and gender through the lens of the second earner”.
  - Chapter 3 reviews the main results for 2023, which are summarised in comparative tables and figures.
  - Chapter 4 presents a graphical exposition of the estimated tax burden on labour income in 2023 for gross wage earnings between 50% and 250% of the average wage.
  - Chapter 5 provides comparative tables showing the main results for 2022.
  - Chapter 6 shows historical trends in the tax burden for the period 2000-2023.
- 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 Edoardo Magalini under the supervision of Alexander Pick, Acting Head of the Tax Data and Statistical Analysis Unit, with support from Leonie Cedano. The Special Feature was authored by Alexander Pick and Edoardo Magalini. 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, Manal Corwin, Karena Garnier, Michelle Harding, Diana Hourani, Sarah Perret, Michaël Sicsic, 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.

Table of contents

FIGURES

TABLES

Executive Summary

Effective tax rates on labour income edged up across the OECD in 2023 while inflation remained above historic levels. With tax systems in many OECD countries not fully adjusting to inflation, the average tax wedge[3] for all eight household types covered in this Report increased in a majority of countries between 2022 and 2023, driven in most cases by higher income taxes. For the second consecutive year, post-tax incomes at the average wage level declined across a majority of OECD countries.

For the single worker earning the average wage, the OECD average tax wedge in 2023 was 34.8%, an increase of 0.13 percentage points (p.p.) with respect to 2022. This was the second consecutive year in which the tax wedge for this household type has risen, following two years of decline during the COVID-19 pandemic in 2020 and 2021. The tax wedge increased in 23 of the 38 OECD countries between 2022 and 2023, decreased in 13 and stayed the same in two. The increase exceeded one percentage point in Australia (2.14 p.p.), due to growth in nominal earnings and the elimination of a tax relief, and Luxembourg (1.39 p.p.), also due to higher nominal earnings. The decreases in the tax wedge for the single worker earning the average wage were all smaller than one percentage point, ranging from -0.01 p.p. in Canada to -0.98 p.p. in Mexico.

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 0.06 p.p. between 2022 and 2023 to 29.5%. For this household type, the tax wedge increased in 21 countries and decreased in 17. The OECD average tax wedge for the couple with one earner and two children increased by 0.08 p.p. between 2022 and 2023 to 25.7%. The difference between the tax wedge for this household type and that of the single worker earning the average wage increased by 0.04 p.p. to 9.1 p.p. between 2022 and 2023.

The only decrease in the average tax wedge between 2022 and 2023 was observed for the single parent of two children earning 67% of the average wage. The tax wedge for this household type decreased by 0.31 p.p. to 16.5% in 2023, increasing in 21 countries and declining in 17. The largest decrease in the tax wedge for this household type – of -13.1 p.p. – occurred in the Slovak Republic and was due to a temporary increase in the child tax credit and an increase in child cash transfers. In 2022, the tax wedge for this household type increased by 1.27 p.p., the largest increase observed for any of the household types that year.

The Report contains a Special Feature on the tax wedge on second earners in OECD countries. This chapter sheds light on how tax policy may affect the incentives facing women when they decide whether and how much to work, in a context of persistent gender-related inequalities in labour outcomes, particularly as concerns the labour force participation of women (who account for over 75% of second earners and two-thirds of part-time workers in most OECD countries). The chapter uses the *Taxing Wages* models to calculate the effective tax rates on a second earner who takes up employment or increases the amount they work, which it compares with that of a single worker. Except in countries with individual taxation, the average tax wedge of second earners who take up employment is higher than that of single workers at the same wage level, although the second-earner tax wedge has declined in recent years. The marginal tax wedge for a second earner who increases their earnings is similar to that of a single worker.

Key findings

The average tax wedge for single workers increased in a majority of countries in 2023

- The tax wedge of single workers with no children earning the average national wage was 34.8% of labour costs in 2023.
- Between 2022 and 2023, the tax wedge for this household type increased in 23 countries and fell in 13.
- In 2023, the largest tax wedges for this household type were observed in Belgium (52.7%), Germany (47.9%), Austria (47.2%), France (46.8%) and Italy (45.1%).
- The personal average tax rate for this household type was 24.9% of gross wage earnings in 2023. Belgium had the highest rate, at 39.9%; 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 2023

- 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 29.5% in 2023, larger than the tax wedge for couples with one earner at the average wage (25.7%) and that of the single parent earning 67% of the average wage (16.5%).
- The largest increase across all eight household types between 2022 and 2023 was observed in the tax wedge for the two-earner married couple at 167% of the average wage without children (0.14 p.p.).
- The only household type for which the average tax wedge for the OECD countries decreased in 2023 relative to 2022 was the single parent earning 67% of the average wage (-0.31 p.p.).
- 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 Belgium, Czechia, Luxembourg, Poland and the Slovak Republic.

Post-tax incomes fell in real terms in over half of OECD countries

- The average wage increased in 37 OECD countries in nominal terms between 2022 and 2023 but declined in real terms in 18 out of 38 countries.
- The decline in the real wage exceeded 2.0% in seven countries: Estonia (-2.2%), Iceland (-2.5%), Czechia (-3.0%), Hungary (-3.0%), Mexico (-4.5%), Sweden (-4.6%) and Colombia (-10.5%).
- The real post-tax income for a single worker earning the average wage decreased in 21 countries between 2022 and 2023.

Tax and gender through the lens of the second earner (Special Feature)

- The Special Feature uses the *Taxing Wages* models and indicators to analyse the effective tax rates on second earners – more than 75% of whom are women in most OECD countries – to examine the disincentives they may face to take up employment or increase the amount they work.
- The chapter thus sheds light on a channel through which tax policy may contribute to persistent gender-related inequalities in labour-market outcomes across OECD countries, especially with respect to labour force participation.
- The chapter finds that second earners face higher effective tax rates than single workers when they take up work across a majority of OECD countries.

- Fiscal disincentives for second earners are larger in countries where taxation occurs at the household level or in countries with individual-level taxation where tax reliefs are nonetheless computed at the household level.
- However, the tax wedge on second earners has declined since 2014, when this analysis was last carried out for the *Taxing Wages* Report.
- Marginal tax rates for second earners tend to be very similar to those for single earners across OECD countries.

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 reference wage for these calculations is provided by countries. The estimates for the average wage refer to a full-time employee (engaged either in manual or non-manual activities) who works 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 in industry sectors C-K inclusive with reference to the International Standard Industrial Classification of All Economic Activities, Revision 3 (ISIC Rev.3). More information is contained in Chapter 1 of the Report and in the Annex.

[3] The tax wedge is the primary indicator presented in this Report. It 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 and analyses the main indicators of labour taxation across OECD countries in 2023. Most emphasis is given to the tax wedge, which measures 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 a single worker with no children at average earnings; a one-earner married couple with two children, at the same income level; and a two-earner couple with two children, where one spouse earns the average wage and the other 67% thereof. The chapter also includes analysis of changes in the average wage in OECD countries in 2023.

This Report provides unique information for the 38 OECD countries on the income taxes paid by workers, their social security contributions (SSCs), the transfers they receive in the form of cash benefits, as well as the SSCs and payroll taxes paid by their employers. The taxpayer-specific detail in this Report complements the information provided annually in *Revenue Statistics*, which provides 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 2023 for eight illustrative household types earning 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 2022 and 2023 as well as changes since 2000. Part II provides detailed information on labour taxation systems in OECD countries. The methodology followed in this Report is explained in the Annex.

This chapter begins with an introduction to the *Taxing Wages* methodology, which is followed by a review of the indicators of effective tax rates across OECD countries in 2023. The review analyses the tax wedge and the personal average tax rates for a single worker without children who earns the average wage. It also examines the corresponding indicators for a one-earner couple earning the average wage with two children and a two-earner married couple, also with two children, where one spouse earns the average wage and the other 67% thereof. The chapter concludes by analysing changes in nominal and real average wages as well as changes in post-tax income by country in 2023 and by setting out the industry classification on which the wage data is based.

Introduction

The *Taxing Wages* methodology 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 and 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 2023 are those for the tax year 2023-2024. However, in Australia, where the tax year starts in July, a ‘backward-looking’ approach is adopted to present more reliable results; the year 2023 in respect of Australia is the 2022-2023 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* in total labour costs that is paid in taxes and SSCs less cash benefits. 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 affect the indicators presented in this Report, such as the tax wedge. An accompanying paper to *Taxing Wages* presents "compulsory payment indicators" that combine taxes and NTCPs. This is available at the *OECD Tax* Database: https://www.oecd.org/tax/tax-policy/tax-database/non-tax-compulsory-payments.pdf.

This Report 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

The 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 the average wage level, varied widely across OECD countries in 2023 (see column 1). While the tax wedge exceeded 45% of labour costs in Austria, Belgium, France, Germany and Italy, it was lower than 20% in Chile and Colombia. The largest tax wedge was observed in Belgium (52.7%) and the lowest in Colombia (0.0%). In Colombia, a single worker earning the average wage did not pay personal income taxes in 2023, 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* models. Table 1.1 shows that the average tax wedge as a percentage of labour costs in OECD countries was 34.8% in 2023.

Changes in the tax wedge as a percentage of labour costs between 2022 and 2023 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 0.13 percentage points (p.p.) in 2023, having increased by 0.10 p.p. in 2022 compared to 2021. Between 2022 and 2023, the tax wedge increased in 23 OECD countries and fell in thirteen, while remaining the same in two (Chile and Hungary).

Hungary is the only OECD country where there was no change in the thresholds, rates and amounts for personal income tax, SSCs or cash transfers, implying that changes in the tax wedge were attributable solely to a change in the average wage. In Greece, Italy, Japan and Poland, there was no change in the rules concerning personal income taxes, while there were adjustments to other components of the tax wedge. More in general, policy changes in 2023 (whether reforms or parametric adjustments) affected at least one of the components of the tax wedge in almost all countries. This makes it difficult to ascribe changes in the average tax wedge in a specific country to either a change in policies or in average earnings, especially since some policy rates might be automatically indexed following the growth of wages (OECD, 2023[1]).

Increases in the tax wedge ranged from 0.03 p.p. in Switzerland to 2.14 p.p. in Australia. The increase in the tax wedge was larger than 0.5 p.p. in six countries, while only Australia and Luxembourg recorded an increase larger than 1 p.p. In Australia, this was due to the cessation of a tax credit (the Low and Middle Income Tax Offset [LMITO]) and the fact that nominal earnings increased while earnings thresholds in the tax schedule remained the same in nominal terms. Similarly, an increase in nominal earnings while the tax schedule did not change explains the increase in Luxembourg. The decreases observed in OECD countries in 2023 were all smaller than -1 p.p., ranging from -0.01 p.p. in Canada to -0.98 p.p. in Mexico.

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, such as the examples of Australia and Luxembourg noted above, this was due to increases in the nominal average wage between 2022 and 2023. Higher average wages increase personal income tax through the progressivity of income tax systems if income tax thresholds increase by less than average earnings (OECD, 2023[1]). In other countries, the higher personal income tax was primarily the result of a higher proportion of earnings becoming subject to tax while the value of tax allowances and tax credits fell relative to earnings.

In Finland, Japan and Korea, the increase in the tax wedge was mostly due to higher employee or employer SSCs as a percentage of labour costs. In Finland, employee and employer SSCs increased due to increases in the employee health insurance contribution for medical care (from 0.53% to 0.60%), in the employee health insurance contribution for daily allowance (from 1.18% to 1.36%), and in the employers' contribution rate (from 21.12% to 21.20%). In Japan, the unemployment insurance contribution rate increased both for the employee (from 0.3% to 0.5%) and for the employer (from 0.6% to 0.85%) in 2023. In Korea, the contribution rate for national health insurance at the average wage increased from 3.923836% in 2022 to 3.9991145% in 2023.

In eight of the thirteen OECD countries where the tax wedge decreased as a percentage of labour costs, the decrease was mostly derived from lower personal income tax (Belgium, Canada, Germany, Iceland, Ireland, Mexico, Sweden and the United States).

Decreases in the tax wedge were smaller than 0.50 p.p. in Germany (-0.49 p.p.), Iceland (-0.39 p.p.), the United Kingdom (-0.33 p.p.), Israel (-0.27 p.p.), Sweden (-0.26 p.p.), Belgium (-0.24 p.p.), France (-0.17 p.p.) and Canada (-0.01 p.p.). Changes in tax reliefs, tax credits or tax schedules contributed to the decreases in these countries, with the exception of France, where the decrease was mostly due to a decrease in employer and employee SSCs.

In Ireland, an increase in the earnings thresholds within the tax schedule and more generous tax reliefs with respect to 2022 contributed to a decrease in the tax wedge of -0.52 p.p. In the United States, earnings thresholds in the tax schedule increased by more than average earnings, leading to a decrease in the tax wedge of -0.52 p.p. In Costa Rica, the -0.62 p.p. drop in the tax wedge resulted from a reduction in the total employer contribution rate (from 26.50% to 25.17%). In the Netherlands, a reduction of the tax rates in the first two income brackets of the tax schedule and in employee SSCs caused the tax wedge to decline by -0.68 p.p. In Mexico, changes in the tax schedule and an increase in the Holiday Bonus tax allowance, which rose from 25% of six days to 25% of twelve days of the worker's wage, led to a decrease of -0.98 p.p.in the tax wedge.

Table 1.2 and Figure 1.1 show the components of the tax wedge in 2023: 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 2023. The lowest figures were in Colombia and Costa Rica (both 0.0%) and Chile (0.1%), with Czechia, Greece, Japan, Korea, Mexico, Poland and the Slovak Republic also below 10%. The highest share was in Denmark (35.8%), 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 0.0% in Australia, Colombia, Denmark and New Zealand to 19.0% in Slovenia and 19.2% in Lithuania. Employers in France paid 26.6% of labour costs in SSCs, the highest amongst OECD countries. Employer SSCs accounted for more than 20% of labour costs in nine other countries: Austria, Belgium, Costa Rica, Czechia, 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, Czechia, France and Germany.

Table 1.1. Comparison of total tax wedge, 2023

As % of labour costs

Country[1]	Total Tax wedge 2023 (1)	Annual change, 2023/2022 (in percentage points)[2]			
		Tax wedge (2)	Income tax (3)	Employee SSC (4)	Employer SSC[3] (5)
Belgium	52.7	-0.24	-0.24	0.00	0.00
Germany	47.9	-0.49	-1.05	0.11	0.01
Austria	47.2	0.29	-0.27	0.03	-0.18
France	46.8	-0.17	0.02	-0.08	-0.11
Italy	45.1	0.05	2.36	-2.32	0.00
Finland	43.5	0.42	0.17	0.19	0.05
Slovenia	43.3	0.43	0.43	0.00	0.00
Portugal	42.3	0.14	0.14	0.00	0.00
Sweden	42.1	-0.26	-0.26	-0.01	0.00
Slovak Republic	41.6	0.10	0.10	0.00	0.00
Luxembourg	41.3	1.39	1.39	0.00	0.00
Hungary	41.2	0.00	0.00	0.00	0.00
Latvia	41.1	0.61	0.62	0.00	0.00
Spain	40.2	0.62	0.27	0.06	0.30
Czechia	40.2	0.33	0.33	0.00	0.00
Estonia	39.4	0.23	0.23	0.00	0.00
Lithuania	38.9	0.54	0.54	0.00	0.00
Greece	38.5	0.44	0.58	-0.08	-0.07
Türkiye	38.4	0.22	0.22	0.00	0.00
Denmark	36.4	0.06	0.03	0.00	-0.02
Norway	36.4	0.18	0.27	-0.09	0.00
Netherlands	35.1	-0.68	-0.15	-0.55	0.02
Ireland	35.1	-0.52	-0.52	0.00	0.00
Poland	34.3	0.50	0.50	0.00	-0.01
Japan	33.0	0.36	0.03	0.15	0.19
Canada	31.9	-0.01	-0.23	0.11	0.12
Iceland	31.7	-0.39	-0.38	0.00	0.00
United Kingdom	31.3	-0.33	0.39	-0.41	-0.32
United States	29.9	-0.52	-0.51	0.00	-0.02
Australia	29.2	2.14	1.53	0.00	0.62
Costa Rica	28.6	-0.62	0.00	0.22	-0.84
Korea	24.6	0.11	-0.06	0.11	0.06
Switzerland	23.5	0.03	0.03	0.00	0.00
Israel	23.2	-0.27	0.05	-0.22	-0.10
New Zealand	21.1	0.92	0.92	0.00	0.00
Mexico	20.0	-0.98	-1.16	-0.02	0.20
Chile	7.1	0.15	0.15	0.00	0.00
Colombia	0.0	0.00	0.00	0.00	0.00
OECD Average	**34.8**	**0.13**	**0.17**	**-0.07**	**0.00**

Note: Table shows results for a single individual without children at the income level of the average worker.

1. Countries ranked by decreasing total tax wedge.

2. Due to rounding, changes in the tax wedge in column (2) may differ by one-hundredth of a percentage point from the sum of columns (3)-(5). Although not included in columns (3)-(5), cash benefits contribute to the difference in Austria, Denmark and Germany. Lower cash benefits as a share of labour costs contributed to an increase of 0.72 p.p. in Austria's tax wedge in 2023, to an increase of 0.06 p.p. in Denmark's and to an increase of 0.43 p.p. in Germany's.

3. Includes payroll taxes where applicable.

Source: Country submissions, (OECD[2]) Economic Outlook Volume 2023 Issue 2.

Table 1.2. Income tax plus employee and employer social security contributions, 2023

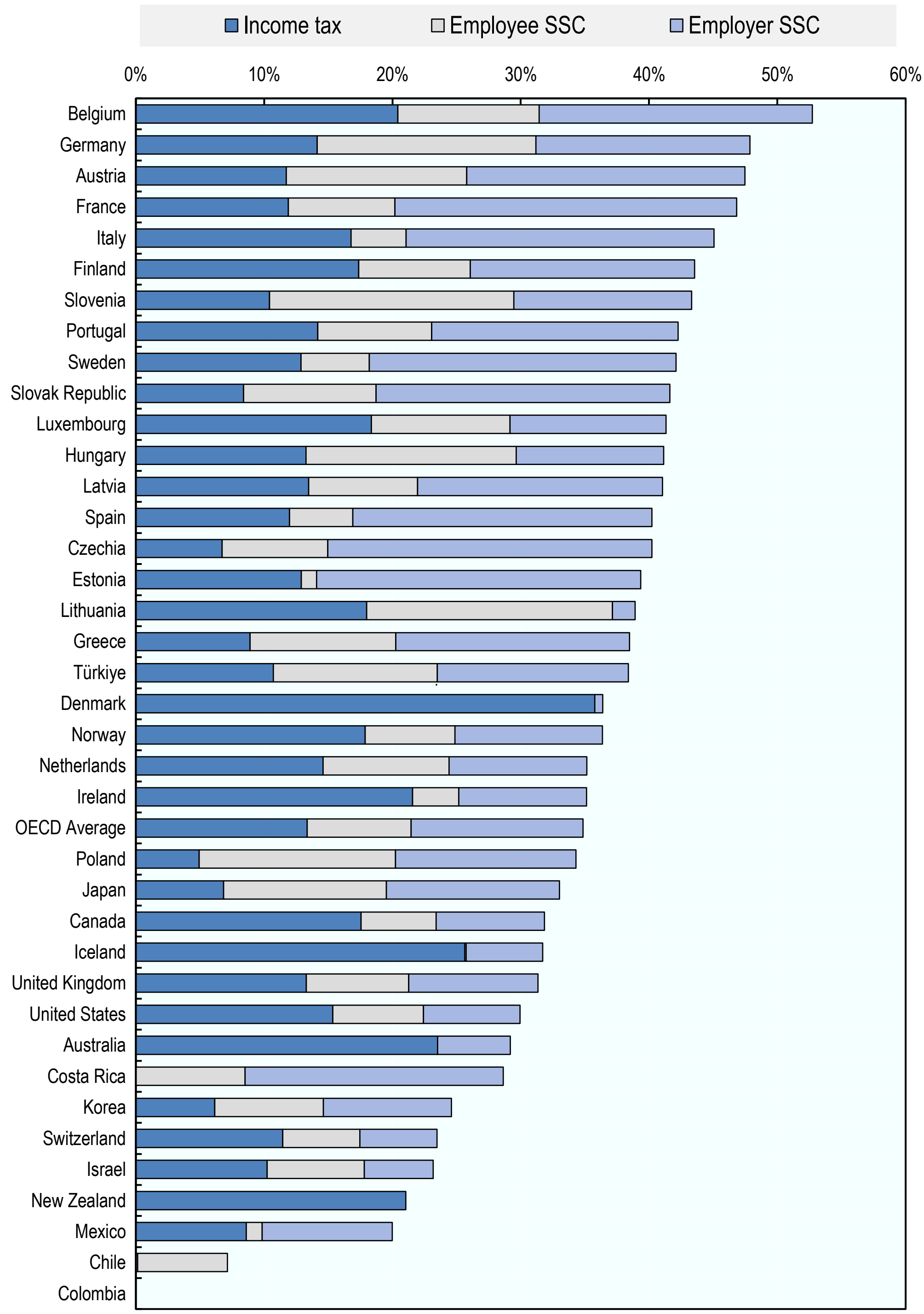
As % of labour costs

Country[1]	Total tax wedge[2] (1)	Income tax (2)	Social security contributions employee (3)	Social security contributions employer[3] (4)	Labour costs[4] (5)
Switzerland	23.5	11.4	6.0	6.0	106 452
Belgium	52.7	20.4	11.0	21.3	103 494
Germany	47.9	14.1	17.1	16.7	97 722
Austria	47.2	11.7	14.1	21.7	97 182
Luxembourg	41.3	18.4	10.8	12.2	95 331
Norway	36.4	17.9	7.0	11.5	93 654
Netherlands	35.1	14.6	9.8	10.7	87 599
Ireland	35.1	21.6	3.6	10.0	85 515
France	46.8	11.9	8.3	26.6	83 034
Denmark	36.4	35.8	0.0	0.6	82 890
Iceland	31.7	25.6	0.1	6.0	81 460
Canada	31.9	17.6	5.8	8.4	79 844
Finland	43.5	17.4	8.7	17.5	78 577
United Kingdom	31.3	13.3	8.0	10.1	76 883
Sweden	42.1	12.9	5.3	23.9	75 218
Australia	29.2	23.5	0.0	5.7	74 379
Korea	24.6	6.2	8.5	10.0	74 208
United States	29.9	15.3	7.1	7.5	72 731
Italy	45.1	16.8	4.3	24.0	69 388
Spain	40.2	12.0	4.9	23.3	63 683
Japan	33.0	6.8	12.7	13.5	62 051
Türkiye	38.4	10.7	12.8	14.9	54 063
Greece	38.5	8.9	11.3	18.2	53 612
Slovenia	43.3	10.4	19.0	13.9	52 785
Israel	23.2	10.2	7.6	5.4	52 035
New Zealand	21.1	21.1	0.0	0.0	51 149
Czechia	40.2	6.7	8.2	25.3	51 007
Portugal	42.3	14.2	8.9	19.2	50 796
Poland	34.3	4.9	15.3	14.1	49 681
Estonia	39.4	12.9	1.2	25.3	48 237
Lithuania	38.9	18.0	19.2	1.8	46 950
Hungary	41.2	13.3	16.4	11.5	45 105
Latvia	41.1	13.5	8.5	19.1	43 318
Slovak Republic	41.6	8.4	10.3	22.9	38 744
Costa Rica	28.6	0.0	8.5	20.1	34 666
Chile	7.1	0.1	7.0	0.0	29 325
Mexico	20.0	8.6	1.2	10.1	18 743
Colombia	0.0	0.0	0.0	0.0	16 615
OECD Average	**34.8**	**13.3**	**8.1**	**13.4**	**65 214**

Note: Table shows results for a 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 Austria, cash benefits decrease the overall tax wedge by -0.24 p.p. although they are not included in columns (2)-(4).
3. Includes payroll taxes where applicable.
4. US dollars with equal purchasing power.
Source: Country submissions, (OECD[2]) Economic Outlook Volume 2023 Issue 2.

Figure 1.1. Income tax plus employee and employer social security contributions, 2023

As a % of labour costs



Notes: Figure shows results for a single individual without children at the income level of the average worker.
Includes payroll taxes where applicable.

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Personal average tax rates

The personal average tax rate is defined as personal income tax plus employee SSCs as a percentage of gross wage earnings. Table 1.3 shows the personal average tax rates in 2023 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 24.9% in 2023. Belgium had the highest rate, at 39.9% 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 (11.0%), Costa Rica (10.7%), Chile (7.1%) 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 2023 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 2023, 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 countries. No employee SSCs were levied in Australia, Colombia, Denmark and New Zealand and their levels were at 4% of gross earnings or below 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 – Czechia, Greece, Israel, Korea, Lithuania, the Slovak Republic and Türkiye – the respective 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.).

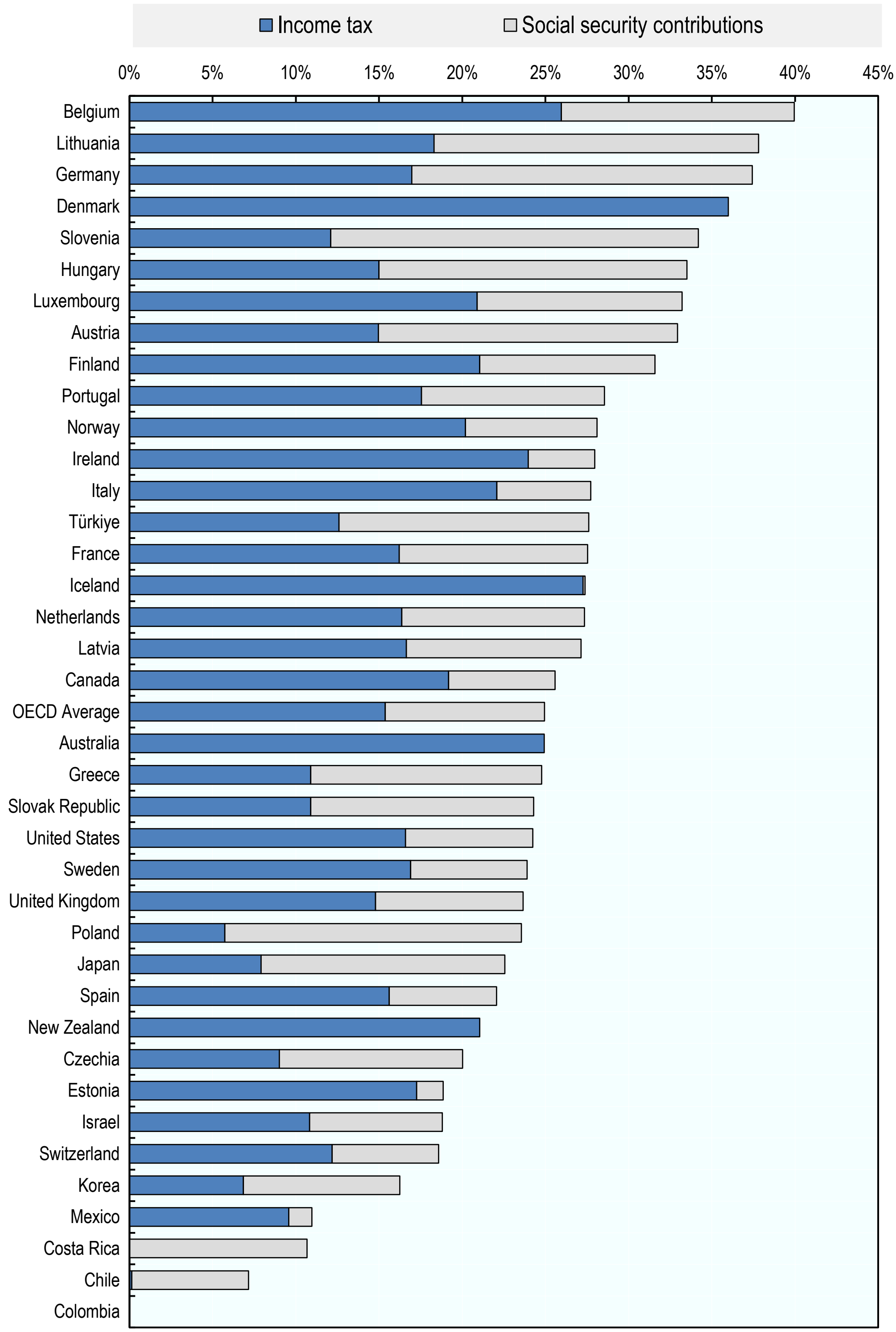
Table 1.3. Income tax plus employee social security contributions, 2023

As % of gross wage earnings

Country[1]	Total payment[2]	Income tax (2)	Employee social security contributions (3)	Gross wage earnings[3] (4)
Switzerland	18.6	12.2	6.4	100 048
Luxembourg	33.2	20.9	12.3	83 741
Norway	28.1	20.2	7.9	82 880
Denmark	36.0	36.0	0.0	82 383
Belgium	39.9	26.0	14.0	81 461
Germany	37.4	17.0	20.5	81 439
Netherlands	27.3	16.4	11.0	78 201
Ireland	28.0	24.0	4.0	77 006
Iceland	27.4	27.3	0.1	76 597
Austria	32.9	15.0	18.0	76 127
Canada	25.6	19.2	6.4	73 102
Australia	24.9	24.9	0.0	70 154
United Kingdom	23.7	14.8	8.9	69 143
United States	24.2	16.6	7.7	67 264
Korea	16.2	6.8	9.4	66 806
Finland	31.6	21.1	10.5	64 833
France	27.5	16.2	11.3	60 922
Sweden	23.9	16.9	7.0	57 235
Japan	22.6	7.9	14.7	53 673
Italy	27.7	22.1	5.6	52 734
New Zealand	21.1	21.1	0.0	51 149
Israel	18.8	10.8	8.0	49 235
Spain	22.1	15.6	6.5	48 836
Lithuania	37.8	18.3	19.5	46 124
Türkiye	27.6	12.6	15.0	46 011
Slovenia	34.2	12.1	22.1	45 465
Greece	24.8	10.9	13.9	43 840
Poland	23.6	5.7	17.8	42 696
Portugal	28.6	17.6	11.0	41 048
Hungary	33.5	15.0	18.5	39 916
Czechia	20.0	9.0	11.0	38 122
Estonia	18.9	17.3	1.6	36 052
Latvia	27.1	16.6	10.5	35 043
Slovak Republic	24.3	10.9	13.4	29 872
Chile	7.1	0.1	7.0	29 325
Costa Rica	10.7	0.0	10.7	27 695
Mexico	11.0	9.6	1.4	16 845
Colombia	0.0	0.0	0.0	16 615
OECD Average	**24.9**	**15.4**	**9.6**	**56 306**

Note: Table shows results for a 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.
Source: Country submissions, (OECD[2]) Economic Outlook Volume 2023 Issue 2.

Figure 1.2. Percentage of gross wage earnings paid in income tax and employee social security contributions, 2023



Notes: Countries ranked by decreasing tax burden.
Figure shows results for a single workers at the income level of the average worker.

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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 25.7% in 2023, compared with 34.8% for the single average worker. This gap increased by 0.04 p.p. between 2022 and 2023 due to an increase in the average tax wedge for the single worker without children.[5]

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

The tax wedge of a one-earner married couple with two children increased by 0.08 p.p. on average and increased in 20 countries between 2022 and 2023 (see column 4). In 29 OECD countries, there was only a small change (not exceeding plus or minus one percentage point). There were increases of more than one percentage point in seven countries: Australia, Austria, Hungary, Latvia, Luxembourg, New Zealand and Poland.

In Australia, the increase of 2.22 p.p. in the tax wedge of an average one-earner married couple with two children was related to the cessation of the LMITO. In Austria (2.33 p.p.), the additional family allowance of EUR 180, the energy cost credit and the anti-inflation bonus were all discontinued in 2023, while the average amount of the “Klimabonus” decreased. In Hungary, the tax wedge increased by 1.38 p.p. in 2023 due to higher SSCs and because the basic amounts of the child tax allowance remained unchanged while household earnings increased. In Latvia (1.92 p.p.), the increase was due to the progressivity of the tax schedule: households paid higher taxes as the average wage rose while income thresholds remained unchanged.

In Luxembourg, the average tax wedge increased by 1.83 p.p. 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 (up 3.03 p.p.), the tax wedge increased due to the discontinuation of the Cost of Living Payments introduced in 2022 and due to a decrease in the amount of Family Tax Credit received at this earnings level, since the threshold for the abatement did not change in 2023 while the average wage increased by 7.7%. In Poland (2.84 p.p.), the tax wedge increased due to the progressivity of the tax schedule, as earnings thresholds did not change while the average wage increased significantly (by 12.7% in nominal terms) in 2023.

There were decreases of one percentage point or more in the tax wedge of a one-earner married couple receiving the average wage with two children in two countries: the Netherlands and the Slovak Republic. In the Netherlands (-1.80 p.p.), the tax wedge decreased due to lower employee SSCs because of reductions in the health care benefit rates, higher child-related cash transfers and larger tax credits in 2023 relative to 2022. In the Slovak Republic (-10.79 p.p.), the average tax wedge decreased due to a temporary increase in the child tax credit and because of an increase in cash benefits for children.

A comparison of changes in the tax wedge between 2022 and 2023 for one-earner married couples with two children and single persons without children, at the average wage level, is shown in column 6 of Table 1.4. The fiscal preference for families increased in fourteen of the 38 OECD countries: Belgium, Canada, Chile, Colombia, Estonia, Germany, Ireland, Italy, Lithuania, the Netherlands, Norway, Slovak Republic, Slovenia and the United Kingdom.

Table 1.4. Comparison of total tax wedge for single and one-earner couple taxpayers, 2023

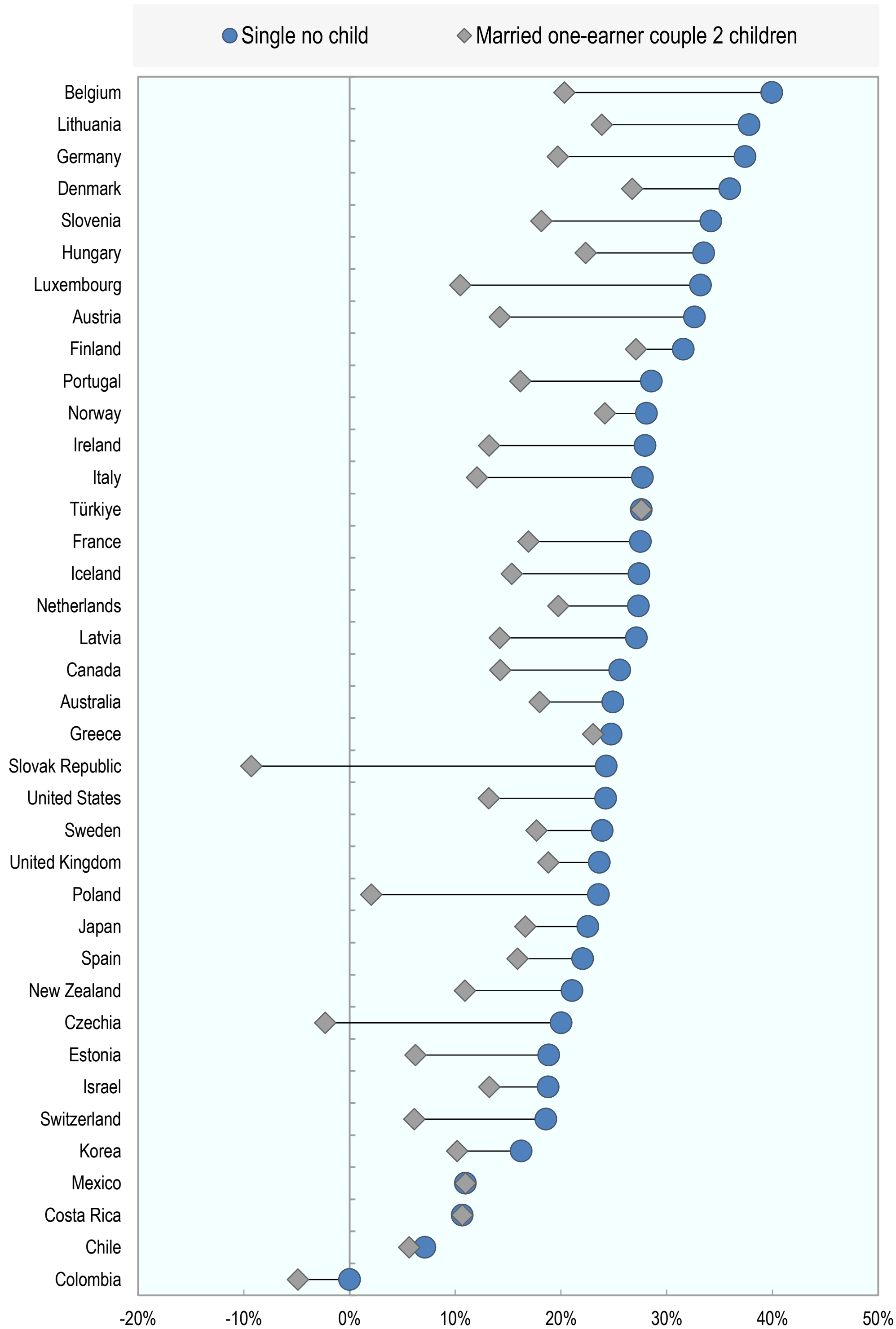
As % of labour costs

Country[1]	Family[2] total Tax wedge 2023 (1)	Single[3] total Tax wedge 2023 (2)	Fiscal preference for families (1)-(2) (3)	Annual change, 2023/22 (in percentage points)		
				Family tax wedge (4)	Single tax wedge (5)	Difference between single and family (5)-(4) (6)
Slovak Republic	15.7	41.6	-25.9	-10.79	0.10	10.89
Luxembourg	21.4	41.3	-20.0	1.83	1.39	-0.44
Poland	15.8	34.3	-18.5	2.84	0.50	-2.34
Czechia	23.5	40.2	-16.7	0.65	0.33	-0.32
Belgium	37.3	52.7	-15.4	-0.32	-0.24	0.08
Germany	33.1	47.9	-14.8	-0.68	-0.49	0.19
Austria	32.8	47.2	-14.4	2.33	0.29	-2.03
Slovenia	29.5	43.3	-13.8	0.42	0.43	0.01
Lithuania	25.2	38.9	-13.7	0.53	0.54	0.01
Ireland	21.8	35.1	-13.3	-0.54	-0.52	0.02
Italy	33.2	45.1	-11.9	-0.27	0.05	0.32
Switzerland	11.8	23.5	-11.7	0.10	0.03	-0.06
Iceland	20.4	31.7	-11.3	0.55	-0.39	-0.94
Latvia	30.6	41.1	-10.5	1.92	0.61	-1.30
Canada	21.5	31.9	-10.4	-0.12	-0.01	0.12
United States	19.7	29.9	-10.2	-0.14	-0.52	-0.38
New Zealand	10.9	21.1	-10.1	3.03	0.92	-2.11
Portugal	32.3	42.3	-10.0	0.32	0.14	-0.18
Hungary	31.3	41.2	-9.9	1.38	0.00	-1.38
Estonia	29.9	39.4	-9.4	-0.90	0.23	1.13
Denmark	27.2	36.4	-9.2	0.23	0.06	-0.17
France	39.1	46.8	-7.8	-0.16	-0.17	-0.01
Netherlands	28.3	35.1	-6.8	-1.80	-0.68	1.11
Australia	22.7	29.2	-6.5	2.22	2.14	-0.08
Korea	19.1	24.6	-5.5	0.37	0.11	-0.26
Israel	17.9	23.2	-5.3	-0.25	-0.27	-0.02
Japan	27.9	33.0	-5.1	0.46	0.36	-0.10
Colombia	-4.9	0.0	-4.9	-0.56	0.00	0.56
Sweden	37.4	42.1	-4.7	-0.09	-0.26	-0.17
Spain	35.5	40.2	-4.7	0.88	0.62	-0.26
United Kingdom	27.0	31.3	-4.4	-0.42	-0.33	0.08
Finland	39.8	43.5	-3.7	0.93	0.42	-0.51
Norway	32.9	36.4	-3.5	-0.05	0.18	0.23
Chile	5.7	7.1	-1.5	-0.01	0.15	0.16
Greece	37.1	38.5	-1.4	0.73	0.44	-0.29
Türkiye	38.4	38.4	0.0	0.22	0.22	0.00
Mexico	20.0	20.0	0.0	-0.98	-0.98	0.00
Costa Rica	28.6	28.6	0.0	-0.62	-0.62	0.00
OECD Average	**25.7**	**34.8**	**-9.1**	**0.08**	**0.13**	**0.04**

1. Countries ranked by decreasing tax wedge of the family.
2. One-earner married couple with two children and earning the average wage.
3. Single individual without children and earning the average wage.
Source: Country submissions, (OECD[2]) Economic Outlook Volume 2023 Issue 2.

Figure 1.3. Income tax plus employee contributions less cash benefits, 2023

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/8tdgl2

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 Slovak Republic (33.6%), Luxembourg (22.7%), Czechia (22.3%) and Poland (21.5%); and by more than 15% in Belgium (19.6%), Austria (18.4%), Germany (17.7%), Slovenia (16.0%) and Italy (15.7%). 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 (9.2%), the Netherlands (7.6%), Australia (6.9%), Sweden (6.2%), Spain (6.2%), Korea (6.1%), Japan (5.9%), Israel (5.6%), Colombia (4.9%), the United Kingdom (4.9%), Finland (4.5%), Norway (3.9%), Greece (1.7%) and Chile (1.5%). The disposable income was the same for both household types in Costa Rica, Mexico and Türkiye, as in each country their net personal average tax rates were identical.

Taxation of two-earner couples

The preceding sections 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 analysis 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 respectively, with two children.

The tax wedge

For this household type, the OECD average tax wedge as a percentage of labour costs was 29.5% in 2023 (Figure 1.4 and Table 1.5). Belgium had a tax wedge of 45.1%, which was the highest among OECD countries for this household type. The other countries with a tax wedge exceeding 40% were Germany and France (40.7% and 40.6%, respectively). The lowest tax wedge for this household type was observed in Colombia (-5.8%). 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) 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 Mexico (19.6%), New Zealand (19.1%), Switzerland (17.8%), Israel (14.9%) and Chile (5.1%).

Figure 1.4 shows the average tax wedge and its components as a percentage of labour costs for the two-earner married couple in 2023. On average across OECD countries, income tax represented 10.5% of labour costs and the sum of the employee and employer SSCs represented 21.4%. The OECD tax wedge is net of cash benefits, which represented 2.3% of labour costs in 2023. The cash benefits that are included in the *Taxing Wages* models 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.

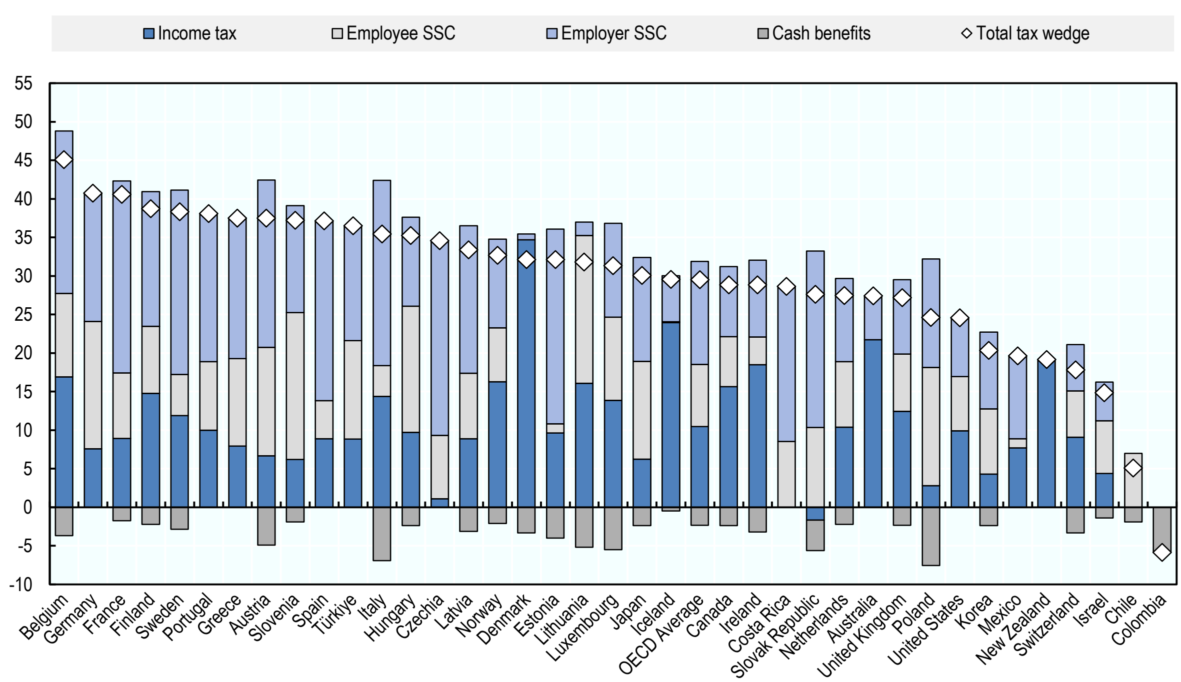
The OECD average tax wedge of the two-earner married couple increased by 0.06 p.p. in 2023 from the previous year, as indicated in Table 1.5 (column 2). For this household type, the tax wedge increased in 21 OECD countries and decreased in 17. The increase exceeded one percentage point in seven countries: New Zealand (1.19 p.p.), Austria (1.23 p.p.), Latvia (1.33 p.p.), Slovenia (1.48 p.p.), Poland (1.72 p.p.), Luxembourg (2.11 p.p.) and Australia (2.61 p.p.). In New Zealand, the tax wedge increased due to the discontinuation of the Cost of Living Payment that was introduced in 2022. In Austria, the increase was due to the discontinuation of the additional family allowance, the energy cost credit and the anti-inflation bonus in 2023, as well as due to a decrease in the average amount of the "Klimabonus" workers received. In Latvia, the increase was due to higher employee SSCs and the progressivity of the tax schedule (the average wage rose while income thresholds remained unchanged). In Slovenia, the tax wedge increased primarily due to a decrease in the cash benefit received by the household at this income level, as the average wage increased by more than the means test threshold in nominal terms. In Poland, the tax wedge grew due to higher SSCs and an increased tax liability as the average wage rose in 2023 while the value of tax thresholds, tax credits and cash transfers did not change. In Luxembourg, the average tax wedge increased, as previously mentioned, due to the progressivity of the tax system and increases in employee and employer SSCs related to increases in the average wage. In Australia, the increase was a result of the cessation of the LMITO, as mentioned above.

Among the countries where the tax wedge rose for two-earner married couples with children in 2023, the increase in income tax as a percentage of labour costs accounted for most of the increase in ten: Australia, Czechia, Greece, Hungary, Latvia, Lithuania, Luxembourg, New Zealand, Portugal and Türkiye. Meanwhile, an increase in SSCs was the main factor behind the higher tax wedge for this household type in three countries: Japan, Korea and Spain. In Austria, Denmark, Finland, Iceland, Poland, Slovenia, Sweden and Switzerland, the elimination or decrease in the amounts of cash benefits was the main driver of increases in the tax wedge.

In most countries where the tax wedge for families with children decreased between 2022 and 2023, 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. Decreases of more than one percentage point were observed in four countries: the Netherlands (-1.01 p.p.), Chile (-1.02 p.p.), Estonia (-1.18 p.p.) and the Slovak Republic (-6.46 p.p.). As observed in previous sections, the decrease in the tax wedge resulted from a reduction of employee SSCs in the Netherlands, an increase in cash benefits in Chile and Estonia, and a temporary increase of the child tax credit in the Slovak Republic.

Figure 1.4. Income tax plus employee and employer social security contributions less cash benefits, 2023

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



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

StatLink https://stat.link/t69vqx

Table 1.5. Comparison of total tax wedge for two-earner couples with children, 2023

As % of labour costs

Country[1]	Total tax wedge 2023 (1)	Annual change, 2023/22 (in percentage points)[2]				
		Tax wedge (2)	Income tax (3)	Employee SSC (4)	Employer SSC[3] (5)	Cash benefits (6)
Belgium	45.1	-0.24	-0.29	-0.04	0.02	-0.07
Germany	40.7	-0.77	-1.14	-0.13	-0.02	-0.52
France	40.6	-0.18	0.02	-0.04	-0.17	-0.01
Finland	38.7	0.68	0.09	0.22	0.05	-0.31
Sweden	38.3	0.03	-0.07	-0.01	0.00	-0.10
Portugal	38.1	0.29	0.29	0.00	0.00	0.00
Greece	37.5	0.59	0.74	-0.08	-0.07	0.00
Austria	37.5	1.23	-0.02	0.03	-0.18	-1.40
Slovenia	37.2	1.48	0.43	0.00	0.00	-1.04
Spain	37.1	0.40	0.04	0.06	0.30	0.00
Türkiye	36.5	0.26	0.26	0.00	0.00	0.00
Italy	35.4	-0.58	2.27	-2.62	0.00	0.23
Hungary	35.2	0.83	0.50	0.00	0.00	-0.33
Czechia	34.6	0.65	0.65	0.00	0.00	0.00
Latvia	33.4	1.33	0.94	0.00	0.00	-0.39
Norway	32.7	-0.16	0.07	-0.09	0.00	0.14
Denmark	32.1	0.13	0.05	0.00	-0.03	-0.12
Estonia	32.1	-1.18	-0.39	0.00	0.00	0.79
Lithuania	31.8	0.30	0.31	0.00	0.00	0.00
Luxembourg	31.3	2.11	1.76	0.00	0.00	-0.35
Japan	30.0	0.39	0.01	0.15	0.19	-0.04
Iceland	29.6	0.10	-0.46	0.00	0.00	-0.56
Canada	28.8	-0.03	-0.28	0.15	0.16	0.06
Ireland	28.8	-0.09	-0.04	0.00	0.00	0.05
Costa Rica	28.6	-0.62	0.00	0.22	-0.84	0.00
Slovak Republic	27.6	-6.46	-4.98	0.00	0.00	1.48
Netherlands	27.4	-1.01	-0.14	-0.76	0.03	0.13
Australia	27.4	2.61	2.00	0.00	0.62	0.00
United Kingdom	27.2	-0.25	0.45	-0.37	-0.27	0.07
Poland	24.6	1.72	0.77	0.00	-0.01	-0.96
United States	24.6	-0.16	-0.15	0.00	-0.02	0.00
Korea	20.4	0.23	-0.05	0.11	0.06	-0.11
Mexico	19.6	-0.66	-0.88	-0.02	0.24	0.00
New Zealand	19.1	1.19	0.90	0.00	0.00	-0.30
Switzerland	17.8	0.04	0.01	0.00	0.00	-0.03
Israel	14.9	-0.34	0.04	-0.26	-0.12	-0.01
Chile	5.1	-1.02	0.00	0.00	0.00	1.02
Colombia	-5.8	-0.67	0.00	0.00	0.00	0.67
OECD Average	**29.5**	**0.06**	**0.10**	**-0.09**	**0.00**	**-0.05**

Note: Table shows results for a two-earner married couple, one earning 100% and the other earning 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.
Source: Country submissions, (OECD[2]) Economic Outlook Volume 2023 Issue 2.

Table 1.6. Income tax plus employee social security contributions less cash benefits, 2023

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

Country[1]	Total payment[2] (1)	Income tax (2)	Employee social security contributions (3)	Cash benefits (4)	Gross wage earnings[3] (5)
Switzerland	12.5	9.7	6.4	3.5	167 081
Luxembourg	21.8	15.8	12.3	6.3	139 847
Norway	23.9	18.4	7.9	2.4	138 409
Denmark	31.6	35.0	0.0	3.4	137 580
Belgium	30.4	21.4	13.7	4.7	136 040
Germany	28.9	9.1	19.8	0.0	136 004
Netherlands	18.7	11.7	9.5	2.5	130 595
Ireland	21.0	20.5	4.0	3.6	128 600
Iceland	25.1	25.4	0.1	0.5	127 916
Austria	20.2	8.5	18.0	6.3	127 131
Canada	21.7	17.2	7.1	2.6	122 080
Australia	23.0	23.0	0.0	0.0	117 157
United Kingdom	19.4	13.8	8.3	2.6	115 470
United States	18.4	10.7	7.7	0.0	112 331
Korea	11.5	4.8	9.4	2.6	111 567
Finland	25.7	17.9	10.5	2.7	108 271
France	20.8	11.9	11.3	2.3	101 739
Sweden	18.9	15.6	7.0	3.7	95 583
Japan	19.1	7.2	14.7	2.7	89 634
Italy	15.1	18.9	5.2	9.1	88 066
New Zealand	19.1	19.1	0.0	0.0	85 419
Israel	10.3	4.6	7.2	1.5	82 222
Spain	18.0	11.6	6.5	0.0	81 557
Greece	23.6	9.7	13.9	0.0	80 534
Lithuania	30.6	16.4	19.5	5.3	77 027
Türkiye	25.4	10.4	15.0	0.0	76 839
Slovenia	27.1	7.2	22.1	2.2	75 927
Poland	12.3	3.3	17.8	8.8	71 302
Portugal	23.4	12.4	11.0	0.0	68 549
Hungary	26.8	11.0	18.5	2.7	66 660
Czechia	12.5	1.5	11.0	0.0	63 664
Estonia	9.2	12.9	1.6	5.3	60 206
Latvia	17.6	11.0	10.5	3.9	58 522
Slovak Republic	6.1	-2.2	13.4	5.1	49 886
Chile	5.1	0.0	7.0	1.9	48 972
Costa Rica	10.7	0.0	10.7	0.0	46 251
Mexico	10.0	8.6	1.3	0.0	28 131
Colombia	-5.8	0.0	0.0	5.8	27 747
OECD Average	**18.7**	**11.9**	**9.5**	**2.7**	**94 224**

Notes: Table shows results for a 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 equivalent purchasing power.

Source: Country submissions, (OECD[2]) Economic Outlook Volume 2023 Issue 2.

Personal average tax rates

The net personal average tax rate for a two-earner married couple with two children where one spouse earns the average wage and the other earns 67% thereof, was 18.7% of gross wage earnings on average in 2023. Table 1.6 shows the net personal average tax rate for each OECD country 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 income taxes and employee 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 2023, ranging from -5.8% in Colombia to 31.6% in Denmark. In Colombia, the net personal average tax rate 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 105.8% of the couple's gross wage earnings in Colombia while it represented 68.4% in Denmark. The net personal average tax rate was equal to or lower than 10% in Mexico (10.0%), Estonia (9.2%), the Slovak Republic (6.1%) and Chile (5.1%).

The *Taxing Wages* indicators focus on the structure of labour taxation. 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 taxation of other forms of income, such as capital income (Hourani et al., 2023[3]). Non-tax compulsory payments that affect households' disposable income are not included in the calculations presented in the publication but further analysis of those payments is presented in the online report: https://www.oecd.org/tax/tax-policy/tax-database/non-tax-compulsory-payments.pdf.

Wages

While the average wage increased in 37 OECD countries between 2022 and 2023 in nominal terms, it decreased in 18 of the 38 countries in real terms. Meanwhile, the post-tax income for a single worker earning the average wage decreased in 21 countries in real terms over the same period. This was the second consecutive year in which the real post-tax income for a single worker declined in a majority of OECD countries: this occurred in 33 countries in 2022 as wages fell in real terms in all but four countries from the previous year.

Table 1.7 shows gross wage earnings in national currency of the average worker in each OECD member country for 2022 and 2023. The figures for 2023 are estimated by the OECD Secretariat by applying the change in the compensation per employee in the total economy as presented in the *OECD Economic Outlook* Volume 2023 Issue 2 database (OECD, 2023[2]) to the final average wage values provided for previous years 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 2023 – shown in column 3 – ranged from 0% in Costa Rica to 111.8% in Türkiye. To a large extent, changes in nominal wage levels in 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% in 24 countries (see column 5 of Table 1.7). Seven countries recorded declines outside this range: Estonia (-2.2%), Iceland (-2.5%), Czechia (-3.0%), Hungary (-3.0%), Mexico (-4.5%), Sweden (-4.6%) and Colombia (-10.5%).

In 21 OECD countries, the average single worker without children had lower real post-tax income in 2023 than in 2022, either because the personal average tax rate (column 6) decreased by less than the real wage before tax (column 5), because 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 2023 in Belgium, Canada, Chile, Costa Rica, Denmark, Germany, Ireland, Israel, Korea, Lithuania, Mexico, the Netherlands, Portugal, Slovenia, Türkiye, the United Kingdom and the United States.

- The real wage before tax decreased by less than the personal average tax rate in Canada, Germany, Ireland, Mexico and the United States.
- The personal average tax rate decreased while the real wage before tax increased in Belgium, Israel, the Netherlands and the United Kingdom.
- The personal average tax rate increased by less than the real wage before tax in Chile, Costa Rica, Denmark, Korea, Lithuania, Portugal, Slovenia and Türkiye.

When comparing wage levels, it is important to note that the definition of average wage earnings may vary between countries due to data limitations. For instance, some countries do not include the wages earned by supervisory and managerial workers or do not exclude the wage earnings of 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 2023 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, Czechia, 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 2022 and 2023

Country	Gross wage in national currency		Annual change, 2023/22 (percentage)			
	2022 (1)	2023 (2)	Gross wage (3)	Inflation[1] (4)	Real wage before tax (5)	Change in personal average tax rate[2] (6)
Australia	95 735	99 565	4.0	5.6	-1.6	7.6
Austria	53 126	57 082	7.4	7.7	-0.3	1.7
Belgium	55 038	59 285	7.7	2.4	5.2	-0.7
Canada	83 126	86 203	3.7	4.0	-0.2	-0.4
Chile	11 850 890	13 232 535	11.7	7.6	3.8	2.1
Colombia	23 470 233	23 470 233	0.0	11.7	-10.5	0.0
Costa Rica	8 897 195	9 193 578	3.3	0.6	2.7	1.6
Czechia	479 623	515 219	7.4	10.7	-3.0	2.3
Denmark	469 400	488 078	4.0	3.6	0.4	0.2
Estonia	20 222	21 595	6.8	9.2	-2.2	1.7
Finland	50 750	53 310	5.0	4.5	0.5	1.5
France	41 522	43 438	4.6	5.7	-1.0	-0.4
Germany	57 667	60 867	5.5	6.2	-0.6	-1.6
Greece	22 170	23 536	6.2	4.3	1.8	2.5
Hungary	6 276 792	7 152 170	13.9	17.5	-3.0	0.0
Iceland	10 452 000	11 066 502	5.9	8.6	-2.5	-1.5
Ireland	57 457	59 899	4.3	5.3	-1.0	-2.0
Israel	171 036	180 983	5.8	4.3	1.4	-1.0
Italy	32 191	33 492	4.0	6.1	-2.0	0.2
Japan	5 165 693	5 251 660	1.7	3.2	-1.5	1.1
Korea	52 055 568	54 497 863	4.7	3.6	1.1	0.4
Latvia	16 500	18 559	12.5	9.4	2.8	2.9
Lithuania	21 196	23 409	10.4	8.8	1.5	1.5
Luxembourg	68 578	73 418	7.1	3.1	3.8	5.0
Mexico	171 738	172 991	0.7	5.5	-4.5	-10.5
Netherlands	58 810	62 281	5.9	4.4	1.4	-2.8
New Zealand	70 588	76 001	7.7	5.8	1.8	4.5
Norway	689 478	727 681	5.5	5.5	0.0	0.7
Poland	76 071	85 715	12.7	11.8	0.8	2.5
Portugal	22 073	23 714	7.4	5.5	1.8	0.6
Slovak Republic	15 299	16 835	10.0	11.1	-0.9	0.5
Slovenia	23 632	26 667	12.8	7.5	5.0	1.5
Spain	28 780	30 237	5.1	3.5	1.5	2.4
Sweden	493 770	511 738	3.6	8.6	-4.6	-1.4
Switzerland	101 350	102 141	0.8	2.2	-1.4	0.2
Türkiye	150 661	319 068	111.8	52.8	38.6	0.9
United Kingdom	44 854	48 185	7.4	7.3	0.1	-0.4
United States	64 845	67 264	3.7	4.2	-0.4	-2.2

Note: Table shows results for a single worker without two children earning the average wage.
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 2022 and 2023.
Source: Country submissions, (OECD[2]) Economic Outlook Volume 2023 Issue 2.

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]		2000-2023
Austria[2]	2004-2007	2008-2023
Belgium	2000-2007	2008-2023
Canada	2000-2023	
Chile[3]	2000-2008	2009-2023
Colombia[4]	2000-2023	
Costa Rica[5]		
Czechia		2000-2023
Denmark[6]	2000-2007	2008-2023
Estonia		2000-2023
Finland		2000-2023
France	2000-2007	2008-2023
Germany	2000-2005	2006-2023
Greece[7]		2000-2023
Hungary		2000-2023
Iceland[8]		2000-2023
Ireland[9]	2000-2007	2008-2023
Israel[10]	2000-2012	2013-2023
Italy		2000-2023
Japan		2000-2023
Korea[11]	2000-2007	2008-2023
Latvia[12]		2000-2023
Lithuania		2000-2023
Luxembourg	2000-2004	2005-2023
Mexico[13]		
Netherlands[14]	2000-2007	2008-2011
New Zealand[15]	2000-2003	2004-2023
Norway	2000-2008	2009-2023
Poland	2000-2006	2007-2023
Portugal	2000-2005	2006-2023
Slovak Republic[16]		2000-2023
Slovenia		2000-2023
Spain		2000-2023
Sweden	2000-2007	2008-2023
Switzerland		2000-2023
Türkiye[17]		2007-2023
United Kingdom	2000-2007	2008-2023
United States	2000-2006	2007-2023

1. For Australia, data is based on ANZSIC06 such that the categories substantially overlap with ISIC 4, sectors B-N.
2. For Austria, 2000-2003 average wage values are not based on the NACE (ISIC) classification.
3. For 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. For Colombia, average wage values are 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. For Costa Rica, the average wage from 2000 onwards refers 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. For Denmark, average wage values are based on sectors B-N and R-S (NACE rev 2).
7. For Greece, 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. For Iceland, this uses a national classification system that corresponds with the NACE rev. 2 classification system.
9. For 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. Information on data for Israel is available at: http://oe.cd/israel-disclaimer.
11. For 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. For 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. For Mexico: Average wage values from 2000-2023 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. For the 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. For New Zealand: see the note for Australia, which applies from 2004.
16. For Slovak Republic, average wage values are 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. For Türkiye, the average wage is based on the average production worker wage ISIC rev. 3.1 sector D for years 2000 to 2006.

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Notes

[1] 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 (https://www.oecd.org/tax/tax-policy/tax-database/non-tax-compulsory-payments.pdf).

[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 OECD countries also have NTCPs (please see https://www.oecd.org/tax/tax-policy/tax-database/non-tax-compulsory-payments.pdf).

[4] See note 3.

[5] The fiscal advantage for a couple with children may disincentivise the non-working spouse from taking-up employment. The tax wedge for a second earner in a married couple may be significantly higher than for a single worker at the same income level and with the same number of children, which may reduce women's labour participation and thus contribute to persistent gender inequality across many OECD countries in terms of labour outcomes. This topic is discussed in detail in Chapter 2, the special feature of this report

[6] See note 3.

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2 Special feature: Tax and gender through the lens of the second earner

Introduction

This Special Feature uses *Taxing Wages* models and indicators to examine the tax treatment of second earners within married couples in OECD countries. Although the *Taxing Wages* methodology does not distinguish between male and female workers, women account for at least three-quarters of second earners (the lesser-earning spouse in *Taxing Wages* household types that include two adults) in most OECD countries (OECD, 2023[1]). By estimating the tax rates on second earners, the chapter provides insights into the incentives that the tax system provides for them to take up employment or increase the amount they work. As such, it aims to inform policies to address persistent gender gaps in labour market outcomes across OECD countries, in particular those related to labour force participation.

The Special Feature, which builds on analysis contained in the 2016 edition of *Taxing Wages* (OECD, 2016[2]), is structured as follows. First, it provides an overview of the disparities in labour market outcomes between men and women in OECD countries and outlines the potential role of taxes and transfers in this regard. Next, it explains the methodology, data and indicators that are used to examine the tax treatment of second earners in the chapter, as well as the assumptions and limitations inherent to this analysis. The third section examines the average tax wedge facing second earners upon taking up employment, which it compares to those of single workers across OECD countries, while a fourth section uses indicators that are new to *Taxing Wages* to examine the marginal tax wedge for second earners who increase the amount they work. A fifth section concludes.

Tax policy contributes to persistent disparities between men and women in the labour market

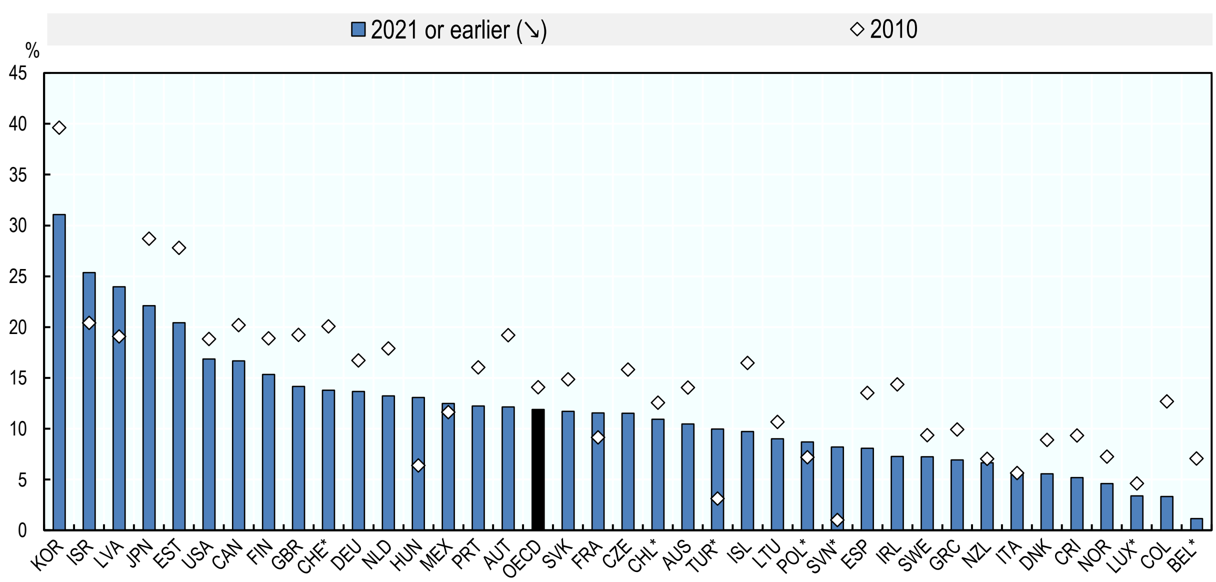
On average across OECD countries, women are paid less, are less likely to be employed and spend less time in paid work each year than men. Although the gaps in employment-related outcomes have narrowed in recent decades, gender equality in the labour market remains a distant prospect. This section briefly outlines some of the causes and consequences of these disparities and how the incentives faced by second earners in particular may contribute to the existence and persistence thereof.

Gender equality is a global priority, as articulated in Sustainable Development Goal (SDG) 5 of the 2030 Agenda for Sustainable Development.[1] Aside from the importance of this objective vis-à-vis women's social and economic rights, as well as social cohesion and democracy more broadly, greater gender equality is associated with a range of economic benefits (World Bank, 2024[3]). As stated by André et al (2023[4]) with reference to OECD countries, 'Greater equality of opportunities between men and women would enhance social mobility, foster inclusiveness and boost economic growth through better use of talent.'

Among the most-scrutinised metrics of gender inequality in the labour market is the pay gap between men and women, which in OECD countries is driven by significant differences in the tasks and responsibilities between genders as well as by the concentration of women in low-wage firms and industries (OECD, 2021[5]). These discrepancies contribute to a 'pensions gap' later in life: on average across OECD countries, women aged 65 and over receive 26% less income than men from the pension system (OECD, 2021[6]).

Figure 2.1. The gender wage gap has narrowed but remains substantial across OECD countries

Wage gap at the median per year in 2010 and 2021



Note: Unadjusted difference between median wage of men and women relative to the median wage of men. Latest data for Belgium, Poland and Switzerland refer to 2020, for Slovenia and Türkiye refer to 2018 and for Luxembourg refers to 2014. Data for Chile for 2010 is the unweighted average between the available data for 2009 and 2011.
Source: https://stats-3.oecd.org/Index.aspx?DataSetCode=GENDER_EMP.

StatLink https://stat.link/lmqktd

The median full-time wage for women was 11.9% lower than that of men on average across the OECD in 2021, down from 14.1% in 2010 and 18.1% in 2000 (Figure 2.1).The gradual narrowing of the wage gap across OECD countries in recent decades is attributable to women's higher educational attainment and a slow rise in the proportion of women in leadership positions, among other factors. Differences between the wages that men and women earn for work of equal value are small within OECD countries (OECD, 2023[1]).

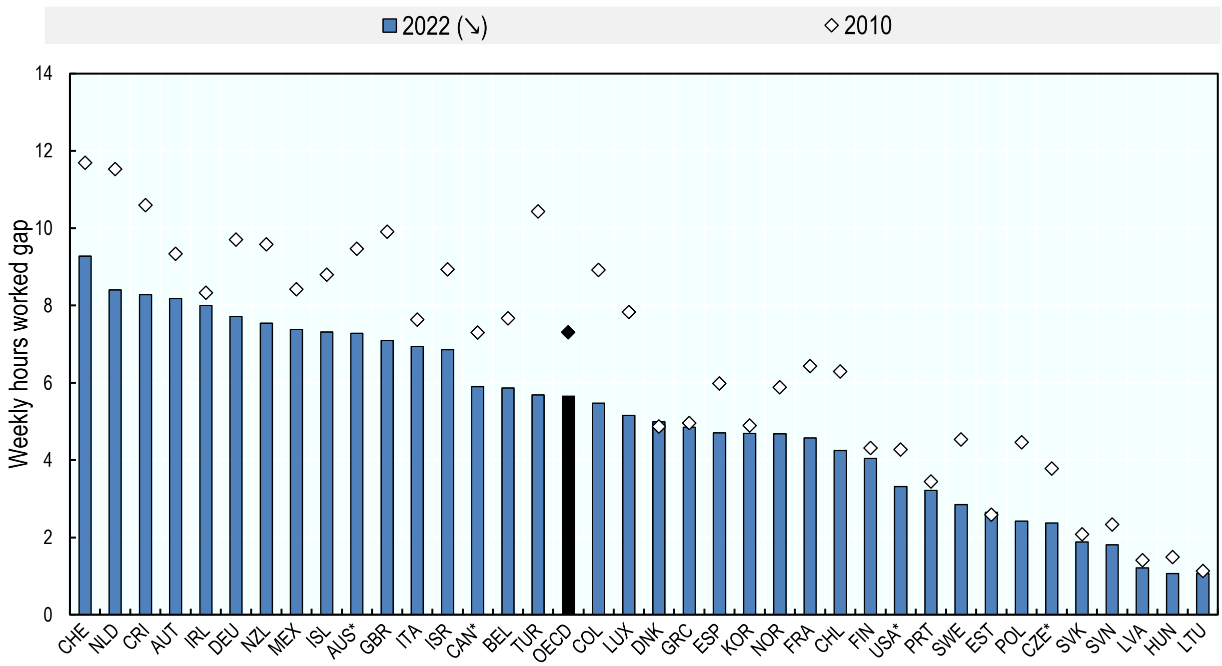
Another key indicator of gender inequality in the labour market is the gap in labour force participation. On average across OECD countries, men were 10.4 percentage points (p.p.) more likely to be employed than women in 2021 (OECD, 2023[1]). This gap has declined in recent decades (by 5.4 p.p. between 2000 and 2010 and by 2.2 p.p. between 2010 and 2021), due in large part to an increase in female labour force participation: 64.6% of women were employed on average in the OECD in 2021, up from 55.7% in 2000 (OECD, 2023[1]).

There are also persistent gender gaps in the amount of time spent in employment. Women make up nearly two-thirds of the part-time labour force and are almost three times more likely to work part-time than men:

on average across the OECD, 21.5% of working-aged women were employed on a part-time basis in 2021, compared with only 7.7% of men (Harding, Paturot and Simon, 2022[7]). Overall, men spent almost six hours per week more in paid employment than women on average across the OECD in 2022 (Figure 2.2). Although women's labour force participation fell more sharply than men's in the initial phase of the COVID-19 pandemic, it bounced back more strongly than men's thereafter (Queisser, 2021[8]).

Figure 2.2. Women still work fewer hours per week in paid employment than men across OECD countries

Gender gap in the average usual weekly hours worked on the main job, total employment, men – women, 15-64 year-olds, 2010 and 2022*



Note: Latest data for Canada and Czechia refer to 2021. Data for the United States refer to dependent employment only. Data for Australia and Canada refer to average actual hours worked for all workers above the age of 15 years.
Source: *OECD Employment Database*, https://stats.oecd.org/Index.aspx?DatasetCode=AVE_HRS. Data for Australia is from the *Australian Bureau of Statistics*, https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia-detailed/latest-release.

StatLink https://stat.link/haojes

The gap in the time women spend in paid employment persists despite tight labour markets across OECD countries, with labour shortages reported across a number of sectors in some countries (European Union, 2023[9]). While these shortages have become an urgent short-term issue during and after the COVID-19 pandemic, they are also a long-term concern in a context where population ageing in OECD countries is expected to increase demand for female-dominated sectors, such as health and long-term care. At the same time, continued progress in closing gender gaps in pay and participation will require policies to ensure women are equipped and encouraged to participate in occupations that have a role in increasingly digitalised economies (OECD, 2023[1]).

Strategies to enhance the labour force participation of women cut across policy areas. Policies related to childcare are particularly important since the career trajectories of men and women tend to diverge when women have their first child (Angelov, Johansson and Lindahl, 2016[10]; Bertrand, Goldin and Katz, 2010[11]). Social norms, for example the expectation that men should be the primary breadwinner or that women should take on the majority of care work (paid and unpaid), may deter women from working full-time or from taking on more skilled jobs (OECD, 2023[12]). As it is, many women place a premium on jobs that allow flexible working practices: to women in the United Kingdom, for example, the option to work at home on a regular basis is worth just over 20% of the average annual salary, whereas for men this option is only worth about 7% (OECD, 2023[13]).

Numerous studies have found that the elasticity of women's labour supply with respect to wages is high in absolute terms and tends to be higher for married women than for married men (although the elasticity has declined in recent years) (Keane, 2022[14]; CPB, 2015[15]). The elasticity is particularly high among women earning low incomes and in countries where female labour participation is lower (Bargain, Orsini and Peichl, 2014[16]). These findings hold at both the extensive margin (the decision to take up employment) and the intensive margin (the decision about how many hours to work) but have been found to be higher at the extensive margin.

A consequence of the high elasticity of female labour supply is that women's employment may be strongly influenced by tax and transfer policies. There is a broad literature demonstrating that higher tax rates for the second earner in a married couple help to explain gaps in labour supply between men and women (Bick and Fuchs-Schündeln, 2018[17]; Chen et al., 2023[18]). The substantial rise in female labour force participation in Sweden over recent decades, particularly among married women, has been attributed in part to a reform in 1971 that ended the joint taxation of couples; for the first time, married women were thus taxed on an individual basis (Selin, 2014[19]). Similarly, a significant increase in the labour market participation of married women in the United States during the 1980s has been attributed to two reforms to the personal income tax that resulted in significantly lower effective tax rates for second earners (Kaygusuz, 2010[20]). At the same time, female labour market participation in Germany increased by more than 16 p.p. between 1991 and 2021 to 73.1% even though family-based taxation persisted throughout this period, highlighting the potential importance of non-tax factors such as childcare facilities or changes in social norms (Bundesministerium der Finanzen, 2024[21]).

Reducing effective tax rates on second earners has the potential to enhance both the efficiency of a tax system (by reducing the disincentive to work among this group) and its horizontal equity (by addressing a factor behind gender inequalities in the labour market) (Mastrogiacomo et al., 2017[22]; Thomas and O'Reilly, 2016[23]). Taxing spouses' income on an individual basis may be effective in this regard, while also reducing the extent to which a woman's labour force participation is influenced by how much their spouse earns or to which tax policy influences a couple's decision to marry (Myohl, 2023[24]). As of 2023, 29 OECD countries implemented individual taxation policies, although in most cases these included tax reliefs (in particular tax credits) that are linked to the composition of the household or assessed at the household level (see Annex Table 2.A.1).

However, the justification for individual taxation on equity grounds is not straightforward.[2] As this chapter demonstrates, the disincentives for second earners (whether taxed jointly or as individuals) to increase their labour force participation (as measured by the marginal tax wedge) are a consequence of progressive taxation (OECD, 2023[1]). This progressivity is key to reducing inequality of disposable income between men and women (or between full- and part-time workers). Moreover, higher tax rates for married couples may be considered equitable in a context where they tend to have higher disposable incomes than single individuals (therefore greater capacity to pay tax) and to be less vulnerable to income shocks (Carbonnier, 2021[25]; Schechtl, 2021[26]).

Meanwhile, individual income taxation may have unintended impacts on the incidence of other instruments not examined in *Taxing Wages*, such as the taxation of capital gains or the cap on non-standard tax reliefs. Low-income households may be left worse-off by a shift from household-level to individual taxation where this leads to a decline in tax revenues which, in turn, reduces funding available for public services and transfers upon which they rely more than higher-earning households (Bierbrauer et al., 2023[27]). Moreover, in some countries, such as Germany, legal regulations may exist that require a specific treatment of married households, in which case a shift to individual taxation may result in horizontal inequalities.[3] The tension between different equity considerations, as well as between the distributional and social outcomes of fiscal policy more broadly, should be borne in mind when considering the results that follow.

Methodology, assumptions and limitations

This Special Feature builds upon the *Taxing Wages* models to analyse the tax treatment of second earners in OECD countries. In particular, it examines the fiscal incentives second earners face when considering whether to take up work or to increase the amount they work, thereby providing new evidence on fiscal incentives to increase labour supply at both the extensive and intensive margin. For this purpose, the chapter introduces two indicators not previously shown in *Taxing Wages* to analyse the effective tax rate on second earners.

The analysis examines effective tax rates for four household types, characterised by different earnings levels for the two working adults and the presence (or absence) of children. In certain cases, the results, some of which are shown in an Annex to this chapter, are compared with the tax treatment of single earners. The chapter also examines how these indicators have changed over time. The chapter does not compare the taxation of the two members of the same couple, i.e. the second earner and the primary earner at the same income level: the methodology underpinning this analysis implies that the average tax wedge for both is identical unless there are specific gender-based tax rules.[4]

Key indicators

The special feature primarily focuses on two indicators developed according to the *Taxing Wages* methodology:

- The average tax wedge faced by second earners when starting to work at 67% and 100% of the average wage, with and without children.[5]
- The marginal tax wedge faced by a second earner who increases their earnings level by 1% of the average wage or from 67% to 100% of the average wage, with and without children.

The methodology used to calculate these indicators means they should be interpreted as the tax burden borne by the household relative to the additional household income earned following the change in the second earner's employment status (for the average tax wedge) or earnings level (for the marginal tax wedge). As such, the indicators calculated in this paper do not necessarily equate to the average and marginal tax burdens actually faced by the second earner as an individual in all the countries included in the analysis, as further explained in the Assumptions and limitations section below.

The indicators are computed as follows:

Average tax wedge of the second earner	$\dfrac{\begin{array}{c}\text{Increase in income tax, employee and employer SSCs}\\ \text{(net of inwork benefits) paid by the family}\\ \text{as a result of the second earner entering the workforce}\end{array}}{\begin{array}{c}\text{Increase in the family gross earned income and employer SSCs}\\ \text{as a result of the second earner entering the workforce}\end{array}}$
Marginal tax wedge of the second earner (between X_1% and X_2% of the second earner's average wage)	$\dfrac{\begin{array}{c}(\text{Income tax} + \text{employee and employer SSCs}\\ - \text{inwork benefits paid by the family at } X_2\% \text{ of the AW})\\ - (\text{income tax} + \text{employee and employer SSCs}\\ - \text{inwork benefits paid by the family at } X_1\% \text{ of the AW})\end{array}}{\text{Labour costs at } X_2\% \text{ of the AW} - \text{Labour costs at } X_1\% \text{ of the AW}}$

The analysis in this chapter begins by showing the average tax wedge for second earners across OECD countries to show how the tax-and-transfer system may affect the decision of a spouse to take up employment (the extensive margin of labour supply).[6] The results are shown for a low-earning scenario (where the spouse earns 67% of the average wage) and an average-earning scenario (where the spouse earns 100% of the average wage). The results for second earners in couples with and without children are compared with those for single earners at equivalent income levels and with a similar household composition to show whether a spouse would face different incentives if they were single.

The average tax wedge in each country is then decomposed to show the relative weight of income taxes, employee and employer social security contributions (SSCs), and cash transfers[7] for each household type to demonstrate which policies may have the greatest impact on second earners' incentives to work. The average tax wedge for 2023 is then compared with those for 2014, which were discussed in the Special Feature of the *Taxing Wages* 2016 report (OECD, 2016[2]).[8]

Finally, the Chapter examines the incentives facing second earners when they increase employment (the intensive margin) by calculating two new *Taxing Wages* indicators that show the marginal tax wedge when a second earner:

- Increases their earnings by 1% of the average wage
- Increases their earnings from 67% to 100% of the average wage.

The results for second earners are compared with those for single workers with a similar household composition undertaking an equivalent change in earnings.

Dimensions

The four household types analysed in this chapter are distinguished in terms of the earnings level of the second earner and the number of children:

- A married couple (without children) where the principal earns 100% of the average wage and the second earner starts working at 67% of the average wage;
- A married couple (with two children) where the principal earns 100% of the average wage and the second earner starts working at 67% of the average wage;
- A married couple (without children) where the principal earns 100% of the average wage and the second earner starts working at 100% of the average wage; and
- A married couple (with two children) where the principal earns 100% of the average wage and the second earner starts working at 100% of the average wage.

Assumptions and limitations

The tax wedge of the second earner measures the additional tax burden borne by the household relative to the increase in household income when the second earner enters employment. The indicator was first introduced in the Special Feature for the 2016 edition of *Taxing Wages*. There are two main assumptions concerning the tax wedge of the second earner as shown in this chapter:[9]

1. The decision of the second earner to enter the workforce is subsequent to the primary earner's decision to participate.
2. The decision of the second earner to enter the workforce is made at the household level rather than at the individual level (for additional details, please see Box 2.1 below).[10]

Moreover, all the results shown in this chapter are derived from the *Taxing Wages* models and are thus subject to the same assumptions (including those on the industrial sectors taken into consideration for the wage estimates) that apply to these.

The indicators above are calculated in the same way regardless of whether couples are taxed on an individual or joint basis. Annex Table 2.A.1 provides a classification of the tax systems in place among OECD countries in 2023 on the basis of their tax unit.[11] Twenty-nine countries had an individual-based tax system, while nine countries (France, Germany, Ireland, Luxembourg, Poland, Portugal, Spain, Switzerland and the United States) either had a joint tax system or allowed couples to choose between the two approaches.

For the countries that allow citizens to choose how to be taxed (Germany, Ireland, Portugal, Spain and the United States), the *Taxing Wages* methodology assumes the household will adopt the approach that results in the highest post-tax earnings. Most of the 29 countries with individual taxation implement some form of joint assessment for tax reliefs or determine eligibility to certain reliefs according to the structure of the household.[12] For this reason, the gap in the tax wedge between second earners and single workers is not limited to countries with joint taxation.

One important limitation of this analysis is that the *Taxing Wages* methodology is gender-neutral concerning the identity of the two adult partners in a married couple. Hence, the indicators for second earners computed in this chapter are not specifically about the fiscal incentives for married women. The exception is Israel, which is the only country in which the second earner is explicitly assumed to be a woman due to the presence of gender-specific tax reliefs.

When considering the incentives for second earners to take up employment, it is important to note that the *Taxing Wages* models do not include out-of-work benefits, such as unemployment benefits and guaranteed minimum income schemes. Were these to be included, the tax wedge for a second earner who takes up employment might be higher than the results shown here (Thomas and O'Reilly, 2016[23]).

Meanwhile, the scenario of a second earner earning 67% of the average wage and increasing their salary to 100% of the average wage has been chosen to approximate the situation of a spouse working part-time who moves to full-time employment. However, the *Taxing Wages* models always assume full-time employment and do not cover specific fiscal provisions in place for part-time workers, nor any benefit or tax relief aimed at part-time workers who move to full-time employment (Harding, Paturot and Simon, 2022[7]).[13] The results generated by these models in this respect should therefore be treated with caution.

Box 2.1. Changing the assumptions: An individual-based approach to calculating the second-earner tax wedge

The two central assumptions underpinning the calculation of the tax wedge for second earners in this chapter are that (i) the choice of the second earner to enter the labour market is subsequent to the one of the principal, and (ii) this choice is made at the household level. As a consequence, the analysis does not examine how the tax burden is allocated between the primary and second earner. If the analysis was predicated instead on simultaneous timing of employment decisions and on the individual choice of the second earner (meaning the second earner disregards any change in the primary earner's tax burden), the results would change significantly for almost all countries, in particular for those with household-level taxation systems.

With this alternative set of assumptions, it would be more appropriate to consider the tax burden on the second earner rather than changes in the household's tax burden. In the case of an individual-based tax system, the calculation of the tax burden faced by the second earner under this alternative approach would remain straightforward: the tax burden (including SSCs) imposed on the second earner would be divided by the second earner's income (plus employer SSCs). This means that the loss by the primary earner of, for example, a dependent spouse allowance or tax credit would not be considered in the calculation of the second earner's tax wedge. As a result, the second-earner average tax wedge would tend to be lower than that calculated under the paper's current methodology for countries with such provisions. Consistent with this approach, the primary earner's average tax wedge would increase when the second earner enters employment.

Under household-based taxation, the calculation of the second earner's individual tax burden would become more complicated because the increase in the tax burden would be legally attributable to the household rather than to either spouse. Calculating a second earner's average tax wedge would therefore require the household income to be 'distributed' among household members. The income allocated to the second earner would then be used for the tax wedge calculations. If household income is assumed to be shared equally, this approach results in the average income tax rate of the entire household being applied to the second earner.

As an example, in Germany married couples can choose to be taxed jointly under an income-splitting system (*Ehegattensplitting*), which assumes that household income is shared equally within the couple. The taxable incomes of the spouses are calculated individually and then summed up (specific allowances are doubled), with the resulting amount divided by two. The tax rate is applied to this average household tax base, and finally the tax liability is calculated by doubling the result obtained.

The average and marginal tax rates are therefore identical for the principal and second earner under German's income-splitting system. At the same time, this approach would result in lower tax burdens for the second earner than are shown in this chapter. For example, a second earner without children earning 100% of the average wage faces an average tax wedge of 54.1% on entering employment under the assumptions and calculations used in this paper (Figure 2.3. Panel B) while the splitting method would result in a tax wedge of 47.9% for the second earner – around 6.2 p.p. lower. The tax wedge for the other cases would be the same as those presented in Chapter 1 of this report.

The average tax wedge on second earners

This section examines the average tax wedge on second earners in OECD countries, thereby shedding light on the fiscal incentives facing this cohort when deciding whether to take up work. It compares the tax wedge for second earners at different income levels, with and without children, with that of a single worker earning the same amount and with the same number of children. It then decomposes the second-earner tax wedge to demonstrate the relative importance of personal income tax, SSCs (employee and employer) and cash benefits. Lastly, it compares the second-earner tax wedge in 2023 with results for 2014 to see how the indicator has changed over the past decade.

Second-earner versus single-earner tax wedge

Figure 2.3 compares the average tax wedge of the second earner and the tax wedge of a single worker at two different earnings levels, for households without and with children, in 2023. This indicator shows what the tax wedge would be for a second earner who takes up work at these different earnings levels.

Panel A focuses on a second earner at 67% of the average wage in a two-earner household, whose tax wedge it compares to that of a single worker earning 67% of the average wage (in both cases, without children). On average, the tax wedge was higher for the second earner in almost all countries in 2023, with an OECD average for the second earner of 34.0% versus an average of 31.0% for the single earner. Only Israel had a higher tax wedge for the single earner, due to gender-specific tax reliefs that are available to the second earner.[14]

The average tax wedge for the second earner was the same as that of the single worker at the same wage level in 13 countries: Australia, Colombia, Costa Rica, Finland, Hungary, Latvia, Lithuania, Mexico, the Netherlands, New Zealand, Norway, Sweden and Türkiye. These countries tax on an individual basis and do not implement any tax reliefs that are computed at the household level in the absence of children. For the remaining 25 countries, the difference in the indicator between the second earner and the single worker was due to joint taxation or the existence of tax reliefs determined at the household level.

In 2023, the difference between the tax wedge for the second earner and single worker earning 67% of the average wage was highest in Luxembourg (38%) and was 20% or higher in five further countries (Switzerland, Ireland, Iceland, Belgium and Germany). Aside from the 13 countries where there was no difference because they tax on an individual basis and no tax reliefs are determined at the household level, the smallest differences were in Austria, the United Kingdom, Korea and Greece (all below 5%).

Panel B compares the tax wedge of the second earner with that of a single worker at 100% of the average wage in 2023; as in Panel A, both are assumed to be childless. As is to be expected given the progressivity of tax systems in the OECD, the average tax wedge was higher for both household types due to the higher earnings level. At 37.0% of total labour costs, the tax wedge of the second earner was once again higher than that of the single worker (34.8%).

In 2023, the difference between the tax wedge of the second earner and that of the single worker was smaller on average when they were both working at 100% of the average wage than when they were working at 67% thereof (8.9% versus the 14.3% mentioned above). The difference only exceeded 20% in two countries: Switzerland (29.4%) and Luxembourg (20.8%); it was below 5% in seven countries (not including the 13 countries with no tax relief at the household level mentioned above).

This smaller difference in the tax wedge between the two categories of worker at a higher income level exists due to there being a lower amount of tax reliefs that the household would lose in the event that the second earner starts working. A single earner at 100% of the average wage is mostly ineligible for tax reliefs in OECD countries; the relative disadvantage of a second earner at the same earnings level is therefore smaller, as they miss out on fewer incentives by being taxed as part of a household. In OECD countries, a single worker earning 67% of the average wage tends to benefit from a number of policies to reduce effective tax rates that are not available to second earners.

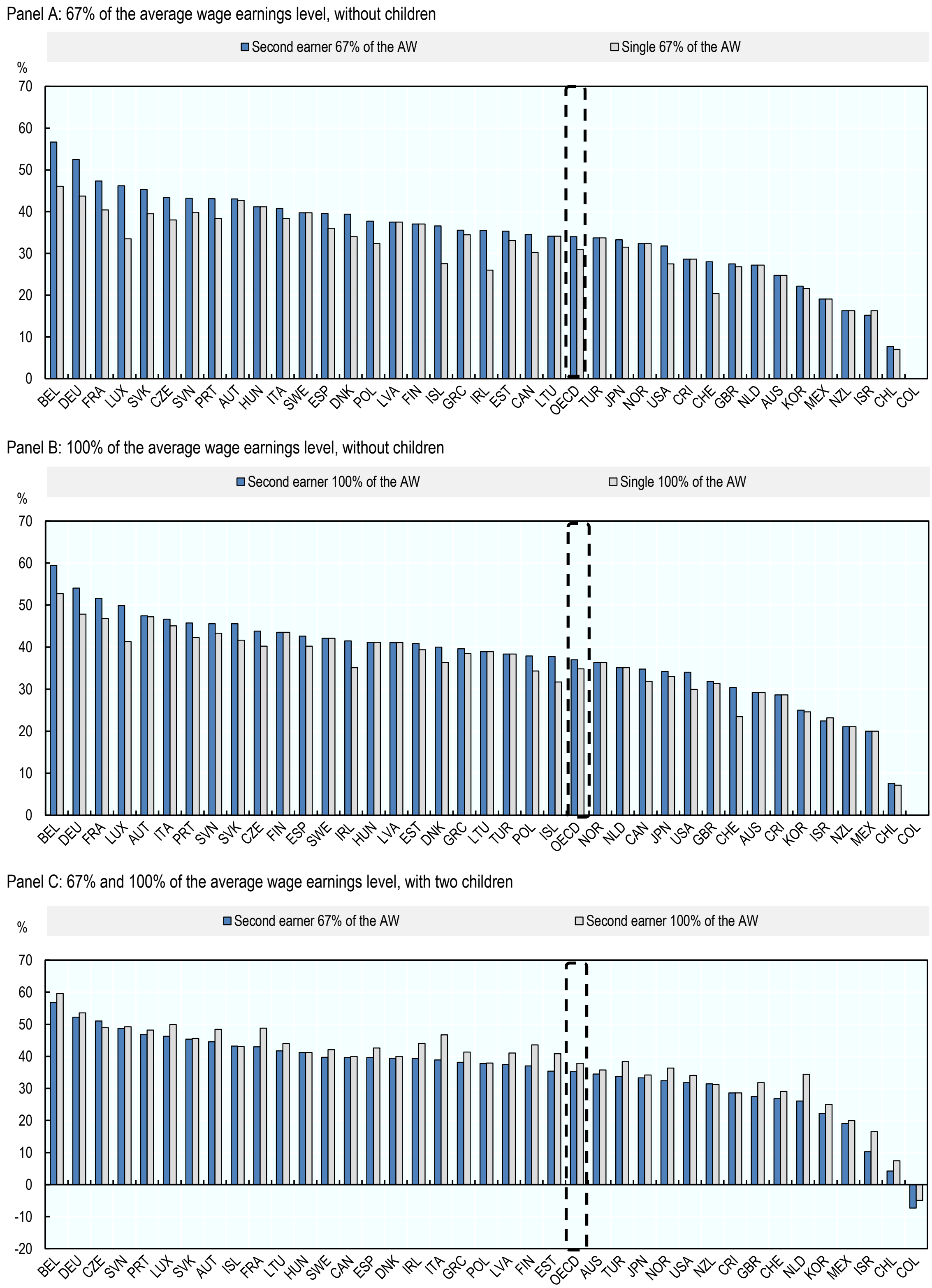
Panel C shows how the tax wedge for the second earner changes when there are children in the household. On average, the tax wedge of second earners for these households is higher than for second earners without children shown in Panels A and B. For a second earner with children taking up work at 67% of the average wage, the average tax wedge was 35.2% in 2023 (versus 34.0% for the second earner without children), while at 100% of the average wage it was 37.9% (versus 37.0% for the second earner without children). The higher tax wedge for second earners with children relative to those without children reflects the loss or reduction of means-tested cash transfers and family-related tax reliefs targeted at families with children when the spouse starts working.

This analysis does not compare the results for married couples with children with those of a single worker with children at the same income level because single parents are typically eligible for a wide range of tax reliefs and cash transfers that limit the comparability between their situation and that of a second earner. To illustrate this point, Annex Figure 2.A.2 shows the tax wedge of a single parent with two children working at 67% of the average wage and a single parent with two children working at 100% of the average wage. It should be noted that there are significant differences in the tax wedge between second earners and single workers with children even in countries with individual taxation because cash benefits payable to single parents are subject to different rules and eligibility criteria relative to the taxation of income.

While the previous analysis focuses on couples where the principal earner is employed at 100% of the average wage, Annex Figure 2.A.3 shows the tax wedge for the second earner when the principal works at 167% of the average wage to simulate a high-earning scenario. For households without children, the results are similar to those shown in Figure 2.3. The average tax wedge of the second earner is slightly higher if they take up employment at 67% of the average wage when their spouse earns 167% of the average wage (35.0% versus 34.0% in Panel A of Figure 2.3), as well as when the second earner starts working at 100% of the average wage (37.8% versus 37.0% in Panel B of Figure 2.3).

For households with two children, the tax wedge for a second earner working at 67% of the average wage when the principal earns 167% of the average wage is 34.8%, which is slightly lower than when the principal works at 100% of the average wage (35.2%). The tax wedge for the second earner with two children at 100% of the average wage is virtually the same regardless of the earnings of the principal (37.7% and 37.8%, respectively). Hence, the tax wedge is lower for a second earner (especially at low-earnings levels) when the principal is a high earner because the principal had already exhausted most of the means-tested reliefs or transfers to which the household was eligible before the second earner decided to start work. As a result, the second earner faces a slightly smaller fiscal disincentive to starting work.

Figure 2.3. Tax wedge of the second earner and a single earner at the same earnings level, 2023



Note: The principal earner in the two-earner married couple always works at 100% of the average wage (AW).
Source: Country submissions, (OECD, 2023[28]) Economic Outlook Volume 2023 Issue 2.

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The net personal average tax rate, another standard *Taxing Wages indicator*, has also been calculated as part of this study. The results are shown in Annex Figure 2.A.1, which shows the results for the net personal average tax rate of a second earner commencing work at 67% and 100% of the average wage. This indicator is lower than the average tax wedge for all household types, as it does not include employer SSCs or payroll taxes. Outside countries with individual taxation, the net personal average tax rate for households without children and regardless of earnings level is larger for second earners than for single workers at the same earnings level (Panels A and B). For households with or without children, the indicator is usually larger when the second earner commences work at 100% of the average wage than when they do so at 67% of the average wage. This is in line with the findings for the tax wedge of the second earner discussed above.

Decomposing the second-earner tax wedge

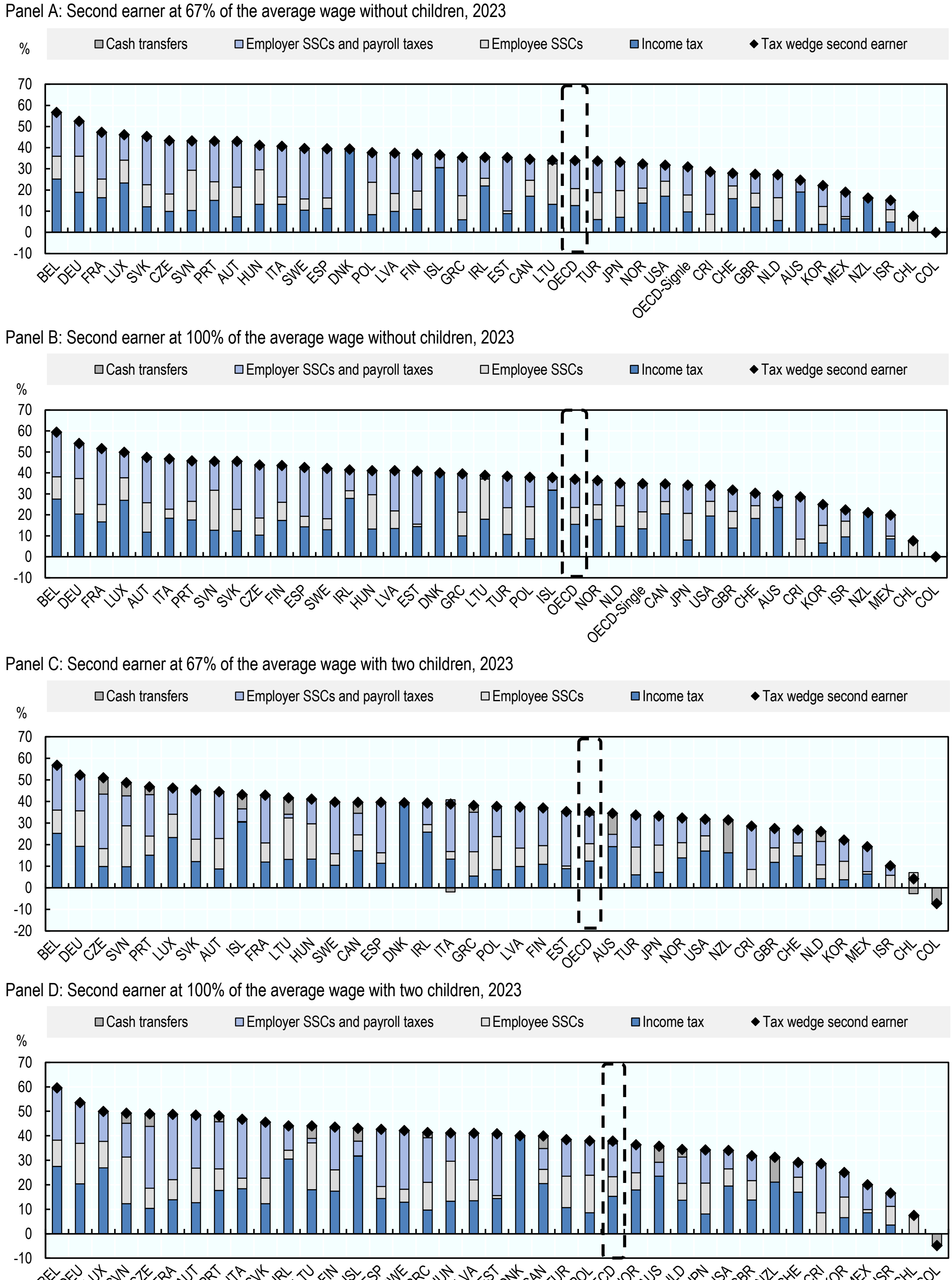
Figure 2.4 shows the decomposition of the second-earner tax wedge across OECD countries in 2023 for the four household types between income tax, employee SSCs, employer SSCs and cash transfers. The principal earner in the couple is assumed to be working at 100% of the average wage.

Panels A and B show that the average tax wedge of second earners (without children) who take up work is mainly composed of employer SSCs and income taxes. On average, employer SSCs accounted for 39.1% of the tax wedge at 67% of the average wage and for 36.2% of the tax wedge at 100% of the average wage in 2023. Income tax accounted for 37.1% of the tax wedge at 67% of the average wage and 41.9% at 100% thereof. Employee SSCs accounted for 23.8% of the second-earner tax wedge at 67% of the average and 21.9% at 100% of the average wage. At both income levels, the cash benefits included in the *Taxing Wages* models accounted for a minimal proportion of the tax wedge.

Panels A and B also show the decomposition of the tax wedge for a single worker at the same levels of income (denoted ‘OECD-Single’). On average across the OECD, for a single worker earning 67% of the average wage, employer SSCs accounted for 42.9% of the tax wedge in 2023, while income taxes accounted for 31.9% and employee SSCs for 26.1%. When considering a single worker earning 100% of the average wage, there was little difference between the relative share of employer SSCs and income taxes in 2023 (38.4% and 38.3% of the tax wedge, respectively), while employee SSCs accounted for 23.3%.

Panels C and D show the composition of the second-earner tax wedge in households with two children. For this group, the tax wedge includes the loss of child benefits when second earners take up employment at each income level. At 67% of the average wage, cash transfers accounted for 4.3% of the tax wedge in 2023, while they accounted for 3.1% of the tax wedge at 100% of the average wage. Income tax accounted for 35.3% of the tax wedge at 67% of the average wage and 40.3% at 100% of the average wage, while employer SSCs accounted for 37.8% and 35.4% of the tax wedge at 67% and 100% of the average wage respectively.

Figure 2.4. Decomposition of the tax wedge of second earners, 2023



Note: The principal earner in the two-earner married couple always works at 100% of the average wage. The label "OECD-Single" refers to the OECD average for the single worker earning the same percentage of the average wage as the second earner in the married couple. It is only displayed in Panels A and B.
Source: Country submissions, (OECD, 2023[28]) Economic Outlook Volume 2023 Issue 2.

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Figure 2.5 shows how the second-earner tax wedge changed between 2014 (the year analysed in the previous Special Feature on this topic) and 2023, indicating both the size and composition of these changes. It also shows how the tax wedge of the equivalent single earner changed over the same period.

Between 2014 and 2023, the average second-earner tax wedge decreased slightly for all household types included in the analysis. For a second earner without children, the tax wedge declined in 24 out of 38 countries at both 67% and 100% of the average wage, while for a second earner with two children it declined in 28 countries and 25 countries at 67% and 100% of the average wage, respectively. Although the analysis has not been repeated for this chapter, the special feature in *Taxing Wages 2016* showed that the tax wedge of second earners earning 67% of the average wage *increased* for a majority of countries between 2010 and 2014.

The decreases in the tax wedge between 2014 and 2023 tended to be larger for households with children and for households where the second earner earns 67% of the average wage. On average across OECD countries, the declines in the tax wedge amounted to -1.2 p.p. and -0.7 p.p. for a second earner without children who takes up employment at 67% (Panel A) and 100% of the average wage (Panel B) respectively. For a second earner with two children, the tax wedge at 67% of the average wage declined by -1.4 p.p. (Panel C) and by -0.9 p.p. at 100% of the average wage (Panel D).

For second earners without children, there were especially large declines in Czechia, Estonia, Hungary and the Netherlands, where the tax wedge fell by at least 5 p.p. for at least one of the household types. These declines are consistent with changes in the tax wedge for equivalent single earners in these countries over the same period. For a second earner with two children taking up work at 67% of the average wage, there were declines of at least 5 p.p. in Estonia, France, Hungary and Italy; for the latter two countries, the decline also exceeded 5 p.p. at 100% of the average wage. For Estonia, the large decrease in the tax wedge for low-earning second earners (both with and without children) is attributable to a shift from joint to individual taxation from 2017 onwards, which caused a fall in the income tax component.

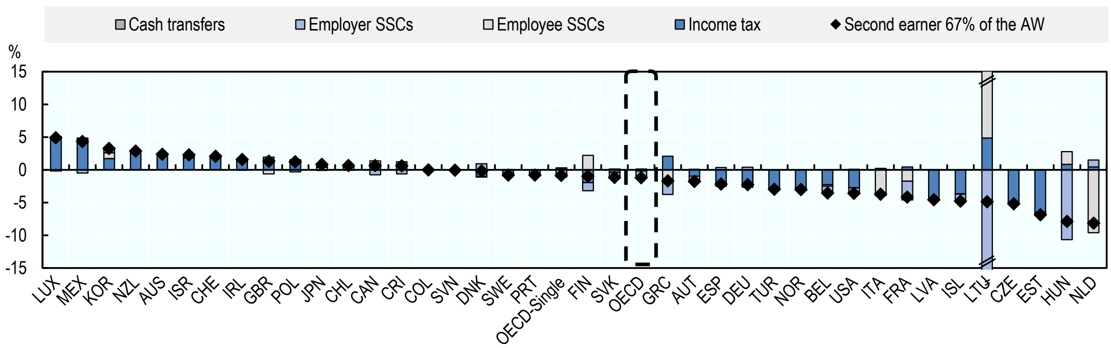
In most countries, income tax was the main driver of changes in the second-earner tax wedge over this period across the household types under analysis, although this was not the case in the Netherlands (where employee SSCs was primarily responsible for the change), Hungary, France (employer SSCs in both cases), or Italy (cash transfers) among the countries with the largest changes noted above.

In some countries, the difference in the tax wedge between 2014 and 2023 resulted from changes in multiple components, not always in the same direction. In Lithuania, for example, a social security reform in 2019 altered the composition of the tax wedge, whereby income taxes and employee SSCs replaced employer SSCs as the main components of the tax wedge. For a second earner without children, the tax wedge declined across household types in France and Greece despite an increase in the income tax wedge due to reductions in employer and employee SSCs, while the tax wedge increased in Finland as declines in income tax and employer SSCs were offset by an increase in employee SSCs.

The decline in the tax wedge for second earners without children between 2014 and 2023 was slightly larger than the decline in the tax wedge for a single worker without children. At 67% of the average wage, the OECD average tax wedge for a single worker decreased by -0.8 p.p. over this period (versus -1.2 p.p. for the second earner) while it fell by -0.4 p.p. at 100% of the average wage (versus -0.7 p.p. for the second earner). Comparison between second earners and single workers with children is not included due to the significant differences in the tax wedge for single parents, as mentioned above.

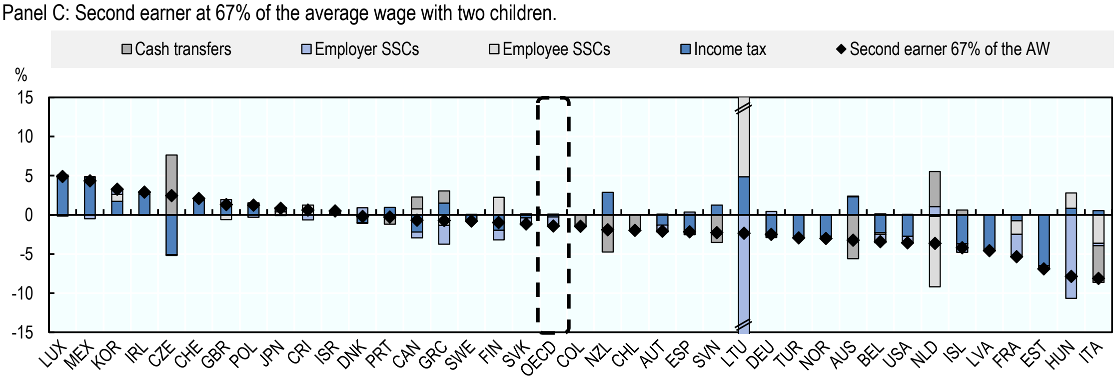
Figure 2.5. Changes in the tax wedge of the second earner between 2014 and 2023

Panel A: Second earner at 67% of the average wage without children.

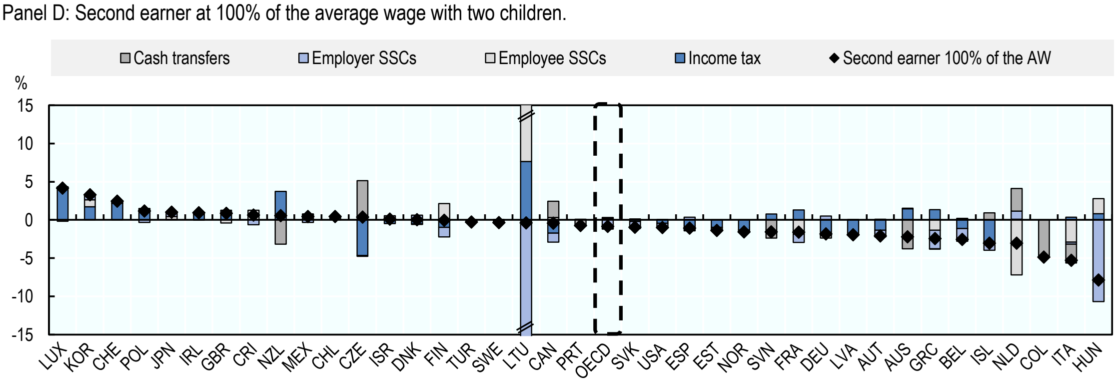


Panel B: Second earner at 100% of the average wage without children.

Panel C: Second earner at 67% of the average wage with two children.



Panel D: Second earner at 100% of the average wage with two children.



Note: The principal earner in the two-earner married couple always works at 100% of the average wage (AW). The label "OECD-Single" refers to the OECD average for the single worker earning the same percentage of the average wage as the second earner in the married couple. It is only displayed in Panels A and B.
Source: Country submissions, (OECD, 2023[28]) Economic Outlook Volume 2023 Issue 2.

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Marginal tax wedge on second earners

This section examines the marginal tax wedge faced by second earners to analyse their incentive to increase the amount they work. It does so with reference to two indicators that are not standard to *Taxing Wages* but rather have been calculated specifically to investigate this topic: the change in the tax wedge when the wage of the second earner increases (i) by 1% of the average wage and (ii) from 67% to 100% of the average wage. Results are compared with the marginal tax wedge of a single earner, as in previous sections.

Marginal tax wedge for a wage increase equivalent to 1% of the average wage

Figure 2.6 provides insights into the intensive margins of the labour supply by examining the marginal tax wedge for an increase in earnings amounting to 1% of the average wage for second earners in married couples where the principal earns 100% of the average wage. This scenario is intended to capture the impact of a small rise in a second earner's wage, an increase that is unlikely to move them into a higher tax bracket.

Panels A and B show employed second earners in households without children, whose marginal tax wedge (earning 67% and 100% of the average wage in Panels A and B, respectively) it compares with the marginal tax wedge of a single worker at the same wage.

These panels show that this measure of the marginal tax wedge was very similar between the second earner and the single worker at the same wage level in 2023, although the average value for the single worker was slightly smaller. When working at 67% of the average wage, the average marginal tax wedge of a second earner and of a single worker across OECD countries were 42.6% and 42.4% respectively. When they earned 100% of the average wage, the average marginal tax wedge of the second earner and single earner were 43.4% and 43.2%, respectively.

For earnings at 67% of the average wage, the difference in the marginal tax wedge for the second earner and that of the single worker only exceeded 0.1 p.p. in Germany, Luxembourg and Switzerland, while for earnings at 100% of the average wage, this occurred only in Switzerland.[15] All these countries are characterised by joint taxation.

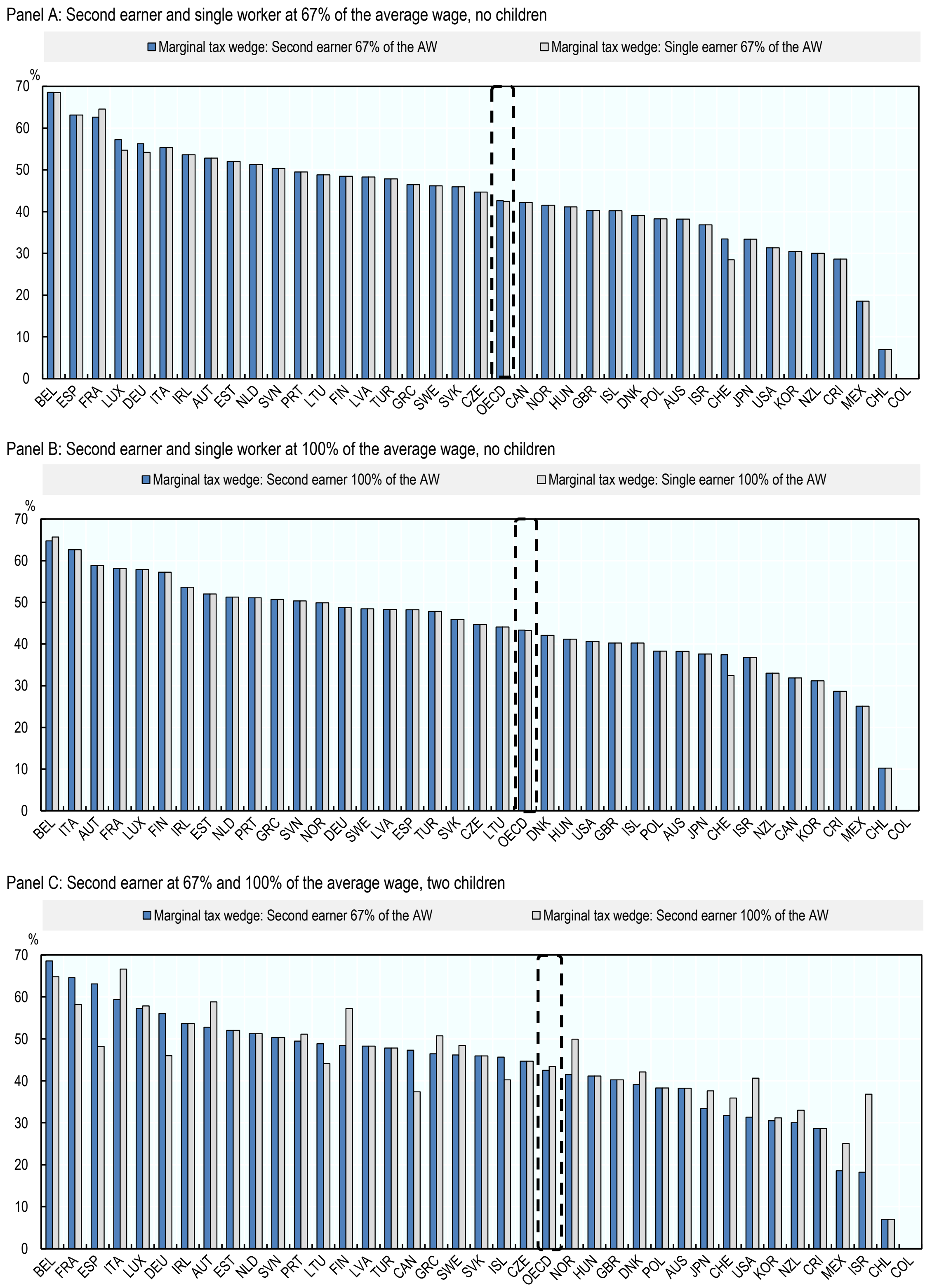
The only countries where the marginal tax wedge was smaller for the second earner than for a single worker were France (due to the fiscal relief for married households) in Panel A and Belgium (due to the differential schedule for single workers and couples respectively as concerns the special social security contribution) in Panel B.

While the marginal tax wedge for the second earner was higher at 100% of the average wage than at 67% thereof on average across the OECD, this was not the case for Belgium, Canada, France, Germany, Lithuania or Spain, where second earners at 100% of the average wage faced a lower marginal effective tax rate than those at 67% of the average wage.[16]

Panel C compares the marginal tax wedge of a spouse earning 67% of the average wage and a spouse earning 100% of the average wage in 2023, assuming that the households include two children. As with previous parts of this analysis, there is no comparison with a single worker earning the same amount because single parents benefit from specific fiscal regimes that make the comparison less meaningful.

The marginal tax wedge of the second earner for an increase in earnings of 1% of the average wage was almost the same for the households with children (42.5% at 67% of the average wage and 43.4% at 100% of the average wage on average across the OECD) as for childless couples discussed above. In this case, an increase in earnings equivalent to 1% of the average wage does not significantly affect the means testing of transfers or reliefs for households with children, contributing to the similar results observed for childless households.

Figure 2.6. Marginal tax wedge of the spouse when increasing earnings by 1% of the average wage, 2023



Note: The principal earner in the two-earner married couple always works at 100% of the average wage (AW).
Source: Country submissions, (OECD, 2023[28]) Economic Outlook Volume 2023 Issue 2.

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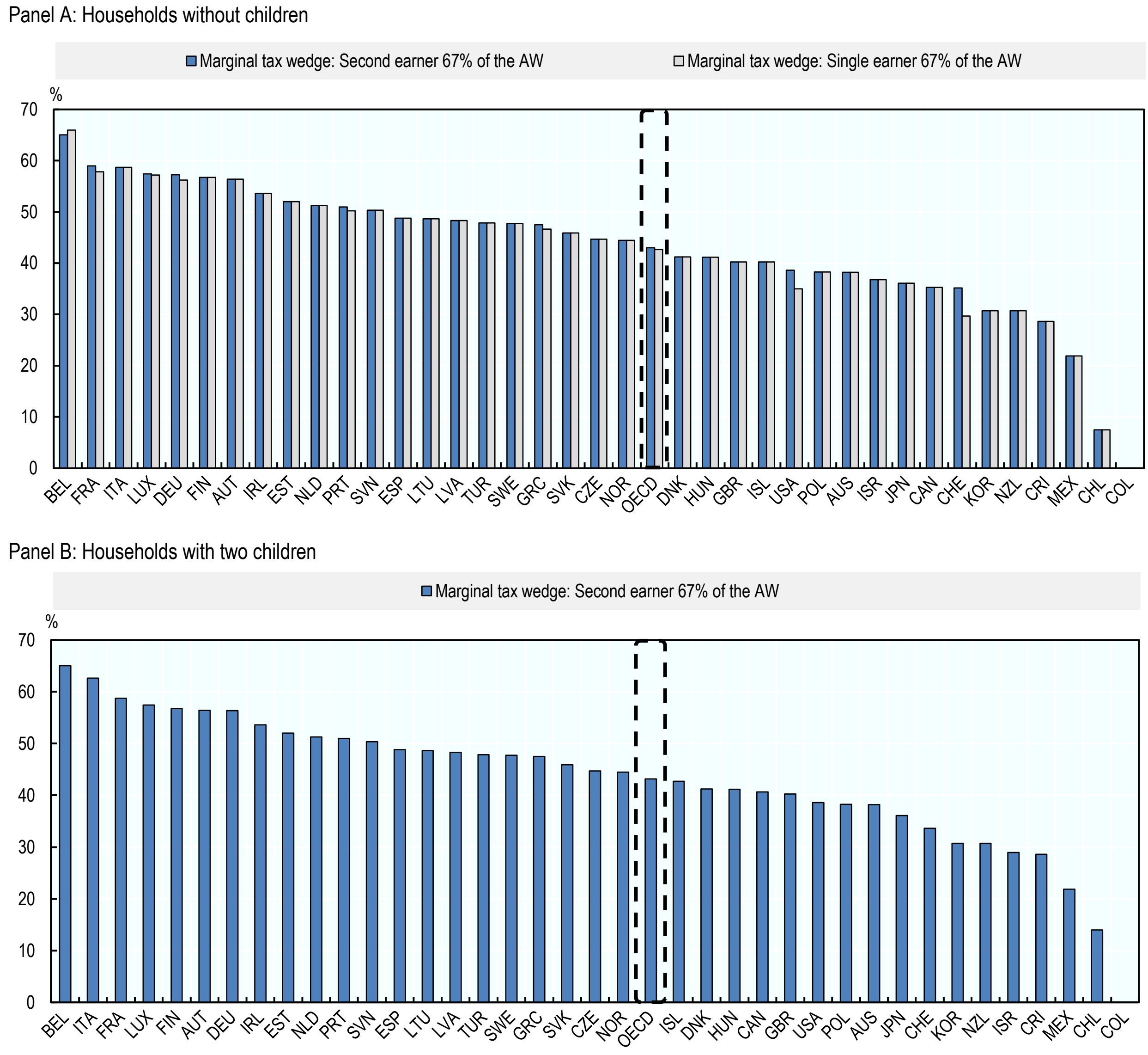
Marginal tax wedge for an increase in earnings from 67% to 100% of the average wage

This sub-section examines how labour taxation may affect labour supply at the intensive margin by examining the marginal tax wedge for a more substantial increase in earnings. Figure 2.7 compares the marginal tax wedge of a second earner working at 67% of the average wage who increases their earnings to 100% of the average wage to that of a single worker undergoing the same change in earnings. Panel B displays the marginal tax wedge of a second earner undergoing the same change in earnings while assuming that there are two children in the household. As for the previous analysis, the principal in the married couple is assumed to be employed at 100% of the average wage.

The case of the second earner (or single worker) employed at 67% of the average wage who increases their earnings to 100% of the average wage is chosen to proxy the situation of a part-time worker moving to full-time. However, it is important to note that the *Taxing Wages* model assumes full-time employment; the results should therefore be treated with caution since they do not consider specific provisions that may exist for part-time workers.[17]

For households without children shown in Panel A, the marginal tax wedge of the second earner was slightly higher than that of a single worker in 2023 (43.0% vs. 42.7% on average). Consistent with the findings shown in Figure 2.6, most of the countries that display a higher marginal tax wedge for second earner are characterised by joint taxation (Finland, France, Germany, Portugal, Switzerland and the United States). When there are two children in the household (Panel B), the marginal tax wedge for the second earner was slightly higher, at 43.2% on average. The small increase in the marginal tax wedge for the spouse in the household with two children is attributable to the loss of means-tested tax reliefs and cash transfers due to the spouse's increase in earnings.

Figure 2.7. Comparison of the marginal tax wedge of a second earner and of a single worker increasing their wage from 67% to 100% of the average wage, 2023.



Note: The principal earner in the two-earner married couple is assumed to work at 100% of the AW.
Source: Country submissions, (OECD, 2023[28]) Economic Outlook Volume 2023 Issue 2.

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Conclusion

This Special Feature uses *Taxing Wages* models for 2023 to analyse the tax wedge on second earners to shed light on one channel through which labour taxation may affect women's incentives to increase their participation in the labour market. These findings may in turn inform policies to close persistent gaps between male and female labour outcomes, thereby demonstrating the capacity for tax policy to enhance gender equality across OECD countries (OECD, 2022[29]).

The chapter focuses on two primary indicators, the average tax wedge and the marginal tax wedge, which are shown for second earners at different earnings levels and in households with and without children. The average tax wedge shows the effective tax rates on a second earner who takes up work (an increase in labour supply at the extensive margin), while the marginal tax wedge shows the effective tax rates on a second earner's additional earnings as a proxy for an increase in labour supply at the intensive margin.

While the average tax wedge is a standard *Taxing Wages* indicator, the two variants of the marginal tax wedge in this chapter have been calculated specifically for this analysis. For households without children, indicators for second earners are compared with results for single earners to examine whether second earners face higher effective tax rates than if they were single. Major differences in the level and composition of the tax wedge for single parents prevent meaningful comparison with second earners with children.

The results show that the average tax wedge for second earners was higher than for single workers in a majority of OECD countries and on average across the OECD in 2023. The differences were mainly due to joint taxation or the presence of tax reliefs (either allowances or credits) that were only available to one spouse or depended on joint earnings. The results also show that the average tax wedge was higher for a second earner who starts work at 100% of the average wage than at 67% thereof, as a result of progressivity of tax systems in the OECD. The average tax wedge was shown to be slightly higher for second earners with children than for those without children.

On average across the OECD, employer SSCs and income taxes are the largest components of the tax wedge on second earners. The loss of child benefits contributes to the tax wedge for second earners with children who take up employment. For around two-thirds of OECD countries, the average tax wedge on second workers decreased between 2014 and 2023 for the different households analysed, in most cases due to lower income taxes. The difference between the average tax wedge of the childless second earner and that of an equivalent single earner also narrowed slightly over this period. A possible avenue for future analysis may be to examine in greater detail the factors behind the decline in the average tax wedge for second earners across OECD countries.

The two new indicators developed to examine the marginal tax wedge on second earners measure (in the first instance) the effective tax rates on additional earnings equivalent to 1% of the average wage and (in the second instance) an increase in earnings from 67% to 100% of the average wage. The results show that there is only a small difference between the marginal tax wedge for second earners and for single earners (in both cases, without children). These differences are mostly driven by countries with joint taxation. Analysis of the second indicator of the marginal tax wedge could be enhanced by examining whether it would also be affected by the loss of specific tax measures for part-time workers, given that the move from 67% to 100% of the average wage may be considered a proxy for a shift from part-time to full-time work.

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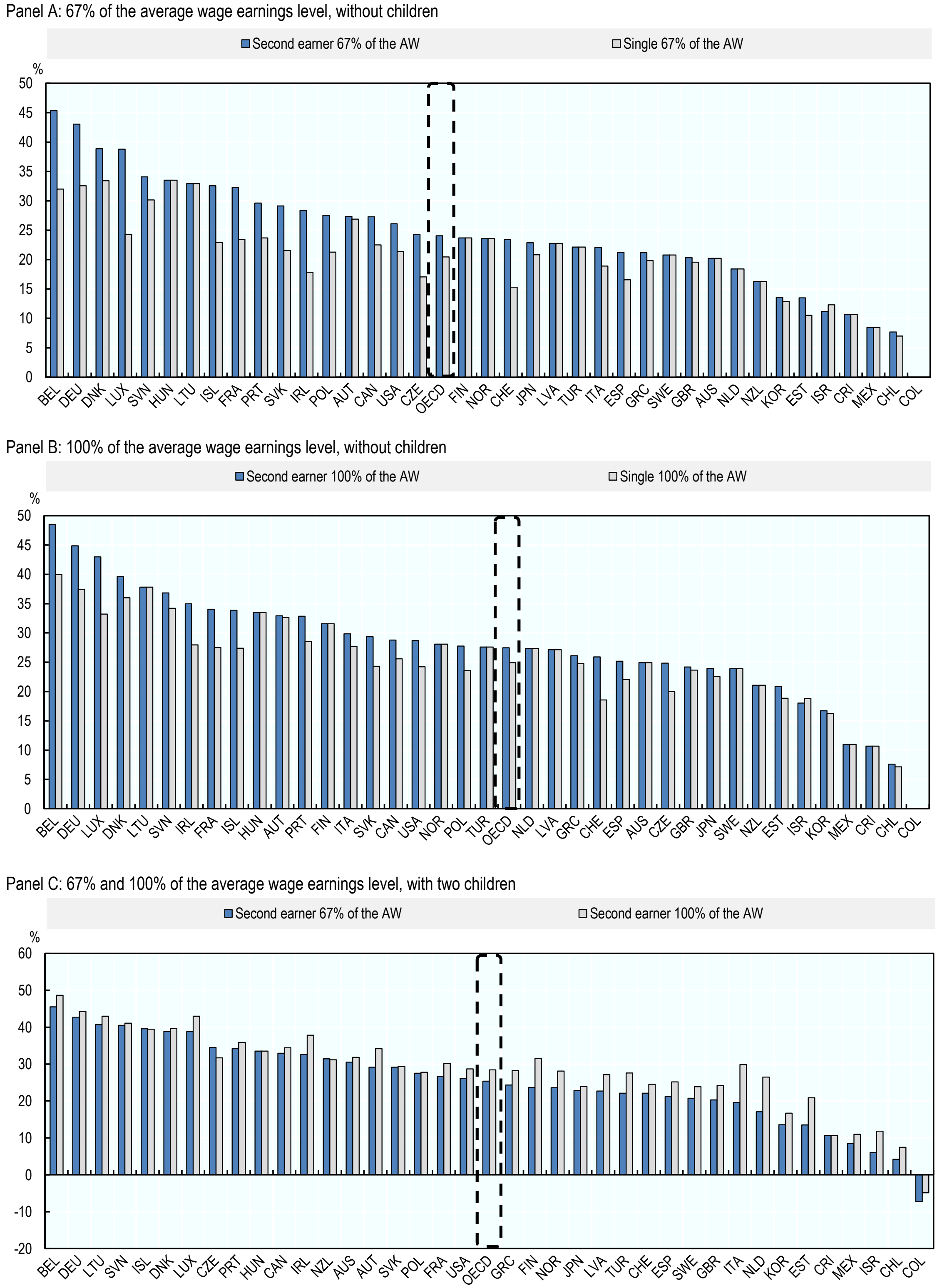
Annex 2.A.

Annex Table 2.A.1. Classification of OECD countries' tax systems (as of 2023)

	Tax unit	Tax reliefs
Australia	Individual	Individual
Austria	Individual	Mixed
Belgium	Individual	Household
Canada	Individual	Mixed
Chile	Individual	Mixed
Colombia	Individual	Mixed
Costa Rica	Individual	Mixed
Czechia	Individual	Mixed
Denmark	Individual	Mixed
Estonia	Individual	Mixed
Finland	Individual	Individual
France	Joint	Mixed
Germany	Optional (*Taxing Wages* computations assume Joint)	Household
Greece*	Individual	Individual
Hungary	Individual	Individual
Iceland	Individual	Mixed
Ireland	Optional (*Taxing Wages* computations assume Joint)	Mixed
Israel	Individual	Individual (albeit tax credits are linked to the composition of the household)
Italy	Individual	Mixed
Japan	Individual	Mixed
Korea	Individual	Mixed
Latvia	Individual	Mixed
Lithuania	Individual	Individual
Luxembourg	Joint	Mixed
Mexico	Individual	Individual
Netherlands	Individual	Mixed
New Zealand	Individual	Individual
Norway	Individual	Mixed
Poland	Joint	Household
Portugal	Optional (*Taxing Wages* uses the most beneficial approach at the household level)	Mixed
Slovak Republic	Individual	Mixed
Slovenia	Individual	Mixed
Spain	Optional (*Taxing Wages* uses the most beneficial approach at the household level)	Mixed
Sweden	Individual	Individual
Switzerland	Joint	Household
Türkiye	Individual	Individual
United Kingdom	Individual	Mixed
United States	Optional (*Taxing Wages* computations assume Joint)	Household

Note: For the column "Tax unit", "Individual" refers to countries where the tax unit is the individual while "Joint" refers to countries where couples are assessed jointly. For the column "Tax reliefs", "Individual" indicates that all tax reliefs are computed independently for the principal and the second earner; "Mixed" indicates that at least some reliefs are computed at the household level or are only attributed to one of the two members of the couple; and "Household" indicates that all reliefs are computed jointly at the household level. This classification of tax systems focuses on how personal income taxes are computed. Employee and employer social security contributions are almost always determined at the individual level, while cash transfers (where present) are generally computed at the household level by considering a household's overall resources. In Greece, couples file their returns jointly but the respective spouses' tax liabilities are computed on individual earnings.
Source: Country submissions.

Annex Figure 2.A.1. Net personal average tax rate of the second earner and a single earner at the same earnings level, 2023



Note: The principal earner in the two-earner married couple always works at 100% of the average wage (AW).
Source: Country submissions, (OECD, 2023[28]) Economic Outlook Volume 2023 Issue 2.

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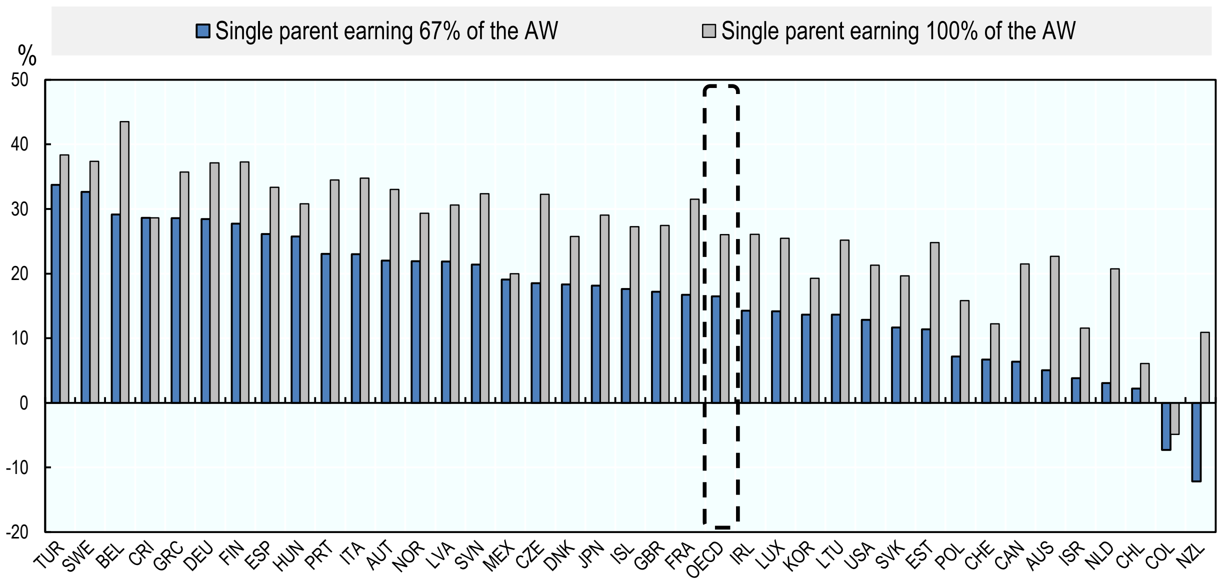
Annex Figure 2.A.2. Tax wedge for a single parent with two children, 2023

Single parent with two children working at 67% and 100% of the average wage



Source: Country submissions, (OECD, 2023[28]) Economic Outlook Volume 2023 Issue 2.

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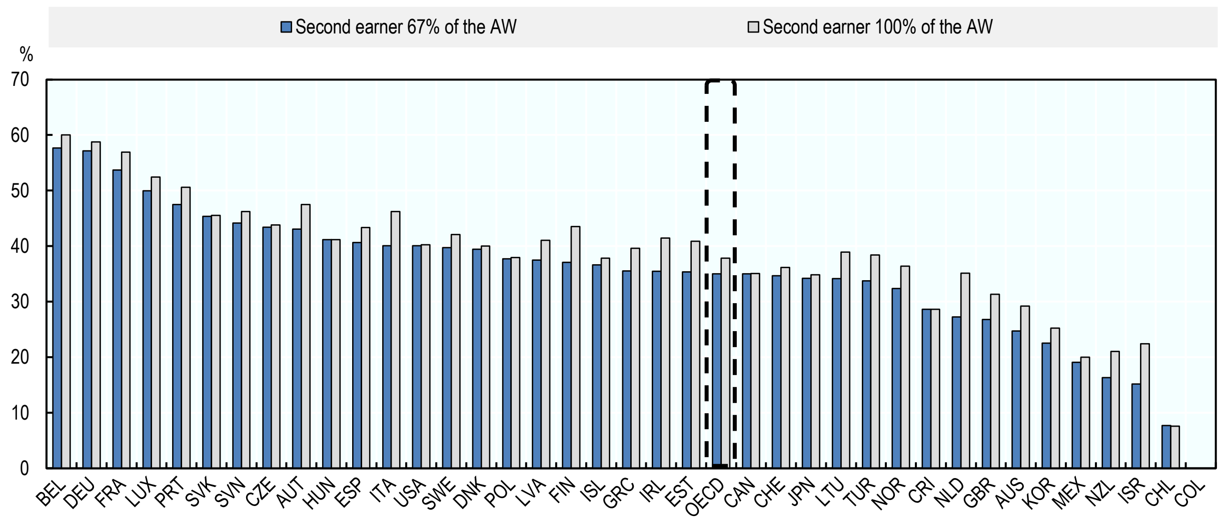
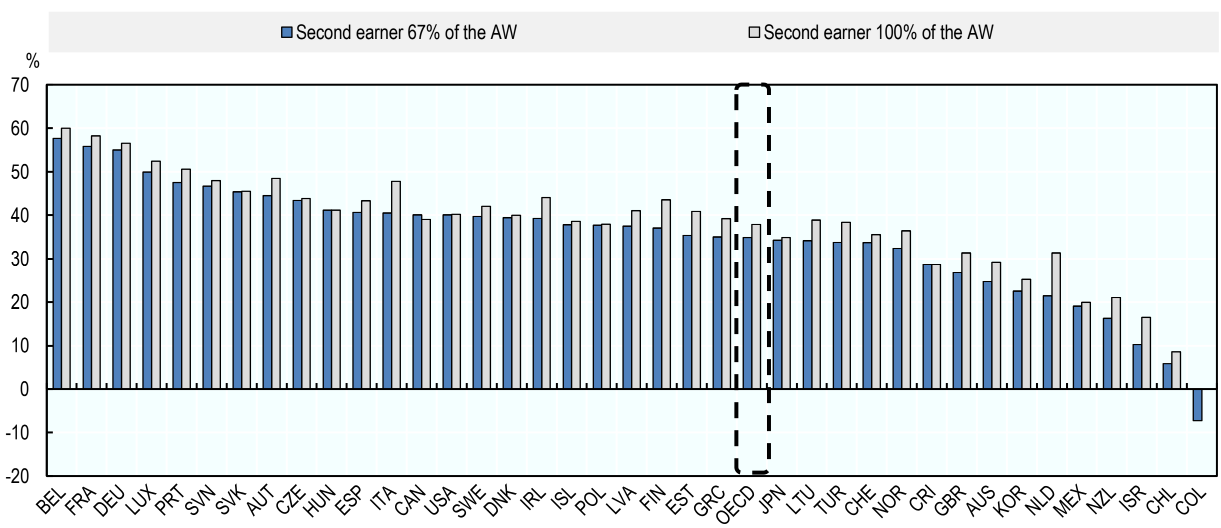
Annex Figure 2.A.3. Tax wedge of second earner with a high-earning principal, 2023

Panel A: 67% and 100% of the average wage, without children



Panel B: 67% and 100% of the average wage, with two children



Note: The principal earner in the two-earner married couple always works at 167% of the average wage (AW).
Source: Country submissions, (OECD, 2023[28]) Economic Outlook Volume 2023 Issue 2.

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Notes

[1] The headline objective of SDG 5 is 'Achieve gender equality and empower all women and girls.' Gender equality also features in SDGs related to education (SDG 4) and inequality (SDG 10).

[2] For a fuller examination of this topic, please see (Schechtl, 2021[26]) and (Bierbrauer et al., 2023[27]).

[3] In Germany, for example, married couples are legally obliged to maintain their spouse. The impact of this obligation on the ability-to-pay of whichever spouse is liable for maintenance is commonly not reflected in the progressive individual income tax schedule and could lead to horizontal inequalities between a married couple with a dependent partner and two unmarried individuals with the same overall income.

[4] The (average) tax wedge is computed only for the whole household or for one of the two members when they pick up employment. Hence, the tax wedge for the primary earner and the tax wedge for the second earner would be mechanically the same assuming that the other partner is already working at the same earnings level. As concerns the marginal tax wedge, the indicator for the principal and the one for the spouse are the same across all OECD countries when they are working at the same earnings level and are subject to the same change in earnings.

[5] The analysis focuses on the tax wedge to convey a complete picture of the effective tax rates on starting work at different earnings levels. This approach is consistent with the previous Special Feature on the topic in 2016 (OECD, 2016[2]).

[6] The computation of the tax wedge for the second earner is based on the comparison between two different situations: a one-earner household and a two-earner household. Hence, by design, the indicator should be interpreted as the effective tax burden faced by the second earner when deciding to start working.

[7] In the *Taxing Wages* methodology, cash transfers do not include housing benefits, payments targeted at out-of-work individuals (either unemployment benefits or minimum income schemes) or in-kind benefits. The cash transfers shown in *Taxing Wages* are generally family benefits linked to the presence of children and universal or means-tested in-work benefits.

[8] The results for 2014 included in this report may differ slightly from those included in the *Taxing Wages 2016* Special Feature due to revisions and improvements in country-specific computations.

[9] Additional detail on what would happen if these two assumptions are relaxed is provided in the Special Feature of the 2016 edition of *Taxing Wages* (OECD, 2016[2]).

[10] This box is based on a box that appeared in the Special Feature of the 2016 edition of *Taxing Wages*.

[11] The classification of tax systems in OECD countries primarily concerns how personal income taxes are computed. Employee and employer SSCs are almost always determined at the individual level, while cash transfers (where present) are generally computed at the household level with reference to a household's overall resources.

[12] Examples of tax reliefs determined at the household level include: tax allowances linked to the presence of a non-working spouse; tax allowances linked to the presence of children that can only be received by one member of the couple (in *Taxing Wages*, they are assigned to the principal); tax credits computed on

the overall earnings of the couple; and tax credits that can be shared between the members of the household if not fully enjoyed by the partner entitled to them.

[13] Out of 37 OECD countries (excluding Costa Rica) for which this information is available, there are 16 countries with differential tax treatments for part-time workers, although these differences are typically small. In the cases of Belgium, Colombia, Germany, Italy, Luxembourg, New Zealand, Spain and the United Kingdom, such provisions would fall within the scope of the *Taxing Wages* model (if part-time workers were considered). In Australia, Austria, Denmark, France, Japan, the Netherlands, Slovenia and the United States, they would fall outside the scope of the model (Harding, Paturot and Simon, 2022[7]).

[14] Women were entitled to an additional credit of ISL 1 410 with respect to men in 2023, and working mothers (or single parents regardless of their gender) were entitled to an additional amount of child tax credit of ISL 2 820 compared to working fathers with a spouse.

[15] The difference between the marginal tax wedge for the second earner and for the single worker both without children was only 0.04 p.p. in Belgium for the case of individuals working at 67% of the average wage.

[16] In Germany, second earners at 100% of the average wage faced a lower marginal effective tax rate than those at 67% of the average wage because, at an income of 100% of the average wage, the contribution assessment ceiling for health and long-term care insurance was exceeded, whereas at an income of 67% of the average wage it was not.

[17] This analysis is carried out in (Harding, Paturot and Simon, 2022[7]).

3 Effective tax rates on labour income in 2023

The effective tax rates on labour income in 2023 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 OECD countries in 2023, 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* employer SSCs (including payroll taxes). In the case of a single person on the average wage (AW), the tax wedge ranged from zero (Colombia) and 7.1% (Chile) to 47.9% (Germany) and 52.7% (Belgium). For a one-earner married couple with two children, at the average wage level, the tax wedge was lowest in Colombia (-4.9%) and highest in France (39.1%) and Finland (39.8%). 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 (-12.1%) and Colombia (-7.3%). 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 2023, 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 SSCs were seen in Lithuania (37.8%) and Belgium (39.9%). The lowest average rates were in Colombia (0.0%), Chile (7.1%), Costa Rica (10.7%), Mexico (11.0%), Korea (16.2%), Switzerland (18.6%), Israel (18.8%), Estonia (18.9%) and Czechia (20.0%).

Table 3.3 shows personal income tax and employee SSCs, reduced by the entitlement to cash benefits, for each household type in 2023. 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 2023. In New Zealand, France and Estonia, these represented more than 25% of gross earnings (28.4%, 27.9% and 26.5%, 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 14.2% 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 means testing.

Table 3.4 shows personal income tax due as a percentage of gross wage earnings in 2023. For single persons without children at the average wage (column 2), the income tax burden ranged from 0.0% (Colombia and Costa Rica) to 36.0% (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, Chile, Czechia, Germany, Luxembourg, Poland, Portugal, the Slovak Republic, Slovenia, Switzerland and the United States). There was no difference in a further ten countries: Australia, Colombia, Costa Rica, Finland, Lithuania, Mexico, New Zealand, Norway, Sweden and Türkiye. In Colombia and Costa Rica, neither a single worker on the average wage nor a one-earner married couple at the average wage paid personal income taxes.

There were three OECD countries where the personal income tax rate for a married worker at the average wage with two children was negative in 2023: Poland (-1.1%) Czechia (-6.4%) and Slovak Republic (-14.1%). This was due to the presence of non-wastable tax credits, whereby credits were paid in excess of the taxes otherwise due. Similarly, single parents with two children earning 67% of the average wage showed a negative tax burden in eight countries: Austria, Czechia, 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 was employed at 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 20 countries, the largest differences being in Germany (9.3 percentage points [p.p.]) and the Slovak Republic (12.0 p.p.). The income tax burden was lower in fifteen countries, the largest differences being in the Netherlands (-4.7 p.p.), Finland and Israel (both -3.1 p.p.). 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 counterpart 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 2023. In Colombia, neither the average single worker nor their counterpart 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 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 three OECD countries: Chile (0.0%), Costa Rica (0.0%), and the Netherlands (23.1%).

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 31.8% lower than their counterparts at 167%, compared to the OECD average tax savings of 47.3% for personal income taxes alone in 2023. 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 20.2% 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 2023. 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 on all earnings, without a minimum earnings threshold. Although a number of OECD member countries apply a ceiling to SSCs, this usually applies to wage levels higher than 167% of the AW. As a result, the contribution on earnings tends to be flat between 67% and 167% of average wage for most countries. A constant proportional burden for employee SSCs for the eight household types was observed in Slovenia (22.1%), Lithuania (19.5%), Hungary (18.5%), Poland (17.8%), Türkiye (15.0%), Greece (13.9%), the Slovak Republic (13.4%), Czechia and Portugal (both 11.0%), Costa Rica (10.7%), Latvia (10.5%), Norway (7.9%), the United States (7.7%), Chile (7.0%), Spain (6.5%), Ireland (4.0%) and Estonia (1.6%). In addition, at the average wage level, Belgium and Germany imposed different levels of SSCs on employees according to their family status (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 2023. 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 earning the average wage without children in 2023. However, in six OECD countries, these individuals faced marginal wedges above 55%: Finland (57.2%), Luxembourg (57.9%), France (58.2%), Austria (58.8%), Italy (62.6%) and Belgium (65.0%). By contrast, Chile (10.3%) had the lowest marginal tax wedge in 2023. For Colombia, no income tax was paid at the average wage level in 2023 while SSCs are considered as non-tax compulsory payments and are thus not included in the *Taxing Wages* calculations.[2]

In twenty-seven OECD member countries, the ***marginal tax wedge*** for a one-earner married couple at average earnings with two children was either the same as that for a single worker at average wage with no children or within 5 p.p. thereof. The marginal tax wedge was more than 5 p.p. points lower for one-earner married couples in seven countries: France (16.2 p.p.), Luxembourg (12.5 p.p.), the United States (9.3 p.p.), Germany (7.4 p.p.), Slovenia (6.7 p.p.), Switzerland (6.2 p.p.) and Portugal (6.1 p.p.). In contrast, the marginal rate for one-earner married couples with two children was more than 5 p.p. higher than for single workers with no children in Canada (5.5 p.p.), the Netherlands (5.6 p.p.), Iceland (9.0 p.p.) and New Zealand (27.0 p.p.). 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 2023. As with the marginal tax wedge (Table 3.6), personal income tax and employee SSCs absorb between 25% and 55% of a worker's pay rise for single individuals without children at the average wage level in most countries. The marginal tax rate for the average worker was higher than 55% only in Belgium (55.6%) and lower than 25% in Chile (10.3%), Costa Rica (10.7%), Mexico (19.4%) and Korea (23.5%). 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-seven 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 p.p. of that for single persons with no children. The marginal rate was more than 5 p.p. lower for the one-earner married couples in seven countries: France (22.1 p.p.), Luxembourg (14.3 p.p.), the United States (10.0 p.p.), Germany (8.2 p.p.), Slovenia (7.8 p.p.), Portugal (7.5 p.p.) and Switzerland (6.6 p.p.). In contrast, the marginal rate for one-earner married couples with two children was more than 5 p.p. higher than it was for single persons with no children in Canada (5.7 p.p.), the Netherlands (6.2 p.p.), Iceland (9.6 p.p.) and New Zealand (27.0 p.p.). Similar to the marginal tax wedges, these higher net personal 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 2023, 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 2023 were found in New Zealand (0.45), Belgium and Italy (both 0.56), Ireland (0.59) and the Netherlands (0.60). In contrast, Chile (0.99), France (0.95) and Mexico (0.90) either implemented or were close to a proportional system of income tax plus employee SSCs for this household type. For Colombia (0.95) and Costa Rica (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 2023.[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. The elasticity was below 0.50 for single parents earning 67% of the average wage level in Spain (0.5), Luxembourg (0.47), Australia and the Netherlands (both 0.45), Belgium (0.44), New Zealand (0.38), the United Kingdom (0.32), France (0.31) and Canada (0.22) and for one-earner married couples at the average wage level with two children in New Zealand (0.45). 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, Germany and Hungary, and one household type in Estonia and Lithuania for the single worker earning 167% of the average wage (1.0). Using this elasticity measure, the income tax system was regressive for a single individual at 167% of the average wage in Mexico (1.01), Germany (1.04) and Austria (1.08), and for a single individual at 100% of the average wage in Mexico (1.01).

Table 3.10 and Table 3.11 set out gross wage earnings and net income for the eight household types in 2023, after all amounts have been converted into U.S. dollars with the same purchasing power. Single workers earning the average wage had a net income above USD 50 000 in fourteen countries: Switzerland (USD 81 465), Norway (USD 59 594), the Netherlands (USD 56 816), Korea (USD 55 956), Luxembourg (USD 55 929), Iceland (USD 55 620), Ireland (USD 55 475), Canada (USD 54 408), the United Kingdom (USD 52 790), Denmark (USD 52 734), Australia (USD 52 668), Austria (USD 51 228), Germany (USD 50959) and the United States (USD 50 954) (Table 3.10 column 4). The lowest levels (below USD 20 000) were in Mexico (USD 14 998) and Colombia (USD 16 615). In the case of a one-earner married couple with two children at the average wage level, families had net incomes above USD 60 000 in Austria, Belgium, Canada, Denmark, Germany, Iceland, Ireland, Korea, Luxembourg, the Netherlands, Norway and Switzerland, with the lowest level again being in Colombia and Mexico (Table 3.11). With the exceptions of Costa Rica, Mexico and Türkiye, the net income for the one-earner married couple in OECD countries was higher than for 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 2023. 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 Iceland (USD 81 460), Denmark (USD 82 890), France (USD 83 034), Ireland (USD 85 515), the Netherlands (USD 87 599), Norway (USD 93 654), Luxembourg (USD 95 331), Austria (USD 97 182), Germany (USD 97 722), Belgium (USD 103 494) and Switzerland (USD 106 452), and lowest (less than USD 30 000) in Colombia (USD 16 615), Mexico (USD 18 743) and Chile (USD 29 325). Annual labour costs are equal to annual gross wage in Chile, Colombia 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 and Colombia are subject to non-tax compulsory payments.

Table 3.1. Income tax plus employee and employer contributions less cash benefits, 2023

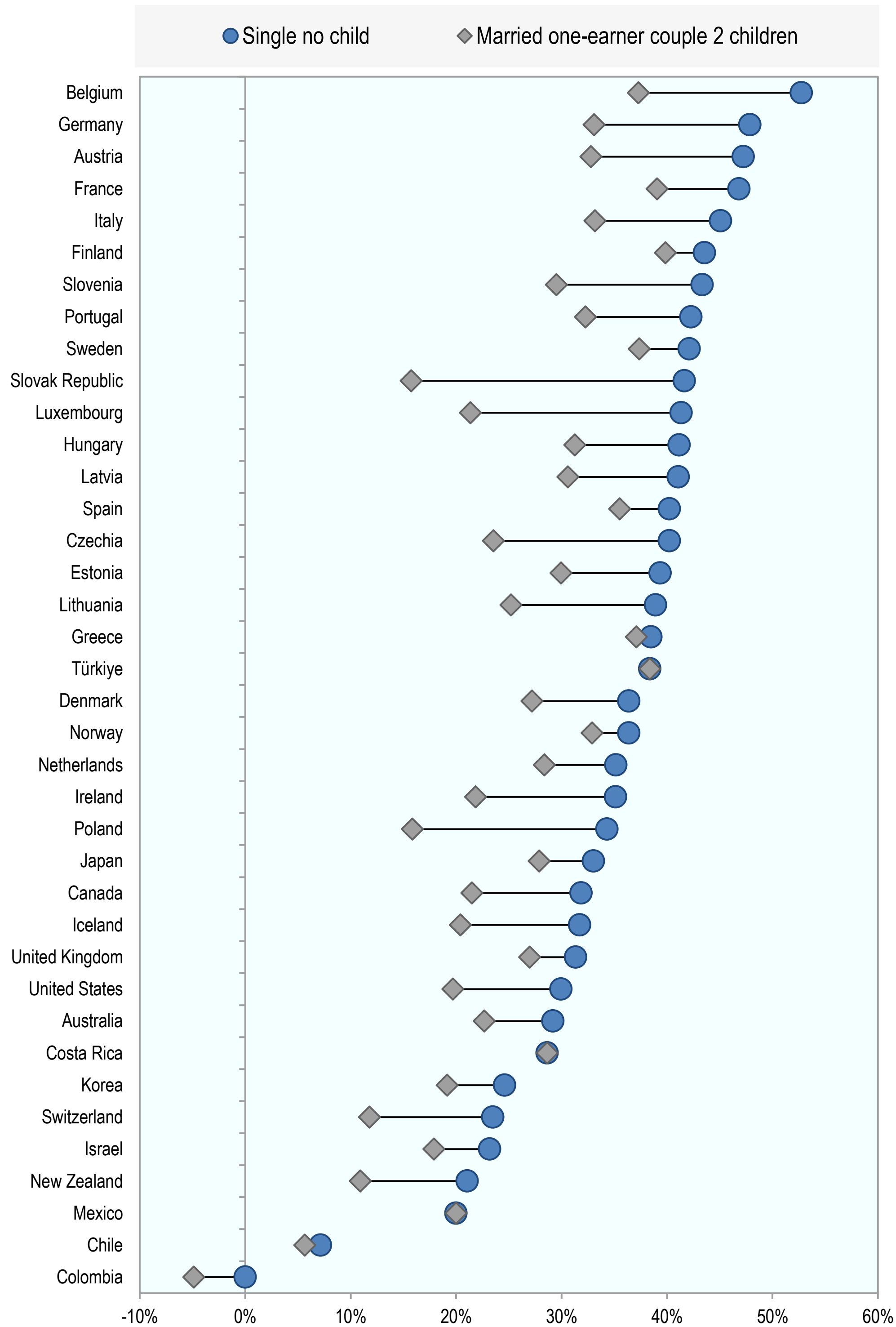
As % of labour costs, by household type and wage level

	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	24.7	29.2	34.0	5.0	22.7	27.4	9.2	27.4
Austria	42.7	47.2	49.9	22.0	32.8	37.5	40.6	45.4
Belgium	46.1	52.7	58.9	29.1	37.3	45.1	48.4	50.0
Canada	30.3	31.9	35.4	6.4	21.5	28.8	30.7	31.2
Chile	7.0	7.1	8.4	2.2	5.7	5.1	6.6	7.1
Colombia	0.0	0.0	0.0	-7.3	-4.9	-5.8	-4.9	0.0
Costa Rica	28.6	28.6	30.1	28.6	28.6	28.6	28.6	28.6
Czechia	38.0	40.2	42.0	18.5	23.5	34.6	36.2	39.3
Denmark	34.0	36.4	42.0	18.3	27.2	32.1	33.6	35.4
Estonia	33.1	39.4	41.2	11.4	29.9	32.1	35.4	36.8
Finland	37.1	43.5	49.9	27.7	39.8	38.7	41.7	40.9
France	40.4	46.8	53.3	16.7	39.1	40.6	43.9	44.1
Germany	43.7	47.9	49.2	28.4	33.1	40.7	43.3	46.0
Greece	34.5	38.5	44.0	28.6	37.1	37.5	39.2	38.0
Hungary	41.2	41.2	41.2	25.7	31.3	35.2	36.2	41.2
Iceland	27.5	31.7	36.8	17.6	20.4	29.6	31.7	30.0
Ireland	26.0	35.1	43.5	14.3	21.8	28.8	32.9	32.0
Israel	16.3	23.2	33.1	3.8	17.9	14.9	17.2	20.0
Italy	38.4	45.1	53.8	23.0	33.2	35.4	39.9	42.4
Japan	31.5	33.0	35.9	18.2	27.9	30.0	31.0	32.4
Korea	21.6	24.6	27.6	13.7	19.1	20.4	22.1	23.4
Latvia	37.5	41.1	42.9	21.9	30.6	33.4	35.8	39.6
Lithuania	34.1	38.9	40.6	13.6	25.2	31.8	34.6	37.0
Luxembourg	33.5	41.3	47.4	14.2	21.4	31.3	35.6	36.8
Mexico	19.1	20.0	23.1	19.1	20.0	19.6	20.0	19.6
Netherlands	27.2	35.1	41.0	3.0	28.3	27.4	31.4	32.0
New Zealand	16.3	21.1	25.8	-12.1	10.9	19.1	21.1	19.1
Norway	32.4	36.4	43.4	21.9	32.9	32.7	34.6	34.8
Poland	32.4	34.3	36.0	7.2	15.8	24.6	26.9	33.5
Portugal	38.3	42.3	48.0	23.1	32.3	38.1	40.2	40.5
Slovak Republic	39.5	41.6	43.7	11.7	15.7	27.6	30.6	40.8
Slovenia	39.9	43.3	46.7	21.4	29.5	37.2	39.4	41.9
Spain	36.0	40.2	44.7	26.1	35.5	37.1	39.1	38.5
Sweden	39.7	42.1	49.3	32.7	37.4	38.3	39.7	41.1
Switzerland	20.4	23.5	28.0	6.7	11.8	17.8	20.4	23.3
Türkiye	33.7	38.4	42.2	33.7	38.4	36.5	38.4	36.5
United Kingdom	26.8	31.3	38.3	17.2	27.0	27.2	29.4	29.5
United States	27.5	29.9	34.3	12.8	19.7	24.6	26.9	28.2
OECD-Average	31.0	34.8	39.1	16.5	25.7	29.5	31.8	33.3
OECD-EU 22	37.0	41.6	45.9	19.9	29.9	34.8	37.5	39.7

1. Two-earner couple.

Figure 3.1. Income tax plus employee and employer contributions less cash benefits, 2023

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 2023 issue 2.

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Table 3.2. Income tax plus employee contributions, 2023

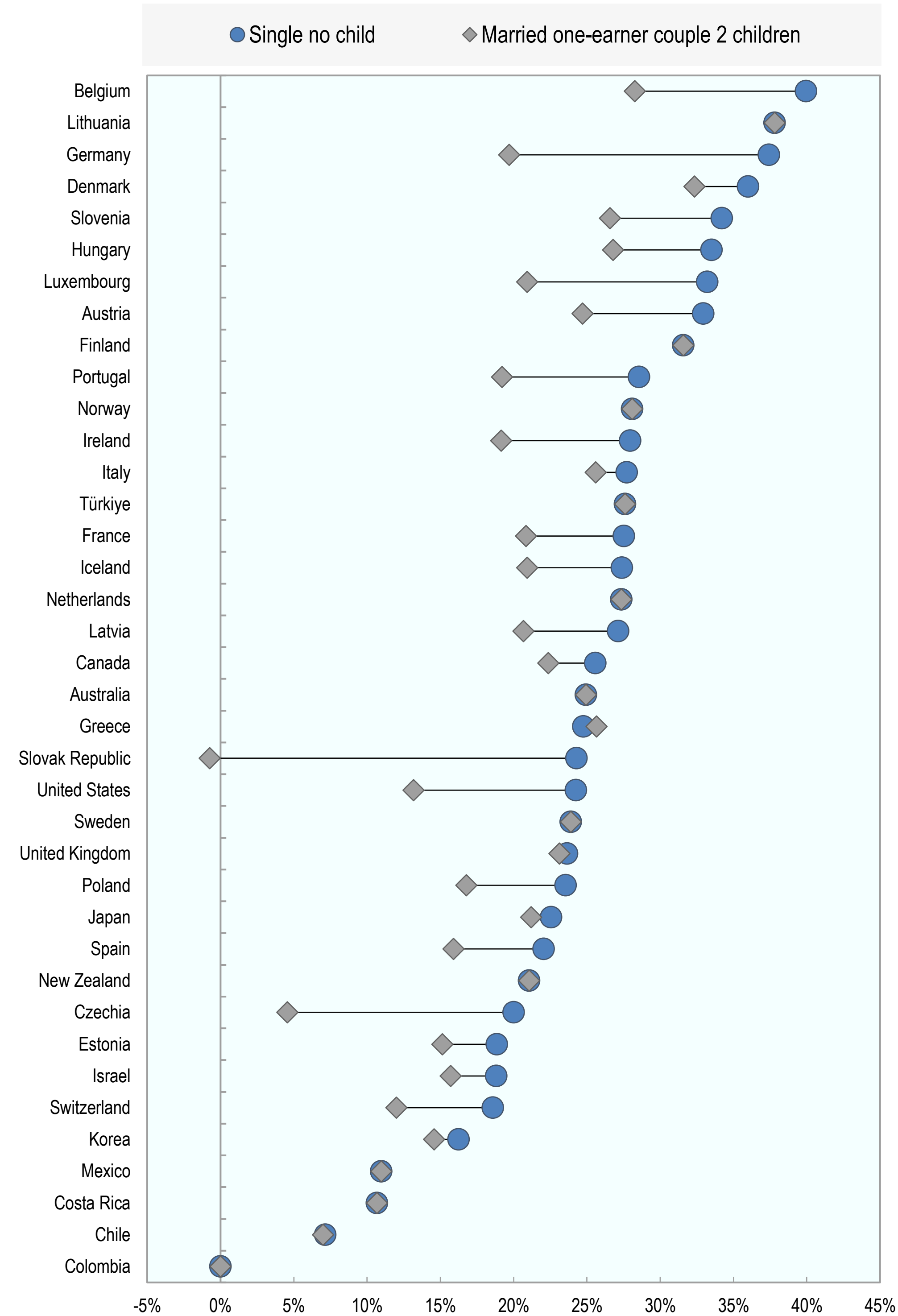
As % of gross wage earnings, by household type and wage level

	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	20.2	24.9	30.0	20.2	24.9	23.0	24.9	23.0
Austria	27.3	32.9	37.6	15.6	24.7	26.5	29.4	30.7
Belgium	32.0	39.9	47.8	26.4	28.3	35.1	38.4	36.6
Canada	22.5	25.6	31.1	16.6	22.4	24.3	25.6	24.3
Chile	7.0	7.1	8.4	7.0	7.0	7.0	7.0	7.1
Colombia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costa Rica	10.7	10.7	12.5	10.7	10.7	10.7	10.7	10.7
Czechia	17.1	20.0	22.4	1.2	4.6	12.5	14.7	18.8
Denmark	33.4	36.0	41.8	31.6	32.3	35.0	36.0	35.0
Estonia	10.5	18.9	21.3	7.9	15.1	14.5	18.0	15.5
Finland	23.7	31.6	39.3	23.7	31.6	28.4	31.6	28.4
France	23.4	27.5	33.5	20.8	20.8	23.2	25.5	25.5
Germany	32.6	37.4	41.6	14.2	19.7	28.9	32.0	35.2
Greece	19.8	24.8	31.5	19.1	25.6	23.6	25.6	24.1
Hungary	33.5	33.5	33.5	23.5	26.8	29.5	30.1	33.5
Iceland	22.9	27.4	32.8	22.9	20.9	25.6	27.4	25.6
Ireland	17.8	28.0	37.2	13.7	19.2	24.5	28.5	24.5
Israel	12.3	18.8	28.8	4.8	15.7	11.8	13.7	15.7
Italy	18.9	27.7	39.2	18.9	25.6	24.2	27.7	24.2
Japan	20.8	22.6	26.6	20.8	21.2	21.9	22.6	21.9
Korea	12.9	16.2	20.4	10.7	14.6	14.2	15.6	14.9
Latvia	22.7	27.1	29.5	13.1	20.7	21.5	23.9	25.4
Lithuania	32.9	37.8	39.5	32.9	37.8	35.9	37.8	35.9
Luxembourg	24.3	33.2	40.1	17.9	20.9	28.1	31.9	28.1
Mexico	8.5	11.0	15.6	8.5	11.0	10.0	11.0	10.0
Netherlands	18.4	27.3	36.1	11.9	27.3	21.2	25.2	23.8
New Zealand	16.3	21.1	25.8	16.3	21.1	19.1	21.1	19.1
Norway	23.6	28.1	34.9	23.2	28.1	26.3	28.1	26.3
Poland	21.3	23.6	25.5	14.0	16.8	21.1	22.3	22.6
Portugal	23.7	28.6	35.6	16.1	19.2	23.4	26.0	26.4
Slovak Republic	21.6	24.3	27.0	-1.8	-0.7	11.2	14.3	23.2
Slovenia	30.2	34.2	38.1	25.0	26.6	29.3	31.5	32.6
Spain	16.6	22.1	27.9	3.7	15.9	18.0	20.5	19.8
Sweden	20.8	23.9	33.4	20.8	23.9	22.6	23.9	22.6
Switzerland	15.3	18.6	23.5	9.5	12.0	16.1	18.3	18.3
Türkiye	22.1	27.6	32.1	22.1	27.6	25.4	27.6	25.4
United Kingdom	19.5	23.7	30.8	19.5	23.1	22.0	23.7	22.0
United States	21.4	24.2	29.1	5.5	13.2	18.4	20.9	22.3
OECD-Average	20.5	24.9	30.0	15.5	19.9	21.4	23.5	23.1
OECD-EU 22	23.8	29.1	34.5	16.8	21.9	24.5	27.0	26.9

1. Two-earner couple.

Figure 3.2. Income tax plus employee contributions, 2023

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 2023 issue 2.

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Table 3.3. Income tax plus employee contributions less cash benefits, 2023

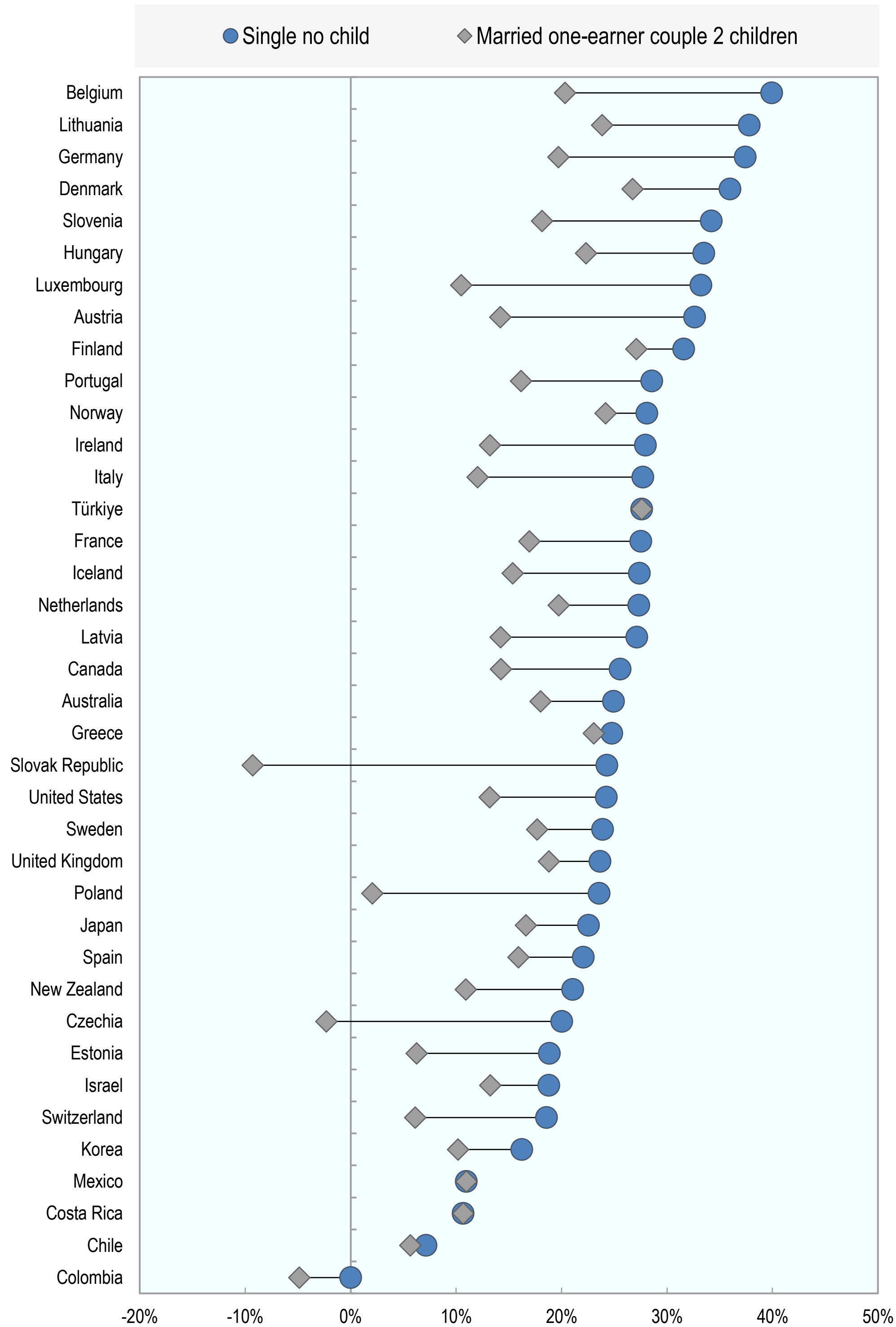
As % of gross wage earnings, by household type and wage level

	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	20.2	24.9	30.0	-0.7	18.0	23.0	24.9	23.0
Austria	26.9	32.6	37.5	0.4	14.2	20.2	24.2	30.3
Belgium	32.0	39.9	47.8	10.6	20.3	30.4	34.5	36.6
Canada	22.5	25.6	31.1	-4.0	14.3	21.7	24.3	24.3
Chile	7.0	7.1	8.4	2.2	5.7	5.1	6.6	7.1
Colombia	0.0	0.0	0.0	-7.3	-4.9	-5.8	-4.9	0.0
Costa Rica	10.7	10.7	12.5	10.7	10.7	10.7	10.7	10.7
Czechia	17.1	20.0	22.4	-9.0	-2.3	12.5	14.7	18.8
Denmark	33.4	36.0	41.8	17.6	26.7	31.6	33.2	35.0
Estonia	10.5	18.9	21.3	-18.6	6.3	9.2	13.6	15.5
Finland	23.7	31.6	39.3	12.4	27.1	25.7	29.3	28.4
France	23.4	27.5	33.5	-7.1	16.9	20.8	23.5	25.5
Germany	32.6	37.4	41.6	14.2	19.7	28.9	32.0	35.2
Greece	19.8	24.8	31.5	12.7	23.1	23.6	25.6	24.1
Hungary	33.5	33.5	33.5	16.1	22.3	26.8	27.9	33.5
Iceland	22.9	27.4	32.8	12.4	15.4	25.1	27.4	25.6
Ireland	17.8	28.0	37.2	4.8	13.2	21.0	25.5	24.5
Israel	12.3	18.8	28.8	-0.7	13.2	10.3	12.5	15.7
Italy	18.9	27.7	39.2	-1.3	12.0	15.1	21.0	24.2
Japan	20.8	22.6	26.6	5.4	16.6	19.1	20.3	21.9
Korea	12.9	16.2	20.4	4.1	10.2	11.5	13.4	14.9
Latvia	22.7	27.1	29.5	3.4	14.2	17.6	20.7	25.4
Lithuania	32.9	37.8	39.5	12.1	23.8	30.6	33.4	35.9
Luxembourg	24.3	33.2	40.1	2.3	10.5	21.8	26.7	28.1
Mexico	8.5	11.0	15.6	8.5	11.0	10.0	11.0	10.0
Netherlands	18.4	27.3	36.1	-8.7	19.7	18.7	23.1	23.8
New Zealand	16.3	21.1	25.8	-12.1	10.9	19.1	21.1	19.1
Norway	23.6	28.1	34.9	11.8	24.2	23.9	26.1	26.3
Poland	21.3	23.6	25.5	-8.0	2.1	12.3	14.9	22.6
Portugal	23.7	28.6	35.6	4.8	16.2	23.4	26.0	26.4
Slovak Republic	21.6	24.3	27.0	-14.6	-9.3	6.1	10.0	23.2
Slovenia	30.2	34.2	38.1	8.7	18.2	27.1	29.6	32.6
Spain	16.6	22.1	27.9	3.7	15.9	18.0	20.5	19.8
Sweden	20.8	23.9	33.4	11.5	17.7	18.9	20.8	22.6
Switzerland	15.3	18.6	23.5	0.7	6.1	12.5	15.3	18.3
Türkiye	22.1	27.6	32.1	22.1	27.6	25.4	27.6	25.4
United Kingdom	19.5	23.7	30.8	9.0	18.8	19.4	21.5	22.0
United States	21.4	24.2	29.1	5.5	13.2	18.4	20.9	22.3
OECD-Average	20.5	24.9	30.0	3.6	14.2	18.7	21.3	23.1
OECD-EU 22	23.7	29.1	34.5	3.1	14.9	20.9	24.1	26.9

1. Two-earner couple.

Figure 3.3. Income tax plus employee contributions less cash benefits, 2023

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 2023 issue 2.

StatLink https://stat.link/2pjuf5

Table 3.4. Income tax, 2023

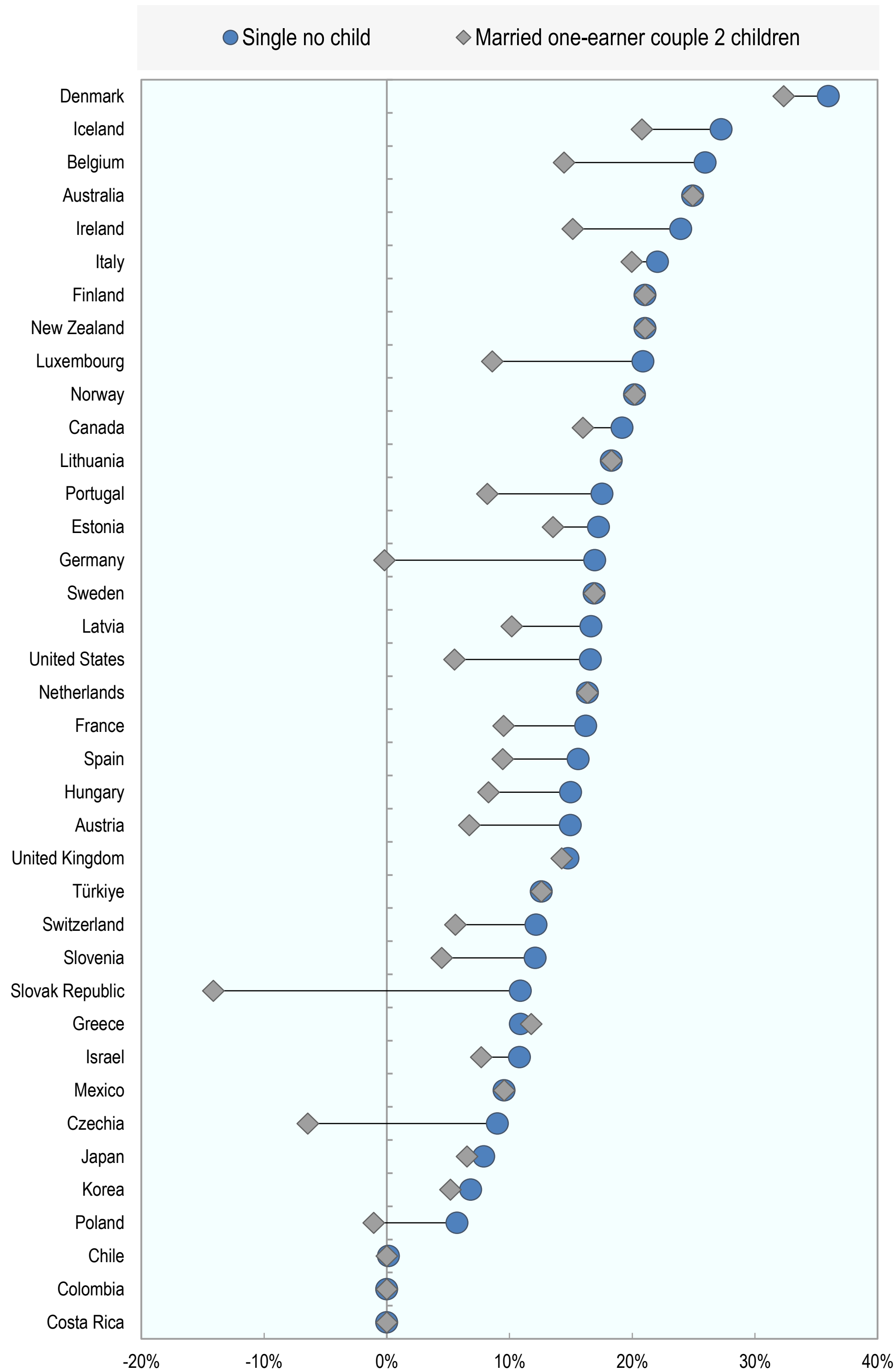
As % of gross wage earnings, by household type and wage level

	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	20.2	24.9	30.0	20.2	24.9	23.0	24.9	23.0
Austria	9.3	15.0	22.2	-2.3	6.7	8.5	11.5	12.7
Belgium	18.4	26.0	34.0	12.7	14.4	21.4	24.7	22.9
Canada	14.2	19.2	27.3	8.4	16.0	17.2	19.2	17.2
Chile	0.0	0.1	1.4	0.0	0.0	0.0	0.0	0.1
Colombia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costa Rica	0.0	0.0	1.8	0.0	0.0	0.0	0.0	0.0
Czechia	6.1	9.0	11.4	-9.8	-6.4	1.5	3.7	7.8
Denmark	33.4	36.0	41.8	31.6	32.3	35.0	36.0	35.0
Estonia	8.9	17.3	19.7	6.3	13.5	12.9	16.4	13.9
Finland	13.2	21.1	28.8	13.2	21.1	17.9	21.1	17.9
France	12.1	16.2	22.5	9.5	9.5	11.9	14.2	14.2
Germany	12.2	17.0	26.5	-5.5	-0.2	9.1	12.1	14.8
Greece	6.0	10.9	17.7	5.2	11.8	9.7	11.8	10.3
Hungary	15.0	15.0	15.0	5.0	8.3	11.0	11.6	15.0
Iceland	22.7	27.3	32.7	22.7	20.8	25.4	27.3	25.4
Ireland	13.8	24.0	33.2	9.7	15.2	20.5	24.5	20.5
Israel	6.3	10.8	19.2	-1.2	7.7	4.6	5.8	8.5
Italy	14.3	22.1	29.6	14.3	20.0	18.9	22.1	18.9
Japan	6.2	7.9	13.0	6.2	6.5	7.2	7.9	7.2
Korea	3.5	6.8	12.1	1.3	5.2	4.8	6.2	5.5
Latvia	12.2	16.6	19.0	2.6	10.2	11.0	13.4	14.9
Lithuania	13.4	18.3	20.0	13.4	18.3	16.4	18.3	16.4
Luxembourg	12.1	20.9	27.7	5.6	8.6	15.8	19.6	15.8
Mexico	7.2	9.6	14.1	7.2	9.6	8.6	9.6	8.6
Netherlands	6.3	16.4	27.1	4.6	16.4	11.7	15.8	12.3
New Zealand	16.3	21.1	25.8	16.3	21.1	19.1	21.1	19.1
Norway	15.7	20.2	27.0	15.3	20.2	18.4	20.2	18.4
Poland	3.5	5.7	7.7	-3.9	-1.1	3.3	4.4	4.8
Portugal	12.7	17.6	24.6	5.1	8.2	12.4	15.0	15.4
Slovak Republic	8.2	10.9	13.6	-15.2	-14.1	-2.2	0.9	9.8
Slovenia	8.1	12.1	16.0	2.9	4.5	7.2	9.4	10.5
Spain	10.1	15.6	21.5	-2.8	9.4	11.6	14.1	13.4
Sweden	13.8	16.9	28.5	13.8	16.9	15.6	16.9	15.6
Switzerland	8.9	12.2	17.2	3.1	5.6	9.7	11.9	11.9
Türkiye	7.1	12.6	17.1	7.1	12.6	10.4	12.6	10.4
United Kingdom	12.2	14.8	24.4	12.2	14.3	13.8	14.8	13.8
United States	13.8	16.6	21.4	-2.1	5.5	10.7	13.3	14.7
OECD-Average	11.0	15.4	20.9	6.1	10.4	11.9	14.0	13.6
OECD-EU 22	12.0	17.3	23.1	5.3	10.2	12.8	15.3	15.1

1. Two-earner couple.

Figure 3.4. Income tax, by household type, 2023

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 2023 issue 2.

StatLink https://stat.link/12hd90

Table 3.5. Employee contributions, 2023

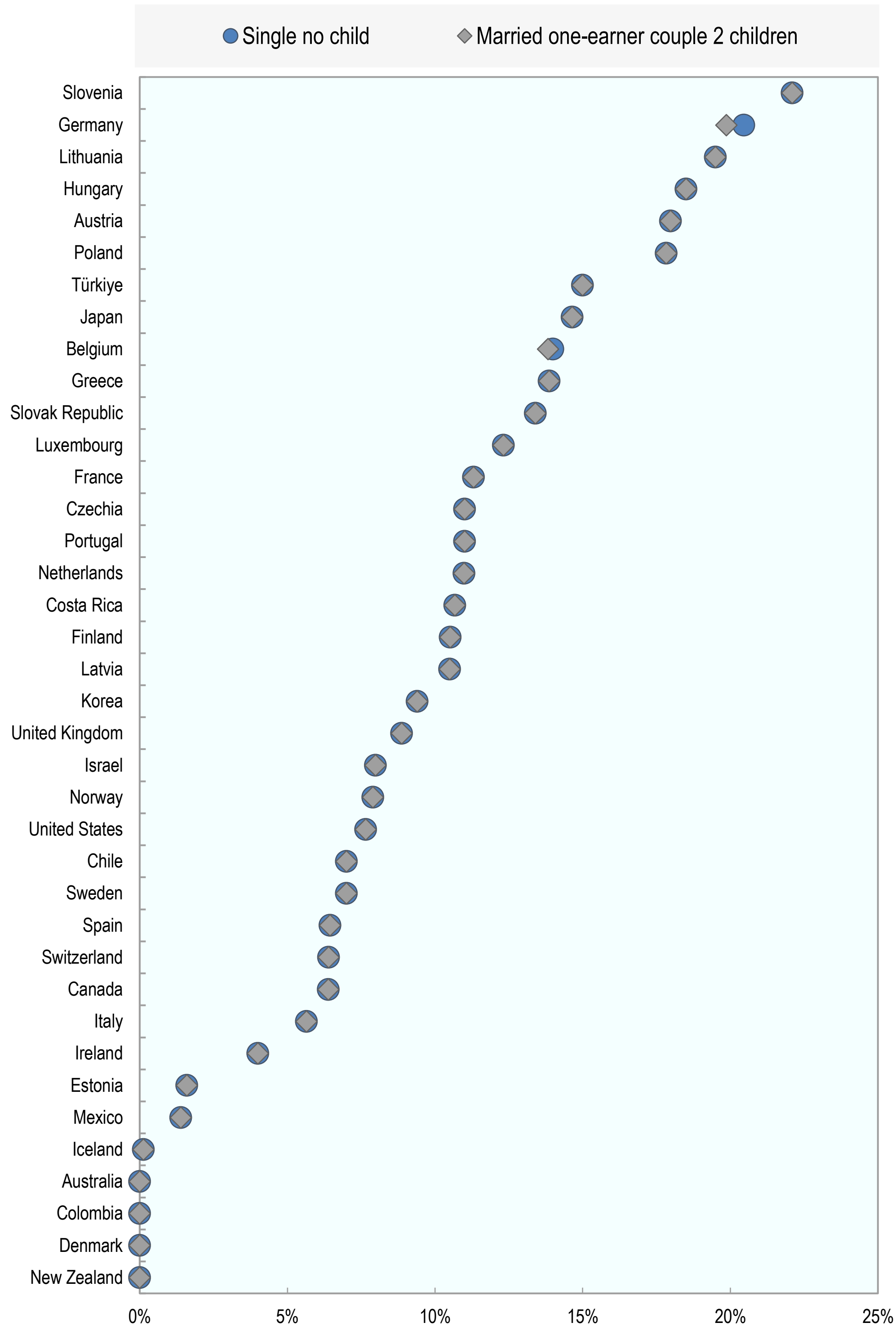
As % of gross wage earnings, by household type and wage level

	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	15.4	18.0	18.0	18.0	18.0	18.0
Belgium	13.6	14.0	13.8	13.6	13.8	13.7	13.7	13.7
Canada	8.3	6.4	3.8	8.3	6.4	7.1	6.4	7.1
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	10.7	10.7	10.7	10.7	10.7	10.7	10.7	10.7
Czechia	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	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5
France	11.3	11.3	11.0	11.3	11.3	11.3	11.3	11.3
Germany	20.3	20.5	15.1	19.7	19.9	19.8	19.9	20.4
Greece	13.9	13.9	13.9	13.9	13.9	13.9	13.9	13.9
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	6.0	8.0	9.6	6.0	8.0	7.2	8.0	7.2
Italy	4.6	5.6	9.6	4.6	5.6	5.2	5.6	5.2
Japan	14.7	14.7	13.6	14.7	14.7	14.7	14.7	14.7
Korea	9.4	9.4	8.3	9.4	9.4	9.4	9.4	9.4
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	12.1	11.0	9.0	7.3	11.0	9.5	9.4	11.4
New Zealand	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Norway	7.9	7.9	7.9	7.9	7.9	7.9	7.9	7.9
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	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5
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	7.3	8.9	6.4	7.3	8.9	8.3	8.9	8.3
United States	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7
OECD-Average	9.5	9.6	9.2	9.4	9.5	9.5	9.5	9.5
OECD-EU 22	11.8	11.8	11.4	11.5	11.8	11.7	11.7	11.8

1. Two-earner couple.

Figure 3.5. Employee contributions, 2023

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 2023 issue 2.

StatLink https://stat.link/zaj1id

Table 3.6. Marginal rate of income tax plus employee and employer contributions less cash benefits, 2023

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

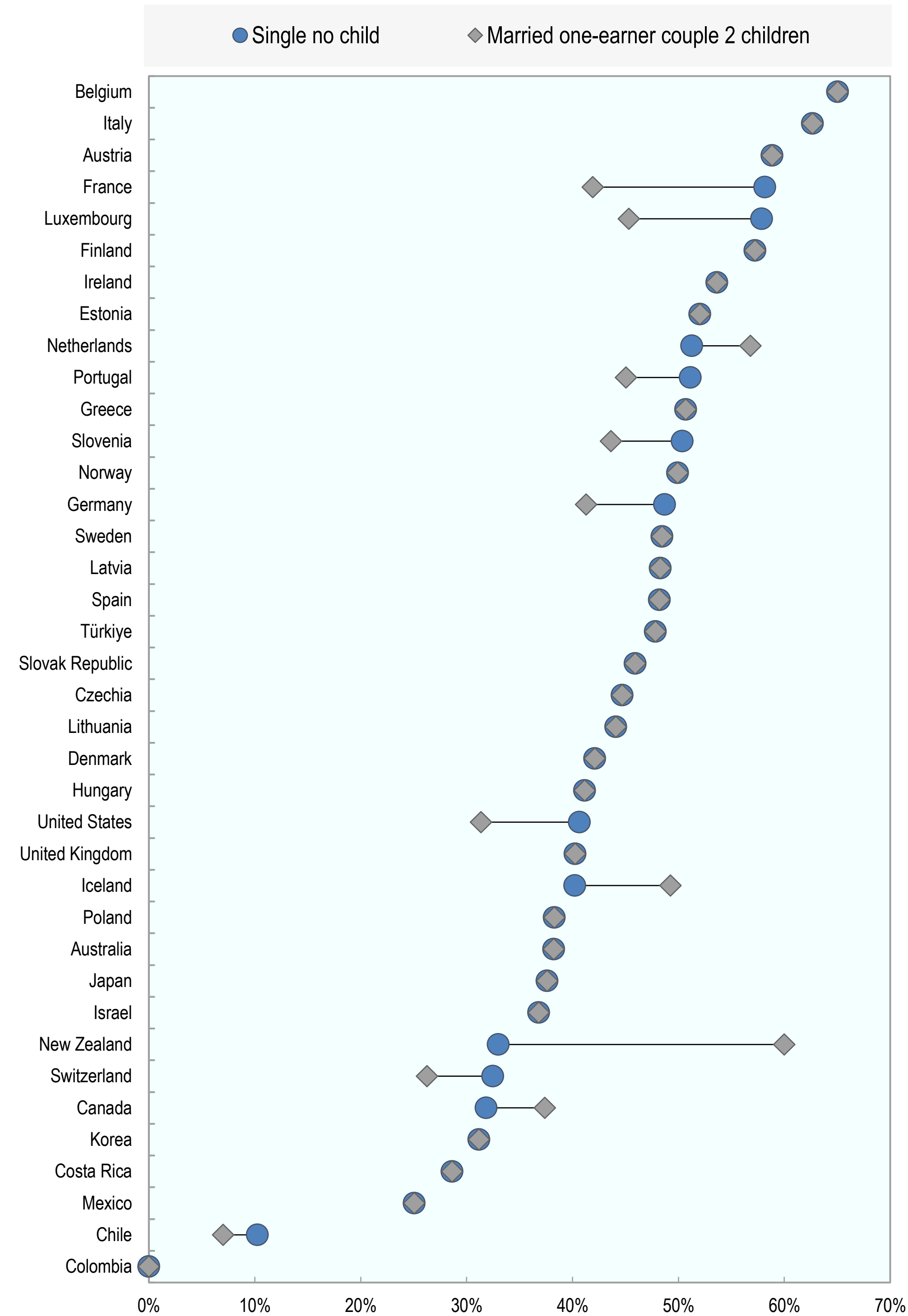
	Single no children 67 (% AW)	Single no children 100 (% AW)	Single no children 167 (% AW)	Single 2 children 67 (% AW)	Married 2 children 100-0 (% AW)	Married 2 children 100-67 (% AW)[1]	Married 2 children 100-100 (% AW)[1]	Married no children 100-67 (% AW)[1]
Australia	38.2	38.2	42.5	57.1	38.2	38.2	38.2	38.2
Austria	52.8	58.8	45.6	36.3	58.8	58.8	58.8	58.8
Belgium	68.5	65.0	67.8	68.5	65.0	65.1	64.1	65.1
Canada	42.2	31.9	44.5	79.4	37.4	37.4	37.4	31.9
Chile	7.0	10.3	10.3	7.0	7.0	7.0	7.0	10.3
Colombia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costa Rica	28.6	28.6	36.0	28.6	28.6	28.6	28.6	28.6
Czechia	44.7	44.7	44.7	44.7	44.7	44.7	44.7	44.7
Denmark	39.1	42.1	55.9	37.3	42.1	42.1	42.1	42.1
Estonia	52.0	52.0	41.2	52.0	52.0	52.0	52.0	52.0
Finland	48.5	57.2	59.5	48.5	57.2	57.2	57.2	57.2
France	64.6	58.2	59.5	74.5	41.9	50.6	58.2	47.9
Germany	54.1	48.7	47.0	52.7	41.3	46.2	46.0	46.1
Greece	46.5	50.7	56.3	46.5	50.7	50.7	50.7	50.7
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	53.6	53.6	56.8	35.6	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	55.3	62.6	64.1	55.3	62.6	66.7	66.7	62.6
Japan	33.4	37.6	38.2	52.7	37.6	37.6	37.6	37.6
Korea	30.5	31.2	33.1	23.5	31.2	31.2	31.2	31.2
Latvia	48.3	48.3	44.5	48.3	48.3	48.3	48.3	48.3
Lithuania	48.8	44.1	40.6	48.8	44.1	44.1	44.1	44.1
Luxembourg	54.7	57.9	56.5	59.7	45.3	57.9	57.9	57.9
Mexico	18.6	25.1	28.4	18.6	25.1	25.1	25.1	25.1
Netherlands	51.3	51.3	51.5	56.8	56.8	51.3	51.3	51.3
New Zealand	30.0	33.0	33.0	57.0	60.0	33.0	33.0	33.0
Norway	41.5	49.9	54.6	41.5	49.9	49.9	49.9	49.9
Poland	38.3	38.3	53.1	29.4	38.3	38.3	38.3	38.3
Portugal	49.5	51.1	54.7	49.5	45.1	49.5	51.1	49.5
Slovak Republic	45.9	45.9	49.1	27.9	45.9	45.9	45.9	45.9
Slovenia	50.3	50.3	55.0	43.6	43.6	50.3	50.3	50.3
Spain	63.1	48.2	54.0	63.1	48.2	48.2	48.2	48.2
Sweden	46.2	48.4	65.9	46.2	48.4	48.4	48.4	48.4
Switzerland	26.7	32.5	38.9	20.8	26.3	30.3	35.9	32.8
Türkiye	47.8	47.8	47.8	47.8	47.8	47.8	47.8	47.8
United Kingdom	40.2	40.2	49.0	73.1	40.2	40.2	40.2	40.2
United States	31.4	40.6	42.5	52.1	31.4	31.4	40.6	31.4
OECD-Average	42.4	43.2	46.4	45.0	42.7	42.9	43.4	42.6
OECD-EU 22	50.8	50.9	52.9	48.5	48.9	50.5	50.9	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.

Figure 3.6. Marginal rate of income tax plus employee and employer contributions less cash benefits, 2023

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 2023 issue 2.

StatLink https://stat.link/g857lh

Table 3.7. Marginal rate of income tax plus employee contributions less cash benefits, 2023

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

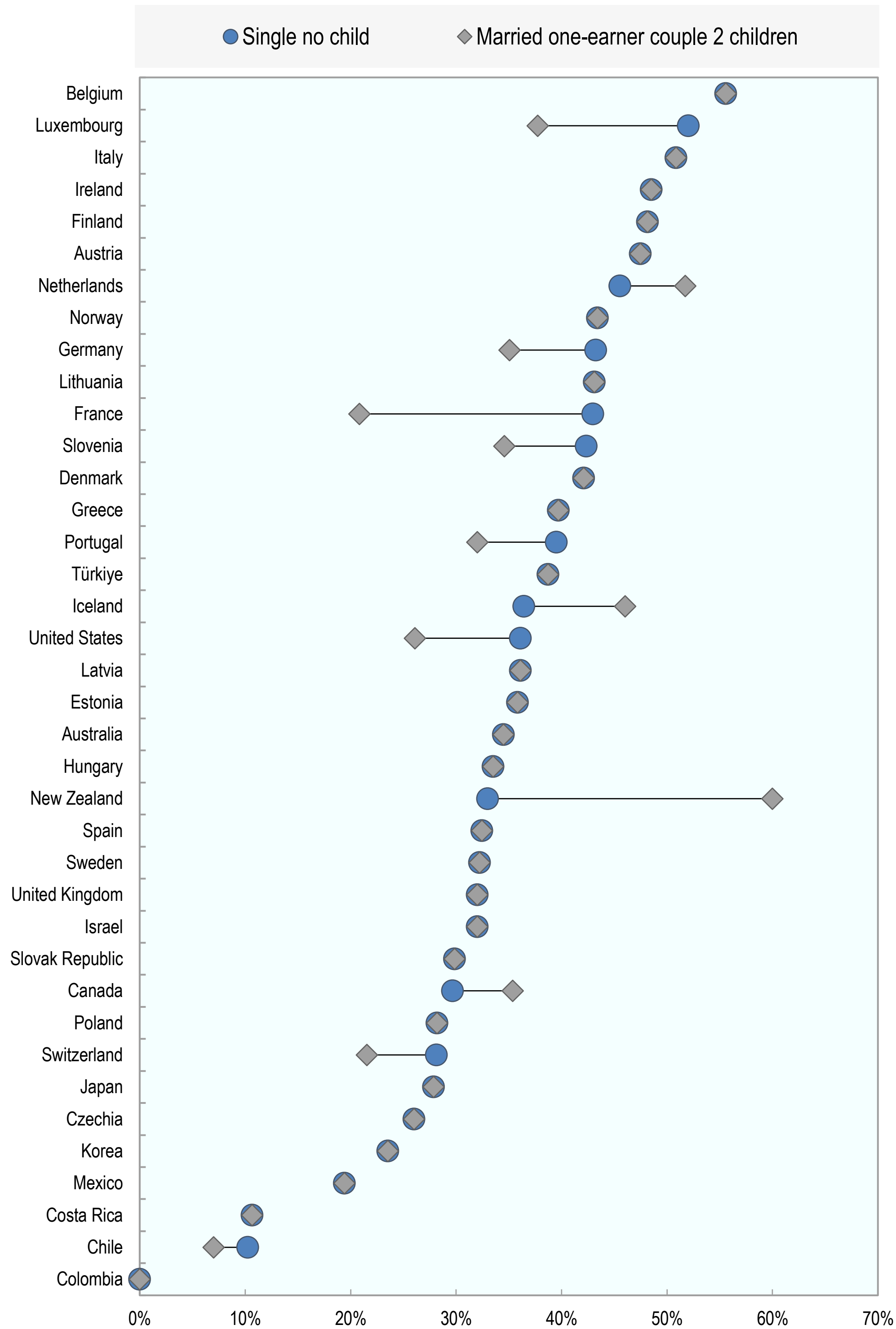
	Single no children 67 (% AW)	Single no children 100 (% AW)	Single no children 167 (% AW)	Single 2 children 67 (% AW)	Married 2 children 100-0 (% AW)	Married 2 children 100-67 (% AW)[1]	Married 2 children 100-100 (% AW)[1]	Married no children 100-67 (% AW)[1]
Australia	34.5	34.5	39.0	54.5	34.5	34.5	34.5	34.5
Austria	39.7	47.5	42.0	18.7	47.5	47.5	47.5	47.5
Belgium	55.6	55.6	59.0	55.6	55.6	55.6	54.4	55.6
Canada	35.6	29.7	43.4	77.0	35.4	35.4	35.4	29.7
Chile	7.0	10.3	10.3	7.0	7.0	7.0	7.0	10.3
Colombia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costa Rica	10.7	10.7	19.8	10.7	10.7	10.7	10.7	10.7
Czechia	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0
Denmark	39.1	42.1	55.9	37.3	42.1	42.1	42.1	42.1
Estonia	35.8	35.8	21.3	35.8	35.8	35.8	35.8	35.8
Finland	37.5	48.2	50.9	37.5	48.2	48.2	48.2	48.2
France	32.6	43.0	42.2	51.6	20.8	32.6	43.0	29.0
Germany	44.8	43.2	47.0	43.1	35.1	40.5	40.2	40.4
Greece	34.5	39.7	46.6	34.5	39.7	39.7	39.7	39.7
Hungary	33.5	33.5	33.5	33.5	33.5	33.5	33.5	33.5
Iceland	36.4	36.4	44.4	46.0	46.0	42.2	36.4	36.4
Ireland	48.5	48.5	52.0	28.5	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	41.2	50.9	52.8	41.2	50.9	56.1	56.1	50.9
Japan	23.0	27.9	34.2	45.3	27.9	27.9	27.9	27.9
Korea	22.8	23.5	28.7	15.0	23.5	23.5	23.5	23.5
Latvia	36.1	36.1	31.4	36.1	36.1	36.1	36.1	36.1
Lithuania	47.9	43.1	39.5	47.9	43.1	43.1	43.1	43.1
Luxembourg	48.4	52.0	50.5	54.1	37.7	52.0	52.0	52.0
Mexico	12.4	19.4	23.0	12.4	19.4	19.4	19.4	19.4
Netherlands	45.5	45.5	51.5	51.7	51.7	45.5	45.5	45.5
New Zealand	30.0	33.0	33.0	57.0	60.0	33.0	33.0	33.0
Norway	33.9	43.4	46.4	33.9	43.4	43.4	43.4	43.4
Poland	28.2	28.2	45.4	17.8	28.2	28.2	28.2	28.2
Portugal	37.5	39.5	43.9	37.5	32.0	37.5	39.5	37.5
Slovak Republic	29.9	29.9	34.0	6.5	29.9	29.9	29.9	29.9
Slovenia	42.4	42.4	47.8	34.6	34.6	42.4	42.4	42.4
Spain	51.9	32.5	40.0	51.9	32.5	32.5	32.5	32.5
Sweden	29.2	32.2	55.2	29.2	32.2	32.2	32.2	32.2
Switzerland	22.0	28.1	35.7	15.7	21.5	25.8	31.8	28.5
Türkiye	38.7	38.7	38.7	38.7	38.7	38.7	38.7	38.7
United Kingdom	32.0	32.0	42.0	69.4	32.0	32.0	32.0	32.0
United States	26.1	36.1	38.1	48.4	26.1	26.1	36.1	26.1
OECD-Average	33.2	35.0	39.3	36.1	34.2	34.7	35.2	34.3
OECD-EU 22	39.4	40.7	44.0	36.8	38.3	40.2	40.7	39.8

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.

Figure 3.7. Marginal rate of income tax plus employee contributions less cash benefits, 2023

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 2023 issue 2.

StatLink https://stat.link/kivota

Table 3.8. Percentage increase in net income relative to percentage increase in gross wages, 2023

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	0.82	0.87	0.87	0.45	0.80	0.85	0.87	0.85
Austria	0.82	0.78	0.93	0.82	0.61	0.66	0.69	0.75
Belgium	0.65	0.74	0.78	0.50	0.56	0.64	0.70	0.70
Canada	0.83	0.95	0.82	0.22	0.75	0.83	0.85	0.93
Chile	1.00	0.97	0.98	0.95	0.99	0.98	1.00	0.97
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
Czechia	0.89	0.93	0.95	0.68	0.72	0.85	0.87	0.91
Denmark	0.92	0.90	0.76	0.76	0.79	0.85	0.87	0.89
Estonia	0.72	0.79	1.00	0.54	0.68	0.71	0.74	0.76
Finland	0.82	0.76	0.81	0.71	0.71	0.70	0.73	0.72
France	0.88	0.79	0.87	0.45	0.95	0.85	0.75	0.95
Germany	0.82	0.91	0.91	0.66	0.81	0.84	0.88	0.92
Greece	0.82	0.80	0.78	0.75	0.78	0.79	0.81	0.79
Hungary	1.00	1.00	1.00	0.79	0.86	0.91	0.92	1.00
Iceland	0.82	0.88	0.83	0.62	0.64	0.77	0.88	0.85
Ireland	0.63	0.71	0.76	0.75	0.59	0.65	0.69	0.68
Israel	0.78	0.84	0.74	0.70	0.78	0.76	0.78	0.81
Italy	0.72	0.68	0.78	0.58	0.56	0.52	0.56	0.65
Japan	0.97	0.93	0.90	0.58	0.87	0.89	0.90	0.92
Korea	0.89	0.91	0.90	0.89	0.85	0.86	0.88	0.90
Latvia	0.83	0.88	0.97	0.66	0.74	0.78	0.81	0.86
Lithuania	0.78	0.92	1.00	0.59	0.75	0.82	0.85	0.89
Luxembourg	0.68	0.72	0.83	0.47	0.70	0.61	0.65	0.67
Mexico	0.96	0.90	0.91	0.96	0.90	0.89	0.90	0.89
Netherlands	0.67	0.75	0.76	0.44	0.60	0.67	0.71	0.71
New Zealand	0.84	0.85	0.90	0.38	0.45	0.83	0.85	0.83
Norway	0.87	0.79	0.82	0.75	0.75	0.74	0.77	0.77
Poland	0.91	0.94	0.73	0.76	0.73	0.82	0.84	0.93
Portugal	0.82	0.85	0.87	0.66	0.81	0.82	0.82	0.85
Slovak Republic	0.89	0.93	0.90	0.82	0.64	0.75	0.78	0.91
Slovenia	0.83	0.88	0.84	0.72	0.80	0.79	0.82	0.86
Spain	0.58	0.87	0.83	0.50	0.80	0.82	0.85	0.84
Sweden	0.89	0.89	0.67	0.80	0.82	0.84	0.86	0.88
Switzerland	0.92	0.88	0.84	0.85	0.84	0.85	0.81	0.88
Türkiye	0.79	0.85	0.90	0.79	0.85	0.82	0.85	0.82
United Kingdom	0.85	0.89	0.84	0.34	0.84	0.84	0.87	0.87
United States	0.94	0.84	0.87	0.55	0.85	0.91	0.81	0.95
OECD-Average	0.84	0.86	0.86	0.67	0.77	0.80	0.82	0.85
OECD-EU 22	0.80	0.84	0.85	0.66	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 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.

Table 3.9. Percentage increase in net income relative to percentage increase in gross labour cost, 2023

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	0.82	0.87	0.87	0.45	0.80	0.85	0.87	0.85
Austria	0.82	0.78	1.08	0.82	0.61	0.66	0.69	0.75
Belgium	0.58	0.74	0.78	0.44	0.56	0.64	0.70	0.70
Canada	0.83	1.00	0.86	0.22	0.80	0.88	0.90	0.99
Chile	1.00	0.97	0.98	0.95	0.99	0.98	1.00	0.97
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
Czechia	0.89	0.93	0.95	0.68	0.72	0.85	0.87	0.91
Denmark	0.92	0.91	0.76	0.77	0.80	0.85	0.87	0.90
Estonia	0.72	0.79	1.00	0.54	0.68	0.71	0.74	0.76
Finland	0.82	0.76	0.81	0.71	0.71	0.70	0.73	0.72
France	0.59	0.79	0.87	0.31	0.95	0.83	0.75	0.93
Germany	0.82	0.98	1.04	0.66	0.88	0.91	0.95	1.00
Greece	0.82	0.80	0.78	0.75	0.78	0.79	0.81	0.79
Hungary	1.00	1.00	1.00	0.79	0.86	0.91	0.92	1.00
Iceland	0.82	0.88	0.83	0.62	0.64	0.77	0.88	0.85
Ireland	0.63	0.71	0.76	0.75	0.59	0.65	0.69	0.68
Israel	0.75	0.82	0.74	0.68	0.77	0.74	0.76	0.79
Italy	0.72	0.68	0.78	0.58	0.56	0.52	0.56	0.65
Japan	0.97	0.93	0.96	0.58	0.87	0.89	0.90	0.92
Korea	0.89	0.91	0.92	0.89	0.85	0.86	0.88	0.90
Latvia	0.83	0.88	0.97	0.66	0.75	0.78	0.81	0.86
Lithuania	0.78	0.92	1.00	0.59	0.75	0.82	0.85	0.89
Luxembourg	0.68	0.72	0.83	0.47	0.70	0.61	0.65	0.67
Mexico	1.01	0.94	0.93	1.01	0.94	0.93	0.94	0.93
Netherlands	0.67	0.75	0.82	0.45	0.60	0.67	0.71	0.72
New Zealand	0.84	0.85	0.90	0.38	0.45	0.83	0.85	0.83
Norway	0.87	0.79	0.80	0.75	0.75	0.74	0.77	0.77
Poland	0.91	0.94	0.73	0.76	0.73	0.82	0.84	0.93
Portugal	0.82	0.85	0.87	0.66	0.81	0.82	0.82	0.85
Slovak Republic	0.89	0.93	0.90	0.82	0.64	0.75	0.78	0.91
Slovenia	0.83	0.88	0.84	0.72	0.80	0.79	0.82	0.86
Spain	0.58	0.87	0.83	0.50	0.80	0.82	0.85	0.84
Sweden	0.89	0.89	0.67	0.80	0.82	0.84	0.86	0.88
Switzerland	0.92	0.88	0.85	0.85	0.84	0.85	0.81	0.88
Türkiye	0.79	0.85	0.90	0.79	0.85	0.82	0.85	0.82
United Kingdom	0.82	0.87	0.83	0.32	0.82	0.82	0.85	0.85
United States	0.95	0.85	0.87	0.55	0.85	0.91	0.81	0.96
OECD-Average	0.83	0.87	0.88	0.66	0.77	0.80	0.82	0.86
OECD-EU 22	0.78	0.84	0.87	0.65	0.73	0.76	0.79	0.83

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.

Table 3.10. Annual gross wage and net income, single person, 2023

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	47 003	37 504	70 154	52 668	117 157	81 988	47 003	47 320
Austria	51 005	37 302	76 127	51 288	127 131	79 504	51 005	50 782
Belgium	54 579	37 116	81 461	48 922	136 040	71 055	54 579	48 786
Canada	48 978	37 955	73 102	54 408	122 080	84 056	48 978	50 940
Chile	19 648	18 272	29 325	27 228	48 972	44 862	19 648	19 212
Colombia	11 132	11 132	16 615	16 615	27 747	27 747	11 132	11 944
Costa Rica	18 556	16 576	27 695	24 740	46 251	40 473	18 556	16 576
Czechia	25 542	21 183	38 122	30 492	63 664	49 393	25 542	27 850
Denmark	55 197	36 751	82 383	52 734	137 580	80 106	55 197	45 504
Estonia	24 155	21 618	36 052	29 254	60 206	47 394	24 155	28 646
Finland	43 438	33 141	64 833	44 359	108 271	65 684	43 438	38 049
France	40 818	31 252	60 922	44 152	101 739	67 670	40 818	43 696
Germany	54 564	36 800	81 439	50 959	136 004	79 425	54 564	46 797
Greece	29 373	23 543	43 840	32 983	73 213	50 118	29 373	25 650
Hungary	26 744	17 785	39 916	26 544	66 660	44 329	26 744	22 446
Iceland	51 320	39 552	76 597	55 620	127 916	85 986	51 320	44 959
Ireland	51 594	42 388	77 006	55 475	128 600	80 697	51 594	49 120
Israel	32 987	28 926	49 235	39 975	82 222	58 517	32 987	33 227
Italy	35 332	28 652	52 734	38 114	88 066	53 588	35 332	35 801
Japan	35 961	28 474	53 673	41 562	89 634	65 801	35 961	34 025
Korea	44 760	38 994	66 806	55 956	111 567	88 861	44 760	42 928
Latvia	23 479	18 142	35 043	25 533	58 522	41 280	23 479	22 674
Lithuania	30 903	20 724	46 124	28 683	77 027	46 602	30 903	27 166
Luxembourg	56 106	42 461	83 741	55 929	139 847	83 787	56 106	54 815
Mexico	11 286	10 330	16 845	14 998	28 131	23 748	11 286	10 330
Netherlands	52 394	42 757	78 201	56 816	130 595	83 421	52 394	56 968
New Zealand	34 270	28 686	51 149	40 381	85 419	63 341	34 270	38 427
Norway	55 529	42 432	82 880	59 594	138 409	90 038	55 529	49 002
Poland	28 606	22 517	42 696	32 636	71 302	53 129	28 606	30 891
Portugal	27 502	20 987	41 048	29 328	68 549	44 146	27 502	26 180
Slovak Republic	20 014	15 699	29 872	22 614	49 886	36 434	20 014	22 934
Slovenia	30 462	21 269	45 465	29 918	75 927	47 008	30 462	27 804
Spain	32 720	27 304	48 836	38 064	81 557	58 789	32 720	31 513
Sweden	38 347	30 382	57 235	43 556	95 583	63 672	38 347	33 938
Switzerland	67 032	56 769	100 048	81 465	167 081	127 851	67 032	66 537
Türkiye	30 828	24 008	46 011	33 314	76 839	52 209	30 828	24 008
United Kingdom	46 326	37 274	69 143	52 790	115 470	79 958	46 326	42 159
United States	45 067	35 420	67 264	50 954	112 331	79 690	45 067	42 566
OECD-Average	37 725	29 528	56 306	41 332	94 032	63 746	37 725	36 110
OECD-EU 22	37 858	28 626	56 504	39 471	94 362	60 329	37 858	36 273

Table 3.11. Annual gross wage and net income, married couple, 2023

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	70 154	57 529	117 157	90 172	140 308	105 336	117 157	90 172
Austria	76 127	65 320	127 131	101 449	152 253	115 435	127 131	88 590
Belgium	81 461	64 907	136 040	94 635	162 922	106 750	136 040	86 227
Canada	73 102	62 683	122 080	95 533	146 203	110 615	122 080	92 363
Chile	29 325	27 667	48 972	46 484	58 650	54808	48 972	45 501
Colombia	16 615	17 427	27 747	29 370	33 230	34 853	27 747	27 747
Costa Rica	27 695	24 740	46 251	41 316	55 391	49 480	46 251	41 316
Czechia	38 122	38 997	63 664	55 732	76 244	65 041	63 664	51 675
Denmark	82 383	60 350	137 580	94 096	164 766	110 080	137 580	89 484
Estonia	36 052	33 798	60 206	54 695	72 103	62 331	60 206	50 873
Finland	64 833	47 274	108 271	80 415	129 666	91 633	108 271	77 500
France	60 922	50 606	101 739	80 537	121 843	93 151	101 739	75 762
Germany	81 439	65 404	136 004	96 665	162 879	110 776	136 004	88 098
Greece	48 224	37 107	80 534	61 550	96 448	71 710	80 534	61 092
Hungary	39 916	31 005	66 660	48 789	79 832	57549	66 660	44 329
Iceland	76 597	64 837	127 916	95 833	153 193	111 240	127 916	95 172
Ireland	77 006	66 833	128 600	101 617	154 012	114 704	128 600	97 040
Israel	49 235	42 720	82 222	73 725	98 470	86 147	82 222	69 284
Italy	52 734	46 381	88 066	74 800	105 468	83 363	88 066	66 766
Japan	53 673	44 749	89 634	72 489	107 346	85 577	89 634	70 036
Korea	66 806	60 010	111 567	98 701	133 613	115 663	111 567	94 950
Latvia	35 043	30 065	58 522	48 207	70 087	55 597	58 522	43 675
Lithuania	46 124	35 124	77 027	53 462	92 248	61 420	77 027	49 407
Luxembourg	83 741	74 970	139 847	109 320	167 482	122 718	139 847	100 578
Mexico	16 845	14 998	28 131	25 328	33 689	29 996	28 131	25 328
Netherlands	78 201	62 765	130 595	106 188	156 401	120 246	130 595	99 573
New Zealand	51 149	45 564	85 419	69 067	102 298	80 761	85 419	69 067
Norway	82 880	62 851	138 409	105 283	165 760	122 445	138 409	102 026
Poland	42 696	41 814	71 302	62 538	85 392	72 657	71 302	55 154
Portugal	41 048	34 414	68 549	52 517	82 095	60 732	68 549	50 440
Slovak Republic	29 872	32 648	49 886	46 830	59 744	53 745	49 886	38 312
Slovenia	45 465	37 211	75 927	55 345	90 931	63 994	75 927	51 187
Spain	48 836	41 073	81 557	66 851	97 673	77 611	81 557	65 368
Sweden	57 235	47 112	95 583	77 494	114 470	90 668	95 583	73 937
Switzerland	100 048	93 919	167 081	146 128	200 097	169 430	167 081	136 427
Türkiye	46 011	33 314	76 839	57 322	92 023	66 628	76 839	57 322
United Kingdom	69 143	56 145	115 470	93 057	138 287	108 573	115 470	90 063
United States	67 264	58 405	112 331	91 709	134 529	106 375	112 331	87 243
OECD-Average	56 422	47 704	94 224	75 138	112 843	86 838	94 224	71 029
OECD-EU 22	56 704	47 508	94 695	73 806	113 407	84 632	94 695	68 412

1. Two-earner couple.

Table 3.12. Annual labour costs and net income, single person, 2023

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	49 834	37 504	74 379	52 668	124 213	81 988	49 834	47 320
Austria	65 112	37 302	97 182	51 288	158 541	79 504	65 112	50 782
Belgium	68 837	37 116	103 494	48 922	172 835	71 055	68 837	48 786
Canada	54 420	37 955	79 844	54 408	130 038	84 056	54 420	50 940
Chile	19 648	18 272	29 325	27 228	48 972	44 862	19 648	19 212
Colombia	11 132	11 132	16 615	16 615	27 747	27 747	11 132	11 944
Costa Rica	23 226	16 576	34 666	24 740	57 892	40 473	23 226	16 576
Czechia	34 175	21 183	51 007	30 492	85 182	49 393	34 175	27 850
Denmark	55 703	36 751	82 890	52 734	138 086	80 106	55 703	45 504
Estonia	32 319	21 618	48 237	29 254	80 556	47 394	32 319	28 646
Finland	52 647	33 141	78 577	44 359	131 224	65 684	52 647	38 049
France	52 461	31 252	83 034	44 152	144 989	67 670	52 461	43 696
Germany	65 403	36 800	97 722	50 959	156 205	79 425	65 403	46 797
Greece	35 920	23 543	53 612	32 983	89 532	50 118	35 920	25 650
Hungary	30 221	17 785	45 105	26 544	75 326	44 329	30 221	22 446
Iceland	54 578	39 552	81 460	55 620	136 039	85 986	54 578	44 959
Ireland	57 295	42 388	85 515	55 475	142 810	80 697	57 295	49 120
Israel	34 553	28 926	52 035	39 975	87 530	58 517	34 553	33 227
Italy	46 490	28 652	69 388	38 114	115 877	53 588	46 490	35 801
Japan	41 574	28 474	62 051	41 562	102 718	65 801	41 574	34 025
Korea	49 719	38 994	74 208	55 956	122 690	88 861	49 719	42 928
Latvia	29 026	18 142	43 318	25 533	72 336	41 280	29 026	22 674
Lithuania	31 456	20 724	46 950	28 683	78 406	46 602	31 456	27 166
Luxembourg	63 871	42 461	95 331	55 929	159 202	83 787	63 871	54 815
Mexico	12 766	10 330	18 743	14 998	30 879	23 748	12 766	10 330
Netherlands	58 759	42 757	87 599	56 816	141 348	83 421	58 759	56 968
New Zealand	34 270	28 686	51 149	40 381	85 419	63 341	34 270	38 427
Norway	62 748	42 432	93 654	59 594	159 052	90 038	62 748	49 002
Poland	33 286	22 517	49 681	32 636	82 967	53129	33 286	30 891
Portugal	34 034	20 987	50 796	29 328	84 830	44 146	34 034	26 180
Slovak Republic	25 958	15 699	38 744	22 614	64 702	36 434	25 958	22 934
Slovenia	35 366	21 269	52 785	29 918	88 152	47 008	35 366	27 804
Spain	42 667	27 304	63 683	38 064	106 350	58 789	42 667	31 513
Sweden	50 396	30 382	75 218	43 556	125 615	63 672	50 396	33 938
Switzerland	71 323	56 769	106 452	81 465	177 533	127 851	71 323	66 537
Türkiye	36 223	24 008	54 063	33 314	90 286	52 209	36 223	24 008
United Kingdom	50 917	37 274	76 883	52 790	129 602	79 958	50 917	42 159
United States	48 836	35 420	72 731	50 954	121 246	79 690	48 836	42 566
OECD-Average	43 610	29 528	65 214	41 332	108 603	63 746	43 610	36 110
OECD-EU 22	45 518	28 626	68 176	39 471	113 412	60 329	45 518	36 273

Table 3.13. Annual labour costs and net income, married couple, 2023

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	74 379	57 529	124 213	90 172	148 758	105 336	124 213	90 172
Austria	97 182	65 320	162 294	101 449	194 364	115 435	162 294	88 590
Belgium	103 494	64 907	172 331	94 635	206 988	106 750	172 331	86 227
Canada	79 844	62 683	134 264	95 533	159 688	110 615	134 264	92 363
Chile	29 325	27 667	48 972	46 484	58 650	54 808	48 972	45 501
Colombia	16 615	17 427	27 747	29 370	33 230	34 853	27 747	27 747
Costa Rica	34 666	24 740	57 892	41 316	69 332	49 480	57 892	41 316
Czechia	51 007	38 997	85 182	55 732	102 015	65 041	85 182	51 675
Denmark	82 890	60 350	138 593	94 096	165 779	110 080	138 593	89 484
Estonia	48 237	33 798	80 556	54 695	96 474	62 331	80 556	50 873
Finland	78 577	47 274	131 224	80 415	157 155	91 633	131 224	77 500
France	83 034	50 606	135 494	80 537	166 068	93 151	135 494	75 762
Germany	97 722	65 404	163 125	96 665	195 444	110 776	163 125	88 098
Greece	58 973	37 107	98 485	61 550	117 947	71 710	98 485	61 092
Hungary	45 105	31 005	75 326	48 789	90 211	57 549	75 326	44 329
Iceland	81 460	64 837	136 039	95 833	162 921	111 240	136 039	95 172
Ireland	85 515	66 833	142 810	101 617	171 030	114 704	142 810	97 040
Israel	52 035	42 720	86 588	73 725	104 071	86 147	86 588	69 284
Italy	69 388	46 381	115 877	74 800	138 775	83 363	115 877	66 766
Japan	62 051	44 749	103 625	72 489	124 102	85 577	103 625	70 036
Korea	74 208	60 010	123 927	98 701	148 416	115 663	123 927	94 950
Latvia	43 318	30 065	72 344	48 207	86 637	55 597	72 344	43 675
Lithuania	46 950	35 124	78 406	53 462	93 900	61 420	78 406	49 407
Luxembourg	95 331	74 970	159 202	109 320	190 661	122 718	159 202	100 578
Mexico	18 743	14 998	31 509	25 328	37 486	29 996	31 509	25 328
Netherlands	87 599	62 765	146 358	106 188	175 197	120 246	146 358	99 573
New Zealand	51 149	45 564	85 419	69 067	102 298	80 761	85 419	69 067
Norway	93 654	62 851	156 402	105 283	187 308	122 445	156 402	102 026
Poland	49 681	41 814	82 967	62 538	99 362	72 657	82 967	55 154
Portugal	50 796	34 414	84 830	52 517	101 593	60 732	84 830	50 440
Slovak Republic	38 744	32 648	64 702	46 830	77 488	53 745	64 702	38 312
Slovenia	52 785	37 211	88 152	55 345	105 571	63 994	88 152	51 187
Spain	63 683	41 073	106 350	66 851	127 365	77 611	106 350	65 368
Sweden	75 218	47 112	125 615	77 494	150 437	90 668	125 615	73 937
Switzerland	106 452	93 919	177 774	146 128	212 903	169 430	177 774	136 427
Türkiye	54 063	33 314	90 286	57 322	108 127	66 628	90 286	57 322
United Kingdom	76 883	56 145	127 800	93 057	153 767	108 573	127 800	90 063
United States	72 731	58 405	121 567	91 709	145 463	106 375	121 567	87 243
OECD-Average	65 355	47 704	109 059	75 138	130 710	86 838	109 059	71 029
OECD-EU 22	68 420	47 508	114 101	73 806	136 839	84 632	114 101	68 412

1. Two-earner couple.

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 2023

The chapter presents graphical expositions of effective tax rates on labour income in 2023 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 a 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 2023 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 Czechia, Germany and the Slovak Republic because of non-wastable child tax credits; in Israel because of the non-wastable earned income tax credit (EITC) for families with children (since 2016, single parents have been eligible for the EITC for a wider income range); in 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 the majority 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 Czechia (at 91% of the AW for the single parent) and in Poland (at 93% of the AW for the single parent and the one-earner married couple). In Austria, Czechia, Israel, the Slovak Republic, the United Kingdom and the United States, the negative net personal average tax rates result 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 62% of the AW). There are large variations in cash benefit levels across OECD countries. They represent about a quarter or more of total labour costs for low-income single parents and/or one-earner married couples with two children in Australia, Canada, France, Ireland, Lithuania, New Zealand, Poland and the United Kingdom.

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 Czechia (44.7%) and Hungary (41.2%). In Colombia, the marginal tax wedge for the single worker and the one-earner married couple without children were equal to zero across the whole income range, as no personal income taxes were paid at these levels of earnings. For households with two children, the marginal tax rate was zero across the whole income range with the exception of a spike at 237% of the AW, which is caused by the loss of eligibility for the child-related cash transfer. Moreover, contributions to pension, health and employment risk insurances are considered to be non-tax compulsory payments (NTCPs)[3] and therefore are not counted as taxes in the *Taxing Wages* calculations. The marginal tax wedge is also relatively constant in Iceland and the Slovak Republic. In Iceland, the marginal tax wedge is 40.2% on earnings below 130% of the AW, 47.6% on earnings at 130% and then 47.7% on earnings from 131% of the AW to 250% of the AW. In the Slovak Republic, the marginal tax wedge is 45.9% on earnings below 149% of the AW, 48.4% on earnings at 149% and then 49.1% on earnings from 150% of the AW to 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 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 146% of the AW), Luxembourg (at 196% of the AW), the Netherlands (at 115%) and Spain (at 179%). Marginal employee SSC rates fall to zero in Austria (at 144% of the AW), Germany (at 146%), the Netherlands (at 200%), Spain (at 179%) and Sweden (at 118%). In Canada, the marginal employee SSC rate falls to zero at 78% of the AW. However, a spike is observed at 84% 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 their wage increases. This is observed in Austria, Belgium, Canada, France, Germany, Japan, Korea, Luxembourg, the Netherlands, Poland, 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 12.67% to 5.17% and from 13.50% to 6.07% respectively on earnings above 147% of the AW; in Luxembourg, where the marginal employee SSC rate drops from 10.94% to 1.40% on earnings above 194% of the AW; in Poland, where the employee and employer SSCs rate drop from 15.32% to 10.82% and from 14.06% to 3.61% respectively on earnings above 241% of the AW; in the United Kingdom, where the marginal employee SSC rate drops from 10.54% to 1.76% of earnings above 103% 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 237% of the AW.

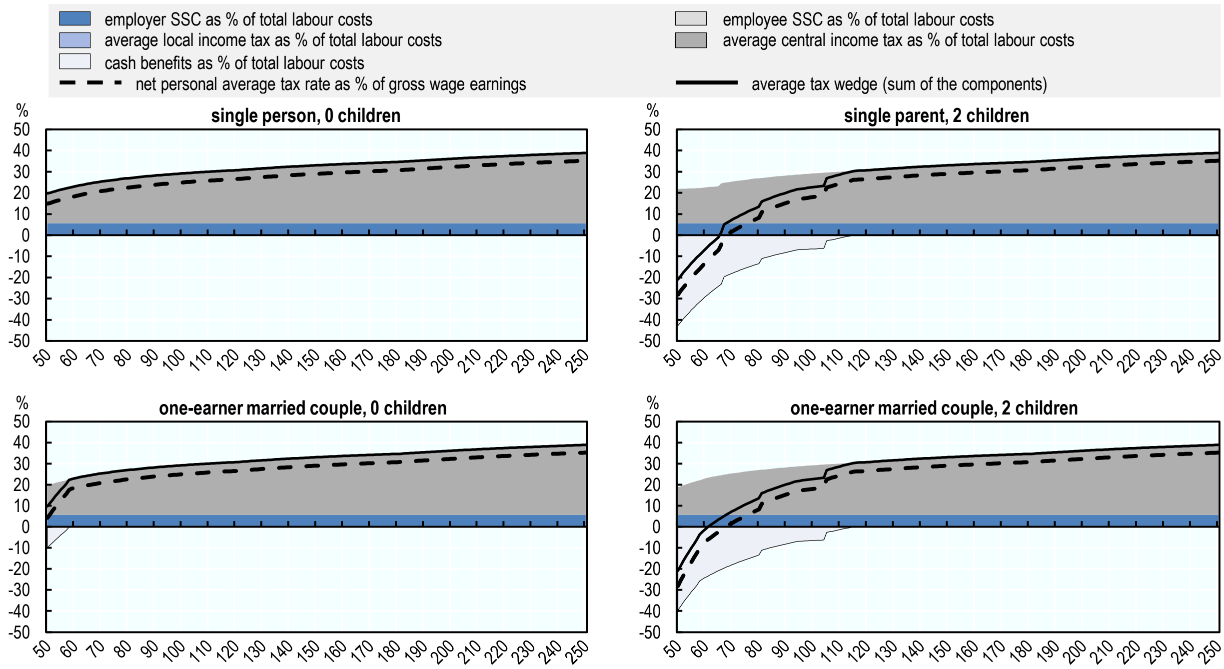
In Slovenia, the marginal employer SSCs are negative up to 53% of the AW. This is because the employer pays additional contributions on earnings that are below the social security minimum income threshold. This penalty decreases as earnings increase and is completely exhausted once the employee's earnings 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 specific earnings levels. This is the case for taxpayers without children in Australia, Austria, Belgium, Chile, Estonia, France, Italy, Japan, Luxembourg, Mexico and Slovenia. They also apply to families with children in Australia, Austria, Belgium, Canada, Chile, Colombia, Czechia, Estonia, France, Greece, Ireland, Italy, Japan, Lithuania, Luxembourg, Mexico, New Zealand, Portugal, Slovenia, Spain 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 earnings rise.

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 2023: average tax wedge decomposition

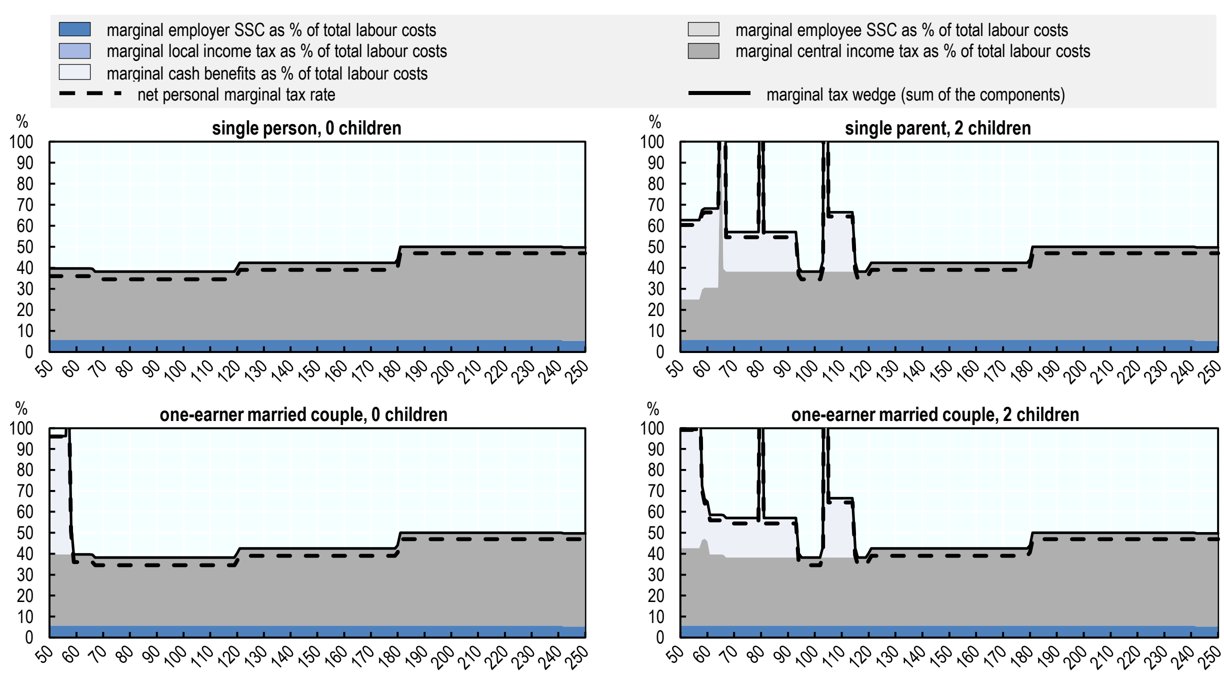
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/dw478p

Australia 2023: marginal tax wedge decomposition

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



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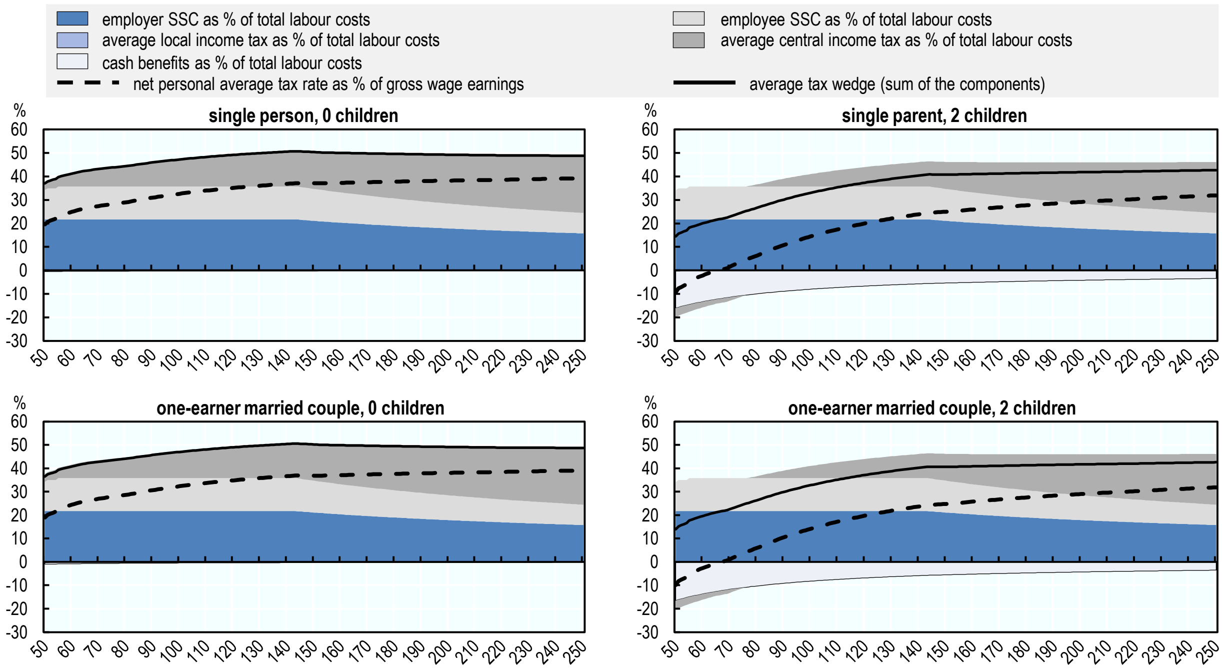
Austria 2023: average tax wedge decomposition

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



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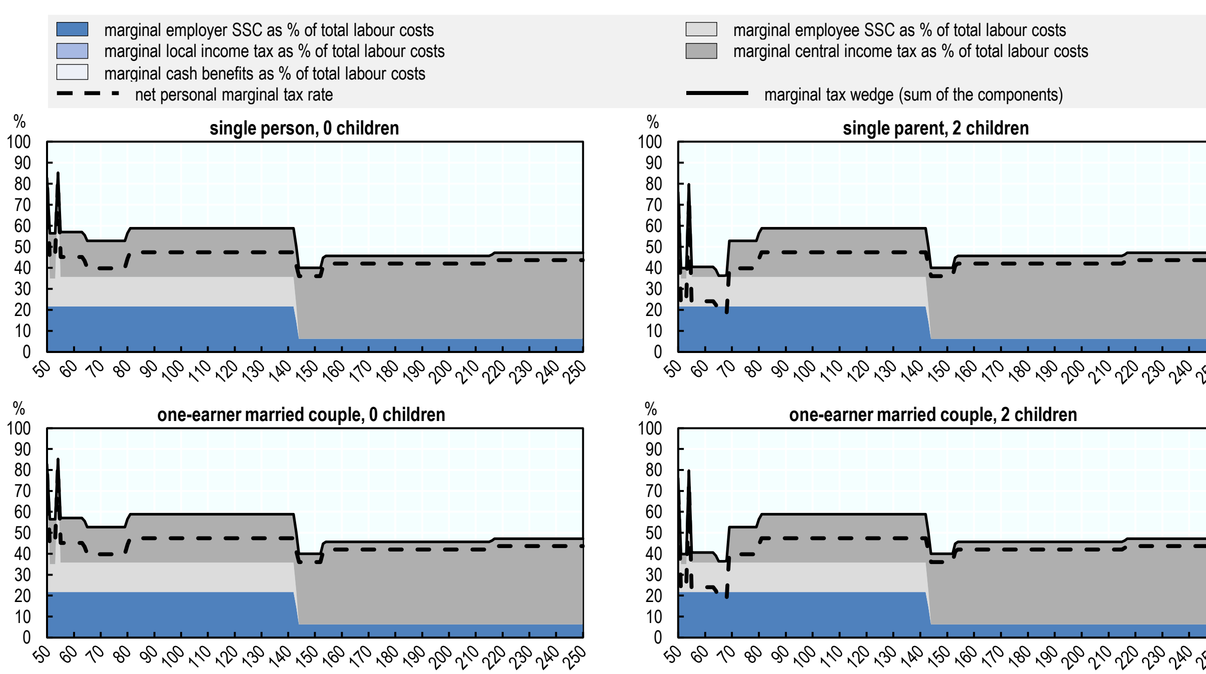
Austria 2023: marginal tax wedge decomposition

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



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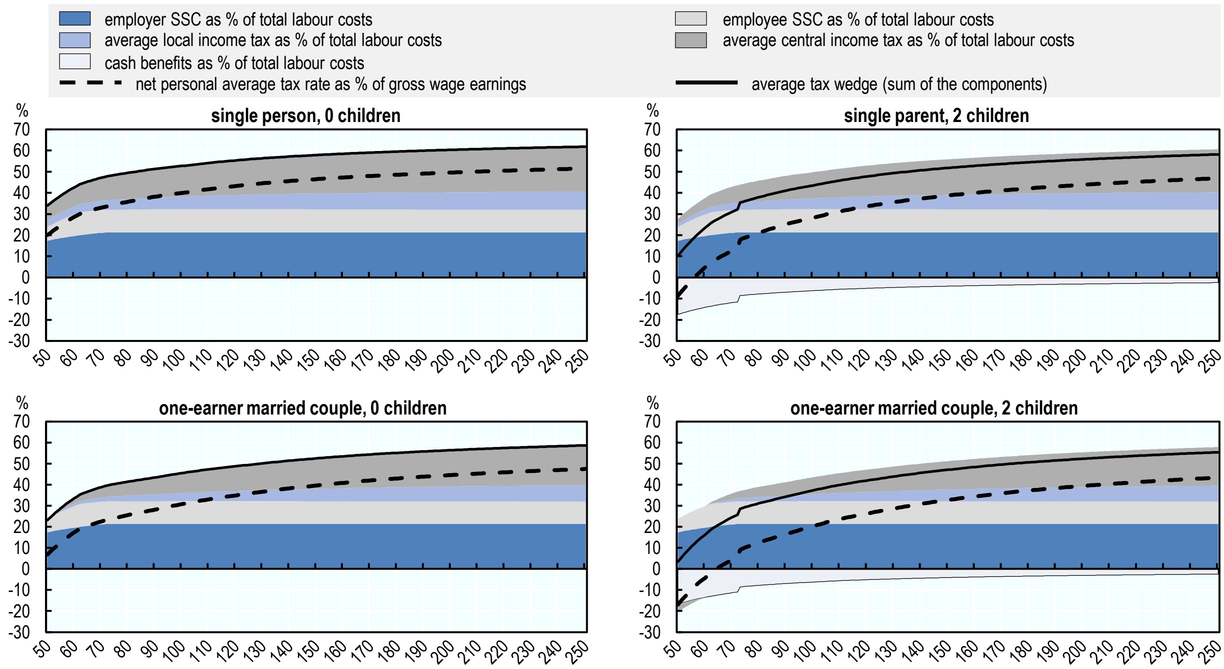
Belgium 2023: average tax wedge decomposition

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



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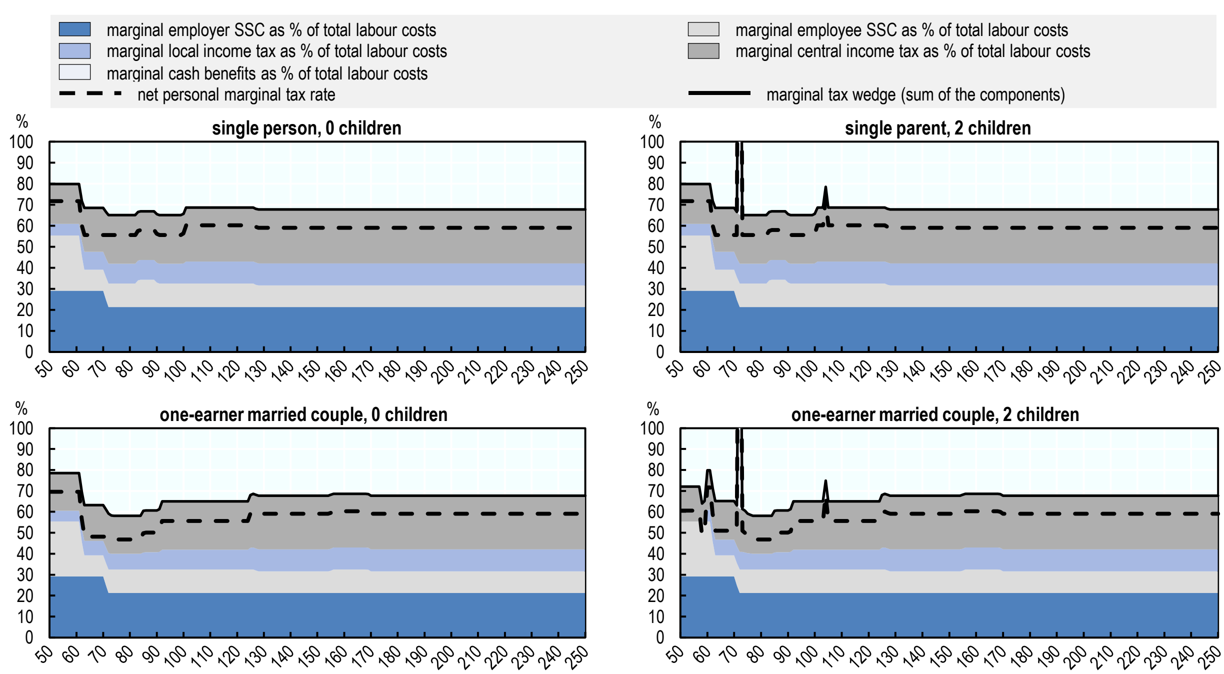
Belgium 2023: marginal tax wedge decomposition

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



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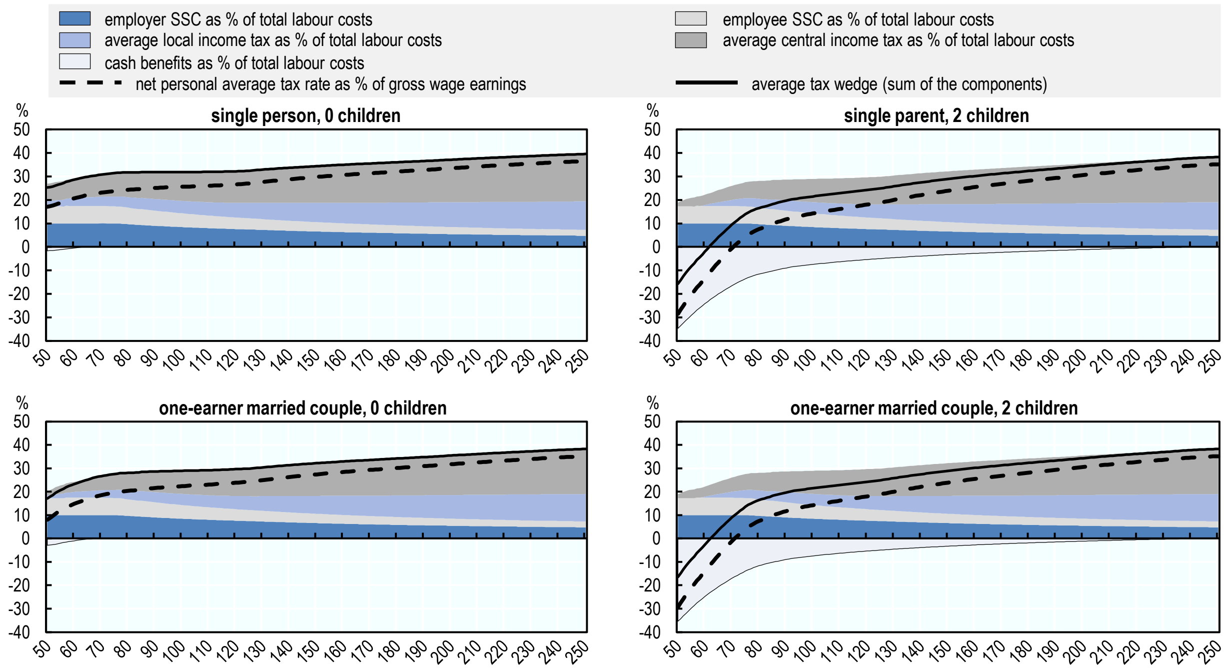
Canada 2023: average tax wedge decomposition

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



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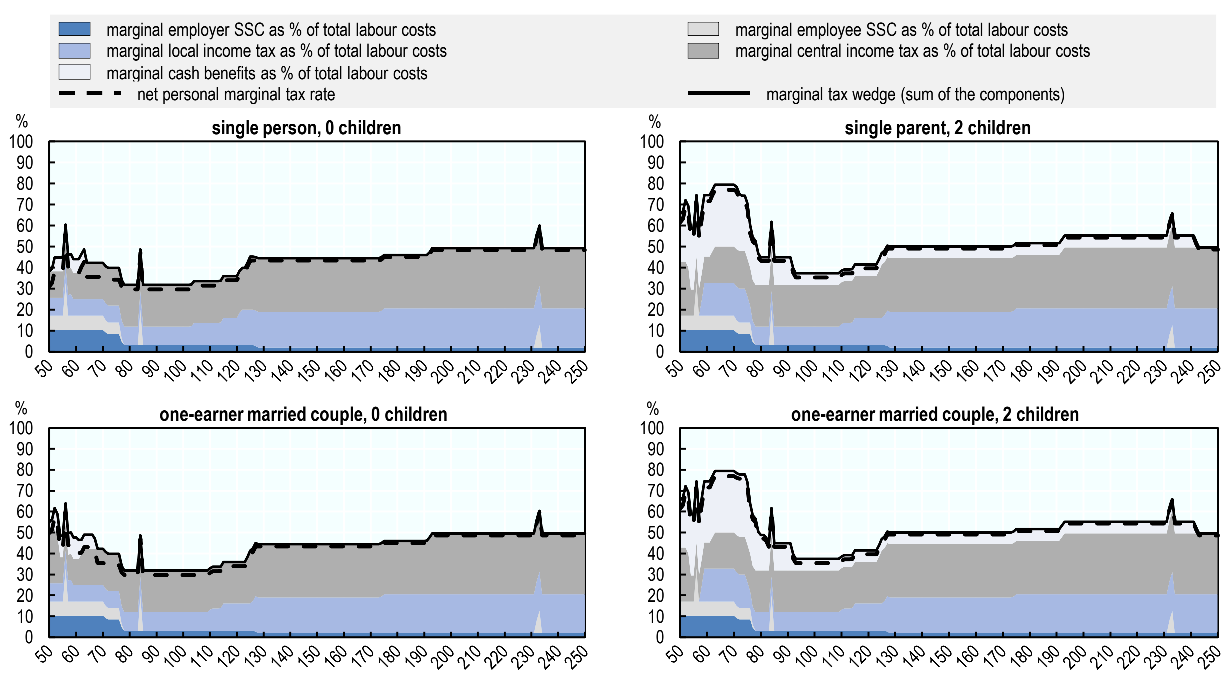
Canada 2023: marginal tax wedge decomposition

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



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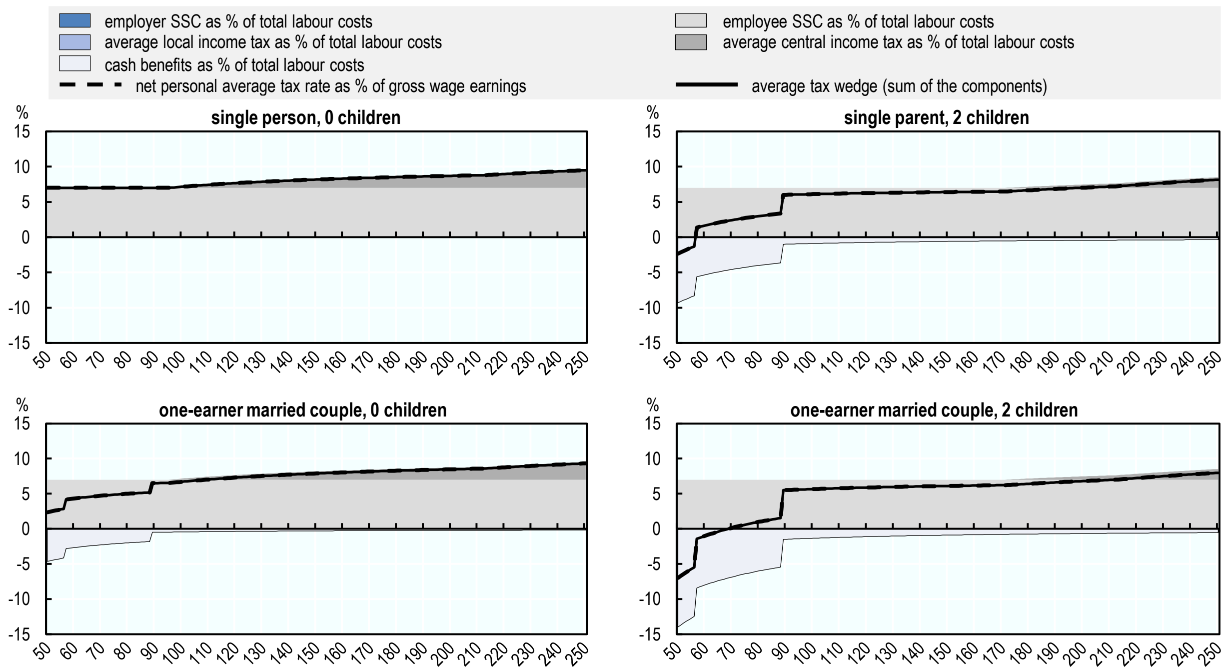
Chile 2023: average tax wedge decomposition

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



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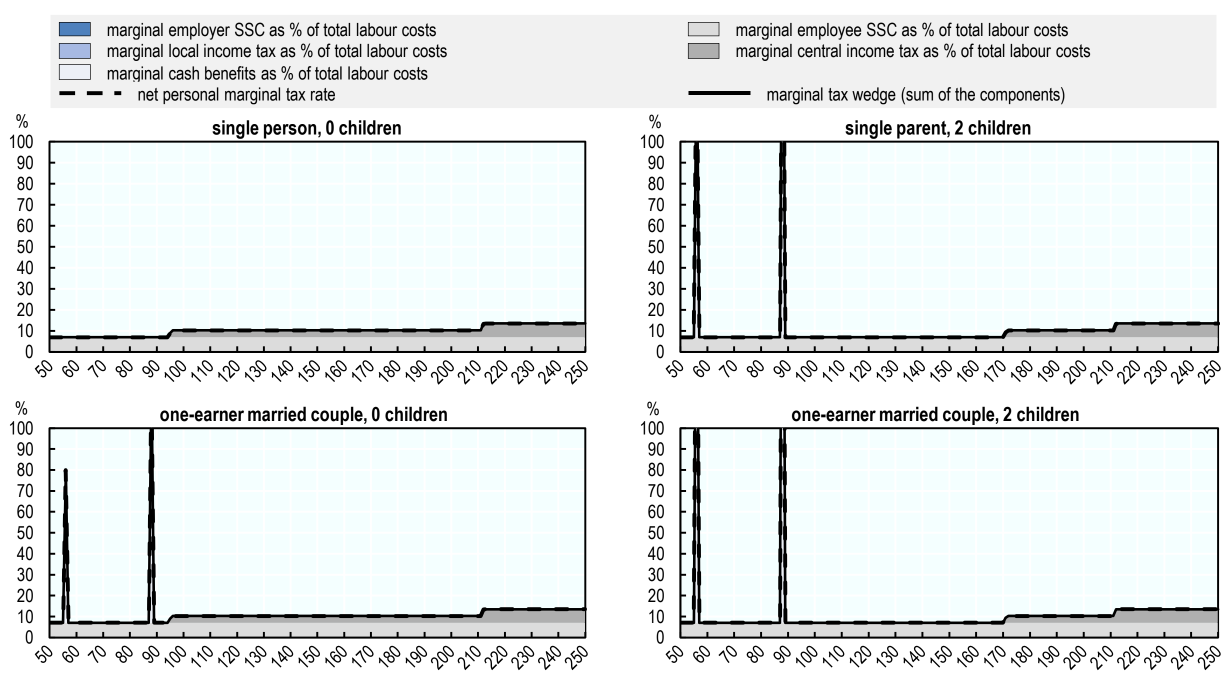
Chile 2023: marginal tax wedge decomposition

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



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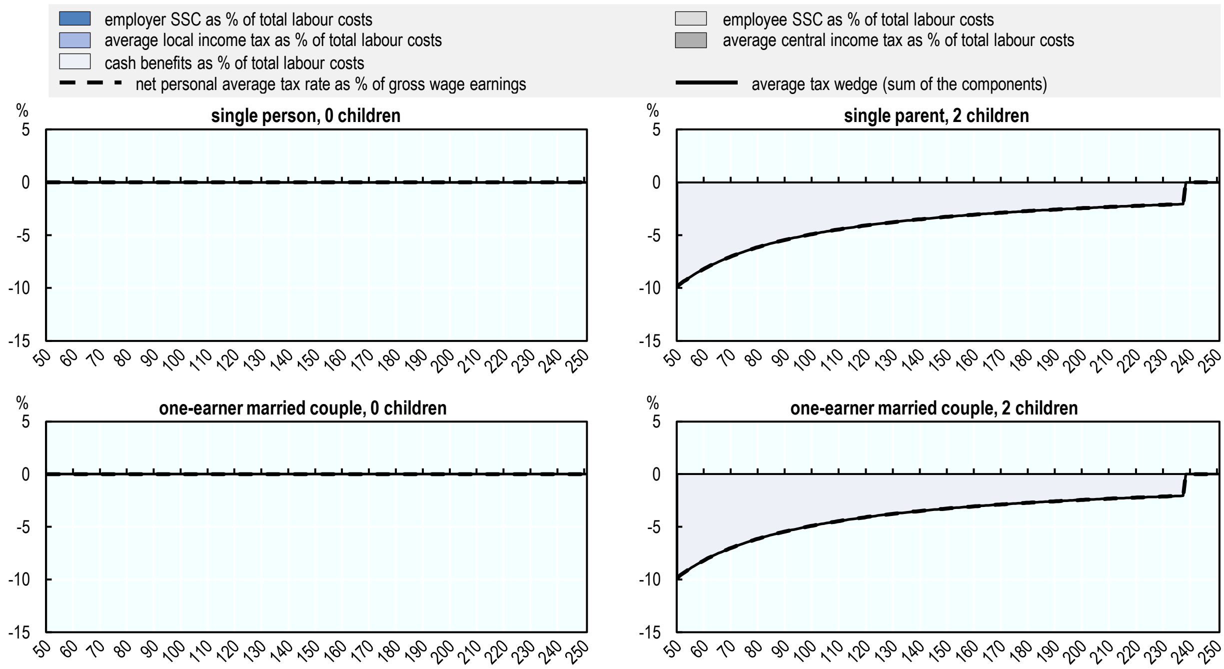
Colombia 2023: average tax wedge decomposition

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



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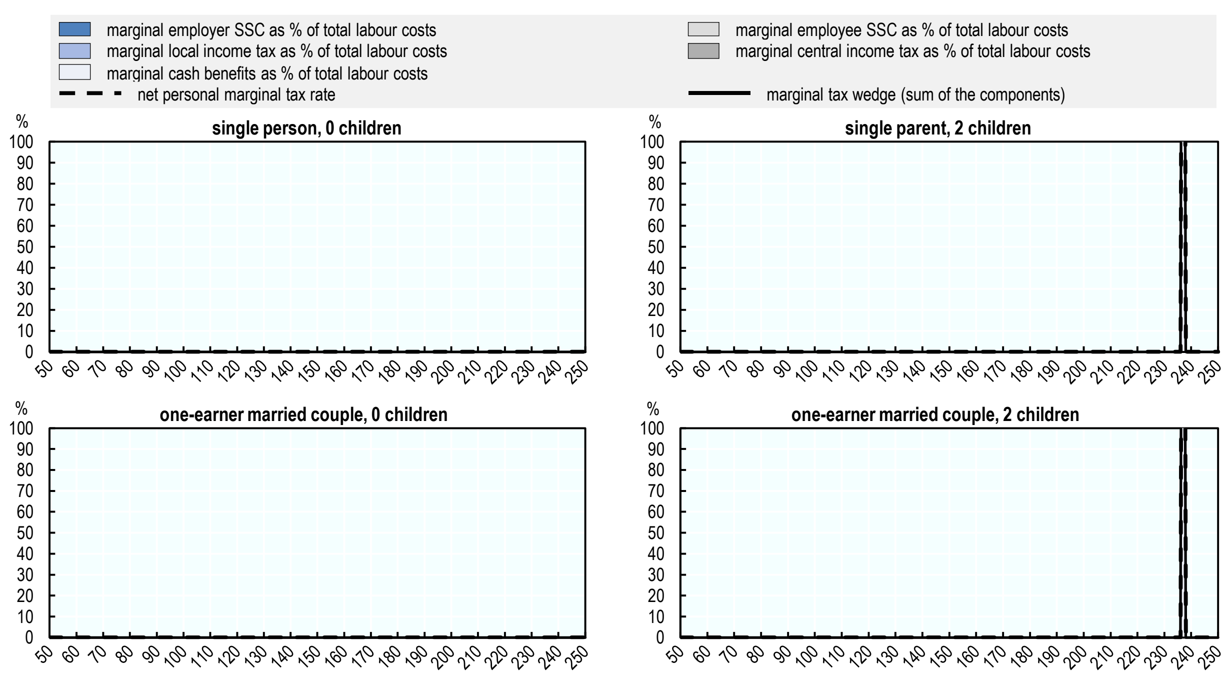
Colombia 2023: marginal tax wedge decomposition

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



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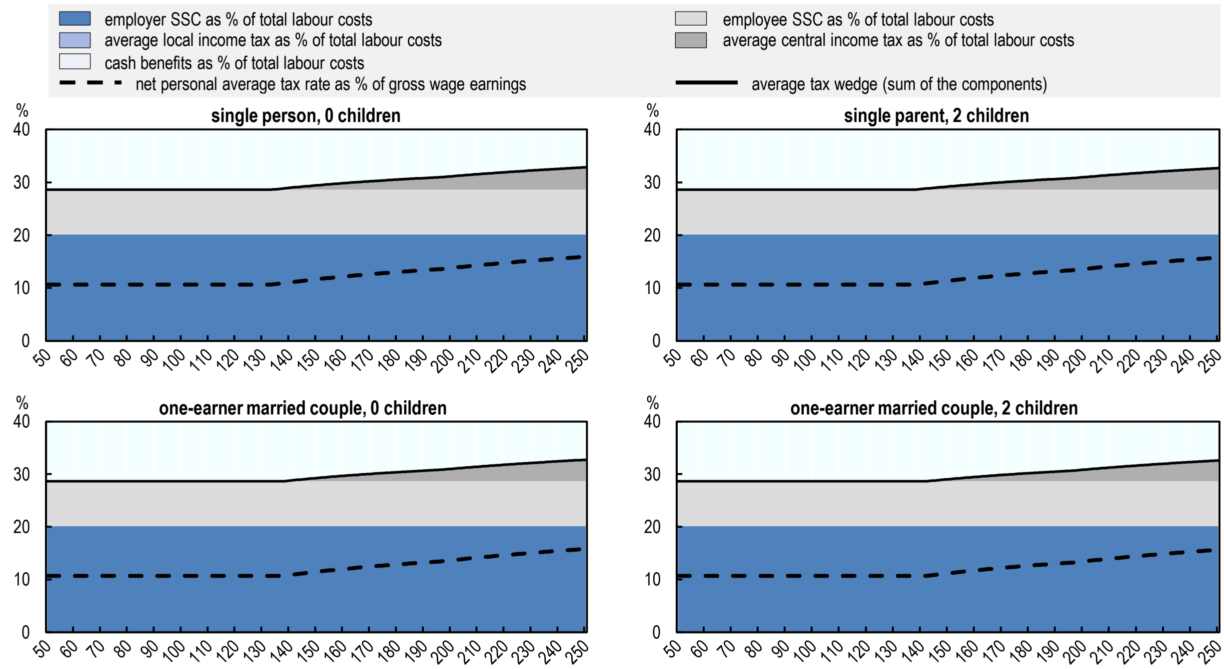
Costa Rica 2023: average tax wedge decomposition

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



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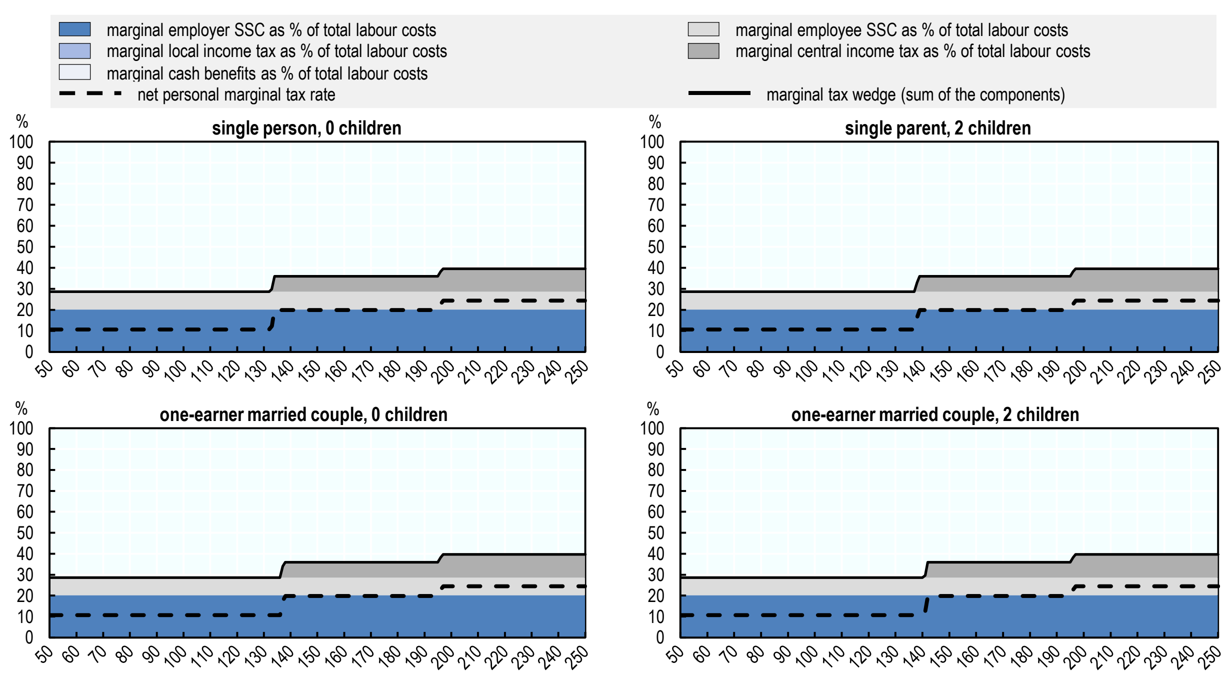
Costa Rica 2023: marginal tax wedge decomposition

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



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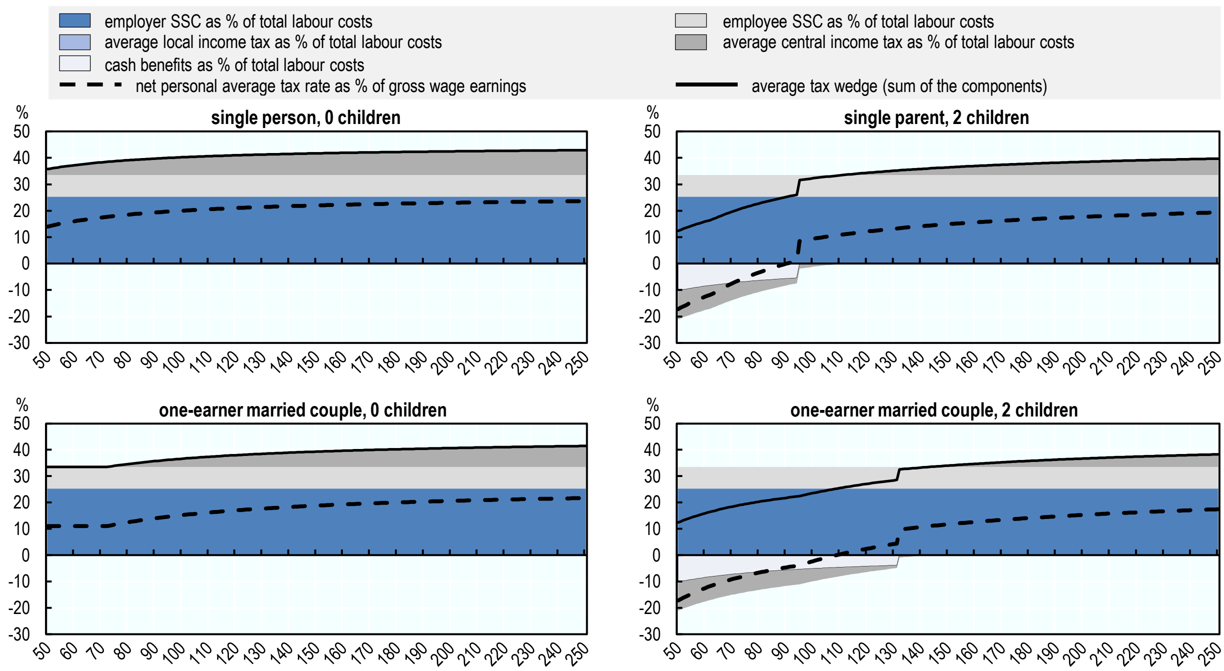
Czechia 2023: average tax wedge decomposition

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



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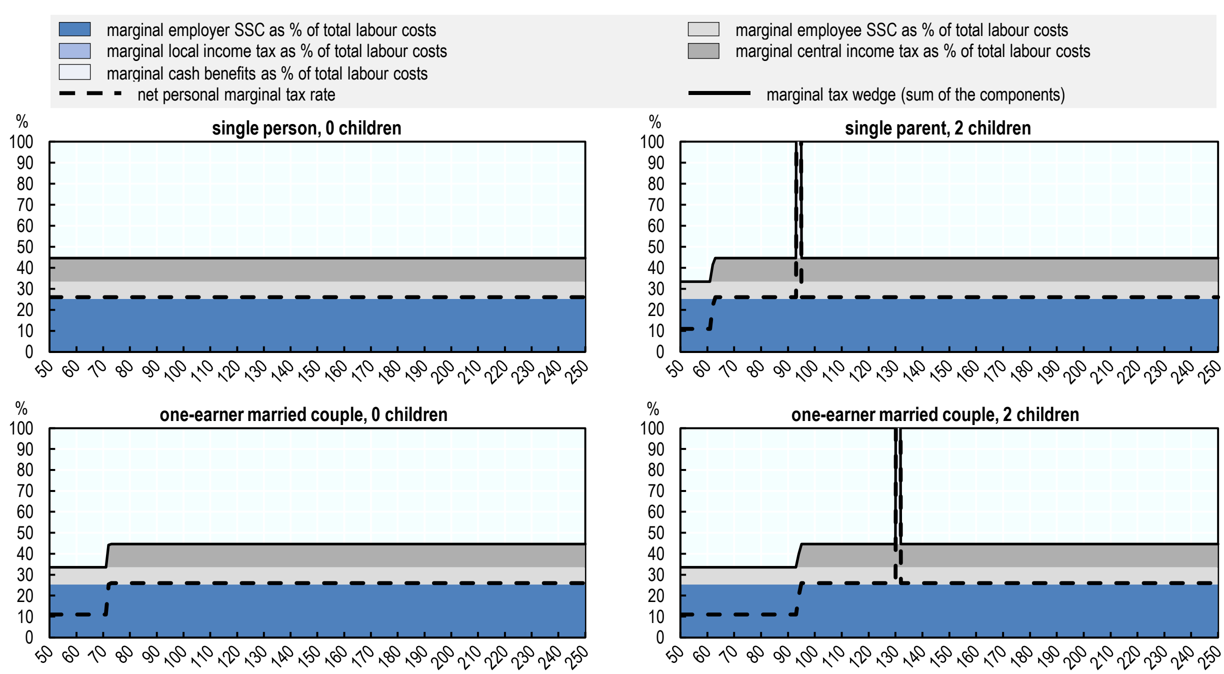
Czechia 2023: marginal tax wedge decomposition

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



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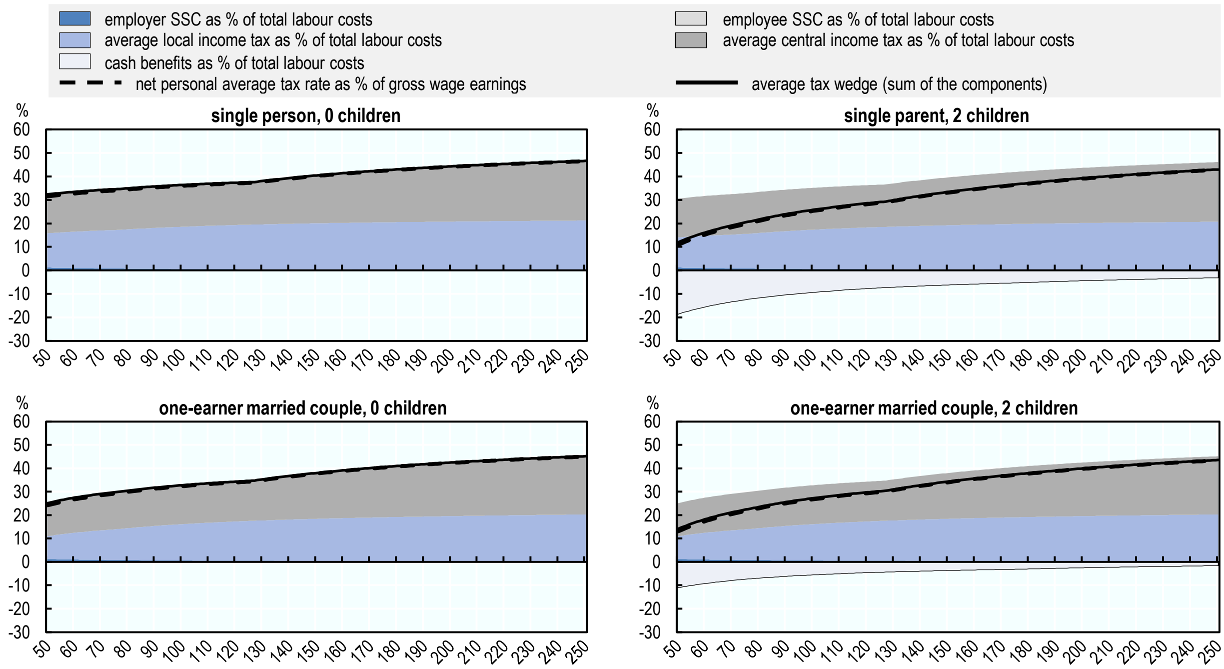
Denmark 2023: average tax wedge decomposition

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



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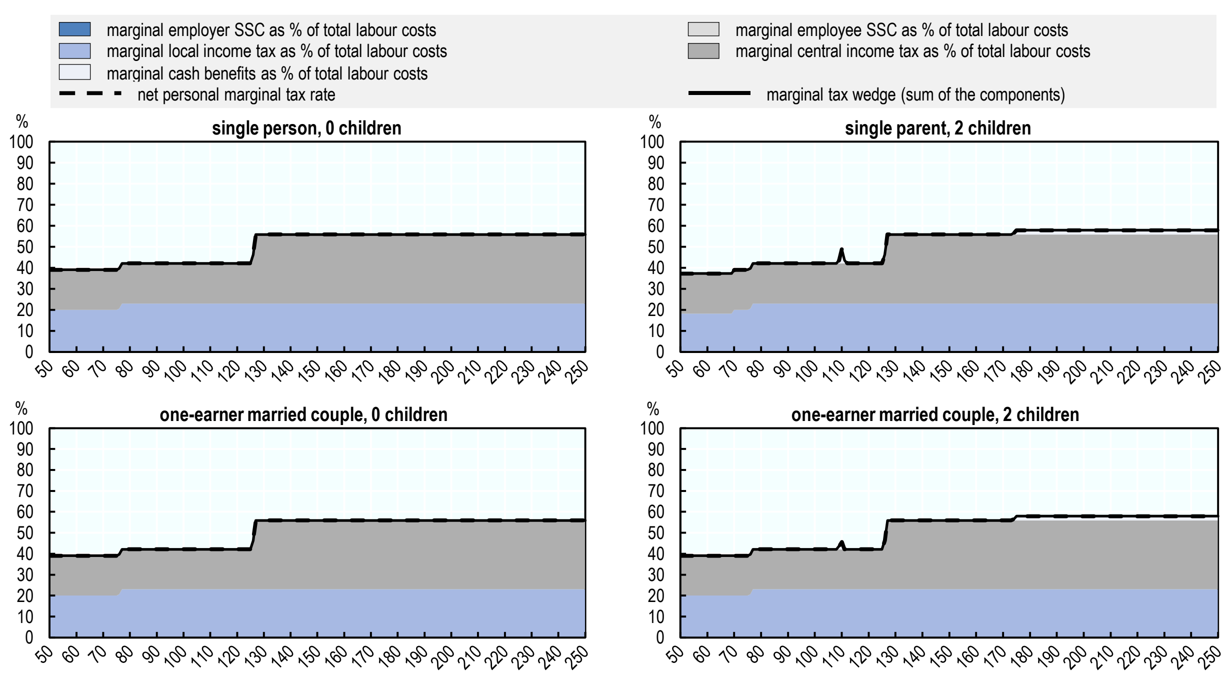
Denmark 2023: marginal tax wedge decomposition

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



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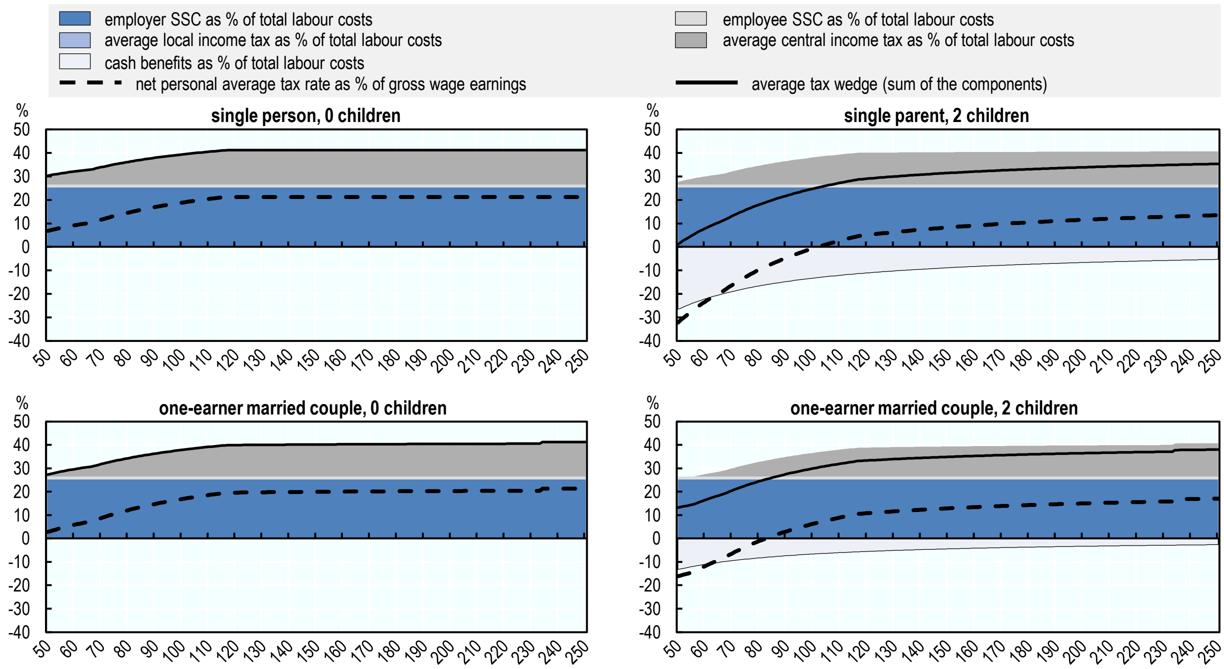
Estonia 2023: average tax wedge decomposition

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



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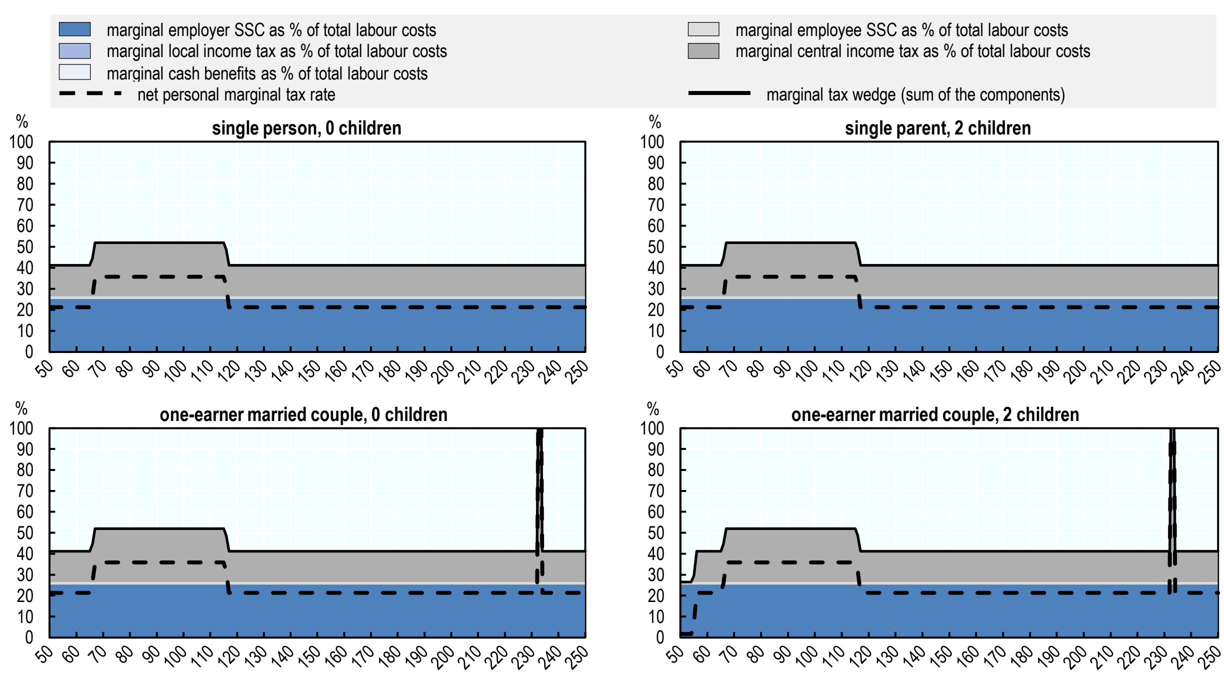
Estonia 2023: marginal tax wedge decomposition

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



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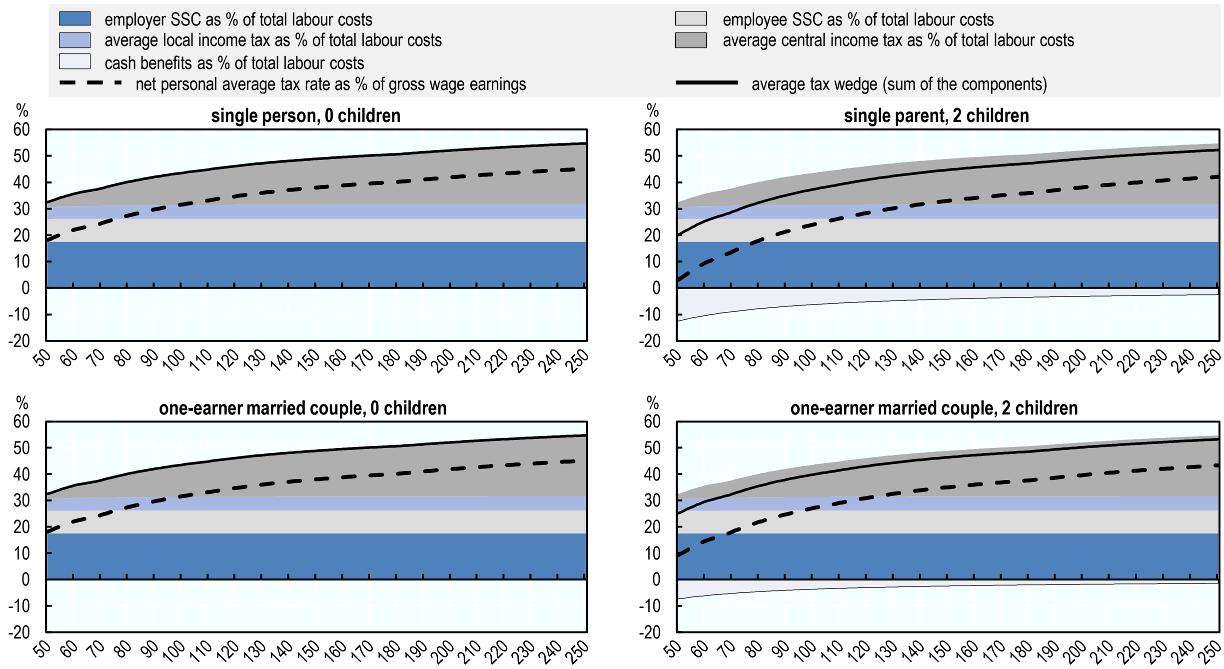
Finland 2023: average tax wedge decomposition

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



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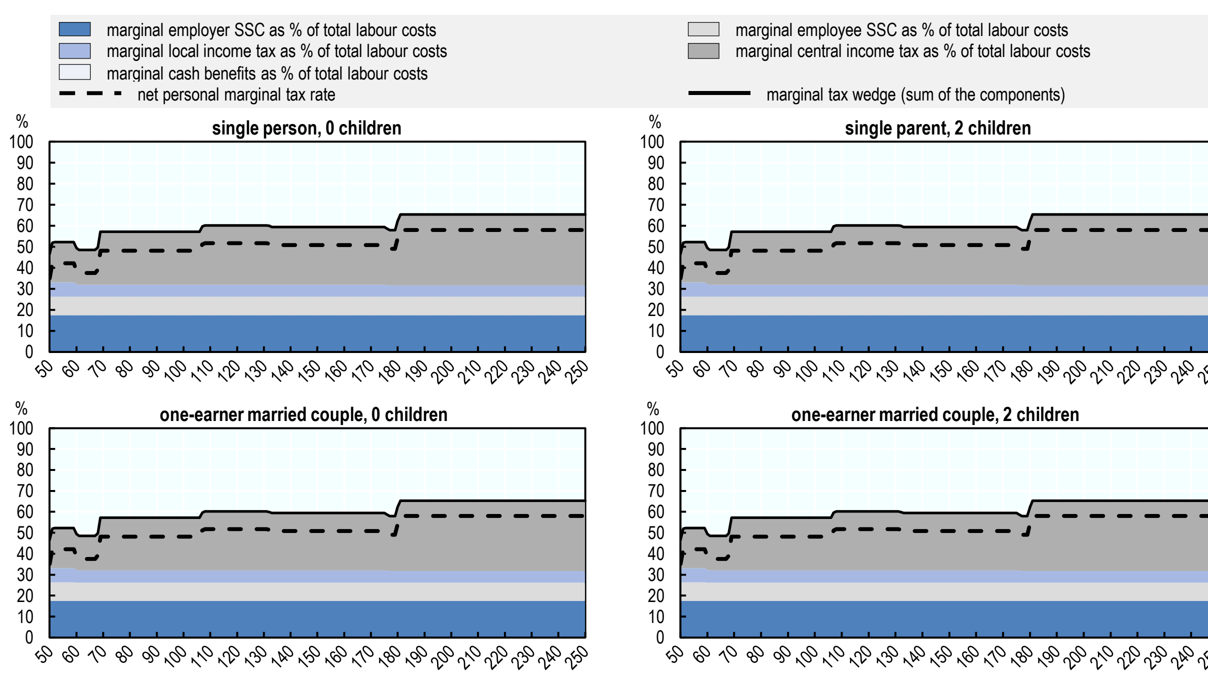
Finland 2023: marginal tax wedge decomposition

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



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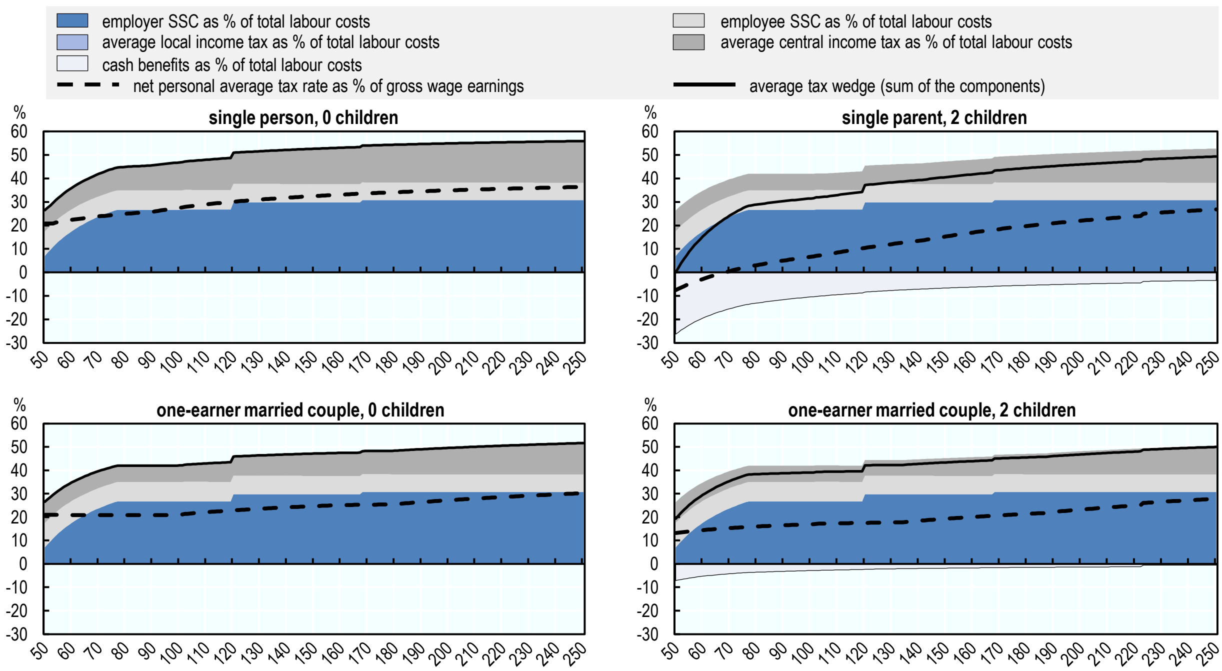
France 2023: average tax wedge decomposition

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



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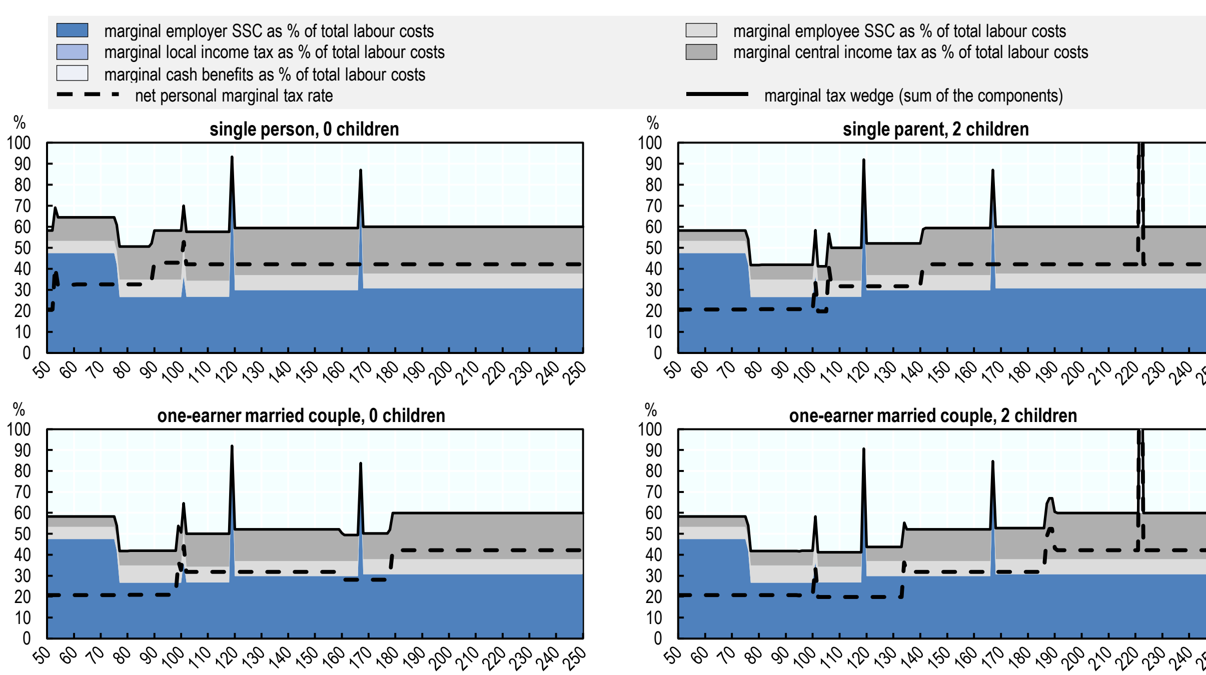
France 2023: marginal tax wedge decomposition

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



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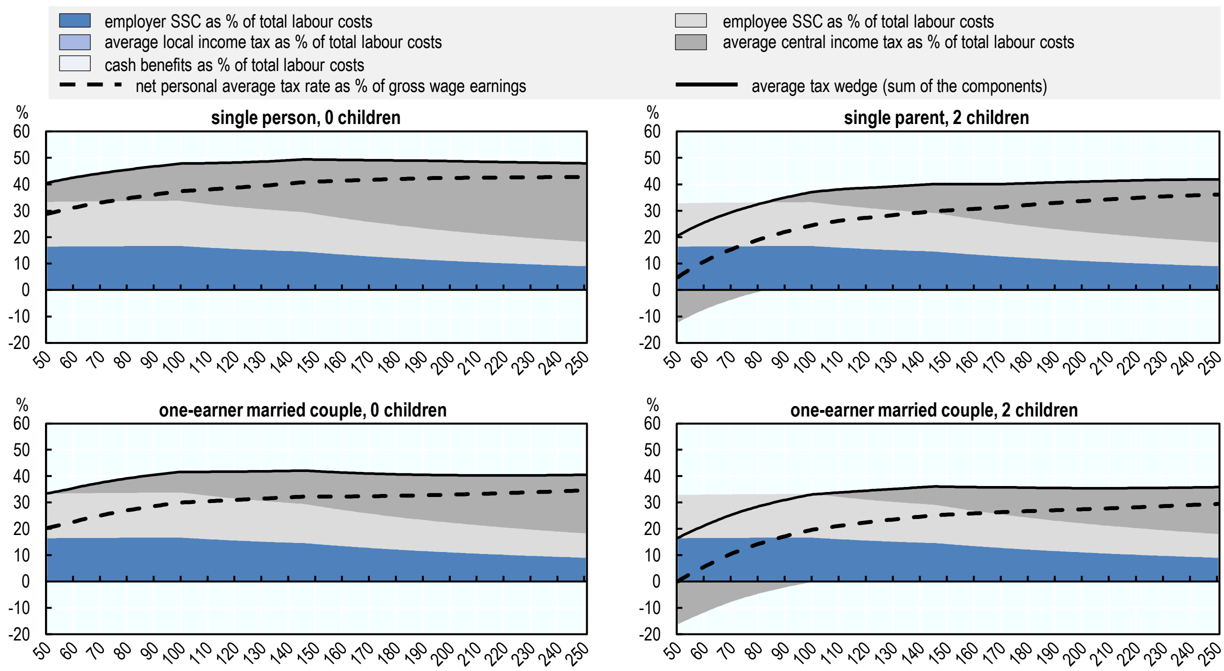
Germany 2023: average tax wedge decomposition

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



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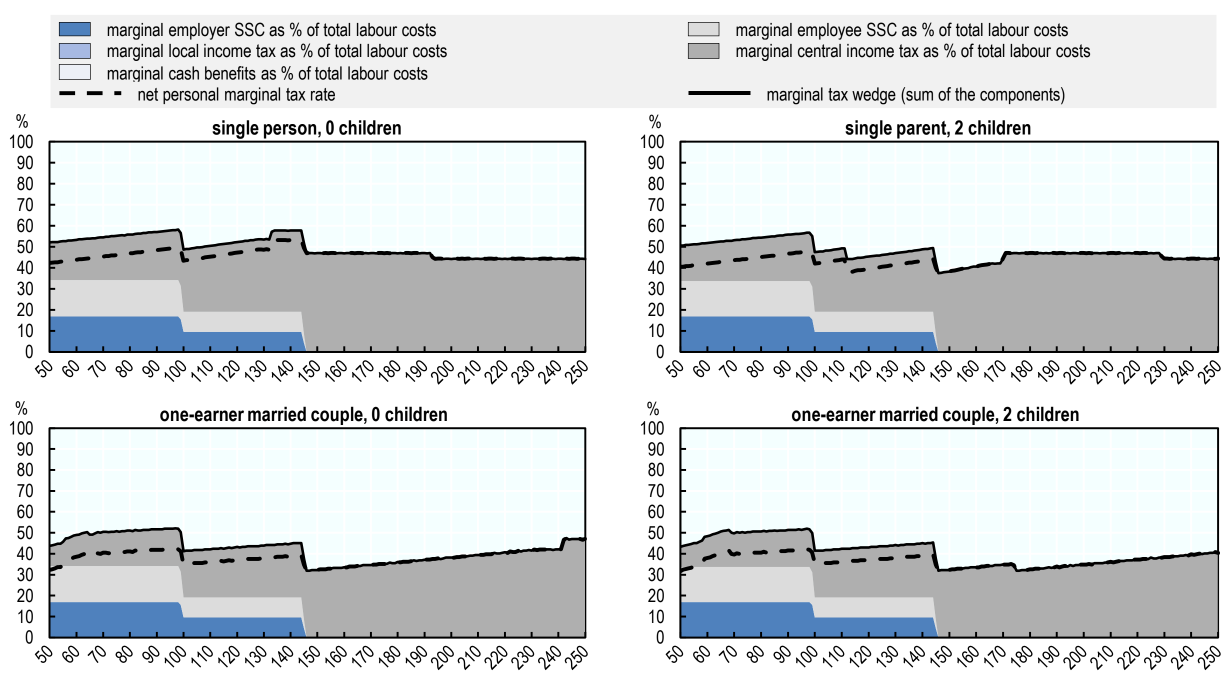
Germany 2023: marginal tax wedge decomposition

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



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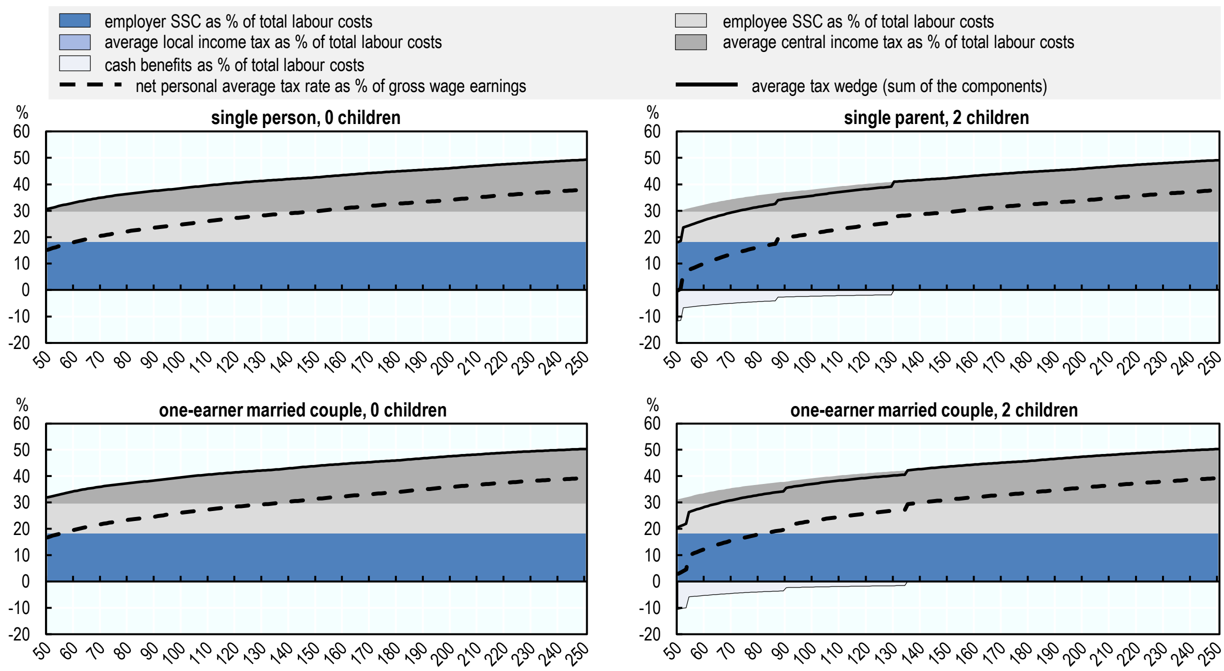
Greece 2023: average tax wedge decomposition

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



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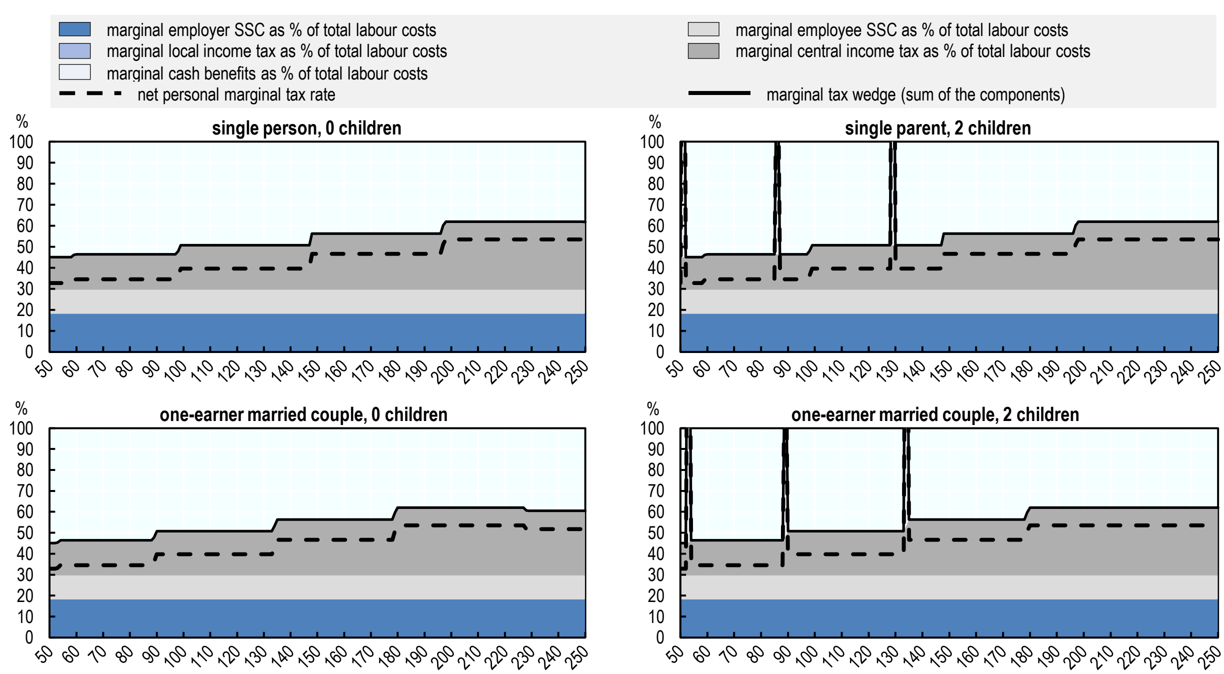
Greece 2023: marginal tax wedge decomposition

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



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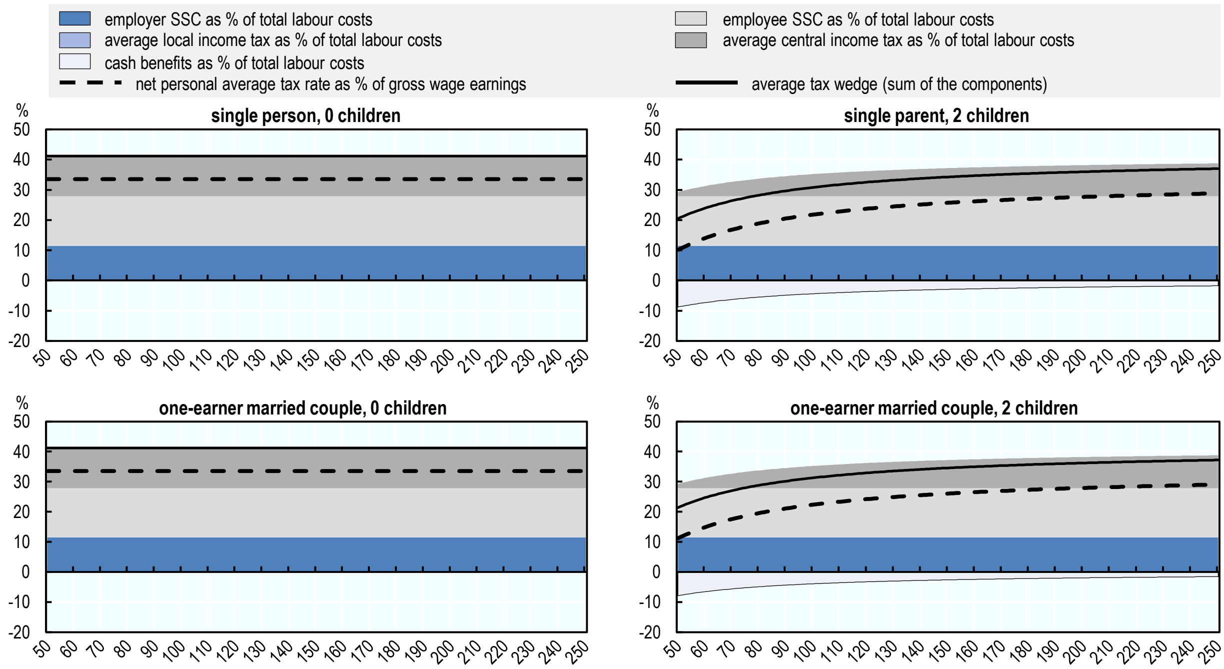
Hungary 2023: average tax wedge decomposition

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



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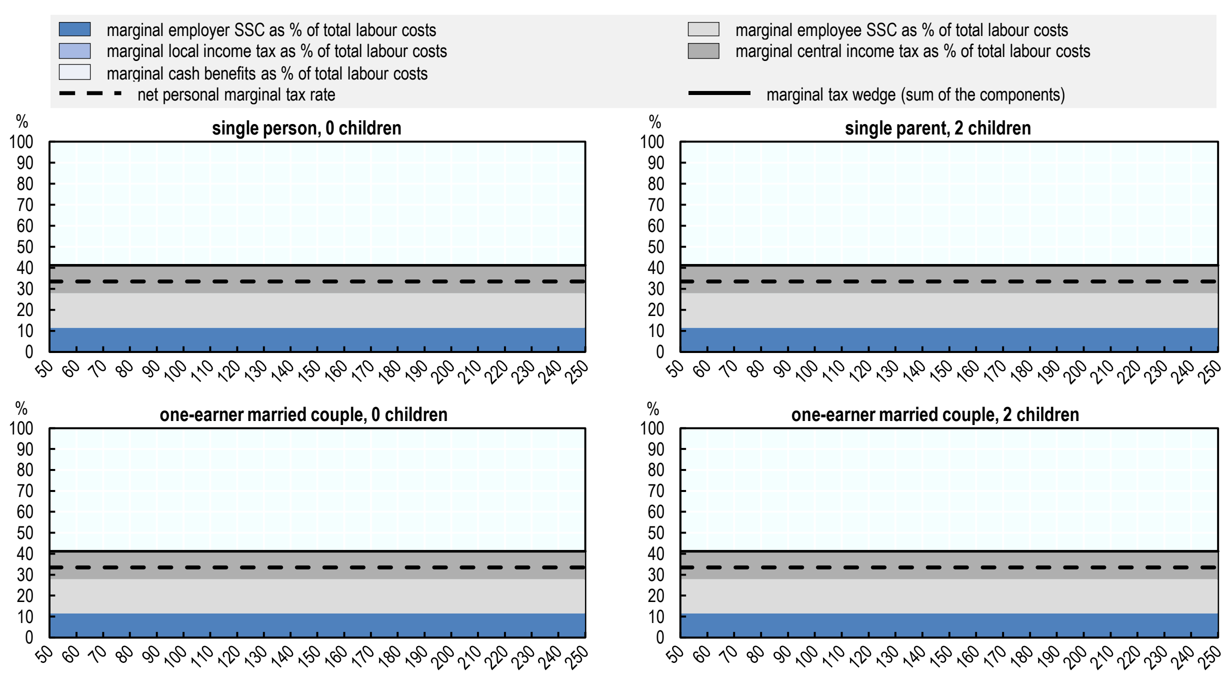
Hungary 2023: marginal tax wedge decomposition

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



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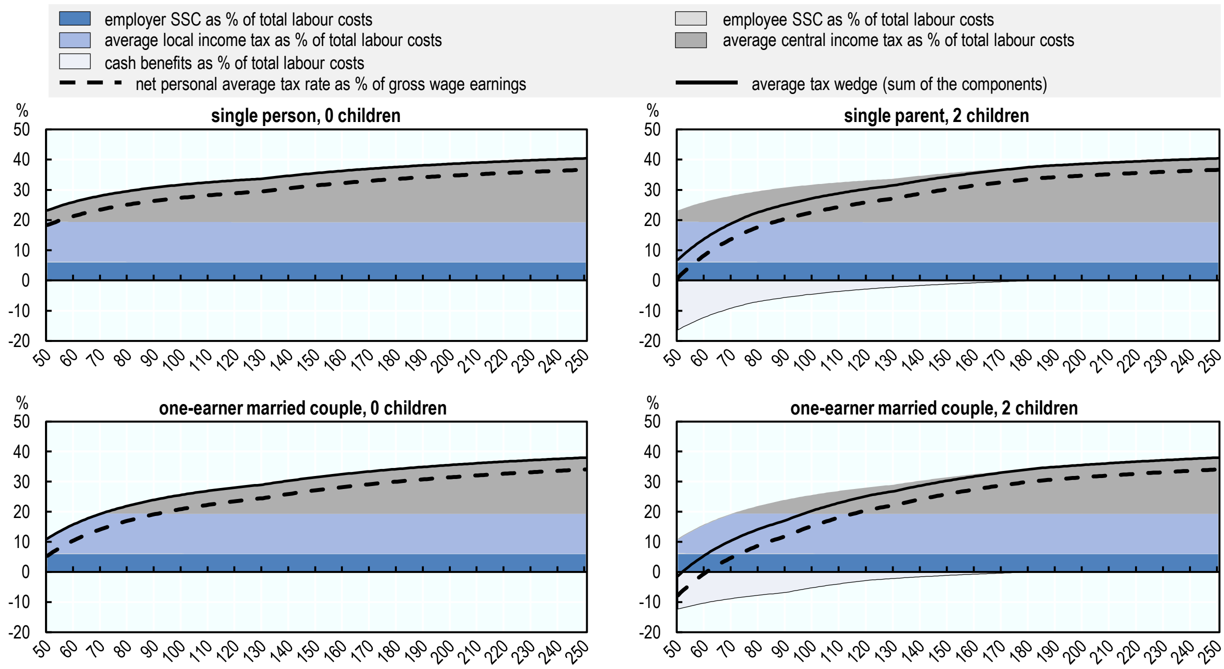
Iceland 2023: average tax wedge decomposition

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



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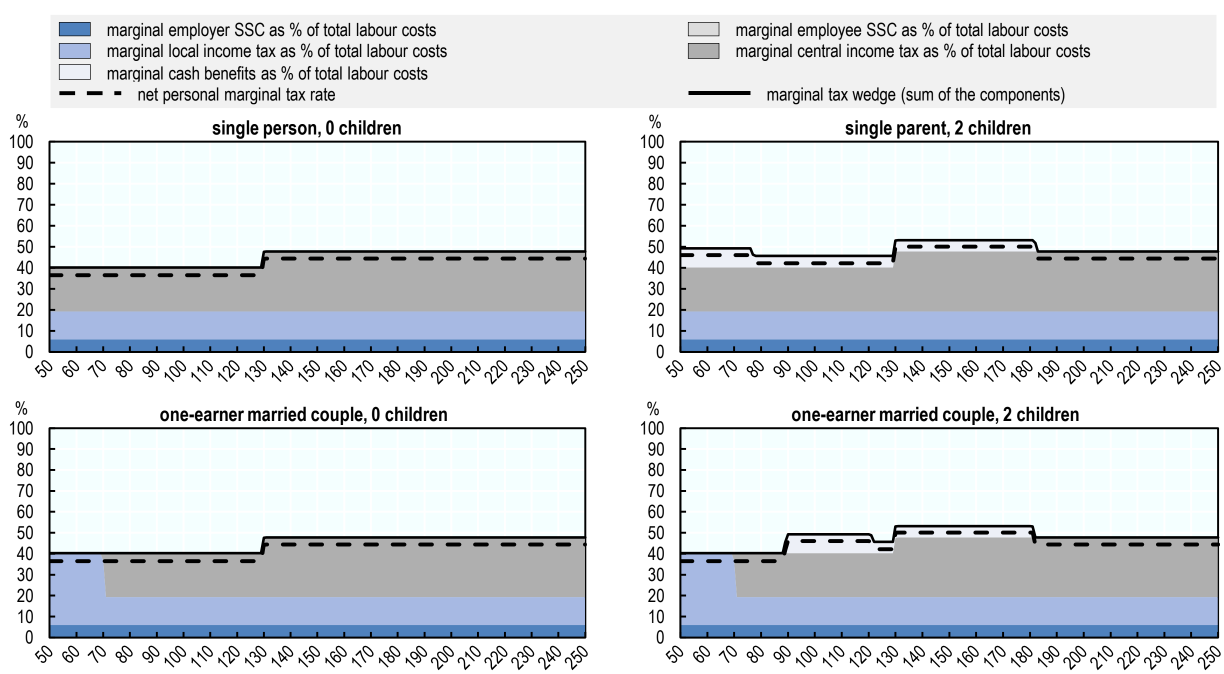
Iceland 2023: marginal tax wedge decomposition

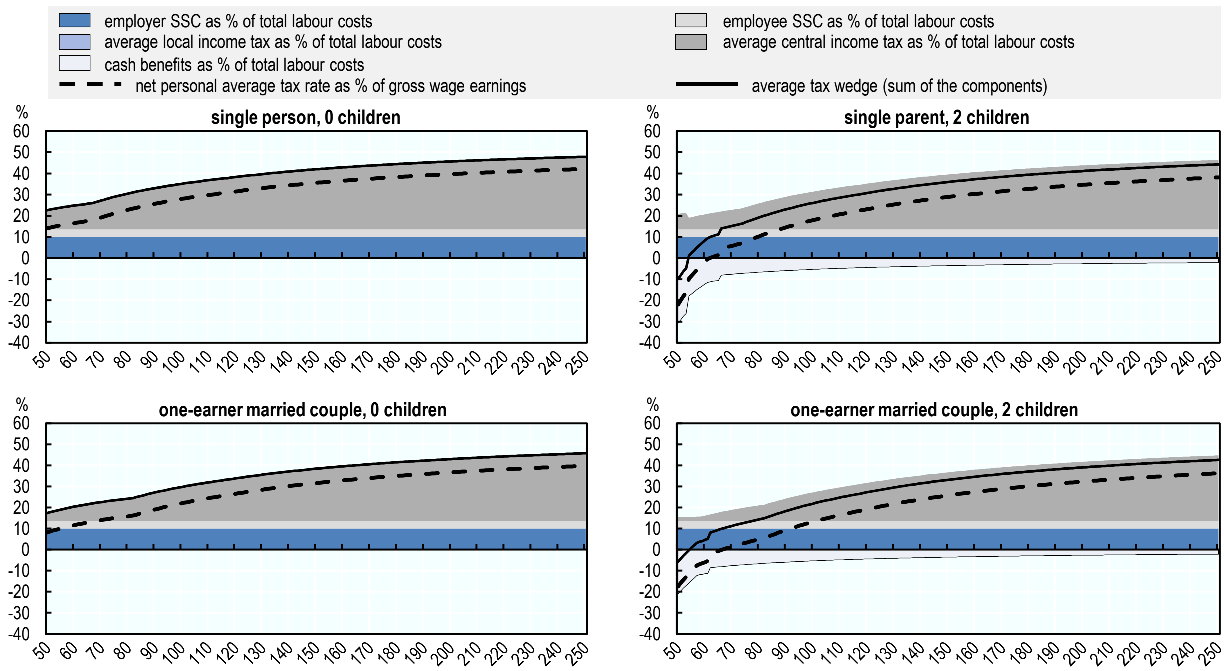
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/eqzago

Ireland 2023: average tax wedge decomposition

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



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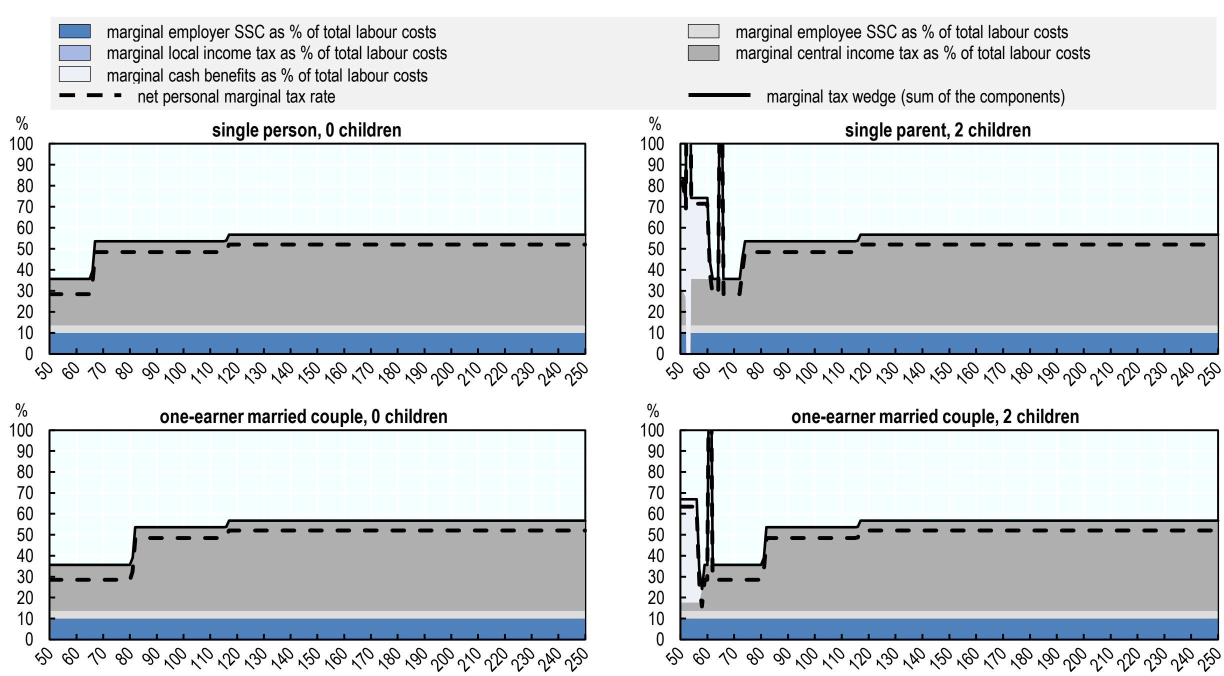
Ireland 2023: marginal tax wedge decomposition

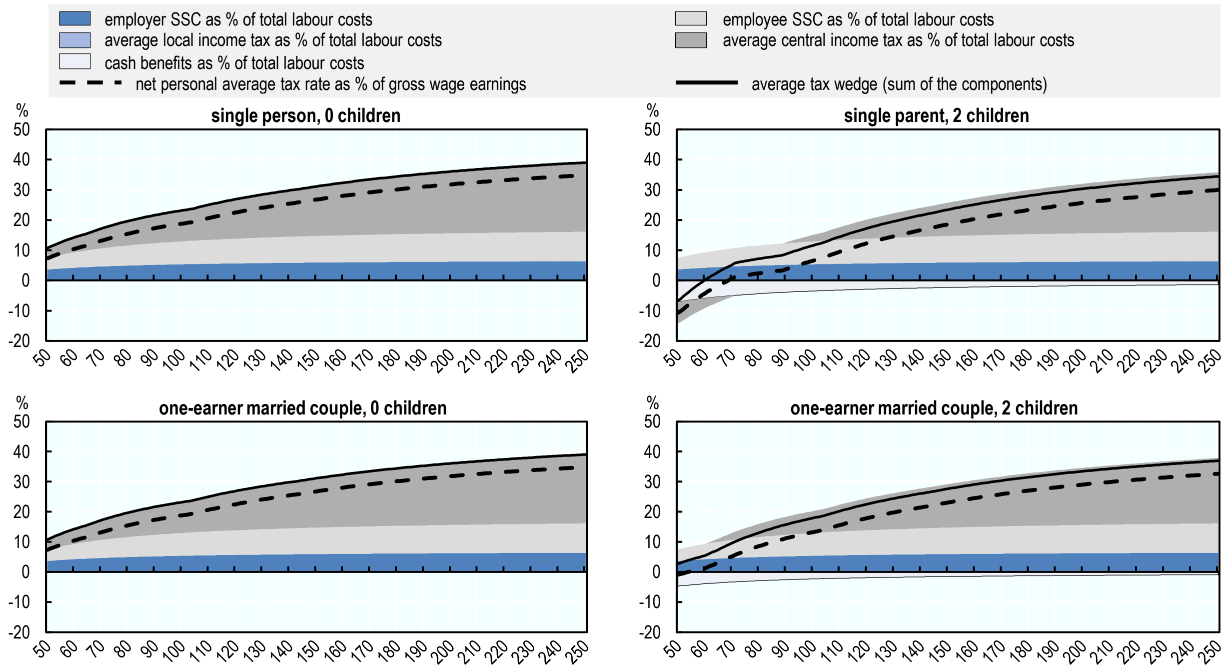
by level of gross earnings expressed as a % of the average wage



Stat https://stat.link/nk2elj

Israel 2023: average tax wedge decomposition

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



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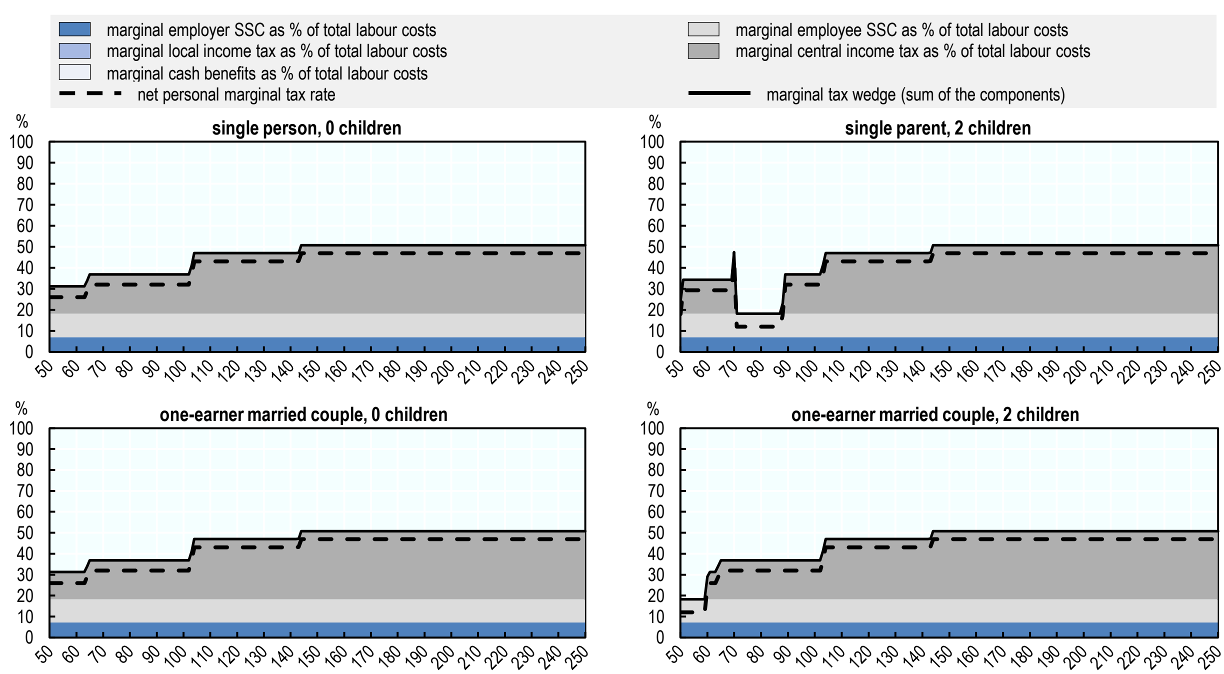
Israel 2023: marginal tax wedge decomposition

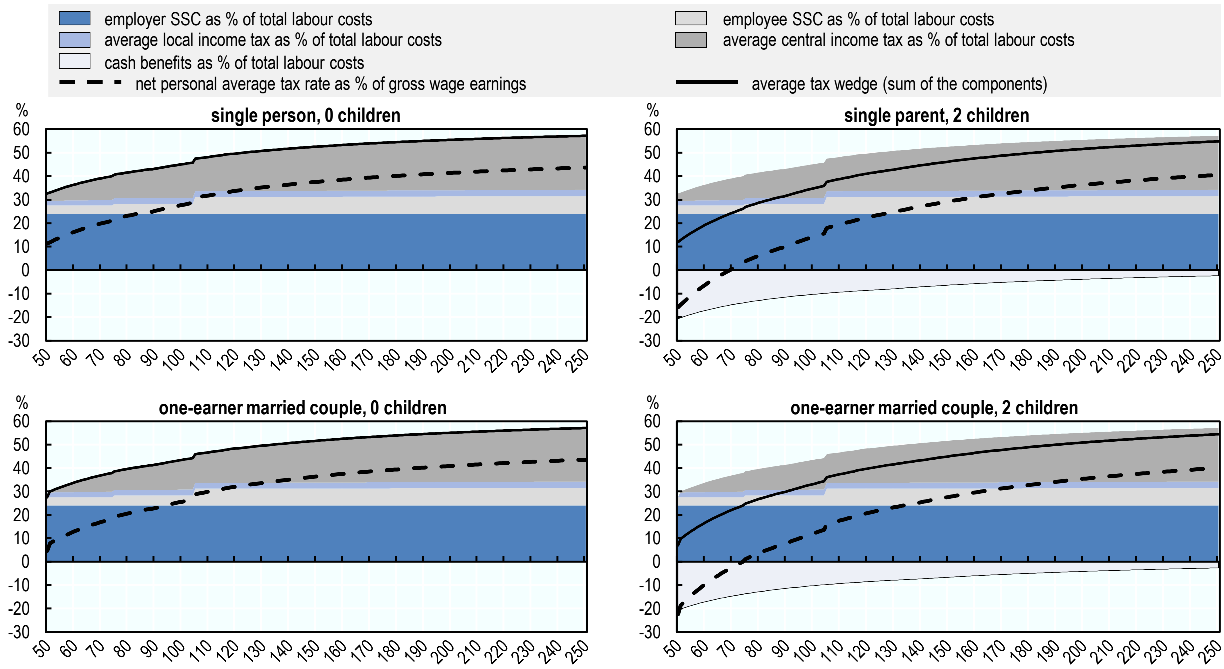
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/38ons1

Italy 2023: average tax wedge decomposition

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



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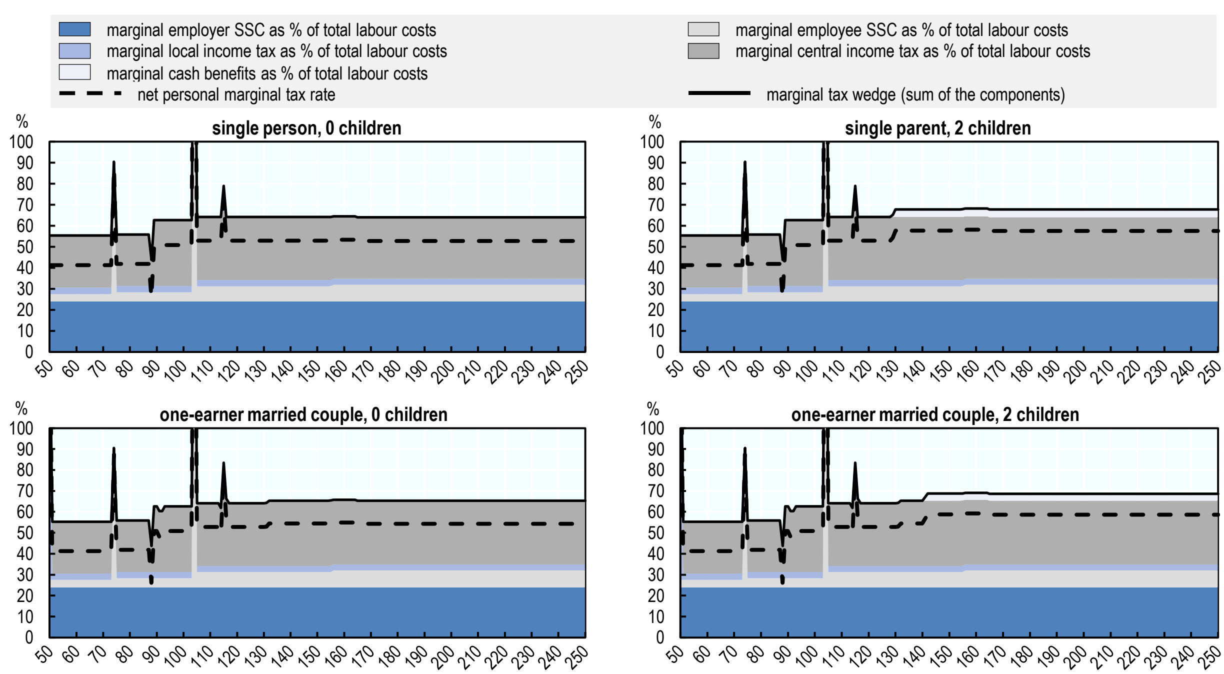
Italy 2023: marginal tax wedge decomposition

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



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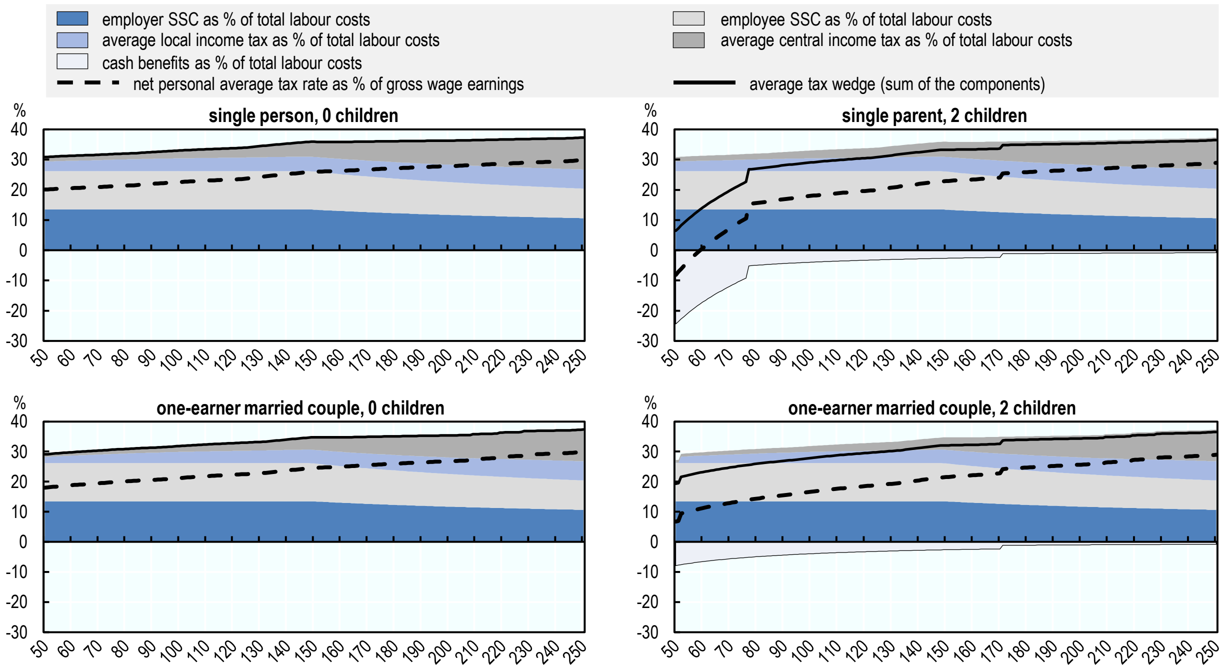
Japan 2023: average tax wedge decomposition

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



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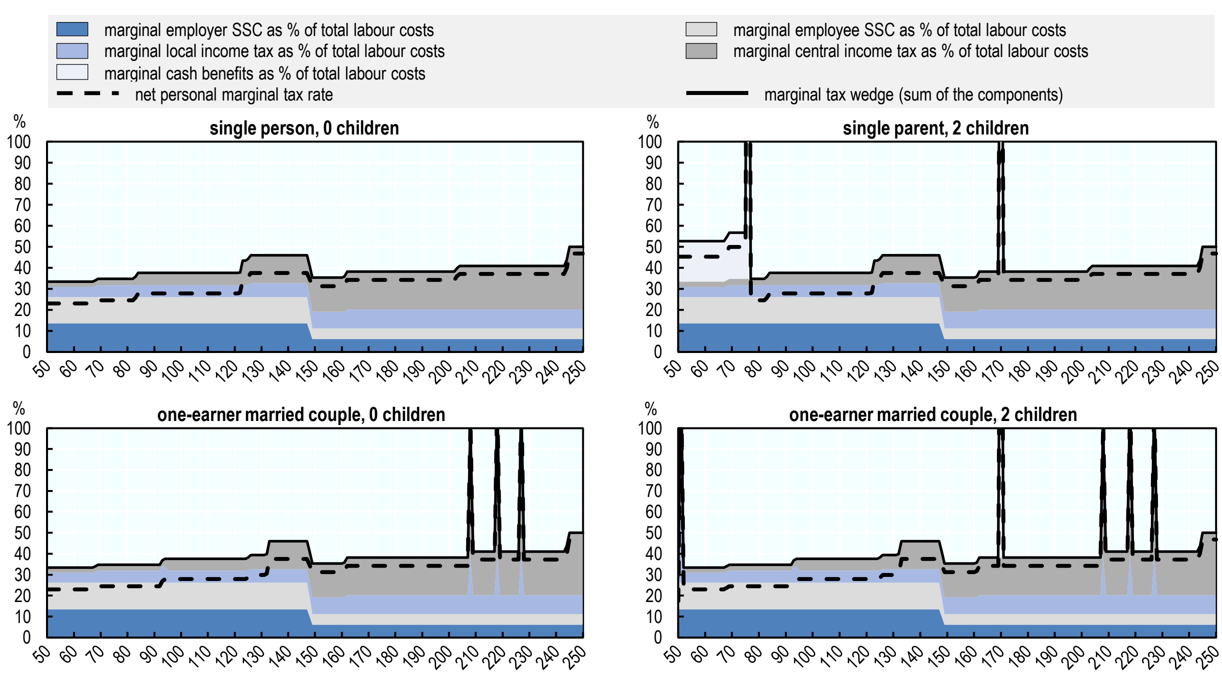
Japan 2023: marginal tax wedge decomposition

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



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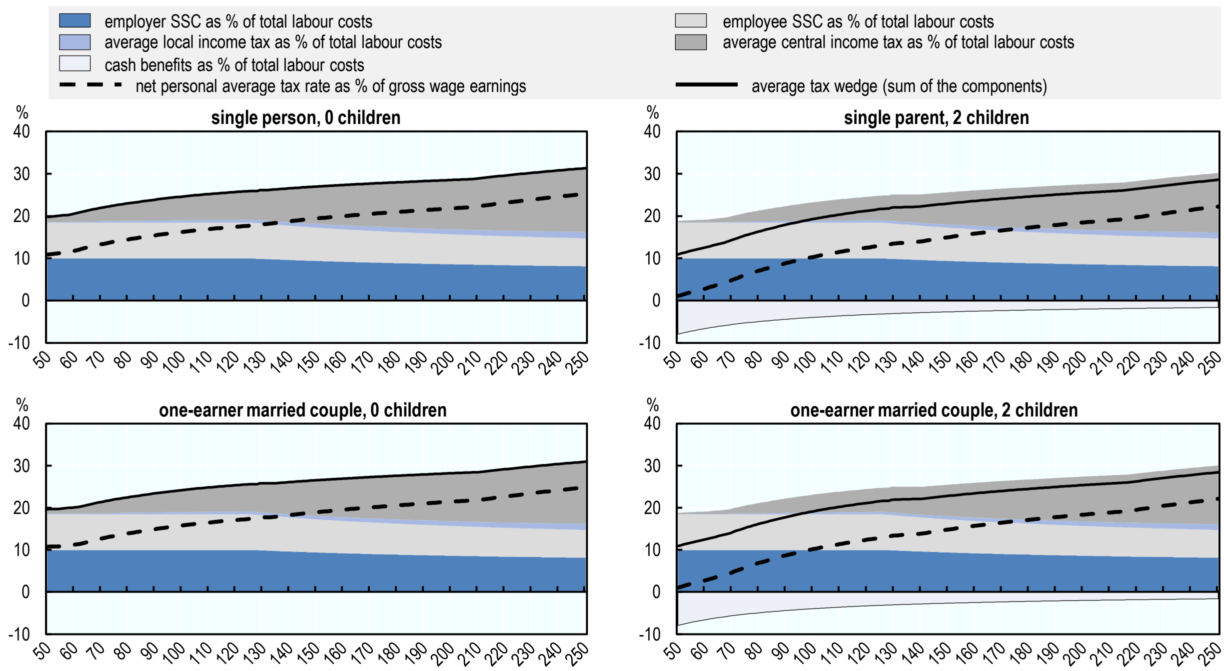
Korea 2023: average tax wedge decomposition

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



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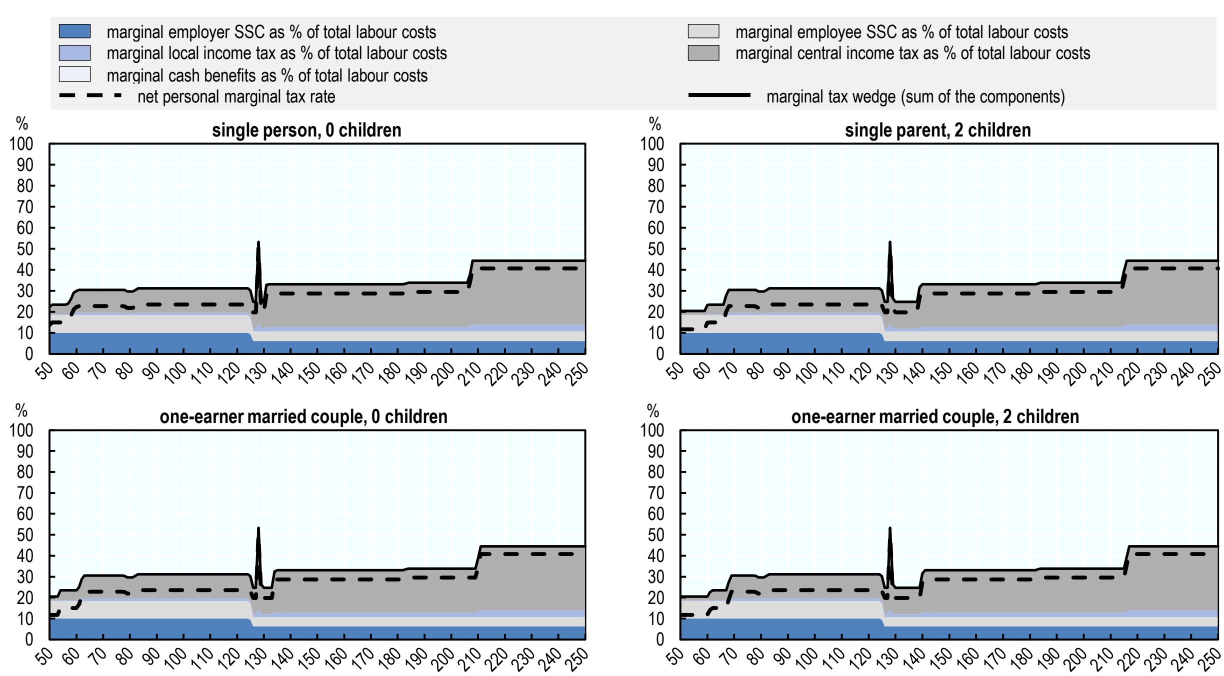
Korea 2023: marginal tax wedge decomposition

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



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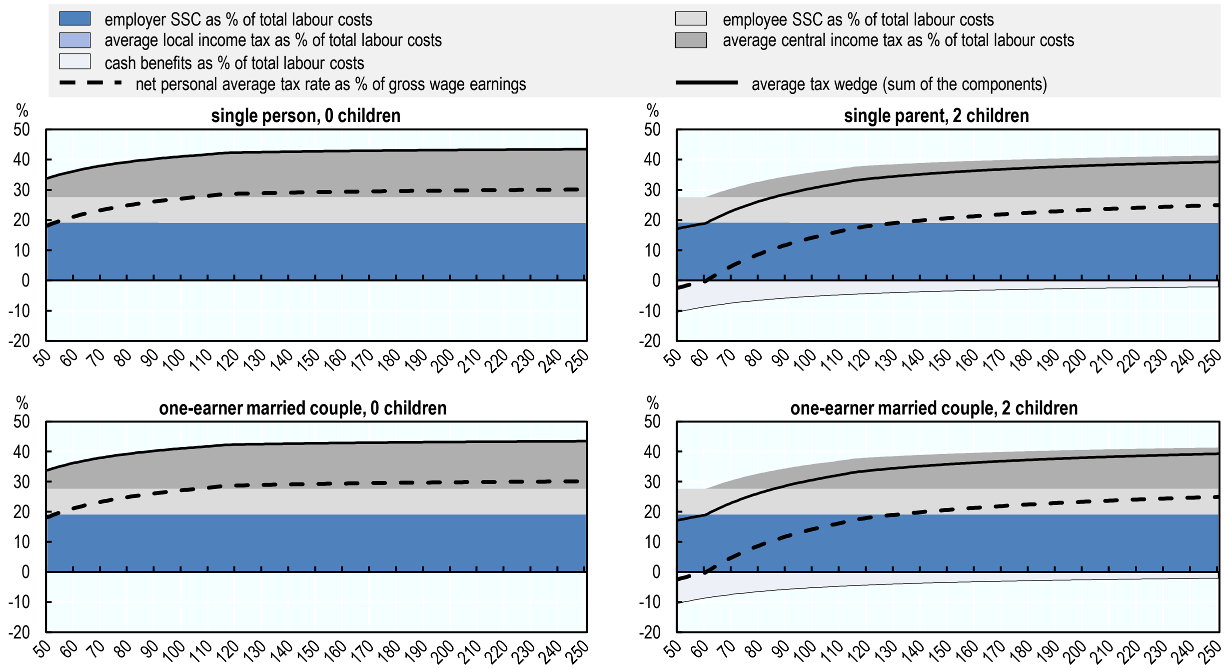
Latvia 2023: average tax wedge decomposition

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



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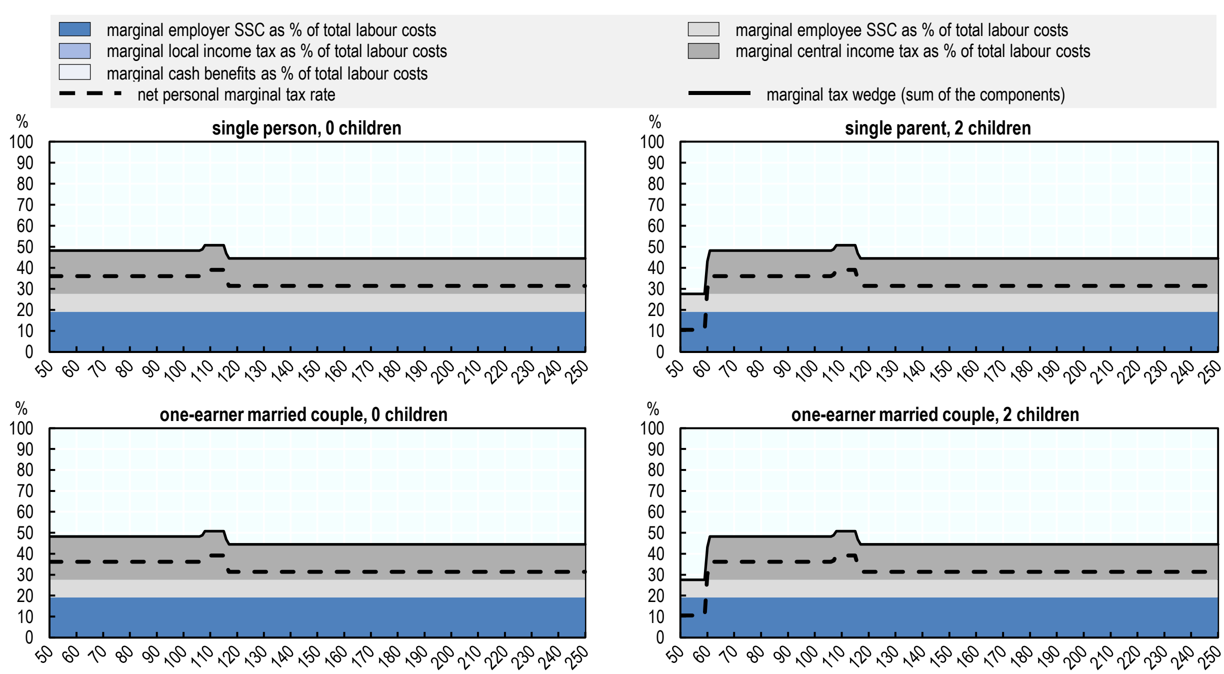
Latvia 2023: marginal tax wedge decomposition

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



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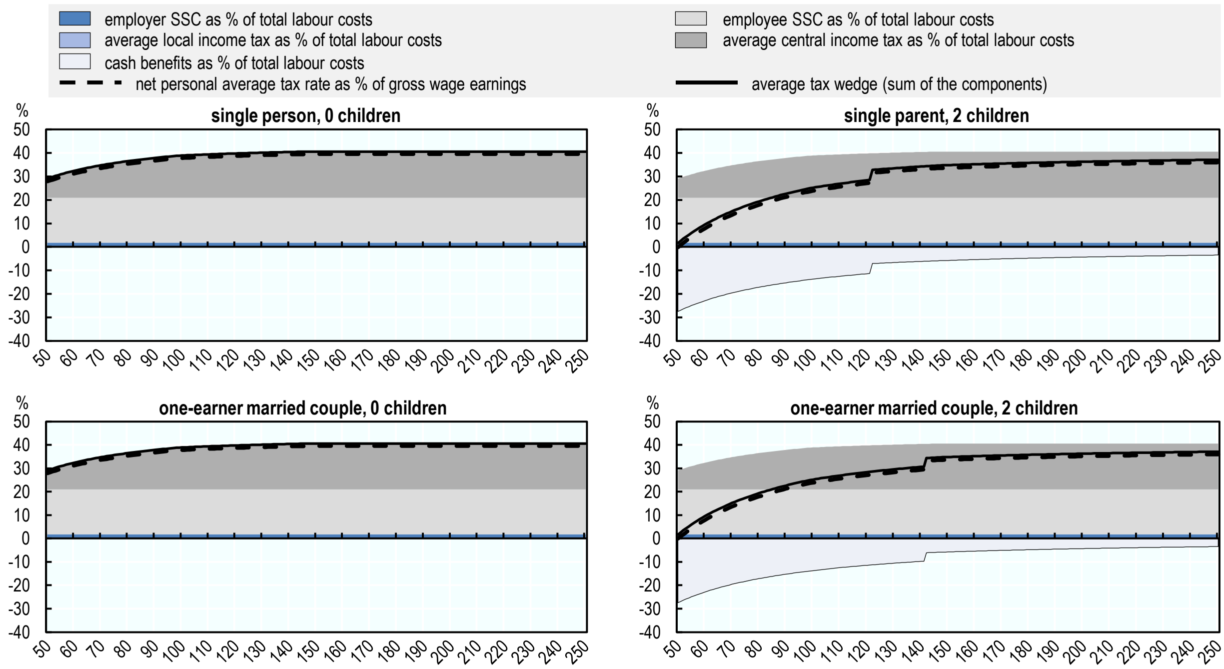
Lithuania 2023: average tax wedge decomposition

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



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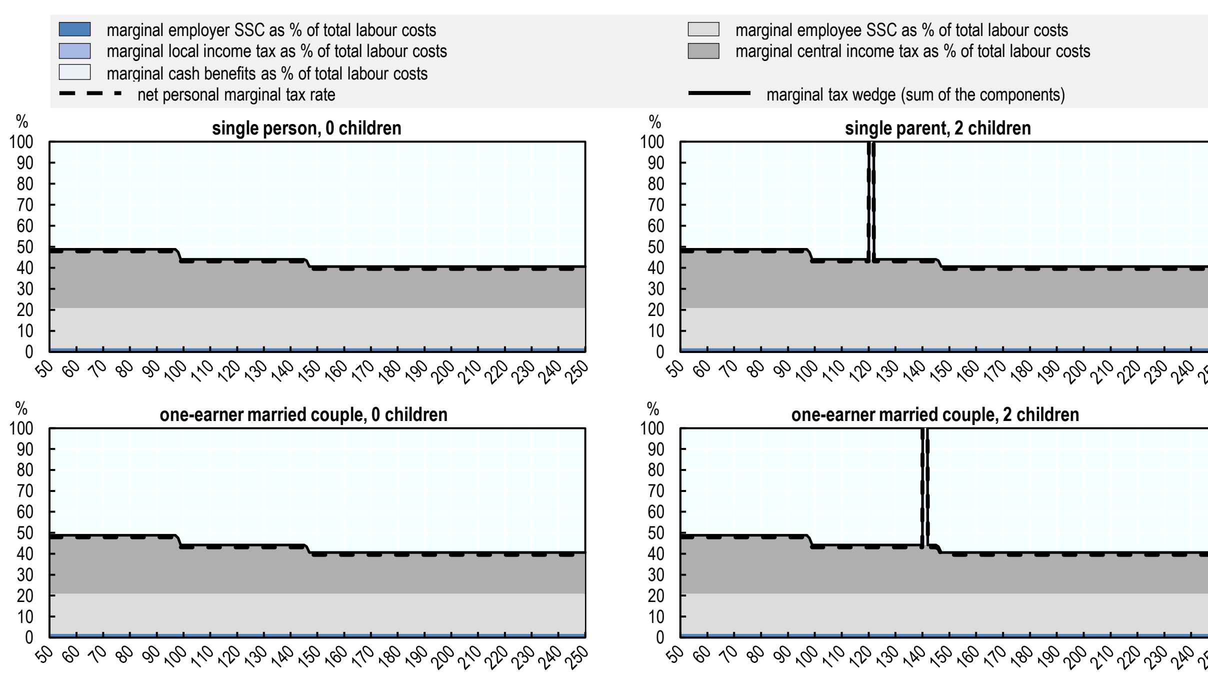
Lithuania 2023: marginal tax wedge decomposition

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



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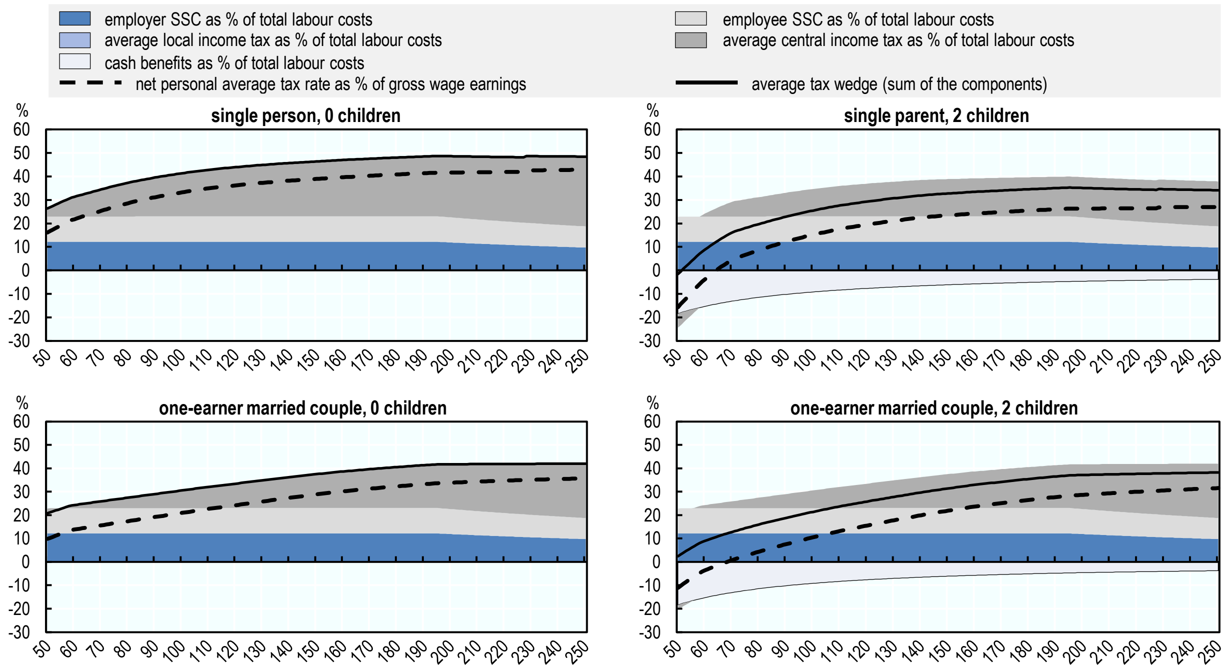
Luxembourg 2023: average tax wedge decomposition

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



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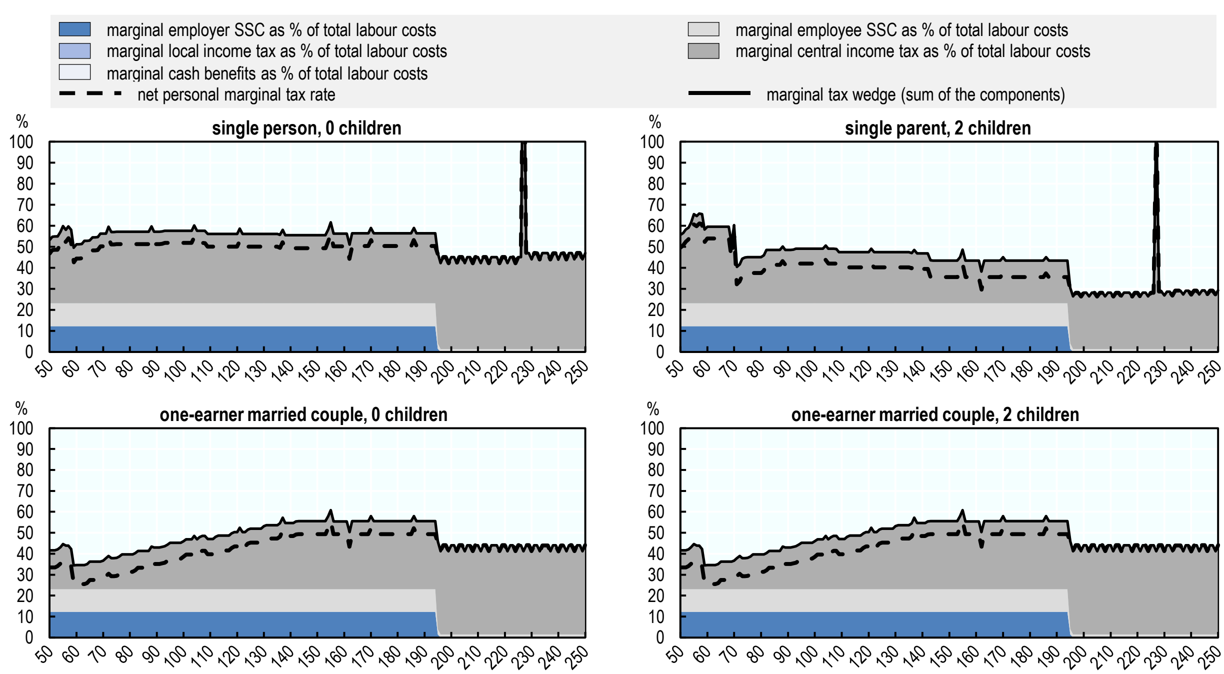
Luxembourg 2023: marginal tax wedge decomposition

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



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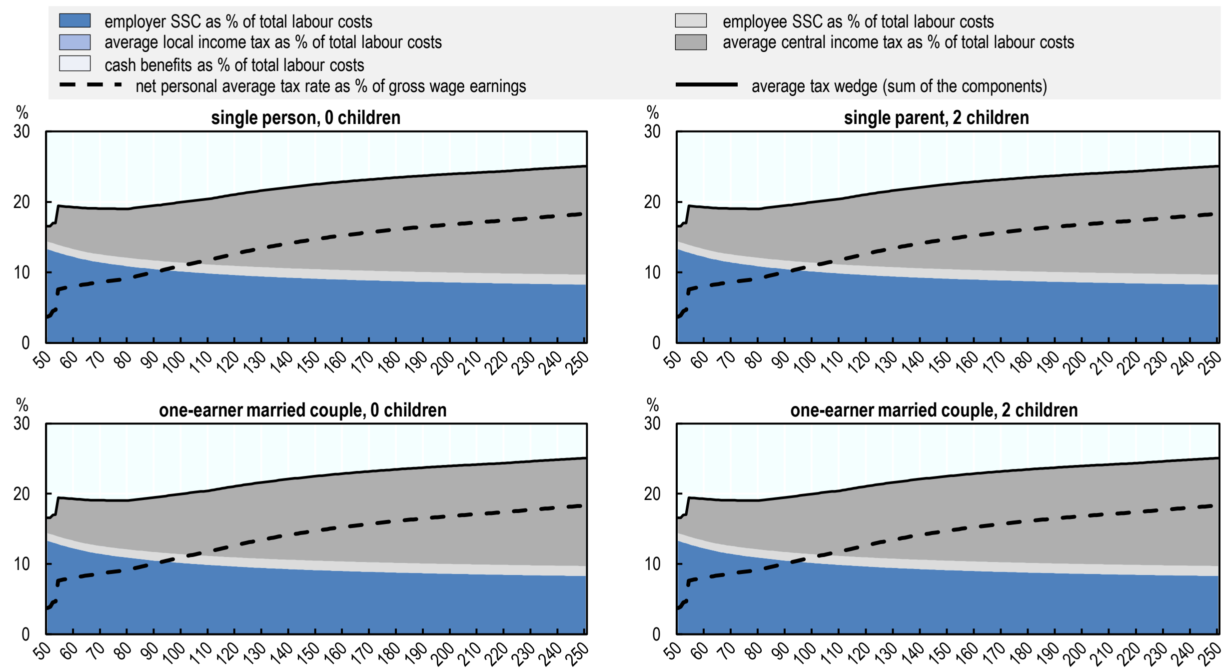
Mexico 2023: average tax wedge decomposition

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



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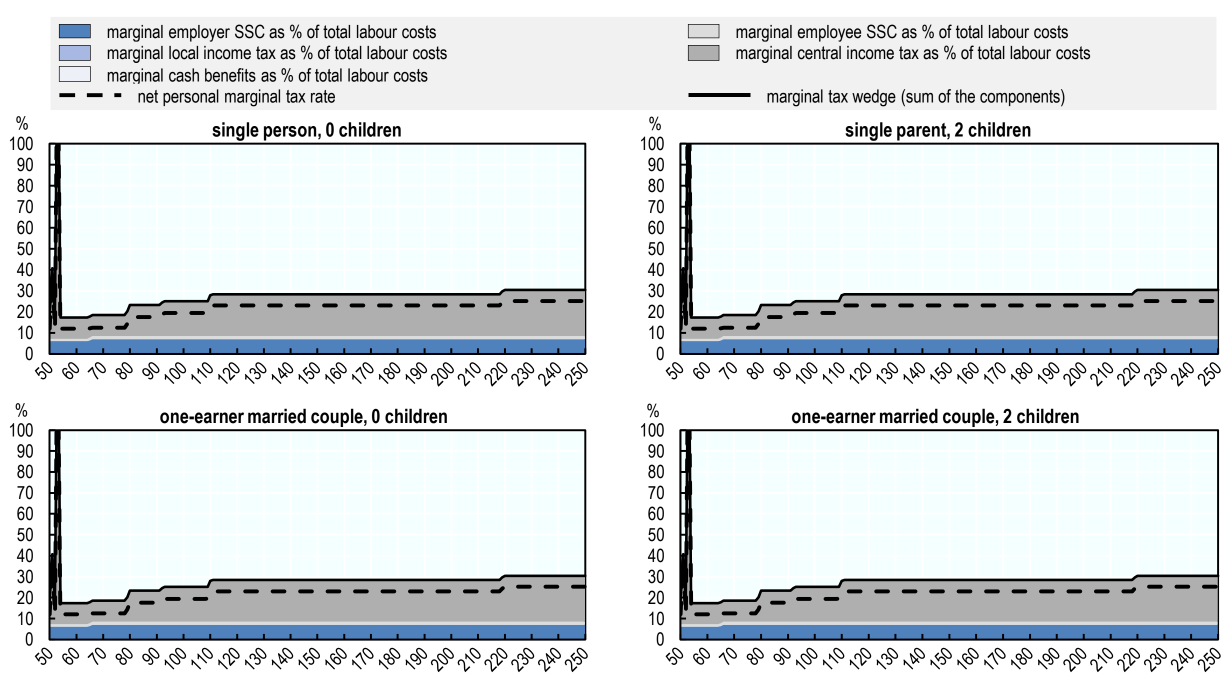
Mexico 2023: marginal tax wedge decomposition

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



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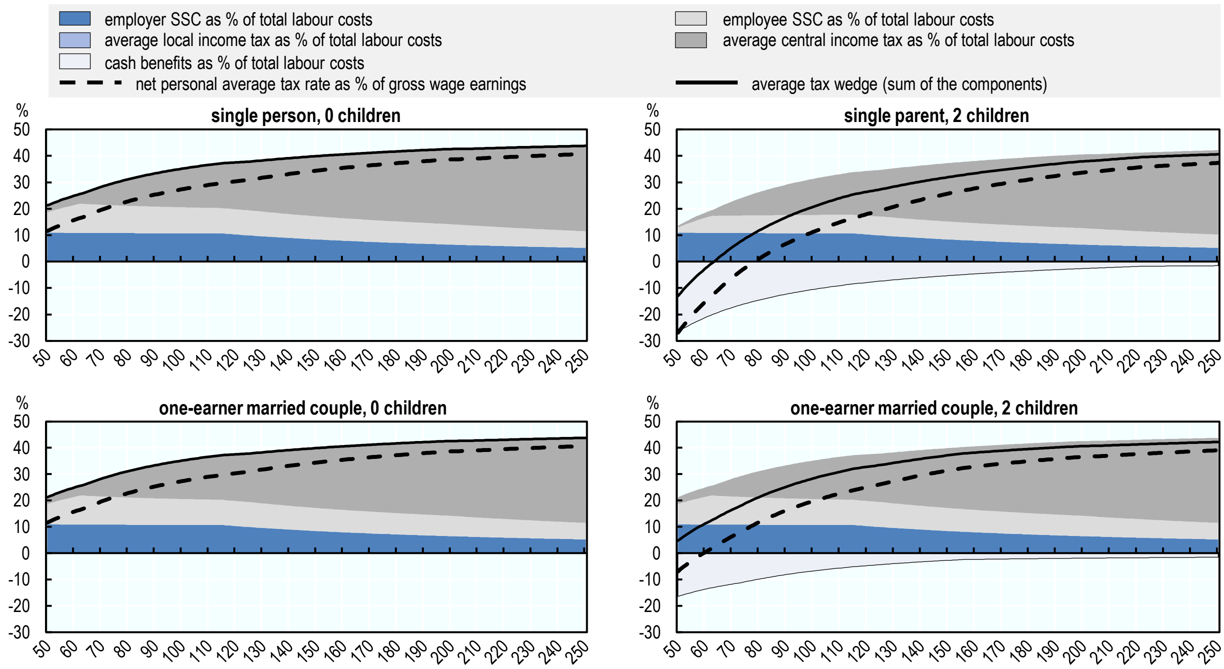
Netherlands 2023: average tax wedge decomposition

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



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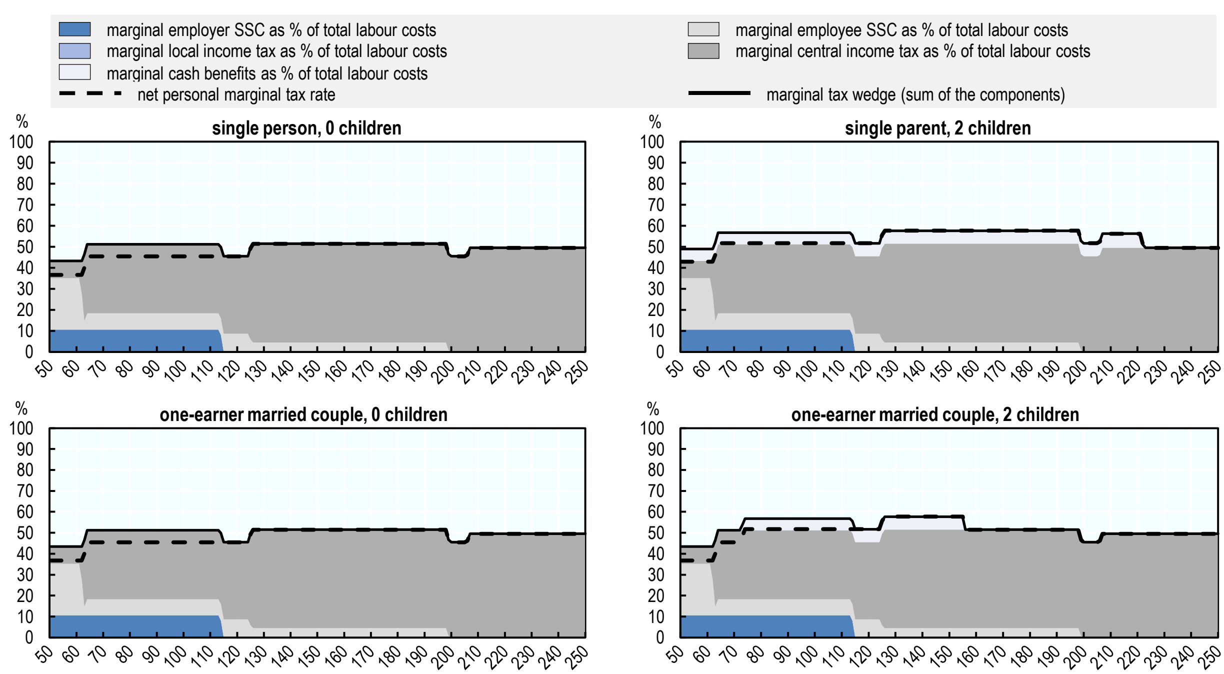
Netherlands 2023: marginal tax wedge decomposition

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



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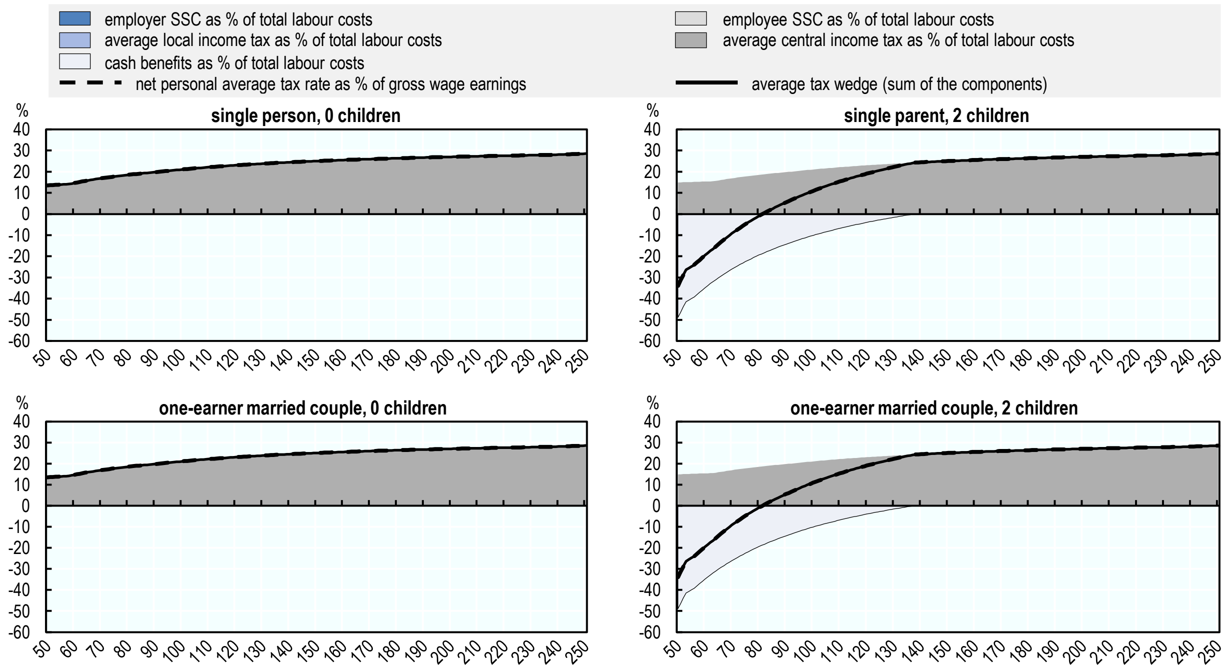
New Zealand 2023: average tax wedge decomposition

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



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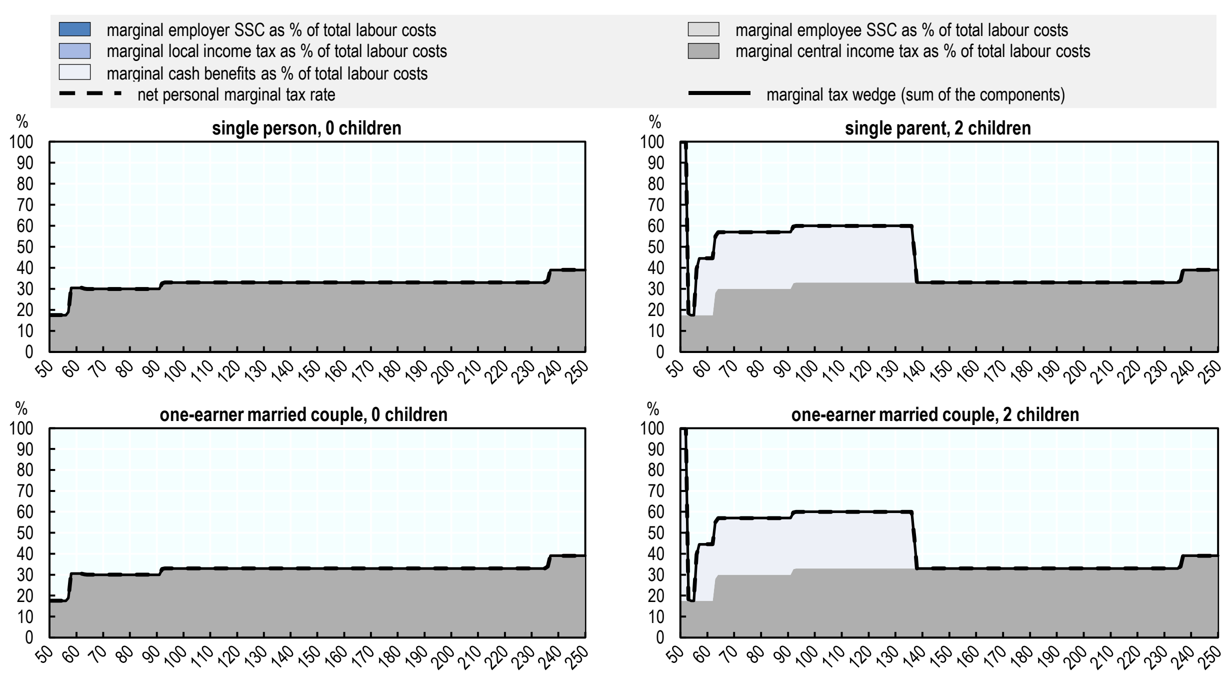
New Zealand 2023: marginal tax wedge decomposition

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



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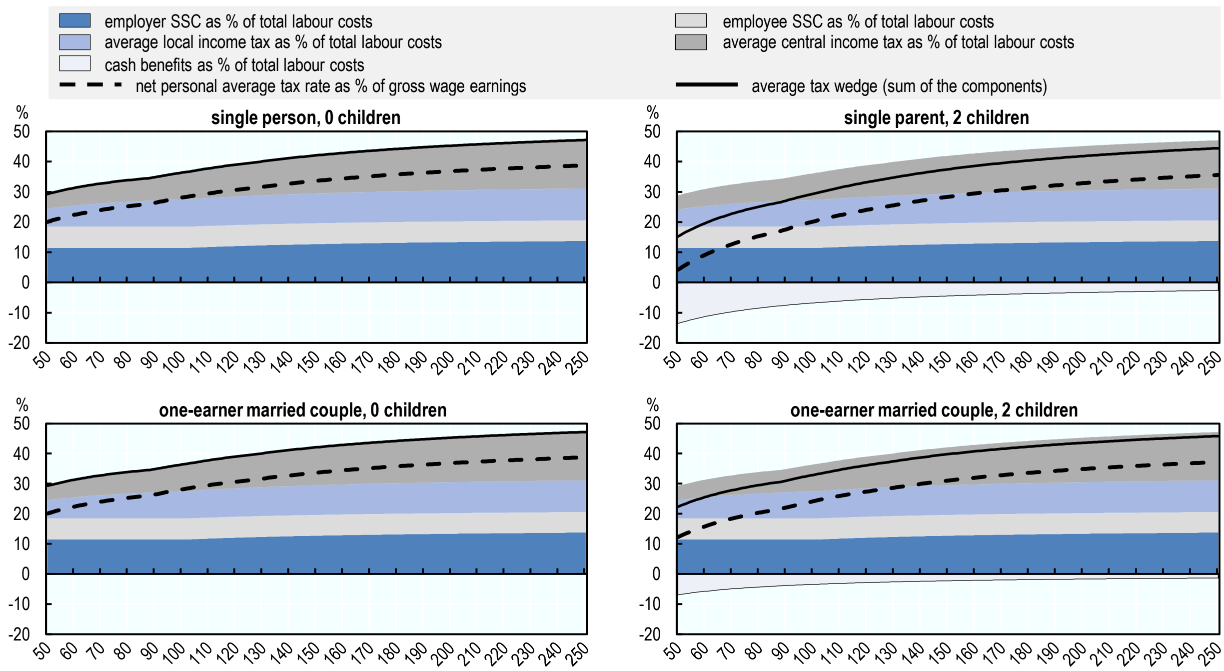
Norway 2023: average tax wedge decomposition

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



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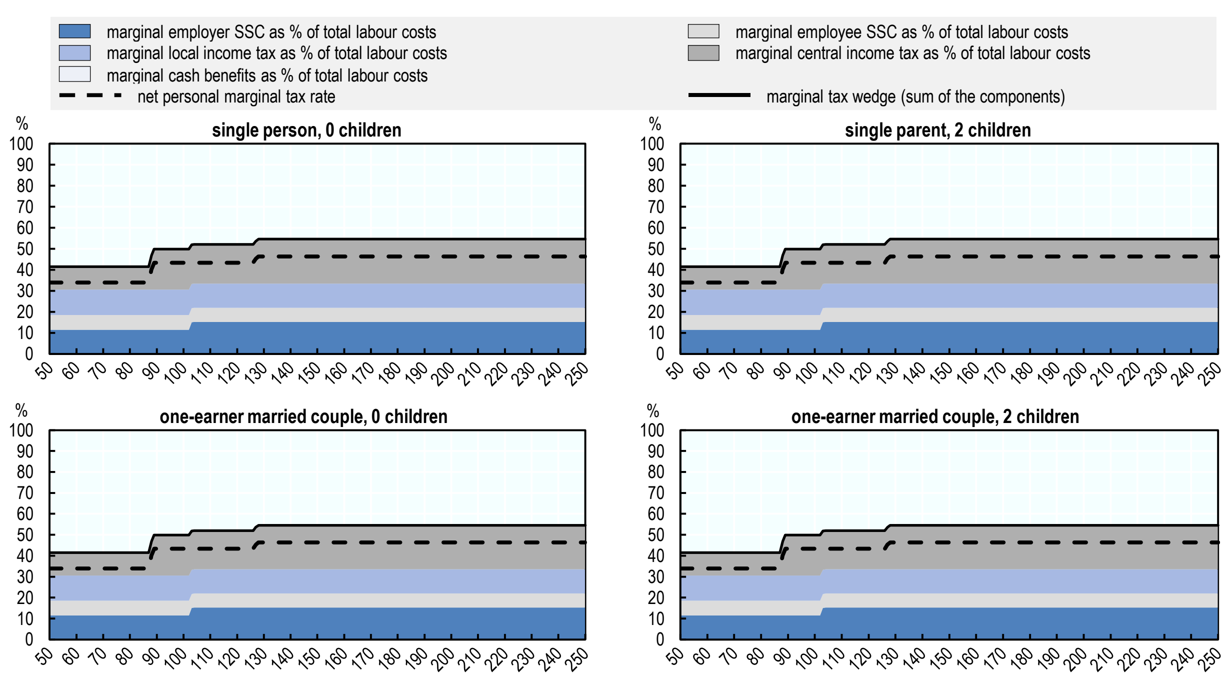
Norway 2023: marginal tax wedge decomposition

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



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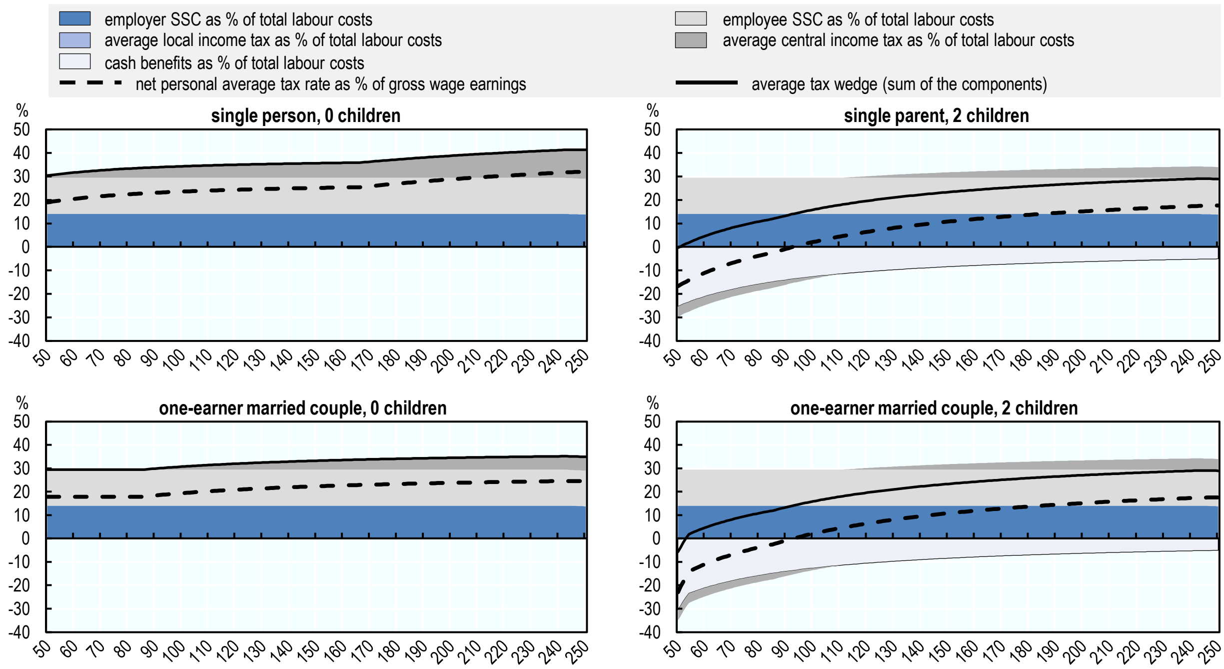
Poland 2023: average tax wedge decomposition

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



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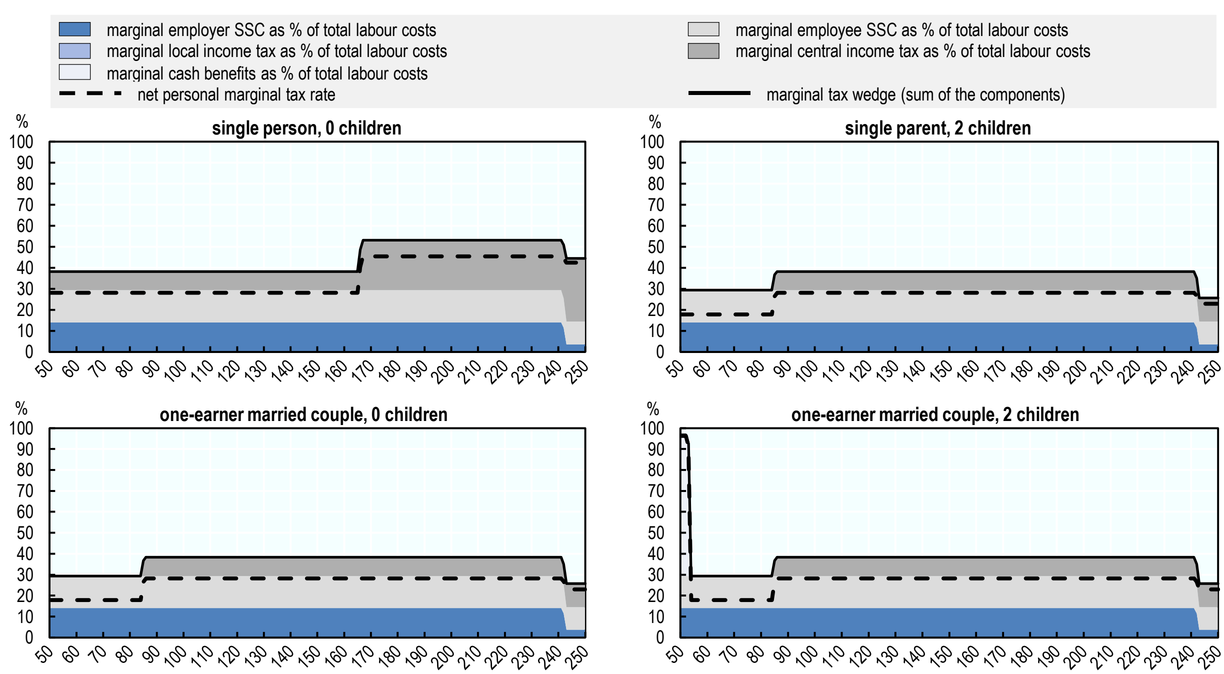
Poland 2023: marginal tax wedge decomposition

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



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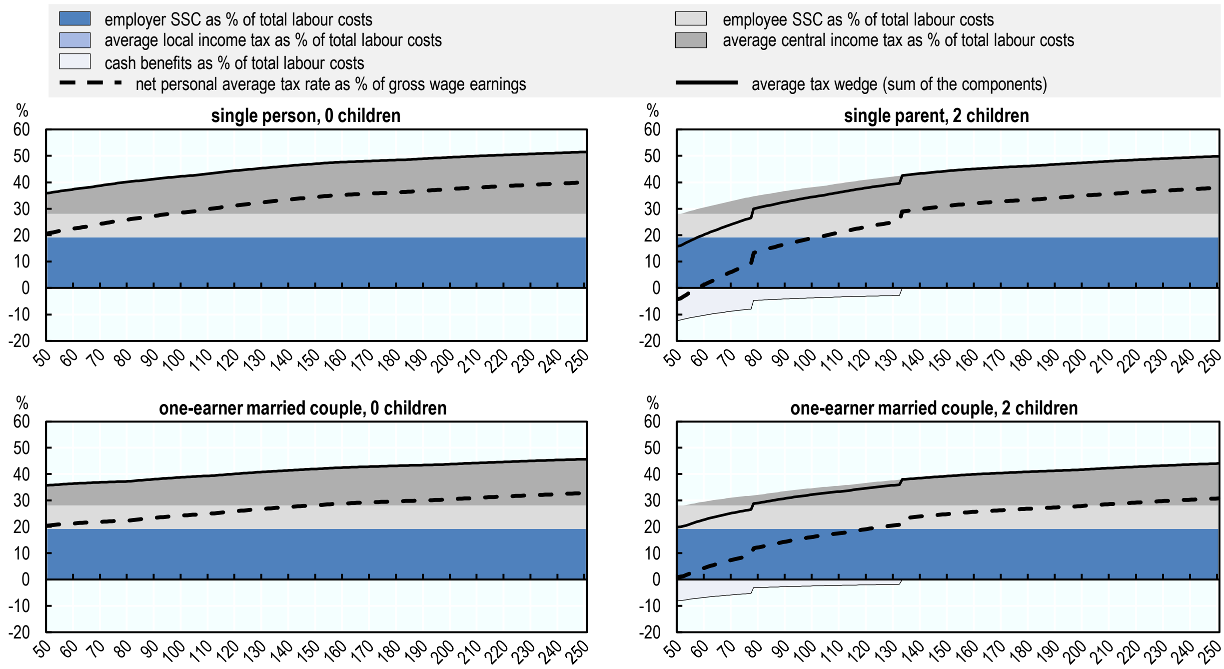
Portugal 2023: average tax wedge decomposition

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



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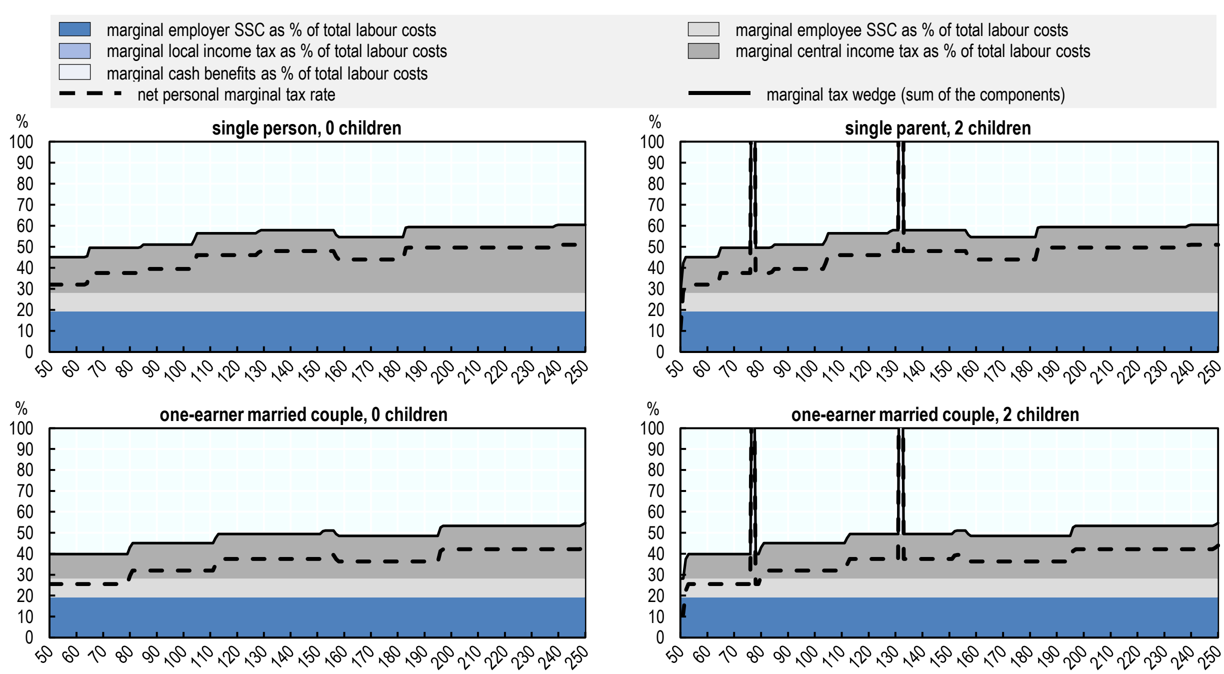
Portugal 2023: marginal tax wedge decomposition

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



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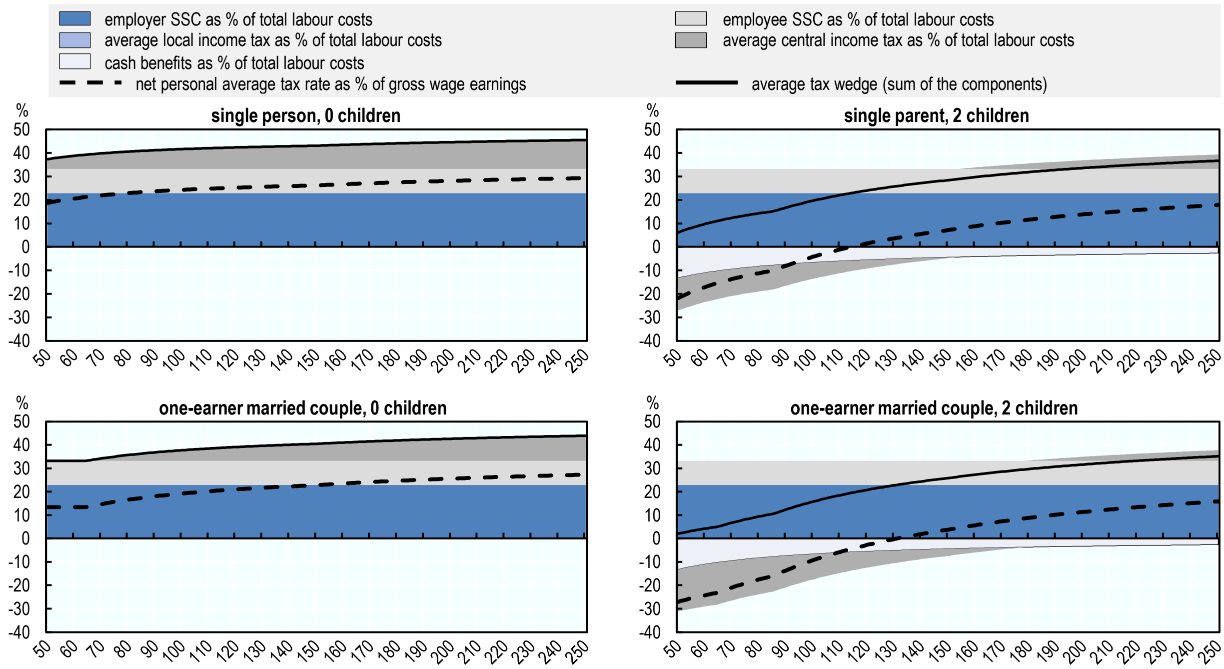
Slovak Republic 2023: average tax wedge decomposition

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



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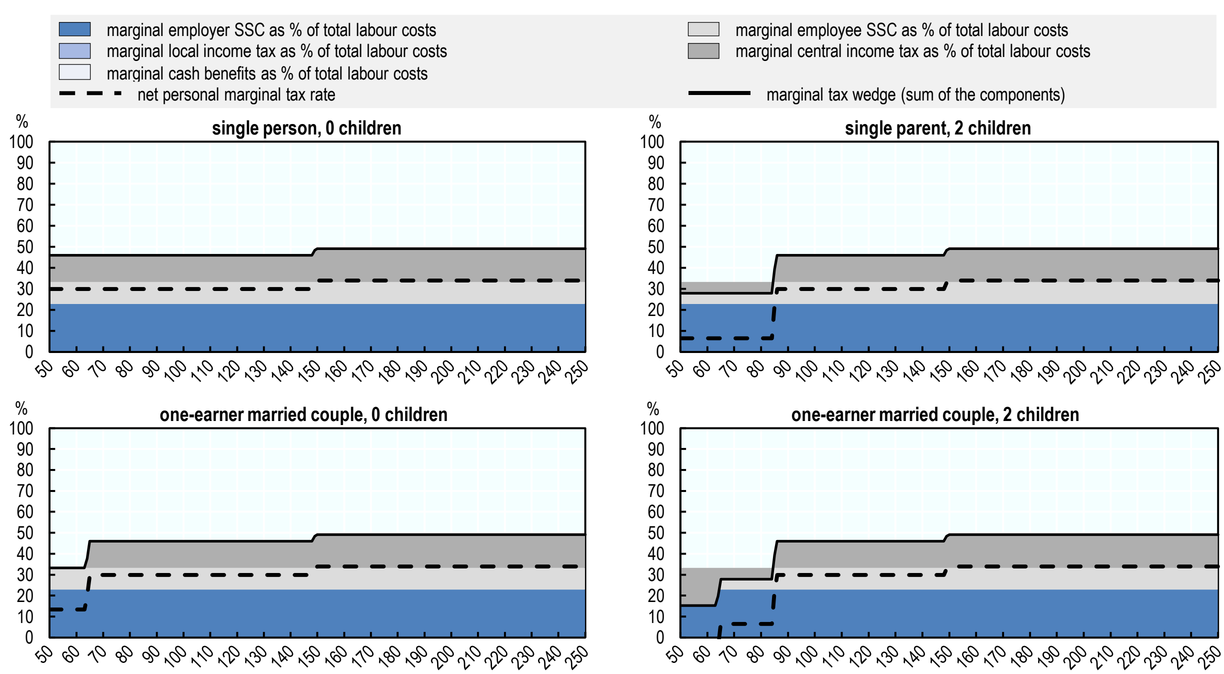
Slovak Republic 2023: marginal tax wedge decomposition

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



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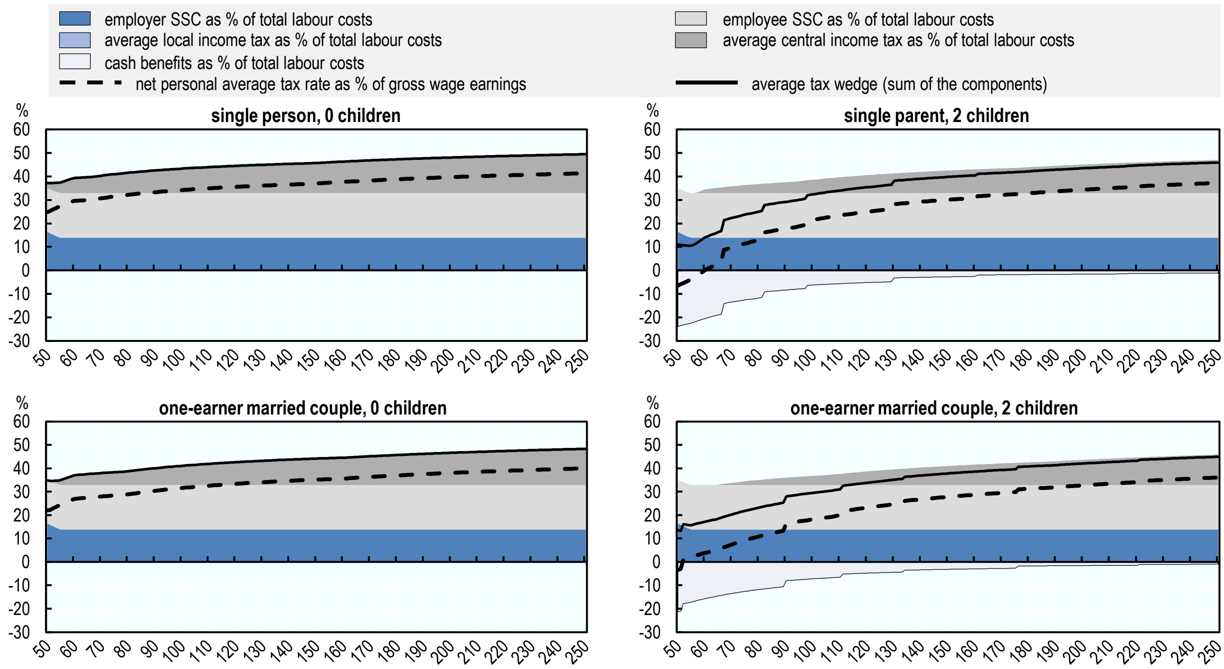
Slovenia 2023: average tax wedge decomposition

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



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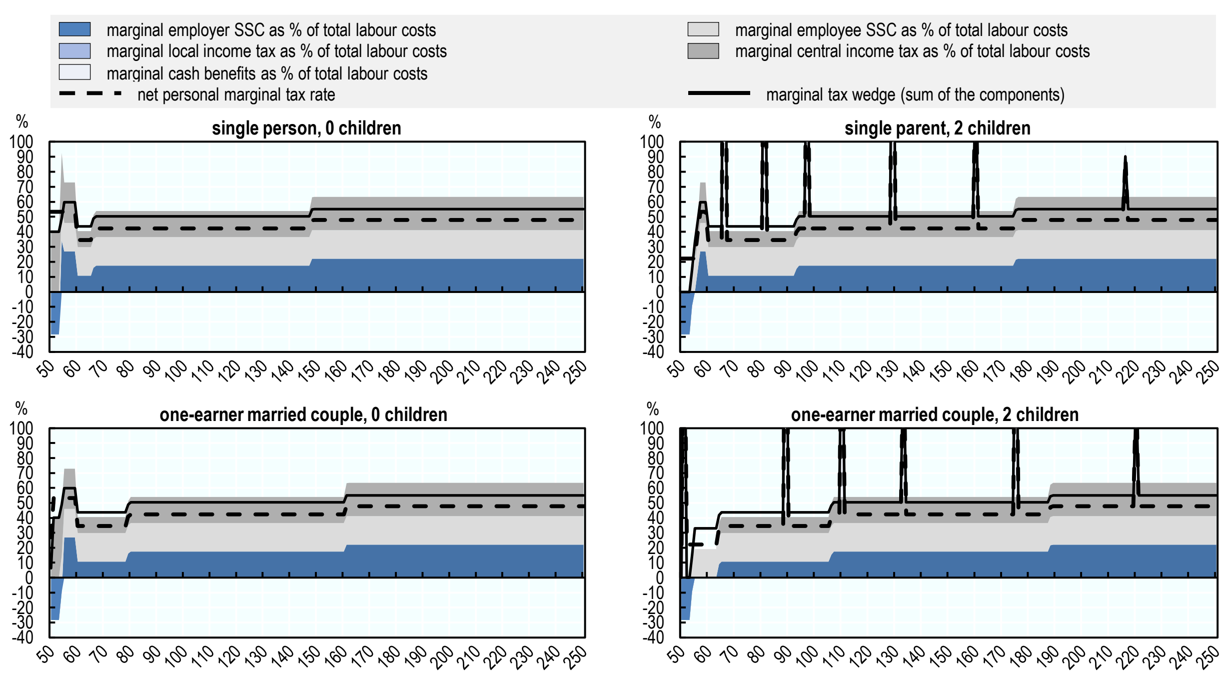
Slovenia 2023: marginal tax wedge decomposition

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



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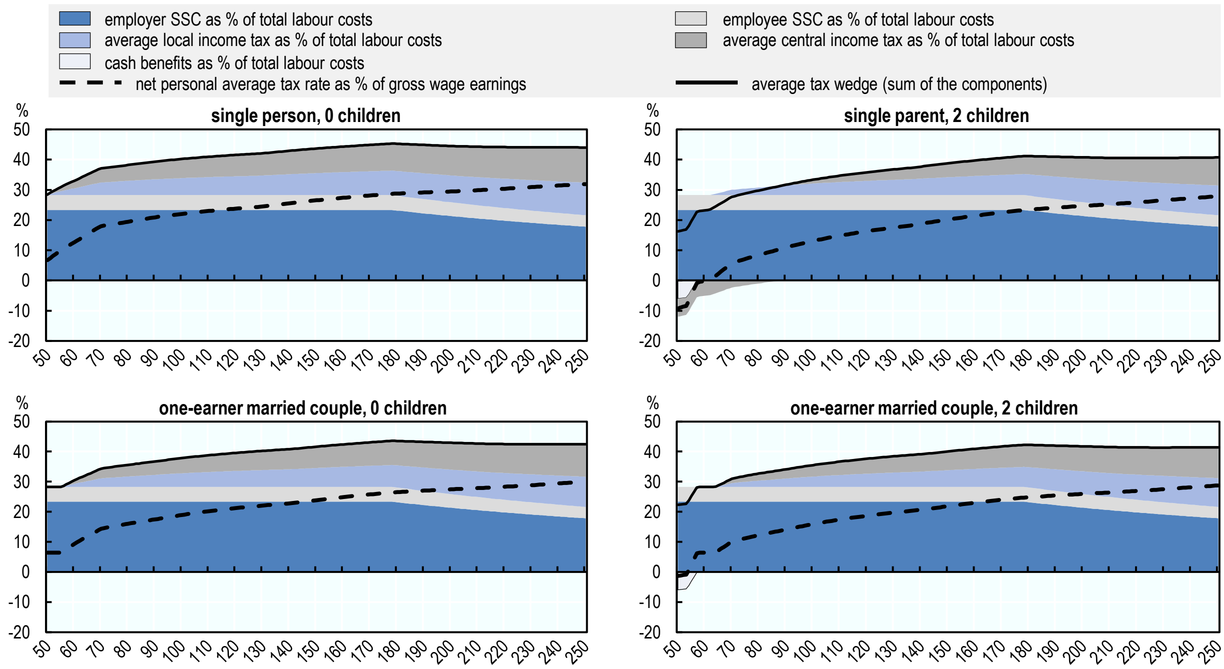
Spain 2023: average tax wedge decomposition

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



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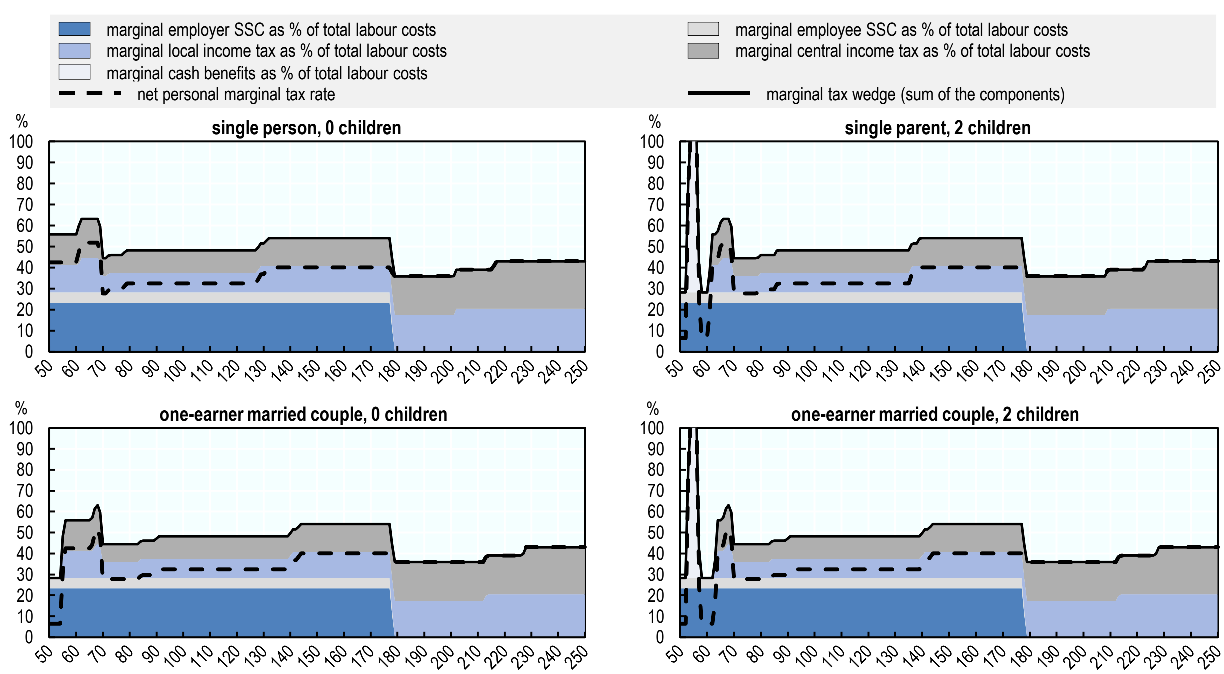
Spain 2023: marginal tax wedge decomposition

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



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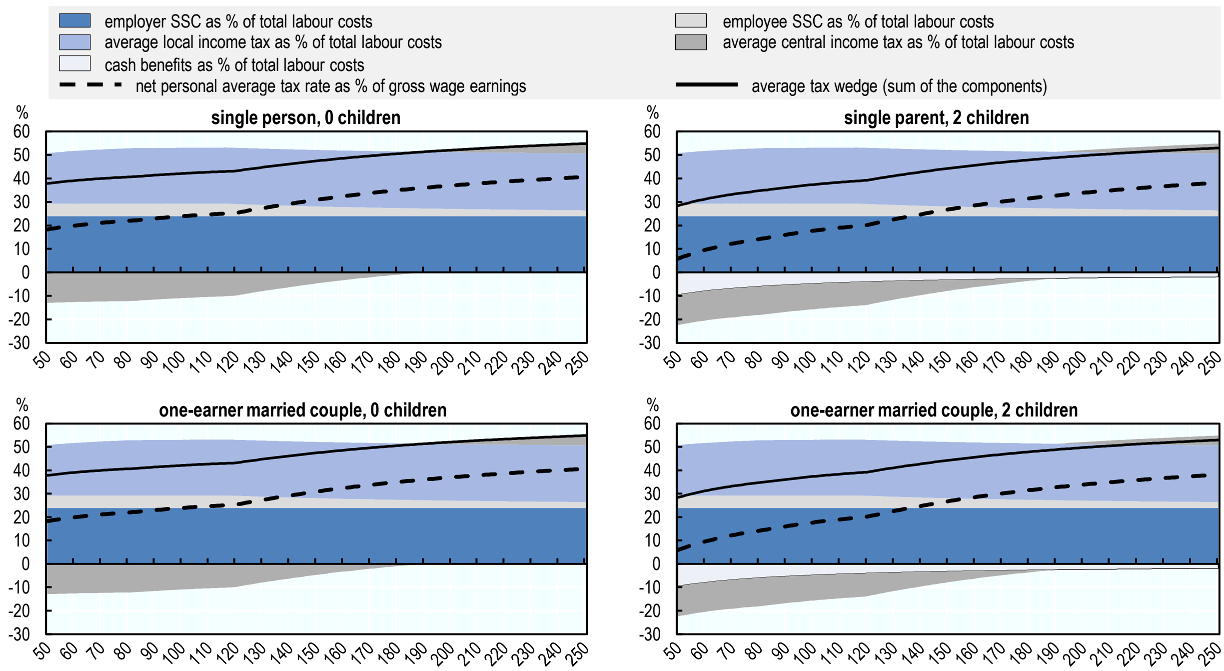
Sweden 2023: average tax wedge decomposition

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



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Sweden 2023: marginal tax wedge decomposition

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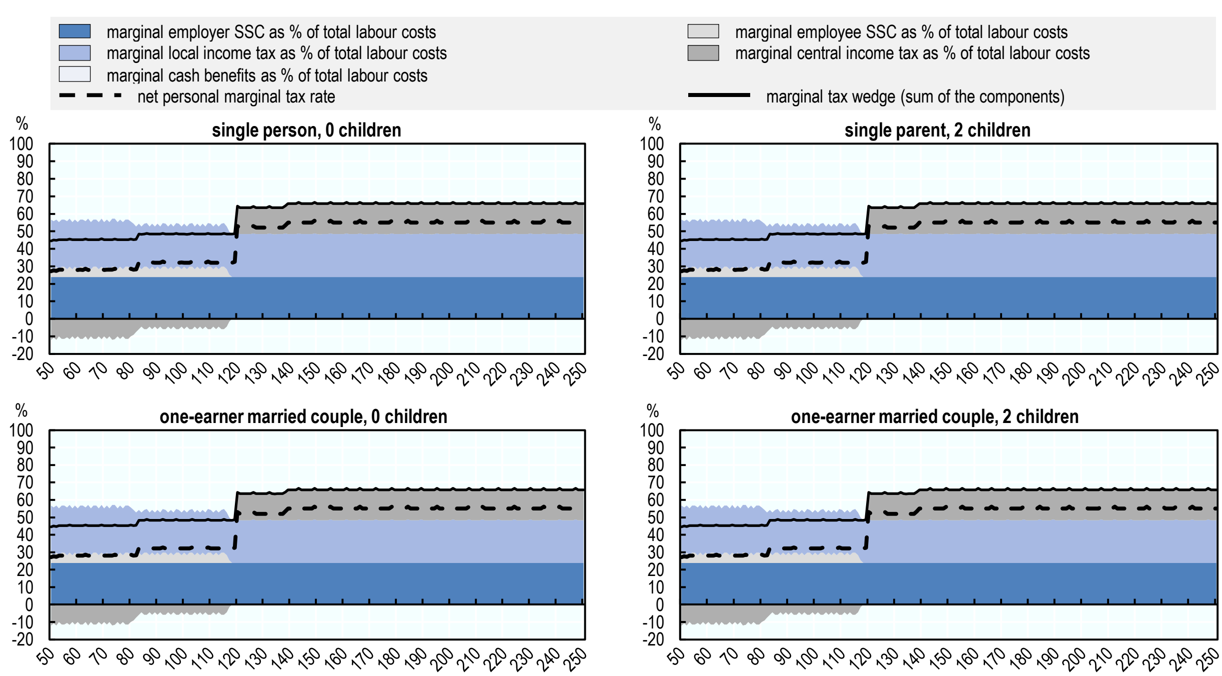

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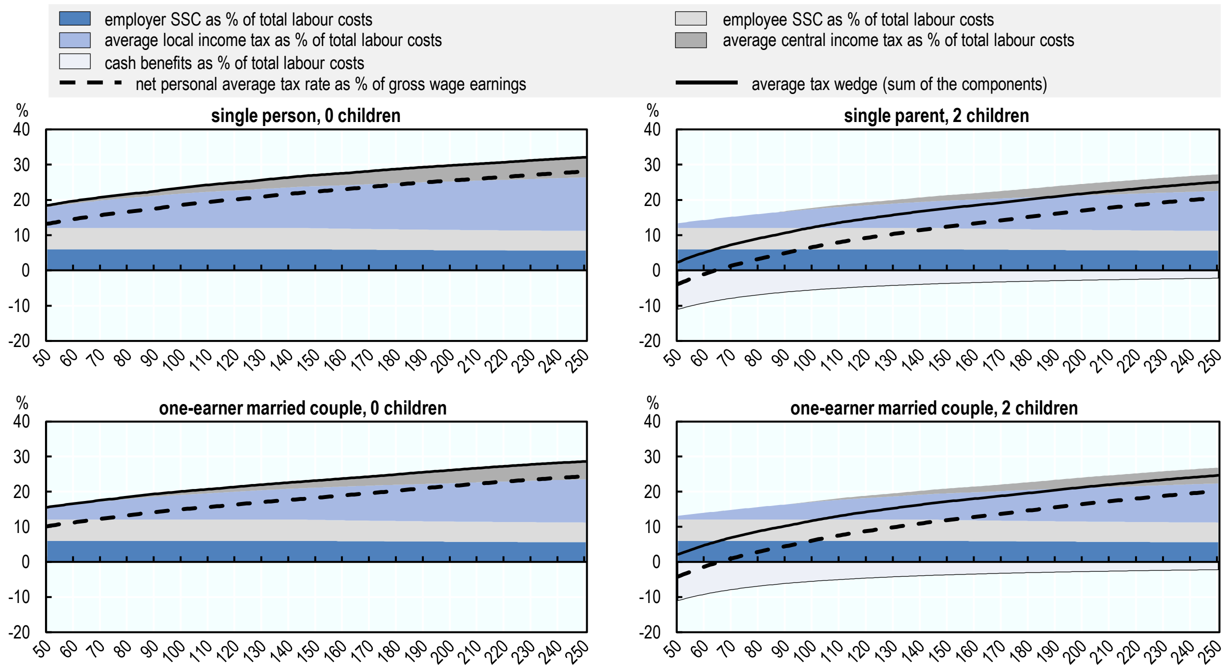
Switzerland 2023: average tax wedge decomposition

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



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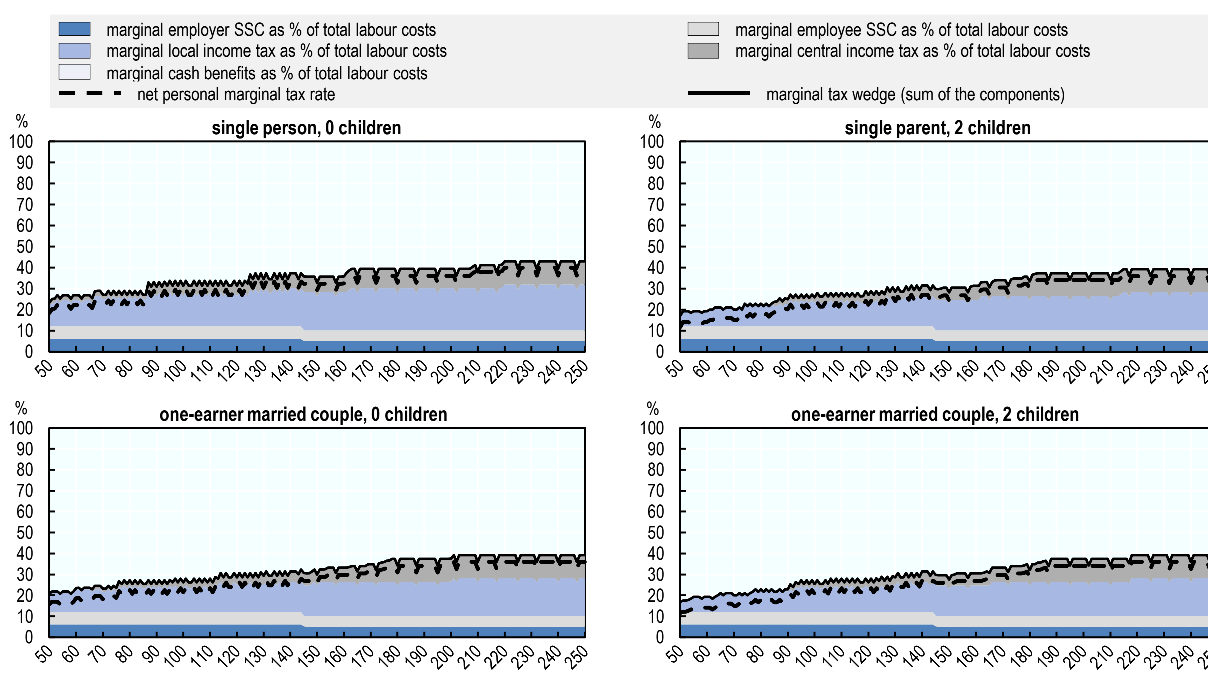
Switzerland 2023: marginal tax wedge decomposition

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



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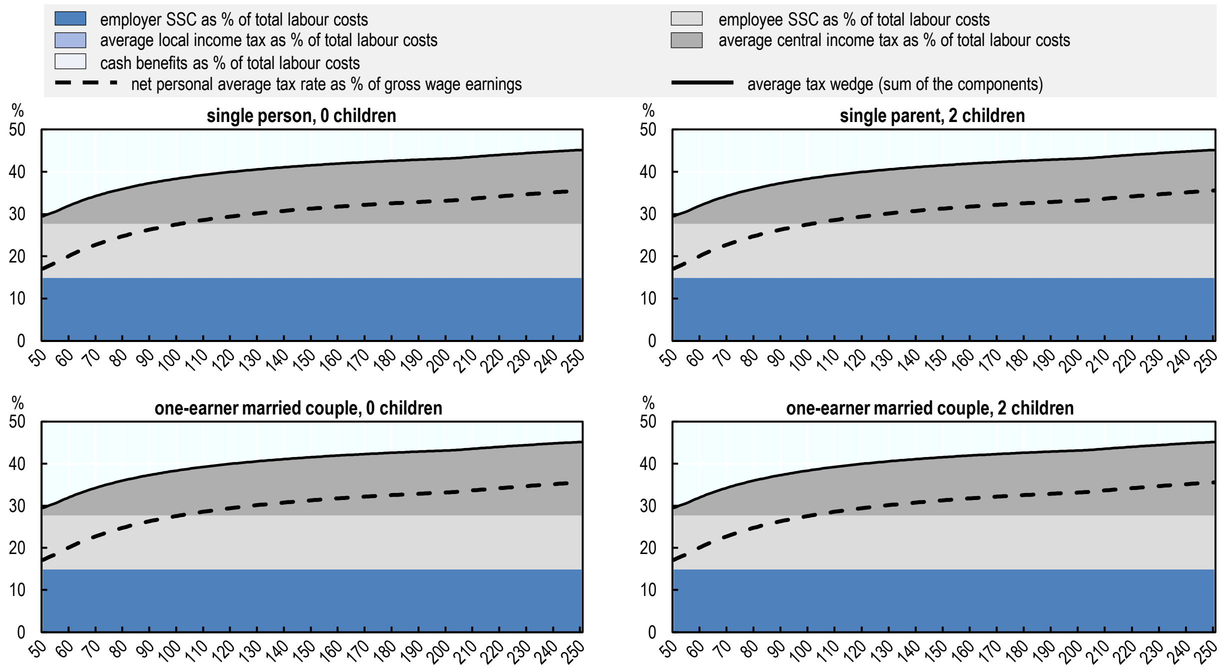
Türkiye 2023: average tax wedge decomposition

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



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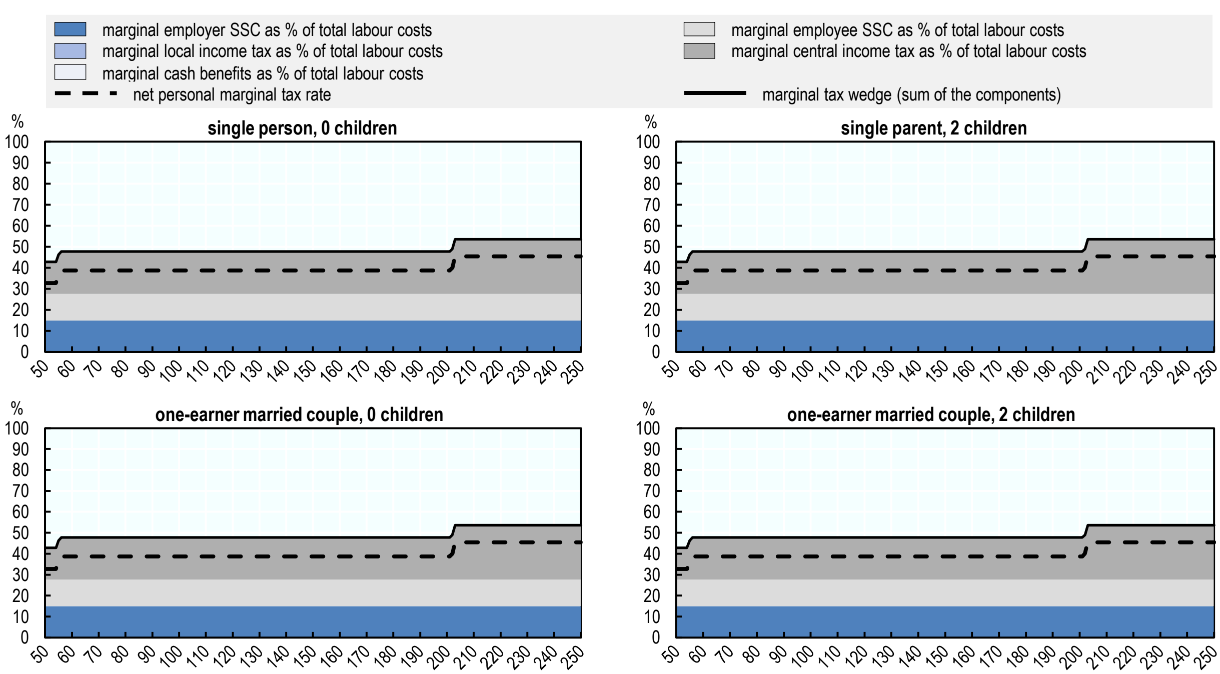
Türkiye 2023: marginal tax wedge decomposition

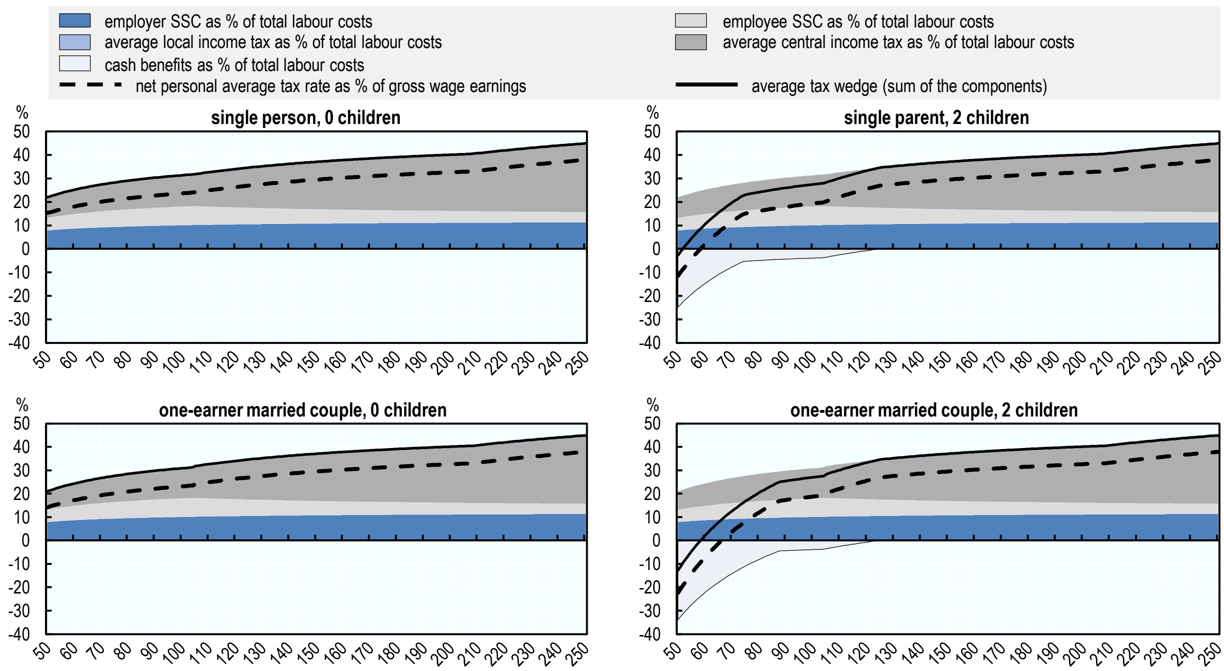
by level of gross earnings expressed as a % of the average wage



StatLink https://stat.link/s5zu8n

United Kingdom 2023: average tax wedge decomposition

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



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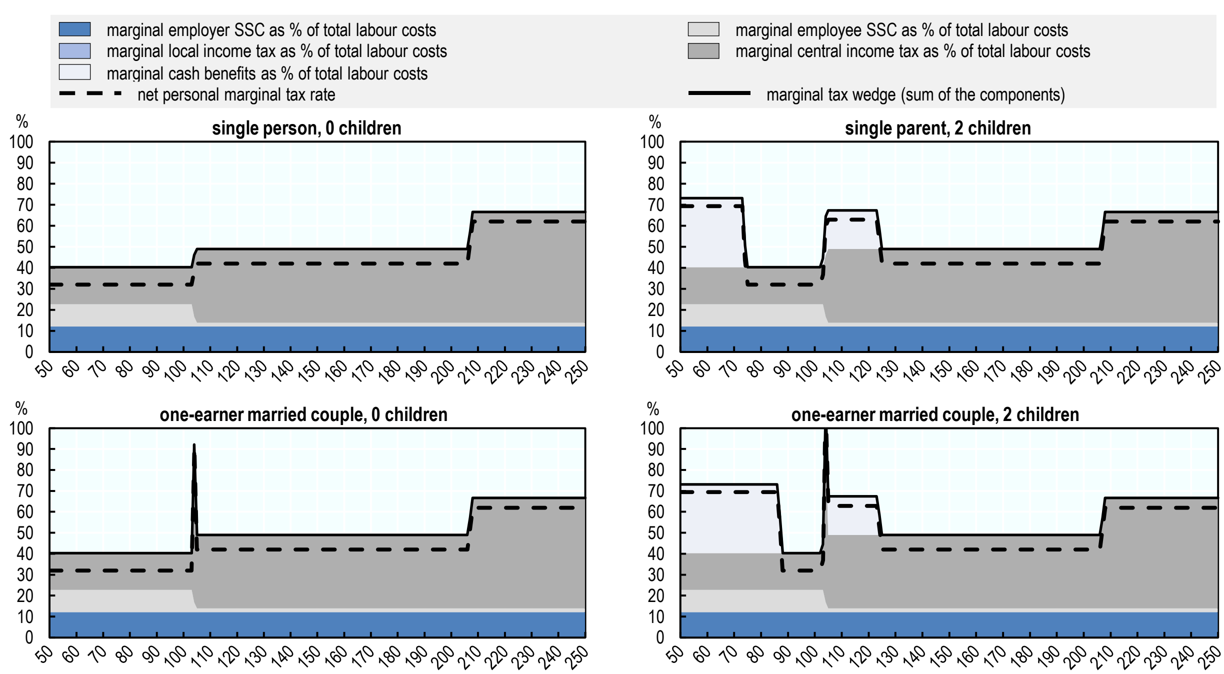
United Kingdom 2023: marginal tax wedge decomposition

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



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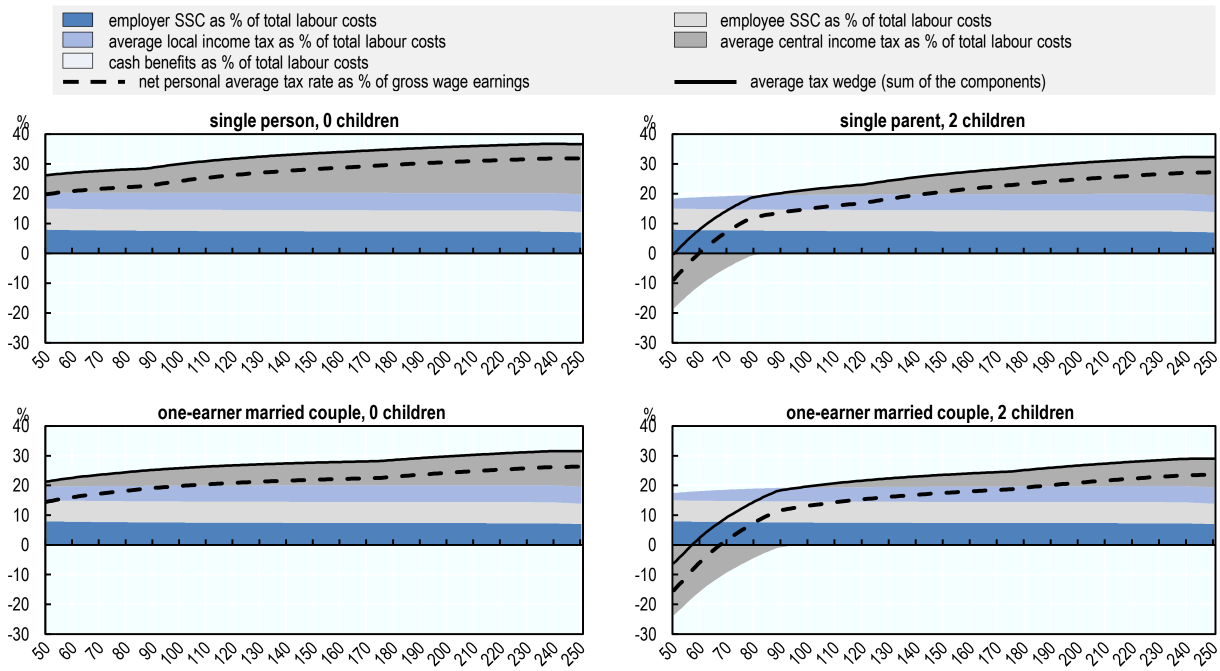
United States 2023: average tax wedge decomposition

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



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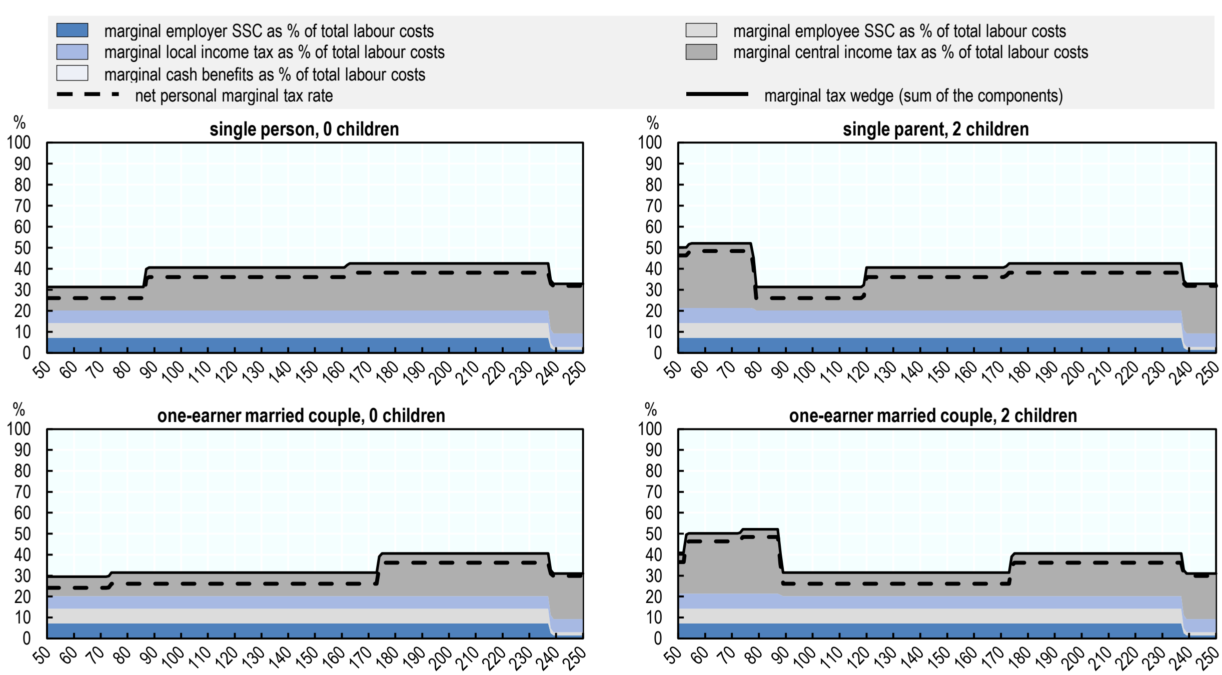
United States 2023: marginal tax wedge decomposition

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



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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 47% of the AW for the single parent and the couple with or without children.

[3] In Colombia, the general social security system for healthcare is financed by public and private funds. The pension system is a hybrid of two different systems: a defined contribution, fully-funded pension system; and a pay-as-you-go system. Each of those contributions 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 2022

The chapter presents the effective tax rates on labour income for the eight model household types for 2022. 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 2023.

The following tables show the effective rax rates on labour income for the eight household types covered by the *Taxing Wages* models in 2022. Single employees, without children, earning the average wage are shown in column 2 of the tables while one-earner married couples, with two children, earning the average wage are shown in column 5. 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 2023.

- 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 2023 compared with 2022 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 personal income tax due as a percentage of gross wage earnings.
- Table 5.5 provides 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 increases 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, 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	21.4	27.0	33.2	1.4	20.4	24.8	27.0	24.8
Austria	42.0	46.9	50.5	19.4	30.5	36.3	39.7	45.1
Belgium	46.3	53.0	59.1	29.3	37.6	45.3	48.7	50.3
Canada	30.2	31.9	35.6	7.0	21.6	28.9	30.8	31.2
Chile	7.0	7.0	8.2	4.8	5.7	6.1	6.6	7.0
Colombia	0.0	0.0	0.0	-6.4	-4.3	-5.2	-4.3	0.0
Costa Rica	29.2	29.2	31.0	29.2	29.2	29.2	29.2	29.2
Czechia	37.5	39.9	41.8	17.9	22.9	33.9	35.7	38.9
Denmark	33.9	36.3	41.9	18.0	27.0	32.0	33.5	35.3
Estonia	34.5	39.1	41.2	22.0	30.8	33.3	35.8	37.3
Finland	36.8	43.1	49.4	26.5	38.9	38.0	41.0	40.6
France	40.6	47.0	53.9	20.2	39.2	40.7	44.1	44.3
Germany	44.2	48.3	49.8	29.5	33.7	41.5	43.8	46.5
Greece	33.8	38.0	43.4	27.6	36.4	36.9	38.6	37.4
Hungary	41.2	41.2	41.2	23.6	29.9	34.4	35.5	41.2
Iceland	28.1	32.1	37.3	16.6	19.9	29.5	32.1	30.5
Ireland	26.8	35.6	43.7	11.8	22.4	28.9	33.0	32.1
Israel	16.7	23.4	33.2	3.4	18.1	15.2	17.5	20.3
Italy	39.3	45.0	53.3	24.5	33.4	36.0	40.1	42.7
Japan	31.2	32.7	35.6	17.2	27.4	29.7	30.6	32.1
Korea	21.5	24.5	27.5	13.3	18.8	20.1	21.8	23.3
Latvia	37.0	40.4	42.7	19.5	28.7	32.0	34.6	39.1
Lithuania	34.2	38.4	40.6	13.7	24.7	31.5	34.1	36.7
Luxembourg	31.7	39.9	46.8	12.8	19.5	29.2	33.9	35.1
Mexico	19.3	21.0	23.9	19.3	21.0	20.3	21.0	20.3
Netherlands	28.4	35.8	41.0	7.1	30.1	28.5	32.2	32.8
New Zealand	14.7	20.1	25.3	-16.1	7.9	18.0	20.1	18.0
Norway	32.7	36.2	42.1	23.2	32.9	32.8	34.6	34.8
Poland	31.6	33.8	35.6	4.4	13.0	22.9	25.4	32.9
Portugal	38.2	42.1	47.9	26.2	31.9	37.8	39.9	40.4
Slovak Republic	39.4	41.5	43.6	24.8	26.5	34.1	36.0	40.7
Slovenia	39.7	42.9	46.0	16.4	29.1	35.7	38.8	41.6
Spain	36.1	39.6	44.1	25.7	34.6	36.7	38.4	38.2
Sweden	39.5	42.4	50.3	32.2	37.5	38.3	39.9	41.2
Switzerland	20.4	23.4	28.1	6.6	11.7	17.8	20.4	23.2
Türkiye	33.4	38.2	42.0	33.4	38.2	36.3	38.2	36.3
United Kingdom	26.8	31.7	38.5	18.4	27.4	27.4	29.8	29.7
United States	27.8	30.5	34.7	13.7	19.8	24.7	27.3	28.5
OECD-Average	30.9	34.7	39.1	16.8	25.6	29.5	31.7	33.1
OECD-EU 22	37.0	41.4	45.8	20.6	29.9	34.7	37.4	39.6

1. Two-earner couple.

Table 5.2. 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	17.2	23.2	29.7	17.2	23.2	20.8	23.2	20.8
Austria	27.6	33.3	38.3	15.6	24.5	26.5	29.6	31.0
Belgium	32.4	40.2	48.0	26.8	28.7	35.5	38.8	37.0
Canada	22.6	25.7	31.5	17.0	22.5	24.4	25.7	24.4
Chile	7.0	7.0	8.2	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	12.7	10.5	10.5	10.5	10.5	10.5
Czechia	16.4	19.6	22.1	-0.3	3.2	11.6	14.0	18.3
Denmark	33.4	36.0	41.7	31.6	32.3	34.9	36.0	34.9
Estonia	12.4	18.5	21.3	9.7	14.6	15.0	17.6	16.1
Finland	23.4	31.1	38.7	23.4	31.1	28.0	31.1	28.0
France	23.5	27.6	33.5	20.8	21.0	23.3	25.6	25.6
Germany	33.8	38.5	42.7	16.2	21.0	30.5	33.1	36.4
Greece	19.0	24.2	30.7	18.2	24.9	22.8	24.9	23.4
Hungary	33.5	33.5	33.5	22.1	25.9	28.9	29.7	33.5
Iceland	23.5	27.8	33.3	23.5	21.6	26.1	27.8	26.1
Ireland	18.7	28.5	37.5	13.5	19.7	24.6	28.5	24.6
Israel	12.6	19.0	28.9	4.1	15.9	12.1	13.9	16.0
Italy	20.1	27.7	38.6	20.1	25.5	24.6	27.7	24.6
Japan	20.6	22.3	26.3	20.6	20.9	21.6	22.3	21.6
Korea	12.9	16.2	20.4	10.6	14.4	14.1	15.5	14.9
Latvia	22.2	26.4	29.2	11.3	19.1	20.3	22.7	24.7
Lithuania	33.0	37.3	39.5	33.0	37.3	35.5	37.3	35.5
Luxembourg	22.3	31.6	39.4	17.3	19.5	26.1	30.3	26.1
Mexico	9.0	12.2	16.5	9.0	12.2	10.9	12.2	10.9
Netherlands	19.7	28.1	36.4	13.3	27.8	22.2	26.0	24.8
New Zealand	15.4	20.1	25.3	15.4	20.1	18.2	20.1	18.2
Norway	24.0	27.9	34.6	21.5	27.9	26.3	27.9	26.3
Poland	20.4	23.0	25.1	13.5	15.3	20.2	21.5	21.9
Portugal	23.5	28.4	35.6	15.4	18.8	23.0	25.7	26.3
Slovak Republic	21.4	24.2	26.8	10.4	10.1	17.7	19.7	23.0
Slovenia	30.0	33.7	37.3	24.7	26.3	28.8	30.8	32.2
Spain	17.0	21.6	27.4	3.5	15.1	17.8	20.0	19.7
Sweden	20.5	24.2	34.6	20.5	24.2	22.7	24.2	22.7
Switzerland	15.3	18.5	23.5	9.4	11.9	16.0	18.3	18.3
Türkiye	21.7	27.3	31.9	21.7	27.3	25.1	27.3	25.1
United Kingdom	19.3	23.8	30.6	19.3	23.2	22.0	23.8	22.0
United States	21.7	24.8	29.5	6.4	13.3	18.5	21.4	22.6
OECD-Average	20.5	24.8	30.0	15.6	19.9	21.4	23.5	23.0
OECD-EU 22	23.8	29.0	34.4	17.3	22.1	24.6	27.0	26.8

1. Two-earner couple.

Table 5.3. 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	17.2	23.2	29.7	-3.8	16.2	20.8	23.2	20.8
Austria	25.8	32.1	37.8	-3.2	11.0	18.4	22.8	29.7
Belgium	32.4	40.2	48.0	10.9	20.7	30.8	34.8	37.0
Canada	22.6	25.7	31.5	-3.1	14.5	21.9	24.5	24.4
Chile	7.0	7.0	8.2	4.8	5.7	6.1	6.6	7.0
Colombia	0.0	0.0	0.0	-6.4	-4.3	-5.2	-4.3	0.0
Costa Rica	10.5	10.5	12.7	10.5	10.5	10.5	10.5	10.5
Czechia	16.4	19.6	22.1	-9.8	-3.2	11.6	14.0	18.3
Denmark	33.3	35.9	41.7	17.2	26.5	31.5	33.1	34.9
Estonia	12.4	18.5	21.3	-4.3	7.5	10.7	14.1	16.1
Finland	23.4	31.1	38.7	10.9	26.0	25.0	28.6	28.0
France	23.5	27.6	33.5	-3.0	17.0	20.9	23.7	25.6
Germany	33.0	38.0	42.4	15.4	20.5	29.8	32.6	35.8
Greece	19.0	24.2	30.7	11.4	22.1	22.8	24.9	23.4
Hungary	33.5	33.5	33.5	13.6	20.8	25.9	27.1	33.5
Iceland	23.5	27.8	33.3	11.3	14.8	25.0	27.8	26.1
Ireland	18.7	28.5	37.5	2.1	13.8	21.1	25.6	24.6
Israel	12.6	19.0	28.9	-1.4	13.4	10.6	12.7	16.0
Italy	20.1	27.7	38.6	0.7	12.4	15.8	21.1	24.6
Japan	20.6	22.3	26.3	4.5	16.3	18.9	20.0	21.6
Korea	12.9	16.2	20.4	3.7	9.8	11.3	13.2	14.9
Latvia	22.2	26.4	29.2	0.5	11.8	16.0	19.1	24.7
Lithuania	33.0	37.3	39.5	12.2	23.3	30.3	32.9	35.5
Luxembourg	22.3	31.6	39.4	0.8	8.4	19.4	24.7	26.1
Mexico	9.0	12.2	16.5	9.0	12.2	10.9	12.2	10.9
Netherlands	19.7	28.1	36.4	-4.2	21.8	19.8	24.0	24.8
New Zealand	14.7	20.1	25.3	-16.1	7.9	18.0	20.1	18.0
Norway	24.0	27.9	34.6	13.2	24.2	24.1	26.1	26.3
Poland	20.4	23.0	25.1	-11.3	-1.2	10.3	13.2	21.9
Portugal	23.5	28.4	35.6	8.6	15.8	23.0	25.7	26.3
Slovak Republic	21.4	24.2	26.8	2.4	4.7	14.5	17.0	23.0
Slovenia	30.0	33.7	37.3	2.9	17.7	25.4	29.0	32.2
Spain	17.0	21.6	27.4	3.5	15.1	17.8	20.0	19.7
Sweden	20.5	24.2	34.6	10.9	17.8	18.9	21.0	22.7
Switzerland	15.3	18.5	23.5	0.6	6.0	12.5	15.3	18.3
Türkiye	21.7	27.3	31.9	21.7	27.3	25.1	27.3	25.1
United Kingdom	19.3	23.8	30.6	10.1	19.0	19.5	21.6	22.0
United States	21.7	24.8	29.5	6.4	13.3	18.5	21.4	22.6
OECD-Average	20.4	24.8	30.0	4.0	14.1	18.6	21.2	23.0
OECD-EU 22	23.7	28.9	34.4	4.0	15.0	20.9	24.0	26.8

1. Two-earner couple.

Table 5.4. 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	17.2	23.2	29.7	17.2	23.2	20.8	23.2	20.8
Austria	9.7	15.3	22.2	-2.4	6.6	8.6	11.6	13.1
Belgium	18.7	26.3	34.2	13.2	14.9	21.8	25.0	23.2
Canada	14.6	19.4	27.7	9.0	16.2	17.5	19.4	17.5
Chile	0.0	0.0	1.2	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	2.2	0.0	0.0	0.0	0.0	0.0
Czechia	5.4	8.6	11.1	-11.3	-7.8	0.6	3.0	7.3
Denmark	33.4	36.0	41.7	31.6	32.3	34.9	36.0	34.9
Estonia	10.8	16.9	19.7	8.1	13.0	13.4	16.0	14.5
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	13.5	18.2	27.5	-3.8	1.1	10.5	13.1	16.1
Greece	5.0	10.2	16.7	4.2	10.9	8.8	10.9	9.4
Hungary	15.0	15.0	15.0	3.6	7.4	10.4	11.2	15.0
Iceland	23.4	27.7	33.2	23.4	21.5	25.9	27.7	25.9
Ireland	14.7	24.5	33.5	9.5	15.7	20.6	24.5	20.6
Israel	6.2	10.8	19.2	-2.2	7.7	4.6	5.7	8.5
Italy	11.5	19.0	29.1	11.5	16.8	16.0	19.0	16.0
Japan	6.2	7.9	12.7	6.2	6.5	7.2	7.9	7.2
Korea	3.6	6.9	12.3	1.3	5.2	4.8	6.3	5.6
Latvia	11.7	15.9	18.7	0.8	8.6	9.8	12.2	14.2
Lithuania	13.5	17.8	20.0	13.5	17.8	16.0	17.8	16.0
Luxembourg	10.1	19.3	27.0	5.1	7.2	13.8	18.0	13.8
Mexico	7.7	10.8	15.0	7.7	10.8	9.6	10.8	9.6
Netherlands	6.4	16.5	27.2	4.8	16.4	11.8	16.0	12.5
New Zealand	15.4	20.1	25.3	15.4	20.1	18.2	20.1	18.2
Norway	16.0	19.9	26.6	13.5	19.9	18.3	19.9	18.3
Poland	2.6	5.1	7.2	-4.4	-2.5	2.4	3.7	4.1
Portugal	12.5	17.4	24.6	4.4	7.8	12.0	14.7	15.3
Slovak Republic	8.0	10.8	13.4	-3.0	-3.3	4.3	6.3	9.6
Slovenia	7.9	11.6	15.2	2.6	4.2	6.7	8.7	10.1
Spain	10.7	15.2	21.1	-2.8	8.7	11.5	13.6	13.4
Sweden	13.5	17.2	29.8	13.5	17.2	15.7	17.2	15.7
Switzerland	8.9	12.1	17.2	3.0	5.5	9.6	11.9	11.9
Türkiye	6.7	12.3	16.9	6.7	12.3	10.1	12.3	10.1
United Kingdom	11.6	14.4	23.2	11.6	13.8	13.3	14.4	13.3
United States	14.1	17.1	21.9	-1.2	5.7	10.9	13.7	15.0
OECD-Average	10.8	15.2	20.8	6.1	10.3	11.8	13.9	13.4
OECD-EU 22	11.8	17.0	23.0	5.5	10.1	12.7	15.2	14.9

1. Two-earner couple.

Table 5.5. 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	16.1	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	6.3	3.7	8.0	6.3	7.0	6.3	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
Czechia	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	15.1	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	0.2	0.1	0.2
Ireland	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Israel	6.4	8.2	9.7	6.4	8.2	7.5	8.2	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	8.1	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	1.4	1.4	1.4
Netherlands	13.3	11.6	9.2	8.5	11.4	10.4	10.0	12.3
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	7.7	9.4	7.4	7.7	9.4	8.7	9.4	8.7
United States	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7
OECD-Average	9.6	9.7	9.2	9.5	9.6	9.6	9.6	9.6
OECD-EU 22	12.0	12.0	11.5	11.8	11.9	11.9	11.9	12.0

1. Two-earner couple.

Table 5.6. 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	79.2	37.4	37.4	37.4	31.9
Chile	7.0	7.0	10.3	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	29.2	29.2	36.5	29.2	29.2	29.2	29.2	29.2
Czechia	44.7	44.7	44.7	44.7	44.7	44.7	44.7	44.7
Denmark	39.1	42.1	55.9	37.3	42.1	42.1	42.1	42.1
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	54.5	59.0	47.0	53.2	52.2	54.2	56.4	56.8
Greece	46.6	46.6	56.4	46.6	50.8	50.8	50.8	50.8
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	53.6	53.6	56.8	35.6	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	64.2	56.1	62.7	66.6	66.6	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	51.6	58.5	56.5	60.9	44.3	58.5	58.5	58.5
Mexico	18.6	28.3	28.3	18.6	28.3	28.3	28.3	28.3
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	38.3	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	33.5
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
OECD-Average	41.2	43.5	46.0	44.6	43.1	43.1	43.7	43.0
OECD-EU 22	49.2	51.1	52.4	47.9	49.2	50.5	51.0	50.6

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.

Table 5.7. 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	29.6	43.4	76.9	35.4	35.3	35.3	29.6
Chile	7.0	7.0	10.3	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	19.7	10.5	10.5	10.5	10.5	10.5
Czechia	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0
Denmark	39.1	42.1	55.9	37.3	42.1	42.1	42.1	42.1
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	45.5	50.8	47.0	43.8	42.7	45.0	47.7	48.1
Greece	34.6	34.6	46.7	34.6	39.8	39.8	39.8	39.8
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	48.5	48.5	52.0	28.5	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	52.9	42.3	51.0	56.1	56.1	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	44.8	52.7	50.5	55.4	36.6	52.7	52.7	52.7
Mexico	12.5	22.9	22.9	12.5	22.9	22.9	22.9	22.9
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	28.2	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	29.3
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
OECD-Average	31.8	35.2	38.9	35.6	34.5	34.7	35.4	34.6
OECD-EU 22	37.4	40.8	43.4	36.1	38.4	40.0	40.7	40.1

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.

Table 5.8. 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	0.75	0.79	0.81	0.79
Austria	0.79	0.76	0.93	0.79	0.58	0.64	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	0.83	0.22	0.76	0.83	0.86	0.93
Chile	1.00	1.00	0.98	0.98	0.99	0.99	1.00	1.00
Colombia	1.00	1.00	1.00	0.94	0.96	0.95	0.96	1.00
Costa Rica	1.00	1.00	0.92	1.00	1.00	1.00	1.00	1.00
Czechia	0.89	0.92	0.95	0.67	0.72	0.84	0.86	0.91
Denmark	0.91	0.90	0.76	0.76	0.79	0.84	0.86	0.89
Estonia	0.90	0.83	1.00	0.75	0.73	0.76	0.79	0.81
Finland	0.69	0.77	0.81	0.60	0.72	0.71	0.74	0.74
France	0.88	0.80	0.87	0.47	0.97	0.86	0.76	0.97
Germany	0.81	0.79	0.92	0.66	0.72	0.78	0.78	0.81
Greece	0.81	0.86	0.77	0.74	0.77	0.78	0.80	0.79
Hungary	1.00	1.00	1.00	0.77	0.84	0.90	0.91	1.00
Iceland	0.83	0.88	0.83	0.61	0.63	0.77	0.88	0.86
Ireland	0.63	0.72	0.77	0.73	0.60	0.65	0.69	0.68
Israel	0.78	0.84	0.75	0.63	0.79	0.76	0.78	0.81
Italy	0.72	0.68	0.77	0.58	0.56	0.52	0.56	0.65
Japan	0.97	0.93	0.89	0.57	0.86	0.89	0.90	0.92
Korea	0.89	0.91	0.90	0.88	0.85	0.86	0.88	0.90
Latvia	0.84	0.88	0.97	0.65	0.74	0.77	0.80	0.86
Lithuania	0.80	0.91	1.00	0.61	0.74	0.82	0.85	0.88
Luxembourg	0.71	0.69	0.82	0.45	0.69	0.59	0.63	0.64
Mexico	0.96	0.88	0.92	0.96	0.88	0.87	0.88	0.87
Netherlands	0.68	0.76	0.77	0.47	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	0.87	0.78	0.82	0.76	0.75	0.75	0.77	0.77
Poland	0.90	0.93	0.96	0.74	0.71	0.80	0.83	0.92
Portugal	0.86	0.84	0.81	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	0.94	0.87	0.83	0.67	0.79	0.88	0.92	0.85
Spain	0.87	0.86	0.83	0.75	0.80	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	0.87
Türkiye	0.78	0.84	0.90	0.78	0.84	0.82	0.84	0.82
United Kingdom	0.83	0.88	0.83	0.34	0.83	0.84	0.86	0.86
United States	0.94	0.85	0.88	0.55	0.85	0.90	0.81	0.95
OECD-Average	0.85	0.86	0.87	0.67	0.76	0.80	0.82	0.85
OECD-EU 22	0.82	0.83	0.86	0.67	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.

Table 5.9. 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	0.75	0.79	0.81	0.79
Austria	0.79	0.76	1.10	0.79	0.58	0.64	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	0.22	0.80	0.88	0.90	0.99
Chile	1.00	1.00	0.98	0.98	0.99	0.99	1.00	1.00
Colombia	1.00	1.00	1.00	0.94	0.96	0.95	0.96	1.00
Costa Rica	1.00	1.00	0.92	1.00	1.00	1.00	1.00	1.00
Czechia	0.89	0.92	0.95	0.67	0.72	0.84	0.86	0.91
Denmark	0.92	0.91	0.76	0.76	0.79	0.85	0.87	0.90
Estonia	0.90	0.83	1.00	0.75	0.73	0.76	0.79	0.81
Finland	0.69	0.77	0.81	0.60	0.72	0.71	0.74	0.74
France	0.60	0.80	0.87	0.32	0.97	0.84	0.76	0.95
Germany	0.81	0.79	1.06	0.66	0.72	0.78	0.78	0.81
Greece	0.81	0.86	0.77	0.74	0.77	0.78	0.80	0.79
Hungary	1.00	1.00	1.00	0.77	0.84	0.90	0.91	1.00
Iceland	0.83	0.88	0.83	0.61	0.63	0.77	0.88	0.86
Ireland	0.63	0.72	0.77	0.73	0.60	0.65	0.69	0.68
Israel	0.76	0.83	0.74	0.61	0.77	0.75	0.77	0.79
Italy	0.72	0.68	0.77	0.58	0.56	0.52	0.56	0.65
Japan	0.97	0.93	0.96	0.57	0.86	0.89	0.90	0.92
Korea	0.89	0.91	0.93	0.88	0.85	0.86	0.88	0.90
Latvia	0.84	0.88	0.97	0.65	0.74	0.77	0.80	0.86
Lithuania	0.80	0.91	1.00	0.61	0.74	0.82	0.85	0.88
Luxembourg	0.71	0.69	0.82	0.45	0.69	0.59	0.63	0.64
Mexico	1.01	0.91	0.94	1.01	0.91	0.90	0.91	0.90
Netherlands	0.68	0.76	0.83	0.47	0.62	0.69	0.72	0.73
New Zealand	0.97	0.84	0.90	0.48	0.43	0.82	0.84	0.82
Norway	0.87	0.78	0.82	0.76	0.75	0.75	0.77	0.77
Poland	0.90	0.93	0.96	0.74	0.71	0.80	0.83	0.92
Portugal	0.86	0.84	0.81	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	0.94	0.87	0.83	0.67	0.79	0.88	0.92	0.85
Spain	0.87	0.86	0.83	0.75	0.80	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	0.87
Türkiye	0.78	0.84	0.90	0.78	0.84	0.82	0.84	0.82
United Kingdom	0.80	0.86	0.81	0.32	0.81	0.81	0.84	0.84
United States	0.95	0.85	0.88	0.55	0.85	0.91	0.81	0.96
OECD-Average	0.84	0.86	0.88	0.67	0.76	0.80	0.82	0.85
OECD-EU 22	0.81	0.83	0.88	0.66	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.

Table 5.10. 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	45 194	37 403	67 454	51 835	112 648	79 237	45 194	46 932
Austria	48 846	36 234	72 904	49 506	121 750	75 774	48 846	50 400
Belgium	50 927	34 447	76 011	45 422	126 938	65 969	50 927	45 353
Canada	45 463	35 189	67 856	50 435	113 319	77 659	45 463	46 871
Chile	17 907	16 653	26 726	24 856	44 633	40 952	17 907	17 054
Colombia	11 305	11 305	16 873	16 873	28 178	28 178	11 305	12 034
Costa Rica	17 394	15 567	25 961	23 235	43 354	37 845	17 394	15 567
Czechia	24 862	20 784	37 108	29 846	61 970	48 244	24 862	27 299
Denmark	49 104	32 764	73 290	46 971	122 394	71 408	49 104	40 648
Estonia	23 516	20 594	35 098	28 589	58 614	46 141	23 516	24 534
Finland	41 822	32 037	62 420	42 998	104 242	63 855	41 822	37 255
France	39 686	30 379	59 233	42 856	98 919	65 789	39 686	40 857
Germany	53 050	35 520	79 179	49 073	132 229	76 218	53 050	44 875
Greece	27 791	22 505	41 479	31 454	69 270	48 017	27 791	24 621
Hungary	25 618	17 036	38 236	25 427	63 855	42 463	25 618	22 124
Iceland	49 052	37 503	73 212	52 861	122 264	81 557	49 052	43 532
Ireland	49 448	40 202	73 803	52 745	123 251	77 046	49 448	48 409
Israel	30 895	27 001	46 112	37 349	77 007	54 756	30 895	31 324
Italy	34 486	27 538	51 471	37 234	85 957	52 806	34 486	34 253
Japan	35 471	28 159	52 942	41 127	88 413	65 140	35 471	33 864
Korea	41 923	36 522	62 571	52 450	104 494	83 176	41 923	40 363
Latvia	21 287	16 569	31 772	23 391	53 059	37 554	21 287	21 191
Lithuania	29 152	19 538	43 510	27 297	72 662	43 960	29 152	25 610
Luxembourg	54 427	42 291	81 234	55 538	135 661	82 194	54 427	54 009
Mexico	11 088	10 091	16 549	14 522	27 638	23 069	11 088	10 091
Netherlands	51 567	41 397	76 965	55 316	128 532	81 692	51 567	53 714
New Zealand	32 297	27 553	48 204	38 497	80 501	60 136	32 297	37 512
Norway	52 010	39 551	77 626	55 974	129 636	84 796	52 010	45 122
Poland	27 002	21 491	40 301	31 042	67 303	50 435	27 002	30 042
Portugal	26 594	20 337	39 692	28 427	66 286	42 714	26 594	24 297
Slovak Republic	19 020	14 957	28 389	21 528	47 409	34 703	19 020	18 559
Slovenia	28 319	19 818	42 267	28 024	70 586	44 286	28 319	27 485
Spain	31 703	26 302	47 318	37 121	79 022	57 351	31 703	30 586
Sweden	37 805	30 053	56 425	42 744	94 230	61 607	37 805	33 687
Switzerland	64 551	54 687	96 344	78 482	160 895	123 048	64 551	64 154
Türkiye	21 397	16 745	31 936	23 204	53 333	36 319	21 397	16 745
United Kingdom	44 113	35 587	65 840	50 201	109 952	76 255	44 113	39 656
United States	43 446	34 006	64 845	48 765	108 291	76 315	43 446	40 650
OECD-Average	35 777	28 061	53 399	39 295	89 176	60 491	35 777	34 244
OECD-EU 22	36 183	27 400	54 005	37 843	90 188	57 738	36 183	34 537

Table 5.11. 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	67 454	56 536	112 648	89 238	134 908	103 670	112 648	89 238
Austria	72 904	64 872	121 750	99 296	145 808	112 568	121 750	85 534
Belgium	76 011	60 257	126 938	87 894	152 022	99 152	126 938	79 972
Canada	67 856	58 019	113 319	88 482	135 712	102 455	113 319	85 624
Chile	26 726	25 212	44 633	41 909	53 453	49 949	44 633	41 509
Colombia	16 873	17 602	28 178	29 636	33 746	35 204	28 178	28 178
Costa Rica	25 961	23 235	43 354	38 802	51 921	46 470	43 354	38 802
Czechia	37 108	38 283	61 970	54 787	74 216	63 848	61 970	50 630
Denmark	73 290	53 874	122 394	83 900	146 580	98 106	122 394	79 735
Estonia	35 098	32 480	58 614	52 324	70 196	60 319	58 614	49 184
Finland	62 420	46 191	104 242	78 228	124 841	89 189	104 242	75 035
France	59 233	49 150	98 919	78 245	118 465	90 443	98 919	73 586
Germany	79 179	62 935	132 229	92 781	158 358	106 789	132 229	84 942
Greece	45 627	35 543	76 197	58 838	91 254	68 572	76 197	58 378
Hungary	38 236	30 296	63 855	47 332	76 473	55 723	63 855	42 463
Iceland	73 212	62 398	122 264	91 727	146 424	105 722	122 264	90 364
Ireland	73 803	63 612	123 251	97 263	147 606	109 806	123 251	92 947
Israel	46 112	39 934	77 007	68 863	92 224	80 529	77 007	64 711
Italy	51 471	45 085	85 957	72 354	102 943	81 182	85 957	64 772
Japan	52 942	44 323	88 413	71 746	105 884	84 714	88 413	69 287
Korea	62 571	56 425	104 494	92 650	125 142	108 578	104 494	88 972
Latvia	31 772	28 012	53 059	44 581	63 544	51 403	53 059	39 960
Lithuania	43 510	33 369	72 662	50 657	87 020	58 417	72 662	46 835
Luxembourg	81 234	74 416	135 661	109 313	162 468	122 294	135 661	100 294
Mexico	16 549	14 522	27 638	24 614	33 099	29 045	27 638	24 614
Netherlands	76 965	60 209	128 532	103 024	153 930	116 943	128 532	96 713
New Zealand	48 204	44 401	80 501	66 051	96 408	76 995	80 501	66 051
Norway	77 626	58 822	129 636	98 373	155 253	114 796	129 636	95 525
Poland	40 301	40 803	67 303	60 386	80 603	69 938	67 303	52 533
Portugal	39 692	33 436	66 286	51 024	79 384	59 013	66 286	48 867
Slovak Republic	28 389	27 053	47 409	40 533	56 777	47 105	47 409	36 484
Slovenia	42 267	34 800	70 586	52 663	84 534	60 048	70 586	47 842
Spain	47 318	40 184	79 022	64 932	94 637	75 751	79 022	63 423
Sweden	56 425	46 377	94 230	76 430	112 851	89 121	94 230	72 796
Switzerland	96 344	90 541	160 895	140 781	192 689	163 194	160 895	131 407
Türkiye	31 936	23 204	53 333	39 949	63 872	46 409	53 333	39 949
United Kingdom	65 840	53 345	109 952	88 563	131 680	103 176	109 952	85 788
United States	64 845	56 217	108 291	88 237	129 690	101 984	108 291	83 783
OECD-Average	53 508	45 420	89 358	71 484	107 016	82 595	89 358	67 545
OECD-EU 22	54 193	45 511	90 503	70 763	108 387	81 170	90 503	65 587

1. Two-earner couple.

Table 5.12. 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	47 605	37 403	71 053	51 835	118 658	79 237	47 605	46 932
Austria	62 502	36 234	93 287	49 506	153 090	75 774	62 502	50 400
Belgium	64 191	34 447	96 570	45 422	161 272	65 969	64 191	45 353
Canada	50 384	35 189	74 020	50 435	120 557	77 659	50 384	46 871
Chile	17 907	16 653	26 726	24 856	44 633	40 952	17 907	17 054
Colombia	11 305	11 305	16 873	16 873	28 178	28 178	11 305	12 034
Costa Rica	22 003	15 567	32 840	23 235	54 843	37 845	22 003	15 567
Czechia	33 266	20 784	49 650	29 846	82 916	48 244	33 266	27 299
Denmark	49 573	32 764	73 758	46 971	122 863	71 408	49 573	40 648
Estonia	31 464	20 594	46 961	28 589	78 426	46 141	31 464	24 534
Finland	50 654	32 037	75 604	42 998	126 258	63 855	50 654	37 255
France	51 186	30 379	80 850	42 856	142 740	65 789	51 186	40 857
Germany	63 647	35 520	94 995	49 073	151 978	76 218	63 647	44 875
Greece	34 015	22 505	50 768	31 454	84 783	48 017	34 015	24 621
Hungary	28 949	17 036	43 207	25 427	72 156	42 463	28 949	22 124
Iceland	52 167	37 503	77 861	52 861	130 027	81 557	52 167	43 532
Ireland	54 912	40 202	81 958	52 745	136 870	77 046	54 912	48 409
Israel	32 414	27 001	48 787	37 349	82 030	54 756	32 414	31 324
Italy	45 376	27 538	67 726	37 234	113 102	52 806	45 376	34 253
Japan	40 920	28 159	61 074	41 127	101 218	65 140	40 920	33 864
Korea	46 536	36 522	69 456	52 450	114 785	83 176	46 536	40 363
Latvia	26 317	16 569	39 275	23 391	65 584	37 554	26 317	21 191
Lithuania	29 674	19 538	44 289	27 297	73 962	43 960	29 674	25 610
Luxembourg	61 960	42 291	92 477	55 538	154 436	82 194	61 960	54 009
Mexico	12 501	10 091	18 374	14 522	30 297	23 069	12 501	10 091
Netherlands	57 811	41 397	86 194	55 316	138 476	81 692	57 811	53 714
New Zealand	32 297	27 553	48 204	38 497	80 501	60 136	32 297	37 512
Norway	58 771	39 551	87 718	55 974	146 489	84 796	58 771	45 122
Poland	31 423	21 491	46 899	31 042	78 322	50 435	31 423	30 042
Portugal	32 910	20 337	49 119	28 427	82 028	42 714	32 910	24 297
Slovak Republic	24 669	14 957	36 820	21 528	61 489	34 703	24 669	18 559
Slovenia	32 878	19 818	49 072	28 024	81 950	44 286	32 878	27 485
Spain	41 183	26 302	61 467	37 121	102 649	57 351	41 183	30 586
Sweden	49 683	30 053	74 154	42 744	123 838	61 607	49 683	33 687
Switzerland	68 682	54 687	102 511	78 482	171 072	123 048	68 682	64 154
Türkiye	25 142	16 745	37 525	23 204	62 666	36 319	25 142	16 745
United Kingdom	48 584	35 587	73 471	50 201	123 997	76 255	48 584	39 656
United States	47 091	34 006	70 127	48 765	116 896	76 315	47 091	40 650
OECD-Average	41 383	28 061	61 887	39 295	103 054	60 491	41 383	34 244
OECD-EU 22	43 556	27 400	65 232	37 843	108 599	57 738	43 556	34 537

Table 5.13. 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	71 053	56 536	118 658	89 238	142 106	103 670	118 658	89 238
Austria	93 287	64 872	155 789	99 296	186 574	112 568	155 789	85 534
Belgium	96 570	60 257	160 761	87 894	193 140	99 152	160 761	79 972
Canada	74 020	58 019	124 405	88 482	148 041	102 455	124 405	85 624
Chile	26 726	25 212	44 633	41 909	53 453	49 949	44 633	41 509
Colombia	16 873	17 602	28 178	29 636	33 746	35 204	28 178	28 178
Costa Rica	32 840	23 235	54 843	38 802	65 681	46 470	54 843	38 802
Czechia	49 650	38 283	82 916	54 787	99 301	63 848	82 916	50 630
Denmark	73 758	53 874	123 331	83 900	147 517	98 106	123 331	79 735
Estonia	46 961	32 480	78 426	52 324	93 923	60 319	78 426	49 184
Finland	75 604	46 191	126 258	78 228	151 207	89 189	126 258	75 035
France	80 850	49 150	132 037	78 245	161 701	90 443	132 037	73 586
Germany	94 995	62 935	158 642	92 781	189 990	106 789	158 642	84 942
Greece	55 845	35 543	93 261	58 838	111 690	68 572	93 261	58 378
Hungary	43 207	30 296	72 156	47 332	86 414	55 723	72 156	42 463
Iceland	77 861	62 398	130 027	91 727	155 722	105 722	130 027	90 364
Ireland	81 958	63 612	136 870	97 263	163 917	109 806	136 870	92 947
Israel	48 787	39 934	81 201	68 863	97 574	80 529	81 201	64 711
Italy	67 726	45 085	113 102	72 354	135 452	81 182	113 102	64 772
Japan	61 074	44 323	101 993	71 746	122 148	84 714	101 993	69 287
Korea	69 456	56 425	115 992	92 650	138 913	108 578	115 992	88 972
Latvia	39 275	28 012	65 592	44 581	78 550	51 403	65 592	39 960
Lithuania	44 289	33 369	73 962	50 657	88 578	58 417	73 962	46 835
Luxembourg	92 477	74 416	154 436	109 313	184 954	122 294	154 436	100 294
Mexico	18 374	14 522	30 875	24 614	36 747	29 045	30 875	24 614
Netherlands	86 194	60 209	144 005	103 024	172 389	116 943	144 005	96 713
New Zealand	48 204	44 401	80 501	66 051	96 408	76 995	80 501	66 051
Norway	87 718	58 822	146 489	98 373	175 436	114 796	146 489	95 525
Poland	46 899	40 803	78 322	60 386	93 799	69 938	78 322	52 533
Portugal	49 119	33 436	82 028	51 024	98 238	59 013	82 028	48 867
Slovak Republic	36 820	27 053	61 489	40 533	73 640	47 105	61 489	36 484
Slovenia	49 072	34 800	81 950	52 663	98 144	60 048	81 950	47 842
Spain	61 467	40 184	102 649	64 932	122 933	75 751	102 649	63 423
Sweden	74 154	46 377	123 837	76 430	148 308	89 121	123 837	72 796
Switzerland	102 511	90 541	171 193	140 781	205 021	163 194	171 193	131 407
Türkiye	37 525	23 204	62 666	39 949	75 050	46 409	62 666	39 949
United Kingdom	73 471	53 345	122 055	88 563	146 941	103 176	122 055	85 788
United States	70 127	56 217	117 218	88 237	140 253	101 984	117 218	83 783
OECD-Average	62 021	45 420	103 493	71 484	124 042	82 595	103 493	67 545
OECD-EU 22	65 463	45 511	109 174	70 763	130 925	81 170	109 174	65 587

1. Two-earner couple.

6 Evolution of effective tax rates on labour income (2000-23)

This chapter presents the evolution of effective tax rates on labour income between 2000 and 2023 for the eight household types. Tables 6.1 to 6.8 show 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 2023. 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 2023 for all 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 rate 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	2017	2018	2019	2020	2021	2022	2023
Australia	25.9	21.0	23.1	23.6	24.1	22.7	23.3	21.5	21.4	24.7
Austria	43.2	43.5	45.1	43.1	43.3	43.6	42.9	43.2	42.0	42.7
Belgium	51.4	50.4	49.4	47.3	46.1	45.5	45.4	45.7	46.3	46.1
Canada	29.4	29.0	29.6	28.7	28.8	28.2	28.7	29.7	30.2	30.3
Chile	7.0	7.0	7.0	7.0	7.0	7.0	7.0	-6.5	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	28.6	29.0	29.0	29.2	29.2	29.2	28.6
Czechia	41.3	39.0	40.0	40.8	41.4	41.7	41.9	37.7	37.5	38.0
Denmark	37.4	33.5	33.4	33.3	33.0	33.1	33.1	33.2	33.9	34.0
Estonia	39.8	38.7	38.0	38.0	32.7	33.2	33.4	33.9	34.5	33.1
Finland	42.7	36.8	37.9	36.9	36.5	35.9	35.4	36.7	36.8	37.1
France	43.9	46.8	43.6	42.3	42.3	41.9	39.5	40.8	40.6	40.4
Germany	47.6	44.9	45.3	45.4	45.3	45.2	44.7	44.3	44.2	43.7
Greece	35.9	35.8	34.6	36.0	36.2	36.2	33.9	32.9	33.8	34.5
Hungary	51.4	43.8	49.0	46.2	45.0	44.6	43.6	43.2	41.2	41.2
Iceland	23.8	28.4	30.2	29.5	29.6	29.4	29.0	27.9	28.1	27.5
Ireland	27.5	24.2	24.9	24.0	24.3	25.5	26.1	27.1	26.8	26.0
Israel	23.2	14.1	14.8	15.1	15.0	15.4	15.7	16.6	16.7	16.3
Italy	43.6	44.0	40.8	40.7	40.8	41.0	40.9	40.4	39.3	38.4
Japan	28.7	28.9	30.9	31.0	31.2	31.2	31.2	31.2	31.2	31.5
Korea	15.0	17.4	18.4	18.9	19.2	19.7	20.2	20.8	21.5	21.6
Latvia	41.7	43.2	41.7	41.3	39.7	39.6	38.7	37.9	37.0	37.5
Lithuania	43.0	38.8	39.3	37.8	37.2	34.8	33.5	34.3	34.2	34.1
Luxembourg	29.8	28.8	32.4	30.2	30.5	30.7	31.7	31.8	31.7	33.5
Mexico	7.6	12.9	15.0	16.1	16.1	16.8	19.4	19.1	19.3	19.1
Netherlands	42.3	33.6	32.0	30.4	30.8	29.7	28.7	27.3	28.4	27.2
New Zealand	18.6	14.3	13.5	13.7	13.8	14.0	14.1	14.2	14.7	16.3
Norway	35.1	34.1	33.7	32.8	32.7	32.6	32.7	32.9	32.7	32.4
Poland	37.0	33.3	35.0	35.0	35.2	35.0	34.2	34.3	31.6	32.4
Portugal	33.2	32.2	36.3	36.6	36.7	37.1	37.3	37.7	38.2	38.3
Slovak Republic	40.7	35.0	39.1	39.4	39.7	39.7	39.0	39.2	39.4	39.5
Slovenia	42.6	38.6	38.6	40.0	39.8	40.3	40.2	40.4	39.7	39.9
Spain	34.9	36.5	35.8	35.8	35.9	35.9	34.7	36.0	36.1	36.0
Sweden	48.6	40.7	40.6	40.9	41.0	40.4	40.5	39.8	39.5	39.7
Switzerland	20.2	19.3	19.1	19.3	19.4	19.5	19.9	20.1	20.4	20.4
Türkiye[1]	39.1	34.4	35.9	33.4	34.6	36.2	36.2	36.3	33.4	33.7
United Kingdom	29.1	29.4	26.0	26.3	26.2	26.1	25.3	26.2	26.8	26.8
United States	29.0	28.3	29.2	29.2	27.6	27.5	23.5	24.7	27.8	27.5
OECD-Average	33.1	31.3	31.8	31.4	31.3	31.2	30.9	30.6	30.9	31.0
OECD-EU 22	40.9	38.3	38.8	38.2	37.9	37.8	37.2	37.2	37.0	37.0

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

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	2017	2018	2019	2020	2021	2022	2023
Australia	31.0	26.8	28.3	28.6	28.9	27.9	28.4	27.0	27.0	29.2
Austria	47.3	48.2	49.6	47.4	47.6	47.9	47.5	47.8	46.9	47.2
Belgium	57.1	55.9	55.3	53.8	52.7	52.3	52.2	52.4	53.0	52.7
Canada	34.1	31.8	32.5	31.4	31.4	31.0	31.1	31.5	31.9	31.9
Chile	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.1
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	28.6	29.0	29.0	29.2	29.2	29.2	28.6
Czechia	42.6	42.1	42.8	43.4	43.7	44.0	44.1	40.0	39.9	40.2
Denmark	41.5	35.9	35.9	35.8	35.7	35.9	35.8	35.9	36.3	36.4
Estonia	41.3	40.1	39.0	39.0	36.2	37.0	37.3	38.2	39.1	39.4
Finland	47.5	42.3	43.5	43.0	42.6	42.2	41.8	43.1	43.1	43.5
France	50.4	49.9	48.5	47.4	47.4	47.2	46.5	46.9	47.0	46.8
Germany	52.9	49.0	49.4	49.5	49.5	49.3	48.8	48.1	48.3	47.9
Greece	38.7	40.0	38.8	40.2	40.4	40.4	38.9	37.4	38.0	38.5
Hungary	54.7	46.6	49.0	46.2	45.0	44.6	43.6	43.2	41.2	41.2
Iceland	28.8	33.4	34.3	32.8	32.9	32.7	32.5	31.9	32.1	31.7
Ireland	35.3	30.9	33.2	32.6	32.9	34.8	35.2	35.9	35.6	35.1
Israel	29.6	20.7	21.8	22.1	22.0	22.5	22.8	23.4	23.4	23.2
Italy	47.1	47.2	47.8	47.7	47.7	47.9	46.9	45.4	45.0	45.1
Japan	29.8	30.2	32.3	32.5	32.7	32.7	32.6	32.6	32.7	33.0
Korea	16.4	20.1	21.4	22.0	22.4	22.9	23.4	23.9	24.5	24.6
Latvia	43.2	44.0	42.5	42.7	42.6	42.5	42.3	40.5	40.4	41.1
Lithuania	45.7	40.6	41.2	41.1	40.7	37.7	37.1	37.6	38.4	38.9
Luxembourg	35.8	35.3	39.5	37.8	38.2	38.5	39.5	39.8	39.9	41.3
Mexico	12.7	16.0	19.8	20.4	19.7	20.2	20.4	20.2	21.0	20.0
Netherlands	40.0	38.1	37.0	37.4	37.8	36.9	36.1	35.0	35.8	35.1
New Zealand	19.4	17.0	17.6	18.3	18.6	19.0	19.3	19.4	20.1	21.1
Norway	38.6	37.3	36.7	35.9	35.8	35.7	35.8	35.9	36.2	36.4
Poland	38.2	34.2	35.7	35.7	35.8	35.6	34.9	34.9	33.8	34.3
Portugal	37.3	37.1	42.1	41.4	40.9	41.4	41.5	42.0	42.1	42.3
Slovak Republic	42.1	38.1	41.5	41.7	41.9	41.9	41.3	41.5	41.5	41.6
Slovenia	46.3	42.5	42.6	42.9	43.2	43.5	43.1	43.5	42.9	43.3
Spain	38.6	39.7	39.4	39.3	39.4	39.4	39.0	39.5	39.6	40.2
Sweden	50.1	42.8	42.6	42.9	43.0	42.6	42.7	42.5	42.4	42.1
Switzerland	22.9	22.1	21.8	22.1	22.2	22.4	22.7	23.1	23.4	23.5
Türkiye[1]	40.4	37.0	38.2	38.9	39.2	39.6	39.5	39.9	38.2	38.4
United Kingdom	32.6	32.6	30.8	31.0	31.0	30.9	30.4	30.9	31.7	31.3
United States	30.8	30.7	31.4	31.8	29.6	29.7	27.2	28.3	30.5	29.9
OECD-Average	36.2	34.5	35.2	35.1	34.9	34.9	34.7	34.6	34.7	34.8
OECD-EU 22	44.3	41.8	42.6	42.2	42.0	42.0	41.6	41.4	41.4	41.6

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

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	2017	2018	2019	2020	2021	2022	2023
Australia	38.8	32.4	34.0	34.0	34.3	34.4	34.7	32.9	33.2	34.0
Austria	50.4	51.4	52.1	50.8	51.0	51.0	50.9	51.1	50.5	49.9
Belgium	62.6	61.0	60.7	59.6	59.0	58.7	58.6	58.7	59.1	58.9
Canada	37.0	35.0	35.5	34.5	34.5	34.0	34.7	35.2	35.6	35.4
Chile	8.3	8.0	8.2	8.3	8.3	8.3	8.3	8.3	8.2	8.4
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	30.2	30.6	30.7	30.8	31.0	31.0	30.1
Czechia	44.8	44.7	45.1	45.5	45.7	45.8	45.9	41.9	41.8	42.0
Denmark	49.3	42.9	42.1	41.8	41.5	41.6	41.4	41.4	41.9	42.0
Estonia	42.5	41.2	39.9	39.9	41.2	41.2	41.2	41.2	41.2	41.2
Finland	53.2	48.2	49.4	49.1	48.8	48.4	48.3	49.4	49.4	49.9
France	52.5	53.6	54.3	54.4	54.0	54.1	53.2	54.0	53.9	53.3
Germany	56.2	51.5	51.3	51.5	51.3	51.0	51.3	50.7	49.8	49.2
Greece	44.7	45.5	45.1	45.7	45.9	46.0	44.8	42.5	43.4	44.0
Hungary	59.2	53.1	49.0	46.2	45.0	44.6	43.6	43.2	41.2	41.2
Iceland	39.6	37.8	38.6	37.7	37.5	37.4	37.4	37.1	37.3	36.8
Ireland	42.2	40.7	42.3	41.4	41.6	43.0	43.3	43.8	43.7	43.5
Israel	38.1	29.5	30.8	31.3	31.2	32.0	32.4	33.2	33.2	33.1
Italy	51.1	52.5	54.2	53.8	53.9	54.0	54.2	54.2	53.3	53.8
Japan	31.6	33.3	34.9	35.0	35.1	35.1	35.2	35.6	35.6	35.9
Korea	20.5	21.7	23.3	24.4	25.0	25.6	26.2	26.9	27.5	27.6
Latvia	44.4	44.7	43.2	43.5	42.6	42.8	42.9	42.6	42.7	42.9
Lithuania	47.9	42.0	42.1	42.1	42.1	40.0	40.0	40.2	40.6	40.6
Luxembourg	44.1	42.5	46.2	45.3	45.5	45.6	46.2	46.4	46.8	47.4
Mexico	19.5	21.4	22.8	23.4	22.8	23.2	23.4	23.3	23.9	23.1
Netherlands	44.9	41.8	42.2	42.0	42.3	42.1	41.2	40.6	41.0	41.0
New Zealand	24.2	23.3	23.4	23.9	24.1	24.4	24.6	24.8	25.3	25.8
Norway	45.2	43.0	42.4	41.6	41.5	41.5	41.5	41.7	42.1	43.4
Poland	39.1	35.0	36.3	36.2	36.3	36.1	36.4	36.5	35.6	36.0
Portugal	42.3	43.1	48.0	46.7	46.3	46.8	46.9	47.5	47.9	48.0
Slovak Republic	45.5	40.3	43.5	43.6	43.7	43.6	43.2	43.4	43.6	43.7
Slovenia	51.0	47.6	46.5	46.3	46.7	47.0	46.0	46.4	46.0	46.7
Spain	41.0	42.4	43.8	43.7	43.8	43.9	43.4	44.0	44.1	44.7
Sweden	55.7	51.0	50.7	51.6	51.6	50.7	50.3	50.3	50.3	49.3
Switzerland	27.4	26.6	26.4	26.7	26.9	27.0	27.3	27.7	28.1	28.0
Türkiye[1]	35.0	39.8	41.8	42.5	42.7	42.9	42.8	43.1	42.0	42.2
United Kingdom	35.8	37.2	37.3	37.4	37.4	37.1	36.7	37.3	38.5	38.3
United States	37.1	35.9	36.3	36.5	34.1	34.1	33.8	34.6	34.7	34.3
OECD-Average	40.3	38.7	39.3	39.2	39.1	39.1	39.0	39.0	39.1	39.1
OECD-EU 22	48.4	46.2	46.7	46.4	46.3	46.3	46.1	45.9	45.8	45.9

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

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	2017	2018	2019	2020	2021	2022	2023
Australia	4.0	-6.5	-1.4	0.6	1.9	1.1	1.2	-1.3	1.4	5.0
Austria	25.2	26.1	29.6	27.7	28.1	22.3	20.2	22.8	19.4	22.0
Belgium	36.4	36.8	35.6	33.4	32.3	31.4	27.9	28.0	29.3	29.1
Canada	10.4	11.1	2.4	1.3	1.3	-0.4	3.0	7.4	7.0	6.4
Chile	5.9	6.1	6.2	6.2	6.2	6.2	6.1	-24.3	4.8	2.2
Colombia	-6.9	-5.6	-6.6	-6.6	-6.4	-6.5	-7.2	-7.5	-6.4	-7.3
Costa Rica	27.8	28.0	28.2	28.6	29.0	29.0	29.2	29.2	29.2	28.6
Czechia	12.7	15.9	24.7	22.5	21.4	22.8	23.2	16.9	17.9	18.5
Denmark	11.5	8.0	6.3	4.8	18.0	18.3	18.4	18.7	18.0	18.3
Estonia	18.5	24.1	21.7	22.8	17.4	18.1	18.7	20.2	22.0	11.4
Finland	28.3	25.5	27.2	26.5	26.5	26.1	25.2	26.9	26.5	27.7
France	34.5	38.8	36.0	23.6	23.9	20.2	16.1	19.7	20.2	16.7
Germany	31.8	29.8	30.9	31.3	31.5	31.4	27.6	28.1	29.5	28.4
Greece	35.2	34.4	30.8	31.6	29.6	29.7	26.7	26.1	27.6	28.6
Hungary	34.0	27.4	27.2	23.0	21.8	22.0	22.7	23.5	23.6	25.7
Iceland	5.9	16.7	20.5	19.1	17.9	18.1	17.0	15.6	16.6	17.6
Ireland	16.6	-4.5	0.1	1.2	3.8	10.0	10.6	11.5	11.8	14.3
Israel	3.3	1.6	2.9	1.7	1.5	2.8	2.8	4.3	3.4	3.8
Italy	29.5	28.1	25.3	25.1	25.3	25.8	24.8	24.1	24.5	23.0
Japan	15.9	9.5	17.0	17.0	17.3	16.9	16.7	16.7	17.2	18.2
Korea	14.4	16.7	12.9	13.2	13.6	13.5	10.6	12.5	13.3	13.7
Latvia	24.0	29.5	25.0	26.2	24.9	24.3	23.6	24.3	19.5	21.9
Lithuania	38.4	30.0	31.7	30.6	26.1	18.7	9.1	13.2	13.7	13.6
Luxembourg	4.4	2.0	9.0	6.6	7.6	8.3	10.9	11.6	12.8	14.2
Mexico	7.6	12.9	15.0	16.1	16.1	16.8	19.4	19.1	19.3	19.1
Netherlands	26.4	12.2	10.2	6.8	7.2	6.0	5.6	4.7	7.1	3.0
New Zealand	-3.0	-17.7	-14.1	-12.9	-19.9	-18.8	-17.3	-16.4	-16.1	-12.1
Norway	16.4	20.9	22.2	21.9	22.2	22.0	22.4	23.0	23.2	21.9
Poland	29.8	28.4	23.9	-17.2	-10.7	-4.7	4.7	4.9	4.4	7.2
Portugal	26.6	20.6	25.3	22.0	22.5	23.6	23.9	25.0	26.2	23.1
Slovak Republic	26.1	22.6	27.9	29.0	29.7	30.0	29.2	28.3	24.8	11.7
Slovenia	13.4	12.4	10.1	12.6	13.4	14.8	15.2	16.7	16.4	21.4
Spain	28.6	29.2	24.2	24.3	24.5	24.8	23.3	25.0	25.7	26.1
Sweden	39.9	32.3	33.2	33.9	33.1	32.5	32.7	32.2	32.2	32.7
Switzerland	6.5	4.7	4.1	4.5	4.7	4.9	5.4	6.0	6.6	6.7
Türkiye[1]	39.1	33.0	34.6	31.9	33.1	34.8	34.9	34.9	33.4	33.7
United Kingdom	15.3	9.3	5.3	9.5	11.0	12.6	6.0	18.1	18.4	17.2
United States	10.7	8.9	11.7	13.0	9.7	10.1	2.3	-0.8	13.7	12.8
OECD-Average	19.6	17.3	17.8	16.1	16.2	16.3	15.6	15.5	16.8	16.5
OECD-EU 22	26.0	23.2	23.5	20.4	20.8	20.7	20.0	20.6	20.6	19.9

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

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	2017	2018	2019	2020	2021	2022	2023
Australia	23.4	14.6	17.8	20.7	21.5	20.8	20.8	19.0	20.4	22.7
Austria	35.2	36.4	39.2	37.0	37.3	33.7	32.2	34.1	30.5	32.8
Belgium	42.6	41.2	40.3	38.4	37.4	36.6	36.4	36.5	37.6	37.3
Canada	27.1	24.7	19.2	20.2	20.1	19.4	20.0	21.4	21.6	21.5
Chile	6.3	7.0	7.0	7.0	7.0	7.0	7.0	-18.5	5.7	5.7
Colombia	-4.6	-3.8	-4.4	-4.4	-4.3	-4.3	-4.8	-5.0	-4.3	-4.9
Costa Rica	27.8	28.0	28.2	28.6	29.0	29.0	29.2	29.2	29.2	28.6
Czechia	22.0	21.2	26.8	25.9	25.5	26.7	27.2	22.1	22.9	23.5
Denmark	28.2	24.9	25.3	25.2	22.6	23.0	23.1	23.5	27.0	27.2
Estonia	32.8	31.0	28.6	29.0	26.1	27.1	27.6	29.1	30.8	29.9
Finland	40.3	37.0	38.9	38.5	38.2	37.9	37.6	39.1	38.9	39.8
France	41.3	42.9	40.5	39.4	39.3	38.6	37.5	39.0	39.2	39.1
Germany	35.3	32.6	34.0	34.3	34.3	34.2	32.5	32.8	33.7	33.1
Greece	40.3	40.3	37.3	38.3	37.1	37.2	35.5	34.1	36.4	37.1
Hungary	43.9	36.7	35.3	31.4	30.2	30.1	30.2	30.6	29.9	31.3
Iceland	13.1	19.2	23.2	21.6	20.2	19.9	19.4	19.3	19.9	20.4
Ireland	20.4	14.7	17.7	16.9	17.6	20.6	21.1	22.4	22.4	21.8
Israel	25.5	17.5	19.2	19.5	19.4	20.0	20.3	21.1	18.1	17.9
Italy	39.3	37.8	38.6	38.4	38.6	39.0	37.3	35.8	33.4	33.2
Japan	26.4	22.1	27.0	27.3	27.5	27.5	27.3	27.3	27.4	27.9
Korea	15.7	17.8	16.3	17.2	17.9	18.1	16.2	17.9	18.8	19.1
Latvia	31.4	34.8	31.4	32.6	32.6	32.2	32.1	31.4	28.7	30.6
Lithuania	45.7	34.7	36.1	35.7	33.3	26.9	20.7	23.4	24.7	25.2
Luxembourg	11.7	12.9	17.5	16.6	17.1	17.4	18.6	19.0	19.5	21.4
Mexico	12.7	16.0	19.8	20.4	19.7	20.2	20.4	20.2	21.0	20.0
Netherlands	29.9	30.8	31.4	32.2	32.7	31.9	29.7	28.9	30.1	28.3
New Zealand	13.6	-0.9	5.2	7.0	2.7	4.3	5.7	6.4	7.9	10.9
Norway	28.4	30.7	31.9	31.3	32.3	32.0	32.2	32.5	32.9	32.9
Poland	33.3	28.4	30.6	10.8	15.1	17.4	15.1	15.3	13.0	15.8
Portugal	30.2	26.3	30.7	28.8	29.3	30.1	30.3	31.1	31.9	32.3
Slovak Republic	31.3	23.5	29.0	30.0	30.7	31.0	30.4	30.0	26.5	15.7
Slovenia	25.0	22.9	23.6	24.4	25.1	25.8	28.5	29.3	29.1	29.5
Spain	32.3	34.0	33.7	33.7	33.9	34.0	33.4	34.2	34.6	35.5
Sweden	44.3	37.2	37.7	38.2	37.7	37.3	37.4	37.4	37.5	37.4
Switzerland	11.7	10.3	9.2	9.6	9.8	10.0	10.5	11.1	11.7	11.8
Türkiye[1]	40.4	35.4	36.7	37.3	37.7	38.0	37.9	38.3	38.2	38.4
United Kingdom	27.8	26.5	25.8	26.3	26.3	26.4	25.7	26.5	27.4	27.0
United States	21.2	18.5	20.4	20.9	18.5	18.6	10.1	8.2	19.8	19.7
OECD-Average	27.7	25.4	26.5	26.0	25.7	25.7	25.1	24.6	25.6	25.7
OECD-EU 22	33.5	31.0	32.0	30.7	30.5	30.4	29.8	30.0	29.9	29.9

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

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	2017	2018	2019	2020	2021	2022	2023
Australia	26.7	23.8	26.2	26.6	27.0	25.8	26.3	24.8	24.8	27.4
Austria	39.0	40.1	42.2	40.0	40.3	38.3	37.1	38.4	36.3	37.5
Belgium	50.9	48.9	48.1	46.3	45.1	44.6	44.5	44.8	45.3	45.1
Canada	31.9	29.7	28.4	27.5	27.5	26.9	27.6	28.6	28.9	28.8
Chile	6.6	6.6	6.7	6.7	6.7	6.7	6.6	-8.6	6.1	5.1
Colombia	-5.5	-4.5	-5.3	-5.3	-5.2	-5.2	-5.8	-6.0	-5.2	-5.8
Costa Rica	27.8	28.0	28.2	28.6	29.0	29.0	29.2	29.2	29.2	28.6
Czechia	36.3	34.4	35.6	35.0	34.8	35.5	35.7	33.8	33.9	34.6
Denmark	35.8	31.0	31.1	31.0	31.0	31.2	31.2	31.3	32.0	32.1
Estonia	37.4	35.8	33.7	33.9	30.0	30.7	31.0	32.1	33.3	32.1
Finland	41.3	37.0	38.4	37.8	37.5	37.1	36.7	38.1	38.0	38.7
France	43.3	45.3	43.2	41.8	41.9	41.6	39.9	40.7	40.7	40.6
Germany	45.4	41.4	42.3	42.5	42.6	42.4	41.2	41.0	41.5	40.7
Greece	39.1	39.2	37.3	38.3	37.7	37.7	35.8	34.6	36.9	37.5
Hungary	47.0	39.6	40.8	37.3	36.2	35.9	35.6	35.6	34.4	35.2
Iceland	25.4	30.4	32.7	31.4	31.2	31.1	30.4	29.5	29.5	29.6
Ireland	29.3	22.1	24.8	24.4	24.9	27.6	28.2	29.1	28.9	28.8
Israel	21.6	14.4	15.5	15.8	15.7	16.1	16.3	17.1	15.2	14.9
Italy	44.2	42.5	41.5	41.4	41.5	41.7	40.6	39.5	36.0	35.4
Japan	28.2	25.4	29.3	29.5	29.7	29.7	29.6	29.6	29.7	30.0
Korea	15.5	17.9	17.4	18.1	18.7	19.0	18.1	19.3	20.1	20.4
Latvia	35.5	38.2	35.5	36.1	35.5	35.2	34.7	34.0	32.0	33.4
Lithuania	44.6	38.8	39.3	36.5	36.3	31.9	29.8	30.9	31.5	31.8
Luxembourg	21.4	22.5	27.5	25.8	26.4	26.8	28.3	28.7	29.2	31.3
Mexico	10.6	14.7	17.9	18.7	18.3	18.8	20.0	19.8	20.3	19.6
Netherlands	38.1	31.9	30.6	29.6	30.0	29.0	28.3	27.2	28.5	27.4
New Zealand	19.0	13.9	16.0	16.5	16.7	16.9	17.2	17.3	18.0	19.1
Norway	33.0	33.4	33.2	32.5	32.4	32.2	32.4	32.7	32.8	32.7
Poland	35.8	30.7	33.0	27.1	27.2	24.9	23.2	23.3	22.9	24.6
Portugal	33.0	32.5	35.7	36.2	35.8	36.5	36.7	37.4	37.8	38.1
Slovak Republic	37.2	31.9	36.0	36.6	37.0	37.1	36.5	36.2	34.1	27.6
Slovenia	37.1	34.0	34.6	35.1	35.3	35.7	35.8	36.3	35.7	37.2
Spain	35.4	36.7	36.3	36.2	36.3	36.4	35.6	36.5	36.7	37.1
Sweden	46.0	38.6	38.8	39.3	39.0	38.5	38.7	38.3	38.3	38.3
Switzerland	17.7	16.4	15.4	15.9	16.0	16.2	16.7	17.2	17.8	17.8
Türkiye[1]	39.9	35.4	36.7	36.2	36.8	37.7	37.6	37.9	36.3	36.5
United Kingdom	28.4	28.4	26.2	26.6	26.6	26.6	25.9	26.7	27.4	27.2
United States	26.9	25.3	26.3	26.5	24.0	24.0	18.9	17.8	24.7	24.6
OECD-Average	31.8	29.8	30.5	30.0	29.8	29.7	29.3	29.0	29.5	29.5
OECD-EU 22	38.8	36.0	36.7	35.8	35.6	35.3	34.8	34.9	34.7	34.8

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

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	2017	2018	2019	2020	2021	2022	2023
Australia	29.6	26.8	28.3	28.6	28.9	27.9	28.4	27.0	27.0	29.2
Austria	41.7	42.9	45.0	42.7	42.9	41.3	40.4	41.5	39.7	40.6
Belgium	53.7	51.8	51.1	49.5	48.4	48.0	48.0	48.1	48.7	48.4
Canada	34.1	31.4	30.9	29.9	29.8	29.3	29.6	30.5	30.8	30.7
Chile	6.6	7.0	7.0	7.0	7.0	7.0	7.0	-5.7	6.6	6.6
Colombia	-4.6	-1.9	-4.4	-4.4	-4.3	-4.3	-4.8	-5.0	-4.3	-4.9
Costa Rica	27.8	28.0	28.2	28.6	29.0	29.0	29.2	29.2	29.2	28.6
Czechia	39.4	37.2	37.7	38.8	37.1	39.6	37.8	35.6	35.7	36.2
Denmark	38.1	32.7	32.7	32.7	32.7	32.9	32.8	33.0	33.5	33.6
Estonia	38.6	36.9	34.9	35.1	32.2	33.0	33.4	34.5	35.8	35.4
Finland	43.9	39.7	41.2	40.7	40.4	40.0	39.7	41.1	41.0	41.7
France	46.5	47.1	45.6	44.4	44.4	44.2	43.4	44.0	44.1	43.9
Germany	48.3	44.1	44.7	44.9	44.9	44.7	43.9	43.5	43.8	43.3
Greece	40.8	41.0	39.6	40.6	40.8	40.8	39.4	37.8	38.6	39.2
Hungary	49.3	41.7	42.2	38.8	37.6	37.3	36.9	36.9	35.5	36.2
Iceland	28.8	33.3	34.3	32.8	32.9	32.7	32.2	31.9	32.1	31.7
Ireland	33.7	27.0	29.9	29.2	29.7	31.9	32.4	33.2	33.0	32.9
Israel	25.0	16.7	18.2	18.7	18.6	19.2	19.6	20.4	17.5	17.2
Italy	45.9	44.7	45.3	45.1	45.2	45.5	44.1	42.5	40.1	39.9
Japan	28.9	26.6	30.2	30.5	30.7	30.7	30.5	30.5	30.6	31.0
Korea	16.1	19.1	19.1	19.9	20.4	20.7	20.0	21.1	21.8	22.1
Latvia	37.3	39.4	36.9	37.7	37.6	37.3	37.2	36.0	34.6	35.8
Lithuania	45.7	39.7	40.3	38.4	38.2	33.8	32.2	33.1	34.1	34.6
Luxembourg	25.9	27.0	32.1	30.7	31.3	31.6	33.0	33.4	33.9	35.6
Mexico	12.7	16.0	19.8	20.4	19.7	20.2	20.4	20.2	21.0	20.0
Netherlands	37.6	34.3	33.3	33.2	33.6	32.7	32.0	31.1	32.2	31.4
New Zealand	19.4	17.0	17.6	18.3	18.6	19.0	19.3	19.4	20.1	21.1
Norway	35.1	35.1	34.8	34.1	34.0	33.8	34.0	34.2	34.6	34.6
Poland	36.6	31.6	33.7	28.7	28.9	26.9	25.4	25.4	25.4	26.9
Portugal	35.5	35.0	38.4	38.7	38.3	38.9	39.1	39.6	39.9	40.2
Slovak Republic	41.3	33.9	37.8	38.2	38.5	38.6	38.0	37.8	36.0	30.6
Slovenia	41.1	37.8	37.2	37.3	38.7	39.0	38.9	39.4	38.8	39.4
Spain	37.2	38.3	38.0	37.9	38.0	38.1	37.6	38.2	38.4	39.1
Sweden	47.2	40.0	40.1	40.6	40.4	39.9	40.0	39.9	39.9	39.7
Switzerland	20.1	18.9	17.9	18.4	18.5	18.8	19.2	19.8	20.4	20.4
Türkiye[1]	40.4	36.5	37.7	38.4	38.8	39.1	39.0	39.4	38.2	38.4
United Kingdom	30.2	30.3	28.6	28.9	28.9	28.9	28.3	29.0	29.8	29.4
United States	28.8	26.8	27.6	28.0	25.9	26.1	22.1	21.4	27.3	26.9
OECD-Average	33.8	31.9	32.5	32.2	32.0	32.0	31.6	31.3	31.7	31.8
OECD-EU 22	41.1	38.4	39.0	38.4	38.2	38.0	37.5	37.5	37.4	37.5

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

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	2017	2018	2019	2020	2021	2022	2023
Australia	29.0	24.5	26.2	26.6	27.0	25.8	26.3	24.8	24.8	27.4
Austria	45.7	46.3	47.8	45.7	45.9	46.2	45.6	46.0	45.1	45.4
Belgium	56.2	53.8	53.0	51.2	50.1	49.6	49.5	49.7	50.3	50.0
Canada	32.5	30.7	31.3	30.3	30.3	29.9	30.3	30.8	31.2	31.2
Chile	7.0	7.0	7.0	7.0	7.0	7.0	7.0	-1.8	7.0	7.1
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	28.6	29.0	29.0	29.2	29.2	29.2	28.6
Czechia	42.1	40.9	41.7	42.3	42.8	43.1	43.2	39.1	38.9	39.3
Denmark	39.8	35.0	34.9	34.8	34.6	34.8	34.7	34.8	35.3	35.4
Estonia	40.7	39.5	38.6	38.6	34.8	35.5	35.7	36.5	37.3	36.8
Finland	45.6	40.1	41.3	40.6	40.2	39.7	39.3	40.5	40.6	40.9
France	47.7	48.7	46.7	45.9	45.8	45.4	43.7	44.2	44.3	44.1
Germany	50.5	47.2	47.6	47.7	47.6	47.4	47.0	46.4	46.5	46.0
Greece	38.7	39.2	38.0	39.4	39.6	39.6	38.0	36.6	37.4	38.0
Hungary	53.4	45.5	49.0	46.2	45.0	44.6	43.6	43.2	41.2	41.2
Iceland	26.8	31.4	32.7	31.5	31.6	31.4	31.1	30.3	30.5	30.0
Ireland	31.3	26.7	28.8	28.4	28.8	31.0	31.5	32.4	32.1	32.0
Israel	26.4	17.5	18.5	18.8	18.7	19.2	19.5	20.2	20.3	20.0
Italy	45.7	45.9	45.0	44.9	44.9	45.1	44.5	43.4	42.7	42.4
Japan	29.3	29.7	31.7	31.9	32.1	32.1	32.0	32.0	32.1	32.4
Korea	15.7	19.0	20.2	20.7	21.1	21.7	22.1	22.7	23.3	23.4
Latvia	42.6	43.7	42.2	42.2	41.4	41.3	40.8	39.5	39.1	39.6
Lithuania	44.6	39.9	40.4	39.7	39.3	36.5	35.7	36.3	36.7	37.0
Luxembourg	30.7	30.6	34.5	32.7	33.1	33.3	34.5	34.8	35.1	36.8
Mexico	10.6	14.7	17.9	18.7	18.3	18.8	20.0	19.8	20.3	19.6
Netherlands	41.0	36.3	35.0	34.6	35.0	34.0	33.2	31.9	32.8	32.0
New Zealand	19.0	15.9	16.0	16.5	16.7	16.9	17.2	17.3	18.0	19.1
Norway	37.2	36.0	35.5	34.6	34.5	34.4	34.5	34.7	34.8	34.8
Poland	37.7	33.8	35.4	35.4	35.5	35.3	34.6	34.7	32.9	33.5
Portugal	35.6	35.1	39.8	39.5	38.9	39.4	39.6	40.2	40.4	40.5
Slovak Republic	41.6	36.8	40.5	40.8	41.0	41.0	40.4	40.5	40.7	40.8
Slovenia	44.8	41.0	41.0	41.8	41.9	42.2	42.0	42.3	41.6	41.9
Spain	37.1	38.5	38.0	37.9	38.0	38.0	37.3	38.1	38.2	38.5
Sweden	49.5	41.9	41.8	42.1	42.2	41.7	41.8	41.4	41.2	41.1
Switzerland	22.9	21.8	21.6	21.9	22.0	22.1	22.5	22.9	23.2	23.3
Türkiye[1]	39.9	35.9	37.3	36.7	37.4	38.2	38.2	38.5	36.3	36.5
United Kingdom	31.2	31.3	28.9	29.1	29.1	29.0	28.4	29.0	29.7	29.5
United States	30.5	29.5	30.2	30.2	28.3	28.3	25.1	26.0	28.5	28.2
OECD-Average	35.0	33.1	33.8	33.6	33.4	33.4	33.1	32.9	33.1	33.3
OECD-EU 22	42.8	40.3	41.0	40.6	40.3	40.2	39.8	39.7	39.6	39.7

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

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	2017	2018	2019	2020	2021	2022	2023
Australia	21.1	16.0	18.5	19.1	19.6	18.1	18.7	17.3	17.2	20.2
Austria	7.6	9.0	11.1	8.9	9.3	9.7	8.8	9.3	9.7	9.3
Belgium	22.8	22.5	21.5	19.4	18.3	17.5	17.4	17.7	18.7	18.4
Canada	16.2	13.5	13.7	13.6	13.7	13.5	14.2	14.5	14.6	14.2
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
Czechia	8.3	7.2	8.5	9.7	10.4	11.0	11.3	5.7	5.4	6.1
Denmark	28.4	34.0	33.8	33.6	33.2	33.3	33.3	33.4	33.4	33.4
Estonia	19.9	14.8	15.5	15.4	8.3	9.0	9.3	10.0	10.8	8.9
Finland	20.9	15.7	15.8	13.5	13.1	13.0	13.3	13.3	13.2	13.2
France	12.5	12.2	11.8	10.9	12.7	12.8	11.9	12.2	12.1	12.1
Germany	16.3	13.8	14.2	14.0	14.1	14.2	13.6	12.9	13.5	12.2
Greece	2.1	1.7	3.0	4.0	4.2	4.5	2.1	3.6	5.0	6.0
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	24.6	24.7	24.6	24.3	23.4	23.4	22.7
Ireland	15.8	13.0	12.8	11.8	12.1	13.3	13.9	15.1	14.7	13.8
Israel	12.1	4.4	5.0	5.1	5.1	5.5	5.7	6.3	6.2	6.3
Italy	15.2	16.6	12.3	12.4	12.6	12.8	12.7	12.1	11.5	14.3
Japan	5.1	6.1	6.2	6.2	6.2	6.2	6.1	6.1	6.2	6.2
Korea	0.8	1.4	1.5	2.1	2.3	2.5	2.6	3.1	3.6	3.5
Latvia	17.0	20.5	17.4	16.9	14.2	14.0	12.9	12.8	11.7	12.2
Lithuania	22.2	10.7	11.4	9.4	8.5	14.1	12.8	13.6	13.5	13.4
Luxembourg	10.3	7.3	10.0	8.1	8.5	8.9	10.0	10.1	10.1	12.1
Mexico	-5.7	-0.4	2.1	3.4	3.3	4.3	7.3	7.4	7.7	7.2
Netherlands	5.3	5.3	7.2	6.7	6.8	5.6	5.4	5.5	6.4	6.3
New Zealand	18.6	14.3	13.5	13.7	13.8	14.0	14.1	14.2	15.4	16.3
Norway	19.0	17.8	16.9	15.9	15.7	15.6	15.9	16.0	16.0	15.7
Poland	5.3	5.6	6.3	6.5	6.7	6.4	5.7	5.7	2.6	3.5
Portugal	6.4	5.1	10.2	10.6	10.6	11.2	11.4	11.9	12.5	12.7
Slovak Republic	6.2	4.6	6.6	7.3	7.7	8.0	7.1	7.6	8.0	8.2
Slovenia	10.2	6.6	6.6	8.3	8.1	8.6	8.5	8.7	7.9	8.1
Spain	8.6	11.2	10.3	10.3	10.4	10.4	8.8	10.5	10.7	10.1
Sweden	24.7	15.0	15.0	15.4	15.4	14.8	14.8	13.8	13.5	13.8
Switzerland	8.4	8.3	7.8	8.1	8.2	8.3	8.4	8.6	8.9	8.9
Türkiye[1]	13.2	8.6	9.7	9.7	9.9	10.0	10.1	10.2	6.7	7.1
United Kingdom	15.1	14.4	11.2	11.1	11.1	10.9	10.7	11.2	11.6	12.2
United States	15.0	13.8	15.2	15.5	13.7	13.7	13.9	14.0	14.1	13.8
OECD-Average	12.2	10.6	11.1	10.9	10.7	10.9	10.8	10.9	10.8	11.0
OECD-EU 22	13.8	12.0	12.6	12.2	11.8	12.2	11.8	11.8	11.8	12.0

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

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	2017	2018	2019	2020	2021	2022	2023
Australia	26.6	22.3	24.1	24.4	24.6	23.6	24.1	23.2	23.2	24.9
Austria	12.9	15.0	17.0	14.5	14.8	15.2	14.7	15.2	15.3	15.0
Belgium	29.0	28.7	28.0	26.6	25.9	25.4	25.3	25.5	26.3	26.0
Canada	21.7	19.0	19.2	18.7	18.7	18.5	19.2	19.3	19.4	19.2
Chile	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
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
Czechia	10.0	11.5	12.4	13.1	13.6	14.0	14.2	8.8	8.6	9.0
Denmark	32.5	36.3	36.1	36.0	35.9	36.0	35.9	36.0	36.0	36.0
Estonia	21.9	16.7	16.8	16.8	13.0	14.1	14.5	15.6	16.9	17.3
Finland	26.9	22.3	22.6	20.9	20.6	20.5	20.8	20.8	20.8	21.1
France	15.7	14.2	14.8	14.6	16.5	16.7	15.8	16.3	16.2	16.2
Germany	22.7	18.7	19.2	19.0	19.1	19.1	18.5	17.6	18.2	17.0
Greece	5.7	7.1	8.2	9.2	9.5	9.7	8.4	9.2	10.2	10.9
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	28.2	28.2	28.2	28.1	27.7	27.7	27.3
Ireland	24.1	20.1	22.0	21.3	21.6	23.6	24.0	24.8	24.5	24.0
Israel	18.0	9.0	9.6	9.7	9.7	10.1	10.4	10.8	10.8	10.8
Italy	19.9	20.7	21.6	21.6	21.7	22.0	20.6	18.7	19.0	22.1
Japan	6.4	7.6	7.8	7.9	7.9	7.9	7.8	7.8	7.9	7.9
Korea	2.2	4.5	4.9	5.5	5.9	6.1	6.1	6.5	6.9	6.8
Latvia	18.9	21.5	18.4	18.7	17.7	17.6	17.3	16.0	15.9	16.6
Lithuania	25.8	13.1	13.9	13.7	13.1	17.0	16.5	16.9	17.8	18.3
Luxembourg	17.0	14.6	18.0	16.7	17.3	17.7	18.8	19.1	19.3	20.9
Mexico	1.0	4.8	9.1	9.8	9.0	9.6	9.9	9.9	10.8	9.6
Netherlands	9.6	16.2	17.1	17.2	17.5	16.3	16.0	15.9	16.5	16.4
New Zealand	19.4	17.0	17.6	18.3	18.6	19.0	19.3	19.4	20.1	21.1
Norway	22.9	21.5	20.3	19.3	19.2	19.1	19.3	19.4	19.9	20.2
Poland	6.6	6.7	7.1	7.3	7.4	7.2	6.4	6.4	5.1	5.7
Portugal	11.4	11.2	17.4	16.5	15.9	16.4	16.6	17.2	17.4	17.6
Slovak Republic	8.2	8.5	9.9	10.3	10.6	10.8	10.2	10.5	10.8	10.9
Slovenia	13.5	11.2	11.2	11.6	12.0	12.3	11.9	12.4	11.6	12.1
Spain	13.5	15.4	14.9	14.7	14.9	14.9	14.4	15.1	15.2	15.6
Sweden	26.7	17.8	17.6	18.0	18.1	17.6	17.6	17.4	17.2	16.9
Switzerland	11.3	11.3	10.7	11.0	11.2	11.3	11.4	11.8	12.1	12.2
Türkiye[1]	14.7	11.6	12.4	13.2	13.6	14.0	13.9	14.4	12.3	12.6
United Kingdom	17.4	16.2	14.1	14.0	14.0	13.9	13.7	14.1	14.4	14.8
United States	17.3	17.0	18.0	18.4	16.1	16.2	16.6	17.0	17.1	16.6
OECD-Average	15.8	14.5	15.2	15.0	15.0	15.2	15.1	15.0	15.2	15.4
OECD-EU 22	18.0	16.4	17.3	17.0	16.9	17.2	17.0	16.8	17.0	17.3

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

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	2017	2018	2019	2020	2021	2022	2023
Australia	34.9	28.2	30.1	30.1	30.4	30.5	30.8	29.4	29.7	30.0
Austria	20.4	22.2	23.4	21.4	21.6	21.9	21.5	21.8	22.2	22.2
Belgium	36.0	35.5	35.1	34.3	33.9	33.5	33.5	33.6	34.2	34.0
Canada	28.9	26.5	26.8	26.1	26.1	25.8	27.1	27.5	27.7	27.3
Chile	1.3	1.0	1.2	1.3	1.3	1.3	1.3	1.3	1.2	1.4
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	1.9	1.9	2.1	1.9	2.3	2.2	1.8
Czechia	13.0	14.9	15.5	15.9	16.2	16.4	16.6	11.3	11.1	11.4
Denmark	40.3	42.9	42.1	41.8	41.5	41.6	41.4	41.4	41.7	41.8
Estonia	23.6	18.2	18.0	18.0	19.7	19.7	19.7	19.7	19.7	19.7
Finland	34.0	29.5	29.7	28.5	28.1	28.1	28.4	28.4	28.4	28.8
France	21.2	20.3	21.0	20.8	22.7	22.8	22.2	22.6	22.5	22.5
Germany	31.7	27.1	27.8	27.5	27.6	27.6	26.7	26.1	27.5	26.5
Greece	13.3	14.2	16.1	16.1	16.4	16.7	15.8	15.4	16.7	17.7
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	33.5	33.2	33.2	33.4	33.2	33.2	32.7
Ireland	32.9	30.9	32.1	31.1	31.3	32.7	33.0	33.6	33.5	33.2
Israel	26.3	16.4	17.0	17.3	17.3	18.0	18.5	19.2	19.2	19.2
Italy	25.3	27.7	29.9	29.6	29.7	29.9	30.2	30.1	29.1	29.6
Japan	10.6	12.0	12.6	12.8	12.9	13.0	12.6	12.5	12.7	13.0
Korea	6.7	8.6	8.9	10.1	10.8	11.1	11.1	11.7	12.3	12.1
Latvia	20.4	22.4	19.3	19.7	17.8	18.0	18.2	18.5	18.7	19.0
Lithuania	28.7	15.0	15.0	15.0	15.0	19.4	19.4	19.6	20.0	20.0
Luxembourg	26.2	22.6	25.7	25.2	25.5	25.7	26.4	26.6	27.0	27.7
Mexico	8.0	11.9	13.6	14.2	13.5	14.0	14.3	14.3	15.0	14.1
Netherlands	25.4	28.4	28.9	28.0	28.3	27.2	26.6	26.7	27.2	27.1
New Zealand	24.2	23.3	23.4	23.9	24.1	24.4	24.6	24.8	25.3	25.8
Norway	30.4	27.9	26.7	25.8	25.7	25.7	25.7	26.0	26.6	27.0
Poland	7.7	7.5	7.8	7.9	8.0	7.8	8.2	8.2	7.2	7.7
Portugal	17.6	18.5	24.7	23.1	22.5	23.2	23.3	24.0	24.6	24.6
Slovak Republic	12.8	11.7	12.5	12.8	13.0	13.0	12.7	13.1	13.4	13.6
Slovenia	19.1	17.0	15.8	15.6	16.0	16.3	15.2	15.6	15.2	16.0
Spain	18.5	20.6	21.1	20.5	20.7	20.8	20.1	20.9	21.1	21.5
Sweden	36.3	30.9	30.4	31.7	31.6	30.4	29.9	29.8	29.8	28.5
Switzerland	16.2	16.3	15.6	16.0	16.1	16.3	16.4	16.7	17.2	17.2
Türkiye[1]	18.0	14.9	16.6	17.4	17.7	17.9	17.8	18.1	16.9	17.1
United Kingdom	23.1	22.4	22.4	22.4	22.4	21.7	21.3	22.3	23.2	24.4
United States	24.3	22.9	23.5	23.7	21.2	21.2	21.5	21.8	21.9	21.4
OECD-Average	21.7	20.2	20.6	20.4	20.4	20.6	20.6	20.6	20.8	20.9
OECD-EU 22	24.3	22.8	23.1	22.7	22.8	23.1	22.9	22.8	23.0	23.1

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

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	2017	2018	2019	2020	2021	2022	2023
Australia	15.5	14.3	18.5	19.1	19.6	18.1	18.7	17.3	17.2	20.2
Austria	5.8	5.8	8.3	5.7	6.2	-1.6	-2.3	-1.5	-2.4	-2.3
Belgium	16.7	17.2	16.0	14.0	12.9	11.6	11.5	11.9	13.2	12.7
Canada	8.9	4.9	6.9	6.8	6.8	6.4	8.0	8.7	9.0	8.4
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
Czechia	2.3	-4.8	-5.0	-8.7	-7.8	-6.4	-6.0	-11.9	-11.3	-9.8
Denmark	28.4	34.0	32.2	32.1	31.5	31.6	31.5	31.6	31.6	31.6
Estonia	19.9	9.3	11.2	11.7	4.8	5.7	6.1	7.0	8.1	6.3
Finland	20.9	15.7	15.2	12.9	13.1	13.0	13.3	13.3	13.2	13.2
France	7.1	7.5	7.9	7.9	9.5	9.5	9.5	9.5	9.5	9.5
Germany	-2.6	-4.0	-2.7	-2.6	-2.2	-2.0	-6.7	-6.2	-3.8	-5.5
Greece	1.2	0.0	3.0	3.2	3.5	3.8	1.2	2.7	4.2	5.2
Hungary	10.3	10.8	4.7	0.6	0.0	0.0	0.8	1.8	3.6	5.0
Iceland	20.0	22.0	24.8	24.6	24.7	24.6	24.3	23.4	23.4	22.7
Ireland	9.0	6.5	7.2	6.4	6.9	8.6	8.9	9.5	9.5	9.7
Israel	1.1	0.0	0.0	-2.8	-2.8	-1.9	-2.1	-1.1	-2.2	-1.2
Italy	10.0	9.3	4.6	4.7	5.0	5.3	5.5	4.8	11.5	14.3
Japan	2.4	2.7	6.2	6.2	6.2	6.2	6.1	6.1	6.2	6.2
Korea	0.1	0.7	0.0	0.0	0.2	0.8	0.9	1.1	1.3	1.3
Latvia	5.4	9.0	3.2	3.8	2.1	1.2	0.0	1.1	0.8	2.6
Lithuania	16.2	7.3	7.6	0.0	8.5	14.1	12.8	13.6	13.5	13.4
Luxembourg	0.0	-0.3	3.3	0.7	1.5	2.1	4.0	4.4	5.1	5.6
Mexico	-5.7	-0.4	2.1	3.4	3.3	4.3	7.3	7.4	7.7	7.2
Netherlands	3.0	3.5	5.7	4.6	4.7	3.6	3.4	3.6	4.8	4.6
New Zealand	18.6	15.9	14.9	15.0	15.1	15.2	15.2	15.3	15.4	16.3
Norway	13.3	14.1	13.3	12.6	12.7	12.8	13.2	13.4	13.5	15.3
Poland	2.5	0.0	-2.7	-1.6	-0.9	5.0	-0.5	-0.4	-4.4	-3.9
Portugal	3.4	0.6	3.8	0.6	1.1	2.1	2.4	3.4	4.4	5.1
Slovak Republic	3.6	-2.9	-0.3	0.7	1.5	1.9	1.1	-0.2	-3.0	-15.2
Slovenia	3.4	0.0	0.0	1.8	1.9	2.6	2.7	3.3	2.6	2.9
Spain	0.4	1.7	-4.8	-4.7	-4.4	-4.1	-6.0	-3.8	-2.8	-2.8
Sweden	24.7	15.0	15.0	15.4	15.4	14.8	14.8	13.8	13.5	13.8
Switzerland	4.0	3.4	2.2	2.3	2.4	2.5	2.6	2.8	3.0	3.1
Türkiye[1]	13.2	7.0	8.2	7.9	8.3	8.4	8.5	8.5	6.7	7.1
United Kingdom	8.6	0.0	-3.9	-0.3	1.1	2.6	-3.6	11.2	11.6	12.2
United States	-5.0	-7.4	-3.8	-2.1	-5.7	-5.2	-3.6	-6.8	-1.2	-2.1
OECD-Average	7.5	5.7	5.9	5.3	5.4	5.7	5.4	5.7	6.1	6.1
OECD-EU 22	8.7	6.4	6.1	5.0	5.2	5.6	4.9	5.1	5.5	5.3

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

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	2017	2018	2019	2020	2021	2022	2023
Australia	25.6	21.1	24.1	24.4	24.6	23.6	24.1	23.2	23.2	24.9
Austria	11.7	12.8	15.0	12.2	12.6	7.7	7.3	7.9	6.6	6.7
Belgium	18.9	17.7	16.7	15.0	14.6	13.4	13.3	13.7	14.9	14.4
Canada	18.4	14.6	13.7	15.4	15.5	15.2	15.9	16.1	16.2	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
Czechia	4.0	-5.2	-4.5	-6.2	-5.1	-3.7	-3.3	-8.4	-7.8	-6.4
Denmark	25.9	32.1	32.2	32.0	29.2	29.4	29.4	29.6	32.3	32.3
Estonia	17.9	9.2	11.2	11.5	7.9	9.4	9.9	11.3	13.0	13.5
Finland	26.9	22.3	22.5	20.9	20.6	20.5	20.8	20.8	20.8	21.1
France	7.3	8.3	7.9	7.9	9.5	9.5	9.5	9.5	9.5	9.5
Germany	1.5	-0.6	1.0	1.0	1.2	1.3	-0.8	-0.6	1.1	-0.2
Greece	7.7	7.6	9.2	9.7	10.0	10.2	9.1	9.7	10.9	11.8
Hungary	18.4	14.4	8.4	5.4	4.8	4.6	5.5	6.2	7.4	8.3
Iceland	16.1	17.3	21.3	20.7	20.8	20.7	21.2	21.5	21.5	20.8
Ireland	11.1	10.8	12.3	11.3	11.8	14.2	14.7	15.8	15.7	15.2
Israel	18.0	9.0	9.6	9.7	9.7	10.1	10.4	10.8	7.7	7.7
Italy	15.6	13.9	14.7	14.8	14.9	15.3	14.1	12.2	16.8	20.0
Japan	2.5	3.9	6.4	6.5	6.5	6.5	6.4	6.4	6.5	6.5
Korea	1.5	1.9	2.2	3.0	3.5	4.1	4.2	4.7	5.2	5.2
Latvia	11.1	13.9	8.9	9.9	9.7	9.0	8.5	8.1	8.6	10.2
Lithuania	25.8	10.8	11.4	6.6	13.1	17.0	16.5	16.9	17.8	18.3
Luxembourg	2.3	4.5	6.4	5.6	5.9	6.2	7.0	7.2	7.2	8.6
Mexico	1.0	4.8	9.1	9.8	9.0	9.6	9.9	9.9	10.8	9.6
Netherlands	4.8	15.9	16.5	16.8	17.2	15.9	15.7	15.8	16.4	16.4
New Zealand	19.4	17.0	17.6	18.3	18.6	19.0	19.3	19.4	20.1	21.1
Norway	18.1	19.0	19.1	18.3	19.2	19.1	19.3	19.4	19.9	20.2
Poland	4.8	0.0	1.1	1.8	6.4	2.4	2.3	2.3	-2.5	-1.1
Portugal	6.2	3.3	7.3	4.5	5.1	5.9	6.1	6.9	7.8	8.2
Slovak Republic	5.0	-4.5	-1.4	-0.2	0.6	1.0	0.4	-0.1	-3.3	-14.1
Slovenia	4.8	2.9	2.9	3.3	3.6	3.9	4.1	4.5	4.2	4.5
Spain	5.2	7.9	7.6	7.6	7.8	8.0	7.2	8.1	8.7	9.4
Sweden	26.7	17.8	17.6	18.0	18.1	17.6	17.6	17.4	17.2	16.9
Switzerland	6.2	5.9	4.3	4.5	4.6	4.7	4.8	5.2	5.5	5.6
Türkiye[1]	14.7	9.8	10.6	11.3	11.8	12.1	12.1	12.5	12.3	12.6
United Kingdom	17.4	14.6	13.5	13.4	13.4	13.3	13.1	13.5	13.8	14.3
United States	6.8	3.6	6.1	6.7	4.1	4.3	4.8	2.1	5.7	5.5
OECD-Average	11.3	9.4	10.1	9.8	10.0	10.0	10.0	10.0	10.3	10.4
OECD-EU 22	12.0	9.8	10.2	9.5	10.0	9.9	9.8	9.8	10.1	10.2

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

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	2017	2018	2019	2020	2021	2022	2023
Australia	23.8	19.1	21.8	22.2	22.6	21.4	21.9	20.8	20.8	23.0
Austria	10.8	12.3	14.3	11.6	12.0	9.3	8.7	9.3	8.6	8.5
Belgium	26.4	24.8	23.9	22.2	21.4	20.7	20.6	20.8	21.8	21.4
Canada	19.5	16.2	16.9	16.6	16.7	16.5	17.2	17.4	17.5	17.2
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
Czechia	6.8	4.9	5.4	4.4	5.0	5.8	6.1	0.5	0.6	1.5
Denmark	30.8	35.4	35.2	35.1	34.8	34.9	34.9	35.0	34.9	35.0
Estonia	21.1	13.7	14.6	14.8	9.7	10.8	11.1	12.2	13.4	12.9
Finland	24.5	19.7	19.7	17.8	17.6	17.5	17.8	17.8	17.8	17.9
France	10.8	11.1	11.4	10.8	12.7	12.9	11.6	11.9	11.9	11.9
Germany	13.8	9.9	11.0	10.8	11.1	11.1	9.6	9.2	10.5	9.1
Greece	6.1	6.2	7.3	7.7	8.0	8.2	6.5	7.5	8.8	9.7
Hungary	18.0	13.0	11.5	9.2	8.9	8.7	9.3	9.7	10.4	11.0
Iceland	23.2	25.3	27.5	26.7	26.8	26.7	26.6	25.9	25.9	25.4
Ireland	19.7	15.6	17.1	16.7	17.1	19.5	20.0	20.9	20.6	20.5
Israel	12.5	5.4	5.7	5.8	5.8	6.0	6.2	6.7	4.6	4.6
Italy	16.8	16.3	14.9	15.0	15.2	15.5	14.7	13.3	16.0	18.9
Japan	4.5	5.5	7.1	7.2	7.2	7.2	7.1	7.1	7.2	7.2
Korea	1.3	2.0	2.3	2.9	3.3	3.8	3.9	4.3	4.8	4.8
Latvia	13.5	16.5	12.3	12.7	11.5	11.0	10.3	10.0	9.8	11.0
Lithuania	24.3	10.8	11.4	7.7	11.3	15.9	15.0	15.6	16.0	16.4
Luxembourg	8.2	9.3	12.4	10.9	11.4	11.9	13.2	13.5	13.8	15.8
Mexico	-1.7	2.7	6.3	7.2	6.7	7.5	8.9	8.9	9.6	8.6
Netherlands	7.9	11.7	12.5	12.2	12.4	11.2	10.9	11.0	11.8	11.7
New Zealand	19.0	16.5	16.0	16.5	16.7	16.9	17.2	17.3	18.2	19.1
Norway	20.6	20.0	18.9	17.9	17.8	17.7	17.9	18.0	18.3	18.4
Poland	6.1	2.6	3.9	4.4	4.7	4.6	4.1	4.2	2.4	3.3
Portugal	8.1	7.3	9.4	10.1	9.5	10.4	10.6	11.5	12.0	12.4
Slovak Republic	6.0	3.9	5.8	6.5	7.0	7.2	6.5	6.2	4.3	-2.2
Slovenia	8.1	5.7	5.7	6.5	6.6	6.9	7.0	7.3	6.7	7.2
Spain	9.3	11.5	10.9	10.8	10.9	11.0	10.0	11.2	11.5	11.6
Sweden	25.9	16.7	16.5	16.9	17.0	16.4	16.5	16.0	15.7	15.6
Switzerland	9.8	9.5	8.1	8.4	8.6	8.7	8.9	9.2	9.6	9.7
Türkiye[1]	14.1	9.7	10.7	11.1	11.5	11.7	11.7	12.0	10.1	10.4
United Kingdom	16.5	15.4	12.9	12.8	12.8	12.7	12.5	12.9	13.3	13.8
United States	12.8	10.9	12.3	12.7	9.9	10.1	10.4	8.7	10.9	10.7
OECD-Average	13.1	11.5	11.9	11.7	11.6	11.8	11.7	11.7	11.8	11.9
OECD-EU 22	14.7	12.7	13.0	12.5	12.5	12.8	12.5	12.5	12.7	12.8

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

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	2017	2018	2019	2020	2021	2022	2023
Australia	26.6	22.3	24.1	24.4	24.6	23.6	24.1	23.2	23.2	24.9
Austria	12.9	14.7	16.7	13.9	14.3	12.1	11.7	12.2	11.6	11.5
Belgium	29.0	27.5	26.8	25.4	24.7	24.1	24.0	24.2	25.0	24.7
Canada	21.7	18.5	19.2	18.7	18.7	18.5	19.2	19.3	19.4	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
Czechia	7.9	7.4	7.8	7.0	7.5	8.2	8.4	2.9	3.0	3.7
Denmark	32.5	36.3	36.1	36.0	35.9	36.0	35.9	36.0	36.0	36.0
Estonia	21.9	14.8	15.4	15.6	11.8	13.0	13.5	14.6	16.0	16.4
Finland	26.9	22.3	22.5	20.9	20.6	20.5	20.8	20.8	20.8	21.1
France	12.5	12.2	12.8	12.6	14.5	14.7	13.7	14.3	14.2	14.2
Germany	17.2	13.1	13.8	13.6	13.8	13.9	12.9	12.3	13.1	12.1
Greece	8.3	8.5	9.2	9.7	10.0	10.2	9.1	9.7	10.9	11.8
Hungary	20.8	14.4	12.2	10.2	9.9	9.8	10.2	10.6	11.2	11.6
Iceland	25.3	27.4	29.2	28.2	28.2	28.2	28.1	27.7	27.7	27.3
Ireland	24.1	20.1	22.0	21.3	21.6	23.6	24.0	24.8	24.5	24.5
Israel	15.4	6.5	7.2	7.5	7.5	8.0	8.3	8.9	5.7	5.8
Italy	18.9	18.6	19.3	19.3	19.4	19.7	18.5	16.5	19.0	22.1
Japan	5.3	6.3	7.8	7.9	7.9	7.9	7.8	7.8	7.9	7.9
Korea	2.0	3.4	3.9	4.6	5.0	5.4	5.4	5.8	6.3	6.2
Latvia	15.0	17.7	13.7	14.3	13.7	13.3	12.9	12.1	12.2	13.4
Lithuania	25.8	12.0	12.6	10.2	13.1	17.0	16.5	16.9	17.8	18.3
Luxembourg	12.0	12.8	16.4	15.1	15.7	16.1	17.4	17.7	18.0	19.6
Mexico	1.0	4.8	9.1	9.8	9.0	9.6	9.9	9.9	10.8	9.6
Netherlands	9.6	16.1	16.6	16.5	16.9	15.6	15.3	15.3	16.0	15.8
New Zealand	19.4	17.0	17.6	18.3	18.6	19.0	19.3	19.4	20.1	21.1
Norway	22.3	21.5	20.3	19.3	19.2	19.1	19.3	19.4	19.9	20.2
Poland	6.6	3.6	4.7	5.1	5.4	5.3	4.8	4.8	3.7	4.4
Portugal	10.9	10.1	12.8	13.1	12.6	13.4	13.6	14.3	14.7	15.0
Slovak Republic	7.0	6.0	7.5	8.1	8.5	8.7	8.2	7.9	6.3	0.9
Slovenia	10.0	8.1	8.1	8.5	8.8	9.1	8.9	9.4	8.7	9.4
Spain	11.6	13.5	13.1	12.9	13.1	13.2	12.6	13.3	13.6	14.1
Sweden	26.7	17.8	17.6	18.0	18.1	17.6	17.6	17.4	17.2	16.9
Switzerland	11.7	11.5	10.0	10.4	10.6	10.7	10.9	11.3	11.9	11.9
Türkiye[1]	14.7	11.0	11.8	12.6	13.1	13.4	13.3	13.8	12.3	12.6
United Kingdom	17.4	16.2	14.1	14.0	14.0	13.9	13.7	14.1	14.4	14.8
United States	15.1	12.6	13.9	14.3	12.2	12.3	12.9	11.8	13.7	13.3
OECD-Average	14.9	13.3	13.8	13.6	13.6	13.8	13.8	13.7	13.9	14.0
OECD-EU 22	16.7	14.9	15.4	14.9	15.0	15.2	15.0	14.9	15.2	15.3

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

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	2017	2018	2019	2020	2021	2022	2023
Australia	24.4	19.8	21.8	22.2	22.6	21.4	21.9	20.8	20.8	23.0
Austria	10.8	12.6	14.6	12.2	12.6	13.0	12.4	12.8	13.1	12.7
Belgium	28.0	26.2	25.4	23.7	22.9	22.2	22.1	22.4	23.2	22.9
Canada	19.5	16.8	17.0	16.6	16.7	16.5	17.2	17.4	17.5	17.2
Chile	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
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
Czechia	9.3	9.8	10.8	11.7	12.3	12.8	13.0	7.5	7.3	7.8
Denmark	30.8	35.4	35.2	35.1	34.8	34.9	34.9	35.0	34.9	35.0
Estonia	21.1	15.9	16.3	16.2	11.1	12.1	12.4	13.4	14.5	13.9
Finland	24.5	19.7	19.9	18.0	17.6	17.5	17.8	17.8	17.8	17.9
France	14.1	13.4	13.8	13.7	15.5	15.5	14.1	14.2	14.2	14.2
Germany	19.8	16.5	16.9	16.7	16.8	16.9	16.3	15.4	16.1	14.8
Greece	5.6	6.2	7.3	8.2	8.5	8.7	7.3	8.2	9.4	10.3
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	26.7	26.8	26.7	26.6	25.9	25.9	25.4
Ireland	19.7	15.6	17.1	16.7	17.1	19.5	20.0	20.9	20.6	20.5
Israel	15.0	6.6	7.2	7.4	7.4	7.7	8.0	8.5	8.5	8.5
Italy	18.0	19.1	17.9	17.9	18.1	18.3	17.5	16.0	16.0	18.9
Japan	5.8	7.0	7.1	7.2	7.2	7.2	7.1	7.1	7.2	7.2
Korea	1.6	3.2	3.5	4.1	4.4	4.7	4.7	5.1	5.6	5.5
Latvia	18.1	21.1	18.0	18.0	16.3	16.2	15.5	14.7	14.2	14.9
Lithuania	24.3	12.2	12.9	11.9	11.3	15.9	15.0	15.6	16.0	16.4
Luxembourg	11.3	9.3	12.4	10.9	11.4	11.9	13.2	13.5	13.8	15.8
Mexico	-1.7	2.7	6.3	7.2	6.7	7.5	8.9	8.9	9.6	8.6
Netherlands	7.9	11.8	13.1	13.0	13.2	12.0	11.8	11.8	12.5	12.3
New Zealand	19.0	15.9	16.0	16.5	16.7	16.9	17.2	17.3	18.2	19.1
Norway	21.3	20.0	18.9	17.9	17.8	17.7	17.9	18.0	18.3	18.4
Poland	6.1	6.2	6.8	7.0	7.1	6.9	6.1	6.1	4.1	4.8
Portugal	9.2	8.7	14.5	14.1	13.4	14.1	14.2	14.9	15.3	15.4
Slovak Republic	7.4	6.9	8.6	9.1	9.5	9.6	9.0	9.3	9.6	9.8
Slovenia	12.2	9.4	9.4	10.3	10.4	10.8	10.5	10.9	10.1	10.5
Spain	11.5	13.7	13.1	12.9	13.1	13.1	12.2	13.2	13.4	13.4
Sweden	25.9	16.7	16.5	16.9	17.0	16.4	16.5	16.0	15.7	15.6
Switzerland	11.3	11.0	10.5	10.8	10.9	11.0	11.1	11.5	11.9	11.9
Türkiye[1]	14.1	10.4	11.3	11.8	12.1	12.4	12.4	12.7	10.1	10.4
United Kingdom	16.5	15.5	12.9	12.8	12.8	12.7	12.5	12.9	13.3	13.8
United States	16.8	15.4	16.5	16.7	14.7	14.7	14.8	14.9	15.0	14.7
OECD-Average	14.3	12.9	13.5	13.3	13.2	13.4	13.3	13.3	13.4	13.6
OECD-EU 22	16.2	14.5	15.3	15.0	14.8	15.2	14.9	14.8	14.9	15.1

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

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	2017	2018	2019	2020	2021	2022	2023
Australia	21.1	16.0	18.5	19.1	19.6	18.1	18.7	17.3	17.2	20.2
Austria	25.6	27.0	29.2	26.9	27.2	27.7	26.8	27.3	25.8	26.9
Belgium	35.8	36.4	35.4	33.3	32.1	31.4	31.3	31.6	32.4	32.0
Canada	21.3	20.8	21.1	20.8	20.8	20.6	21.2	22.3	22.6	22.5
Chile	7.0	7.0	7.0	7.0	7.0	7.0	7.0	-6.5	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	9.8	10.3	10.3	10.5	10.5	10.5	10.7
Czechia	20.8	18.2	19.5	20.7	21.4	22.0	22.3	16.7	16.4	17.1
Denmark	37.4	33.5	33.4	33.3	33.0	33.1	33.1	33.2	33.3	33.4
Estonia	19.9	17.6	17.1	17.0	9.9	10.6	10.9	11.6	12.4	10.5
Finland	27.8	22.7	24.0	22.9	22.9	22.8	23.3	23.6	23.4	23.7
France	25.9	25.9	26.0	25.2	24.6	24.2	23.2	23.5	23.5	23.4
Germany	36.8	34.3	34.7	34.8	34.7	34.3	33.7	33.1	33.0	32.6
Greece	18.0	17.7	18.5	20.0	20.2	20.4	17.6	17.7	19.0	19.8
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	24.8	24.9	24.8	24.5	23.5	23.5	22.9
Ireland	18.8	16.0	16.8	15.8	16.1	17.3	17.9	19.1	18.7	17.8
Israel	19.4	10.4	11.0	11.2	11.0	11.4	11.7	12.5	12.6	12.3
Italy	24.4	26.1	21.8	21.9	22.1	22.3	22.2	21.6	20.1	18.9
Japan	18.4	19.1	20.4	20.6	20.6	20.6	20.6	20.6	20.6	20.8
Korea	7.5	9.2	9.9	10.5	10.8	11.2	11.6	12.2	12.9	12.9
Latvia	26.0	29.5	27.9	27.4	25.2	25.0	23.9	23.3	22.2	22.7
Lithuania	25.2	19.7	20.4	18.4	17.5	33.6	32.3	33.1	33.0	32.9
Luxembourg	21.8	19.4	22.7	20.3	20.8	21.1	22.3	22.4	22.3	24.3
Mexico	-4.4	0.8	3.4	4.7	4.6	5.5	8.6	8.6	9.0	8.5
Netherlands	32.9	27.1	24.7	22.5	22.8	21.2	20.1	19.1	19.7	18.4
New Zealand	18.6	14.3	13.5	13.7	13.8	14.0	14.1	14.2	14.7	16.3
Norway	26.8	25.6	25.1	24.1	23.9	23.8	24.1	24.2	24.0	23.6
Poland	26.5	23.4	24.1	24.3	24.5	24.3	23.5	23.5	20.4	21.3
Portugal	17.4	16.1	21.2	21.6	21.6	22.2	22.4	22.9	23.5	23.7
Slovak Republic	18.2	18.0	20.0	20.7	21.1	21.4	20.5	21.0	21.4	21.6
Slovenia	32.3	28.7	28.7	30.4	30.2	30.7	30.6	30.8	30.0	30.2
Spain	15.0	17.5	16.7	16.6	16.8	16.7	15.2	16.8	17.0	16.6
Sweden	31.7	22.0	22.0	22.4	22.4	21.7	21.8	20.8	20.5	20.8
Switzerland	14.9	14.4	14.1	14.3	14.4	14.5	14.8	15.0	15.3	15.3
Türkiye[1]	27.2	23.6	24.7	24.7	24.9	25.0	25.1	25.2	21.7	22.1
United Kingdom	22.8	22.6	19.2	19.3	19.3	19.1	18.4	19.1	19.3	19.5
United States	22.6	21.5	22.9	23.1	21.4	21.4	17.0	18.3	21.7	21.4
OECD-Average	21.6	20.0	20.6	20.5	20.2	20.7	20.4	20.1	20.4	20.5
OECD-EU 22	25.8	23.9	24.5	24.1	23.7	24.4	24.0	23.9	23.7	23.7

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

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	2017	2018	2019	2020	2021	2022	2023
Australia	26.6	22.3	24.1	24.4	24.6	23.6	24.1	23.2	23.2	24.9
Austria	31.0	33.1	35.0	32.4	32.8	33.2	32.7	33.2	32.1	32.6
Belgium	43.0	42.7	42.0	40.6	39.9	39.4	39.3	39.5	40.2	39.9
Canada	26.9	25.0	25.3	24.6	24.6	24.6	25.1	25.4	25.7	25.6
Chile	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.1
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	9.8	10.3	10.3	10.5	10.5	10.5	10.7
Czechia	22.5	22.5	23.4	24.1	24.6	25.0	25.2	19.8	19.6	20.0
Denmark	41.5	35.9	35.9	35.8	35.7	35.9	35.8	35.9	35.9	36.0
Estonia	21.9	19.5	18.4	18.4	14.6	15.7	16.1	17.2	18.5	18.9
Finland	33.9	29.4	30.9	30.2	30.3	30.3	31.0	31.3	31.1	31.6
France	29.2	27.8	29.0	29.0	28.4	28.0	27.1	27.6	27.6	27.5
Germany	43.2	39.2	39.7	39.7	39.7	39.2	38.6	37.8	38.0	37.4
Greece	21.6	23.1	23.7	25.2	25.5	25.5	23.9	23.3	24.2	24.8
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	28.3	28.4	28.3	28.2	27.8	27.8	27.4
Ireland	27.5	23.4	26.0	25.3	25.6	27.6	28.0	28.8	28.5	28.0
Israel	26.1	17.0	17.5	17.7	17.6	18.1	18.4	19.0	19.0	18.8
Italy	29.0	30.2	31.1	31.1	31.2	31.5	30.1	28.2	27.7	27.7
Japan	19.7	20.6	22.1	22.3	22.4	22.4	22.2	22.2	22.3	22.6
Korea	8.9	12.3	13.3	13.9	14.4	14.8	15.1	15.6	16.2	16.2
Latvia	27.9	30.5	28.9	29.2	28.7	28.6	28.3	26.5	26.4	27.1
Lithuania	28.8	22.1	22.9	22.7	22.1	36.5	36.0	36.4	37.3	37.8
Luxembourg	28.7	26.8	30.8	29.0	29.6	30.0	31.1	31.4	31.6	33.2
Mexico	2.5	6.1	10.4	11.1	10.4	10.9	11.2	11.3	12.2	11.0
Netherlands	33.6	31.7	30.3	30.3	30.5	29.4	28.5	27.8	28.1	27.3
New Zealand	19.4	17.0	17.6	18.3	18.6	19.0	19.3	19.4	20.1	21.1
Norway	30.7	29.3	28.5	27.5	27.4	27.3	27.5	27.6	27.9	28.1
Poland	27.8	24.5	24.9	25.1	25.2	25.0	24.3	24.3	23.0	23.6
Portugal	22.4	22.2	28.4	27.5	26.9	27.4	27.6	28.2	28.4	28.6
Slovak Republic	20.2	21.9	23.3	23.7	24.0	24.2	23.6	23.9	24.2	24.3
Slovenia	35.6	33.3	33.3	33.7	34.1	34.4	34.0	34.5	33.7	34.2
Spain	19.8	21.7	21.3	21.1	21.3	21.3	20.7	21.4	21.6	22.1
Sweden	33.7	24.8	24.6	25.0	25.1	24.5	24.6	24.4	24.2	23.9
Switzerland	17.8	17.4	17.0	17.2	17.4	17.5	17.8	18.2	18.5	18.6
Türkiye[1]	28.7	26.6	27.4	28.2	28.6	29.0	28.9	29.4	27.3	27.6
United Kingdom	25.8	25.4	23.4	23.5	23.5	23.4	22.9	23.4	23.8	23.7
United States	24.9	24.6	25.6	26.1	23.8	23.9	21.3	22.4	24.8	24.2
OECD-Average	25.2	23.8	24.6	24.5	24.4	24.9	24.7	24.7	24.8	24.9
OECD-EU 22	29.9	28.1	29.0	28.8	28.6	29.4	29.1	28.9	28.9	29.1

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

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	2017	2018	2019	2020	2021	2022	2023
Australia	34.9	28.2	30.1	30.1	30.4	30.5	30.8	29.4	29.7	30.0
Austria	36.3	38.3	39.4	37.7	38.0	38.1	38.0	38.2	37.8	37.5
Belgium	50.1	49.5	49.1	48.3	47.9	47.5	47.4	47.5	48.0	47.8
Canada	32.1	30.3	30.6	29.8	29.8	29.6	30.6	31.1	31.5	31.1
Chile	8.3	8.0	8.2	8.3	8.3	8.3	8.3	8.3	8.2	8.4
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	11.8	12.3	12.4	12.4	12.8	12.7	12.5
Czechia	25.5	25.9	26.5	26.9	27.2	27.4	27.6	22.3	22.1	22.4
Denmark	49.3	42.9	42.1	41.8	41.5	41.6	41.4	41.4	41.7	41.8
Estonia	23.6	21.0	19.6	19.6	21.3	21.3	21.3	21.3	21.3	21.3
Finland	41.1	36.6	38.1	37.8	37.9	37.9	38.6	38.9	38.7	39.3
France	33.1	33.4	34.5	34.5	33.9	33.8	33.3	33.6	33.5	33.5
Germany	48.8	43.8	43.8	43.9	43.8	43.4	43.3	42.7	42.4	41.6
Greece	29.2	30.2	31.6	32.1	32.4	32.5	31.3	29.5	30.7	31.5
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	33.5	33.3	33.3	33.4	33.3	33.3	32.8
Ireland	35.6	34.4	36.1	35.1	35.3	36.7	37.0	37.6	37.5	37.2
Israel	35.0	26.0	26.5	26.9	26.9	27.6	28.1	28.9	28.9	28.8
Italy	34.5	37.3	39.5	39.2	39.3	39.5	39.8	39.7	38.6	39.2
Japan	22.6	24.5	25.9	26.0	26.1	26.1	25.9	26.2	26.3	26.6
Korea	13.4	15.0	16.2	17.4	18.1	18.6	19.0	19.7	20.4	20.4
Latvia	29.4	31.4	29.8	30.2	28.8	29.0	29.2	29.0	29.2	29.5
Lithuania	31.7	24.0	24.0	24.0	24.0	38.9	38.9	39.1	39.5	39.5
Luxembourg	37.9	34.9	38.6	37.6	37.9	38.1	38.7	38.9	39.4	40.1
Mexico	10.1	13.4	15.1	15.7	15.0	15.5	15.8	15.8	16.5	15.6
Netherlands	40.6	37.7	38.2	37.7	37.9	37.5	36.5	36.2	36.4	36.1
New Zealand	24.2	23.3	23.4	23.9	24.1	24.4	24.6	24.8	25.3	25.8
Norway	38.2	35.7	34.9	34.0	33.9	33.9	33.9	34.2	34.6	34.9
Poland	28.9	25.4	25.6	25.7	25.8	25.6	26.0	26.1	25.1	25.5
Portugal	28.6	29.5	35.7	34.1	33.5	34.2	34.3	35.0	35.6	35.6
Slovak Republic	24.8	24.9	25.9	26.2	26.4	26.4	26.1	26.5	26.8	27.0
Slovenia	41.2	39.1	37.9	37.7	38.1	38.4	37.3	37.7	37.3	38.1
Spain	24.4	26.5	27.3	26.8	27.0	27.1	26.5	27.3	27.4	27.9
Sweden	41.1	35.6	35.2	36.5	36.4	35.2	34.7	34.7	34.6	33.4
Switzerland	22.7	22.2	21.8	22.2	22.3	22.5	22.7	23.1	23.5	23.5
Türkiye[1]	26.9	29.9	31.6	32.4	32.7	32.9	32.8	33.1	31.9	32.1
United Kingdom	28.8	30.0	29.8	29.9	29.9	29.5	29.1	29.7	30.6	30.8
United States	31.9	30.6	31.1	31.4	28.8	28.9	28.5	29.4	29.5	29.1
OECD-Average	30.3	29.0	29.5	29.5	29.5	29.9	29.9	29.9	30.0	30.0
OECD-EU 22	35.4	33.7	34.2	33.9	34.0	34.7	34.6	34.4	34.4	34.5

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

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	2017	2018	2019	2020	2021	2022	2023
Australia	-2.1	-13.2	-7.5	-5.3	-3.9	-4.8	-4.7	-6.6	-3.8	-0.7
Austria	2.0	4.6	9.3	7.1	7.7	0.4	-2.2	1.2	-3.2	0.4
Belgium	16.1	18.9	17.8	15.7	14.7	13.6	9.3	9.3	10.9	10.6
Canada	0.0	0.8	-9.4	-9.7	-9.7	-10.9	-7.1	-2.4	-3.1	-4.0
Chile	5.9	6.1	6.2	6.2	6.2	6.2	6.1	-24.3	4.8	2.2
Colombia	-6.9	-5.6	-6.6	-6.6	-6.4	-6.5	-7.2	-7.5	-6.4	-7.3
Costa Rica	9.0	9.2	9.3	9.8	10.3	10.3	10.5	10.5	10.5	10.7
Czechia	-17.9	-12.7	-0.8	-3.8	-5.3	-3.3	-2.7	-11.1	-9.8	-9.0
Denmark	11.5	8.0	6.3	4.8	18.0	18.3	18.4	18.7	17.2	17.6
Estonia	-8.5	-2.1	-4.8	-3.2	-10.5	-9.5	-8.8	-6.7	-4.3	-18.6
Finland	9.7	8.9	10.9	10.2	10.8	10.9	11.2	11.7	10.9	12.4
France	13.5	14.8	16.0	1.0	0.4	-4.2	-6.5	-3.7	-3.0	-7.1
Germany	17.9	16.2	17.5	17.9	18.2	17.8	13.2	13.8	15.4	14.2
Greece	17.1	16.0	13.9	14.4	11.9	12.2	8.7	9.4	11.4	12.7
Hungary	5.0	6.7	6.5	4.9	5.4	6.4	8.8	10.6	13.6	16.1
Iceland	1.4	9.5	14.5	13.7	12.4	12.7	11.7	10.5	11.3	12.4
Ireland	6.6	-15.8	-10.7	-9.5	-6.6	0.2	0.7	1.8	2.1	4.8
Israel	-1.5	-2.6	-1.5	-2.9	-3.0	-1.8	-1.8	-0.4	-1.4	-0.7
Italy	5.5	5.1	1.3	1.4	1.7	2.3	1.0	0.1	0.7	-1.3
Japan	3.8	-3.0	4.6	4.4	4.7	4.1	3.9	3.9	4.5	5.4
Korea	6.8	8.5	3.9	4.2	4.7	4.4	0.9	3.0	3.7	4.1
Latvia	3.5	12.4	7.3	8.7	6.7	6.0	5.2	6.4	0.5	3.4
Lithuania	19.2	8.2	10.3	9.0	3.0	17.3	7.5	11.7	12.2	12.1
Luxembourg	-6.4	-10.9	-4.1	-6.6	-5.3	-4.3	-1.4	-0.7	0.8	2.3
Mexico	-4.4	0.8	3.4	4.7	4.6	5.5	8.6	8.6	9.0	8.5
Netherlands	14.5	3.6	0.6	-3.8	-3.6	-5.3	-5.8	-6.1	-4.2	-8.7
New Zealand	-3.0	-17.7	-14.1	-12.9	-19.9	-18.8	-17.3	-16.4	-16.1	-12.1
Norway	5.7	10.8	12.1	11.7	12.1	11.9	12.4	13.0	13.2	11.8
Poland	18.0	17.8	11.2	-36.5	-28.9	-21.9	-10.8	-10.6	-11.3	-8.0
Portugal	9.1	1.7	7.6	3.5	4.1	5.5	5.8	7.2	8.6	4.8
Slovak Republic	-2.0	2.3	5.4	7.0	8.1	8.7	7.8	6.9	2.4	-14.6
Slovenia	-2.0	-1.7	-4.4	-1.5	-0.5	1.0	1.5	3.3	2.9	8.7
Spain	6.8	8.1	1.5	1.6	2.0	2.3	0.3	2.5	3.5	3.7
Sweden	20.1	11.1	12.2	13.1	12.1	11.3	11.6	10.9	10.9	11.5
Switzerland	0.3	-1.1	-1.9	-1.4	-1.2	-1.0	-0.6	0.0	0.6	0.7
Türkiye[1]	27.2	22.0	23.2	22.9	23.3	23.4	23.5	23.5	21.7	22.1
United Kingdom	7.7	0.6	-3.4	0.9	2.6	4.3	-2.7	10.3	10.1	9.0
United States	2.6	0.2	3.9	5.5	2.0	2.4	-5.9	-9.2	6.4	5.5
OECD-Average	5.6	3.9	4.4	2.6	2.7	3.3	2.7	2.7	4.0	3.6
OECD-EU 22	7.2	5.5	5.9	2.5	2.9	3.9	3.3	3.9	4.0	3.1

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

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	2017	2018	2019	2020	2021	2022	2023
Australia	18.4	9.3	12.9	16.0	16.9	16.0	16.1	14.7	16.2	18.0
Austria	15.1	17.9	21.6	19.1	19.6	15.0	13.2	15.7	11.0	14.2
Belgium	23.7	23.6	22.6	20.9	20.4	19.4	19.2	19.2	20.7	20.3
Canada	19.3	17.1	10.6	12.3	12.3	12.0	13.0	14.4	14.5	14.3
Chile	6.3	7.0	7.0	7.0	7.0	7.0	7.0	-18.5	5.7	5.7
Colombia	-4.6	-3.8	-4.4	-4.4	-4.3	-4.3	-4.8	-5.0	-4.3	-4.9
Costa Rica	9.0	9.2	9.3	9.8	10.3	10.3	10.5	10.5	10.5	10.7
Czechia	-5.3	-5.6	2.0	0.7	0.2	2.0	2.6	-4.2	-3.2	-2.3
Denmark	28.2	24.9	25.3	25.2	22.6	23.0	23.1	23.5	26.5	26.7
Estonia	10.6	7.3	4.5	5.0	1.1	2.4	3.1	5.1	7.5	6.3
Finland	24.8	23.0	25.2	24.8	25.0	25.1	26.0	26.4	26.0	27.1
France	16.1	17.7	18.0	18.1	17.4	16.3	14.8	16.8	17.0	16.9
Germany	22.0	19.6	21.2	21.5	21.6	21.2	19.1	19.4	20.5	19.7
Greece	23.6	23.6	21.9	22.8	21.4	21.5	19.7	19.3	22.1	23.1
Hungary	20.5	18.7	16.9	15.3	15.5	16.1	17.7	18.8	20.8	22.3
Iceland	8.9	12.2	17.5	16.3	14.8	14.6	14.3	14.4	14.8	15.4
Ireland	10.9	5.6	8.9	7.9	8.7	11.9	12.4	13.8	13.8	13.2
Israel	21.8	13.6	14.8	15.0	14.9	15.4	15.8	16.5	13.4	13.2
Italy	18.6	17.8	19.0	19.0	19.2	19.7	17.5	15.5	12.4	12.0
Japan	15.8	11.3	16.0	16.2	16.4	16.4	16.1	16.1	16.3	16.6
Korea	8.2	9.7	7.6	8.6	9.3	9.4	7.2	8.9	9.8	10.2
Latvia	12.8	19.1	15.2	16.7	16.4	15.8	15.7	15.2	11.8	14.2
Lithuania	28.8	14.4	16.1	15.6	12.4	25.6	19.3	22.1	23.3	23.8
Luxembourg	1.9	1.5	5.7	4.8	5.5	6.0	7.4	7.8	8.4	10.5
Mexico	2.5	6.1	10.4	11.1	10.4	10.9	11.2	11.3	12.2	11.0
Netherlands	22.4	23.6	24.1	24.5	24.9	23.8	21.2	21.0	21.8	19.7
New Zealand	13.6	-0.9	5.2	7.0	2.7	4.3	5.7	6.4	7.9	10.9
Norway	19.3	21.8	23.1	22.4	23.5	23.2	23.5	23.8	24.2	24.2
Poland	22.1	17.8	18.9	-3.9	1.2	3.9	1.3	1.4	-1.2	2.1
Portugal	13.6	8.8	14.3	11.9	12.5	13.5	13.7	14.7	15.8	16.2
Slovak Republic	5.2	3.4	6.9	8.4	9.5	10.0	9.4	9.0	4.7	-9.3
Slovenia	10.1	10.4	11.3	12.3	13.1	13.8	17.0	17.9	17.7	18.2
Spain	11.5	14.2	13.9	13.9	14.1	14.3	13.5	14.5	15.1	15.9
Sweden	26.0	17.4	18.1	18.8	18.2	17.6	17.8	17.7	17.8	17.7
Switzerland	5.9	4.9	3.6	4.0	4.2	4.4	4.8	5.4	6.0	6.1
Türkiye[1]	28.7	24.8	25.6	26.3	26.8	27.1	27.1	27.5	27.3	27.6
United Kingdom	20.6	18.7	17.8	18.2	18.3	18.4	17.7	18.5	19.0	18.8
United States	14.4	11.2	13.7	14.3	11.8	11.9	2.7	0.7	13.3	13.2
OECD-Average	15.0	13.1	14.3	13.8	13.6	14.1	13.5	13.1	14.1	14.2
OECD-EU 22	16.5	14.8	16.0	14.7	14.6	15.4	14.8	15.0	15.0	14.9

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

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	2017	2018	2019	2020	2021	2022	2023
Australia	22.0	19.0	21.8	22.2	22.6	21.4	21.9	20.8	20.8	23.0
Austria	20.1	22.6	25.5	23.0	23.4	20.9	19.5	21.1	18.4	20.2
Belgium	35.0	33.9	33.1	31.3	30.5	29.8	29.8	30.0	30.8	30.4
Canada	24.4	22.2	20.3	19.9	20.0	19.8	20.8	21.8	21.9	21.7
Chile	6.6	6.6	6.7	6.7	6.7	6.7	6.6	-8.6	6.1	5.1
Colombia	-5.5	-4.5	-5.3	-5.3	-5.2	-5.2	-5.8	-6.0	-5.2	-5.8
Costa Rica	9.0	9.2	9.3	9.8	10.3	10.3	10.5	10.5	10.5	10.7
Czechia	14.0	12.1	13.7	12.9	12.6	13.6	14.0	11.5	11.6	12.5
Denmark	35.8	31.0	31.1	31.0	31.0	31.2	31.2	31.3	31.5	31.6
Estonia	16.8	13.7	11.2	11.6	6.3	7.2	7.7	9.1	10.7	9.2
Finland	26.0	22.9	24.6	23.9	24.2	24.2	24.9	25.3	25.0	25.7
France	21.4	22.2	23.2	22.7	22.1	21.8	20.4	20.8	20.9	20.8
Germany	34.3	30.1	31.2	31.4	31.4	31.0	29.5	29.2	29.8	28.9
Greece	22.0	22.2	22.0	22.8	22.1	22.2	20.1	19.8	22.8	23.6
Hungary	24.3	22.3	23.9	22.6	22.8	23.1	24.0	24.7	25.9	26.8
Iceland	21.9	24.4	27.6	26.8	26.5	26.5	26.0	25.2	25.0	25.1
Ireland	20.8	13.7	16.7	16.2	16.8	19.7	20.2	21.3	21.1	21.0
Israel	17.7	10.5	11.2	11.4	11.3	11.6	11.8	12.6	10.6	10.3
Italy	25.1	24.0	22.8	22.8	23.0	23.3	21.9	20.4	15.8	15.1
Japan	17.9	15.1	18.6	18.8	18.9	18.9	18.7	18.7	18.9	19.1
Korea	8.0	9.8	8.9	9.6	10.2	10.4	9.3	10.5	11.3	11.5
Latvia	18.1	23.3	20.3	21.0	19.9	19.5	19.0	18.4	16.0	17.6
Lithuania	27.3	19.8	20.4	16.7	16.4	30.7	28.5	29.7	30.3	30.6
Luxembourg	12.6	12.3	17.1	15.3	16.1	16.7	18.4	18.8	19.4	21.8
Mexico	-0.3	4.0	7.6	8.5	8.0	8.8	10.2	10.2	10.9	10.0
Netherlands	30.1	24.9	23.2	21.7	21.9	20.5	19.6	19.0	19.8	18.7
New Zealand	19.0	13.9	16.0	16.5	16.7	16.9	17.2	17.3	18.0	19.1
Norway	24.4	24.8	24.6	23.7	23.6	23.4	23.7	23.9	24.1	23.9
Poland	25.0	20.4	21.7	15.1	15.3	12.6	10.6	10.7	10.3	12.3
Portugal	17.0	16.5	20.4	21.1	20.5	21.4	21.6	22.5	23.0	23.4
Slovak Republic	13.3	14.0	16.1	17.0	17.6	18.0	17.3	17.1	14.5	6.1
Slovenia	25.1	23.4	24.1	24.6	24.9	25.3	25.4	26.0	25.4	27.1
Spain	15.6	17.8	17.2	17.1	17.3	17.4	16.3	17.5	17.8	18.0
Sweden	28.3	19.3	19.6	20.2	19.9	19.2	19.4	19.0	18.9	18.9
Switzerland	12.3	11.3	10.1	10.6	10.8	11.0	11.4	12.0	12.5	12.5
Türkiye[1]	28.1	24.7	25.7	26.1	26.5	26.7	26.7	27.0	25.1	25.4
United Kingdom	21.5	21.1	18.7	19.0	19.1	19.0	18.4	19.1	19.5	19.4
United States	20.5	18.5	20.0	20.3	17.6	17.7	12.2	11.0	18.5	18.4
OECD-Average	19.9	18.2	19.0	18.6	18.4	18.8	18.4	18.1	18.6	18.7
OECD-EU 22	23.1	21.0	21.8	21.0	20.7	21.3	20.9	21.1	20.9	20.9

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

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	2017	2018	2019	2020	2021	2022	2023
Australia	25.1	22.3	24.1	24.4	24.6	23.6	24.1	23.2	23.2	24.9
Austria	23.7	26.3	29.1	26.3	26.8	24.8	23.7	25.1	22.8	24.2
Belgium	38.4	37.4	36.6	35.1	34.4	33.9	33.9	34.0	34.8	34.5
Canada	26.9	24.4	23.5	22.9	22.9	22.8	23.5	24.3	24.5	24.3
Chile	6.6	7.0	7.0	7.0	7.0	7.0	7.0	-5.7	6.6	6.6
Colombia	-4.6	-1.9	-4.4	-4.4	-4.3	-4.3	-4.8	-5.0	-4.3	-4.9
Costa Rica	9.0	9.2	9.3	9.8	10.3	10.3	10.5	10.5	10.5	10.7
Czechia	18.2	15.9	16.5	18.0	15.7	19.2	16.8	13.9	14.0	14.7
Denmark	38.1	32.7	32.7	32.7	32.7	32.9	32.8	33.0	33.1	33.2
Estonia	18.3	15.2	12.9	13.2	9.2	10.4	10.9	12.4	14.1	13.6
Finland	29.3	26.2	28.0	27.5	27.7	27.7	28.5	28.8	28.6	29.3
France	23.5	23.8	25.0	24.9	24.4	24.0	22.9	23.6	23.7	23.5
Germany	37.7	33.3	34.1	34.2	34.2	33.7	32.8	32.2	32.6	32.0
Greece	24.2	24.5	24.7	25.7	26.0	26.1	24.6	23.8	24.9	25.6
Hungary	28.1	25.0	25.7	24.4	24.5	24.8	25.6	26.1	27.1	27.9
Iceland	25.4	27.5	29.4	28.3	28.4	28.3	27.9	27.8	27.8	27.4
Ireland	25.7	19.2	22.3	21.6	22.1	24.4	24.9	25.8	25.6	25.5
Israel	21.3	12.8	13.8	14.2	14.1	14.7	15.0	15.8	12.7	12.5
Italy	27.4	27.0	27.8	27.8	27.9	28.2	26.4	24.4	21.1	21.0
Japan	18.6	16.5	19.7	19.9	20.1	20.1	19.9	19.9	20.0	20.3
Korea	8.7	11.2	10.8	11.6	12.1	12.3	11.4	12.5	13.2	13.4
Latvia	20.4	24.8	22.0	22.9	22.6	22.2	22.0	20.8	19.1	20.7
Lithuania	28.8	21.0	21.6	19.2	18.9	32.6	31.0	31.9	32.9	33.4
Luxembourg	17.6	17.4	22.4	20.9	21.6	22.2	23.8	24.2	24.7	26.7
Mexico	2.5	6.1	10.4	11.1	10.4	10.9	11.2	11.3	12.2	11.0
Netherlands	30.9	27.5	26.2	25.7	25.9	24.7	23.9	23.4	24.0	23.1
New Zealand	19.4	17.0	17.6	18.3	18.6	19.0	19.3	19.4	20.1	21.1
Norway	26.8	26.8	26.3	25.5	25.4	25.2	25.5	25.7	26.1	26.1
Poland	25.9	21.4	22.5	17.1	17.2	14.9	13.1	13.2	13.2	14.9
Portugal	20.2	19.5	23.8	24.1	23.6	24.4	24.6	25.3	25.7	26.0
Slovak Republic	19.0	16.6	18.4	19.1	19.7	19.9	19.3	19.2	17.0	10.0
Slovenia	29.4	27.8	27.1	27.3	28.8	29.1	29.0	29.6	29.0	29.6
Spain	18.0	19.9	19.4	19.3	19.5	19.6	18.9	19.7	20.0	20.5
Sweden	29.9	21.1	21.3	21.9	21.6	21.1	21.2	21.1	21.0	20.8
Switzerland	14.8	14.0	12.8	13.3	13.5	13.7	14.1	14.7	15.3	15.3
Türkiye[1]	28.7	26.0	26.8	27.6	28.1	28.4	28.3	28.8	27.3	27.6
United Kingdom	23.2	22.8	20.9	21.2	21.2	21.2	20.6	21.2	21.6	21.5
United States	22.7	20.3	21.5	22.0	19.8	20.0	15.7	15.0	21.4	20.9
OECD-Average	22.3	20.7	21.3	21.1	21.0	21.4	21.0	20.8	21.2	21.3
OECD-EU 22	26.0	23.8	24.6	24.0	23.9	24.6	24.1	24.2	24.0	24.1

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

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	2017	2018	2019	2020	2021	2022	2023
Australia	24.4	19.8	21.8	22.2	22.6	21.4	21.9	20.8	20.8	23.0
Austria	28.8	30.7	32.7	30.2	30.6	31.0	30.3	30.8	29.7	30.3
Belgium	42.0	40.2	39.4	37.7	36.8	36.2	36.1	36.3	37.0	36.6
Canada	25.0	23.4	23.6	23.1	23.1	23.1	23.8	24.1	24.4	24.3
Chile	7.0	7.0	7.0	7.0	7.0	7.0	7.0	-1.8	7.0	7.1
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	9.8	10.3	10.3	10.5	10.5	10.5	10.7
Czechia	21.8	20.8	21.8	22.7	23.3	23.8	24.0	18.5	18.3	18.8
Denmark	39.8	35.0	34.9	34.8	34.6	34.8	34.7	34.8	34.9	35.0
Estonia	21.1	18.7	17.9	17.8	12.7	13.7	14.0	15.0	16.1	15.5
Finland	31.5	26.7	28.1	27.3	27.4	27.3	27.9	28.2	28.0	28.4
France	27.5	27.1	28.0	28.0	27.4	26.9	25.4	25.6	25.6	25.5
Germany	40.3	37.0	37.4	37.5	37.4	37.0	36.4	35.7	35.8	35.2
Greece	21.5	22.2	22.8	24.2	24.5	24.6	22.8	22.3	23.4	24.1
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	26.9	27.0	26.9	26.7	26.1	26.1	25.6
Ireland	23.0	18.8	21.1	20.7	21.1	23.5	24.0	24.9	24.6	24.5
Israel	22.8	13.7	14.3	14.6	14.5	14.9	15.2	15.9	16.0	15.7
Italy	27.2	28.6	27.4	27.4	27.5	27.8	27.0	25.5	24.6	24.2
Japan	19.2	20.0	21.4	21.6	21.7	21.7	21.6	21.6	21.6	21.9
Korea	8.3	11.0	11.9	12.5	12.9	13.4	13.7	14.3	14.9	14.9
Latvia	27.1	30.1	28.5	28.5	27.3	27.2	26.5	25.2	24.7	25.4
Lithuania	27.3	21.2	21.9	20.9	20.3	35.4	34.5	35.1	35.5	35.9
Luxembourg	22.9	21.4	25.2	23.2	23.7	24.1	25.5	25.8	26.1	28.1
Mexico	-0.3	4.0	7.6	8.5	8.0	8.8	10.2	10.2	10.9	10.0
Netherlands	33.3	29.8	28.0	27.2	27.4	26.1	25.1	24.3	24.8	23.8
New Zealand	19.0	15.9	16.0	16.5	16.7	16.9	17.2	17.3	18.0	19.1
Norway	29.1	27.8	27.1	26.1	26.0	25.9	26.1	26.2	26.3	26.3
Poland	27.3	24.1	24.6	24.8	24.9	24.7	24.0	24.0	21.9	22.6
Portugal	20.2	19.7	25.5	25.1	24.4	25.1	25.2	25.9	26.3	26.4
Slovak Republic	19.4	20.3	22.0	22.5	22.9	23.0	22.4	22.7	23.0	23.2
Slovenia	34.3	31.5	31.5	32.4	32.5	32.9	32.6	33.0	32.2	32.6
Spain	17.9	20.1	19.4	19.3	19.5	19.5	18.5	19.6	19.7	19.8
Sweden	32.9	23.7	23.5	23.9	24.0	23.4	23.5	23.0	22.7	22.6
Switzerland	17.8	17.1	16.7	17.0	17.1	17.2	17.5	17.9	18.3	18.3
Türkiye[1]	28.1	25.4	26.3	26.8	27.1	27.4	27.4	27.7	25.1	25.4
United Kingdom	24.6	24.3	21.7	21.8	21.8	21.7	21.1	21.7	22.0	22.0
United States	24.4	23.1	24.2	24.3	22.3	22.4	18.9	19.9	22.6	22.3
OECD-Average	23.7	22.2	23.0	22.9	22.7	23.2	23.0	22.7	23.0	23.1
OECD-EU 22	28.2	26.2	27.1	26.8	26.5	27.3	27.0	26.8	26.8	26.9

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

Table 6.25. Annual average gross and net wage earnings, single individual no children, 2000-23

In US dollars using PPP

	2000		2010		2015		2020		2022		2023	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Australia	31,493	23,117	44,375	34,487	54,774	41,591	62,507	47,453	67,454	51,835	70,154	52,668
Austria	32,765	22,619	45,716	30,597	54,970	35,708	65,773	44,261	72,904	49,506	76,127	51,288
Belgium	35,162	20,040	51,903	29,731	58,099	33,692	68,894	41,819	76,011	45,422	81,461	48,922
Canada	35,272	25,773	48,125	36,104	52,562	39,273	61,817	46,318	67,856	50,435	73,102	54,408
Chile	12,708	11,818	17,179	15,977	21,682	20,164	24,572	22,844	26,726	24,856	29,325	27,228
Colombia	7,109	7,109	10,937	10,937	11,718	11,718	13,794	13,794	16,873	16,873	16,615	16,615
Costa Rica	11,067	10,071	15,885	14,428	20,355	18,454	25,258	22,606	25,961	23,235	27,695	24,740
Czechia	11,230	8,704	21,070	16,334	24,808	19,012	33,989	25,422	37,108	29,846	38,122	30,492
Denmark	32,493	19,023	49,540	31,736	55,247	35,418	67,164	43,101	73,290	46,971	82,383	52,734
Estonia	8,384	6,544	18,965	15,270	24,266	19,789	32,885	27,579	35,098	28,589	36,052	29,254
Finland	26,792	17,715	43,747	30,875	47,665	32,959	58,422	40,329	62,420	42,998	64,833	44,359
France	28,717	20,344	40,592	29,288	46,958	33,336	53,029	38,674	59,233	42,856	60,922	44,152
Germany	36,478	20,719	51,841	31,517	60,530	36,512	70,345	43,163	79,179	49,073	81,439	50,959
Greece	23,085	18,100	33,456	25,716	33,648	25,658	34,617	26,330	41,479	31,454	43,840	32,983
Hungary	9,869	6,343	19,871	13,634	23,935	15,677	34,701	23,076	38,236	25,427	39,916	26,544
Iceland	32,012	23,869	39,552	28,636	54,010	38,155	64,881	46,572	73,212	52,861	76,597	55,620
Ireland	30,647	22,204	49,415	37,830	54,012	39,947	67,785	48,792	73,803	52,745	77,006	55,475
Israel	27,864	20,590	30,471	25,289	35,609	29,374	41,851	34,176	46,112	37,349	49,235	39,975
Italy	26,763	18,990	36,529	25,486	41,357	28,498	49,738	34,750	51,471	37,234	52,734	38,114
Japan	32,239	25,874	42,728	33,913	49,134	38,272	49,623	38,592	52,942	41,127	53,673	41,562
Korea	26,546	24,171	43,848	38,465	46,293	40,124	55,814	47,382	62,571	52,450	66,806	55,956
Latvia	6,419	4,629	14,981	10,408	19,270	13,696	28,287	20,272	31,772	23,391	35,043	25,533
Lithuania	7,055	5,027	14,954	11,646	19,341	14,919	37,958	24,309	43,510	27,297	46,124	28,683
Luxembourg	37,539	26,778	53,351	39,071	63,384	43,836	75,240	51,824	81,234	55,538	83,741	55,929
Mexico	7,964	7,766	11,416	10,717	12,915	11,566	13,780	12,230	16,549	14,522	16,845	14,998
Netherlands	35,829	23,783	52,939	36,181	61,162	42,657	71,667	51,275	76,965	55,316	78,201	56,816
New Zealand	24,172	19,491	32,073	26,623	38,184	31,451	45,977	37,122	48,204	38,497	51,149	40,381
Norway	32,844	22,762	51,542	36,458	55,743	39,884	63,652	46,164	77,626	55,974	82,880	59,594
Poland	12,582	9,084	20,213	15,263	26,138	19,618	38,207	28,940	40,301	31,042	42,696	32,636
Portugal	16,523	12,814	26,546	20,652	29,693	21,269	35,663	25,821	39,692	28,427	41,048	29,328
Slovak Republic	10,179	8,127	19,104	14,924	22,344	17,143	25,807	19,715	28,389	21,528	29,872	22,614
Slovenia	16,894	10,887	26,515	17,689	30,392	20,263	38,476	25,396	42,267	28,024	45,465	29,918
Spain	23,413	18,766	34,095	26,686	39,828	31,358	41,890	33,207	47,318	37,121	48,836	38,064
Sweden	28,767	19,065	40,798	30,692	46,768	35,272	53,549	40,358	56,425	42,744	57,235	43,556
Switzerland	40,765	33,501	58,022	47,935	70,007	58,139	82,609	67,902	96,344	78,482	100,048	81,465
Türkiye[1]	19,693	14,034	19,586	14,380	26,832	19,489	33,700	23,972	31,936	23,204	46,011	33,314
United Kingdom	35,360	26,234	48,837	36,436	51,950	39,784	58,314	44,963	65,840	50,201	69,143	52,790
United States	33,129	24,877	45,665	34,429	50,963	37,900	59,517	46,867	64,845	48,765	67,264	50,954
OECD average	23,890	17,404	34,905	25,959	40,435	29,778	48,467	35,720	53,399	39,295	56,306	41,332

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

Table 6.26. Annual average gross and net wage earnings, single individual no children, 2000-23 (national currency)

		2000		2010		2015		2020		2022		2023	
		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	90,883	68,995	95,735	73,567	99,565	74,748
Austria	EUR	29,732	20,526	38,504	25,770	43,911	28,524	49,087	33,032	53,126	36,076	57,082	38,457
Belgium	EUR	31,644	18,035	43,423	24,873	46,479	26,954	50,312	30,540	55,038	32,889	59,285	35,604
Canada	CAD	43,300	31,639	58,800	44,113	65,600	49,015	76,100	57,020	83,126	61,785	86,203	64,159
Chile	CLP	3,690,623	3,432,280	6,181,738	5,749,016	8,481,551	7,887,842	10,282,188	9,559,014	11,850,890	11,021,328	13,232,535	12,286,553
Colombia	COP	5,283,845	5,283,845	12,382,986	12,382,986	15,107,886	15,107,886	17,892,648	17,892,648	23,470,233	23,470,233	23,470,233	23,470,233
Costa Rica	CRC	1,604,324	1,459,935	5,191,869	4,715,774	7,205,069	6,532,116	8,294,100	7,423,220	8,897,195	7,962,989	9,193,578	8,212,623
Czechia	CZK	160,922	124,729	288,088	223,333	320,960	245,981	423,535	316,783	479,623	385,761	515,219	412,102
Denmark	DKK	281,700	164,922	376,073	240,914	403,600	258,738	440,000	282,357	469,400	300,833	488,078	312,421
Estonia	EUR	3,931	3,068	9,712	7,820	13,045	10,638	17,224	14,445	20,222	16,472	21,595	17,524
Finland	EUR	26,362	17,431	39,395	27,804	43,268	29,918	48,083	33,192	50,750	34,959	53,310	36,475
France	EUR	26,712	18,923	34,693	25,032	37,975	26,959	37,669	27,472	41,522	30,042	43,438	31,481
Germany	EUR	34,400	19,539	41,736	25,374	47,100	28,411	51,000	31,293	57,667	35,740	60,867	38,086
Greece	EUR	15,459	12,120	24,156	18,567	20,494	15,628	18,834	14,325	22,170	16,812	23,536	17,707
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	6,276,792	4,174,067	7,152,170	4,756,193
Iceland	ISK	2,712,000	2,022,102	5,256,000	3,805,407	7,668,000	5,417,104	9,516,000	6,830,688	10,452,000	7,546,612	11,066,502	8,035,875
Ireland	EUR	28,924	20,956	41,981	32,139	43,733	32,345	53,962	38,843	57,457	41,063	59,899	43,151
Israel	ILS	95,664	70,691	121,581	100,905	139,728	115,260	160,644	131,185	171,036	138,532	180,983	146,943
Italy	EUR	21,550	15,291	28,243	19,705	30,550	21,052	32,216	22,508	32,191	23,287	33,492	24,207
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	5,165,693	4,012,897	5,251,660	4,066,672
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	52,055,568	43,635,105	54,497,863	45,646,438
Latvia	EUR	2,316	1,670	7,296	5,069	9,588	6,815	13,656	9,787	16,500	12,147	18,559	13,522
Lithuania	EUR	3,187	2,270	6,735	5,245	8,623	6,652	16,844	10,788	21,196	13,298	23,409	14,557
Luxembourg	EUR	35,875	25,591	49,387	36,167	55,858	38,631	64,424	44,374	68,578	46,885	73,418	49,035
Mexico	MXN	48,607	47,400	87,672	82,301	107,551	96,320	138,349	122,787	171,738	150,704	172,991	154,026
Netherlands	EUR	31,901	21,176	45,215	30,901	49,540	34,552	54,710	39,143	58,810	42,268	62,281	45,249
New Zealand	NZD	34,923	28,159	48,007	39,850	56,436	46,485	64,994	52,476	70,588	56,374	76,001	60,001
Norway	NOK	298,385	206,788	471,696	333,655	553,670	396,149	628,871	456,093	689,478	497,163	727,681	523,231
Poland	PLN	23,061	16,649	36,482	27,548	46,136	34,628	66,732	50,545	76,071	58,594	85,715	65,520
Portugal	EUR	10,922	8,470	16,542	12,870	17,369	12,441	19,868	14,384	22,073	15,809	23,714	16,943
Slovak Republic	EUR	5,256	4,197	9,593	7,494	10,983	8,427	13,418	10,251	15,299	11,602	16,835	12,744
Slovenia	EUR	8,894	5,732	16,915	11,284	18,092	12,062	21,054	13,897	23,632	15,668	26,667	17,548
Spain	EUR	17,319	13,882	24,786	19,400	26,475	20,845	26,028	20,633	28,780	22,578	30,237	23,568
Sweden	EUR	263,581	174,686	368,208	277,001	414,105	312,312	464,186	349,843	493,770	374,042	511,738	389,430
Switzerland	CHF	72,910	59,918	85,068	70,280	86,514	71,847	93,816	77,114	101,350	82,559	102,141	83,169
Türkiye[1]	TRY	5,545	3,952	18,026	13,235	31,191	22,654	72,933	51,880	150,661	109,469	319,068	231,018
United Kingdom	GBP	24,910	18,481	34,297	25,589	35,978	27,552	39,978	30,825	44,854	34,200	48,185	36,788
United States	USD	33,129	24,877	45,665	34,429	50,963	37,900	59,517	46,867	64,845	48,765	67,264	50,954

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

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, 2023

Australia
(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.

Australia 2023

The tax/benefit position of single persons

		67	100	167	67
	Wage level (per cent of average wage)	67	100	167	67
	Number of children	none	none	none	2
1	**Gross wage earnings**	66 709	99 565	166 274	66 709
	Principal Gross wage earnings	66 709	99 565	166 274	66 709
	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)**	66 709	99 565	166 274	66 709
5	**Central government income tax liability (exclusive of tax credits)**				
	Income tax	12 147	22 826	46 588	12 147
	Medicare Levy	1 334	1 991	3 325	1 334
	Total	13 482	24 817	49 914	13 482
6	**Tax credits**				
	Basic credit	0	0	0	0
	Married or head of family	0	0	0	0
	Children				
	Other				
	Total	0	0	0	0
7	**Central government income tax finally paid (5-6)**	13 482	24 817	49 914	13 482
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)**	13 482	24 817	49 914	13 482
11	**Cash transfers from general government**				
	For head of family	0	0	0	0
	For two children	0	0	0	13 931
	Total	0	0	0	13 931
12	**Take-home pay (1-10+11)**	53 227	74 748	116 360	67 158
13	**Employers' payroll tax**	4 017	5 996	10 013	4 017
14	**Average rates**				
	Income tax	20.2%	24.9%	30.0%	20.2%
	Employees' social security contributions	0.0%	0.0%	0.0%	0.0%
	Total payments less cash transfers	20.2%	24.9%	30.0%	-0.7%
	Total tax wedge including employer payroll taxes	24.7%	29.2%	34.0%	5.0%
15	**Marginal rates**				
	Total payments less cash transfers: Principal earner	34.5%	34.5%	39.0%	54.5%
	Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner	38.2%	38.2%	42.5%	57.1%
	Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.

Australia 2023

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**		99 565	166 274	199 131	166 274
	Principal Gross wage earnings		99 565	99 565	99 565	99 565
	Spouse Gross wage earnings		0	66 709	99 565	66 709
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)**		99 565	166 274	199 131	166 274
5	**Central government income tax liability (exclusive of tax credits)**					
	Income tax		22 826	34 973	45 651	34 973
	Medicare Levy		1 991	3 325	3 983	3 325
		Total	24 817	38 299	49 634	38 299
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)**		24 817	38 299	49 634	38 299
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)**		24 817	38 299	49 634	38 299
11	**Cash transfers from general government**					
	For head of family		0	0	0	0
	For two children		6 899	0	0	0
		Total	6 899	0	0	0
12	**Take-home pay (1-10+11)**		81 647	127 975	149 496	127 975
13	**Employers' payroll tax**		5 996	10 013	11 992	10 013
14	**Average rates**					
	Income tax		24.9%	23.0%	24.9%	23.0%
	Employees' social security contributions		0.0%	0.0%	0.0%	0.0%
	Total payments less cash transfers		18.0%	23.0%	24.9%	23.0%
	Total tax wedge including employer payroll taxes		22.7%	27.4%	29.2%	27.4%
15	**Marginal rates**					
	Total payments less cash transfers: Principal earner		34.5%	34.5%	34.5%	34.5%
	Total payments less cash transfers: Spouse		30.6%	34.5%	34.5%	34.5%
	Total tax wedge: Principal earner		38.2%	38.2%	38.2%	38.2%
	Total tax wedge: Spouse		34.5%	38.2%	38.2%	38.2%

The national currency is the Australian dollar (AUD). For the 2022-2023 income tax year AUD 1.45 was equal to USD 1. The average full-time worker earned AUD 99 565 in 2022-2023.

Personal income tax system

Federal income tax

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.

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 2022-2023 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.
- 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 2 943 in 2022-2023. To qualify for the offset in 2022-2023, the combined adjusted taxable income of the taxpayer and their spouse (where one exists) should not exceed AUD 104 432. 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 12 054. 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. The income limit for a low income spouse is AUD 40 000. In 2022-2023, 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 2022-2023, eligible individuals with incomes not exceeding AUD 57 016 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 42 016 and AUD 57 016, at a rate of AUD 0.03 per AUD 1 of income above AUD 42 016.
- Relief for private health insurance: For the 2022-2023 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 2022-2023 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.

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 2022-2023 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 2022-2023, an individual was not liable for the levy where their taxable income did not exceed AUD 24 276. 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 40 939. Individual senior Australians of Age Pension age were not liable to pay the levy where their taxable income did not exceed AUD 38 365. 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 2022-2023 exceeded AUD 53 406. The thresholds are increased by AUD 3 760 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 2022-2023 (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 the Taxing Wages calculations.

State and local income taxes

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

Social security contributions

Employees' contributions

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

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 2022-2023 the Superannuation Guarantee required employers to pay 10.5% on top of employees' gross ordinary time earnings to an approved superannuation fund. 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 2022-2023 tax year this threshold was AUD 60 220 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.

Other taxes

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 2022-2023 was 5.45% 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.

Universal cash transfers

Transfers related to marital status

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

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 2022-2023, the maximum rate of FTB(A) is payable where the combined adjusted taxable income of the family does not exceed AUD 58 108, after which it tapers at a rate of AUD 0.20 per AUD 1 of income until an income limit that is determined by the number and age of dependent children. The base rate of FTB(A) is payable where the combined adjusted taxable income of the family is between the income limit and AUD 103 368, after which 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 1 657.10 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 2022-2023 families may receive a maximum payment of AUD 5 161.10 for each child aged under 13 years and AUD 6 712.35 for each child aged 13 to 15 years and for each child aged 16 to 19 in full time secondary school. For 2022-2023 an end of year supplement of AUD 817.60 per child is also available for families with a combined adjusted taxable income of less than AUD 80 000. For 2022-2023, the higher benefit tapers out at the rate of AUD 0.20 for each AUD 1 of income over AUD 58 108 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 couples with one main income and sole parent families. Eligibility for FTB(B) if you are a single parent or grandparent carer 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. Eligibility for FTB(B) if you are a member of a couple with one main

income is contingent upon having a dependent child aged under 13. 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 104 432 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 2022-2023, this threshold is AUD 6 059, above which the entitlement is reduced by AUD 0.20 for each AUD 1 of income. There is no secondary earner income test applied to sole parents. For 2022-2023, the maximum payment is AUD 3 460.20 (including a one-off supplement of AUD 397.85 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 4 785.15 (including a one-off supplement of AUD 397.85 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 2 380.42 for the first child (and all multiple births) and up to AUD 1 191.05 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 812.45 per week before tax in 2022-2023), 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 a twelve 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 168 865 for the 2022-23 financial year. PLP and Newborn Supplement cannot be paid for the same child. A person cannot claim FTB(B) 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 812.45 per week before tax in 2022-2023), 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 a twelve 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 168 865 for the 2022-23 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 services. CCS is payable to eligible families with incomes up to AUD 356 756. 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 72 466 to 20 per cent for families with income between AUD 346 756 and AUD 356 756. Families with more than one child aged 5 or under received a higher subsidy of 30 percentage points more for the second and subsequent children than the applicable percentage for the first child in care, up to a maximum of 95 per cent. CCS to families with income above AUD 190 015 was capped until 10 December 2021 at AUD 10 655 per child. In 2022-23, there was no annual cap on the CCS. The attached calculations assume no childcare usage.

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 2022-23 year. The modelled results presented in Taxing Wages 2022-23 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 2022-23) 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 2022-23 the annual JobSeeker amount for singles without dependants was AUD 17 397.10 and for partnered individuals was AUD 15 843.30. 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 2022-2023, 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 reduces by AUD 0.60 for each AUD 1 of their partner's income above AUD 31 142.44. 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 2022-2023 the maximum annual amount of Parenting Payment (Partnered) (PP(P)) was AUD 15 843.30. Only one parent in a couple can be entitled to PP(P). The maximum annual amount of Parenting Payment (Single) (PP(S)) in 2022-23 was AUD 23 826.50. 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 31 142.44. 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 57 890.28. PP(S) reduces by AUD 0.40 for each AUD 1 of income above AUD 5 267.60 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 2022-2023, the payment is AUD 166.40 for singles and AUD 83.20 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 131.75 for 2022-2023.

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 2022-2023.

Recent changes in the tax/benefit system

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

The Low and Middle Income Tax Offset was a tax offset available to taxpayers with a taxable income that was equal to or less than AUD 126 000 between the income years of 2018-19 and 2021-22. For the 2021--22 income year, LMITO was increased by AUD 420. This increased the base amount to AUD 675 and the full amount to AUD 1500. Taxpayers whose taxable income was less than or equal to AUD 37 000 in 2021-2022 were eligible to receive AUD 675. The offset was increased by AUD 0.075 for every AUD 1 by which a taxpayer's taxable income exceeded AUD 37 000, up to a maximum of AUD 1 500 when the taxpayer's earnings were between AUD 48 000 and AUD 90 000. The offset was then reduced by AUD 0.03 for every AUD 1 by which a taxpayer's earnings exceeded AUD 90 000 and was no longer available once a taxpayer's taxable income was AUD 126 000 or more. The LMITO ceased on 30 June 2022.

Cessation of the Pandemic Leave Disaster Payment and introduction of the High-Risk Settings Pandemic 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 was taxable. This payment ceased on 30 September 2022 and has not been modelled in Taxing Wages 2022-23, as it was paid on an ad-hoc basis.

To replace the PLDP, a new High-Risk Settings Pandemic Payment (HRSPP) was introduced on 15 October 2022. This payment provided support to employees who worked in a high-risk setting without access to paid leave entitlements or Australian Government income support, and were unable to work due to COVID-19. High-risk settings included aged care, disability care, Aboriginal healthcare, and hospital care sectors. The payment was taxable, and payments were made at the same rate as the applicable PDLP rates. The HRSPP ceased on 31 March 2023 and has not been modelled as it was paid on an ad-hoc basis to a specific subset of workers.

Changes to Superannuation Guarantee

Before 1 July 2022, Superannuation Guarantee did not have to be paid for a worker earning less than AUD 450 a month. From 2022-23 onwards, this threshold was removed. Superannuation Guarantee must now be paid regardless of a worker's earnings.

Memorandum items

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 2022-23 income tax year have been calculated as the average of the two biannual figures (November 2022 and May 2023 (released in August 2023)).

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.

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.

2023 Parameter values

Average earnings/yr	Ave_earn	99 565	
Low Income Tax Offset	low_inc_cr	700	
	low_inc_lim	37500	
	low_inc_redn	0.05	
	low_inc_lim_2	45000	
	low_inc_redn_2	0.015	
	low_inc_lim_3	66667	
Tax schedule	tax_sch	0.000	18200
		0.190	45000
		0.325	120000
		0.370	180000
		0.450	
Medicare levy	medic_rate	0.02	
exemption limits	sing_lim	24276	
married	m_lim	40939	
sing parent receiving PPS	SAPTO_lim	53406	
+ per child	ch_lim	3760	
shading-in rate	shade_rate	0.1	
Part A FTB max	FTB_A_max	5161.1	
Part A FTB basic	FTB_A_base	1657.1	
part A income limit 1	FTB_A_lim1	58108	
part A income limit 2	FTB_A_lim2	103368	
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	817.6	
Part A FTB max end of year supplement threshold	FTB_A_supp_lim	80000	
Part B FTB	FTB_B	3460.2	
part B partner income limit	FTB_B_lim	6059	
reduction rate	FTB_B_taper	0.2	
income limit (primary earner)	FTB_B_lim_p	104432	
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	68000	
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	120000	
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	16000	
Single income family supplement phase out taper - secondary earner	SIFS_out_taper_sec	0.15	
Parenting payment single	PPS	23827	
reduction rate	PPS_taper	0.4	
income limit	PPS_lim	5267.6	
additional limit per child	PPS_ch_lim	639.6	
Parenting payment single Energy Supplement (ES)	PPS_CES	312	
Pharmaceutical allowance	PA	166.4	
State pay-roll tax rate (NSW)	Pay_roll_rate	0.0545	
Additional parameters			
JobSeeker Payment single rate	NSAS	17397	

JobSeeker Payment single ES	NSAS_CES	229	
JobSeeker Payment partnered rate	NSAP	15843	
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	3900	
income limit 2	NSA_lim2	6656	
Senior Australian and Pensioner Tax Offset	SAPTO	2230	
Senior Australian and Pensioner Tax Offset Maximum Section 159N rebate	SAPTO_Max_159N	445	
Senior Australian and Pensioner Tax Offset single threshold	SAPTO_thresh	32279	
Senior Australian and Pensioner Tax Offset taper rate	SAPTO_taper	0.125	
SchoolKids Bonus	SKB	0	
	SKB_lim		
Telephone allowance	Tele_A	131.75	

2023 Tax Equations

The equations for the Australian system in 2023 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,NSAP_CES),,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,NSAP_CES),0)))
4.	CG taxable income	tax_inc	B	earn+taxbl_cr
5.	CG tax before credits			
	Medicare Levy	med_levy	B	medicare(tax_inc,sing_lim,m_lim,SAPTO_lim,ch_lim,shade_rate,medic_rate,Married,tax_inc_oth,Children)
	Tax liability	liab	P	Tax(tax_inc, tax_sch)
6.	Tax credits :			
	Low Income 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)
	Total	tax_cr	B	low_cr+sap_cr+ben_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+SG_rate*min(earn,SG_ceil))*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 2023

The tax/benefit position of single persons

			67	100	167	67
		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1	**Gross wage earnings**		38 245	57 082	95 327	38 245
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		6 875	10 262	14 723	6 875
	Work-related expenses		132	132	132	132
	Other		0	0	0	0
		Total	7 007	10 394	14 855	7 007
3	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4	**Central government taxable income (1 - 2 + 3)**		31 238	46 688	80 472	31 238
5	**Central government income tax liability (exclusive of tax credits)**		3 995	8 959	21 585	3 995
6	**Tax credits**					
	Basic credit		0	0	0	0
	Married or head of family		0	0	0	704
	Children		0	0	0	3 761
	Other		421	421	421	421
		Total	421	421	421	4 886
7	**Central government income tax finally paid (5-6)**		3 574	8 538	21 164	- 891
8	**State and local taxes**		0	0	0	0
9	**Employees' compulsory social security contributions**					
	Gross earnings		6 875	10 262	14 723	6 875
	Taxable income					
		Total	6 875	10 262	14 723	6 875
10	**Total payments to general government (7 + 8 + 9)**		10 450	18 800	35 887	5 985
11	**Cash transfers from general government**					
	For head of family		175	175	175	175
	For two children		0	0	0	5 643
		Total	175	175	175	5 818
12	**Take-home pay (1-10+11)**		27 970	38 457	59 615	38 078
13	**Employer's wage dependent contributions and taxes**					
	Employer's compulsory social security contributions		8 016	11 964	17 165	8 016
	payroll taxes		2 562	3 825	6 387	2 562
		Total	10 578	15 788	23 552	10 578
14	**Average rates**					
	Income tax		9.3%	15.0%	22.2%	-2.3%
	Employees' social security contributions		18.0%	18.0%	15.4%	18.0%
	Total payments less cash transfers		26.9%	32.6%	37.5%	0.4%
	Total tax wedge including employer's social security contributions		42.7%	47.2%	49.9%	22.0%
15	**Marginal rates**					
	Total payments less cash transfers: Principal earner		39.7%	47.5%	42.0%	18.7%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		52.8%	58.8%	45.6%	36.3%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Austria 2023

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**		57 082	95 327	114 165	95 327
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		10 262	17 137	20 524	17 137
	Work-related expenses		132	264	264	264
	Other		0	0	0	0
		Total	10 394	17 401	20 788	17 401
3	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4	**Central government taxable income (1 - 2 + 3)**		46 688	77 926	93 377	77 926
5	**Central government income tax liability (exclusive of tax credits)**		8 959	12 955	17 919	12 955
6	**Tax credits**					
	Basic credit		0	0	0	0
	Married or head of family		704	0	0	0
	Children		4 000	4 000	4 000	0
	Other		421	842	842	842
		Total	5 125	4 842	4 842	842
7	**Central government income tax finally paid (5 - 6)**		3 834	8 113	13 077	12 113
8	**State and local taxes**		0	0	0	0
9	**Employees' compulsory social security contributions**					
	Gross earnings		10 262	17 137	20 524	17 137
	Taxable income					
		Total	10 262	17 137	20 524	17 137
10	**Total payments to general government (7 + 8 + 9)**		14 096	25 250	33 600	29 250
11	**Cash transfers from general government**					
	For head of family		350	350	350	350
	For two children		5 643	5 643	5 643	0
		Total	5 993	5 993	5 993	350
12	**Take-home pay (1-10+11)**		48 979	76 070	86 557	66 428
13	**Employer's wage dependent contributions and taxes**					
	Employer's compulsory social security contributions		11 964	19 979	23 927	19 979
	Payroll taxes		3 825	6 387	7 649	6 387
		Total	15 788	26 366	31 576	26 366
14	**Average rates**					
	Income tax		6.7%	8.5%	11.5%	12.7%
	Employees' social security contributions		18.0%	18.0%	18.0%	18.0%
	Total payments less cash transfers		14.2%	20.2%	24.2%	30.3%
	Total tax wedge including employer's social security contributions		32.8%	37.5%	40.6%	45.4%
15	**Marginal rates**					
	Total payments less cash transfers: Principal earner		47.5%	47.5%	47.5%	47.5%
	Total payments less cash transfers: Spouse		29.2%	39.7%	47.5%	39.7%
	Total tax wedge: Principal earner		58.8%	58.8%	58.8%	58.8%
	Total tax wedge: Spouse		44.5%	52.8%	58.8%	52.8%

The Austrian currency is the Euro (EUR). In 2023, EUR 0.96 was equal to USD 1. In that year, the average worker in Austria earned EUR 57 082 (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 month):

		Public transport	
		Available	Not available
more than	2 km	0	31
more than	20 km	58	123
more than	40 km	113	214
more than	60 km	168	306

During the period May 2022 through June 2023 allowances deductible from income are increased by the following amounts (EUR per month):

		Public transport	
		Available	Not available
more than	2 km	0,00	15,50
more than	20 km	29,00	61,50
more than	40 km	56,50	107,00
more than	60 km	84,00	153,00

- 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.

- In response to the increased popularity of working from home two new specific legal regulations have been introduced in 2021. 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. Currently these two policy measures are in force up to assessment period 2023.

1.1.3. Rate Schedule

Since 2022 the tax schedule is:

Income (EUR) up to	Marginal rate %
11 693	0
19 134	20
32 075	30
62 080	41
93 120	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 1,105, composed by the basic traffic tax credit of EUR 421 and a supplement of EUR 684. In the case of a current income above EUR 16,832, the tax credit is faded out uniformly to EUR 421 for income above EUR 25,774. For commuters with a traffic allowance (see 1.1.2.2.) the basic traffic tax credit is EUR 726. Thus, the deductible amount accumulates to a maximum of EUR 1,147.

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 1,210 (the case for commuters with a traffic allowance earning below EUR 16,832). The standard case, however, allows a refund of up to EUR 1,105.

The following tax credits exist for taxpayers 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 741.6 (EUR 61.8 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 6 312. 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 520 for one child and increases by EUR 184 for the second child and by EUR 232 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).
- Taxpayers 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 yearly traffic tax credit of EUR 2 per km distance from home to working place. For the period May 2022 to June 2023, this tax credit is raised by EUR 0.50 per month per km of distance from home to workplace.
- Tax payers who make legally required alimony payments to their child qualify for an alimony tax credit of EUR 372 (EUR 31 per month). For a second child, the credit is EUR 47 per month. For every other child the monthly deductible amount is EUR 62. The alimony tax credit is non-payable.
- A tax credit for retired persons which amounts to EUR 1,278 for single earners with income up to EUR 20,967 if the spouse's income does not exceed EUR 2,315. Otherwise, the tax credit is EUR 868. The tax credit is linearly reduced to 0 for incomes between EUR 18,410 (EUR 20,967 for sole earners) and EUR 26,826. 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 579.

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	5,850	11,700	3.87	3.78
Unemployment insurance	5,850	11,700	(4)	3.00
Pension insurance	5,850	11,700	10.25	12.55
Accident insurance	5,850	11,700	--	1.10
Contribution to the labour chamber	5,850	(1)	0.50	--
Contribution for the promotion of residential building	5,850	(1)	0.50	0.50
Addition to secure wage payments in the case of bankruptcy	5,850	11,700	--	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 500.91 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 2023, it is zero for monthly earnings up to EUR 1,885, 1% up to EUR 2,056, 2% up to EUR 2,228 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 (3.7%) 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 120.6 for the first child, EUR 135.6 for the second, EUR 160.8 for the third and is further increased for each additional child. It rises by EUR 8.4 for children above 3 years of age, EUR 29.1 for children above 10 years of age and by EUR 54.1 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 15.38 (in case of 851/1,063 days) to EUR 35.85 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 69.83 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 61.8 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 21.2 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 105.8 is given for children in the age between 6 and 15 years every September.

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 2023, every Austrian resident (primary residency for at least 6 months in the calendar year) is entitled to a direct payment consisting of a lump sum transfer of 110 EUR and a regionally differentiated amount. Children up to the age of 18 years receive half the amount.

The regionally differentiated compensation is based on the municipality of residence. The amount varies depending on the infrastructure (such as schools or shopping facilities) and public transport connections. Four categories are defined. The regional compensation amounts to 0, 40, 75 or 110 EUR. Therefore, the total "climate bonus" paid lies between 110 and 220 EUR.

For the Taxing Wages model a weighted average is calculated. The specific category of climate bonus is known for each municipality. Weights are based on the population in the municipality at the beginning of 2023. An average climate bonus of EUR 175 per adult and EUR 87,5 per child are derived for 2023.

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 (one-time) tax credits and cash transfers have been introduced for 2022:

- 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.

For the period May 2022 through June 2023, increased amounts are granted for the traffic relief and the additional traffic tax credit in case of entitlement to traffic relief.

From 2023, the 'climate bonus' consists of a lump sum of EUR 110 and a regionally differentiated amount between 0 and 100% of the lump sum. Children up to the age of 18 years are eligible for half of the amount.

From 2023 onwards, a yearly indexation mechanism for personal income tax and social transfers is in force. Two independent economic research institutes calculate the impact of inflation on PIT revenues. Based on the results, PIT tax bracket thresholds and tax credits are 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. The remaining third of the calculated impact volume is redistributed to compensate recipients of income by discretionary measures. The adjustment is based on the consumer price index. The average of the monthly inflation rates between second half-year in year t-2 and first half-year in year t-1 are used to adjust the parameters in year t.

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.

2023 Parameter values

Average earnings/yr	Ave_earn	57 082	
Non-current income as %	non_cur_pc	14,29%	
Tax schedule for nci	nci_sch	0	2000
		0,3	2345
		0,06	25000
		0,27	50000
Maximum non-current income tax base	nci_base_max	0,3575	83333
Work related	work_rel	132	
Familiy tax credit	fam_cr	2000	
Sole-, single earner family tax credit	fam_cr_sole	550	
Max. neg. employee's tax credit	neg_wage_cr	1105	
Max. neg. employee's tax credit rate	neg_wage_cr_rate	55%	
Traffic (commuting) tax credit	traffic_cr	421	
Supplement to traffic (commuting) tax credit	traffic_cr_sppl	684	
Lower Limit of traffic tax credit	traffic_cr_ll	16832	
Upper Limit of traffic tax credit	traffic_cr_ul	25774	
Children suppl.to SETC: 1st child	dsole1_cr	520	
2nd child	dsole2_cr	184	
3rd+ child	dsole3_cr	232	
Spouse with children	sole_lim1	6312	
Income tax schedule	Tax_sch	0	11693
		0,20	19134
		0,30	32075
		0,41	62080
		0,48	93120
		0,50	1000000
		0,55	
Ceiling f. soc. security contributions	SSC_ceil	5850	
lower limit	SSC_low	500,91	
Employees' contr. rates	health_rate	3,87%	
	unemp_rate	0,00%	1885
		1,00%	2056
		2,00%	2228
		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	1,10%	
	payinsur_empr	0,1%	
sum without others	empr_14	20,53%	
	others_empr	0,50%	
Payroll taxes	payroll_rate	6,70%	
Child benefit: 1st child	CB_1	1447,2	
2nd child	CB_2	1627,2	
suppl.>=3years	CB03sppl	100,8	

suppl.>=10years	CB10sppl	349,2	
5<suppl<16	CB6to15	105,8	
Child tax credit	child_cr_1	741,6	
Bonus payment ‘Klimabonus’	climate	175	
Bonus payment ‘Klimabonus’ <18years	climate_child	87,5	

2023 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	=(cearn-SSCc-work_rel)+max(0;ncearn-SSCnc-nci_base_max)
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)
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
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

Bn	Variable	code for docn equations	Excel-Function
30	Cash transfers	cash	=climate
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+ climate_child)))
34	Take-home pay		=earn-inctax-SSC+cash+cash_child
	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 2023

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**		39 721	59 285	99 006	39 721
2	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		5 192	7 749	12 940	5 192
	Work-related expenses		5 520	5 520	5 520	5 520
	Other					
		Total	10 712	13 269	18 460	10 712
3	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4	**Central government taxable income (1 - 2 + 3)**		29 010	46 017	80 546	29 010
5	**Central government income tax liability (exclusive of tax credits)**		9 433	17 086	34 330	9 433
6	**Tax credits**					
	Basic credit		0	0	0	0
	Married or head of family		2 540	2 540	2 540	3 003
	Children		0	0	0	1 652
	Other					
		Total	2 540	2 540	2 540	4 654
7	**Central government income tax finally paid (5-6)**		5 173	10 916	23 856	3 586
8	**State and local taxes**		2 118	4 469	9 768	1 468
9	**Employees' compulsory social security contributions**					
	Gross earnings		5 192	7 749	12 940	5 192
	Taxable income		227	547	731	227
		Total	5 419	8 296	13 671	5 419
10	**Total payments to general government (7 + 8 + 9)**		12 709	23 681	47 295	10 473
11	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	6 257
		Total	0	0	0	6 257
12	**Take-home pay (1-10+11)**		27 012	35 604	51 712	35 505
13	**Employer's compulsory social security contributions**		10 376	16 035	26 779	10 376
14	**Average rates**					
	Income tax		18.4%	26.0%	34.0%	12.7%
	Employees' social security contributions		13.6%	14.0%	13.8%	13.6%
	Total payments less cash transfers		32.0%	39.9%	47.8%	10.6%
	Total tax wedge including employer's social security contributions		46.1%	52.7%	58.9%	29.1%
15	**Marginal rates**					
	Total payments less cash transfers: Principal earner		55.6%	55.6%	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%	65.0%	67.8%	68.5%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Belgium 2023

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**		59 285	99 006	118 571	99 006
2	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		7 749	12 940	15 497	12 940
	Work-related expenses		5 520	11 040	11 040	11 040
	Other					
		Total	13 269	23 980	26 537	23 980
3	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4	**Central government taxable income (1 - 2 + 3)**		46 017	75 026	92 033	75 026
5	**Central government income tax liability (exclusive of tax credits)**		14 576	26 519	34 172	26 519
6	**Tax credits**					
	Basic credit		0	0	0	0
	Married or head of family		5 080	5 080	5 080	5 080
	Children		1 402	1 402	1 402	0
	Other					
		Total	6 482	6 482	6 482	5 080
7	**Central government income tax finally paid (5-6)**		6 074	15 036	20 779	16 088
8	**State and local taxes**		2 487	6 156	8 508	6 587
9	**Employees' compulsory social security contributions**					
	Gross earnings		7 749	12 940	15 497	12 940
	Taxable income		448	637	732	637
		Total	8 197	13 577	16 229	13 577
10	**Total payments to general government (7 + 8 + 9)**		16 758	34 770	45 516	36 252
11	**Cash transfers from general government**					
	For head of family					
	For two children		4 710	4 636	4 636	0
		Total	4 710	4 636	4 636	0
12	**Take-home pay (1-10+11)**		47 238	68 873	77 690	62 754
13	**Employer's compulsory social security contributions**		16 035	26 412	32 070	26 412
14	**Average rates**					
	Income tax		14.4%	21.4%	24.7%	22.9%
	Employees' social security contributions		13.8%	13.7%	13.7%	13.7%
	Total payments less cash transfers		20.3%	30.4%	34.5%	36.6%
	Total tax wedge including employer's social security contributions		37.3%	45.1%	48.4%	50.0%
15	**Marginal rates**					
	Total payments less cash transfers: Principal earner		55.6%	55.6%	54.4%	55.6%
	Total payments less cash transfers: Spouse		45.5%	55.6%	54.4%	55.6%
	Total tax wedge: Principal earner		65.0%	65.1%	64.1%	65.1%
	Total tax wedge: Spouse		56.8%	68.5%	64.1%	68.5%

The national currency is the Euro (EUR). In 2023, EUR 0.96 was equal to USD 1. The Secretariat has estimated that in that same year the average worker earned EUR 59 285 (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—15 200	25
15 200—26 830	40
26 830—46 440	45
46 440—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 5 520 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 4 850 per spouse.

Gross earnings less social insurance contributions (EUR)	Rate (%)
Below 7 020	28.70
Between 7 020 and 13 950	10
Between 13 950 and 23 220	5
Above 23 220	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 2 910 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 0.27 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 12 550.

1.1.2.4. Exempt income

The base amount is: 10 160. These amounts vary with regards to the family situation. Additional exemptions for dependent children (a handicapped child counts as two children):

- 1 child: 1 850
- 2 children: 4 760
- 3 children: 10 660
- 4 children: 17 250
- > 4 children: 6 580 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 530 per dependent child.

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

- Other dependants: 1 850
- Handicapped / handicapped spouse: 1 850
- Other handicapped dependants: 1 850
- Widow(er) with dependent child(ren): 1 850
- Single father or mother: 1 850

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—10 680	25
10 680—15 200	30
15 200—25 330	40
25 330—46 440	45
46 440—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 1 010 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 01.01.2023 is as follows:

2023	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 01.10.2023 is as follows:

2023	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 01.01.2023 is as follows:

Gross annual earnings (S) in EUR	Fixed amount	Variable amount
0-25 500.76	0	0.140 (42 343.80–S) + 0.400 (25 500.76-S)
0–42 343.80	0	0.140 (42 343.80–S)
42 343.80 and up	0	0

c) Reduction of individual social security contributions

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

The schedule applicable as from 01.01.2023 is as follows:

Gross annual salary (S) in EUR	Reduction in Euros
0 < S < 24 163.68	2 967.72
24 163.68 < S < 36 991.92	Min (2 967.72, (2 967.72–0.2313 (S–24 163.68))
S > 36 991.92	0

The schedule applicable as from 01.07.2023 is as follows:

Gross annual salary (S) in EUR	Reduction in Euros
0 < S < 24 163.68	3 145.92
24 163.68 < S < 30 859.68	Min (3 145.92, (3 145.92–0.2579 (S–24 163.68))
30 859.68 < S < 36 991.92	Min (2 967.72, (2 967.72–0.2313 (S–24 163.68))
S > 36 991.92	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 2 109.12 (But if the child is born before 1st January 2020, the amount is reduced by EUR 140.64 until 31 December 2025).

Age supplement:

≥ 12 years	140.64
≥ 18 years and an enrolment in higher education	281.28

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 ≤ 37 126.55	562.44	984.24	1 546.68
37 126.55 < S ≤ 53 893.39	0	351.48	1 012.32
S > 53 893.39	0	0	0
Children over the age of 11	1 child	2 children	3 children or more
S ≤ 37 126.55	703.08	1 124.88	1 687.32
37 126.55 < S ≤ 53 893.39	0	351.48	1 012.32
S > 53 893.39	0	0	0

Single parent supplement, per child:

	1 child	2 children	3 children or more
S ≤ 37 126.55	0	140.64	281.16
S > 37 126.55	0	0	0

Annual supplement, per child

< 3 years	3 – 5 years	6 – 11 years	≥ 12 years
23.43	0,00	35.15	58.59
	But if pre-school education:		But if an enrolment in higher education:
	23.43		93.74

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	1 370.43	1 382.15	1 616.87	1 640.31	1 762.95	1 762.95	1 817.43
2nd child	2 515.83	2 527.55	2 995.55	3 018.99	3 266.07	3 266.07	3 460.11
3rd child	3 744.75	3 756.47	4 224.47	4 247.91	4 494.99	4 494.99	4 689.03

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 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). Such repayment plans already existed and are still on demand, but access is made easier and conditions smoother. In principle all companies with covid related financial problems can claim the deferral with respect to 2020 SSC-payments.
- Regarding PIT, no particular measures apply to PIT assessments of employees. However a covid measure provides for a lower rate of the earned income withholding tax (EIWT) for unemployment benefits of temporary unemployed employees. Since the PIT rate schedule itself remains unchanged, the total PIT due is not altered. But lower EIWT paid at source amounts to a partial postponement of payment.
- On top of several cases in which employers must not transmit all collected earned income withholding tax (EIWT) to the Treasury, a new covid measure supporting companies retaining

temporary unemployed employees was introduced. There already existed different types and conditions for such wage subsidies (e.g. with respect to night and shift work or for researchers).

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.

2023 Parameter values

	Ave_earn	59 285	Secretariat estimate		
Work-related expenses	work_rel_max	5 520			
	work_rel_sch	0	0		
		0	0		
		0.3			
Tax credits (exempt income)	single_cr	10 160			
	Married_cr	10 160			
	Supp_cr_base	0			
	supp_cr_thrsh1	0			
One child	child_cr1	1 850			
Two children	child_cr2	4 760			
Single parents	s_parent_cr	1 850			
Maximum Child Credit Payment	child_cr_max	530			
Basic Credit	basic_cr_base	0			
	basic_cr_thrsh1	6 100			
	basic_cr_thrsh2	8 140			
	basic_cr_thrsh3	20 370			
	basic_cr_thrsh4	26 480			
Basic exemption plus any additional exemption schedule		Ex_rate1			
	Ex_sch	0.25	10 680		
		0.30	15 200		
		0.40	25 330		
		0.45	46 440		
		0.50			
Income tax schedule		tax_rate1			
	tax_sch	0.00	0		
		0.25	15 200		
		0.40	26 830		
		0.45	46 440		
		0.50			
	quote_max	12 550			
	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	3 056.82	0
	(annual)	24 163.68	24 163.68	3 056.82	0.2446
		27 511.68	24 163.68	2 967.72	0.2313
		36 991.92	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	0.4000	25 500.76
		25 500.76		0	0.1400	42 343.80
		42 343.80		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	1010.00				
Child benefit (age 7-10) old system	CB_1	1 640.31				
second child (age 7-10) old system	CB_2	2 995.55				
third child (age 7-10) old system	CB_3	4 224.47				
Child benefit (age 6-12) (new sytem)	CB	2 003.63				
Social supplement (children < 12)	Number of children		0	1	2	3
	CS_social	0	0	562.44	984.24	1546.68
		37126.55	0	0	351.48	1012.32
		53893.39	0	0	0	0
		99999999	0	0	0	0
Single parent supplement	CS_Single	0	0	0	140.64	281.16
		37126.55	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				

2023 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.

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 2023

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**		57 756	86 203	143 959	57 756
2	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		543	631	631	543
	Work-related expenses					
	Other					
		Total	543	631	631	543
3	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4	**Central government taxable income (1 - 2 + 3)**		57 214	85 572	143 328	57 214
5	**Central government income tax liability (exclusive of tax credits)**		8 794	14 608	28 461	8 794
6	**Tax credits**					
	Basic credit		2 455	2 455	2 455	2 455
	Married or head of family		0	0	0	2 250
	Other(CPP & EI)		544	619	619	544
		Total	2 999	3 074	3 074	5 249
7	**Central government income tax finally paid (5-6)**		5 795	11 533	25 387	3 545
8	**State and local taxes**		2 434	5 004	13 945	1 279
9	**Employees' compulsory social security contributions**					
	Gross earnings		4 170	4 757	4 757	4 170
	Taxable income (Provincial Health Care Levy)		600	750	750	600
		Total	4 770	5 507	5 507	4 770
10	**Total payments to general government (7 + 8 + 9)**		12 999	22 044	44 839	9 593
11	**Cash transfers from general government**					
	For head of family		0	0	0	0
	For two children		0	0	0	11 907
		Total	0	0	0	11 907
12	**Take-home pay (1-10+11)**		44 757	64 159	99 120	60 070
13	**Employer's compulsory social security contributions**		6 418	7 951	9 384	6 418
14	**Average rates**					
	Income tax		14.2%	19.2%	27.3%	8.4%
	Employees' social security contributions		8.3%	6.4%	3.8%	8.3%
	Total payments less cash transfers		22.5%	25.6%	31.1%	-4.0%
	Total tax wedge including employer's social security contributions		30.3%	31.9%	35.4%	6.4%
15	**Marginal rates**					
	Total payments less cash transfers: Principal earner		35.6%	29.7%	43.4%	77.0%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		42.2%	31.9%	44.5%	79.4%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Canada 2023

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**	86 203	143 959	172 406	143 959
2	**Standard tax allowances**				
	Basic allowance				
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes	631	1 174	1 262	1 174
	Work-related expenses				
	Other				
	Total	631	1 174	1 262	1 174
3	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4	**Central government taxable income (1 - 2 + 3)**	85 572	142 786	171 144	142 786
5	**Central government income tax liability (exclusive of tax credits)**	14 608	23 402	29 215	23 402
6	**Tax credits**				
	Basic credit	2 455	4 910	4 910	4 910
	Married or head of family	2 250	0	0	0
	Other(CPP & EI)	619	1 163	1 238	1 163
	Total	5 324	6 073	6 148	6 073
7	**Central government income tax finally paid (5-6)**	9 283	17 328	23 067	17 328
8	**State and local taxes**	4 495	7 438	10 008	7 438
9	**Employees' compulsory social security contributions**				
	Gross earnings	4 757	8 927	9 514	8 927
	Taxable income (Provincial Health Care Levy)	750	1 350	1 500	1 350
	Total	5 507	10 277	11 014	10 277
10	**Total payments to general government (7 + 8 + 9)**	19 285	35 043	44 088	35 043
11	**Cash transfers from general government**				
	For head of family	0	0	0	0
	For two children	7 000	3 739	2 122	0
	Total	7 000	3 739	2 122	0
12	**Take-home pay (1-10+11)**	73 917	112 655	130 440	108 916
13	**Employer's compulsory social security contributions**	7 951	14 368	15 902	14 368
14	**Average rates**				
	Income tax	16.0%	17.2%	19.2%	17.2%
	Employees' social security contributions	6.4%	7.1%	6.4%	7.1%
	Total payments less cash transfers	14.3%	21.7%	24.3%	24.3%
	Total tax wedge including employer's social security contributions	21.5%	28.8%	30.7%	31.2%
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%	41.3%	35.4%	35.6%
	Total tax wedge: Principal earner	37.4%	37.4%	37.4%	31.9%
	Total tax wedge: Spouse	39.6%	47.3%	37.4%	42.2%

The national currency is the Canadian dollar (CAD). In 2023, CAD 1.31 was equal to USD 1. In that year, the average worker earned CAD 86 203 (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 were implemented over the 2020 to 2023 period through annual increases in excess of inflation. The new, increased portion of the BPA is subject to an income test beginning at a level of individual net income equivalent to the fourth federal tax bracket threshold (CAD 165 430 in 2023) and is fully phased out by the fifth federal bracket threshold (CAD 235 675 in 2023). Individuals with net income at or exceeding the fifth bracket threshold continue to receive the BPA, but do not benefit from the supplemental increase. With this reform now fully phased in, the maximum value of the credit (no reductions) in 2023 is CAD 2 250, which is calculated by applying the lowest personal income tax rate (15% in 2023) to the sum of the original BPA (CAD 13 520 in 2023) and the full value of the increase (CAD 1 480 in 2023).
- 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 is subject to the same income-test as the BPA and continues 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 2 250 in 2023.
- Social security contributions: Since 2019, taxpayers are 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 631.00 in 2023) (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 3 123.45 for the CPP and CAD 3 407.40 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 1 002.45 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 1 230.59.
- 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 1 518 for single individuals without dependents and CAD 2 616 for families (couples and single parents). The credit is reduced by 15% of net family income in excess of CAD 24 975 for single individuals and CAD 28 494 for families. This is the default national

design; provinces may choose to propose jurisdiction-specific changes to this design, subject to certain principles. In 2023, the secondary earner exemption allows the spouse or common-law partner with the lower working income to exclude up to CAD 15 239 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 205.20 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 2 635.
- 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 235 675, who may claim a 33% tax credit on the portion of total annual donations over CAD 200 made from taxable income greater than CAD 235 675. 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 3 515). Employee contributions to a defined contribution registered pension plan are limited to 18% of earned income up to a maximum of CAD 31 637.
- 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 30 780 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 30 780, 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—53 359	15
53 359—106 717	20.5
106 717—165 430	26
165 430—235 675	29
235 675 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—49 231	5.05
49 231 —98 463	9.15
98 463—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 5 315	20% of the excess amount
Amounts Exceeding CAD 6 802	36% of the excess amount

Wastable tax credits

- A basic tax credit of CAD 599.18.
- A maximum credit of CAD 508.79 for a dependant spouse or eligible dependant that is withdrawn as the income of the spouse or eligible dependant exceeds CAD 1 007 and is completely withdrawn when the income of the spouse is at least CAD 11 082.
- 5.05% of contributions made to the Canada Pension Plan and of Employment Insurance premiums.
- A maximum credit[2] of the lower of CAD 875 or 5.05% of earned income per filer with earned income that is reduced by 5% of the greater of:
    - Adjusted individual net income over CAD 32 500
    - Adjusted family net income over CAD 65 000.

Tax Reduction

An earner is entitled to claim a tax reduction where the initial entitlement is equal to CAD 274 plus CAD 506 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 2023, 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, 0.75% for 2022, and 1.00% for 2023) 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 631.00 for a total maximum contribution of CAD 3 754.45 (CAD 4 038.40 in Quebec). Employee contributions with respect to the base portion of the CPP at a rate of 4.95% of income (5.40% for the QPP) will continue to be claimed as a wastable tax credit at the rate of 15% (to a maximum contribution of CAD 3 123.45 and CAD 3 407.40 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 3 123.45 is reached at an earnings level of CAD 66 600 (i.e. (CAD 66 600 - CAD 3 500) x 4.95% = CAD 3 123.45). 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 11.9% and 12.8% 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 3 754.45 (CAD 4038.40 in Quebec).

2.1.2. Sickness

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

In the case of Ontario, the premium is determined based on taxable income. Individuals who earn up to CAD 20 000 are exempt. The premium is phased-in with a number of different rates to a maximum of CAD 900 for taxable income levels greater than CAD 200 600. The following table provides further details on the structure that is applicable in 2023.

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 2023, employees outside Quebec are required to contribute at the rate of 1.63% of insurable earnings. Insurable earnings are earnings (wages and salaries) up to a maximum of CAD 61 500 per year. The maximum employee contribution is therefore CAD 1 002.45 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 1.27%; 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 2023 are CAD 91 000. For a Quebec resident, the maximum employee contribution (EI plus Quebec Parental Insurance Plan) is CAD 1 230.59.

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 5.95% of earnings (less the CAD 3 500 earnings exemption) to a maximum of CAD 3 754.45. For the QPP, the contribution rate is 6.40% of earnings, to a maximum of CAD 4 038.40.[3]

2.2.2. Sickness

There is no national sickness benefit plan administered by the federal government. However, all provinces have provincially administered health care insurance plans. Three provinces levy a special tax on employer payrolls to finance health services (Québec and Ontario) or health services and education (Manitoba). These payroll taxes are deductible from the employer's income subject to tax. In the case of the province of Ontario, employers pay an Employer Health Tax on the value of their payroll, tax rates varying from 0.98% on Ontario payroll less than CAD 200 000, up to 1.95% for payroll that exceeds CAD 400 000. Certain employers are eligible for a higher exemption of CAD 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, 2.28% 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, 1.29% of the wages paid to each employee to a maximum of CAD 110 000.

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 2023 to June 2024 benefit year is based on 2022 adjusted family net income. The CCB provides a maximum benefit of CAD 7 772 per child under age six and CAD 6 558 per child for those aged six through seventeen. On the portion of adjusted family net income between CAD 36 432 and CAD 78 936, 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 78 936, 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 78 936. The Goods and Services Tax Credit provides a relief of CAD 340 for each adult 19 years of age or older and CAD 179 for each dependent child under the age of 19. Single tax filers without children and with an employment income higher than CAD 11 018 receive an additional CAD 179 that is phased in at a rate of 2%. Single tax filers with children receive an additional CAD 179 that is not subject to phase-in. The credit received for the first dependent child of a single parent is also increased from CAD 179 to CAD 340. The total amount is reduced at a rate of 5% of net family income over CAD 44 240. Note that there was a special 50% top-up paid to GST/HST credit recipients in January 2023. See section for 4.1 for details. The amount is paid directly to families.[4]

3.2.2. Provincial

For each child under eighteen, qualifying families can receive up to CAD 1 680 from the Ontario Child Benefit. The benefit is withdrawn at a rate of 8% of family income that exceeds CAD 25 736465.

Ontario has a Sales Tax Credit that provides a relief of up to CAD 360 for each adult and each child. It is reduced by 4% of adjusted family net income over CAD 27 729 for single people and over CAD 34 661 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 to improve the affordability facing the high inflation in 2023[5]: Temporary increase in GST/HST credit

To further support Canadians with the rising cost of living, a special lump sum amount equal to double the quarterly GST/HST credit, named the Grocery Rebate, was provided to individuals who received the benefit in January 2023. The reduction rate for this amount was increased to 10% such that the overall annual reduction rate is 7.5%.

4.2. Identification of an Average Worker

The earnings data refer to full-time full-year production workers in the industries C to K (in ISIC Rev. 3.1).[6]

4.3. Employer contributions to private health and pension schemes

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

2023 Parameter values

Average earnings/yr	Ave_earn	86 203	Secretariat estimate
Tax credits BPA - original	BPA_org	13 520	
Tax credits BPA - increased	BPA_ins	1 480	
First threshold	BPA_ins_thrsh1	165 430	
Second threshold	BPA_ins_thrsh2	235 675	
Reduction rate	BPA_ins_redn	0.0211	
withdrawal rate	Sp_crd_wth	0.15	
Threshold	Sp_crd_thrsh	0	
Canada Employment Tax Credit	Empl_crd	205.20	
Canada Child Benefit amount per child under 6	ccb_credit1	7 772	
Canada Child Benefit amount per child aged 6-17	ccb_credit2	6 558	
First threshold	ccb_crd_thrsh1	36 432	
Second threshold	ccb_crd_thrsh2	78 936	
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	1 518	
CWB–Addl. Maximum Credit (Fam.)	CWB_max_fam	1 098	
CWB–Reduction Rate	CWB_phzout_rt	0.15	
CWB–Threshold	CWB_phzout_thrsh	24 975	
CWB–Addl. Threshold (Fam.)	CWB_phzn_thrsh_fam	3 519	
CWB-Secondary Earner Exemption	CWB_see	15 239	
Federal tax schedule	Fed_sch	0.15	53 359
		0.205	106 717
		0.26	165 430
		0.29	235 675
		0.33	
Canada pension plan rate (creditable)	CPP_rate	0.0495	
Canada pension plan rate – enhanced (deductible)	CPP_ratededuc	0.0100	
exemption	CPP_ex	3 500	
Upper bound	CPP_up	66 600	
max contrib.(creditable portion)	CPP_max	3 123.45	
Unemployment ins.rate	Unemp_rate	0.0163	
max contrib.	Unemp_max	1002.45	
Social security tax credit rate	ssc_crd_rate	0.15	
employer contrib. mult.	Unemp_emplr	1.4	
GST adult credit	GST_crd_ad	340	
child credit	GST_crd_ch	179	
threshold	GST_crd_thrsh	44 240	
reduction rate	GST_crd_redn	0.075	
single supplement	GST_crd_sgsp	179	
single supplement eligibility threshold	GST_sgsp_thrsh	11 018	
single supplement phase-in rate	GST_sgsp_rate	0.02	
Province: Ontario			
Tax Credits	P_basic_crd	599.18	
Spouse	P_spouse_crd	508.79	

withdrawal rate	P_sp_crd_wd	0.0505		
threshold	P_sp_crd_thr	1007		
Social security tax credit rate	P_ssc_tc_rt	0.0505		
Surtax rate 1	P_sur_rt1	0.20		
threshold	P_sur_thr1	5 315		
rate 2	P_sur_rt2	0.36		
threshold	P_sur_thr2	6 802		
Tax reduction	P_tax_red	274		
amount per dependent	P_tr_chld	506		
Low-income Individuals and Families Tax Credit (LIFT)				
amount	P_LIFT_crd	875		
threshold for singles	P_LIFT_sg_thr	32500		
threshold for couples	P_LIFT_cp_thr	65000		
phase-in rate	P_LIFT_phzn_rt	0.0505		
phase-out rate	P_LIFT_phzout_rt	0.05		
Provincial tax schedule	Prov_sch	0.0505	49 231	
		0.0915	98 463	
		0.1116	150 000	
		0.1216	220 000	
		0.1316		
Ontario Child Benefit				
amount per child	P_ch_amt	1 680		
threshold	P_ch_thresh	25 646		
reduction rate	P_ch_redn_rate	0.08		
Sales tax credits				
sales tax credit adult	P_sales_cred	360		
sales tax credit child	P_salcr_chd	360		
threshold	P_ps_thresh	27 729		
threshold seniors/families	P_ps_thr_sen	34 661		
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	0.0129		
Employer Workers Compensation Levy Ceiling	emp_workcomp_ceil	110 000		

2023 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 – Total with affordability measure	GST_cr afordability	P	Taper(1.5*(GST_crd_ad+(Married=1)*(GST_crd_ad+Children*GST_crd_ch)+(Married=0)*(Children>0)*(GST_crd_ad+GST_crd_sgsp+Positive(Children-1)*GST_crd_ch)+(Married=0)*(Children=0) *Positive(MIN(GST_crd_sgsp, (net_inc_total-GST_sgsp_thrsh)*GST_sgsp_rate))), net_inc_total, GST_crd_thrsh, GST_crd_redn)
	GST Credit - Adult	GST_cr_adult	P	Taper((GST_crd_ad+(Married=1)*(GST_crd_ad)+(Married=0)*Positive(MIN(GST_crd_sgsp, (net_inc_total-GST_sgsp_thrsh) *GST_sgsp_rate))), net_inc_total, GST_crd_thrsh, GST_crd_redn)
	GST Credit - Adult with affordability measure	GST_cr_adult afordability	P	Taper(1.5*(GST_crd_ad+(Married=1)*(GST_crd_ad)+(Married=0)*Positive(MIN(GST_crd_sgsp, (net_inc_total-GST_sgsp_thrsh) *GST_sgsp_rate))), net_inc_total, GST_crd_thrsh, GST_crd_redn)
	GST Credit - Child	GST_cr_child	P	GST_cr-GST_cr_adult
	GST Credit - Child with affordability measure	GST_cr_child afordability	P	GST_cr affordability - GST_cr_adult afordability
	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	SSC_empr	B	CPP_empr+Unemp_empr+Health_empr+Comp_empr

security

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 2023 tax year and shown in the 2023 model are payable between July 2024 and June 2025. The amounts shown in this Report assume indexation of 6.3% for the 2023 tax year (and 2024-25 benefit year); the actual indexation parameter will be announced in December 2023.

[5] Notwithstanding note 4, the affordability-related temporary increase to the GST/HST credit is captured in the Canada 2023 Taxing Wages model even though the income eligibility for this benefit is actually based on 2021 income tax and benefit returns. Since the eligible individuals receive an amount equivalent to double the quarterly GST/HST credit amount they received for January 2023, as a simplification, the credit amount for 2023 is multiplied by a factor of 1.5 in the equations.

[6] The average wage is provided by Statistics Canada based on Survey of Labour & Income Dynamics and Canadian Income Survey.

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 2023

The tax/benefit position of single persons

		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1	**Gross wage earnings**		8 865 798	13 232 535	22 098 333	8 865 798
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		620 606	926 277	1 546 883	620 606
	Work-related expenses					
	Other		1 041 731	1 554 823	2 596 554	1 041 731
		Total	1 662 337	2 481 100	4 143 438	1 662 337
3	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4	**Central government taxable income (1 - 2 + 3)**		7 203 461	10 751 435	17 954 896	7 203 461
5	**Central government income tax liability (exclusive of tax credits)**		0	19 705	307 843	0
6	**Tax credits**					
	Basic credit					
	Married or head of family					
	Children		0	0	0	326 274
	Other					
		Total	0	0	0	326 274
7	**Central government income tax finally paid (5-6)**		0	19 705	307 843	0
8	**State and local taxes**		0	0	0	0
9	**Employees' compulsory social security contributions**					
	Gross earnings		620 606	926 277	1 546 883	620 606
	Taxable income					
		Total	620 606	926 277	1 546 883	620 606
10	**Total payments to general government (7 + 8 + 9)**		620 606	945 982	1 854 727	620 606
11	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	424 088
		Total	0	0	0	424 088
12	**Take-home pay (1-10+11)**		8 245 193	12 286 553	20 243 607	8 669 281
13	**Employer's compulsory social security contributions**		0	0	0	0
14	**Average rates**					
	Income tax		0.0%	0.1%	1.4%	0.0%
	Employees' social security contributions		7.0%	7.0%	7.0%	7.0%
	Total payments less cash transfers		7.0%	7.1%	8.4%	2.2%
	Total tax wedge including employer's social security contributions		7.0%	7.1%	8.4%	2.2%
15	**Marginal rates**					
	Total payments less cash transfers: Principal earner		7.0%	10.3%	10.3%	7.0%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		7.0%	10.3%	10.3%	7.0%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Chile 2023

The tax/benefit position of married couples

		Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
		Number of children	2	2	2	none
1	**Gross wage earnings**		13 232 535	22 098 333	26 465 070	22 098 333
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		926 277	1 546 883	1 852 555	1 546 883
	Work-related expenses					
	Other		1 554 823	2 596 554	3 109 646	2 596 554
		Total	2 481 100	4 143 438	4 962 201	4 143 438
3	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4	**Central government taxable income (1 - 2 + 3)**		10 751 435	17 954 896	21 502 869	17 954 896
5	**Central government income tax liability (exclusive of tax credits)**		19 705	19 705	39 410	19 705
6	**Tax credits**					
	Basic credit					
	Married or head of family					
	Children		326 274	326 274	326 274	0
	Other					
		Total	326 274	326 274	326 274	0
7	**Central government income tax finally paid (5-6)**		0	0	0	19 705
8	**State and local taxes**		0	0	0	0
9	**Employees' compulsory social security contributions**					
	Gross earnings		926 277	1 546 883	1 852 555	1 546 883
	Taxable income					
		Total	926 277	1 546 883	1 852 555	1 546 883
10	**Total payments to general government (7 + 8 + 9)**		926 277	1 546 883	1 852 555	1 566 588
11	**Cash transfers from general government**					
	For head of family					
	For two children		178 356	424 088	118 904	0
		Total	178 356	424 088	118 904	0
12	**Take-home pay (1-10+11)**		12 484 614	20 975 538	24 731 419	20 531 745
13	**Employer's compulsory social security contributions**		0	0	0	0
14	**Average rates**					
	Income tax		0.0%	0.0%	0.0%	0.1%
	Employees' social security contributions		7.0%	7.0%	7.0%	7.0%
	Total payments less cash transfers		5.7%	5.1%	6.6%	7.1%
	Total tax wedge including employer's social security contributions		5.7%	5.1%	6.6%	7.1%
15	**Marginal rates**					
	Total payments less cash transfers: Principal earner		7.0%	7.0%	7.0%	10.3%
	Total payments less cash transfers: Spouse		4.2%	7.0%	7.0%	7.0%
	Total tax wedge: Principal earner		7.0%	7.0%	7.0%	10.3%
	Total tax wedge: Spouse		4.2%	7.0%	7.0%	7.0%

Chile's national currency is the peso (CLP). For 2023, the average exchange rate was CLP 806.57 to USD 1[1]. That same year, the average worker in Chile earned CLP 13 232 535 (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 16, 2023, the following are the provisional[3] yearly currency values applied to these units:

Major revenue items	Unit	CLP	USD
Social security contributions	Unidad de Fomento[1] (UF)	36 192,69	44.87
Monthly tax thresholds	Unidad Tributaria Mensual[1] (UTM)	63 326	78.51
Annual tax thresholds	Unidad Tributaria Anual[1] (UTA)	759 912	942.15

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 29 364 643 (UF 792), are entitled to a tax credit of CLP 163 137 (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 22 245 942 (UF 600).
- Mortgage Interest: Taxpayers whose annual income falls below CLP 68 392 080 (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 113 986 800 (UTA 150). This relief cannot be granted along-side the DFL2 Housing Mortgage Loan Payments benefit and cannot exceed CLP 6 079 296 (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 – 10 258	EXEMPT
13.5 - 30	10 258 – 22 797	4.0%
30 - 50	22 797 – 37 996	8.0%
50 - 70	37 996 – 53 194	13.5%
70 - 90	53 194 – 68 392	23.0%
90 - 120	68 392 – 91 189	30.4%
120 - 310	91 189 – 235 573	35.0%
310 and over	235 573 -	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 – 10 258	exempt
13.5–30	10 258 – 22 797	4%
30–50	22 797 – 37 996	8%
50–70	37 996 – 53 194	13.5%
70–90	53 194 – 68 392	23%
90–120	68 392 – 91 189	30.4%
120 – 150	91 189 – 113 987	35%
150 and over	113 987 -	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 35 439 882 (UF 979.2). They are free to choose whether to pay into a government-managed plan or alternatively to a private insurer[4] (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 35 439 882 (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.[5] The monthly unemployment insurance premium is 0.6% of the employee's gross income, with an upper earnings limit of CLP 53 246 691 (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 35 439 882 (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 4 437 224 (UF 122.6 monthly) to finance unemployment insurance. These funds are managed privately.

- Employers are required to pay a disability insurance of 1.58% (estimated average for 2023) of the employees' gross income, with an upper earnings limit of CLP 35 322 339 (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 35 439 882 (UF 979.2) to the pension fund account.
- Employers must purchase an individual Covid-19 insurance for private-sector employees working on-site. The price defined in the model amounts up to CLP 5 300[6].

3. Universal cash transfers

Since 2020, a minimum wage bonus has been stablished to ensure an income floor for every employee working under a Labour Code regulated contract, with a standard weekly schedule between 30 and 45 hours of work and a gross wage under a specific threshold. In addition, the beneficiary must rank within the 90th percentile of the Social Household Registry[7] (in Spanish, Registro Social de Hogares).

For 2023, the Minimum Guaranteed Income required a gross wage under CLP 497 272 ensuring a net income of not less than CLP 379 793.

Another important social benefit corresponds to the "Family Allowance" which consists in a monthly payment available to any retirement pensioner or employees paying social security contributions. The specific amount will be directly determined by the income of the beneficiary and the number of dependent family members within the household.

The following table contains an annual estimation of the different payments by dependant house member and the corresponding income bracket of the beneficiary, applicable in 2023.

2023 Transfer by Dependant	
Annual Income Range (CLP)	Annual Payment (CLP)
0-5 158 788	229 963
5 158 788-7 534 956	141 108
7 534 956-11 751 960	44 592
11 751 960-11 751 972	0

As a definition, for every cash transfer that can only be paid to one of the spouses per household and, where both individuals are working, the modelling assumes that the benefit is assigned to the member with the lower earnings.

Formerly known as "March Bonus", the Permanent Family Contribution is an additional payment received by low-income families already participating in other social programs, among them, the Family Allowance. For this segment of beneficiaries, the Permanent Family Contribution consist of a yearly payment for each dependent household member equivalent to CLP 59 452.

In this latest version of the report, an additional universal cash transfer is modelled. The Electronic Family Wallet consists of a fixed monthly payment of CLP 13 500 per dependent household member. Similarly to the Permanent Family Contribution, the Electronic Wallet is automatically available to any individual receiving the family allowance

3.1. Marital status-related transfers

As described in the previous section, the "Family Allowance" is a social benefit paid in accordance with the income and the dependant family members of the beneficiary of each household. This definition for dependant family member can include spouses when their income is below 50% of the minimum legal wage (for 2023, this threshold is estimated to be around CLP 2 580 000 yearly).

3.2. Transfers related to dependent children

For children, the criteria that defines a dependent household member is somewhat broader than for spouses. The following cases can be identified as the most common:

- 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 regular students in an elementary, secondary, technical, specialised or higher education establishment
- Minors under the care of an individual as a result of an official court order

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 since the 2022 version of the 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[8], covering workers in industry sectors B to R[9].
- 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.

2023 Parameter values

	Year	2023	
Average earnings/yr	Ave_earn	13.232.535	Country estimate, based on information of wages up to October 2023
Allowances	Basic_al	0	
Income tax	Tax_sch	0,0%	10.258.812,00
		4,0%	22.797.360,00
		8,0%	37.995.600,00
		13,5%	53.193.840,00
		23,0%	68.392.080,00
		30,4%	91.189.440,00
		35,0%	235.572.720,00
		40,0%	
Education tax credit	edu_tax_cre	163.137	
	edu_tax_cre_lim	29.364.643	
Employees SSC			
Upper threshold	SSC_sch	7,00%	35.439.882
		0	
Minimum Guaranteed Income	CTR_mgi_p_low	21,68%	
	CTR_mgi_income_thld	364.218	
	CTR_mgi_max_pay	78.955	
	CTR_mgi_p_calc	58,14%	
	CTR_mgi_max_income	500.000	
Permanent Family Contribution	CTR_permanent	59.452	
Family Allowance			
Child element	CTR_child[10]	-	337.936
		5.158.788	249.108
		7.534.956	152.592
		11.751.960	-
Non-tax compulsory			
payments			
	DummyNTC	0	
pensions	NTC_pens	11,15%	35.439.882
		0,00%	
	NTC_pens_er	1,58%	35.439.882
		0,00%	
unemployment	NTC_un	0,60%	53.246.691
		0,00%	
	NTC_un_er	2,40%	53.246.691
		0,00%	

Work Accidents & SANNA	NTC_mutual_er	0,93%	35.439.882
		0,00%	
Minimum Gross Wage	min_gwage	5.160.000	

2023 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	J	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	VLOOKUP(earn_spouse,CTR_child)*(children+married*IF(earn_principal<=(min_gwage/2);1;0)
12.	Permanent Family Contribution	cash_trans	P/S	CTR_permanent*(children+married*IF(earn_principal<=(min_gwage/2);1;0)
13.	Minimum Guaranteed Income	cash_trans	B	IF(AND(earn_principal>0;earn_principal<CTR_mgi_income_thld),MAX(5000,CTR_mgi_p_low*earn_principal))+IF(AND(earn_principal>=CTR_mgi_income_thld,principal_earn<=CTR_mgi_max_income), MAX(5000,Positive()CTR_mgi_max_pay-CTR_mgi_p_calc*(earn_principal-CTR_mgi_income_thld)))
14.	Employer's soc security	SSC_empr	B	DummyNTCP*(Tax(principal;NTC_un_er)+Tax(principal;NTC_pens_er)+Tax(principal;NTC_mutual_er))+COUNTIF(principal;">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 Value up to 16 June 2023

2 Estimated using information of monthly earnings and working hours available up to March 2023.

3 As for the UTM and the UTA, the values correspond directly to the actual figure for both units as of July. For the UF, an estimate of the average annual value is used. This figure is obtained by assuming a monthly growth from July to December equivalent to its effective average monthly growth between February and June 2023.

4 Enrolment in the private health system by December 2021 amounted to 13.95% of all main contributors (17,94% of the beneficiaries).

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

[6] SSC indicators reported by Previred for 2023.

[7] The Social Household Registry is a national information system designed to support the selection process of beneficiaries for a wide base of social programs and cash transfers. This ranking is constructed from data available within government and additional input provided by individuals.

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

[9] O (8422) “Defense Activities” and O (8423) “Public order and safety activities” are not included.

[10] The determined cash transfer for each income bracket contains a base amount of CLP 108 000 for the Electronic Family Wallet.

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 2023

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**		15 725 056	23 470 233	39 195 289	15 725 056
2	**Standard tax allowances**					
	Basic allowance		3 616 763	5 398 154	9 014 916	3 616 763
	Married or head of family					
	Dependent children		0	0	0	6 107 328
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other		1 258 004	1 877 619	3 135 623	1 258 004
		Total	4 874 767	7 275 772	12 150 540	10 982 095
3	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4	**Central government taxable income (1 - 2 + 3)**		10 850 289	16 194 461	27 044 749	4 742 961
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	1 146 266
		Total	0	0	0	1 146 266
12	**Take-home pay (1-10+11)**		15 725 056	23 470 233	39 195 289	16 871 322
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%	-7.3%
	Total tax wedge including employer's social security contributions		0.0%	0.0%	0.0%	-7.3%
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 2023

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**		23 470 233	39 195 289	46 940 466	39 195 289
2	**Standard tax allowances**					
	Basic allowance		5 398 154	9 014 916	10 796 307	9 014 916
	Married or head of family					
	Dependent children		6 107 328	6 107 328	6 107 328	0
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other		1 877 619	3 135 623	3 755 237	3 135 623
		Total	13 383 100	18 257 868	20 658 872	12 150 540
3	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4	**Central government taxable income (1 - 2 + 3)**		10 087 133	20 937 421	26 281 594	27 044 749
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		1 146 266	2 292 531	2 292 531	0
		Total	1 146 266	2 292 531	2 292 531	0
12	**Take-home pay (1-10+11)**		24 616 499	41 487 820	49 232 997	39 195 289
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		-4.9%	-5.8%	-4.9%	0.0%
	Total tax wedge including employer's social security contributions		-4.9%	-5.8%	-4.9%	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		-7.3%	0.0%	0.0%	0.0%
	Total tax wedge: Principal earner		0.0%	0.0%	0.0%	0.0%
	Total tax wedge: Spouse		-7.3%	0.0%	0.0%	0.0%

Colombia's national currency is the peso (COP). For 2023, the average exchange rate was COP 4328.30 to USD 1. That same year, the average worker in Colombia earned COP 23 470 233 (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 consider the inflation rate. At December 31 of 2023, the following currency values applied to these units are:

Major revenue items	Unit	COP	USD
Social security contributions	Salario mínimo legal mensual vigente (SMLMV)	1 160 000	249.98
Annual tax thresholds	Unidad de Valor Tributario (UVT)	42 412	9.14

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 an annual maximum exemption of 790 UVT (COP 33 505 480). Law 2277 of 2022 (tax reform) reduced this limit, from a monthly maximum exemption of 240 UVT to an annual one of 790 UVT. 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 16 286 208), which does not depend on the number of dependents.
- A new annual dependent deduction of 72 UVT (COP 3 053 664) with a maximum of four dependents. This deduction is not limited to 40% of the taxable income and it can be used at the same time with the current dependent deduction, but not on the same dependent.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 161 166 000). 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 50 894 000).
  - 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 8 143 000).

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 56 832 080 (1 340 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, as well as from dividends basket since 2023, following the adjustment introduced by Law 2277 of 2022 with respect to dividends 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	46 229 000	0%	0	0
> 1 090	1 700	46 229 000	72 100 000	19%	0	0
> 1 700	4 100	72 100 000	173 889000	28%	116	4 920 000
> 4 100	8 670	173 889000	367 712 000	33%	788	33 421 000
> 8 670	18 970	367 712 000	804 556000	35%	2 296	97 378 000
> 18 970	31 000	804 556000	1 314 772000	37%	5 901	250 273 000
> 31 000	and over	1 314 772 000	and over	39%	10 352	439 049 000

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 1 160 000 and COP 29 000 000) 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 4 640 000). 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 4 640 000 (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 6 960 000 (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 2023 was COP 573 133 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 (considering a person who works 40 hours or more in her/his main job in a week).

2023 Parameter values

Average earnings/yr	Ave_earn	23 470 233		
Allowances	Basic_al	0		
	Depend_child	16 286 208		
	Exempt_labor_income_limit	33 505 480		
	Upper_limit_Ex_and_ded	56 832 080		
	Dependent_child_new	0	0	
		1	3 053 664	
		2	6 107 328	
		3	9 160 992	
		4	12 214 656	
Income tax	Tax_sch	0	46 229 000	
		0.19	72 100 000	
		0.28	173 889 000	4 920 000
		0.33	367 712 000	33 421 000
		0.35	804 556 000	97 378 000
		0.37	1 314 772 000	250 273 000
		0.39	And more	439 049 000
Family allowance				
Child element	CTR_child	573 133		
	CTR_child_limit1	55 680 000		
	CTR_child_limit2	83 520 000		
Non-tax compulsory payments				
Health-pensions Employee	NTC_hlth_pens	0.08	348 000 000	
		0.00		
	Low_limit_Income_NTC_hlth_pens	13 920 000		
	NTC_solid_fund	0.00	55 680 000	
		0.01	222 719 999	
		0.012	236 640 000	
		0.014	250 560 000	
		0.016	264 480 000	
		0.018	278 400 000	
		0.02		
	Upper_limit_Income_NTC_solid_fund	348 000 000		

2023 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 does not 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))
New Dependent Children	Dependent_child_new	P/S	IF(earn_princ>=earn_spouse;VLOOKUP(Children;Dependent_child_new;2);0)
Final Dependent Children	final_dependent_children	P/S	SI(Children>=2;SI(MAX((tax_allow+((Dependent_child_new/Children)*(Children-1)));tax_allow_new_depch)=(tax_allow+((Dependent_child_new/Children)*(Children-1)));(dependent children+((Dependent_child_new/Children)*(Children-1)));Dependent_child_new);SI(Children>=0;SI((MAX(tax_allow;tax_allow_new_depch)=tax_allow);dependent children;Dependent_child_new);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))
Exempt Labor Income without current dependent children	exempt labor income_without_current_depch	B	IF((SIMPLE(Positive(earn_princ-non taxable income ntcp))*0,25)>Exempt_labor_income_limit;Exempt_labor_income_limit;(SIMPLE(Positive(earn_princ-non taxable income ntcp))*0,25))
Final Exempt Labor Income	final_exempt_labor_income	B	SI(Children>=2;SI(MAX((tax_allow+((Dependent_child_new/Children)*(Children-1)));tax_allow_new_depch)=(tax_allow+((Dependent_child_new/Children)*(Children-1)));exempt labor income;exempt labor income_without_current_depch);SI(Children>=0;SI((MAX(tax_allow;tax_allow_new_depch)=tax_allow);exempt labor income;exempt labor income_without_current_depch);0))
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)))
Allowed Allowances with new dependent children	tax_allow_new_depch	B	IF((40%*(earn_princ-non taxable income ntcp))>=Upper_limit_Ex_and_ded; IF(exempt labor income_without_current_depch>=Upper_limit_Ex_and_ded;Upper_limit_Ex_and_ded; exempt labor income_without_current_depch); IF(exempt labor income_without_current_depch>(40%*(earn_princ-non taxable income ntcp));40%*(earn_princ-non taxable income ntcp);exempt labor income_without_current_depch))+Dependent_child_new

Final Allowed Allowances	final_tax_allow	B	SI(Children>=2;MAX((tax_allow+((Dependent_child_new/Children)*(Children-1)));tax_allow_new_depch);SI(Children>=0;MAX(tax_allow;tax_allow_new_depch);0))
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 to access to this benefit. 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 2023

The tax/benefit position of single persons

			67	100	167	67
		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1	**Gross wage earnings**		6 159 697	9 193 578	15 353 275	6 159 697
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		506 276	755 637	1 261 913	506 276
		Total	506 276	755 637	1 261 913	506 276
3	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4	**Central government taxable income (1 - 2 + 3)**		5 653 421	8 437 941	14 091 362	5 653 421
5	**Central government income tax liability (exclusive of tax credits)**		0	0	279 936	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	279 936	0
8	**State and local taxes**		0	0	0	0
9	**Employees' compulsory social security contributions**					
	Gross earnings		657 240	980 955	1 638 194	657 240
	Taxable income					
		Total	657 240	980 955	1 638 194	657 240
10	**Total payments to general government (7 + 8 + 9)**		657 240	980 955	1 918 131	657 240
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)**		5 502 458	8 212 623	13 435 144	5 502 458
13	**Employer's compulsory social security contributions**		1 550 396	2 314 024	3 864 419	1 550 396
14	**Average rates**					
	Income tax		0.0%	0.0%	1.8%	0.0%
	Employees' social security contributions		10.7%	10.7%	10.7%	10.7%
	Total payments less cash transfers		10.7%	10.7%	12.5%	10.7%
	Total tax wedge including employer's social security contributions		28.6%	28.6%	30.1%	28.6%
15	**Marginal rates**					
	Total payments less cash transfers: Principal earner		10.7%	10.7%	19.8%	10.7%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		28.6%	28.6%	36.0%	28.6%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Costa Rica 2023

The tax/benefit position of married couples

			100-0	100-67	100-100	100-67
		Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
		Number of children	2	2	2	none
1	**Gross wage earnings**		9 193 578	15 353 275	18 387 156	15 353 275
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		755 637	1 261 913	1 511 273	1 261 913
		Total	755 637	1 261 913	1 511 273	1 261 913
3	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4	**Central government taxable income (1 - 2 + 3)**		8 437 941	14 091 362	16 875 883	14 091 362
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		980 955	1 638 194	1 961 910	1 638 194
	Taxable income					
		Total	980 955	1 638 194	1 961 910	1 638 194
10	**Total payments to general government (7 + 8 + 9)**		980 955	1 638 194	1 961 910	1 638 194
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)**		8 212 623	13 715 081	16 425 246	13 715 081
13	**Employer's compulsory social security contributions**		2 314 024	3 864 419	4 628 047	3 864 419
14	**Average rates**					
	Income tax		0.0%	0.0%	0.0%	0.0%
	Employees' social security contributions		10.7%	10.7%	10.7%	10.7%
	Total payments less cash transfers		10.7%	10.7%	10.7%	10.7%
	Total tax wedge including employer's social security contributions		28.6%	28.6%	28.6%	28.6%
15	**Marginal rates**					
	Total payments less cash transfers: Principal earner		10.7%	10.7%	10.7%	10.7%
	Total payments less cash transfers: Spouse		10.7%	10.7%	10.7%	10.7%
	Total tax wedge: Principal earner		28.6%	28.6%	28.6%	28.6%
	Total tax wedge: Spouse		28.6%	28.6%	28.6%	28.6%

The national currency is the Costa Rican colon. In 2023, on average the CRC 601.99 equalled a 1 US dollar. The average worker earned CRC 9.193.578 on an annual basis.

1. Personal income tax system

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

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 labour 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

1.1.2.1. Standard tax allowances and tax credits

- CRC 21.000 for each child in the household.
- CRC 31.800 for the spouse, which can only be claimed by one of the spouses.

Those tax credits are wastable.

1.1.2.2. 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 2023:

From	Up to	Rate
0	CRC 11.292.000	0%
CRC 11.292.000	CRC 16.572.000	10%
CRC 16.572.000	CRC 29.076.000	15%
CRC 29.076.000	CRC 58.140.000	20%
CRC 58.140.000	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)	4.17
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)	5.42
Healthcare and Maternity Insurance (SEM)	9.25
Popular Bank Fee	0.50
Unemployment insurance	2.50
Family allowances	5.00
Complementary pensions	2.00
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

None.

5. Memorandum items

None.

2023 Parameter values

Average earnings/yr	Ave_earn	9.193.578	Country estimate
Allowances			
	Basic_al	0	
	Spouse_al	0	
	Child_al	0	
	T_days	365	
	Bonus	30	
Income tax	Tax_sch	0,00	11.292.000
		0,10	16.572.000
		0,15	29.076.000
		0,20	58.140.000
		0,25	
Tax credits	Tax_cr_ch	19.320	
	Tax_cr_sp	29.160	
Employees SSC	SSC_IVM_ee	0,0417	
	SSC_SEM_ee	0,0550	
	SSC_PBF_ee	0,0100	
	SSC_total_ee	0,1067	
	Min_wage	4.225.979	
Employers SSC	SSC_IVM_er	0,0542	
	SSC_SEM_er	0,0925	
	SSC_PBF_er	0,0050	
	SSC_ump_er	0,0150	
	SSC_fam_er	0,0500	
	SSC_com_pen_er	0,0150	
	SSC_INA_er	0,0150	
	SSC_IMAS_er	0,0050	
	SSC_total_er	0,2517	

2023 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.

Czechia

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.

Czechia 2023

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**			345 197	515 219	860 416	345 197
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)**			345 197	515 219	860 416	345 197
5	**Central government income tax liability (exclusive of tax credits)**			51 780	77 283	129 062	51 780
6	**Tax credits**						
		Basic credit					
		Married or head of family					
		Children					
		Other		30 840	30 840	30 840	85 664
			Total	30 840	30 840	30 840	85 664
7	**Central government income tax finally paid (5-6)**			20 940	46 443	98 222	- 33 884
8	**State and local taxes**			0	0	0	0
9	**Employees' compulsory social security contributions**						
		Gross earnings		37 972	56 674	94 646	37 972
		Taxable income					
			Total	37 972	56 674	94 646	37 972
10	**Total payments to general government (7 + 8 + 9)**			58 911	103 117	192 868	4 087
11	**Cash transfers from general government**						
		For head of family					
		For two children		0	0	0	35 280
			Total	0	0	0	35 280
12	**Take-home pay (1-10+11)**			286 286	412 102	667 548	376 390
13	**Employer's compulsory social security contributions**			116 676	174 144	290 821	116 676
14	**Average rates**						
	Income tax			6.1%	9.0%	11.4%	-9.8%
	Employees' social security contributions			11.0%	11.0%	11.0%	11.0%
	Total payments less cash transfers			17.1%	20.0%	22.4%	-9.0%
	Total tax wedge including employer's social security contributions			38.0%	40.2%	42.0%	18.5%
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.

Czechia 2023

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**		515 219	860 416	1 030 438	860 416
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)**		515 219	860 416	1 030 438	860 416
5	**Central government income tax liability (exclusive of tax credits)**		77 283	129 062	154 566	129 062
6	**Tax credits**					
	Basic credit					
	Married or head of family					
	Children					
	Other		110 504	85 664	85 664	30 840
		Total	110 504	85 664	85 664	30 840
7	**Central government income tax finally paid (5-6)**		- 33 221	12 558	38 062	67 382
8	**State and local taxes**		0	0	0	0
9	**Employees' compulsory social security contributions**					
	Gross earnings		56 674	94 646	113 348	94 646
	Taxable income					
		Total	56 674	94 646	113 348	94 646
10	**Total payments to general government (7 + 8 + 9)**		23 453	107 204	151 410	162 028
11	**Cash transfers from general government**					
	For head of family					
	For two children		35 280	0	0	0
		Total	35 280	0	0	0
12	**Take-home pay (1-10+11)**		527 046	753 212	879 028	698 388
13	**Employer's compulsory social security contributions**		174 144	290 821	348 288	290 821
14	**Average rates**					
	Income tax		-6.4%	1.5%	3.7%	7.8%
	Employees' social security contributions		11.0%	11.0%	11.0%	11.0%
	Total payments less cash transfers		-2.3%	12.5%	14.7%	18.8%
	Total tax wedge including employer's social security contributions		23.5%	34.6%	36.2%	39.3%
15	**Marginal rates**					
	Total payments less cash transfers: Principal earner		26.0%	26.0%	26.0%	26.0%
	Total payments less cash transfers: Spouse		34.5%	26.0%	26.0%	26.0%
	Total tax wedge: Principal earner		44.7%	44.7%	44.7%	44.7%
	Total tax wedge: Spouse		51.0%	44.7%	44.7%	44.7%

The national currency is the Czechia koruna (CZK). In May 2023, CZK 21.74 were equal to USD 1. In that year, the average worker earned CZK 515 219 (Secretariat's estimate).

1. Personal Income Tax System

1.1. Central government income taxes

1.1.1. Tax unit

- The tax unit is the individual.

1.1.2. Tax allowances and tax credits

1.1.2.1. Standard reliefs

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

1.1.2.2. Main non-standard tax reliefs applicable to an AW

- Charitable donations allowance: 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. 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.

1.1.2.3. 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 Czechia 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 2023 is CZK 1 935 552)
- 23% for the part of the tax base exceeding 48-fold of an average salary.

1.1.2.4. 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 2023: MW CZK 17 300).

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 1 935 552 for the year 2023. 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 4 860/monthly/one of parents since 1 January 2023. 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 year of age	1 330
6–15 years	1 470
15–26 years	1 580

The monthly family's LM for the AW-type family with children can be calculated by summing the following amounts (in CZK) since 1 January 2023:

Living minimum	
Basic personal requirement	
Single	4 860
First person in household	4 470
Second and other persons who are not a dependent child	4 040
Child aged below 6	2 480
Child aged between 6 and 15	3 050
Child aged between 15 and 26	3 490
Household expenses	
One person household	4 860
Two person household	8 510
Three person household	10 000
Four person household	14 040
Five person household	17 530

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 2023

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

- Since:
  - Increase in the amount of the minimum wage for the year 2023: CZK 17 300 (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).

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 Czechia 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.

2023 Parameter values

	Ave_earn	515 219	Secretariat's estimate
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	4 860	
	basic_household	8 510	
	basic_child	3 050	
	house_exp	1	4 860
		2	8 510
		3	10 000
		4	14 040
		5	17 530
Cash transfers	transf_1	1 470	
Social security, social insurance - ceiling	soc_sec_si_ceil	1 935 552	
Minimum Wage	tax_cr_preschool	17 300	

2023 Tax equations

The equations for the Czechia 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-tax_cr_ch)<=(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 2023

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**		327 013	488 078	815 091	327 013
2	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		26 161	39 046	65 207	26 161
	Work-related expenses		0	0	0	0
	Other					
		Total	26 161	39 046	65 207	26 161
3	**Tax credits or cash transfers included in taxable income**		0	0	0	0
	Earnings tax credit deduction		42 485	48 300	48 300	65 833
		Total	- 42 485	- 48 300	- 48 300	- 65 833
4	**Central government taxable income (1 - 2 + 3)**		258 367	400 732	701 584	235 019
5	**Central government income tax liability (exclusive of tax credits)**		36 283	54 153	117 569	36 283
6	**Tax credits**					
	Basic credit		5 789	5 789	5 789	5 789
	Married or head of family					
	Children					
	Other					
		Total	5 789	5 789	5 789	5 789
7	**Central government income tax finally paid (5-6)**		56 655	87 411	176 988	56 655
8	**State and local taxes**		52 630	88 247	163 514	46 788
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)**		109 284	175 657	340 501	103 443
11	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	45 540
	Green check		0	0	0	480
		Total	0	0	0	46 020
12	**Take-home pay (1-10+11)**		217 728	312 421	474 590	269 589
13	**Employer's compulsory social security contributions**		3 001	3 001	3 001	3 001
14	**Average rates**					
	Income tax		33.4%	36.0%	41.8%	31.6%
	Employees' social security contributions		0.0%	0.0%	0.0%	0.0%
	Total payments less cash transfers		33.4%	36.0%	41.8%	17.6%
	Total tax wedge including employer's social security contributions		34.0%	36.4%	42.0%	18.3%
15	**Marginal rates**					
	Total payments less cash transfers: Principal earner		39.1%	42.1%	55.9%	37.3%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		39.1%	42.1%	55.9%	37.3%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Denmark 2023

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**		488 078	815 091	976 157	815 091
2	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		39 046	65 207	78 093	65 207
	Work-related expenses		0	0	0	0
	Other					
		Total	39 046	65 207	78 093	65 207
3	**Tax credits or cash transfers included in taxable income**		0	0	0	0
	Earnings tax credit deduction		48 300	48 300	48 300	48 300
		Total	- 48 300	- 48 300	- 48 300	- 48 300
4	**Central government taxable income (1 - 2 + 3)**		400 732	659 099	801 464	659 099
5	**Central government income tax liability (exclusive of tax credits)**		54 153	90 436	108 307	90 436
6	**Tax credits**					
	Basic credit		17 366	11 578	11 578	11 578
	Married or head of family					
	Children					
	Other					
		Total	17 366	11 578	11 578	11 578
7	**Central government income tax finally paid (5-6)**		81 622	144 066	174 822	144 066
8	**State and local taxes**		76 238	140 876	176 493	140 876
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)**		157 860	284 942	351 315	284 942
11	**Cash transfers from general government**					
	For head of family					
	For two children		26 844	26 844	26 844	0
	Green check		480	480	480	0
		Total	27 324	27 324	27 324	0
12	**Take-home pay (1-10+11)**		357 543	557 473	652 166	530 149
13	**Employer's compulsory social security contributions**		3 001	6 002	6 002	6 002
14	**Average rates**					
	Income tax		32.3%	35.0%	36.0%	35.0%
	Employees' social security contributions		0.0%	0.0%	0.0%	0.0%
	Total payments less cash transfers		26.7%	31.6%	33.2%	35.0%
	Total tax wedge including employer's social security contributions		27.2%	32.1%	33.6%	35.4%
15	**Marginal rates**					
	Total payments less cash transfers: Principal earner		42.1%	42.1%	42.1%	42.1%
	Total payments less cash transfers: Spouse		38.9%	39.1%	42.1%	39.1%
	Total tax wedge: Principal earner		42.1%	42.1%	42.1%	42.1%
	Total tax wedge: Spouse		39.4%	39.1%	42.1%	39.1%

The national currency in Denmark is the Danish krone (DKK). In 2023, the exchange rate was USD 1 to DKK 7.15. In that year, the average worker earned DKK 488 078 (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 45 600 when calculating taxable income. Single parents get an extra employment allowance of 6.25% in 2022 with a maximum allowance of DKK 24 400. The effective value of the credit is equal to the average municipality tax (25.018%) multiplied by the value of the allowance.

There is an additional allowance awarded to working taxpayers with an income (including pension contributions) of at least DKK 208 700 receives a job allowance of 4.5% on taxable income. The effective value of the credit is equal to about DKK 675 (25.018% x DKK 2 700 = DKK 675).

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 77 900.

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 2.19 per km. Above 120 km.: DKK 1.1 per km. as a standard, but transport from municipalities placed in the outskirts of the country gives a credit of DKK 2.19 per km. also above 120 km. The deduction is only applicable for the days, where the transport is actually performed
  - Other costs above DKK 6 700, 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 17 700);
  - 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. The tax credit for all taxpayers amounts to:

For central government income tax	12.06% of DKK 48 000 = DKK 5 788
For municipal income tax	25.0182% of DKK 48 000 = DKK 12 009

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 12.06%.

From 2010 and onwards the medium tax bracket was abolished.

Top tax bracket to the central government is assessed on the excess of DKK 568 900 of the aggregate of personal income and positive net capital income in excess of DKK 48 800 at the rate of 15%. If a married individual cannot utilise the total allowance of DKK 568 900, the unutilised part is not transferred to the spouse.

If the marginal tax rate including central government tax, municipality tax and top bracket 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: 25.018% (municipalities);

The average rate is used in this study. It is applied to the tax base after deduction of 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 12 311 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 6 372). In addition, an administration fee of DKK 1 524 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	Yearly amount (DKK) for each child
0–2	18 984
3–6	15 024
7–17	11 820

The transfer is reduced when the tax base of the top-bracket tax of a parent exceeds DKK 852 600. There are additional special amounts for single parents: the transfer for each dependent child is DKK 6 232 per year and another yearly transfer of DKK 6 232 regardless of the number of children.

Individuals with children younger than the age of 18 receive a ‘supplementary green check’ of DKK 240 per child for up to two children. The ‘green check’ is split in half among the two partners of a married couple. The ‘green check’ is nominally fixed and is phased out at a rate of 7.5% for income after labour market contribution above DKK 493 008.

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 were 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 700 from 2023 and with another DKK 1 200 from 2025. With the increase, the maximum employment allowance is going to be DKK 43 500 from 2025. With the agreement the tax deduction on trade union membership dues is increased from DKK 6 000 to DKK 7 000 yearly from 2024.

In June 2022 it was agreed to increase the maximum employment allowance with DKK 1.900 from 2022 and with additional DKK 2 000 from 2023, as compensation for increasing energy prices. With the increase, the maximum employment allowance is going from DKK 41 600 to DKK 43 500 in 2022, and from DKK 42 300 to DKK 44 300 in 2023.

The Finance Act of 2023 included an increase in the personal allowance for taxpayers under the age of 18 to the same level as adults from 2023. With the increase, the personal allowance for persons under the age of 18 is going from DKK 38 400 to DKK 48 000 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. The average pension payment is currently about 12,5 percent on average of the gross earnings.

2023 Parameter values

	Ave_earn	488 078	Secretariat estimate
	Ave_pens	69 485	
Pension contributions	Pension_base_adjust	00.8754	
	Pension_rate_ee	00.0415	
	Pension_rate_er	00.0831	
	Pens_deduc_rate_o_15	12%	
	Pens_deduc_rate_u_15	32%	
	Pens_deduc_max	77,900	
Central taxes	Health_tax_rate	0	
	Low_rate	12,06	
	Medium_thrsh	0	
	Medium_rate	0	
	Top_thrsh	568.900	
	Top_rate	0,15	
	Marg_rate_ceil	0,5207	
	Adj_top_rate	0,1500	
	Temp_tax_rate	0	
	Temp_tax_thrsh	0	
	Personal_al	48.000	
Labour Market Contribution	Labour_market_rate	0.08	
Local taxes	Local_rates	0.25018	
The green check	green_check	0,0	
	1 child	240	
	child max	480	
	Green_check_thrsh	493.008	
	Green_check_taper_rate	0,075	
	Extra_green_check	0	
	Extra_green_check_thrsh	0	
Earned income tax credit scheme	earncredit_rate	0,1065	
	earncredit_max	45.600	
for single parents	Sing_par_earncredit_rate	0,0625	
	Sing_par_earncredit_max	24.400	
Job deductable	Job_deduc_min	208,700	
	Job_deduc_rate	4.5%	
	Job_deduc_max	2,700	
SSC	SSC	3,001.0	
	AUB	3,001.0	
Child transfers	Child_3to6	15.024	
	Child_7to14	11.820	
	Child_limit	852.600	
	Child_red	0,02	
for single parents	Sing_par_basic	6.232	
	Sing_par_ch	0	

2023 Tax equations

The equations for the Danish system in 2023 are mostly on an individual basis but there is an interaction in the calculation of Central Government tax between spouses and the child benefit is calculated only once. This is shown by the Range indicator in the table below.

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

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings	Earn		
2.	Allowances:	tax_al	B	Labour_market_contr+Pension_rate*earn
		earncredit	B	MIN(earncredit_rate*(earn/Pension_base_adjust),earncredit_max)+(Children>0)*(Married=0)*MIN((((earn/Pension_base_adjust)))*Sing_par_earncredit_rate, Sing_par_earncredit_max)+MIN(SINGLE(Positive((((AA7/Pension_base_adjust)))-Job_deduc_min))*Job_deduc_rate,Job_deduc_max)
3.	Credits in taxable income	taxbl_cr	B	0
4.	CG taxable income	tax_inc	B	SINGLE(Positive(earn-tax_al+taxbl_cr-earncredit))-DummyNTCP*Pens_deduc_rate_o_15*MIN((earn*(1-Pension_base_adjust)),Pens_deduc_max)
	Personal income	pers_inc	B	SINGLE(Positive(earn-Labour_market_rate*earn))
5.	CG tax before credits	CG_tax_excl_princ	P	Low_rate*(pers_inc_princ-SSC_princ)+Medium_rate*SINGLE(Positive(pers_inc_princ-SSC_princ-Medium_thrsh-Married*SINGLE(Positive(Medium_thrsh-pers_inc_spouse))))+Adj_top_rate*SINGLE(Positive(pers_inc_princ-SSC_princ-Top_thrsh))+Temp_tax_rate*SINGLE(Positive(pers_inc_princ-SSC_princ-Temp_tax_thrsh-Married*SINGLE(Positive(Temp_tax_thrsh-pers_inc_spouse))))
		CG_health_tax_excl_princ	P	0
		CG_tax_excl_spouse	S	Low_rate*(pers_inc_spouse-SSC_spouse)+Medium_rate*SINGLE(Positive(pers_inc_spouse-SSC_spouse-Medium_thrsh))+Adj_top_rate*SINGLE(Positive(pers_inc_spouse-SSC_spouse-Top_thrsh))+Temp_tax_rate*SINGLE(Positive(pers_inc_spouse-SSC_spouse-Temp_tax_thrsh))
		CG_health_tax_excl_spouse	S	0
6.	Tax credits :	tax_cr_princ	P	Personal_al*Low_rate+Married*Positive(Personal_al-pers_inc_spouse)*(Low_rate)
		health_tax_cr_princ	P	0
		tax_cr_spouse	S	Personal_al*Low_rate
		health_tax_cr_spouse	S	0
	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	(earn>0)*DummyNTCP*(Pension+(earn/Pension_base_adju

	Line in country table and intermediate steps	Variable name	Range	Equation
	contributions			st*Pension_rate_ee))
10.	Total payments	tot_payments	J	Positive(CG_tax_total+local_tax_total+SSC_total)
11.	Cash transfers	cash_trans	J	Positive(((Children>0)*(Child_3to6+(Children>1)*(Children-1)*Child_7to17+(Married=0)*(Sing_par_basic+Children*Sing_par_ch)))-(Positive(earn_princ-Child_limit)*Child_red)-(Positive(earn_spouse-Child_limit)*Child_red))+(Married=0)*SINGLE(Taper(green_check+MIN(Children*_1_child,child_max),pers_inc_princ,Green_check_thrsh,Green_check_taper_rate))+(Married>0)*(SINGLE(Taper(green_check+MIN(Children*_1_child/2,child_max/2),pers_inc_spouse,Green_check_thrsh,Green_check_taper_rate))+SINGLE(Taper(green_check+MIN(Children*_1_child/2,child_max/2),pers_inc_princ,Green_check_thrsh,Green_check_taper_rate)))
13.	Employer's soc security	SSC_empr	B	(earn>0)*(SSC+ DummyNTCP*(Pension_empr+Samlet_betaling+(earn/Pension_base_adjust*Pension_rate_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.

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 2023

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**	14 469	21 595	36 064	14 469
2	**Standard tax allowances**				
	Basic allowance	7 798	2 620	0	9 646
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes	232	346	577	232
	Work-related expenses				
	Other				
	Total	8 030	2 965	577	9 878
3	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4	**Central government taxable income (1 - 2 + 3)**	6 439	18 630	35 487	4 591
5	**Central government income tax liability (exclusive of tax credits)**	1 288	3 726	7 097	918
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)**	1 288	3 726	7 097	918
8	**State and local taxes**	0	0	0	0
9	**Employees' compulsory social security contributions**				
	Gross earnings	232	346	577	232
	Taxable income				
	Total	232	346	577	232
10	**Total payments to general government (7 + 8 + 9)**	1 519	4 072	7 674	1 150
11	**Cash transfers from general government**				
	For head of family				
	For two children	0	0	0	3 840
	Total	0	0	0	3 840
12	**Take-home pay (1-10+11)**	12 949	17 524	28 390	17 159
13	**Employer's compulsory social security contributions**	4 890	7 299	12 190	4 890
14	**Average rates**				
	Income tax	8.9%	17.3%	19.7%	6.3%
	Employees' social security contributions	1.6%	1.6%	1.6%	1.6%
	Total payments less cash transfers	10.5%	18.9%	21.3%	-18.6%
	Total tax wedge including employer's social security contributions	33.1%	39.4%	41.2%	11.4%
15	**Marginal rates**				
	Total payments less cash transfers: Principal earner	35.8%	35.8%	21.3%	35.8%
	Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner	52.0%	52.0%	41.2%	52.0%
	Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.

Estonia 2023

The tax/benefit position of married couples

		100-0	100-67	100-100	100-67
	Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
	Number of children	2	2	2	none
1	**Gross wage earnings**	21 595	36 064	43 190	36 064
2	**Standard tax allowances**				
	Basic allowance	6 628	12 266	7 087	10 418
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes	346	577	691	577
	Work-related expenses				
	Other				
	Total	6 973	12 843	7 778	10 995
3	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4	**Central government taxable income (1 - 2 + 3)**	14 622	23 221	35 412	25 069
5	**Central government income tax liability (exclusive of tax credits)**	2 924	4 644	7 082	5 014
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)**	2 924	4 644	7 082	5 014
8	**State and local taxes**	0	0	0	0
9	**Employees' compulsory social security contributions**				
	Gross earnings	346	577	691	577
	Taxable income				
	Total	346	577	691	577
10	**Total payments to general government (7 + 8 + 9)**	3 270	5 221	7 773	5 591
11	**Cash transfers from general government**				
	For head of family				
	For two children	1 920	1 920	1 920	0
	Total	1 920	1 920	1 920	0
12	**Take-home pay (1-10+11)**	20 245	32 763	37 337	30 473
13	**Employer's compulsory social security contributions**	7 299	12 190	14 598	12 190
14	**Average rates**				
	Income tax	13.5%	12.9%	16.4%	13.9%
	Employees' social security contributions	1.6%	1.6%	1.6%	1.6%
	Total payments less cash transfers	6.3%	9.2%	13.6%	15.5%
	Total tax wedge including employer's social security contributions	29.9%	32.1%	35.4%	36.8%
15	**Marginal rates**				
	Total payments less cash transfers: Principal earner	35.8%	35.8%	35.8%	35.8%
	Total payments less cash transfers: Spouse	13.5%	35.8%	35.8%	35.8%
	Total tax wedge: Principal earner	52.0%	52.0%	52.0%	52.0%
	Total tax wedge: Spouse	35.3%	52.0%	52.0%	52.0%

The Estonian currency is the Euro (EUR). In 2023, EUR 0.96 was equal to USD 1. In 2023, the average worker in Estonia earned EUR 21 595 (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 7 848 is deductible from individual income in 2023. 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.
- In 2023 a basic allowance at pensionable age was introduced, EUR 8448 per year. It applies to people who have reached or will reach pensionable age during the calendar year, regardless of the amount of the person`s income.
- 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 149 000 persons younger than pension age chose to leave the scheme in 2021 and about 52 000 in 2022. Also pension age people, are leaving the scheme. In the beginning of 2022 about 53% 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 2023 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 654.

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 215,82 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 2023 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, in 2023 it was increased to EUR 650 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 2023 it was increased to EUR 850 per month.

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	960.00
- For the third and any subsequent children	1 200.00
- Single parent's child allowance	960
- Parents allowance for families with three to six children	7 800.00
- Parents allowance for families with seven or more children	12 200.00

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.
- From 2023 the single parent`s child allowance and child allowance for the first and second child was increased to EUR 960 per year, parents allowance for families with three to six children to EUR 7 800 and parents allowance for families with seven or more children to EUR 12 200 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.

2023 Parameter values

Average earnings/yr	Ave_earn	21 595	Secretary estimate
Allowances	Basic_al	7 848	
	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	7 848	
	lump_sum	2 589.8	
	SSC_rate2	0.008	
Employees SSC	SSC_rate3	0.016	
Child allowances			
First & second child	CA_first&second	960	
Other children	CA_others	1 200	
Additional for children of lone parents	CA_onepar	960	
Days in tax year	numdays	365	

2023 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 2023

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**		35 718	53 310	89 028	35 718
2	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		6 202	7 171	9 139	6 202
	Work-related expenses		750	750	750	750
	Other					
		Total	6 952	7 921	9 889	6 952
3	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4	**Central government taxable income (1 - 2 + 3)**		28 766	45 389	79 138	28 766
5	**Central government income tax liability (exclusive of tax credits)**		4 200	9 123	20 463	4 200
6	**Tax credits**					
	Basic credit		1 767	1 410	834	1 767
	Married or head of family					
	Children		0	0	0	0
	Other					
		Total	1 767	1 410	834	1 767
7	**Central government income tax finally paid (5-6)**		2 596	7 877	19 791	2 596
8	**State and local taxes**		2 123	3 350	5 840	2 123
9	**Employees' compulsory social security contributions**					
	Gross earnings		3 575	5 336	8 912	3 575
	Taxable income		173	272	475	173
		Total	3 748	5 609	9 386	3 748
10	**Total payments to general government (7 + 8 + 9)**		8 467	16 835	35 018	8 467
11	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	4 036
		Total	0	0	0	4 036
12	**Take-home pay (1-10+11)**		27 251	36 475	54 009	31 287
13	**Employer's compulsory social security contributions**		7 572	11 302	18 874	7 572
14	**Average rates**					
	Income tax		13.2%	21.1%	28.8%	13.2%
	Employees' social security contributions		10.5%	10.5%	10.5%	10.5%
	Total payments less cash transfers		23.7%	31.6%	39.3%	12.4%
	Total tax wedge including employer's social security contributions		37.1%	43.5%	49.9%	27.7%
15	**Marginal rates**					
	Total payments less cash transfers: Principal earner		37.5%	48.2%	50.9%	37.5%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		48.5%	57.2%	59.5%	48.5%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Finland 2023

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**		53 310	89 028	106 620	89 028
2	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		7 171	13 373	14 342	13 373
	Work-related expenses		750	1 500	1 500	1 500
	Other					
		Total	7 921	14 873	15 842	14 873
3	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4	**Central government taxable income (1 - 2 + 3)**		45 389	74 155	90 778	74 155
5	**Central government income tax liability (exclusive of tax credits)**		9 123	13 323	18 246	13 323
6	**Tax credits**					
	Basic credit		1 410	3 176	2 819	3 176
	Married or head of family					
	Children		0	0	0	0
	Other					
		Total	1 410	3 176	2 819	3 176
7	**Central government income tax finally paid (5-6)**		7 877	10 473	15 753	10 473
8	**State and local taxes**		3 350	5 473	6 699	5 473
9	**Employees' compulsory social security contributions**					
	Gross earnings		5 336	8 912	10 673	8 912
	Taxable income		272	445	545	445
		Total	5 609	9 357	11 217	9 357
10	**Total payments to general government (7 + 8 + 9)**		16 835	25 302	33 670	25 302
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)**		38 872	66 122	75 347	63 726
13	**Employer's compulsory social security contributions**		11 302	18 874	22 603	18 874
14	**Average rates**					
	Income tax		21.1%	17.9%	21.1%	17.9%
	Employees' social security contributions		10.5%	10.5%	10.5%	10.5%
	Total payments less cash transfers		27.1%	25.7%	29.3%	28.4%
	Total tax wedge including employer's social security contributions		39.8%	38.7%	41.7%	40.9%
15	**Marginal rates**					
	Total payments less cash transfers: Principal earner		48.2%	48.2%	48.2%	48.2%
	Total payments less cash transfers: Spouse		23.7%	37.5%	48.2%	37.5%
	Total tax wedge: Principal earner		57.2%	57.2%	57.2%	57.2%
	Total tax wedge: Spouse		37.1%	48.5%	57.2%	48.5%

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 53 310 (Secretariat estimate).

1. Personal Income Tax System

1.1. Central government and municipal income taxes

1.1.1. Tax unit

Spouses are taxed separately for earned income.

1.1.2. Standard tax allowances and tax credits

1.1.2.1. Standard reliefs

- Work-related expenses: A standard deduction for work related expenses equal to the amount of wage or salary, with a maximum amount of EUR 750 is granted.
- Tax credit: An earned income tax credit is granted against the central government income tax. If the credit exceeds the amount of central government income tax, the excess credit is deductible from the municipal income tax and the health insurance contribution for medical care. The credit is calculated on the basis of taxpayers' income from work. The credit is 12 percent of the amount of income in question. However, the maximum amount of the deduction is EUR 2 030. The amount of the credit is reduced by 2.03% for the portion of net earned income exceeding EUR 22 000. To the extent that the taxpayer's net earned income exceeds 70,000 euros, the amount of the credit is reduced by 1.21 percent for the exceeding amount. The credit is fully phased out when taxpayers' income is about EUR 158 000.
- 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 3 870, is reduced by 18% on income exceeding the aforementioned amount.

1.1.2.2. Main non-standard tax reliefs applicable to an AW

- 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 (%)
0-19 900	0	12.64
19 900-29 700	2 515.36	19
29 700-49 000	4 377.36	30.25
49 000-85 800	10 215.61	34
85 800	22 727.61	44

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 2023 the tax rate varies between 4.36 and 10.86%, the average rate being approximately 7.38%.

Municipal tax is not deductible against central government taxes.

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

2.1. Employee contributions

2.1.1. Rate and ceiling

In 2023, the rate of the health insurance contribution for medical care paid by an employee is 0.60%. 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 1.36% of gross salary exceeding € 15,703 (0.00 % on income less than € 15,703). 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 2023 is 21.20% of gross wage.

	Contribution rates (%)
Health insurance	1.53
Unemployment insurance (avg)	1.54
Earnings-related pension insurance	17.37
Accident insurance (avg)	0.7
Group life insurance (avg)	0.06
Total	21.20

3. Universal Cash Transfers

3.1. Amount for marriage

None.

3.2. Amount for children

The central government pays in 2023 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 819.60 for each child.

4. Main Changes in the Tax/Benefit System since 2022

The responsibility for organizing public healthcare, social welfare, and rescue services was transferred from municipalities to wellbeing services counties starting from 2023. The key objective of this reform was to improve the availability and quality of basic public services throughout Finland. Municipal tax revenue was transferred to the central government to finance activities of the wellbeing services counties. Approximately EUR 14 billion in earned income taxes and around EUR 1 billion in corporate income taxes were transferred. Additionally, the central government transfers to municipalities concerning health and social services were cut by approximately EUR 7 billion.

Changes in earned income taxation were implemented within the existing tax system. Municipal tax rates in all municipalities were reduced by 12.64 percentage points, and central government taxation was tightened accordingly. The tightening of central government taxation was achieved by changing the income tax scale and adjusting several parameters for reducing income taxation. At the same time, tax bases for central government and municipal taxation were combined. This meant that from 2023 onwards, income deductions were granted on the same basis and at the same level in both state and municipal taxation.

Changes in earned income taxation were implemented so that they had as little impact as possible on the level of taxation of taxable persons. The purpose of the reform was not to ease or raise the taxation of anyone. As a result more earned income tax is now paid to the central government and correspondingly less to the municipalities. The overall level of taxation has remained almost unchanged. In accordance with the Government Programme, the reform was carried out in such a way that changes in the tax structure did not, upon entry into force, lead to a tightening of taxation on any income level (by more than 0.2 %-points).

Adjustments for inflation and rise of earnings levels were made to the central government tax scale in 2023.

The maximum amount of the basic allowance in municipal taxation was raised from EUR 3 740 to EUR 3 870. The maximum amount of the earned income tax credit in state taxation was raised from EUR 1 930 to EUR 2 030.

Since 2012, the deductible share of home-loan interest has been reduced gradually, and for the tax assessment of 2022, 5% of home-loan interest was deductible. From 2023, the deductibility of interest expenses from home loans was abolished.

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.

2023 Parameter values

Average earnings	Ave_earn	53 310	Secretariat estimate
Expenses	Work_exp_max	750	
	Work_exp_rate	1	
Allowances	al_SSC_rate	0.1001	
State tax	Tax_min	0	
Tax schedule	Tax_sch	0.1264	19900
		0.19	29700
		0.3025	49000
		0.34	85800
		0.44	-
Broadcasting tax	brdcst_tax_rate	0.025	
	brdcst_tax_thres	14000	
	brdcst_tax_max	163	
Earned income tax credit	eitc_thrsh	0	
	eitc_rate	0.12	
	eitc_redn_thrsh	22 000	
	eitc_redn_rate	0.0203	
	eitc_redn_thrsh2	70 000	
	eitc_redn_rate2	0.0121	
	eitc_max	2030	
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	3870	
	SL_rate	0.18	
Local intax	Local_rate	0.0738	
	Church_rate	0	
	Local_tot	0.0738	
Soc sec taxpayer	SSC_rate	0,006	
soc.sec empr	SSC_empr	0.2120	
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	819.6	

2023 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
	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))
2.	Allowances:	tax_al	B	work_rel+SSC_al+earning_al+low_inc
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	MINA(eitc_max,eitc_rate*Positive(earn-eitc_thrsh))-MINA(eitc_max,eitc_redn_rate*Positive(MIN(earn-work_rel,eitc_thrsh2)-eitc_redn_thrsh))+eitc_redn_rate2*Positive(earn-work_rel-eitc_thrsh2))
	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
	Taxable income (local)	tax_inc_l	B	tax_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 2023

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**		29 103	43 438	72 541	29 103
2	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		5 236	7 815	12 811	5 236
	Work-related expenses		2 387	3 562	5 973	2 387
	Other					
		Total	7 623	11 377	18 784	7 623
3	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4	**Central government taxable income (1 - 2 + 3)**		21 481	32 061	53 757	21 481
5	**Central government income tax liability (exclusive of tax credits)**		3 529	7 044	16 327	2 774
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)**		3 529	7 044	16 327	2 774
8	**State and local taxes**		0	0	0	0
9	**Employees' compulsory social security contributions**					
	Gross earnings		3 291	4 913	7 965	3 291
	Taxable income					
		Total	3 291	4 913	7 965	3 291
10	**Total payments to general government (7 + 8 + 9)**		6 820	11 957	24 292	6 065
11	**Cash transfers from general government**					
	In-work benefit (Gross)		0	0	0	1 953
	For two children (Gross)		0	0	0	6 205
	CRDS Deducted		0	0	0	- 41
		Total	0	0	0	8 117
12	**Take-home pay (1-10+11)**		22 283	31 481	48 250	31 155
13	**Employers' compulsory social security contributions**		8 302	15 766	30 837	8 302
14	**Average rates**					
	Income tax		12.1%	16.2%	22.5%	9.5%
	Employees' social security contributions		11.3%	11.3%	11.0%	11.3%
	Total payments less cash transfers		23.4%	27.5%	33.5%	-7.1%
	Total tax wedge including employer's social security contributions		40.4%	46.8%	53.3%	16.7%
15	**Marginal rates**					
	Total payments less cash transfers: Principal earner		32.6%	43.0%	42.2%	51.6%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		64.6%	58.2%	59.5%	74.5%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

France 2023

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**		43 438	72 541	86 876	72 541
2	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		7 815	13 051	15 629	13 051
	Work-related expenses		3 562	5 949	7 125	5 949
	Other					
		Total	11 377	19 000	22 754	19 000
3	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4	**Central government taxable income (1 - 2 + 3)**		32 061	53 542	64 122	53 542
5	**Central government income tax liability (exclusive of tax credits)**		4 140	8 611	12 330	10 318
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)**		4 140	8 611	12 330	10 318
8	**State and local taxes**		0	0	0	0
9	**Employees' compulsory social security contributions**					
	Gross earnings		4 913	8 204	9 825	8 204
	Taxable income					
		Total	4 913	8 204	9 825	8 204
10	**Total payments to general government (7 + 8 + 9)**		9 052	16 815	22 155	18 522
11	**Cash transfers from general government**					
	In-work benefit (Gross)		0	0	0	0
	For two children (Gross)		1 706	1 706	1 706	0
	CRDS Deducted		- 9	- 9	- 9	0
		Total	1 697	1 697	1 697	0
12	**Take-home pay (1-10+11)**		36 083	57 424	66 418	54 019
13	**Employers' compulsory social security contributions**		15 766	24 068	31 532	24 068
14	**Average rates**					
	Income tax		9.5%	11.9%	14.2%	14.2%
	Employees' social security contributions		11.3%	11.3%	11.3%	11.3%
	Total payments less cash transfers		16.9%	20.8%	23.5%	25.5%
	Total tax wedge including employer's social security contributions		39.1%	40.6%	43.9%	44.1%
15	**Marginal rates**					
	Total payments less cash transfers: Principal earner		20.8%	32.6%	43.0%	29.0%
	Total payments less cash transfers: Spouse		26.7%	32.6%	43.0%	29.0%
	Total tax wedge: Principal earner		41.9%	50.6%	58.2%	47.9%
	Total tax wedge: Spouse		42.9%	64.6%	58.2%	62.6%

The national currency is the Euro (EUR). In 2023, EUR 0.96 equalled USD 1. In that year, the average worker earned EUR 43 438 (Secretariat estimate).

1. Personal income tax system

1.1. Tax levied by the central government on 2023 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 495 and a ceiling of EUR 14 171 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 1 759 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 4 149.

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 11 294	0
2nd bracket	From 11 295 to 28 797	11
3rd bracket	From 28 798 to 82 341	30
4th bracket	From 82 342 to 177 106	41
5th bracket	From 177 107	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 1 928 for single households and less than 3 190 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") on secondary homes 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. The ceiling remained stable in 2020, 2021 and 2022 at EUR 3 428 (or

EUR 41 136 per year). In January 2023, the ceiling is EUR 3 666 (or EUR 43 992 per year), corresponding to a 6.9% increase on the 2022 level.

2.1. Employee contributions

2.1.1. Pension

- 6.9% on earnings up to the ceiling (unchanged compared to 2022).
- 0.4% on total earnings (unchanged compared to 2022).

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 ("Contribution 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 2022) of gross pay, up to the ceiling, plus a 1.90% (1.90% in 2022) levy on total pay.

2.2.2. Illness, pregnancy, disability, death

13.0% of total earnings (after 13.0% in 2022). 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 2022) (4.5%, 5.5% or 7% for some temporary contracts), up to four times the ceiling; in addition, 0.15% (0.15% in 2022) 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 2023, the average rate is 2.24% (after 2.23% in 2022).

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'Équilibre 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 2023, the maximum reduction is 32.31% for companies with more than 50 employees. For companies with less than 50 employees, it is 31.91% since 1 January 2023.

(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 once in 2023: it was at EUR 20 511 from January 1st 2023 and increased to EUR 20 966 from May 1st 2023.

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 422.28 between January 1st and end of March 2023. It was automatically adjusted on 1 April 2023 to EUR 445.93.

- 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 71 794 (+EUR 5 932 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 71 794 (+EUR 5 932 per child after the second child) and EUR 94 893 (+EUR 5 932 per child after the second child), the above rates are divided by 2.
  - Beyond EUR 94 893 (+EUR 5 932 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 42.20 % of the BMAF per month, against 28.13% in 2022. 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 2023
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 563.68 from 1 January 2023 to 1 April 2023, it then increased to EUR 595.25.

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 since the taxation of 2015 income

- 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 in response to the energy crisis

Companies whose activity is slowed down or stopped due to the conflict in Ukraine can be eligible for the benefit of short-time work schemes (short-time work scheme under the common law “Activité partielle de droit commun” or the long-term job retention scheme “Activité partielle de longue durée” if an agreement of this type has been approved or validated before December 31, 2022). Companies strongly affected by the rise in gas or electricity prices can benefit from short-time work schemes by demonstrating that there is a link between the consequences of the conflict and the reduction of their activity. The coverage rates remain the same for all companies resorting to short-time work schemes ("employee" allowance of 60% and "employer" allowance of 36% of the employee's gross previous salary for short-time work scheme under the common law; "employee" allowance of 70% and "employer" allowance of 60% of the employee's gross previous salary for the long-term job retention scheme).

4.2. Changes to labour taxation in 2023

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 introduced in 2018 ("Prime Exceptionnelle de Pouvoir d'Achat") **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" (20 %, only for companies with more than 250 employees), 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 2023 average wage (2023 forecast is obtained by applying to the latest level published by Insee, which refers to year 2021, the evolution rates published by OECD for years 2022 and 2023) decreased as well in 2020 for the same reason, although to a slightly lesser extent: compensation per employee declined by 3.5 % in 2020 followed by a rebound in 2021 and 2022 by 4.9 % and 4.9 % 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., 0.2 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 2023 average wage value is derived from the INSEE 2021 average wage level and evolutions in the OECD compensation per employee series in 2022 and 2023. 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.

2023 Parameter values

APW earnings	Ave_earn	43 438	Secretariat estimate
Income tax			
Work expenses	work_rel_fl	495	
	work_rel_ceil	14 171	
	work_rel_rate	0,100	
Tax schedule	tax_sch	0,000	11 294
		0,110	28 797
		0,300	82 341
		0,410	177 106
		0,450	
	limit_demipart	1 759	
	limit_sp_demipart1	4 149	
Décote value	decote_sing	1 928	
	decote_mar	3 190	
	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	250000	
	cehr_ceil2	500000	
CSG+CRDS	CSG_CRDS_abat	0,0175	
	CSG_rat_noded	0,0240	
	CRDS_rat_noded	0,0050	
	CSG_CRDS_rat_noded	0,0290	
	CSG_rat_ded	0,0680	
	CRDS_special	0,0050	
Employee contributions			
	pension_rate	0,0690	
	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	0,0224	
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	0,3231	
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	1 705,88	
third & subsequent before CRDS	CB_3	2 185,66	
First ceiling for CB	CB_c1	71 794,00	
Second ceiling for CB	CB_c2	94 893,00	

Increase of ceiling per child	CB_ceiling_extra_child	5 932,00	
Extra child benefit for isolated parent	CB_isol	2 249,63	
Prime d'activité	pa_forf	587,36	
	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	43 992	
Derivation of minimum income	SMIC_horaire	11,44	
	SMIC_heures	1 820	
	SMIC	20 815	

2023 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%'/42,2%)))+((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 2023

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**		40 781	60 867	101 648	40 781
2	**Standard tax allowances**					
	Basic allowance					
	Married or head of family		0	0	0	4 500
	Dependent children		0	0	0	0
	Deduction for social security contributions and income taxes		7 643	11 481	14 051	7 404
	Work-related expenses		1 230	1 230	1 230	1 230
	Other		36	36	36	36
		Total	8 909	12 747	15 317	13 170
3	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4	**Central government taxable income (1 - 2 + 3)**		30 972	47 220	85 431	26 711
5	**Central government income tax liability (exclusive of tax credits)**		4 987	10 327	26 903	3 754
6	**Tax credits**					
	Basic credit					
	Married or head of family					
	Children		0	0	0	6 000
	Other					
		Total	0	0	0	6 000
7	**Central government income tax finally paid (5-6)**		4 987	10 327	26 903	- 2 246
8	**State and local taxes**		0	0	0	0
9	**Employees' compulsory social security contributions**					
	Gross earnings		8 290	12 454	15 383	8 051
	Taxable income					
		Total	8 290	12 454	15 383	8 051
10	**Total payments to general government (7 + 8 + 9)**		13 277	22 781	42 286	5 805
11	**Cash transfers from general government**					
	For head of family		0	0	0	0
	For two children		0	0	0	0
		Total	0	0	0	0
12	**Take-home pay (1-10+11)**		27 504	38 086	59 362	34 976
13	**Employers' compulsory social security contributions**		8 101	12 169	15 099	8 101
14	**Average rates**					
	Income tax		12.23%	16.97%	26.47%	-5.51%
	Employees' social security contributions		20.33%	20.46%	15.13%	19.74%
	Total payments less cash transfers		32.56%	37.43%	41.60%	14.23%
	Total tax wedge including employer's social security contributions		43.73%	47.85%	49.15%	28.45%
15	**Marginal rates**					
	Total payments less cash transfers: Principal earner		44.83%	43.25%	47.00%	43.07%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		54.14%	48.69%	47.00%	52.68%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Germany 2023

The tax/benefit position of married couples

		Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
		Number of children	2	2	2	none
1	**Gross wage earnings**		60 867	101 648	121 734	101 648
2	**Standard tax allowances**					
	Basic allowance					
	Married or head of family		0	0	0	0
	Dependent children		0	0	17 904	0
	Deduction for social security contributions and income taxes		11 122	18 525	22 243	19 123
	Work-related expenses		1 230	2 460	2 460	2 460
	Other		72	72	72	72
		Total	12 424	21 057	42 679	21 655
3	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4	**Central government taxable income (1 - 2 + 3)**		47 543	78 791	77 255	78 193
5	**Central government income tax liability (exclusive of tax credits)**		5 890	15 256	14 752	15 060
6	**Tax credits**					
	Basic credit					
	Married or head of family					
	Children		6 000	6 000	0	0
	Other					
		Total	6 000	6 000	0	0
7	**Central government income tax finally paid (5-6)**		- 110	9 256	14 752	15 060
8	**State and local taxes**		0	0	0	0
9	**Employees' compulsory social security contributions**					
	Gross earnings		12 095	20 146	24 189	20 744
	Taxable income					
		Total	12 095	20 146	24 189	20 744
10	**Total payments to general government (7 + 8 + 9)**		11 985	29 402	38 941	35 804
11	**Cash transfers from general government**					
	For head of family		0	0	0	0
	For two children		0	0	0	0
		Total	0	0	0	0
12	**Take-home pay (1-10+11)**		48 882	72 246	82 793	65 844
13	**Employers' compulsory social security contributions**		12 169	20 270	24 339	20 270
14	**Average rates**					
	Income tax		-0.18%	9.11%	12.12%	14.82%
	Employees' social security contributions		19.87%	19.82%	19.87%	20.41%
	Total payments less cash transfers		19.69%	28.92%	31.99%	35.22%
	Total tax wedge including employer's social security contributions		33.07%	40.74%	43.32%	45.99%
15	**Marginal rates**					
	Total payments less cash transfers: Principal earner		35.06%	40.51%	40.25%	40.41%
	Total payments less cash transfers: Spouse		42.71%	47.05%	40.25%	47.36%
	Total tax wedge: Principal earner		41.28%	46.22%	45.97%	46.12%
	Total tax wedge: Spouse		52.20%	55.99%	45.97%	56.24%

The national currency is the Euro (EUR). In 2023, EUR 0.96 was equal to USD 1. The average worker earned EUR 60 867 (annual Secretariat estimate for 2023).[1]

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:

1.1.2.1. 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 2023, there are equal tax credits of EUR 3 000 for the first and every subsequent child. There is an increased tax allowance per parent of EUR 3 012 for the subsistence of a child and an additional EUR 1 464 for minding and education or training needs (EUR 4 476). 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.
- 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. As of 1 January 2023, the standard tax allowance for lone parents adds up to EUR 4 260.

- 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. The calculation scheme that came into effect in 2005 has been modified as of 1 January 2023:
  - All contributions made to pension funds (i.e., both employee's and employer's contributions) are added up. 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 2023: EUR 26 528). Within the aforementioned limit contributions to pension funds, diminished by the (tax-free) employers' share, are 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 1 230 lump-sum deduction for work related expenses per gainfully employed person (until 2022: EUR 1 200). 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 added up to EUR 5 per day spent exclusively working at home and was limited to a maximum amount of EUR 600 per year (corresponding to 120 working days) and was prolonged for the year 2022. As of 1 January 2023, the "home office" deduction is extended to EUR 6 per day spent exclusively working at home and is now capped at the maximum amount of EUR 1 260 per year (corresponding to 210 working days). The "home office" deduction is counted against the general lump sum deduction for work-related expenses.
- 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 measure due to high inflation: From October 2022 until the end of 2024, employers have the opportunity for additional one-off payments of up to EUR 3 000 (in total) tax and social security free to compensate employees for high inflation ("Inflationsausgleichsprämie").

1.1.2.2. Main non-standard tax reliefs applicable to an AW

- Contributions to pensions, life insurance, superannuation schemes: Other expenses than the compulsory contributions to social security are deductible as reliefs for (voluntary) social security contributions up to specific ceilings (see section 1.1.2.1.).
- Medical expenses: Partially deductible if not covered by insurance.

1.1.3. Tax schedule

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

- The basic allowance in 2023 is EUR 10 908.
- X is the taxable income,
- T is the income tax liability,
- As of 1 January 2023, the following definitions are used in the income tax liability formulas:

$$Y = \frac{X - 10\,908}{10\,000}$$

$$Z = \frac{X - 15\,999}{10\,000}$$

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

1. $T = 0 \; for \; X \leq \; 10\,908$
2. $T = (979.18 \; Y \; + \; 1\,400)Y \; for \; 10\,909 \; \leq X \; \leq 15\,999$
3. $T = (192.59 \; Z \; + \; 2\,397)Z \; + \; 966.53 \; for \; 16\,000 \; \leq X \; \leq 62\,809$
4. $T = 0.42 \, X - \; 9\,972.98 \; for \; 62\,810 \; \leq \; X \leq 277\,825$
5. $T = 0.45 \, X - 18\,307.73 \; for \; 277\,826 \leq \; X$

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).

1.1.4. Solidarity surcharge

As of 1 January 2023, the solidarity surcharge is levied at 5.5% of the income tax liability subject to an extended exemption limit of EUR 17 543/35 086 (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.

1.2. State and local income taxes

None.

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

The amount of social security contributions depends on the wage 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 rose to EUR 520 per month (now a dynamic limit linked to the general statutory minimum wage of EUR 12 per hour). 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 2023). 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’ increased to EUR 520.01 and EUR 1 600 per month (EUR 6 240.12 and EUR 19 200 per year). As of 1 January 2023, the upper earnings limit increases from EUR 1 600 to EUR 2 000 per month (EUR 24 000 per year). If the employee’s income falls within this range, part of the income is exempt from social insurance contributions. The employees’ contributions to social insurance rise from zero on a straight-line basis over the income band reaching the full rate at EUR 2 000 per month. Until 30 September 2022, employers were required to pay the regular contributions of around 20 percent on the employee’s earnings. Under the new regulations, the employer’s share decreases from around 28 percent for a regular wage of EUR 521 to the standard employer’s contribution amounting to around 20 percent for earnings at the upper ‘transition band’ limit. The arrangement is purely intended to relieve the financial burden on employees. 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 24 000 in 2023 are provided below.

2.1.1. Pensions

Employers and employees pay each half of the contribution rate of 18.6% in 2023, that is 9.3% of the employee’s gross wage earnings, up to a contribution ceiling of EUR 87 600.

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 1.6% on average in 2023 (portion of 0.8% for employers and employees). Therefore, the contribution rate averages 8.10% for employers and employees in 2023. The contribution ceiling in 2023 is EUR 59 850. 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 2023, the contribution rate is 2.6% of assessable income. Employee and employer each pay 1.3%. The contribution ceiling in 2023 is EUR 87 600.

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%. As of 1 January 2019, the contribution rate amounted to 3.05% until 30 June 2023. Since 1 July 2023, the standard contribution rate has been increased to 3,4%. The employers pay half of the contributions for long-term care insurance. In other words, employers and employees both pay a rate of 1.70%. The assessable income is scaled according to the gross wage earnings but there is a contribution ceiling of EUR 59 850 in 2023.

Due to the order of 7 April 2022 of the First Senate of the Federal Constitutional Court the legal framework for long-term care insurance was reformed in 2023. The new regulations provide different contribution rates for parents with two up to five children in order to reflect the costs associated with raising additional children. As of 1 July 2023, the contribution rate for parents of several children aged under twenty-five is reduced by 0.25% percentage points per child which means a reduction of 1,0% percentage points for parents with five or more children.

As from 1 January 2005, child-raising is given special recognition in the law relating to statutory long-term care insurance. Childless contribution payers were 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 added up to 1.875% for a childless employee until 30 June 2023. As of 1 July 2023, the contribution rate amounts to 2.3% for a childless employee. This regulation does not affect the employer's payment. Employer always have to pay half of the standard contribution rate.

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
2023	3 000	3 000	3 000	3 000	8 952

*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 was increased to EUR 4 008. Initially, this was 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. As of 1 January 2023, the standard tax allowance for lone parents amounts to EUR 4 260.

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 amounted 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. 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). As of 1 January 2023, the basic allowance adds up to EUR 10 908 (see section 1.1.3.).

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. As of 1 January 2023, the exemption limit for raising solidarity surcharge is extended to an income tax liability of EUR 17 543/35 086 (singles/couples).

4.1. Changes to labour taxation due to rising prices, particularly in the area of energy in 2022 and 2023

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). The tax allowance per parent for the subsistence of a child was also increased from EUR 2 730 to EUR 2 810 with retroactive effect from 1 January 2022. Similarly, the standard tax allowance for employees was increased by EUR 200 to EUR 1 200.

In 2022, families with children received 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 received 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.

As of 1 January 2023, the basic allowance adds up to EUR 10 908. The standard tax allowance for employees amounts to EUR 1 230, and the “home office deduction”, which is counted against the standard tax allowance for work-related expenses, is extended from EUR 5 to EUR 6 per day spent exclusively working at home and is now capped at the maximum amount of EUR 1 260 per year (corresponding to 210 working days, formerly 120 working days).

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.

2023 Parameter values

Average earnings/yr	Ave_earn	60 867	Secretariat estimate
Inflation compensation payment[2]	Infl_payment	900	
Tax allowances	Child_al	8 952	
Lone Parents, first child	Lone_al	4 260	
Lone parents, subsequent child	Lone_al_add	240	
Work related	Work_rel_al	1 230	
SSC allowance	*SSC_dn*	*3068*	
	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	10 908	
	Tax_thrsh2	15 999	
Top Rate Tax Reduction	Reduction	9 972.98	
	Reduction2	18 307.73	
Tax Equation Rates			
tax_eqn_rates	Squared	Single	Constant
Z	192.59	2 397	966.53
Y	979.18	1 400	0
Income tax rate stage	tax_first_stage	10 908	
	tax_second_stage	15 999	
	tax_third_stage	62 809	
	tax_fourth_stage	277 825	
Solidarity Surcharge	surcharge	0.055	
Solidarity Exemption Limit	surcharge_limit	17 543	
Alternative Surcharge Rate	surcharge_alt	0.119	
Child credit	Ch_cred		
	1. ch.	3 000	
	2. ch.	3 000	
	3.ch.	3 000	
	4.ch.	3 000	

2023 Parameter values

social security	Sickness	Pension	Unemploy-ment	Care	Alternative employer rate	SSC Factor F	SSC_floor	SSC_floor1
period_1	12	12	12	6	12	12	12	
period_2	0	0	0	6				
sum (Month's)	12	12	12	12	12	12	12	
employer_1	0.081	0.093	0.013	0.01525	0.3	0.6922	24 000	6 240
employer_2	0	0	0	0.017				
employee_1	0.081	0.093	0.013	0.01525	0.036	0.6922	24 000	6 240
employee_2	0	0	0	0.017				
childless_1	0.081	0.093	0.013	0.01875	0.036	0.6922	24 000	6 240
childless_2	0	0	0	0,023				
deduction_per_child2_5_1				0				
deduction_per_child2_5_2				0.0025				
ceil	59 850	87 600	87 600	59 850	2 100			
SSC miners' pension ceiling	SSC_pension_miners_ceil	107 400						
SSC miners' contribution rate	SSC_pension_miners_rate	0.247						

2023 Tax equations

The equations for the German system in 2023 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		Ave_earn-Infl_payment
	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

Notes

[1] For Germany, the increase in the average wage in 2023 is to a significant extent due to payments of the so-called “Inflationsausgleichsprämie” (see 1.1.2.1.). This instrument was widely used by employers and labour unions in collective bargaining agreements for 2023 and 2024. As the payments are tax and social security free, the average and marginal rates for Germany in 2023 would be overestimated if the payments would not be taken into account. Therefore, an estimated amount for the payment in 2023 for the average worker is included in the model calculations for Germany (see parameter values below).

[2] To prevent an overestimation of the tax wedge for Germany in 2023, the payment of tax and social security free “Inflationsausgleichsprämie” is included in the model. However, no official data on the average amount of the payment exists. Therefore, it has to be estimated. The payment for the average worker is set to 900 euros based on estimations from the Federal Government in their economic forecast and the leading German research institutes in their joint forecast. The estimate is surrounded by considerable uncertainty.

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 2023

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**		15 769	23 536	39 305	15 769
2	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		2 187	3 264	5 452	2 187
	Work-related expenses					
	Other					
		Total	2 187	3 264	5 452	2 187
3	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4	**Central government taxable income (1 - 2 + 3)**		13 582	20 271	33 853	13 582
5	**Central government income tax liability (exclusive of tax credits)**		1 688	3 176	7 287	1 688
6	**Tax credits**					
	Basic credit		745	612	340	868
	Married or head of family					
	Children					
	Other					
		Total	745	612	340	868
7	**Central government income tax finally paid (5-6)**		943	2 564	6 947	820
8	**State and local taxes**		0	0	0	0
9	**Employees' compulsory social security contributions**					
	Gross earnings		2 187	3 264	5 452	2 187
	Taxable income					
		Total	2 187	3 264	5 452	2 187
10	**Total payments to general government (7 + 8 + 9)**		3 130	5 829	12 399	3 007
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)**		12 639	17 707	26 906	13 770
13	**Employer's compulsory social security contributions**		3 515	5 246	8 761	3 515
14	**Average rates**					
	Income tax		6.0%	10.9%	17.7%	5.2%
	Employees' social security contributions		13.9%	13.9%	13.9%	13.9%
	Total payments less cash transfers		19.8%	24.8%	31.5%	12.7%
	Total tax wedge including employer's social security contributions		34.5%	38.5%	44.0%	28.6%
15	**Marginal rates**					
	Total payments less cash transfers: Principal earner		34.5%	39.7%	46.6%	34.5%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		46.5%	50.7%	56.3%	46.5%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Greece 2023

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**		25 889	43 235	51 779	43 235
2	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		3 591	5 997	7 182	5 997
	Work-related expenses					
	Other					
		Total	3 591	5 997	7 182	5 997
3	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4	**Central government taxable income (1 - 2 + 3)**		22 299	37 239	44 597	37 239
5	**Central government income tax liability (exclusive of tax credits)**		3 744	5 730	7 487	5 730
6	**Tax credits**					
	Basic credit		694	1 535	1 388	1 289
	Married or head of family					
	Children					
	Other					
		Total	694	1 535	1 388	1 289
7	**Central government income tax finally paid (5-6)**		3 050	4 195	6 099	4 441
8	**State and local taxes**		0	0	0	0
9	**Employees' compulsory social security contributions**					
	Gross earnings		3 591	5 997	7 182	5 997
	Taxable income					
		Total	3 591	5 997	7 182	5 997
10	**Total payments to general government (7 + 8 + 9)**		6 640	10 192	13 281	10 438
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)**		19 921	33 043	38 498	32 797
13	**Employer's compulsory social security contributions**		5 771	9 637	11 541	9 637
14	**Average rates**					
	Income tax		11.8%	9.7%	11.8%	10.3%
	Employees' social security contributions		13.9%	13.9%	13.9%	13.9%
	Total payments less cash transfers		23.1%	23.6%	25.6%	24.1%
	Total tax wedge including employer's social security contributions		37.1%	37.5%	39.2%	38.0%
15	**Marginal rates**					
	Total payments less cash transfers: Principal earner		39.7%	39.7%	39.7%	39.7%
	Total payments less cash transfers: Spouse		23.3%	34.5%	39.7%	34.5%
	Total tax wedge: Principal earner		50.7%	50.7%	50.7%	50.7%
	Total tax wedge: Spouse		37.3%	46.5%	50.7%	46.5%

The national currency is the Euro (EUR). In 2023, EUR 0.96 was equal to USD 1. In 2023, the estimated gross earnings of the average worker are EUR 23 536 (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 of 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 applies to the other spouse.

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, single adult children up to the age of 25 years studying at the university or serving their military service or registered as unemployed to the Service of Employment (DYPA); taxpayers are deemed 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, which does not apply to taxpayers with 5 or more dependent children.

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

During the tax year, 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 number 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 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 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.
- 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 brigade, the coastal police, and the special compensation to staff provided first aid services up to 100% and the flying compensation to pilots of civil aviation 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. Note: Payments related to benefits and similar allowances provided to special categories of disabled persons are excluded for the determination of income since 1/1/2022.

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 based on 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.
- Athletes and coaches paid by athletic SA's and coaching educators paid by federations when their annual income deriving by the signing of a transfer, renewal or termination contract exceeds the amount of 40 000 EUR are taxed at a rate of 22%.

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.

1.1.4 Income tax return submission and tax payment for tax year 2022

Income tax returns are timely submitted by 31July 2023 and the tax is paid in eight (8) equal, monthly instalments of which the first by 31/7/2023 and the following within the last working day of seven (7) next months.

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 1 January, 2023, to 31 December, 2023

For work in private and public sector

	Employer	Employee	Total
1. National Social Security Fund (e- EFKA) – Main Pension	13.33	6.67	20.00
e-EFKA- Supplementary Pension (exETEAEP) or TEKA*	3.00	3.00	6.00
3. Healthcare Coverage	4.55	2.55	7.10
4. Other Funds	1.41	1.65	3.06
Total	22,29	13,87	36,16

Note: * From 1 January 2022, new entrants in labour market are subject to the new Hellenic Auxiliary Pensions Defined Contributions Fund (TEKA). The contributions rates (for employees and employers) are the same as for the Branch of Supplementary Insurance of e-EFKA (ex. ETEAEP). Those already insured aged under 35 (born after 1.1.1987) may select to switch compulsory supplementary insurance from e-EFKA to TEKA.

For blue-collar workers engaged in heavy work (unhealthy, dangerous etc.), higher contributions are due (17.32% paid by the employee and 24.44% paid by the employer ensuring that such individuals become eligible for pension benefits five years earlier than other workers), (extra 2.20% for e-EFKA- Main Pension and 1.25% for e- EFKA - Supplementary Pension ot TEKA, contributed by the employee, and extra 1.40% for e-EFKA- Main Pension and 0.75% for e-EFKA -Supplementary Pension or TEKA, contributed by the employer). In the industrial sector, an additional 1% contribution is imposed as an occupational risk contribution which is paid by the employer, given that these workers are subject to heightened risk of labour accidents and occupational diseases due to the challenging conditions of their employment

It should be noted that from 1.1.2023 the upper limit of insurable earnings is set to EUR 7126.94 (increased by 9,6452611330377%, in comparison with the main insurance categories of 1.1.2020).

The contribution for lawyers and engineers providing dependent services (Law 4756/2020, art. 35) of the Supplementary Insurance Branch of the former ETEAEP or TEKA is a fixed sum of EUR 42.76 EUR 51.53 or EUR 61.40 per month, depending on the respective insurance class level 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 statute of 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 2023 as a fixed amount of EUR 28.51, EUR 33.99 or EUR 40.57 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 Earning per full time employee B-N 2000-2022 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	20.302
2022	22.170

Note:

1. The Average gross Annual Earnings per **full time employee** for the period 2000 to 2022 **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.

2. The data for 2019 and onwards will be revised when the final results of the SES 2022 will be available. Data for 2021 have been revised due to correction for LCI_Wages 2021.
3. Data in bold refer to data from SES 2002, 2006, 2010, 2014 and 2018.
4. 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 - 2022 the calculation of LCI_Wages was based on the quarterly Labour Cost Survey.
5. Finally, we would like to inform you that the data refer to the mean yearly gross income for full-time paid employees, regardless of: Marital status – Number of children – Employer's contributions – Taxes paid.

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 Hellenic Statistical Authority. Very few employers have adopted such additional insurance schemes.

2023 Parameter values

Average earnings/yr	Ave_earn	23 536	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	0.1387	
	SSC_rate_empr	0.2229	
	SSC_ceil	99777,16	
	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	

2023 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 2023

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**		4 791 954	7 152 170	11 944 123	4 791 954
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)**		4 791 954	7 152 170	11 944 123	1 592 034
5	**Central government income tax liability (exclusive of tax credits)**					
	Central government income tax liability (exclusive of tax credits)		718 793	1 072 825	1 791 618	238 805
		Total	718 793	1 072 825	1 791 618	238 805
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)**		718 793	1 072 825	1 791 618	238 805
8	**State and local taxes**		0	0	0	0
9	**Employees' compulsory social security contributions**					
	Gross earnings		886 511	1 323 151	2 209 663	886 511
	Taxable income					
		Total	886 511	1 323 151	2 209 663	886 511
10	**Total payments to general government (7 + 8 + 9)**		1 605 304	2 395 977	4 001 281	1 125 316
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)**		3 186 649	4 756 193	7 942 842	4 021 837
13	**Employer's wage dependent contributions and taxes**					
	Employer's compulsory social security contributions		622 954	929 782	1 552 736	622 954
	Payroll taxes		0	0	0	0
		Total	622 954	929 782	1 552 736	622 954
14	**Average rates**					
	Income tax		15.0%	15.0%	15.0%	5.0%
	Employees' social security contributions		18.5%	18.5%	18.5%	18.5%
	Total payments less cash transfers		33.5%	33.5%	33.5%	16.1%
	Total tax wedge including employer's social security contributions		41.2%	41.2%	41.2%	25.7%
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 2023

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**		7 152 170	11 944 123	14 304 339	11 944 123
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)**		3 952 250	8 744 203	11 104 419	11 944 123
5	**Central government income tax liability (exclusive of tax credits)**					
	Central government income tax liability (exclusive of tax credits)		592 837	1 311 630	1 665 663	1 791 618
		Total	592 837	1 311 630	1 665 663	1 791 618
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)**		592 837	1 311 630	1 665 663	1 791 618
8	**State and local taxes**		0	0	0	0
9	**Employees' compulsory social security contributions**					
	Gross earnings		1 323 151	2 209 663	2 646 303	2 209 663
	Taxable income					
		Total	1 323 151	2 209 663	2 646 303	2 209 663
10	**Total payments to general government (7 + 8 + 9)**		1 915 989	3 521 293	4 311 966	4 001 281
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)**		5 555 381	8 742 030	10 311 574	7 942 842
13	**Employer's wage dependent contributions and taxes**					
	Employer's compulsory social security contributions		929 782	1 552 736	1 859 564	1 552 736
	Payroll taxes		0	0	0	0
		Total	929 782	1 552 736	1 859 564	1 552 736
14	**Average rates**					
	Income tax		8.3%	11.0%	11.6%	15.0%
	Employees' social security contributions		18.5%	18.5%	18.5%	18.5%
	Total payments less cash transfers		22.3%	26.8%	27.9%	33.5%
	Total tax wedge including employer's social security contributions		31.3%	35.2%	36.2%	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 2023, the average worker earned HUF 7 152 170 (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

1.1.2.1. Standard reliefs

- Basic reliefs: None.
- Standard marital status reliefs: None.
- Employee Tax credit: Since 1st January 2012 there is no employee tax credit.
- Family tax allowance: For families having children, the basis of income tax can be reduced by the family tax allowance, which amounts to HUF 66 670 per month (for families having one child), HUF 133 330 per month/each dependent (for families having two children) or HUF 220 000 per month/each dependent (for families having at least three children). From 1st January 2023 the allowance raised by HUF 66 700 after permanently sick and disabled child. 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 isHUF 499 952/month in 2023).
- From 1st January 2023, mothers under the age of 30 are exempt from personal income tax payments up to the national average wage calculated in July of the previous year (the threshold is HUF 499 952/month in 2023)

1.1.2.2. Main non-standard tax reliefs

- Trade Union membership dues: Membership dues and contributions paid to trade unions and other corporate bodies of employees are deductible without any restriction.

- Tax credits are made available for physical disability or agricultural activities. Tax deduction is available for those having income from abroad.
- From 1st January 2015 for newly married couples (where it is the first marriage for at least one of the parties) the basis of income tax can be reduced by HUF 33 335 per month for one person of the couple for 24 months.

1.1.3. Tax schedule

The rate of personal income tax amounts to 15%.

1.2. State and local income taxes

In Hungary there is no local personal income tax system supplementing the central one.

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

2.1. Employees' contributions

2.1.1. Pensions

The rate of pension contribution amounts to 10% of gross earnings.

From 1st January 2019 retired workers (old age pension) does not have to pay 10% pension contribution on their wage income.

From 1st July 2020 employees' social security contributions – currently consisting of separate pension, sickness and labour market contribution items – 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. From 1st January 2023 the minimum wage is 232 000 per month.

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 (2.1.1.) applies for the social contribution tax of retired workers as well.

The targeted reliefs in the employers' contributions are not considered in the Taxing Wages model.

Social security contributions will have to be paid on other benefits than gross earnings (e.g., grants in kind) and payments (e.g., certain kind of contracts).

3. Universal cash transfers

3.1. Transfers related to marital status

None.

3.2. Transfers for dependent children

Effective from 1 January 2008:

Type of family	HUF per month
For a couple with one child	12 200
For a single earner with one child	13 700
For a couple with two children, per child	13 300
For a single earner with two children, per child	14 800
For a couple with 3 or more children, per child	16 000
For a single earner with 3 or more children, per child	17 000
For a couple with permanently sick and disabled child	23 300
For a single earner with permanently sick and disabled child	25 900

4. Main Changes in the Tax/benefit System Since 2010

- The tax base correction was phased out in two steps.
- The employee tax credit was abolished.
- The employees' health care contribution was increased.
- The employers' social security contributions were merged into the social contribution tax (legal change only, rates and base remained unchanged).
- Health contributions on benefits in kind were increased.

- As a temporary measure, a wage compensation scheme was in effect in the form of an employers' SSC credit.
- Targeted employment incentives to boost the employment levels of groups at the margin of the labour force.
- The child tax allowance was extended in 2014 by allowing the deduction of the allowance from employees' SSC.
- The rate of the PIT decreased by 1 percentage point in 2016.
- The rate of family tax benefit for families with two children is gradually increased from 2016 so that it will be doubled by 2019.
- From 2017 the social contribution tax decreased to 22% and from 2018 subsequently to 19.5%.
- From 1st of July, 2019 social contribution tax decreased to 17.5%.
- From 1st January 2019 retired workers (old age pension workers) doesn't have to pay 10% pension contribution, 4% sickness contribution, employers' social security contributions (social contribution tax and training levy) after their wage income.
- From 1st July 2020 employers' social contribution tax 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.

2023 Parameter values

Average earnings/yr	Ave_earn	7 152 170	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

2023 Tax equations

The equations for the Hungarian system in 2023 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 2023

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**	7 414 557	11 066 502	18 481 059	7 414 557
2	**Standard tax allowances**				
	Basic allowance				
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes	296 582	442 660	739 242	296 582
	Work-related expenses				
	Other				
	Total	296 582	442 660	739 242	296 582
3	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4	**Central government taxable income (1 - 2 + 3)**	7 117 974	10 623 842	17 741 817	7 117 974
5	**Central government income tax liability (exclusive of tax credits)**	1 337 275	2 153 441	4 136 669	1 337 275
6	**Tax credits**				
	Basic credit	715 981	715 981	715 981	715 981
	Married or head of family				
	Children				
	Other				
	Total	715 981	715 981	715 981	715 981
7	**Central government income tax finally paid (5-6)**	642 194	1 458 360	3 441 588	642 194
8	**State and local taxes**	1 044 207	1 558 518	2 602 724	1 044 207
9	**Employees' compulsory social security contributions**				
	Gross earnings	13 749	13 749	13 749	13 749
	Taxable income				
	Total	13 749	13 749	13 749	13 749
10	**Total payments to general government (7 + 8 + 9)**	1 700 150	3 030 627	6 058 061	1 700 150
11	**Cash transfers from general government**				
	For head of family				
	For two children	0	0	0	781 203
	Total	0	0	0	781 203
12	**Take-home pay (1-10+11)**	5 714 406	8 035 875	12 422 998	6 495 609
13	**Employer's compulsory social security contributions**	470 824	702 723	1 173 547	470 824
14	**Average rates**				
	Income tax	22.7%	27.3%	32.7%	22.7%
	Employees' social security contributions	0.2%	0.1%	0.1%	0.2%
	Total payments less cash transfers	22.9%	27.4%	32.8%	12.4%
	Total tax wedge including employer's social security contributions	27.5%	31.7%	36.8%	17.6%
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 2023

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**		11 066 502	18 481 059	22 133 005	18 481 059
2	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		442 660	739 242	885 320	739 242
	Work-related expenses					
	Other					
		Total	442 660	739 242	885 320	739 242
3	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4	**Central government taxable income (1 - 2 + 3)**		10 623 842	17 741 817	21 247 685	17 741 817
5	**Central government income tax liability (exclusive of tax credits)**		2 153 441	3 490 717	4 306 883	3 490 717
6	**Tax credits**					
	Basic credit		1 431 962	1 431 962	1 431 962	1 431 962
	Married or head of family					
	Children					
	Other					
		Total	1 431 962	1 431 962	1 431 962	1 431 962
7	**Central government income tax finally paid (5-6)**		742 379	2 100 555	2 916 721	2 100 555
8	**State and local taxes**		1 558 518	2 602 724	3 117 035	2 602 724
9	**Employees' compulsory social security contributions**					
	Gross earnings		13 749	27 498	27 498	27 498
	Taxable income					
		Total	13 749	27 498	27 498	27 498
10	**Total payments to general government (7 + 8 + 9)**		2 314 646	4 730 777	6 061 254	4 730 777
11	**Cash transfers from general government**					
	For head of family					
	For two children		615 616	95 491	0	0
		Total	615 616	95 491	0	0
12	**Take-home pay (1-10+11)**		9 367 472	13 845 773	16 071 751	13 750 282
13	**Employer's compulsory social security contributions**		702 723	1 173 547	1 405 446	1 173 547
14	**Average rates**					
	Income tax		20.8%	25.4%	27.3%	25.4%
	Employees' social security contributions		0.1%	0.1%	0.1%	0.1%
	Total payments less cash transfers		15.4%	25.1%	27.4%	25.6%
	Total tax wedge including employer's social security contributions		20.4%	29.6%	31.7%	30.0%
15	**Marginal rates**					
	Total payments less cash transfers: Principal earner		46.0%	42.2%	36.4%	36.4%
	Total payments less cash transfers: Spouse		39.6%	42.2%	36.4%	36.4%
	Total tax wedge: Principal earner		49.3%	45.6%	40.2%	40.2%
	Total tax wedge: Spouse		43.2%	45.6%	40.2%	40.2%

The national currency is the Króna (plural: Krónur) (ISK). In 2023, ISK 136.24were equal to USD 1. That year, the average worker is expected to earn ISK 11 066 502 (Secretariat estimate).[1]

1. Personal Income Tax System

1.1. Central government income taxes

1.1.1. Tax unit

Income is taxed on an individual basis, except for capital income of married couples which is taxed jointly.

1.1.2. Tax allowances and credits

1.1.2.1. Standard reliefs

- Basic tax credit: A fixed tax credit, amounting to ISK 715 981in 2023, is granted to all individuals 16 years and older, regardless of their marital status. The tax credit is deducted from levied central and local government taxes. Unutilised tax credits or portions thereof are wastable, i.e., non-refundable, and non-transferable between tax years.
- Standard marital status relief: Married couples and civil partners may utilise up to 100% of each spouses' unutilised portion of his/her basic tax credit. Joint taxation also allows for bracket sharing between partners. If one partner has income in the highest tax bracket while the other's income falls below the top bracket, one-half of the latter's unused second bracket amount can be transferred to the high-income partner, up to a limit equal to half the second bracket. This transfer is then taxed at a rate lower than the top tax rate.
- Relief(s) for children: None.
- Relief(s) for compulsory pension contributions: The compulsory payment to pension funds amounts to 4% of wages and is deductible. In addition, an optional payment of up to 4% of wages may also be deducted. As the additional 4% contribution is optional, it is viewed as a non-standard relief in this Report.

1.1.2.2. Main non-standard tax reliefs applicable to an AW

- Interest payment relief: A fully refundable tax credit is granted to purchasers of personal dwellings (homes) to recuperate a part of mortgage-related interest expenses. The maximum tax related interest credit in 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).

1.1.3. Tax schedule

The income tax base is composed of personal income (e.g. wages, salaries, fringe benefits, pensions, etc.), which is taxed on an individual basis, and capital income which is taxed jointly for married couples.

The tax on personal income is triple rated. The central government income tax rate in 2023 is 16.78% for income up to ISK 409 986 per month. The tax rate is 23.28 % for income ISK 409 987 to ISK 1 151 012. For income exceeding ISK 1 151 012 the tax rate is 31.58%. 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 2 276 569 for the year are subject to a fixed tax of ISK 20 900 in 2023, which will be collected in 2024.

1.2. Local government income tax

The local government income tax base is the same as the central government's personal income tax base.

The local governments' income tax is single rated, but the rate varies between 12.44% and 14.52% between municipalities. The weighted average rate in 2023 is 14.67 %.

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 13 749 in 2023, provided the individual's taxable income is at least ISK 2 276 569 for the year. This tax will be collected in 2024.

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%

Note that child benefits in this Report are based on income in the year 2022 but are paid out in 2023 (see also section 4.4).

4. Main Changes in the Tax/Benefit System Since 1998

4.1. The deductibility of the payment to pension funds

All employees are required to participate in pension funds. The employee contribution is generally 4% of wages and the employer contribution was 6% and increased to 8% as of beginning 2007. On July 1st, 2016, the employer contribution increased to 8.5% and one year later it increased again to 10%. The employer contribution increased once again on July 1st, 2018, to 11.5%. Both contributions are deductible from income before tax. In some cases, the contributions of employees and employers are higher. An optional, additional payment from employees of up to 4% of wages is also deductible and goes into an individual retirement account. However, from 2012 to mid-2014, this additional payment was temporarily set at 2%.

This voluntary pension savings option was first introduced in 1999 in order to encourage personal saving. At the time the contribution rate was 2% for employees and 0.2% for employers. In May 2000 these rates were doubled to 4 and 0.4%, respectively, as noted above. In addition, some employers, such as the central government, have increased their employer counter-contribution by agreement with employees. The central government contributed 1% against a voluntary employee contribution of 4% in 2001 and 2% as of the beginning of 2002. All such contributions are tax-deductible, both with the employer and the employee at the time the contribution is made. The actual pension is taxed as personal income when it is drawn. As of the beginning of 2004, the employer option of deducting the above 0.4% against the social security tax was abolished. Since such employer counter-contributions had become part of wage agreements in most cases, it was no longer felt that such a tax incentive was needed.

4.2. Central and local income tax rates in 1997-2023

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 2023 are 16.78% for income up to

ISK 409 986 per month, 23.28% for income exceeding that up to ISK 1 151 012 and 31.58% for income higher than ISK 1 151 012; 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
2023	16.78	14.67	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.

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.

2023 Parameter values

Average earnings/yr	Ave_earn	11 066 502	Secretariat estimate
Pension rate for tax allowance	pension_rate	0.04	
Tax credit	Basic_crd	715 981	
	Married_propn	1	
Central income tax	tax_sch	0.1678	4 919 832
		0.2328	13 812 144
		0.3158	
Broadcast fee	broadcast_fee	20 900	
Special tax	special_rate		
threshold	special_thrsh		
Local tax	local_rate	0.1467	
Church tax	church_tax	0	
Social Security Contr.	SSC_fixed	13 749	
	SSC_thrsh	2 276 569	
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		
Households not receiving other child benefits	SCBS_low	0	

2023 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.

Notes

[1] The definition of average worker in Iceland includes workers in five categories. See section 5.1.

Ireland

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

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

Ireland 2023

The tax/benefit position of single persons

		67	100	167	67
	Wage level (per cent of average wage)	67	100	167	67
	Number of children	none	none	none	2
1	**Gross wage earnings**	40 133	59 899	100 032	40 133
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)**	40 133	59 899	100 032	40 133
5	**Central government income tax liability (exclusive of tax credits)**	8 053	15 960	32 013	8 027
6	**Tax credits**				
	Basic credit	1 775	1 775	1 775	1 775
	Single, head of family	0	0	0	1 650
	Children				
	Other	1 775	1 775	1 775	1 775
	Total	3 550	3 550	3 550	5 200
7	**Central government income tax finally paid (5-6)**	5 556	14 352	33 261	3 879
8	**State and local taxes**	0	0	0	0
9	**Employees' compulsory social security contributions**				
	Gross earnings	1 605	2 396	4 001	1 605
	Taxable income				
	Total	1 605	2 396	4 001	1 605
10	**Total payments to general government (7 + 8 + 9)**	7 161	16 748	37 262	5 485
11	**Cash transfers from general government**				
	For head of family	0	0	0	0
	For two children	0	0	0	3 560
	Total	0	0	0	3 560
12	**Take-home pay (1-10+11)**	32 971	43 151	62 770	38 208
13	**Employer's compulsory social security contributions**	4 435	6 619	11 054	4 435
14	**Average rates**				
	Income tax	13.8%	24.0%	33.2%	9.7%
	Employees' social security contributions	4.0%	4.0%	4.0%	4.0%
	Total payments less cash transfers	17.8%	28.0%	37.2%	4.8%
	Total tax wedge including employer's social security contributions	26.0%	35.1%	43.5%	14.3%
15	**Marginal rates**				
	Total payments less cash transfers: Principal earner	48.5%	48.5%	52.0%	28.5%
	Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner	53.6%	53.6%	56.8%	35.6%
	Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.

Ireland 2023

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**		59 899	100 032	119 799	100 032
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)**		59 899	100 032	119 799	100 032
5	**Central government income tax liability (exclusive of tax credits)**		14 160	24 653	32 559	24 653
6	**Tax credits**					
	Basic credit		3 550	3 550	3 550	3 550
	Single, head of family		0	0	0	0
	Children					
	Other		3 475	3 550	3 550	3 550
		Total	7 025	7 100	7 100	7 100
7	**Central government income tax finally paid (5-6)**		9 077	20 548	29 344	20 548
8	**State and local taxes**		0	0	0	0
9	**Employees' compulsory social security contributions**					
	Gross earnings		2 396	4 001	4 792	4 001
	Taxable income					
		Total	2 396	4 001	4 792	4 001
10	**Total payments to general government (7 + 8 + 9)**		11 473	24 549	34 136	24 549
11	**Cash transfers from general government**					
	For head of family		0	0	0	0
	For two children		3 560	3 560	3 560	0
		Total	3 560	3 560	3 560	0
12	**Take-home pay (1-10+11)**		51 986	79 043	89 223	75 483
13	**Employer's compulsory social security contributions**		6 619	11 054	13 238	11 054
14	**Average rates**					
	Income tax		15.2%	20.5%	24.5%	20.5%
	Employees' social security contributions		4.0%	4.0%	4.0%	4.0%
	Total payments less cash transfers		13.2%	21.0%	25.5%	24.5%
	Total tax wedge including employer's social security contributions		21.8%	28.8%	32.9%	32.0%
15	**Marginal rates**					
	Total payments less cash transfers: Principal earner		48.5%	48.5%	48.5%	48.5%
	Total payments less cash transfers: Spouse		32.6%	48.5%	48.5%	48.5%
	Total tax wedge: Principal earner		53.6%	53.6%	53.6%	53.6%
	Total tax wedge: Spouse		39.3%	53.6%	53.6%	53.6%

The national currency is the Euro (EUR). In 2023, EUR 0.96 was equal to USD 1. In that year, the average worker earned EUR 59 899. (Secretariat estimate).

1. Personal income tax systems

1.1. Central/ federal government income taxes

1.1.1. Tax unit

Tax is levied on the combined income of both spouses. Either spouse may, however, opt for separate assessment, in which case the tax payable by both spouses must be the same as would be payable under joint taxation. A further option allows either spouse to opt for assessment as single persons in which case they are treated as separate units. The calculations presented in this Report are based on family taxation.

1.1.2. Tax credits

1.1.2.1. Standard reliefs:

- Basic reliefs: The single person's credit is EUR 1 775 per year.
- Standard marital status reliefs: The married person's credit is EUR 3 550 per year (i.e. twice the basic credit of EUR 1 775).
- 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 1 775.
- Earned Income credit: Individuals in receipt of earned income are entitled to an earned income credit of EUR 1 775. Note: The combined employee credit and earned income credit is limited to EUR 1 775.
- One-Parent Family credit: The single parent family credit is EUR 1 650.

1.1.2.2. Main non-standard tax reliefs applicable to an AW

- 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 1 700 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 10 600: if the income exceeds EUR 7 200 the tax credit is reduced by one half of the income of the Home Carer that exceeds this limit. This credit and the increased standard rate tax band for two income couples (see tax schedule below) are mutually exclusive but the person may opt for whichever is the more beneficial. If the Home Carer earns income of up to EUR 7 200 in his/her own right for the tax year, the full tax credit may be claimed. For the purposes of this tax credit, income means any taxable income such as income from a part-time job, dividends, etc. but does not include the Carer’s Allowance payable by the Department of Social Protection.

1.1.3. Tax schedule

Band of taxable Income (EUR)				Rate (%)
Single/ Widow(er)	Married Couple (One Income)	Married Couple (Two Incomes)	One-Parent Families	
Up to 40,000	Up to 49,000	Up to the lesser of 80,000 - 49,000 plus the amount of the lowest income	40 800	20
Balance	Balance	Balance	Balance	40

1.1.4. Low income exemption and marginal relief tax

Where total income of an individual aged 65 and over is less than or equal to the income exemption limit that income is exempt from tax.

Exemption limits:

- Single / Widowed: EUR 18 000
- Married: EUR 36 000

The exemption limits may be increased in respect of children, as follows:

- One or two children (each): EUR 575
- Subsequent children: EUR 830

The marginal relief rate of tax applies where liability to tax at the marginal relief rate is less than that which would be chargeable under the normal tax schedule and where total income is less than twice the relevant exemption limit, otherwise tax is charged under the normal tax schedule.

Marginal relief tax is charged, where applicable, at a rate of 40% on the difference between total income and the relevant exemption limit.

1.1.5. Universal Social Charge (USC)

The USC is charged on an individualised basis on gross income at 0.5% on income up to and including EUR 12 012, at 2% for income in excess of EUR 12 012 but not greater than EUR22 920, at 4.5% for income in excess of EUR 22 920 but not greater than EUR 70 044, and at 8% above that level. The lower exemption threshold is EUR 13 000.The USC does not apply to social welfare payments, including contributory and non-contributory social welfare State pensions.

USC rates for individuals whose total income does not exceed EUR 60 000 and who are (a) aged 70 years and over or (b) who hold full medical cards: The 2% rate applies to all income over EUR 12 012.

There is a surcharge of 3% on individuals who have income from self-employment that exceeds EUR 100 000 in a year.

1.2. State and local income taxes

No State or local income taxes exist in Ireland.

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

2.1. Employees' contributions

Contributions are payable at a rate of 4 percent of an employee's gross earnings less allowable superannuation contributions. No distinction is made by marital status or sex. Those earning less than EUR 352 per week are exempt. The following is a breakdown of the 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 2022, the total employers’ contribution is 11.05% and is reduced to 8.8% in respect of employees earning less than EUR 424 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

Working Family Payment: A non-taxable family income supplement that 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 220 per week (plus EUR 40 per week for each child).

3.4. One-off payments

In recognition of the cost of living pressures brought about energy and cost of living inflation pressures, a number of one-off measures were introduced in 2023. Most of these one-off payments occurred on the welfare side with the exception of one-off temporary reductions in VAT and excise duty.

The welfare changes are as follows– the most relevant are "Cost of living supports announced in February 2023"[1]

- **February Bonus** – This one- off payment provided an extra €200 for all social welfare recipients.
- **Working Family Payment** – a one off payment of €200 was provided to people who receive the Working Family Payment and do not qualify for the extra payment based on another social welfare payment.
- **Child Benefit -** An additional once-off payment of €100 per child to parents who receive Child Benefit was paid in June 2023.

In addition to account for the cost of energy pressures, **Electricity credits** were provided on a non-means tested based. These were announced in September 2022 and rolled on to cover energy bills up to March 2023. The payments were made in 3 instalments with the first payment in November 2022, the second in January 2023, and the third will be made in March 2023. The Electricity credits are not covered in *Taxing Wages.*

4. Other Main Changes in Tax/Benefit System Since 2016

4.1. Earned Income credit

Individuals in receipt of earned income are entitled to an earned income credit of EUR 1 650 for 2021, increasing to 1 700 in 2022. Note: The combined employee credit and earned income credit is limited to EUR 1 775.

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

The TWSS, EWSS and PUP schemes referred to in previous years reports 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.

2023 Parameter values

	Ave_earn	59 899	Secretariat's estimate 12-2023
Tax allowances			
Tax Credits	Basic_al_at_standardrate	1775	
	Married_al_at_standardrate	3550	
	Empl_al_at_standardrate	1775	
	Singleparent_at_standardrate	1650	
	Carers_allow	1700	
	Carers_thrsh1	7200	
	Carers_thrsh2	10600	
	Carers_taper_rt	0.5	
Exemption amount	Single_ex	18000	
	Married_ex	36000	
	Child_ex	575	
	Child_ex_3	830	
Marginal relief limit	Single_MR	36000	
	Married_MR	72000	
	Child_MR	1150	
	Child_MR_3	1660	
Marginal relief	marg_rel_rate	0.4	
Income tax	Single_sch	0.2	40000
		0.4	
	Single_sch_child	0.2	44000
		0.4	
	Married_sch_oneinc	0.2	49000
		0.4	
	Married_sch_twoinc	0.2	80000
		0.4	
Universal Social Charge	USC_sch	0.005	12012
		0.02	22920
		0.045	70044
		0.08	
	USC_sch_med_card	0.005	12012
		0.02	
	USC threshold	13000	
Maximum increase in first band	Band_increase_lim	27800	
Social security contributions	SSC_thresh	18304	352
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	22048	424
	Empr_ceil	Limit Abolished	

Child benefit	Ch_ben	1780	148.33
	Ch_ben_3	1780	
Family income supplement	FIS_pay_limit	33904	652
	FIS_min	1040	20
	FIS_rate	0.6	
Medical card	single_med_card	9568	184
	married_med_card	13858	266.5
	child_add_med_card	1976	38
One-Parent Family	opf_basic	11648	224
	opf_inclim_1	8580	165
	opf_inclim_2	Abolished	425
	opf_inclim_3	11705.2	225.1
	opf_dis	0.5	
	opf_thrsh	395.2	7.6
	opf_red	130	2.5
	opf_childincr	2184	42

2023 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

Note

[1] https://www.citizensinformation.ie/en/money-and-tax/cost-of-living/help-with-cost-of-living/#l0ef12.

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 2023

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**	121 259	180 983	302 242	121 259
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)**	121 259	180 983	302 242	121 259
5	**Central government income tax liability (exclusive of tax credits)**	13 987	25 932	64 481	13 987
6	**Tax credits**				
	Basic credit	6 345	6 345	6 345	7 755
	Lone parent credit	0	0	0	2 820
	Children	0	0	0	11 280
	EITC	0	0	0	1 513
	Unused wastable tax credits	0	0	0	7 868
	Total	6 345	6 345	6 345	23 368
7	**Central government income tax finally paid (5-6)**	7 642	19 587	58 136	- 1 513
8	**State and local taxes**	0	0	0	0
9	**Employees' compulsory social security contributions**				
	Gross earnings	7 287	14 454	29 005	7 287
	Taxable income				
	Total	7 287	14 454	29 005	7 287
10	**Total payments to general government (7 + 8 + 9)**	14 929	34 040	87 140	5 773
11	**Cash transfers from general government**				
	For head of family				
	For two children	0	0	0	6 654
	Total	0	0	0	6 654
12	**Take-home pay (1-10+11)**	106 330	146 943	215 102	122 139
13	**Employer's compulsory social security contributions**	5 754	10 293	19 509	5 754
14	**Average rates**				
	Income tax	6.3%	10.8%	19.2%	-1.2%
	Employees' social security contributions	6.0%	8.0%	9.6%	6.0%
	Total payments less cash transfers	12.3%	18.8%	28.8%	-0.7%
	Total tax wedge including employer's social security contributions	16.3%	23.2%	33.1%	3.8%
15	**Marginal rates**				
	Total payments less cash transfers: Principal earner	32.0%	32.0%	47.0%	29.4%
	Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner	36.8%	36.8%	50.7%	34.4%
	Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.

Israel 2023

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**		180 983	302 242	361 967	302 242
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)**		180 983	302 242	361 967	302 242
5	**Central government income tax liability (exclusive of tax credits)**		25 932	39 919	51 864	39 919
6	**Tax credits**					
	Basic credit		6 345	14 100	14 100	14 100
	Lone parent credit		0	0	0	0
	Children		5 640	16 920	16 920	0
	EITC		0	0	0	0
	Unused wastable tax credits		0	5 048	0	0
		Total	11 985	31 020	31 020	14 100
7	**Central government income tax finally paid (5-6)**		13 947	13 947	20 844	25 819
8	**State and local taxes**		0	0	0	0
9	**Employees' compulsory social security contributions**					
	Gross earnings		14 454	21 740	28 907	21 740
	Taxable income					
		Total	14 454	21 740	28 907	21 740
10	**Total payments to general government (7 + 8 + 9)**		28 400	35 687	49 751	47 559
11	**Cash transfers from general government**					
	For head of family					
	For two children		4 452	4 452	4 452	0
		Total	4 452	4 452	4 452	0
12	**Take-home pay (1-10+11)**		157 035	271 007	316 668	254 683
13	**Employer's compulsory social security contributions**		10 293	16 048	20 587	16 048
14	**Average rates**					
	Income tax		7.7%	4.6%	5.8%	8.5%
	Employees' social security contributions		8.0%	7.2%	8.0%	7.2%
	Total payments less cash transfers		13.2%	10.3%	12.5%	15.7%
	Total tax wedge including employer's social security contributions		17.9%	14.9%	17.2%	20.0%
15	**Marginal rates**					
	Total payments less cash transfers: Principal earner		32.0%	32.0%	32.0%	32.0%
	Total payments less cash transfers: Spouse		6.0%	12.0%	32.0%	32.0%
	Total tax wedge: Principal earner		36.8%	36.8%	36.8%	36.8%
	Total tax wedge: Spouse		10.3%	18.2%	36.8%	36.8%

The Israeli currency is the Israeli Shekel (ILS). In 2023, ILS 3.6309 was equal to USD 1. In that year, the average worker in Israel earned ILS 180 983 (Secretariat's 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

1.1.2.1 Standard tax credits

The standard tax credits are given in the form of credit points subtracted from the tax liability. Each point is worth ILS 2 820 in 2023.

- *Basic credit*: Every resident taxpayer is entitled to 2.25 credit points (ILS 6 345 in 2023).
- *Additional credit for women*: Women are entitled to a further half credit point (ILS 1 410 in 2023).
- *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 2 820 in 2023). 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. Since 2022, both parents benefit from one extra credit point per child aged between 6 and 12 inclusive. This change was included in the 2022 model. Note that in 2024 both parents will benefit from one extra credit point per child aged between 13 and 17 inclusive.
- *Single parent credit:* Single parents (male or female) are entitled to one additional credit point.

1.1.2.2 Non – standard tax credits applicable to income from employment

- Tax credits are awarded for contributions to approved pension schemes, up to a ceiling 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 141 840 and 259 800. 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 (raised to three years in 2023) 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 (raised to two years in 2023) after the completion of a M.A. degree.

1.1.3. Tax schedule

The tax schedule for earned income in 2023 is as follows:

Taxable income (ILS per year)	Tax rate (%)
0 - 81480	10
81480 - 116760	14
116760 - 187440	20
187440 - 260520	31
260520 - 542160	35
542160 - 698280	47
Above 698280	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 7 122 per month in 2023).
- A full rate for income exceeding 60% of the average wage per employee post and up to ILS 47 465 per month (in 2023).

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 2023 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 2023 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. Between 2003 and 2022, children born before 2003 benefited from a more generous allowance.

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 2023.

First child		164
Second child		207
Third child		207
Fourth child		207
Fifth child and above		164

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 2023, the grant per child was ILS 1 101.

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 4.0 times the average wage in 2023.
- 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. Since 2022, both parents benefit from one extra credit point per child aged between 6 and 12 inclusive. This change was included in the 2022 model. Note that in 2024 both parents will benefit from one extra credit point per child aged between 13 and 17 inclusive.
- The tax benefits for new immigrants arriving in 2022 onwards were increased.

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 2023 was 18.5 per cent of the employee’s salary (up to the level of the average wage of ILS 11 870 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, in 2022) 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 2 340 per month (about 40% of the minimum wage) but not more than ILS 7 050 per month are entitled to a monthly supplement of up to 370 ILS. The corresponding figure for a family with three or more children is ILS 540.

Since 2016, single parents are eligible for the EITC for a wider income range – from ILS 1 440 per month to ILS 10 670 per month (for a single parent of 1-2 children) or ILS 13 030 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 2023.

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.

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.

In 2022, the retirement age for women was gradually raised from 62 to 65 and as accompanying measure women, aged 60-67 could opt for a more generous EITC.

Families in which both parents work, and their joint income does not exceed ILS 13 550, 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.

2023 Parameter values

Average earnings/yr	Ave_earn	180 983	Secretariat estimate
Income tax	Tax_sch	0.10	81 480
		0.14	116 760
		0.20	187 440
		0.31	260 520
		0.35	542 160
		0.47	698 280
		0.50	
Employees SSC	SSC_sch	0.035	85 464
		0.12	569 580
		0	
Employers SSC	SSC_rate2	0.0355	85 464
		0.0760	569 580
		0.0000	
Child benefit	CB_firstchild	1968	
	CB_secondchild	2484	
	Studygrant_rate	1101	
Wastable tax credits			
Basic element	WTC_Basic	6345	
Lone parent	WTC_lone	2820	
Mother/per child	WTC_ChildM	5640	
Father/per child	WTC_ChildF	2820	
Women	WTC_woman	1410	
Negative Income tax			
Married with 1 or	NIT_sch1	0	28080
2 children		0.161	48708
		3.241	48720
		0	65040
		-0.230	84600
Married with 3 or	NIT_sch2	0	28080
more children		0.235	48505
		-	48720
		0	65040
		-0.235	92640
Single with 1 or	NIT_sch3	0	17280
2 children		0.108	48391
		-	48720
		0	91680
		-0.116	128040
Single with 3 or	NIT_sch4	0	17280
		0.155	48247
		-	48720
		0	102240
		-0.116	156360
	NIT_basic1	1080	
	NIT_basic2	1680	
	NIT_min	360	
	NIT_MinIncome1	28080	
	NIT_MinIncome2	17280	
	Nit_AddIncome1	19560	
	Nit_AddIncome2	65040	

	Nit_MaxIncome	162600	
	NIT_Bonus1	1.5	
	NIT_Bonus2	1	
	NIT_Bonus3	0	
	NIT_Bonus4	1	
	NIT_PartnerIncome	0	
	NIT_MinCovid	1	
Days in tax year	numdays	366	

2023 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 2023

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**		22 440	33 492	55 932	22 440
2	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		1 042	1 890	5 345	1 042
	Work-related expenses					
	Other					
		Total	1 042	1 890	5 345	1 042
3	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4	**Central government taxable income (1 - 2 + 3)**		21 398	31 602	50 587	21 398
5	**Central government income tax liability (exclusive of tax credits)**		5 049	7 961	14 652	5 049
6	**Tax credits**					
	Basic credit		2 514	1 662	0	2 514
	Married or head of family		0	0	0	0
	Children		0	0	0	0
	Other		0	0	0	0
		Total	2 514	1 662	0	2 514
7	**Central government income tax finally paid (5-6)**		2 535	6 298	14 652	2 535
8	**State and local taxes**		665	1 097	1 900	665
9	**Employees' compulsory social security contributions**					
	Gross earnings		1 042	1 890	5 345	1 042
	Taxable income					
		Total	1 042	1 890	5 345	1 042
10	**Total payments to general government (7 + 8 + 9)**		4 242	9 285	21 898	4 242
11	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	4 540
		Total	0	0	0	4 540
12	**Take-home pay (1-10+11)**		18 198	24 207	34 035	22 738
13	**Employer's compulsory social security contributions**		7 087	10 577	17 663	7 087
14	**Average rates**					
	Income tax		14.3%	22.1%	29.6%	14.3%
	Employees' social security contributions		4.6%	5.6%	9.6%	4.6%
	Total payments less cash transfers		18.9%	27.7%	39.2%	-1.3%
	Total tax wedge including employer's social security contributions		38.4%	45.1%	53.8%	23.0%
15	**Marginal rates**					
	Total payments less cash transfers: Principal earner		41.2%	50.9%	52.8%	41.2%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		55.3%	62.6%	64.1%	55.3%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Italy 2023

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**		33 492	55 932	66 985	55 932
2	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		1 890	2 932	3 781	2 932
	Work-related expenses					
	Other					
		Total	1 890	2 932	3 781	2 932
3	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4	**Central government taxable income (1 - 2 + 3)**		31 602	53 000	63 204	53 000
5	**Central government income tax liability (exclusive of tax credits)**		7 961	13 010	15 921	13 010
6	**Tax credits**					
	Basic credit		1 662	4 177	3 325	4 177
	Married or head of family		710	0	0	0
	Children		0	0	0	0
	Other		0	0	0	0
		Total	2 372	4 177	3 325	4 177
7	**Central government income tax finally paid (5-6)**		5 588	8 834	12 597	8 834
8	**State and local taxes**		1 097	1 762	2 194	1 762
9	**Employees' compulsory social security contributions**					
	Gross earnings		1 890	2 932	3 781	2 932
	Taxable income					
		Total	1 890	2 932	3 781	2 932
10	**Total payments to general government (7 + 8 + 9)**		8 575	13 528	18 571	13 528
11	**Cash transfers from general government**					
	For head of family					
	For two children		4 540	5 102	4 531	0
		Total	4 540	5 102	4 531	0
12	**Take-home pay (1-10+11)**		29 457	47 507	52 945	42 404
13	**Employer's compulsory social security contributions**		10 577	17 663	21 154	17 663
14	**Average rates**					
	Income tax		20.0%	18.9%	22.1%	18.9%
	Employees' social security contributions		5.6%	5.2%	5.6%	5.2%
	Total payments less cash transfers		12.0%	15.1%	21.0%	24.2%
	Total tax wedge including employer's social security contributions		33.2%	35.4%	39.9%	42.4%
15	**Marginal rates**					
	Total payments less cash transfers: Principal earner		50.9%	56.1%	56.1%	50.9%
	Total payments less cash transfers: Spouse		19.6%	46.6%	56.1%	41.2%
	Total tax wedge: Principal earner		62.6%	66.7%	66.7%	62.6%
	Total tax wedge: Spouse		38.9%	59.4%	66.7%	55.3%

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 33 492 (Secretariat estimate).

1. Personal Income Tax

1.1. Central government income tax

1.1.1. Tax unit

Spouses are taxed separately.

1.1.2. Tax allowances and tax credits

1.1.2.1 Tax allowances

Social security contributions due by law.

1.1.2.2 Tax credits

Italy increased the basic employee tax credit from EUR 1 840 to EUR 1 880 and as from 2014 introduced an additional refundable tax credit of EUR 960 for employees with income between EUR 8 146 and EUR 24 600, with a phase-out for income between EUR 24 600 and EUR 26 600. As from 01/07/2020 the EUR 960 fiscal bonus is not in force and has been replaced by a EUR 1 200 payable tax credit for net income under EUR 28 000, while an additional tax credit was assigned for incomes from EUR 28 000 to EUR 40 000.

As from 2022, Budget Law n. 234/2021 modified the Personal Income Tax (IRPEF). The payable tax credits amount for 2022 is EUR 1 200 for net income under EUR 15 000.[1]

The payable tax credits amount from 2022 must 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 EUR 65 applies to taxable income from EUR 25 000 up to EUR 35 000.

- 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.

1.1.2.3 Main non-standard tax allowances and tax credits

- Other compulsory contributions.
- Periodical benefits allowed to the spouse fixed by judicial authority.
- Charitable donations to certain religious institutions (up to EUR 1 032.91).
- Medical and assistance expenses incurred by handicapped persons.
- Expenses to restore one's own residence at 50% for 2023 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 2023 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 EUR 40 000 (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).

Regional surcharge tax

This surcharge tax has been introduced in 1997. The tax is levied by each region on resident taxpayers’ total taxable income (in case net PIT is positive) 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 2023 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 regional surcharge of Lazio applies to the whole income with two brackets (1.73% under or equal EUR 15 000 and 3.33% over 15 000). The municipality surcharge in Rome is 0.9% flat.

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 2023 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 52 190. However, a temporary decrease in rate of social security contributions from 9.49% to 6.49% (-3 p.p.) applies for employees having income up to EUR 25 000 and from 9.49% to 7.49 (-2 p.p.) up to EUR 35 000. The measure is in force from 1/1/2023 until 31/12/2023 (13th month salary included). Moreover, from 1/07/2023 until 31/12/2023, an additional cut (-4 p.p.) applies for employees earning less than EUR 35 000 (13th month salary excluded).
  - The average rate is 10.49% on earnings over EUR 52190 and up to EUR 113 520.
  - For earnings exceeding EUR 113 520, the employee pays a fixed amount given by (0.0949 x 52 190) + 0.1049 x (113 520 – 52 190).
- Distinction by marital status or sex
  - None.

2.2. Employer contributions

- Contributions equal 31.58%[2] on earnings up to EUR 113 520. For earnings exceeding EUR 113 520, the employer pays a fixed amount given by 0.3158 x 113 520.
- 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 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 incomes 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[3].

The '*Assegno Unico e Universale*' is indexed to inflation, calculated with the National Consumer Price Index for the whole nation CPI (in Italian 'NIC'). It follows a progressive scheme, implying a maximum amount (EUR 175 per month for minors; EUR 85 for adult younger than 21 years) for households with less than EUR 15 000 of ISEE, and a *dècalage* until a minimum amount (EUR 50 per month for minors; EUR 25 for adult younger than 21 years) for ISEE greater than EUR 40 000[4]. It also provides additional bonus for children with disability, large households, children under 3 years old, working parents, and young mother (younger than 21 years old). Such thresholds and amounts are indexed to the CPI inflation, which account for 8.1% in 2023.

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	0.00	0.00	22288	3000	1.00	19288	0
1.00	0.00	0.00	0.00	32916	3000	1.00	29916	0
1.67	0.00	0.00	0.00	52669	3000	1.00	49669	0
0.67	0.00	0	2	22288	3000	2.24	8611	4540
1.00	0.00	1	2	32916	3000	2.46	12161	4540
1.00	0.67	1	2	55204	6000	2.66	18498	4979
1.00	1.00	1	2	65832	6000	2.66	22493	4384
1.00	1.00	1	0	55204	6000	1.57	31340	0

(*) Children > 3 years old and < 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 EUR 100).

The tax credit for children and the previous family cash transfer (plus some minor measures[5]) to support households have been replaced by a single and universal allowance, in most cases more generous than the previous benefits. The universal allowance is indexed to inflation.

As from 2023, Budget Law n. 197/2022 introduced a temporary decrease in rate of social security contributions from 9.49% to 6.49% (-3 p.p.) applies for employees having income up to EUR 25 000 and from 9.49% to 7.49 (-2 p.p.) up to EUR 35 000 (13th month salary included). The measure is in force from 1/1/2023 until 31/12/2023. Moreover, D.L 48/2023 apply an additional cut (-4 p.p.) for employees earning less than EUR 35 000 from 1/07/2023 until 31/12/2023 (13th month salary excluded).

The brackets and the amounts of the new family allowance introduced in 2022 are indexed to inflation (8.01%, based on CPI) and minor revisions were introduced. In particular, the allowance for children with disabilities has been simplified and increased; the additional bonus for households with 4 children or more was increased by 50%; and two additional bonuses have been introduced for new-borns and numerous households with children under 3.

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.

2023 Parameter values

Average earnings/yr	Ave_earn	33 492	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	1910
		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	710.00
		34 700	720.00
		35 000	710.00
		35 100	700.00
		35 200	690.00
		40 000	690.00
		80 000	0
Limit	Sp_crd_lim	2 840.51	
Child credit	Child_credit		
Additional child credit	add_child		
Regional and local tax	reg_rt_sch	0.0173	15 000.00
		0.0333	28 000.00
		0.0333	999999999.99
	reg_rt	0.0173	
	Local_rt	0.009	
Social security contributions	SSC_sch	0.0464	25 000
		0.0564	35 000
		0.0949	52 190
		0.1049	113 520
		0.00	999999999.99
Employer contributions	Empr_sch	0.3158	113 520
		0.00	999 999 999.99
Cash transfers:			
Universal child benefit		Table is too long to be included	

2023 Tax equations

The equations for the Italian system in 2023 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+1190*(thre_2-tax_inc)/13000, IF(tax_inc>thre_3,emp_cr_max*(thre_3-tax_inc)/22000)+IF(tax_inc>25000,65)+IF(tax_inc>35000,-65))))
			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+1190*(thre_2-tax_inc_spouse)/13000, IF(tax_inc_spouse>thre_3, emp_cr_max_spouse*(thre_3-tax_inc_spouse)/22000)+IF(tax_inc_spouse>25000,65)+IF(tax_inc>35000,-65))))
	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	0
		child_crfull_spouse	S	0
		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	0
	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; tax(tax_inc;reg_rt_sch)))
9.	Employees' soc security	SSC	B	=IF(earn=0,0,IF(earn<=25000,0.04644*earn,IF(AND(earn>25000,earn<= 35000),0.05644*earn,IF(AND(earn>35000,earn<= 52190), 0.0949*earn,IF(earn>52190,(0.0949*52190)+(0.1049*(earn-52190)),IF(earn> 113520,(0.0949*52190)+ (0.1049*(113520-52190)))))))
11.	Cash transfers	isee	J	=(tax_inc-(3000+(3000*second_earn>0)))/eq_scale
		fam_all_base	J	=IF(isee<=16215,189.18*12*children,IF(isee>16215,(54.05+((189.18-54.05)*(43240-isee)/27025))*12*children,IF(isee>43240,54.05)))

		fam_all_add	J	=IF(second_earn=0,0,IF(isee<16215,32.43*12*children,IF(isee>16215,32.43*12*children*(43240-isee)/27025)))
		fam_all	J	=fam_all_base+fam_all_add
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] It includes pension, unemployment assurance, fund for assurance of the severance pay (TFR), fund for the family bonus, ordinary and extraordinary wages guarantee fund (CIG), maternity leave and sickness assurance.

[3] 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.

[4] To calculate the tax wedge for the stylized OECD households, we assume children are under 18 years old and without disabilities.

[5] 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 2023

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**		3 518 612	5 251 660	8 770 271	3 518 612
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		515 477	769 368	1 196 065	515 477
	Work-related expenses		1 135 584	1 490 332	1 950 000	1 135 584
	Other					
		Total	2 131 060	2 739 700	3 626 065	2 131 060
3	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4	**Central government taxable income (1 - 2 + 3)**		1 387 552	2 511 960	5 144 207	1 387 552
5	**Central government income tax liability (exclusive of tax credits)**		70 835	156 924	613 969	70 835
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)**		70 835	156 924	613 969	70 835
8	**State and local taxes**		146 255	258 696	521 921	146 255
9	**Employees' compulsory social security contributions**					
	Gross earnings		515 477	769 368	1 196 065	515 477
	Taxable income					
		Total	515 477	769 368	1 196 065	515 477
10	**Total payments to general government (7 + 8 + 9)**		732 566	1 184 988	2 331 955	732 566
11	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	543 114
		Total	0	0	0	543 114
12	**Take-home pay (1-10+11)**		2 786 046	4 066 672	6 438 316	3 329 159
13	**Employer's compulsory social security contributions**		549 255	819 784	1 280 260	549 255
14	**Average rates**					
	Income tax		6.2%	7.9%	13.0%	6.2%
	Employees' social security contributions		14.7%	14.7%	13.6%	14.7%
	Total payments less cash transfers		20.8%	22.6%	26.6%	5.4%
	Total tax wedge including employer's social security contributions		31.5%	33.0%	35.9%	18.2%
15	**Marginal rates**					
	Total payments less cash transfers: Principal earner		23.0%	27.9%	34.2%	45.3%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		33.4%	37.6%	38.2%	52.7%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Japan 2023

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**		5 251 660	8 770 271	10 503 319	8 770 271
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		769 368	1 284 845	1 538 736	1 284 845
	Work-related expenses		1 490 332	2 625 915	2 980 664	2 625 915
	Other					
		Total	3 119 700	4 870 760	5 479 400	4 870 760
3	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4	**Central government taxable income (1 - 2 + 3)**		2 131 960	3 899 511	5 023 919	3 899 511
5	**Central government income tax liability (exclusive of tax credits)**		118 126	227 758	313 847	227 758
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)**		118 126	227 758	313 847	227 758
8	**State and local taxes**		225 696	404 951	517 392	404 951
9	**Employees' compulsory social security contributions**					
	Gross earnings		769 368	1 284 845	1 538 736	1 284 845
	Taxable income					
		Total	769 368	1 284 845	1 538 736	1 284 845
10	**Total payments to general government (7 + 8 + 9)**		1 113 190	1 917 554	2 369 975	1 917 554
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)**		4 378 470	7 092 717	8 373 344	6 852 717
13	**Employer's compulsory social security contributions**		819 784	1 369 039	1 639 568	1 369 039
14	**Average rates**					
	Income tax		6.5%	7.2%	7.9%	7.2%
	Employees' social security contributions		14.7%	14.7%	14.7%	14.7%
	Total payments less cash transfers		16.6%	19.1%	20.3%	21.9%
	Total tax wedge including employer's social security contributions		27.9%	30.0%	31.0%	32.4%
15	**Marginal rates**					
	Total payments less cash transfers: Principal earner		27.9%	27.9%	27.9%	27.9%
	Total payments less cash transfers: Spouse		22.9%	23.0%	27.9%	23.0%
	Total tax wedge: Principal earner		37.6%	37.6%	37.6%	37.6%
	Total tax wedge: Spouse		33.3%	33.4%	37.6%	33.4%

The national currency is the Yen (JPY). In 2023, JPY 132.88 were equal to USD 1. In that year, the average worker is assumed to earn JPY 5 251 660 (Secretariat estimate). In Japan, the central government income tax year is a calendar year, and the local government income tax year is from April to March. The calculations in this report are based on the tax rules and rates, which are applicable the April 1st.

1. Personal Income Tax Systems

1.1. Central government income tax

1.1.1. Tax unit

Each individual is taxed separately.

1.1.2. Allowances and tax credits

1.1.2.1. Standard reliefs

First step 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 2023, 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 are 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.

1.1.2.2. Main non-standard tax reliefs applicable to an AW

- Deduction for life insurance premiums: If a resident taxpayer pays insurance premiums on life insurance contracts and the beneficiary is the taxpayer, his/her spouse or other relatives, the portion of these insurance premiums which does not exceed the limit described below, is deductible from ordinary income, retirement income or timber income.
- In addition, if a resident taxpayer pays insurance premiums for “qualified private pension plan (insurance type)”, and the recipient of the pension payment is the taxpayer or his/her spouse or relatives living with the taxpayer, the portion of such premiums which does not exceed the limit described below, is deductible from ordinary income, retirement income, or timber income.

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 up to 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

0.5% 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 0.6% 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

0.85% 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 0.95% for Business of agriculture, forestry and fisheries, and the rice wine brewing business, and 1.05% 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
2022/4	43 070	10 170	6 100

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
2022/4	43 060	0.0230070	10 160	0.0035455	6 090	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 = 43 070－{(Amount of income － "Income–tested threshold of full benefit") ×0.0230070 +10}

The additional amount for the second child is calculated as follows:

- Benefit amount = 10 170－{Amount of income － "Income–tested threshold of full benefit") ×0.0035455 +10}

And the additional amount for the third and subsequent children as follows:

- Benefit amount = 6 100－{(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.

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 2 663 billion (FY 2020)

Employees’ Pension Funds (EPFs): JPY 75 billion (FY 2021)

DC: JPY 1 255 billion (FY2021)

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.

2023 Parameter values

Average earnings/yr	Ave_earn	5 251 660	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	0.005			
Employer contribution proportion	SSC_empr_unemp	0.0085			
	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	43070	870000	2300000	0.0230070
		10170	1250000	2680000	0.0035455
		6100	1630000	3060000	0.0021259
	Child_rear_c	80000			

2023 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 2023

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**		36 513 568	54 497 863	91 011 431	36 513 568
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		1 643 111	2 452 404	3 086 100	1 643 111
	Work-related expenses					
	Other		12 515 877	15 144 806	18 759 326	13 515 877
		Total	15 658 987	19 097 210	23 345 426	19 658 987
3	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4	**Central government taxable income (1 - 2 + 3)**		20 854 581	35 400 653	67 666 005	16 854 581
5	**Central government income tax liability (exclusive of tax credits)**		1 868 187	4 050 098	10 479 841	1 268 187
6	**Tax credits**					
	Basic credit		711 891	660 000	500 000	697 503
	Married or head of family					
	Children		0	0	0	150 000
	Other					
		Total	711 891	660 000	500 000	847 503
7	**Central government income tax finally paid (5-6)**		1 156 296	3 390 098	9 979 841	420 684
8	**State and local taxes**		115 630	339 010	997 984	42 068
9	**Employees' compulsory social security contributions**					
	Gross earnings		3 431 952	5 122 317	7 544 854	3 431 952
	Taxable income					
		Total	3 431 952	5 122 317	7 544 854	3 431 952
10	**Total payments to general government (7 + 8 + 9)**		4 703 877	8 851 424	18 522 679	3 894 705
11	**Cash transfers from general government**					
	For head of family		0	0	0	0
	For two children		0	0	0	2 400 000
		Total	0	0	0	2 400 000
12	**Take-home pay (1-10+11)**		31 809 691	45 646 438	72 488 751	35 018 863
13	**Employer's compulsory social security contributions**		4 045 380	6 037 881	9 073 846	4 045 380
14	**Average rates**					
	Income tax		3.5%	6.8%	12.1%	1.3%
	Employees' social security contributions		9.4%	9.4%	8.3%	9.4%
	Total payments less cash transfers		12.9%	16.2%	20.4%	4.1%
	Total tax wedge including employer's social security contributions		21.6%	24.6%	27.6%	13.7%
15	**Marginal rates**					
	Total payments less cash transfers: Principal earner		22.8%	23.5%	28.7%	15.0%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		30.5%	31.2%	33.1%	23.5%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Korea 2023

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**		54 497 863	91 011 431	108 995 725	91 011 431
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		2 452 404	4 095 514	4 904 808	4 095 514
	Work-related expenses					
	Other		15 144 806	27 660 683	30 289 612	27 660 683
		Total	23 597 210	37 756 197	41 194 419	34 756 197
3	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4	**Central government taxable income (1 - 2 + 3)**		30 900 653	53 255 234	67 801 306	56 255 234
5	**Central government income tax liability (exclusive of tax credits)**		3 375 098	5 468 285	7 650 196	5 918 285
6	**Tax credits**					
	Basic credit		660 000	1 371 891	1 320 000	1 371 891
	Married or head of family					
	Children		150 000	150 000	150 000	0
	Other					
		Total	810 000	1 521 891	1 470 000	1 371 891
7	**Central government income tax finally paid (5-6)**		2 565 098	3 946 394	6 180 196	4 546 394
8	**State and local taxes**		256 510	394 639	618 020	454 639
9	**Employees' compulsory social security contributions**					
	Gross earnings		5 122 317	8 554 269	10 244 633	8 554 269
	Taxable income					
		Total	5 122 317	8 554 269	10 244 633	8 554 269
10	**Total payments to general government (7 + 8 + 9)**		7 943 924	12 895 302	17 042 849	13 555 302
11	**Cash transfers from general government**					
	For head of family		0	0	0	0
	For two children		2 400 000	2 400 000	2 400 000	0
		Total	2 400 000	2 400 000	2 400 000	0
12	**Take-home pay (1-10+11)**		48 953 938	80 516 129	94 352 877	77 456 129
13	**Employers' compulsory social security contributions**		6 037 881	10 083 261	12 075 761	10 083 261
14	**Average rates**					
	Income tax		5.2%	4.8%	6.2%	5.5%
	Employees' social security contributions		9.4%	9.4%	9.4%	9.4%
	Total payments less cash transfers		10.2%	11.5%	13.4%	14.9%
	Total tax wedge including employer's social security contributions		19.1%	20.4%	22.1%	23.4%
15	**Marginal rates**					
	Total payments less cash transfers: Principal earner		23.5%	23.5%	23.5%	23.5%
	Total payments less cash transfers: Spouse		13.6%	22.8%	23.5%	22.8%
	Total tax wedge: Principal earner		31.2%	31.2%	31.2%	31.2%
	Total tax wedge: Spouse		22.2%	30.5%	31.2%	30.5%

The national currency is the Won (KRW). In 2023, KRW 1 307.28 were equal to USD 1. In that year, the average worker was expected to earn KRW 54 497 863 (Secretariat estimate).

1. Personal Income Tax System

1.1. Central government income tax system

1.1.1. Tax unit

Each individual is taxed on his/her own income.

Non-taxable wage income includes the:

- National pension, National health insurance, Employment insurance and Workers' compensation insurance that are borne by employer.
- Overtime payment to productive workers: up to KRW 2 400 000 of overwork payment of productive workers in manufacturing and mining sectors whose monthly wage is less than KRW 2 100 000 and whose yearly wage is less than KRW 30 000 000.

1.1.2. Allowances and tax credits

1.1.2.1. Standard reliefs

- Employment income deduction: the following deduction (up to KRW 20 000 000) from gross income is provided to wage and salary income earners:

Salary	Deduction
Up to KRW 5 000 000	70%
KRW 5 000 000 to KRW 15 000 000	KRW 3 500 000 plus 40% of the salary over KRW 5 000 000
KRW 15 000 000 to KRW 45 000 000	KRW 7 500 000 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%]
Not more than KRW 120 million	The greater of KRW 500 000 and KRW 660 000- [(total wage and salary income- KRW 70 million)* 50%]
Exceeding KRW 120 million	The greater of KRW 200 000 and KRW 500 000- [(total wage and salary income- KRW 120 million)* 50%]

1.1.2.2. Main non-standard tax reliefs

Wage and salary income earners may deduct from gross income the expenses for the following items during the tax year:

- Saving/Payment for housing: 40% of deposits of an account for purchasing a house, which is held by a person who does not own a house, and 40% of repayments of loans including interest borrowed in order to lease a house smaller than 85 square meters in size by a person owning no house may be deducted up to four 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.

1.1.2.3. Child tax credit

- Where a resident with taxable income has dependent children from 8 years old including adoptee, he/she gets annual tax credit of KRW 150 000 for having a child, KRW 300 000 for having two children and KRW 300 000 plus KRW 300 000 per an excess child over two children in case of having more than three children.

- Resident gets tax credit of KRW 300 000 for the first child, KRW 500 000 for the second Child, and KRW 700 000 for the third child or more for birth and adoption of the year.

1.1.2.4. Credit for Pension Insurance Premiums

- A resident who paid pension contributions to a pension account may deduct the amount equal to 12% of the premiums paid from his/her global income tax amount, only up to KRW 6 million for pension savings account as well as KRW 9 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 45 million would deduct 15% of the premium.

1.1.2.5. Special tax credit

Wage and salary income earners may obtain following tax credit during the tax year:

- Insurance premiums (a): 12% of the general insurance premium up to KRW 1 000 000 can be deducted from his/her income tax amount.
- Medical expenses (b): 15% of the medical expenses exceeding 3% of taxable income can be deducted from his/her income tax amount. The medical expenses for taxpayer’s dependents who are eligible for the basic deduction are limited to KRW 7 000 000 and the medical expenses for the taxpayer himself, taxpayer’s dependents who are aged 65 years or older and handicapped persons are not limited.
  - In addition, 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	14 000 000	6
14 000 000	50 000 000	15
50 000 000	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 370 000 to KRW 5 900 000 as of 1 July 2023.

If the average monthly wage income of a person is less than KRW 370 000, the average monthly wage income of the person is regarded as KRW 370 000 and the rate (0.045) is applied. If the average monthly wage income of a person is more than KRW 5 900 000, the average monthly wage income of the person is regarded as KRW 5 900 000 and the rate (0.045) is applied; so the minimum of the national pension contribution per year is KRW 199 800 (KRW 370 000 x 0.045 x 12 months), and the maximum of the national pension contribution per year is KRW 3 186 000 (=KRW 5 900 000 x 0.045 x 12 months).

2.1.2. National health insurance

The National health insurance premium, which has a rate of 3.9991145 % (National health insurance: 3.545 %, Long term care insurance 12.81 % of National Health insurance premium rate), is levied on average monthly wage income as of 1 January 2023.

The scope of the monthly National health insurance premium (excluding long term care insurance premium) is from KRW 9 890 to KRW 3 911 280. To include long term care insurance, we should multiply 1.1281. Thus, the scope of the total monthly premium is from KRW 11 157 to 4 412 315. If the calculated premium is less than KRW 11 157, the worker should pay KRW 11 157. Likewise, if the calculated premium is more than KRW 4 412 315, the worker only pays KRW 4 412 315.

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 370 000 to KRW 5 900 000 as of 1 July, 2023.

If the average monthly wage income of a person is less than KRW 370 000, the average monthly wage income of the person is regarded as KRW 370 000 and the rate (0.045) is applied. If the average monthly wage income of a person is more than KRW 5 900 000, the average monthly wage income of the person is regarded as KRW 5 900 000 and the rate (0.045) is applied; so the minimum of the national pension contribution per year is KRW 199 800 (KRW 370 000 x 0.045 x 12 months), and the maximum of the national pension contribution per year is KRW 3 186 000 (=KRW 5 900 000 x 0.045 x 12 months).

2.2.2. National health insurance

The National health insurance premium, which has a rate of 3.9991145 % (National health insurance 3.545 %, Long term care insurance: 12.81 % of National health insurance premium rate), is levied on average monthly wage income as of 1 January 2023.

The scope of the monthly National health insurance premium (excluding long term care insurance premium) is from KRW 9 890 to KRW 3 911 280. To include long term care insurance, we should multiply 1.1281. Thus, the scope of the total monthly premium is from KRW 11 157 to 4 412 315. If the calculated premium is less than KRW 11 157, the employer should pay KRW 11 157. Likewise, if the calculated premium is more than KRW 4 412 315, the employer only pays KRW 4 412 315.

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 86 months or younger: KRW 200 000 for a child aged 11 months or younger, KRW 150 000 for a child aged 12 to 23 months and KRW 100 000 for a child aged 24 to 86 months.

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.

From January 2023, parental benefits will be provided so that infants in need of intensive care can be comfortably taken care of at home. A child who turns 0 receives 700,000 won per month, and a child who turns 1 receives 350,000 won per month. This system will be applied to children born after 2022.

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%)
2023	Tax schedule has been changed: KRW 12 000 000 to KRW 14 000 000 and KRW 46 000 000 to 50 000 000. The ceiling amount range of working tax credit has been changed: over KRW 70 000 000 is divided into over 70 000 000 to 120 000 000 and over 120 000 000. Ceiling on credit amount to be applied is 500 000 and 200 000 respectively.

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).

2023 Parameter values

Average earnings/yr	Ave_earn	54 497 863	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
		200000	Ave_earn > 120000000
Child tax credit	child_cred	150000	
Lump sum tax credit	lump_cred	130000	
	lump_thresh	866,667	
Tax schedule	tax_sch	0.06	14000000
		0.15	50000000
		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	2400000	
max number of kids permitted to be under 7	child_und7_max	2	
Social security contributions	SSC_pens	0.045	
	SSC_pens_max	3086100	
	SSC_pens_min	194400	
	SSC_sick	0.03999115	
	SSC_sick_max	52947779.6	
	SSC_sick_min	133882.908	
	SSC_unemp	0.009	
Employer contributions	emp_pens	0.045	
	emp_sick	0.03999115	
	emp_unemp	0.0105	
	emp_inj	0.0153	

2023 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 2023

The tax/benefit position of single persons

			67	100	167	67
		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1	**Gross wage earnings**		12 434	18 559	30 993	12 434
2	**Standard tax allowances**					
	Basic allowance		3 525	1 170	0	3 525
	Married or head of family					
	Dependent children		0	0	0	6 000
	Deduction for social security contributions and income taxes		1 306	1 949	3 254	1 306
	Work-related expenses					
	Other					
		Total	4 831	3 118	3 254	10 831
3	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4	**Central government taxable income (1 - 2 + 3)**		7 603	15 440	27 739	1 603
5	**Central government income tax liability (exclusive of tax credits)**		1 521	3 088	5 877	321
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)**		1 521	3 088	5 877	321
8	**State and local taxes**		0	0	0	0
9	**Employees' compulsory social security contributions**					
	Gross earnings		1 306	1 949	3 254	1 306
	Taxable income					
		Total	1 306	1 949	3 254	1 306
10	**Total payments to general government (7 + 8 + 9)**		2 826	5 037	9 132	1 626
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)**		9 608	13 522	21 861	12 008
13	**Employer's compulsory contributions**					
	Employer's compulsory social security contributions		2 933	4 378	7 311	2 933
	Payroll taxes		4	4	4	4
		Total	2 938	4 382	7 316	2 938
14	**Average rates**					
	Income tax		12.2%	16.6%	19.0%	2.6%
	Employees' social security contributions		10.5%	10.5%	10.5%	10.5%
	Total payments less cash transfers		22.7%	27.1%	29.5%	3.4%
	Total tax wedge including employer's social security contributions		37.5%	41.1%	42.9%	21.9%
15	**Marginal rates**					
	Total payments less cash transfers: Principal earner		36.1%	36.1%	31.4%	36.1%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		48.3%	48.3%	44.5%	48.3%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Latvia 2023

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**	18 559	30 993	37 117	30 993
2	**Standard tax allowances**				
	Basic allowance	1 170	4 695	2 340	4 695
	Married or head of family				
	Dependent children	6 000	6 000	6 000	0
	Deduction for social security contributions and income taxes	1 949	3 254	3 897	3 254
	Work-related expenses				
	Other				
	Total	9 118	13 949	12 237	7 949
3	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4	**Central government taxable income (1 - 2 + 3)**	9 440	17 044	24 880	23 044
5	**Central government income tax liability (exclusive of tax credits)**	1 888	3 409	4 976	4 609
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)**	1 888	3 409	4 976	4 609
8	**State and local taxes**	0	0	0	0
9	**Employees' compulsory social security contributions**				
	Gross earnings	1 949	3 254	3 897	3 254
	Taxable income				
	Total	1 949	3 254	3 897	3 254
10	**Total payments to general government (7 + 8 + 9)**	3 837	6 663	8 873	7 863
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)**	15 922	25 530	29 444	23 130
13	**Employer's compulsory contributions**				
	Employer's compulsory social security contributions	4 378	7 311	8 756	7 311
	Payroll taxes	4	9	9	9
	Total	4 382	7 320	8 765	7 320
14	**Average rates**				
	Income tax	10.2%	11.0%	13.4%	14.9%
	Employees' social security contributions	10.5%	10.5%	10.5%	10.5%
	Total payments less cash transfers	14.2%	17.6%	20.7%	25.4%
	Total tax wedge including employer's social security contributions	30.6%	33.4%	35.8%	39.6%
15	**Marginal rates**				
	Total payments less cash transfers: Principal earner	36.1%	36.1%	36.1%	36.1%
	Total payments less cash transfers: Spouse	22.7%	36.1%	36.1%	36.1%
	Total tax wedge: Principal earner	48.3%	48.3%	48.3%	48.3%
	Total tax wedge: Spouse	37.5%	48.3%	48.3%	48.3%

Since 2014, the Latvian currency is the Euro (EUR). In 2023, EUR 0.96 was equal to USD 1. That year, the average worker in Latvia earned EUR 18 559 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.

1.1.2.1. Standard tax reliefs

- A general (basic) allowance:

Since 2016, the differentiated non-taxable minimum is introduced.

The differentiated non-taxable minimum varies depending on the person's income level: higher for lower wages, but 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:

	2019	2020	2021	2022	2023
Maximum non-taxable minimum, *EUR per month*	230	300	300	350 | 500[1]	500
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	500	500	500	500
Taxable income* maximum threshold up to which the annual non-taxable minimum is applied, *EUR per month*	1 100	1 200	1 800	1 800	1800

* 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 2023, the maximum tax allowance amount is EUR 500 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, 2022 and 2023 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.

1.1.2.2. 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 disbursed to pension plan participants.
- 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.
- assistance provided on the basis of a decision of a trade union institution from the funds of the trade union which are formed from the payments of membership fees and donations (gifts) of foreign trade unions - EUR 1 000 a year.

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 2023, 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 cover:

- 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 2023, the maximum object of mandatory social payments is EUR 78 100 per year.

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	2021-2023
Solidarity tax rate		**35.09%**	**25.50%**	**25.00%**
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 2022-2023, 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 March 1, 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; childcare benefit (additional benefit for child with disabilities). These are not included in the modelling.

4. Main changes in tax/benefit system in 2023

No specific changes to labour taxation were made in 2023.

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.

2023 Parameter values

Average earnings/yr	Ave_earn	18 559	Secretariat estimate
Basic allowance	Basic_al		
Minimum non-taxable minimum	MIN_non_taxable	0	
Maximum non-taxable minimum	MAX_non_taxable	6,000	
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	0,38462	
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	1200	
	CA_three	2700	
	CA_four	4800	
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.

2023 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.

Notes

[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 2023

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**		15 684	23 409	39 093	15 684
2	**Standard tax allowances**					
	Basic allowance		5 146	1 973	0	5 146
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other					
		Total	5 146	1 973	0	5 146
3	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4	**Central government taxable income (1 - 2 + 3)**		10 538	21 436	39 093	10 538
5	**Central government income tax liability (exclusive of tax credits)**		2 108	4 287	7 819	2 108
6	**Tax credits**					
	Basic credit					
	Married or head of family					
	Children					
	Other					
		Total	0	0	0	0
7	**Central government income tax finally paid (5-6)**		2 108	4 287	7 819	2 108
8	**State and local taxes**		0	0	0	0
9	**Employees' compulsory social security contributions**					
	Gross earnings		3 058	4 565	7 623	3 058
	Taxable income					
		Total	3 058	4 565	7 623	3 058
10	**Total payments to general government (7 + 8 + 9)**		5 166	8 852	15 442	5 166
11	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	3 269
		Total	0	0	0	3 269
12	**Take-home pay (1-10+11)**		10 518	14 557	23 652	13 787
13	**Employer's wage dependent contributions and taxes**					
	Employer's compulsory social security contributions		231	344	575	231
	Payroll taxes		50	75	125	50
		Total	281	419	700	281
14	**Average rates**					
	Income tax		13.4%	18.3%	20.0%	13.4%
	Employees' social security contributions		19.5%	19.5%	19.5%	19.5%
	Total payments less cash transfers		32.9%	37.8%	39.5%	12.1%
	Total tax wedge including employer's social security contributions		34.1%	38.9%	40.6%	13.6%
15	**Marginal rates**					
	Total payments less cash transfers: Principal earner		47.9%	43.1%	39.5%	47.9%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		48.8%	44.1%	40.6%	48.8%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Lithuania 2023

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**		23 409	39 093	46 819	39 093
2	**Standard tax allowances**					
	Basic allowance		1 973	7 119	3 946	7 119
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other					
		Total	1 973	7 119	3 946	7 119
3	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4	**Central government taxable income (1 - 2 + 3)**		21 436	31 974	42 872	31 974
5	**Central government income tax liability (exclusive of tax credits)**		4 287	6 395	8 574	6 395
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)**		4 287	6 395	8 574	6 395
8	**State and local taxes**		0	0	0	0
9	**Employees' compulsory social security contributions**					
	Gross earnings		4 565	7 623	9 130	7 623
	Taxable income					
		Total	4 565	7 623	9 130	7 623
10	**Total payments to general government (7 + 8 + 9)**		8 852	14 018	17 704	14 018
11	**Cash transfers from general government**					
	For head of family					
	For two children		3 269	2 058	2 058	0
		Total	3 269	2 058	2 058	0
12	**Take-home pay (1-10+11)**		17 827	27 133	31 172	25 075
13	**Employer's wage dependent contributions and taxes**					
	Employer's compulsory social security contributions		344	575	688	575
	Payroll taxes		75	125	150	125
		Total	419	700	838	700
14	**Average rates**					
	Income tax		18.3%	16.4%	18.3%	16.4%
	Employees' social security contributions		19.5%	19.5%	19.5%	19.5%
	Total payments less cash transfers		23.8%	30.6%	33.4%	35.9%
	Total tax wedge including employer's social security contributions		25.2%	31.8%	34.6%	37.0%
15	**Marginal rates**					
	Total payments less cash transfers: Principal earner		43.1%	43.1%	43.1%	43.1%
	Total payments less cash transfers: Spouse		40.7%	47.9%	43.1%	47.9%
	Total tax wedge: Principal earner		44.1%	44.1%	44.1%	44.1%
	Total tax wedge: Spouse		41.7%	48.8%	44.1%	48.8%

The Lithuanian currency is the Euro (EUR). In 2023, EUR 0.923 was equal to USD 1. In 2023, the average worker in Lithuania was expected to earn EUR 23 409 (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 2023 the annual tax-exempt amount is EUR 7 500 for individuals whose annual income does not exceed twelve minimum monthly wages effective on 1 January of a respective calendar year (EUR 10 080 in 2023). For others, the annual tax-exempt amount is calculated using the following formula:

$$\begin{cases} 7\,500\ - 0.42 \cdot (annual\ income - 10\,080), & if\ annual\ income \leq 23\,112, \\ 4\,800\ - 0.18 \cdot (annual\ income - 7\,704), & if\ annual\ income > 23\,112. \end{cases}$$

- 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 34 370,64.

  An allowance for disadvantaged is applied as follows: in 2023 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 12 060. 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 11 220. 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 101 094 in 2023), 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 2023, the ceiling is set at 60 average wages per year (AW). The same "ceiling" applies in 2023.

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	0.54
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 employers 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 2023, the size of the universal child benefit is EUR 1 029 per child per year. An additional child benefit (EUR 605.64 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 3 768 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 are 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 exceed 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.
- In 2023 the maximum non-taxable amount was increased from EUR 540 up to 625 per month. Proportionally increased non-taxable amounts applicable to disabled.

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.
- In 2023, 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 80.5 to EUR 85.75 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 50.47 per child per month.

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 taxpayers which were directly hit and experienced adverse effects of COVID-19 pandemic. These taxpayers 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 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).

2023 Parameter values

Average earnings/yr	Ave_earn	23 409	Secretariat estimate
Threshold for SSC ceilings	Threshold_SSC_ceilings	101 094	
Allowances	Max_basic_al	7 500	
	Threshold_max_basic_al	10 080	
	Reduction_coeficient	0,42	
	Max_basic_al_2	4 800	
	Threshold_max_basic_al_2	7 704	
	Reduction_coeficient_2	0,18	
	Brake_point_basic_al	23 112	
Income tax schedule	Tax_sch	0.20	101 094
		0.32	
Tax credit	tax_cred	0	
Minimum threshold for employer SSC and payroll tax	SSC_employer_min	10 080	
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	1 029	
Need-based child benefits			
for each child	CB	605.64	
Need-based family threshold			
each member	F_thrsh	3 768	
Days in tax year	numdays	365	

2023 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 2023

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**		49 190	73 418	122 608	49 190
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		5 435	8 113	13 548	5 435
	Work-related expenses		540	540	540	540
	Other		0	0	0	0
		Total	6 455	9 133	14 568	6 455
3	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4	**Central government rounded taxable income (1 - 2 + 3)**		42 700	64 250	108 000	42 700
5	**Central government income tax liability (exclusive of tax credits)**		6 759	15 691	34 033	6 097
6	**Tax credits**					
	Basic credit		536	115	0	536
	Married or head of family					
	Children					
	Other		0	0	0	2 505
		Total	819	348	48	3 324
7	**Central government income tax finally paid (5-6)**		5 940	15 343	33 985	2 772
8	**State and local taxes**		0	0	0	0
9	**Employees' compulsory social security contributions**					
	Gross earnings		6 024	9 040	15 164	6 024
	Taxable income					
		Total	6 024	9 040	15 164	6 024
10	**Total payments to general government (7 + 8 + 9)**		11 963	24 383	49 150	8 796
11	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	7 664
		Total	0	0	0	7 664
12	**Take-home pay (1-10+11)**		37 226	49 035	73 458	48 058
13	**Employer's compulsory social security contributions**		6 808	10 161	16 969	6 808
14	**Average rates**					
	Income tax		12.1%	20.9%	27.7%	5.6%
	Employees' social security contributions		12.2%	12.3%	12.4%	12.2%
	Total payments less cash transfers		24.3%	33.2%	40.1%	2.3%
	Total tax wedge including employer's social security contributions		33.5%	41.3%	47.4%	14.2%
15	**Marginal rates**					
	Total payments less cash transfers: Principal earner		48.4%	52.0%	50.5%	54.1%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		54.7%	57.9%	56.5%	59.7%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Luxembourg 2023

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**		73 418	122 608	146 836	122 608
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		8 113	13 548	16 225	13 548
	Work-related expenses		540	1 080	1 080	1 080
	Other		0	4 500	4 500	4 500
		Total	9 133	20 088	22 765	20 088
3	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4	**Central government rounded taxable income (1 - 2 + 3)**		64 250	102 500	124 050	102 500
5	**Central government income tax liability (exclusive of tax credits)**		6 661	20 532	29 525	20 532
6	**Tax credits**					
	Basic credit		115	651	229	651
	Married or head of family					
	Children					
	Other		0	0	0	0
		Total	348	1 167	696	1 167
7	**Central government income tax finally paid (5-6)**		6 313	19 365	28 829	19 365
8	**State and local taxes**		0	0	0	0
9	**Employees' compulsory social security contributions**					
	Gross earnings		9 040	15 064	18 080	15 064
	Taxable income					
		Total	9 040	15 064	18 080	15 064
10	**Total payments to general government (7 + 8 + 9)**		15 354	34 429	46 909	34 429
11	**Cash transfers from general government**					
	For head of family					
	For two children		7 664	7 664	7 664	0
		Total	7 664	7 664	7 664	0
12	**Take-home pay (1-10+11)**		65 728	95 843	107 590	88 179
13	**Employer's compulsory social security contributions**		10 161	16 969	20 322	16 969
14	**Average rates**					
	Income tax		8.6%	15.8%	19.6%	15.8%
	Employees' social security contributions		12.3%	12.3%	12.3%	12.3%
	Total payments less cash transfers		10.5%	21.8%	26.7%	28.1%
	Total tax wedge including employer's social security contributions		21.4%	31.3%	35.6%	36.8%
15	**Marginal rates**					
	Total payments less cash transfers: Principal earner		37.7%	52.0%	52.0%	52.0%
	Total payments less cash transfers: Spouse		38.8%	51.3%	52.0%	51.3%
	Total tax wedge: Principal earner		45.3%	57.9%	57.9%	57.9%
	Total tax wedge: Spouse		46.2%	57.2%	57.9%	57.2%

The national currency is the Euro (EUR). In 2023, EUR 0.96 equalled USD 1. The Secretariat has estimated that in that same year the average worker earned EUR 73 418 (Secretariat estimate).

1. Personal income tax system

1.1. Taxes levied by central government.

1.1.1. Tax unit

Spouses and partners are taxed jointly on their income. The income of minor children is included in determining the couple's taxable income. However, any earned income that children may derive from work is excluded from joint taxation.

From 2018 onwards, there is the option to file separate tax returns for married couples and civil partners.

1.1.2. Tax reliefs and tax credits

1.1.2.1. Standard reliefs in the form of deductions from income

- Wage-earners are entitled to a standard minimum deduction of EUR 540 for work-related expenses other than travel, unless their actual deductible expenses are higher. This deduction is doubled for spouses taxed jointly.
- The first 4 distance units (i.e., 4 * 99 = EUR 396 per year) of the lump sum deduction for travel expenses between a taxpayer's home and his working places are abolished. The maximum deduction 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.

1.1.2.2. Standard reliefs in the form of tax credits

- Wage-earners and pensioners receive a refundable tax credit. The tax credit will increase progressively until it is capped at EUR 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 was increased to EUR 2 505 per year for taxpayers earning up to EUR 60 000. Between EUR 60 000 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, and slightly modified in 2022. The tax credit is fixed to EUR 70 per month for employees earning a monthly gross wage between EUR 1 800 and EUR 3 000. For employees with monthly gross wages between EUR 3 000 and EUR 3 600, the tax credit declines progressively. Employees with monthly gross wages higher than EUR 3 600 will not benefit anymore from the tax credit. This tax credit come on top of the already existing tax credit for employees.

- Between July 2022 and March 2023 inclusive, a new tax credit was introduced to compensate households for the rising energy prices and the postponement of salary indexation. The new energy tax credit was paid on a monthly basis and amounted to EUR 84 per month for taxpayers earning a monthly gross salary between EUR 78 and EUR 3 667. For taxpayers earning between EUR 3 667 and EUR 5 667 per month, the tax credit declined progressively to EUR 76. For taxpayers earning between EUR 5 667 and EUR 8 334 per month, the tax credit declined progressively to 0 euros.
- For the year 2023, a new temporary tax credit was introduced for wage earners and pensioners to compensate them for the loss of purchasing power due to the rising inflation. The amount of the monthly tax credit was based on the amount a taxpayer would have received if the income tax schedule had been adjusted to two index tranches. It amounted to:
  - –EUR 0 for a monthly gross wage up to EUR 1 125.
  - (Monthly gross wage -1 125) * (4/125) euros for wages between EUR 1 125 and EUR 1 250.
  - (Monthly gross wage - 1 250) * (3/850) + 4 euros for wages between EUR 1 250 and EUR 2 100.
  - (Monthly gross wage - 2 100) * (37/2 500) + 7 euros for wages between EUR 2 100 and EUR4 600.
  - EUR 44 for wages between EUR 4 600 and EUR 9 500.
  - (Monthly gross wage - 9 500) * (4/425) + 44 euros for wages between EUR 9 500 and EUR 9 925.
  - EUR 48 for wages between EUR 9 925 and EUR 14 175;
  - (Monthly gross wage - 14 175) * (3/356) + EUR 48 for wages between EUR 14 175 and EUR 14 916.
  - EUR 54,25 for wages above EUR 14 196.

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. From 2023 onwards, those ceilings have been raised. During the first five years, the ceiling is EUR 3 000; for the following five years it is EUR 2 250; thereafter it is EUR 1 500.

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 4 422.

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	143 243,76
b) Health insurance	3.05	3.05	143 243,76
c) Dependency insurance		1.4	Monthly allowance 596.85 *
d) Health in the workplace	0.14		
e) Accident insurance	0.75		

(Monthly allowance: EUR 596.85 = 0.25 social minimum salary / 12). The social minimum salary in 2023 is equal to EUR 28 648,8.

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.

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 0.72% to 2.84 %. 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 2023, the new amounts were as follows:

Effective date	As of 1 August 2016,
1 eligible child	EUR 292,54
2 eligible children	EUR 585.08
3 eligible children	EUR 877,62

The amounts indicated above (under the old regime as well as under the new regime) are increased by EUR 22,11 for children aged 6 to 11 and by EUR 55,19for those aged 12 years or older.

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 was increased progressively until it was 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 declines progressively. Taxpayers earning more than EUR 80 000 do 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 was 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 declines progressively. For taxpayers earning more than EUR 105 000, the tax credit remained at EUR 750. From 2023 onwards, the maximum amount was raised to EUR 2 505 for taxpayers earning up to EUR 60 000;for earnings in the range of EUR 60 000 to EUR 105 000, it declines again to the amount 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 was 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 declined progressively. Employees with monthly gross wages higher than EUR 3 000 did not benefit anymore from the tax credit. From 2022 onwards, the applicable range was increased, and EUR 70 was paid for workers earning between EUR 1 800 and EUR 3 000. Between EUR 3 000 and EUR 3 600 the tax credits progressively decline to EUR 0.

  This tax credit come on top of the already existing tax credit for employees.

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.

2023 Parameter values

Average earnings/yr	Ave_earn	73 418	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	28 648,8	
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	143 243,76	
	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	22.11 55.19	
Child bonus	ch_bonus	922.50	
Number of children eligible for the new child benefit	n_children	0.00	
New (post 2016) Child benefit (1 child)	CB_new_1	292.54	

2 children	CB_new_2	585.08	
3 children	CB_new_3	877.62	
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	2505	
	sptc_basic_2	750	
	sptc_incomelim_1	60000	
	sptc_incomelim_2	105 000	
	sptc_decr_rate	0.039	
Minimum wage tax credit	smwtc_basic	840	
	smwtc_incomelim_1	21 600	
	smwtc_incomelim_2	36 000	
	smwtc_incomelim_3	43 200	
	smwtc_decr_rate	0.12	
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	
Temporary tax credit for the loss of purchasing power	temp_tc_th1	1125	
	temp_tc_th2	1250	
	temp_tc_th3	2100	
	temp_tc_th4	4600	
	temp_tc_th5	9500	
	temp_tc_th6	9925	
	temp_tc_th7	14175	
	temp_tc_th8	14916	
Multiplier applied	tc_mult1	0.032	
	tc_mult2	0.004	
	tc_mult3	0.015	
	tc_mult4	0.009	
	tc_mult5	0.008	
Flat amount applied	tc_amount1	4	
	tc_amount2	7	
	tc_amount3	44	
	tc_amount4	48	
	tc_amount5	54	

2023 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)
		energy_cr	B	(Positive(IF(AND(earn/12>entc_incomelim_1, earn/12<entc_incomelim_2), entc_basic,0))+@Positive(IF(AND(earn/12>entc_incomelim_2, earn/12<entc_incomelim_3), (entc_basic-(earn/12-entc_incomelim_2)*8/(entc_incomelim_3-entc_incomelim_2)),0))+@Positive(IF(AND(earn/12>entc_incomelim_3, earn/12<entc_incomelim_4), (entc_upper-(earn/12-entc_incomelim_3)*(entc_upper/(entc_incomelim_4-entc_incomelim_3))), 0)))*3
		temp_tax_cr	B	IF(earn/12<=temp_tc_th1,0,IF(AND(earn/12>temp_tc_th1,earn/12<=temp_tc_th2),(earn/12-temp_tc_th1)*tc_mult1, IF(AND(earn/12>temp_tc_th2,earn/12<=temp_tc_th3),(earn/12-temp_tc_th2)*tc_mult2+tc_amount1, IF(AND(earn/12>temp_tc_th3,earn/12<=temp_tc_th4),(earn/12-temp_tc_th3)*tc_mult3+tc_amount2,IF(AND(earn/12>temp_tc_th4,earn/12<=temp_tc_th5),tc_amount3, IF(AND(earn/12>temp_tc_th5,earn/12<=temp_tc_th6),(earn/12-temp_tc_th5)*tc_mult4+tc_mult3, IF(AND(earn/12>temp_tc_th6,AA7/12<=temp_tc_th7),tc_amount4,IF(AND(earn/12>temp_tc_th7,earn/12<=temp_tc_th8),(earn/12-temp_tc_th7)*tc_mult5+tc_amount4, IF(earn/12>temp_tc_th8,tc_amount5,0)))))))))
		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+smwtc+energy_cr+temp_tax_cr
				=(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 2023

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**		115 904	172 991	288 894	115 904
2	**Standard tax allowances**					
	Basic allowance		4 065	4 534	4 668	4 065
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other					
		Total	4 065	4 534	4 668	4 065
3	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4	**Central government taxable income (1 - 2 + 3)**		111 839	168 456	284 226	111 839
5	**Central government income tax liability (exclusive of tax credits)**		8 363	16 565	40 695	8 363
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)**		8 363	16 565	40 695	8 363
8	**State and local taxes**		0	0	0	0
9	**Employees' compulsory social security contributions**					
	Gross earnings		1 458	2 400	4 313	1 458
	Taxable income					
		Total	1 458	2 400	4 313	1 458
10	**Total payments to general government (7 + 8 + 9)**		9 821	18 965	45 007	9 821
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)**		106 082	154 026	243 887	106 082
13	**Employers' compulsory social security contributions**		15 197	19 494	28 219	15 197
14	**Average rates**					
	Income tax		7.2%	9.6%	14.1%	7.2%
	Employees' social security contributions		1.3%	1.4%	1.5%	1.3%
	Total payments less cash transfers		8.5%	11.0%	15.6%	8.5%
	Total tax wedge including employer's social security contributions		19.1%	20.0%	23.1%	19.1%
15	**Marginal rates**					
	Total payments less cash transfers: Principal earner		12.4%	19.4%	23.0%	12.4%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		18.6%	25.1%	28.4%	18.6%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Mexico 2023

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**		172 991	288 894	345 981	288 894
2	**Standard tax allowances**					
	Basic allowance		4 534	8 599	9 068	8 599
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other					
		Total	4 534	8 599	9 068	8 599
3	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4	**Central government taxable income (1 - 2 + 3)**		168 456	280 295	336 913	280 295
5	**Central government income tax liability (exclusive of tax credits)**		16 565	24 928	33 130	24 928
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)**		16 565	24 928	33 130	24 928
8	**State and local taxes**		0	0	0	0
9	**Employees' compulsory social security contributions**					
	Gross earnings		2 400	3 858	4 800	3 858
	Taxable income					
		Total	2 400	3 858	4 800	3 858
10	**Total payments to general government (7 + 8 + 9)**		18 965	28 786	37 930	28 786
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)**		154 026	260 108	308 051	260 108
13	**Employers' compulsory social security contributions**		19 494	34 691	38 988	34 691
14	**Average rates**					
	Income tax		9.6%	8.6%	9.6%	8.6%
	Employees' social security contributions		1.4%	1.3%	1.4%	1.3%
	Total payments less cash transfers		11.0%	10.0%	11.0%	10.0%
	Total tax wedge including employer's social security contributions		20.0%	19.6%	20.0%	19.6%
15	**Marginal rates**					
	Total payments less cash transfers: Principal earner		19.4%	19.4%	19.4%	19.4%
	Total payments less cash transfers: Spouse		8.5%	12.4%	19.4%	12.4%
	Total tax wedge: Principal earner		25.1%	25.1%	25.1%	25.1%
	Total tax wedge: Spouse		19.1%	18.6%	25.1%	18.6%

The national currency is the peso (MXN). In 2023, MXN 18.29 were equal to USD 1. That year, the estimated earnings of the average worker are MXN 172 991(Secretariat estimate).

1. Personal Income Tax

1.1. Central government income tax

1.1.1. Tax unit

Each person is taxed separately.

1.1.2. Tax allowances and tax credits

1.1.2.1. Standard tax reliefs

There are two basic allowances, a yearly holiday bonus and an end-of-year bonus.

- Holiday Bonus: As a result of the amendment of the Mexico's Labour Law that entered into force in 2023, stipulates a minimum holiday bonus of 25% of twelve days of the worker’s wage. The maximum exemption according to the Tax Law is equivalent to 15 UMAs.[1]
- End-of-year bonus: The minimum end-of-year bonus established in the Labour Law is 15 days of the worker’s wage. The Tax Law exempts end-of-year-bonuses up to 30 UMAs.

1.1.2.2. Main non-standard tax reliefs

Deductions:

- Compulsory school transportation costs.
- Medical expenses (doctor, dental, psychology and nutrition fees and hospital expenses): For expenses made by the taxpayer on behalf of his or her spouse and straight-line relatives, the deduction is allowed only if the taxpayer´s relative earns less than the minimum annual wage.
- Complementary contributions of certain retirement accounts are considered eligible as long as they do not exceed 10% of taxable income and MXN 189 222 (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 5 798 860 (750 000 Investment Units). Real interest expenditure is defined as the excess of interest expense over the inflation rate. [2]
- 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 189 222 in 2023). 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 this limit applies to charity donations.

1.1.2.3. Employment subsidy credit

The employment subsidy credit is decreasing on workers´ income and is assigned based on a table of income brackets. For monthly income higher than MXN 7 382 no employment subsidy credit is given. Employees with an income tax lower than the credit receive in cash the difference along with their salary. The rest of the workers that receive the credit are entitled to a reduction in their tax burden. The employment subsidy credit is paid by the employers who may credit it against their tax liabilities; the credit therefore represents a fiscal cost for the government.

1.1.3. Tax schedule and other tables

1.1.3.1. Tax schedule

Taxable income (MXN)		Fixed quota (MXN)	Tax on the amount in excess of the lower limit (%)
Lower Limit	Upper Limit		
0.01	8 952.49	0.00	1.92
8 952.50	75 984.55	171.88	6.40
75 984.56	133 536.07	4 461.94	10.88
133 536.08	155 229.80	10 723 .55	16.00
155 229.81	185 852.57	14 194.54	17.92
185 852.58	374 837.88	19 682.13	21.36
374 837.89	590 795.99	60 049.40	23.52
590 796.00	1 127 926.84	110 842.74	30.00
1 127 926.85	1 503 902.46	271 981.99	32.00
1 503 902.47	4 511 707.37	392 294.17	34.00
4 511 707.38	And over	1 414 947.85	35.00

The income tax schedule is updated in 2023 because the accumulated inflation exceeded the 10% minimum since the last update in 2021.

1.1.3.2. Employment subsidy credit table

For annual taxable income in a certain income range, the employment subsidy credit is given in the third column of the following illustrative 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 2.80%. 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 2023, 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, 1.928% of worker's monthly wage.[3]

In 2023, 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 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 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	As a result of an amendments of the Social Security Law and Retirement Savings Systems Law that entered into force in 2021, which consider a gradual increase to the employer's discharge and old age insurance rate from 2023 until 2030. The contribution will be increased according to the table below
	Housing Fund (INFONAVIT)	5.00
Employees' contributions	Discharge and old age insurance	1.125

Contribution rates to private pension, health, etc. for employees and employers from 2023 onwards

Worker's base salary	2023	2024	2025	2026	2027	2028	2029	2030
1.00 Minimum wage (Mw)	3.15%	3.15%	3.15%	3.15%	3.15%	3.15%	3.15%	3.15%
1.01 Mw to 1.50 Unit of Measure and Update (UMA)	3.28%	3.41%	3.54%	3.68%	3.81%	3.94%	4.07%	4.20%
1.51 to 2.00 UMA	3.58%	4.00%	4.43%	4.85%	5.28%	5.70%	6.13%	6.55%
2.01 to 2.50 UMA	3.75%	4.35%	4.95%	5.56%	6.16%	6.76%	7.36%	7.96%
2.51 to 3.00 UMA	3.87%	4.59%	5.31%	6.03%	6.75%	7.46%	8.18%	8.90%
3.01 to 3.50 UMA	3.95%	4.76%	5.56%	6.36%	7.16%	7.97%	8.77%	9.57%
3.51 to 4.00 UMA	4.02%	4.88%	5.75%	6.61%	7.48%	8.35%	9.21%	10.08%
4.01 to 4.50 UMA	4.24%	5.33%	6.42%	7.51%	8.60%	9.69%	10.78%	11.88%

2023 Parameter values

Average earnings/yr	Ave_earn	172 991	Secretariat estimate	
Unit of Measure and Update	UMA	103.74		
Income tax	tax_table	0.00	0	0.0192
		8 952.50	171.88	0.0640
		75 984.56	4 461.94	0.1088
		133 536.08	10 723.55	0.1600
		155 229.81	14 194.54	0.1792
		185 852.58	19 682.13	0.2136
		374 837.89	60 049.40	0.2352
		590 796.00	110 842.74	0.3000
		1 127 926.85	271 981.99	0.3200
		1 503 902.47	392 294.17	0.3400
		4 511 707.38	1 414 947.85	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	0.06428		
	SSC_empr_min	0.2040		
	SSC_empr_sur	0.0110		

2023 Tax equations

The equations for the Mexican system in 2023 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*(12/365)*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 2023, the value of the UMA is 103.74, mean while the general minimum wage is 207.44 and 312.41 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 Investment Units (UDIS) is a daily frequency indicator and it is updated taking as reference the fortnightly variations of the National Consumer Price Index (INPC). The average value of the UDIS from January to April of 2023 was MXN 7.7318.

[3] 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 2023

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**		41 728	62 281	104 009	41 728
2	**Standard tax allowances:**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		0	0	0	0
	Work-related expenses					
	Other		2 095	3 760	7 140	2 095
		Total	2 095	3 760	7 140	2 095
3	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4	**Central government taxable income (1 - 2 + 3)**		39 633	58 521	96 869	39 633
5	**Central government income tax liability (exclusive of tax credits)**		4 365	11 340	28 498	4 365
6	**Tax credits :**					
	Basic credit					
	Married or head of family					
	Children					
	Other					
		Total	1 749	1 151	301	2 426
7	**Central government income tax finally paid (5-6)**		2 615	10 189	28 197	1 938
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)		5 060	6 842	9 374	3 043
		Total	5 060	6 842	9 374	3 043
10	**Total payments to general government (7 + 8 + 9)**		7 675	17 031	37 571	4 981
11	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	8 624
		Total	0	0	0	8 624
12	**Take-home pay (1-10+11)**		34 053	45 249	66 438	45 371
13	**Employers' compulsory social security contributions**		5 069	7 485	8 564	5 069
14	**Average rates**					
	Income tax		6.3%	16.4%	27.1%	4.6%
	Employees' social security contributions		12.1%	11.0%	9.0%	7.3%
	Total payments less cash transfers		18.4%	27.3%	36.1%	-8.7%
	Total tax wedge including employer's social security contributions		27.2%	35.1%	41.0%	3.0%
15	**Marginal rates**					
	Total payments less cash transfers: Principal earner		45.5%	45.5%	51.5%	51.7%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		51.3%	51.3%	51.5%	56.8%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Netherlands 2023

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**		62 281	104 009	124 561	104 009
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		3 760	5 856	7 520	5 856
		Total	3 760	5 856	7 520	5 856
3	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4	**Central government taxable income (1 - 2 + 3)**		58 521	98 153	117 041	98 153
5	**Central government income tax liability (exclusive of tax credits)**		11 340	15 705	22 680	15 705
6	**Tax credits :**					
	Basic credit					
	Married or head of family					
	Children					
	Other					
		Total	1 151	3 577	2 979	2 900
7	**Central government income tax finally paid (5-6)**		10 189	12 127	19 701	12 804
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)		6 842	9 885	11 668	11 902
		Total	6 842	9 885	11 668	11 902
10	**Total payments to general government (7 + 8 + 9)**		17 031	22 013	31 369	24 707
11	**Cash transfers from general government**					
	For head of family					
	For two children		4 738	2 574	2 574	0
		Total	4 738	2 574	2 574	0
12	**Take-home pay (1-10+11)**		49 988	84 570	95 767	79 302
13	**Employers' compulsory social security contributions**		7 485	12 554	14 970	12 554
14	**Average rates**					
	Income tax		16.4%	11.7%	15.8%	12.3%
	Employees' social security contributions		11.0%	9.5%	9.4%	11.4%
	Total payments less cash transfers		19.7%	18.7%	23.1%	23.8%
	Total tax wedge including employer's social security contributions		28.3%	27.4%	31.4%	32.0%
15	**Marginal rates**					
	Total payments less cash transfers: Principal earner		51.7%	45.5%	45.5%	45.5%
	Total payments less cash transfers: Spouse		17.1%	45.5%	45.5%	45.5%
	Total tax wedge: Principal earner		56.8%	51.3%	51.3%	51.3%
	Total tax wedge: Spouse		26.1%	51.3%	51.3%	51.3%

The national currency is the Euro (EUR). In 2023, EUR 0.96 was equal to USD 1. In that year, the average worker earned EUR 62 281 (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 for a single journey 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 2 354 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 38 703. 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 38 703. People with an income above EUR 38 703 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 8 603 and is below EUR 45 695. If income is lower than or equal to EUR 8 603, the non-deductible limit is EUR 149. For a person with a partner: the joint income is used to determine the non-deductible amounts and the non-deductible limit is EUR 298.
- If income exceeds EUR 45 695 the specific expenses in excess of 1.65% of EUR 45 695 increased with 5.75% of income above EUR 45 695 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. For periodic donations the threshold of EUR 60 does not apply. A maximum of EUR 250 000 in periodic gifts may be deducted each year.

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 10 months	> 66 years and 10 months
0–37 148	9.28	27.65	9.75
37 149–73 031	36.93	-	-
73 032 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 2023, this ratio was 25.13% (= 9.28% / (9.28% + 27.65%), implying that 25.13% of the (tax) credit is attributed to the personal income tax and the remaining 74.87% 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 2023, the maximum of the general tax credit is EUR 3 070 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 22 660. For incomes above this threshold, the general tax credit is fully phased out at a rate of 6.095% (per euro). So, incomes above EUR 73 031 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 10 741. On this first trajectory, work credit equals 8.231% of taxable income from work. On the second trajectory, which runs from EUR 10 741 to EUR 23 201, the work credit equals EUR 884 plus 29.861% of the part of income that is above EUR 10 740. On the third trajectory, which runs from EUR 23 201 to EUR 37 691, the work credit equals EUR 4 605 plus 3.085% of the part of income that is above EUR 23 201. So, at an income of EUR 37 691, the maximum of EUR 5 052 is reached. Above this income of EUR 37 691, the work credit is fully phased out at a rate of 6.510% (per euro) so that incomes above EUR 115 295 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 5 547, is entitled to an income dependent combination credit of 11.45% of taxable income from work above EUR 5 547. The maximum total combination credit is EUR 2 694 and reached at an income level of EUR 29 076.
- 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 1 835 if their income is below EUR 40 889. This tax credit is gradually phased out to 0 at a rate of 15.0% for incomes from EUR 40 889. Individuals above the pension age who do not have a partner receive an additional tax credit of EUR 478 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). Before 2023, if , a taxpayer with insufficient income to fully exploit his/her tax credit had 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. Consequently, 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. This regulation has gradually been phased out since 2009. As of 2023 the payout of the residual tax credit has ended for households where the partner with the lowest income is born after 1962. Only partners with the lowest income born before 1963 are still eligible for a payout of the general tax credit with a maximum of EUR 3 070 in 2023.

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 10 months old in 2023 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 1 657 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 1 657 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 1 657 (see www.oecd.org/ctp/taxingwages for more details on non-tax compulsory payments as well as the Special Feature in the 2009 edition of the *Taxing Wages* Report). The care benefit is calculated as follows:
    - Single parent households: 1889 – 0.123% * 25 070 – 13.64% * (taxable income – 25 070)
    - Married couples: number of adults * 1889 – 2.3795% * 25 070 – 13.64% * (taxable income principal and spouse – 25 070).

2.2. Employers' contributions

Schemes for employers:

- Unemployment: on average 3.89% of gross earnings below EUR 66 956 for the general unemployment fund. The actual premium depends on the type of contract: for fixed contracts, the low premium of 2,64% applies. For other (temporary) contracts, the high premium of 7,64% applies.
- Invalidity: 8.90% of gross earnings below EUR 66 952.
- For medical care employers contribute 6.68% of gross earnings net of employees' pension premiums and unemployment social security contributions until a maximum of gross earnings of EUR 66 956. 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 2 574 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 1 653 per year for families with one child in 2023. The maximum value is

EUR 3 185 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 25 070, for couples it equals EUR 43 397. 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 3 848 in 2023. 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 129 263 for single parents and EUR 90 583 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).

No new data is found on EU site
http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database.

The average wages from 2012 onwards include the private and the public sectors, since values on the private sectors only (sectors B to N) are not available. The values were provided by Statistics Netherlands.

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

In addition to the obligatory contributions of employees to private insurance companies, all employers pay contributions to a public-managed health fund. More information is included in the Special Feature where the contributions to the public-managed health funds are also presented.

Employers have to pay at least 70% of the gross wage of their sick employees for two years. Many employers have insured themselves privately for the risks of their employees being sick. This insurance for illness of their employees is not compulsory.

2023 Parameter values

Average earnings/yr	Ave_earn	62 281	Secretariat estimate
minimum wage	min_wage	25 463	
Social security contributions	SSC_ceil	66 956	
Employees' schemes	Unemp_rate1	0	
	Unemp_franchise1	0	
Medical care	Med_rate	0.0668	
	Med_limit	999999	
	Med_ceil	66 956	
	Med_adult	1649	
	Med_child	0	
	Med_compensation1	0.00123	
	Med_compensation2	0.13640	
	Med_compenation 3	0.02378	
	Med_compensation 4	0.13640	
	Med_key	25070	
	Med_adult for care benefit	1889	
General schemes	Old_rate	0.179	
	Wid_rate	0.001	
	Ex_med_rate	0.0965	
	Gen_Schemes_thrsh	37 149	
	Unemp_empr1	0.0389	
	Unemp_empr2	0	
	Unemp_unempr_franchise1	0	
	Unemp_unempr_franchise2	0	
	Inv_empr_rate	0.0890	
	Inv_empr_franchise	0	
	Med_empr	0.0668	
	Med_franchise	0	
Payroll tax	Extra_wage_tax	0	
	EWT_threshold	0	
Tax schedule	Tax_sch	0.0928	22 660
	"tax_sch_lowest"	0.0928	37 149
	"tax_thrsh_1"	0.3693	73 031
	"tax_sch_2"	0.495	
Tax credits	Gen_credit_1	3070	
	Gen_credit_2	0	
	Gen_credit1_thr	22660	
	Gen_credit2_thr	73 031	
	Gen_credit_per	0.06095	
	Red_gen_credit	0	
	Emp_credit1	884	
	Emp_credit2	3721	
	Emp_credit3	447	
	Emp_credit4	0	
	Emp_credit1_thr	10 740	
	Emp_credit2_thr	23 201	

	Emp_credit3_thr	37 691	
	Emp_credit4_thr	115 295	
	Comb_credit	0	
	Comb_credit_franchise	5547	
	add_comb_credit	0	
	income_dependant_comb_credit1	0	
	income_dependant_comb_credit_max	2694	
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	1287	
	Ch2_trans	2574	
	Child_ben_1child	1653	
	Child_ben_2children	3185	
	Extra_cash_sing_par	3848	
	Child_ben_redn	0.0675	
	Child_ben_ceil	25 070	
	Child_ben_incr_ceil_couple	18 327	
Non-tax compulsory payments	dummyNTCP	0	
	NTCP_pension_ee	0.0810	
	NTCP_pension_er	0.1216	
	NTCP_pension_franchise	15 859	
	NTCP_pension_max	128 810	

2023 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)*Child_ben_incr_ceil_couple;1;0)*Child_ben_redn*(tax_inc+tax_inc_spouse- (Child_ben_ceil+IF(Married=1;1;0)*Child_ben_incr_ceil_couple))))
13.	Employer's soc security	SSC_empr	B	SSC_f(earn-(positive(earn- NTCP_franchise*MIN(earn/min_wage,1))*NTCP_pension_ee),Unemp_empr1,SSC_ceil,Unemp_unempr_franchise1)+SSC_f(earn-(positive(earn- NTCP_franchise*MIN(earn/min_wage,1))*NTCP_pension_ee),Unemp_empr2,SSC_ceil,Unemp_unempr_franchise2)+SSC_f(earn-(positive(earn- NTCP_franchise*MIN(earn/min_wage,1))*NTCP_pension_ee),Inv_empr_rate,SSC_ceil,Inv_empr_franchise)

				Function Emp_credit(Value)
				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 (2023-2024 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 2023

The tax/benefit position of single persons

		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1	**Gross wage earnings**		50 921	76 001	126 922	50 921
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)**		50 921	76 001	126 922	50 921
5	**Central government income tax liability (exclusive of tax credits)**		8 296	16 000	32 804	8 296
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)**		8 296	16 000	32 804	8 296
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)**		8 296	16 000	32 804	8 296
11	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	14 473
		Total	0	0	0	14 473
12	**Take-home pay (1-10+11)**		42 624	60 001	94 118	57 098
13	**Employer's compulsory social security contributions**		0	0	0	0
14	**Average rates**					
	Income tax		16.3%	21.1%	25.8%	16.3%
	Employees' social security contributions		0.0%	0.0%	0.0%	0.0%
	Total payments less cash transfers		16.3%	21.1%	25.8%	-12.1%
	Total tax wedge including employer's social security contributions		16.3%	21.1%	25.8%	-12.1%
15	**Marginal rates**					
	Total payments less cash transfers: Principal earner		30.0%	33.0%	33.0%	57.0%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		30.0%	33.0%	33.0%	57.0%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

New Zealand 2023

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**		76 001	126 922	152 002	126 922
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)**		76 001	126 922	152 002	126 922
5	**Central government income tax liability (exclusive of tax credits)**		16 000	24 297	32 001	24 297
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)**		16 000	24 297	32 001	24 297
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)**		16 000	24 297	32 001	24 297
11	**Cash transfers from general government**					
	For head of family					
	For two children		7 702	0	0	0
		Total	7 702	0	0	0
12	**Take-home pay (1-10+11)**		67 702	102 625	120 001	102 625
13	**Employer's compulsory social security contributions**		0	0	0	0
14	**Average rates**					
	Income tax		21.1%	19.1%	21.1%	19.1%
	Employees' social security contributions		0.0%	0.0%	0.0%	0.0%
	Total payments less cash transfers		10.9%	19.1%	21.1%	19.1%
	Total tax wedge including employer's social security contributions		10.9%	19.1%	21.1%	19.1%
15	**Marginal rates**					
	Total payments less cash transfers: Principal earner		60.0%	33.0%	33.0%	33.0%
	Total payments less cash transfers: Spouse		31.4%	30.0%	33.0%	30.0%
	Total tax wedge: Principal earner		60.0%	33.0%	33.0%	33.0%
	Total tax wedge: Spouse		31.4%	30.0%	33.0%	30.0%

The national currency is the New Zealand dollar (NZD). In the year to March 2023, NZD 1.60 was equal to USD 1 on average. The average worker earned NZD 76 001 (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 3.

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

Refer to section 3.

1.1.3. Schedule

Rates of income tax for individuals:

- On so much of the income as does not exceed NZD 14 000: 10.5%.
- On so much of the income as exceeds NZD 14 000 but does not exceed NZD 48 000: 17.5%.
- On so much of the income as exceeds NZD 48 000 but does not exceed NZD 70 000: 30%.
- On so much of the income as exceeds NZD 70 000 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 2023/24 to represent 1.33% of their gross earnings from 1.27% for gross earnings for 2022/23. 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 2023/24). This scheme is not considered as a compulsory social security contribution for the purposes of the Report.

3. Universal Cash Transfers

The main entitlements in New Zealand are targeted at families under the blanket title ‘Working for Families’ (‘WFF’). There are four main payments that constitute WFF, which are described in 3.2 – 3.5 below. The Independent Earner Tax Credit (IETC) is another form of support that is separate from WFF and is described in 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 2023, the BSTC payment increased to NZD 69 per week (3 632 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 3 632 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 2023, the eldest child rate increased to NZD 7 121 per year and the subsequent child rate increased to NZD 5 802. The total credit is abated by 27.00 cents 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 32 864 per year to NZD 34 216 on 1 April 2023.

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 44000. 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 2021/22

4.1. General changes to the tax/benefit system in 2023

4.1.1. No further changes to personal taxes or benefits were announced in 2023 that are not already covered in section 3. One point to note regarding this section is that the tax credits in 3.2-3.4 *were increased by 7.2*% compared to the previous year to match the rate of CPI inflation. This contrasts with previous years when the tax credits were indexed to average wage growth.

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 was 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.

2023 Parameter values

	Ave_earn	76 001	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	7 121	
	Fam_sup_oth	5 802	
	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	34 216	
Independent Earner Tax Credit	IETC	520	
	IETC_thrsh1	24 000	
	IETC_thrsh2	44 000	
	IETC_rate	0.13	

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.

2023 Tax equations

The equations for the New Zealand system in 2023 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))
	Cash transfers	cash_trans	J	tax_cr_ab + min_fam_tax_cr
13.	Employer's soc security	SSC_empr	B	0

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

Notes

[1] In the year to March 2023.

[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 2023

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**		487 546	727 681	1 215 228	487 546
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	184 050	184 050	184 050	192 796
3	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4	**Central government taxable (ordinary) income (1 - 2 + 3)**		303 496	543 631	1 031 178	294 750
5	**Central government income tax liability (ordinary + personal)**		35 203	73 029	188 455	34 468
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)**		35 203	73 029	188 455	34 468
8	**State and local taxes (net of tax credits)**		41 276	73 934	140 240	40 086
9	**Employees' compulsory social security contributions**					
	Gross earnings		38 516	57 487	96 003	38 516
	Taxable income					
		Total	38 516	57 487	96 003	38 516
10	**Total payments to general government (7 + 8 + 9)**		114 995	204 450	424 698	113 071
11	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	55 760
		Total	0	0	0	55 760
12	**Take-home pay (1-10+11)**		372 552	523 231	790 530	430 236
13	**Employer's compulsory social security contributions**		63 381	94 599	181 241	63 381
14	**Average rates**					
	Income tax		15.7%	20.2%	27.0%	15.3%
	Employees' social security contributions		7.9%	7.9%	7.9%	7.9%
	Total payments less cash transfers		23.6%	28.1%	34.9%	11.8%
	Total tax wedge including employer's social security contributions		32.4%	36.4%	43.4%	21.9%
15	**Marginal rates**					
	Total payments less cash transfers: Principal earner		33.9%	43.4%	46.4%	33.9%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		41.5%	49.9%	54.6%	41.5%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Norway 2023

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**		727 681	1 215 228	1 455 362	1 215 228
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	184 050	368 100	368 100	368 100
3	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4	**Central government taxable (ordinary) income (1 - 2 + 3)**		543 631	847 128	1 087 262	847 128
5	**Central government income tax liability (ordinary + personal)**		73 029	108 232	146 059	108 232
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)**		73 029	108 232	146 059	108 232
8	**State and local taxes (net of tax credits)**		73 934	115 209	147 868	115 209
9	**Employees' compulsory social security contributions**					
	Gross earnings		57 487	96 003	114 974	96 003
	Taxable income					
		Total	57 487	96 003	114 974	96 003
10	**Total payments to general government (7 + 8 + 9)**		204 450	319 445	408 900	319 445
11	**Cash transfers from general government**					
	For head of family					
	For two children		28 600	28 600	28 600	0
		Total	28 600	28 600	28 600	0
12	**Take-home pay (1-10+11)**		551 831	924 383	1 075 062	895 783
13	**Employer's compulsory social security contributions**		94 599	157 980	189 197	157 980
14	**Average rates**					
	Income tax		20.2%	18.4%	20.2%	18.4%
	Employees' social security contributions		7.9%	7.9%	7.9%	7.9%
	Total payments less cash transfers		24.2%	23.9%	26.1%	26.3%
	Total tax wedge including employer's social security contributions		32.9%	32.7%	34.6%	34.8%
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%	33.9%	43.4%	33.9%
	Total tax wedge: Principal earner		49.9%	49.9%	49.9%	49.9%
	Total tax wedge: Spouse		32.4%	41.5%	49.9%	41.5%

The national currency is the Kroner (NOK). In 2023, NOK 9.62 were equal to 1 USD. In that year the average worker earned NOK 727 681 (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, 8.40% is considered to be the central government income tax.

1.1.3. Rate schedule of the bracket tax

Rate (%)	NOK
0	0–198 350
1.7	198 350–279 150
4.0	279 150–642 950
13.5	642 950–926 800
16.5	926 800–1 500 000
17.5	1 500 000 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 13.6% points of the overall rate. Tax on ordinary income is levied after taking into account a standard allowance of NOK 79 600. Single parents were earlier eligible to an additional special tax allowance. The allowance is discontinued from March 2023 i.e. the maximum allowance in 2023 is equal to 2/12 of NOK 52 476: NOK 8 746. The child benefit has been increased corresponding to the tax-value of the allowance for single parents from March 2023. 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 maximum of NOK 104 450.

1.2.2. Non-standard reliefs

The main non-standard allowances deductible from ordinary income are:

- Parent allowance: Documented expenses for childcare 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 14 400.
- Labour union fees up to NOK 7 700.
- 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 10% 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 7.9% of personal wage income. Employees do not make contributions if their wage income is less than NOK 69 650. 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 7.9% of the total wage income.

Contributions from the self-employed are 11.1% 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 workplace 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%. An additional rate of 5% for salaries over NOK 750 000 was introduced in 2023.

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 20 585 per child aged 0–5 years (NOK 1 676 in January and February, NOK 1 723 per month for the rest of the year).

NOK 14 300 per child aged 6–18 years (NOK 1 054 per month in January and February, 1 083 in March-June and 1 310 for the rest of the year).

Single parents receive an additional transfer of NOK 27 160 in 2023, independent of the number of children (NOK 1 054 per month in January and February, 2 489 in March-June and 2 516 for the rest of the year). The significant increase from March is related to the abolishment of the special allowance for single parents from the same month.

4. Main Changes in Tax/Benefit Systems Since 2002

- Most important changes related to wage taxation in 2023:
  - The personal allowance was increased from NOK 58 250 to NOK 79 600.
  - The upper limit in the minimum allowance for wage income was reduced by 5 pct. From 2023 there is no lower limit for the allowance.
  - Employees' contributions to the National Insurance Scheme were reduced by 0,1 percentage points and the threshold for paying employees' contributions to the National Insurance scheme was increased from NOK 64 650 to NOK 69 650.
  - For the employer social security contribution an additional rate of 5 % for salaries over NOK 750 000 was introduced.
  - The thresholds in the progressive bracket tax were increased for lower income (bracket 1 and 2), while the thresholds for higher income (bracket 3-5) were reduced and rates increased by 0.1 percentage point.
  - The maximum allowance for Labour Union fees was increased from NOK 5 800 to NOK 7 700.
- 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 were 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 where 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.

2023 Parameter values

Average earnings/yr	Ave_earn	727 681	Secretariat estimate
Central rate (pers)	Tax_sch	0	198 350
		0.017	279 150
		0.04	642 950
		0.135	926 800
		0.165	1 500 000
		0.175	
Central rate (ord)	Cent_rate_ord	0.084	
Local rate (ord)	Local_rate	0.136	
Allowances	Class_al	79 600	
	Special_al	8 746	
Basic relief	Basic_min	0	
	Basic_max	104 450	
	Basic_rel_rate	0.46	
	Basic_min_wage	0	
Soc security contribs	SSC_rate	0.079	
Employer	SSC_empr	0.13	
Trygd. low.lim	SSC_low_lim	69 650	
pct.rate	SSC_low_rate	0.25	
Ref. Income "G"	SSC_G	116 239	
"G" Multiple	SSC_Gmult	6.4522234	
Supplemental Rate	SSC_rate_sup	0.05	
Child cash transfer	Child_sup	14 300	

2023 Tax equations

The equations for the system for Norway in 2023 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*child_supp+(Married=0)*(Children>0)*Child_supp_loneP
13.	Employer's soc security	SSC_empr	B	earn*SSC_empr +SINGLE(Positive(earn-SSC_G*SSC_Gmult))*SSC_rate_sup

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 2023

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**		57 429	85 715	143 144	57 429
2	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		7 873	11 751	19 625	7 873
	Work-related expenses		3 000	3 000	3 000	3 000
	Other					
		Total	10 873	14 751	22 625	10 873
3	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4	**Central government taxable income (1 - 2 + 3)**		46 555	70 963	120 519	46 555
5	**Central government income tax liability (exclusive of tax credits)**		5 587	8 516	14 566	5 587
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)**		1 987	4 916	10 966	- 2 224
8	**State and local taxes**		0	0	0	0
9	**Employees' compulsory social security contributions**					
	Gross earnings		5 777	8 623	14 400	5 777
	Taxable income		4 460	6 657	11 117	4 460
		Total	10 237	15 279	25 517	10 237
10	**Total payments to general government (7 + 8 + 9)**		12 224	20 195	36 482	8 013
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)**		45 205	65 520	106 661	62 016
13	**Employer's wage dependent contributions and taxes**					
	Employer's compulsory social security contributions		7 931	11 837	19 768	7 931
	payroll taxes		1 464	2 186	3 650	1 464
		Total	9 395	14 023	23 418	9 395
14	**Average rates**					
	Income tax		3.5%	5.7%	7.7%	-3.9%
	Employees' social security contributions		17.8%	17.8%	17.8%	17.8%
	Total payments less cash transfers		21.3%	23.6%	25.5%	-8.0%
	Total tax wedge including employer's social security contributions		32.4%	34.3%	36.0%	7.2%
15	**Marginal rates**					
	Total payments less cash transfers: Principal earner		28.2%	28.2%	45.4%	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%	53.1%	29.4%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Poland 2023

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**		85 715	143 144	171 429	143 144
2	**Standard tax allowances**					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		11 751	19 625	23 503	19 625
	Work-related expenses		3 000	6 000	6 000	6 000
	Other					
		Total	14 751	25 625	29 503	25 625
3	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4	**Central government taxable income (1 - 2 + 3)**		70 963	117 519	141 926	117 519
5	**Central government income tax liability (exclusive of tax credits)**		8 516	14 102	17 031	14 102
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)**		- 908	4 678	7 607	6 902
8	**State and local taxes**		0	0	0	0
9	**Employees' compulsory social security contributions**					
	Gross earnings		8 623	14 400	17 245	14 400
	Taxable income		6 657	11 117	13 313	11 117
		Total	15 279	25 517	30 559	25 517
10	**Total payments to general government (7 + 8 + 9)**		14 371	30 195	38 166	32 419
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)**		83 944	125 549	145 864	110 725
13	**Employer's wage dependent contributions and taxes**					
	Employer's compulsory social security contributions		11 837	19 768	23 674	19 768
	payroll taxes		2 186	3 650	4 371	3 650
		Total	14 023	23 418	28 046	23 418
14	**Average rates**					
	Income tax		-1.1%	3.3%	4.4%	4.8%
	Employees' social security contributions		17.8%	17.8%	17.8%	17.8%
	Total payments less cash transfers		2.1%	12.3%	14.9%	22.6%
	Total tax wedge including employer's social security contributions		15.8%	24.6%	26.9%	33.5%
15	**Marginal rates**					
	Total payments less cash transfers: Principal earner		28.2%	28.2%	28.2%	28.2%
	Total payments less cash transfers: Spouse		27.6%	28.2%	28.2%	28.2%
	Total tax wedge: Principal earner		38.3%	38.3%	38.3%	38.3%
	Total tax wedge: Spouse		37.7%	38.3%	38.3%	38.3%

The national currency is the Zloty (PLN). In 2023, PLN 4.51 were equal to USD 1. In that year, the average worker earned PLN 85 715 (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 at the end of 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.

1.1.1.1. Tax base

1.1.1.1.1. Gross employment income

For taxation purposes, taxable gross employment income in Poland includes both cash income and the value of benefits in kind. More specifically, gross employment income includes base salary, overtime payments, bonuses, awards, compensation for unused holidays, and costs that are paid in full or in part by the employer on behalf of the employee.

1.1.2. Tax allowances and tax credits

1.1.2.1. Standard reliefs

- Basic relief (since 1st 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.

1.1.2.2. 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.
- Fee for membership in trade unions (up to PLN 500).
- 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.
- The sum of all four exemptions cannot be higher than PLN 85 528 per taxpayer.

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,
- 1.20 % (on average) accident insurance,
- In case of pension and disability insurance, contributions are not paid on the part of the wage that exceeds PLN 208 050.

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 5100 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 relief 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 taxpayers, 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 taxpayers. 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 PLN 208 050 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 pays 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

Employee Capital Plans (pol. Pracownicze Plany Kapitałowe - PPK) is a form of voluntary pension savings scheme organized by the employer and coordinated by a government agency, The Polish Development Fund (pol. Polski Fundusz Rozwoju - PFR). Each employee is by default enlisted into the scheme but he/she can opt out, although every 4 years he/she is enlisted again and has to sign out again. If an employee decides to participate he/she must pay at least 2% of his/her salary (if the salary is below 120% of a minimum wage the minimum rate is 0,5%), whereas an employer pays additional 1,5%. Both – employee's and employer's parts can be increased up to 4%. The savings are managed by private financial corporations and the government adds a one-off welcome payment of PLN 250 and an annual payment 240 PLN. However, less than a half of employees participate in the PPK. Due to being a non-compulsory private saving scheme it is not treated as compulsory tax.

2023 Parameter values

Average earnings/yr	Ave_earn	85 715	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	0.0120	
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	208 050	
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	

2023 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 2023

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**		15 889	23 714	39 603	15 889
2	**Standard tax allowances**					
	Basic allowance		4 104	4 104	4 356	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	4 356	4 104
3	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4	**Central government taxable income (1 - 2 + 3)**		11 785	19 610	35 247	11 785
5	**Central government income tax liability (exclusive of tax credits)**		2 016	4 162	9 743	2 016
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)**		2 016	4 162	9 743	816
8	**State and local taxes**		0	0	0	0
9	**Employees' compulsory social security contributions**					
	Gross earnings		1 748	2 609	4 356	1 748
	Taxable income					
		Total	1 748	2 609	4 356	1 748
10	**Total payments to general government (7 + 8 + 9)**		3 764	6 771	14 099	2 564
11	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	1 800
		Total	0	0	0	1 800
12	**Take-home pay (1-10+11)**		12 125	16 943	25 504	15 125
13	**Employer's compulsory social security contributions**		3 774	5 632	9 406	3 774
14	**Average rates**					
	Income tax		12.7%	17.6%	24.6%	5.1%
	Employees' social security contributions		11.0%	11.0%	11.0%	11.0%
	Total payments less cash transfers		23.7%	28.6%	35.6%	4.8%
	Total tax wedge including employer's social security contributions		38.3%	42.3%	48.0%	23.1%
15	**Marginal rates**					
	Total payments less cash transfers: Principal earner		37.5%	39.5%	43.9%	37.5%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		49.5%	51.1%	54.7%	49.5%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Portugal 2023

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**		23 714	39 603	47 429	39 603
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)**		19 610	31 395	39 221	31 395
5	**Central government income tax liability (exclusive of tax credits)**		3 146	6 106	8 325	6 106
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)**		1 946	4 906	7 125	6 106
8	**State and local taxes**		0	0	0	0
9	**Employees' compulsory social security contributions**					
	Gross earnings		2 609	4 356	5 217	4 356
	Taxable income					
		Total	2 609	4 356	5 217	4 356
10	**Total payments to general government (7 + 8 + 9)**		4 555	9 263	12 342	10 463
11	**Cash transfers from general government**					
	For head of family					
	For two children		722	0	0	0
		Total	722	0	0	0
12	**Take-home pay (1-10+11)**		19 882	30 341	35 087	29 141
13	**Employer's compulsory social security contributions**		5 632	9 406	11 264	9 406
14	**Average rates**					
	Income tax		8.2%	12.4%	15.0%	15.4%
	Employees' social security contributions		11.0%	11.0%	11.0%	11.0%
	Total payments less cash transfers		16.2%	23.4%	26.0%	26.4%
	Total tax wedge including employer's social security contributions		32.3%	38.1%	40.2%	40.5%
15	**Marginal rates**					
	Total payments less cash transfers: Principal earner		32.0%	37.5%	39.5%	37.5%
	Total payments less cash transfers: Spouse		34.2%	37.5%	39.5%	37.5%
	Total tax wedge: Principal earner		45.1%	49.5%	51.1%	49.5%
	Total tax wedge: Spouse		46.8%	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 23 714 (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

1.1.2.1. Standard reliefs

Standard deduction of EUR 4 104. If compulsory contributions to social protection schemes and statutory sub-schemes for health care exceed that limit, the deduction will equal the amount of those contributions.

1.1.2.2. Non-standard reliefs

For income received from 1 January 1999 onwards, the majority of the standard reliefs have been replaced by tax credits (see Section 1.1.4.).

Non-standard reliefs still in effect:

A deduction is provided for the portion of trade union dues not constituting consideration for benefits in the realm of health care, education, assistance for the elderly, housing, insurance or social security, up to 1% of the taxpayer's gross income, increased by 50%. These dues are not taken into account in the calculations underlying this Report.

1.1.3. Social security contributions

Social security contributions are totally deductible if they exceed EUR 4 104.00 per taxpayer, in which case the deduction for the contributions replaces the standard earned income deduction (see Section 1.1.2.1.).

1.1.4. Tax credits

Basic credits:

- EUR 600 for each dependent child. This tax credit is increased by EUR 126 for dependent children whose age does not exceed 3 years old. The value is increased to EUR 300 and EUR 150 for the second and following whose age does not exceed 6 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.
- 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 296.00) on interest regarding the acquisition, construction or improvement of the taxpayer's primary residence, or leasing contracts (applicable to contracts up to 31/12/2011); 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. The EUR 296 is 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.

$$296 + [(450 - 296) * \left(\frac{30000 - \mathit{liable\ income}}{30000 - 7479}\right)]$$

The EUR 502 is 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.

$$502 + [(800 - 502) * \left(\frac{30000 - \mathit{liable\ income}}{30000 - 7479}\right)]$$

- 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), 35% 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 7 479	Without limit
Between 7 479 and 78 834	$1000 + [(2500 - 1000) * \left(\frac{78834 - liable\ income}{78834 - 7479}\right)]$
Over 78 834	EUR 1 000

Limits are increased in 5% for each dependent, for households with three or more dependents.

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 2023 income)

Taxable income (EUR) (R)	Marginal tax rate (%) (T)	Amount to deduct (EUR) (K)
Up to 7 479	14.50	---
Over 7 479 up to 11 284	21.00	486.14
Over 11 284 up to 15 992	26.50	1106.73
Over 15 992 up to 20 700	28.50	1426.65
Over 20700 up to 26 335	35.00	2772.14
Over 26 335 up to 38 632	37.00	3299.12
Over 38 632 up to 50 483	43.50	5810.25
Over 50 483 up to 78 834	45.00	6567.33
Over 78 834	48.00	8932.68

The minimum income reference value is EUR 10640. Starting in 2024 the reference value will be the maximum between EUR 10640 and 1.5*14*(Social Benefits Index) until this second value reaches the first.

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

1.1.7.1. Handicapped taxpayer/spouse, with a disability rating of 60% or more:

A tax credit corresponding to 4 times the social benefits index is granted for each taxpayer or spouse.

1.1.7.2. Handicapped dependent children, with a disability rating of 60% or more:

A tax credit corresponding to 2.5 times the social benefits index is granted for each dependent child.

1.1.7.3. Handicapped taxpayer/spouse or dependent children, with a disability rating of 90% or more:

An additional tax credit corresponding to 4 times social benefits index 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 (in 2023 the social benefit paid to already receiving beneficiaries are the same as below; for beneficiaries applying in 2023 the brackets considered are estimated according to the 2022 social benefits index, i.e., EUR 443.20):

- 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 170% of 14 times the reference value (i.e., over EUR 6 143.84 and under EUR 10 443.68).
- Level 4: Families whose reference income is over 170% (i.e., over EUR 10 443.68).

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	Additional benefit per child under 36 months in a family with 2 children	Additional 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	161.03	40.25	80.51	50	50
Level 2	132.92	33.24	66.47	50	50
Level 3	104.57	30.09	60.18	34.86	30.09
Level 4	62.75	15.69	31.38	20.91	-

There is a EUR 100 monthly guarantee for children over 36 months and under 18 years old in risk of extreme poverty, i.e., additional EUR 50.

Monthly social benefits per child in a single-parent family are increased between 35% and 50% depending on income level.

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.

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.

2023 Parameter values

Average earnings/yr	Ave_earn	23 714	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	7 479	
		0.21	11 284	
		0.235	15 992	
		0.285	20 700	
		0.35	26 335	
		0.37	38 632	
		0.435	50 483	
		0.45	78 834	
		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		1st echelon
		3071,67	600	2nd echelon
		6143,34	600	3rd echelon
		10443,68	361,08	4th echelon
Extra child benefit for lone parents	ch_ben_lone	0.5	1st echelon	
		0.425	2nd,3rd and 4th echelons	
Minimum Wage	MW	10640		
Minimum Disposable Income	MinDispY *	<10640	(10640-(4104+250/0,145)	
		>10640 ^<12732,7	10640-3*(GI-10640)-(4104+250/0,145)	GI=gross income
		>12732,7	12732,7-7479-0,9*(GI-12732,7)-(4104+250/0,145)	

*€4104 corresponds to the specific deduction and €250 correspond to the maximum deduction for general expenses; maximum value is the difference between gross income and specific deductions.

2023 Tax equations

The equations for the Portuguese system in 2020 are calculated on individual basis. Couples can opt for joint taxation based on the income-splitting system. In the Taxing Wages calculations, the two systems are modelled and the most favourable system is chosen.

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

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.

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 2023

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**		11 279	16 835	28 114	11 279
2	**Standard tax allowances**					
	Basic allowance		4 923	4 923	4 275	4 923
	Married or head of family		0	0	0	0
	Dependent children		0	0	0	0
	Deduction for social security contributions and income taxes		1 511	2 256	3 767	1 511
	Work-related expenses					
	Other					
		Total	6 434	7 179	8 042	6 434
3	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4	**Central government taxable income (1 - 2 + 3)**		4 845	9 656	20 072	4 845
5	**Central government income tax liability (exclusive of tax credits)**		921	1 835	3 814	921
6	**Tax credits**					
	Basic credit		0	0	0	0
	Married or head of family		0	0	0	0
	Children		0	0	0	2 637
	Other (ETC)		0	0	0	0
		Total	0	0	0	2 637
7	**Central government income tax finally paid (5-6)**		921	1 835	3 814	- 1 717
8	**State and local taxes**		0	0	0	0
9	**Employees' compulsory social security contributions**					
	Gross earnings		1 511	2 256	3 767	1 511
	Taxable income					
		Total	1 511	2 256	3 767	1 511
10	**Total payments to general government (7 + 8 + 9)**		2 432	4 090	7 581	- 205
11	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	1 440
		Total	0	0	0	1 440
12	**Take-home pay (1-10+11)**		8 847	12 744	20 533	12 925
13	**Employers' compulsory social security contributions**		3 350	5 000	8 350	3 350
14	**Average rates**					
	Income tax		8.2%	10.9%	13.6%	-15.2%
	Employees' social security contributions		13.4%	13.4%	13.4%	13.4%
	Total payments less cash transfers		21.6%	24.3%	27.0%	-14.6%
	Total tax wedge including employer's social security contributions		39.5%	41.6%	43.7%	11.7%
15	**Marginal rates**					
	Total payments less cash transfers: Principal earner		29.9%	29.9%	34.0%	6.5%
	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%	27.9%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Slovak Republic 2023

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**		16 835	28 114	33 669	28 114
2	**Standard tax allowances**					
	Basic allowance		4 923	9 846	9 846	9 846
	Married or head of family		4 501	0	0	0
	Dependent children		0	0	0	0
	Deduction for social security contributions and income taxes		2 256	3 767	4 512	3 767
	Work-related expenses					
	Other					
		Total	11 680	13 613	14 357	13 613
3	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4	**Central government taxable income (1 - 2 + 3)**		5 155	14 501	19 312	14 501
5	**Central government income tax liability (exclusive of tax credits)**		979	2 755	3 669	2 755
6	**Tax credits**					
	Basic credit		0	0	0	0
	Married or head of family		0	0	0	0
	Children		3 360	3 360	3 360	0
	Other (ETC)		0	0	0	0
		Total	3 360	3 360	3 360	0
7	**Central government income tax finally paid (5-6)**		- 2 381	- 605	309	2 755
8	**State and local taxes**		0	0	0	0
9	**Employees' compulsory social security contributions**					
	Gross earnings		2 256	3 767	4 512	3 767
	Taxable income					
		Total	2 256	3 767	4 512	3 767
10	**Total payments to general government (7 + 8 + 9)**		- 125	3 162	4 821	6 522
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)**		18 399	26 391	30 288	21 591
13	**Employers' compulsory social security contributions**		5 000	8 350	10 000	8 350
14	**Average rates**					
	Income tax		-14.1%	-2.2%	0.9%	9.8%
	Employees' social security contributions		13.4%	13.4%	13.4%	13.4%
	Total payments less cash transfers		-9.3%	6.1%	10.0%	23.2%
	Total tax wedge including employer's social security contributions		15.7%	27.6%	30.6%	40.8%
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 2023, EUR 0.96 was equal to USD 1. In that year, the average worker earned EUR 16 835 (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, 2023 (EUR 4 922.82). In 2023, the basic personal allowance for taxpayers with gross earnings net of employee social security contributions in excess of the threshold of EUR 21 754.18 per year (21 754.18 = 92.8 x MLS, which is approximately equal to an employee's monthly gross wage of EUR 2 093) is gradually withdrawn. If gross earnings net of employee social security contributions exceeds EUR 21 754.18, 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 41445.46 per year (employee's monthly gross wage of approximately EUR 3 988). 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 4 500.86. 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 2023 are lower or equal to EUR 41 445.46 (= 176.8 times MLS) and the spouse's gross earnings net of employee social security contributions are lower than EUR 4 500.86, 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 exceeds EUR 4 500.86, the spouse allowance is 0. If the principal's gross earnings net of employee social security contributions exceeds EUR 41 445.46 (= 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). Childcare 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. 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 taxpayer 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 temporarily increased in years 2023 and 2024 to EUR 140 for children younger than 18 years and to EUR 50 for children aged 18 years or older. From 2025, the higher amount is set at a new permanent level of EUR 100 and the age threshold is set at 15 years.
- Since 2023, when filing the annual tax return, the principal earner can add the partial tax base of their spouse to their own tax base for the purpose of the calculation of the cap on the child tax credit.

- 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 (%)
0–41 445.46	19
41 445.47 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 is 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.

In 2023, the social insurance contribution (SIC) allowance was introduced for seasonal workers. The allowance decreases the employee's and employer's assessment base on retirement and unemployment insurance. It amounts to 50 % of the average wage in the economy two years prior. In 2023, it amounts to EUR 605.50 (EUR 1 211,00 x 50 %). According to the *Taxing wages* methodology, this SIC allowance is not present in the computations, as only seasonal workers can benefit from it and it does not impact full-time employees, who are assumed to be the taxpayers in the context of this methodology.

In 2023 the minimum HIC for employees was introduced, set at 14 % of the MLS per employee. In 2023, the minimum HIC is set at EUR 32.82 (MLS EUR 234.42 x 14 %). The employers HIC is not affected by this change. The difference between the HIC paid (employee and employer) and the minimum HIC is to be paid by the employee.

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). The contribution rate increase for the years 2022 to 2027 has been modified as following:

- Years 2022 to 2024 have a scheduled 5.50 % contribution rate to the II. pillar (i.e., contribution rate to the I. pillar is 8.50 %).
- Years 2025 and 2026 have a scheduled 5.75 % contribution rate to the II. pillar (i.e., contribution rate to the I. pillar is 8.25 %).
- The contribution rate to the II. pillar will reach its considered peak of 6.00 % in 2027, leaving the I. pillar with the contribution rate of 8 %.

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 2023 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).In 2023, the social insurance contribution (SIC) allowance for seasonal workers was introduced.

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)	101 724.00
-- 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 (2022-2023)	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 60.00 per month in 2023. 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 30.00 in 2023. For the purpose of the tax wedge calculations this benefit is not relevant, as only non-workers 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 2023, these amounts are:

	MLS monthly (1.7.2022 – 30.06.2023)	MLS monthly (1.7.2023 – 30.06.2024)
First adult	234.42	268.88
Second adult	163.53	187.57
Child	107.03	122.77

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 2023) are:

- EUR 74.00 per month for an individual.
- EUR 140.70 per month for an individual with between one and four children.
- EUR 128.60 per month for a couple without children.
- EUR 192.40 per month for a couple with between one and four children.
- EUR 205.50 per month for an individual with more than four children.
- EUR 259.40 per month for a couple with more than four children.
- activation allowance: EUR 75.70 per month – for people who become active either by accepting qualifying employment opportunities or participating in retraining courses.
- housing allowance: EUR 63.90 per month for individual in material need, EUR 101.90 for a household in material need (if household has more than 1 person).
- protection allowance: EUR 75.70 per month for an individual in material need where employment is not possible due to such circumstances as a disability or old age, EUR 41.60 per month for individual on sick leave for at least 30 consecutive days and EUR 16.20 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 74.00 for each individual).
- specific allowance: EUR 75.70 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 20.70 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. The contribution rate increase for the years 2022 to 2027 has been modified as following:

- Years 2022 to 2024 have a scheduled 5.50 % contribution rate to the II. pillar (i.e. contribution rate to the I. pillar is 8.50 %).
- Years 2025 and 2026 have a scheduled 5.75 % contribution rate to the II. pillar (i.e. contribution rate to the I. pillar is 8.25 %).
- The contribution rate to the II. pillar will reach its considered peak of 6.00 % in 2027, leaving the I. pillar with the contribution rate of 8 %.

In 2023 the contribution rate to the II. pillar is 5.50 % and contribution to the I. pillar is 8.50 % (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 temporarily increased in years 2023 and 2024 to EUR 140 for children younger than 18 years and to EUR 50 for children aged 18 years or older. From 2025, the higher amount is set at a new permanent level of EUR 100 and the age threshold is set at 15 years.

Since 2023, the cap on the child tax credit is calculated using the sum of the partial tax bases of both the principal earner and the spouse.

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. The benefit increased to EUR 60.00 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.

In 2023, the social insurance contribution (SIC) allowance was introduced for seasonal workers. The allowance decreases the employee’s and employer’s assessment base on retirement and unemployment insurance. It amounts to 50 % of the average wage in the economy two years prior.

In 2023 the minimum HIC for employees was introduced, set at 14 % of the MLS per employee. The difference between the total HIC paid (employee and employer) and the minimum HIC is to be paid by the employee.

Since April 2023, the annual indexation of the MLS is done based only on the low-income inflation rate (i.e. the growth in the net disposable income per household member is no longer used.

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.

2023 Parameter values

Average earnings/yr	Ave_earn	16 835	Secretariat estimate
Minimum living standard (MLS)	basic_adult	234,42	
	basic_adult1	163,53	
	basic_child	107,03	
	ave_basic_adult	251,65	
	ave_basic_adult1	175,55	
	ave_basic_child	114,9	
Basic allowance	basic_al_mult	21,0	
	basic_al	4922,82	
	basic_al_mult1	92,8	
	basic_al_mult2	44,2	
	basic_al_redn	0,25	
Spouse allowance	spouse_al_limit	4500,86	
	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	41445.46
		0,25	
Tax credits - nonwastable	tax_cr	0	
	tax_cr1	1680	
	tax_cr_lim1	0,13	
	tax_cr_lim2	0,07	
	tax_cr_lim6	0,55	
	min_wage	700	
	minwage_mult	6	
	etc_thresh	7274,4	
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	101724	

Cash transfers	transf_1	720,00	
	transf_indiv	888	
	transf_indiv_child	1688,4	
	transf_couple	1543,2	
	transf_couple_child	2308,8	
	transf_hous_indiv	766,8	
	transf_hous_couple	1222,8	
	transf_dep	248,4	

2023 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	IF(Children>0;MIN(Children*tax_cr1;MIN(tax_cr_lim6;tax_cr_lim1+Children*tax_cr_lim2)*(SUM(tax_inc_princ;tax_inc_spouse)-SUM(SSC_al_princ;SSC_al_spouse)));0)
	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	(earn>0)*(MINA(earn;MSSAB)*SSC_rate+IF(MAX(0;(-MAX(0;HIC_treshold-MAX(0;(earn-HIC_treshold)*HIC_rate))))*SSC_health+earn*SSC_emphealth<basic _adult*SUM(SSC_health;SSC_emphealth)*12; basic_adult*SUM(SSC_health;SSC_emphealth)*12-earn*SSC_emphealth; 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.

Note

[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 2023

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**		17 867	26 667	44 533	17 867
2	**Standard tax allowances**					
	Basic allowance		5 000	5 000	5 000	5 000
	Married or head of family					
	Dependent children					5 631
	Deduction for social security contributions and income taxes		3 949	5 893	9 842	3 949
	Work-related expenses		0	0	0	0
	Other					
		Total	8 949	10 893	14 842	14 580
3	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4	**Central government taxable income (1 - 2 + 3)**		8 918	15 773	29 691	3 287
5	**Central government income tax liability (exclusive of tax credits)**		1 443	3 226	7 120	526
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)**		1 443	3 226	7 120	526
8	**State and local taxes**		0	0	0	0
9	**Employees' compulsory social security contributions**					
	Gross earnings		3 949	5 893	9 842	3 949
	Taxable income					
		Total	3 949	5 893	9 842	3 949
10	**Total payments to general government (7 + 8 + 9)**		5 392	9 119	16 962	4 474
11	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	2 915
		Total	0	0	0	2 915
12	**Take-home pay (1-10+11)**		12 475	17 548	27 571	16 308
13	**Employer's wage dependent contributions and taxes**		2 877	4 293	7 170	2 877
	Employer's compulsory social security contributions		2 877	4 293	7 170	2 877
	Payroll taxes		0	0	0	0
14	**Average rates**					
	Income tax		8.1%	12.1%	16.0%	2.9%
	Employees' social security contributions		22.1%	22.1%	22.1%	22.1%
	Total payments less cash transfers		30.2%	34.2%	38.1%	8.7%
	Total tax wedge including employer's social security contributions		39.9%	43.3%	46.7%	21.4%
15	**Marginal rates**					
	Total payments less cash transfers: Principal earner		42.4%	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		50.3%	50.3%	55.0%	43.6%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Slovenia 2023

The tax/benefit position of married couples

	Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
	Number of children	2	2	2	none
1	**Gross wage earnings**	26 667	44 533	53 333	44 533
2	**Standard tax allowances**				
	Basic allowance	5 000	10 000	10 000	10 000
	Married or head of family				
	Dependent children	5 631	5 631	5 631	
	Other dependent family member	2 698			
	Deduction for social security contributions and income taxes	5 893	9 842	11 787	9 842
	Work-related expenses	0	0	0	0
	Total	19 222	25 473	27 418	19 842
3	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4	**Central government taxable income (1 - 2 + 3)**	7 444	19 060	25 915	24 691
5	**Central government income tax liability (exclusive of tax credits)**	1 191	3 205	4 987	4 669
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)**	1 191	3 205	4 987	4 669
8	**State and local taxes**	0	0	0	0
9	**Employees' compulsory social security contributions**				
	Gross earnings	5 893	9 842	11 787	9 842
	Taxable income				
	Total	5 893	9 842	11 787	9 842
10	**Total payments to general government (7 + 8 + 9)**	7 084	13 046	16 774	14 511
11	**Cash transfers from general government**				
	For head of family				
	For two children	2 243	974	974	0
	Total	2 243	974	974	0
12	**Take-home pay (1-10+11)**	21 825	32 461	37 534	30 023
13	**Employer's wage dependent contributions and taxes**	4 293	7 170	8 587	7 170
	Employer's compulsory social security contributions	4 293	7 170	8 587	7 170
	Payroll taxes	0	0	0	0
14	**Average rates**				
	Income tax	4.5%	7.2%	9.4%	10.5%
	Employees' social security contributions	22.1%	22.1%	22.1%	22.1%
	Total payments less cash transfers	18.2%	27.1%	29.6%	32.6%
	Total tax wedge including employer's social security contributions	29.5%	37.2%	39.4%	41.9%
15	**Marginal rates**				
	Total payments less cash transfers: Principal earner	34.6%	42.4%	42.4%	42.4%
	Total payments less cash transfers: Spouse	40.5%	42.4%	42.4%	42.4%
	Total tax wedge: Principal earner	43.6%	50.3%	50.3%	50.3%
	Total tax wedge: Spouse	48.7%	50.3%	50.3%	50.3%

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 26 667 (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 5 000.00 is deductible from income in 2023. For lower income groups whose taxable income equals up to EUR 16 000.00 an additional general allowance is determined linearly by the following equation: 18 761.40 – 1.17259×total income.
- Family allowances are also deductible from the tax base in the same way as for the general allowance. The allowances for 2023 are as follows:
  - EUR 2 698.00 for the first dependent child,
  - EUR 2 933.00 for the second child,
  - EUR 4 892.00 for the third child,
  - EUR 6 851.00 for the fourth child,
  - EUR 8 810.00 for the fifth child,
  - for the sixth and all additional dependent children the allowance is higher by EUR 1 959.00 relating to the amount of allowance for the preceding maintained children,
  - EUR 9 777.00 for a dependent child who requires special care,
  - EUR 2 698.00 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 2023 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 workplace, 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. '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.
- Young people up to the age of 29 are granted a special allowance of EUR1 300 per year on income from employment.

1.1.3. Tax schedule

The tax schedule for 2023 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	50

1.2. Regional and local income tax

There are no regional or local income taxes.

2. Compulsory social security insurance system

The compulsory social security insurance system consists of four schemes as follows:

- pension and disability insurance,
- health insurance,
- unemployment insurance,
- parental leave insurance.

2.1. Employees' contributions

The taxable base for social security insurance contributions paid by employees is the total amount of the gross wage or salary including vacation payments, fringe benefits and remuneration of expenses related to work above a certain threshold. The assessment period is the calendar month. Employees contribute an amount as a percentage of their remuneration as follows:

Scheme name	Rate of contribution (%)
Pension insurance	15.50
Health insurance	6.36
Unemployment insurance	0.14
Parental leave insurance	0.10
Total	22.10

2.2. Employers' contributions

Social security insurance contributions are also paid by employers on behalf of their employees. The taxable base and the assessment period are the same as for employees' contributions. The employers' contribution rates are as follows:

Scheme name	Rate of contribution (%)
Pension insurance	8.85
Health insurance	7.09
Unemployment insurance	0.06
Parental leave insurance	0.1
Total	16.1

The only change to these rates since 1996 has been the 0.2 percentage points increase in the employers' contribution rates for health insurance in 2002.

Slovenia implements a minimum SSC base for workers earning less than a minimum income threshold. For gross earnings below the minimum income threshold, SSCs are calculated on the basis of the minimum SSC base and not on actual gross wage earnings. Employees are liable to pay employee SSCs on their actual gross earnings, however, the employers are liable to pay (in addition to the employer SSC on gross earnings) the employee *and* employer SSC rate on the gross wage earnings below the minimum income threshold.

3. Payroll tax

None.

4. Universal cash transfers

4.1. Transfers related to marital status

None.

4.2. Transfers for dependent children

On 1 January 2012 the Exercise of Rights to Public Funds Act (ZUPJS-A) entered into force. Regarding to a new act child allowance is a supplementary benefit for maintenance, care, and education of children when the family income per family member does not exceed statutorily defined percentage of the average net wage in the previous year.

The new legislation changed relevant family income which is the basis for the income classes from gross family income to net family income. Income includes taxable income and non-taxable income defined by the Personal Income Tax Act as for instance social benefits. Income is defined as gross income plus social benefits received but excluding the normalized cost and actual cost recognized under the law governing income tax, taxes and mandatory social security contributions levied on such income.

The new legislation also reduced the age of a child's entitlement. The right to a child benefit is held only until the child reaches 18 years. Besides, the child benefit is higher for eligible students included in higher secondary education (aged less than 18 years and with an income per family member below the average net wage).

Applications for the benefit are made on an annual basis and the payments are not taxable.

- The amount of the benefit is calculated for each child separately according to the level of net family income per family member and the ranking of the child in the family. Each family is assigned to one of 8 income brackets. From 1 January 2018 the thresholds between brackets are defined in nominal terms whereas before that date the brackets were defined according to some percentage of the previous year average net wage.
- Each child is allocated in one of three ranking levels (the level of payments increases with the ranking level - the lowest for the first child, higher for the second child and the highest for the third and any subsequent child). When a child lives in a one-parent family, the amount of the allowance is increased by 30%. When a pre-school child does not attend kindergarten, the amount of the allowance is increased by 20%.
- The details for the calculation of the net income per family member have been prescribed by the Minister, as follows:
    - All income and receipts, namely net disposable income (after deduction of the normalized cost and actual cost recognized under the law governing income tax, taxes and mandatory social security contributions levied on such income) are taken into account, except those that are designed to cover the specific needs (such as allowance and attendance allowance, a large family, etc.). Property is also taken into account like immovable property, cars and other vehicles, watercraft, etc. Property is assigned a value and then it is calculated the amount of interest that would be received within one year from the value of assets deposited in a bank account in the form of time deposits.
- The monthly amounts of transfers for a child from birth to the end of primary school in a two-parent family according to the Exercise of Rights to Public Funds Act and Public Finance Balance Act for the year 2023 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 2 657.52	135.44	148.97	162.53
2	2 657.52 – 4 429.32	115.79	128.00	140.14
3	4 429.32 – 5 315.28	88.25	98.64	108.99
4	5 315.28 – 6 201.12	69.61	79.42	89.42
5	6 201.12 – 7 825.44	56.91	66.42	75.86
6	7 825.44 – 9 449.28	36.07	45.13	54.16
7	9 449.28 – 12 107.16	27.06	36.07	45.13
8	12 107.16 – 14 616.96	23.56	32.58	41.59

- 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	9 449.28 – 12 107.16	34.16	43.17	58.82
8	12 107.16 – 14 616.96	27.11	36.13	47.26

In 2023, the maximum annual benefit levels for children in a two-parent family till the end of primary school are set by:

- EUR 1 625.28 for the first child,
- EUR 1 787.64 for the second child,
- EUR 1 950.36 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.
- On 1 January 2023 general allowance was increased to EUR 5 000 and the income threshold up to which the additional tax allowance is applicable was raised to EUR 16 000. The linear function for additional tax allowance was updated accordingly. Family allowances were increased by 7.5 %. The tax rate in the highest tax bracket was raised from 45 % back to 50 % and tax-free income from business performance was limited again only to 100% of the average wage in Slovenia. A special allowance of EUR 1 300 for young people up to the age of 29 on their income from employment was 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.

2023 Parameter values

Ave_earn	26 667	Secretariat estimate					
Ave_earn_1	23 632						
Ave_net_earnfam							
Ave_gross_earnSSC	24 287.04						
Basic_al1	5 000						
Basic_al2							
Income_lim							
Add_al	18 761.40						
Red_rate	1.17259						
Child_al1	2 698.00						
Child_al2	5 631.00						
Child_al3	10 523.00						
Child_al4	17 374.00						
Child_al5	26 184.00						
Depend_al	2 698.00						
Tax_sch	0.16	8 755					
	0.26	25 750					
	0.33	51 500					
	0.39	74 160					
	0.50						
SSC_rate1	0.221						
SSC_minbase	14 572.22						
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	135.44	148.97	162.53	1 625.28	3 412.92	5 363.28
	2 657.52	115.79	128.00	140.14	1 389.48	2 925.48	4 607.16
	4 429.32	88.25	98.64	108.99	1 059.00	2 242.68	3 550.56
	5 315.28	69.61	79.42	89.42	835.32	1 788.36	2 861.40
	6 201.12	56.91	66.42	75.86	682.92	1 479.96	2 390.28
	7 825.44	36.07	45.13	54.16	432.84	974.40	1 624.32
	9 449.28	27.06	36.07	45.13	324.72	757.56	1 299.12
	12 107.16	23.56	32.58	41.59	282.72	673.68	1 172.76
	14 616.96	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	176.07	193.66	211.29	2 112.86	4 436.80	6 972.26
	2 657.52	150.53	166.40	182.18	1 806.32	3 803.12	5 989.31
	4 429.32	114.73	128.23	141.69	1 376.70	2 915.48	4 615.73
	5 315.28	90.49	103.25	116.25	1 085.92	2 324.87	3 719.82
	6 201.12	73.98	86.35	98.62	887.80	1 923.95	3 107.36
	7 825.44	46.89	58.67	70.41	562.69	1 266.72	2 111.62
	9449.28	35.18	46.89	58.67	422.14	984.83	1 688.86
	12 107.16	30.63	42.35	54.07	367.54	875.78	1 524.59
	14 617.0	0.00	0.00	0.00	0.00	0.00	0.00
numdays	365						

2023 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 2023

The tax/benefit position of a single persons

		67	100	167	67
	Wage level (per cent of average wage)	67	100	167	67
	Number of children	none	none	none	2
1	**Gross wage earnings**	20 259	30 237	50 496	20 259
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	1 307	1 950	3 257	1 307
	Work-related expenses	2 906	2 000	2 000	2 906
	Other				
	Total	4 213	3 950	5 257	6 363
3	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4	**Central and state government taxable income (1 - 2 + 3)**	16 046	26 287	45 239	13 896
5	**Central and state government income tax liability (exclusive of tax credits)**	3 046	5 718	11 839	2 558
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)**	1 087	2 499	5 693	- 855
8	**State and local taxes**	960	2 221	5 147	296
9	**Employees' compulsory social security contributions**				
	Gross earnings	1 307	1 950	3 257	1 307
	Taxable income				
	Total	1 307	1 950	3 257	1 307
10	**Total payments to general government (7 + 8 + 9)**	3 354	6 670	14 097	748
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)**	16 905	23 568	36 400	19 511
13	**Employer's compulsory social security contributions**	6 159	9 192	15 351	6 159
14	**Average rates**				
	Income tax	10.1%	15.6%	21.5%	-2.8%
	Employees' social security contributions	6.45%	6.45%	6.45%	6.45%
	Total payments less cash transfers	16.6%	22.1%	27.9%	3.7%
	Total tax wedge including employer's social security contributions	36.0%	40.2%	44.7%	26.1%
15	**Marginal rates**				
	Total payments less cash transfers: Principal earner	51.9%	32.5%	40.0%	51.9%
	Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner	63.1%	48.2%	54.0%	63.1%
	Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.

Spain 2023

The tax/benefit position of married couples

	Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
	Number of children	2	2	2	none
1	**Gross wage earnings**	30 237	50 496	60 475	50 496
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	1 950	3 257	3 901	3 257
	Work-related expenses	2 000	4 906	4 000	4 906
	Other				
	Total	7 350	8 164	7 901	8 164
3	**Tax credits or cash transfers included in taxable income**	0	0	0	0
4	**Central and state government taxable income (1 - 2 + 3)**	22 887	42 333	52 574	42 333
5	**Central and state government income tax liability (exclusive of tax credits)**	4 773	8 764	11 437	8 764
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)**	1 504	3 101	4 513	3 586
8	**State and local taxes**	1 352	2 747	4 008	3 181
9	**Employees' compulsory social security contributions**				
	Gross earnings	1 950	3 257	3 901	3 257
	Taxable income				
	Total	1 950	3 257	3 901	3 257
10	**Total payments to general government (7 + 8 + 9)**	4 806	9 105	12 421	10 023
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)**	25 431	41 391	48 053	40 473
13	**Employer's compulsory social security contributions**	9 192	15 351	18 384	15 351
14	**Average rates**				
	Income tax	9.4%	11.6%	14.1%	13.4%
	Employees' social security contributions	6.45%	6.45%	6.45%	6.45%
	Total payments less cash transfers	15.9%	18.0%	20.5%	19.8%
	Total tax wedge including employer's social security contributions	35.5%	37.1%	39.1%	38.5%
15	**Marginal rates**				
	Total payments less cash transfers: Principal earner	32.5%	32.5%	32.5%	32.5%
	Total payments less cash transfers: Spouse	21.2%	51.9%	32.5%	51.9%
	Total tax wedge: Principal earner	48.2%	48.2%	48.2%	48.2%
	Total tax wedge: Spouse	39.6%	63.1%	48.2%	63.1%

The national currency is the Euro (EUR). In 2023, EUR 0.96 was equal to USD 1. In that year the average worker earned EUR 30 237(Secretariat estimate).

1. Personal Income Tax System

1.1. Central government income tax

1.1.1. Tax unit

As a general rule, the tax unit is the individual. Nevertheless, families have the options of being taxed:

- As married couples filing jointly on the combined income of both spouses and dependents.
- As heads of households (only unmarried or separated individuals with dependents).

1.1.2. Tax allowances and tax credits

1.1.2.1. Standard reliefs

- Basic reliefs: Married couples filing jointly may claim an allowance of EUR 3 400. This figure amounts to EUR 2 150 for heads of single-parent households.
- Maternity tax credit: a non-wastable tax credit addressed to working females with children under 3 years of age up to EUR 1 200, which may be increased up to EUR 1 000 where the taxpayer has incurred qualifying expenses related to nursery schools/kindergartens.
- Large families (3 or more children) or dependent family members with disabilities tax credits: this additional non-wastable tax credit (up to EUR 1 200, in general, or EUR 2 400 for special large families, with 5 or more children) has been raised by EUR 600 for each child exceeding the minimum number of children required for both large 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 14 047.5: EUR 6 498.
  - Taxpayers with a net employment income between EUR 14 047.5 and EUR 19 747.5: EUR 6 498 less the result of multiplying by 1.14 the difference between net employment income and EUR 14 047.5.
- Disabled workers allowance: an additional allowance of EUR 3 500 for disabled salary earners. Those with reduced mobility may claim an augmented allowance of EUR 7 750.

As a result of the application of the above rules, net income cannot become negative.

1.1.2.2. Main non-standard reliefs applicable to an average wage

- Contributions to Pension Plans. Contributions made by each member of the household may reduce taxable income up to the lower of the following amounts:
  - 30% of the sum of labour and economic activities net incomes;
  - EUR 1 500.

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.

1.1.2.3. Exempt Income

- The base amount is EUR 5 550 per taxpayer. The same amount is granted for family units filing jointly. Taxpayers aged over 65 years may add EUR 1 150 to the former amount. Those aged over 75 years may claim additionally EUR 1 400.
- Dependent children (under 25 years, in general; for each age, in case of disability): EUR 2 400 for the first dependent child; EUR 2 700 for the second one; EUR 4 000 for the third, and EUR 4 500 for any additional child.
- 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 2023, those tax rate schedules vary from five to ten brackets and their marginal rates from 8.5 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 2023

Taxable income (EUR)	Tax at the lower limit (EUR)	Tax rate on taxable income in excess of the lower limit (%)
0–12 960.45	0	8.50
12 960.45–18 433.20	1 101.64	10.70
18 433.20–34 360.50	1 687.22	12.80
34 360.50-55 596.90	3 725.91	17.40
Over 55 596.90	7 421.04	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 2023, these ceilings are:

- Lower ceiling: EUR 15 120
- Upper Ceiling: EUR 53 946

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%
- Intergenerational equity mechanism: 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%
- Intergenerational equity mechanism: 0.5%

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 familiares por hijo a cargo*) has been subsumed in the new national Minimum Income Benefit Scheme (*Ingreso Mínimo Vital)*. However, grandfathering rules apply in 2023. EUR 588.00 for 1-child families with annual gross earnings below EUR 14 011.00; the child transfer decreases with income between EUR 14 011.00 and EUR 14 599.00; the value is 0 for gross earnings exceeding EUR 14 599.00. EUR 1 176.00 for families with 2 children with annual gross earnings below EUR 16 112.65; the child transfer decreases with income between EUR 16 112.65 and EUR 17 288.65; the value is 0 for gross earnings exceeding EUR 17 288.65.

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.

2023 Parameter values

Average earnings/yr	Ave_earn	30 237	Secretariat estimate	
Work related allowance	wr_rate	1.14000		
	wr_lim_max	19 748		
	wr_lim_min	14 048		
	wr_allow_max	6 498		
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	8.50%
		12 960	1 101.64	10.70%
		18 433	1 687.22	12.80%
		34 361.	3 725.92	17.40%
		55 597	7 421.05	20.50%
Social security contributions				
Employee:				
Pension	pension_rate	0.047		
Unemployment	unemp_rate	0.0155		
Other	oth_rate	0.002		
Employer				
Pension	pension_empr	0.236		
Unemployment	unemp_empr	0.055		
Other	oth_empr	0.013		
Ceiling and Floor	min_lim	0	15 120	
	top_lim	53 946		
Child benefit	SS_child_benefit	588		
	SS_child_table	1	14 011.00	14 599.00
		2	16 112.65	17 288.65
		3	21 086.00	22 850.00
		4	24 502.00	26 854.00
		5	27 918.00	30 858.00

2023 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)-VLOOKUP(ex_inc_fam+child_ex_inc_fam,tax_sch_sg,1))*

	Line in country table and intermediate steps	Variable name	Range	Equation
				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 2023

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**		342 865	511 738	854 603	342 865
2	**Standard tax allowances**					
	Basic allowance		22 500	15 400	15 400	22 500
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		0	0	0	0
	Work-related expenses					
	Other					
		Total	22 500	15 400	15 400	22 500
3	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4	**Central government taxable income (1 - 2 + 3)**		320 300	496 300	839 200	320 300
5	**Central government income tax liability (exclusive of tax credits)**		0	0	48 140	0
6	**Tax credits**					
	Basic credit					
	Married or head of family					
	Children					
	Other		56 042	73 499	75 386	56 042
		Total	56 042	73 499	75 386	56 042
7	**Central government income tax finally paid (5-6)**		- 56 042	- 73 499	- 27 246	- 56 042
8	**State and local taxes**		103 264	160 007	270 558	103 264
9	**Employees' compulsory social security contributions**					
	Gross earnings		24 000	35 800	42 000	24 000
	Taxable income					
		Total	24 000	35 800	42 000	24 000
10	**Total payments to general government (7 + 8 + 9)**		71 222	122 308	285 312	71 222
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)**		271 643	389 430	569 291	303 443
13	**Employer's wage dependent contributions and taxes**					
	Employer's compulsory social security contributions		67 888	101 325	169 212	67 888
	payroll taxes		39 840	59 463	99 304	39 840
		Total	107 728	160 788	268 516	107 728
14	**Average rates**					
	Income tax		13.8%	16.9%	28.5%	13.8%
	Employees' social security contributions		7.0%	7.0%	4.9%	7.0%
	Total payments less cash transfers		20.8%	23.9%	33.4%	11.5%
	Total tax wedge including employer's social security contributions		39.7%	42.1%	49.3%	32.7%
15	**Marginal rates**					
	Total payments less cash transfers: Principal earner		29.2%	32.2%	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%	48.4%	65.9%	46.2%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Sweden 2023

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**		511 738	854 603	1 023 476	854 603
2	**Standard tax allowances:**					
	Basic allowance		15 400	37 900	30 800	37 900
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		0	0	0	0
	Work-related expenses					
	Other					
		Total	15 400	37 900	30 800	37 900
3	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4	**Central government taxable income (1 - 2 + 3)**		496 300	816 600	992 600	816 600
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		73 499	129 541	146 998	129 541
		Total	73 499	129 541	146 998	129 541
7	**Central government income tax finally paid (5-6)**		- 73 499	- 129 541	- 146 998	- 129 541
8	**State and local taxes**		160 007	263 271	320 014	263 271
9	**Employees' compulsory social security contributions**					
	Gross earnings		35 800	59 800	71 600	59 800
	Taxable income					
		Total	35 800	59 800	71 600	59 800
10	**Total payments to general government (7 + 8 + 9)**		122 308	193 530	244 616	193 530
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)**		421 230	692 873	810 660	661 073
13	**Employer's wage dependent contributions and taxes**					
	Employer's compulsory social security contributions		101 325	169 213	202 650	169 213
	payroll taxes		59 463	99 303	118 926	99 303
		Total	160 788	268 516	321 576	268 516
14	**Average rates**					
	Income tax		16.9%	15.6%	16.9%	15.6%
	Employees' social security contributions		7.0%	7.0%	7.0%	7.0%
	Total payments less cash transfers		17.7%	18.9%	20.8%	22.6%
	Total tax wedge including employer's social security contributions		37.4%	38.3%	39.7%	41.1%
15	**Marginal rates**					
	Total payments less cash transfers: Principal earner		32.2%	32.2%	32.2%	32.2%
	Total payments less cash transfers: Spouse		20.3%	29.2%	32.2%	29.2%
	Total tax wedge: Principal earner		48.4%	48.4%	48.4%	48.4%
	Total tax wedge: Spouse		39.3%	46.2%	48.4%	46.2%

The national currency is the Swedish Kronor (SEK). In 2023, SEK 10.22 were equal to USD 1. In that year, the average worker earned SEK 511 738 (Secretariat estimate).

1. Personal Income Tax Systems

1.1. Central government income taxes

1.1.1. Tax unit

Spouses are taxed separately.

1.1.2. Tax allowances and tax credits

1.1.2.1. Standard reliefs

- Basic reliefs: A basic allowance is given for assessed earned income and varies between SEK 15 400 and SEK 40 500, depending on income. When individuals pay central government income tax, the basic allowance is at its lowest level, which equals SEK 15 400. The basic allowance depends on the assessed earned income and the basic amount, which equals SEK 52 500 in 2023.

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 66, 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.

1.1.2.2. Main non-standard tax reliefs applicable to an AW

- Interest on qualifying loans: Interest payments are offset against capital income. The resulting net capital income is the tax base. A tax credit is given in the case of negative capital income,
- Medical expenses: None. Other allowances are given for: the amount of commuting expenses exceeding SEK 11 000,
- other types of work-related expenses exceeding SEK 5 000; examples are the costs of tools, work-related phone calls using the taxpayer's private telephone,
- increased living expenses while on business trips, e.g., such as the use of a private car if these costs are not reimbursed by the employer,
- double housing expenses due to temporary work at other geographical locations (too far from home for commuting), or if the family for some reason can't move, even if the job is of a permanent nature,
- travelling expenses for travelling home if the taxpayer works in another place than his/her place of residence.

1.1.3. Tax schedule

Taxable Income (SEK)	Tax (SEK) at lower bracket	For exceeding income, %
0—598 500	0	0
Over 598 500	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 36 200 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 2023 is SEK 52 500. 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 36 000 is granted. The EITC is phased-out for those with incomes above around SEK 700 000 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	0.22*EI
100 001—300 000 SEK	15 000 SEK + 0.07*EI
300 001—600 000 SEK	36 000 SEK

600 001—1 600 000 SEK	36 000 –0,03*(EI-600 000)
1 600 001 SEK -	0

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 15 400 and SEK 40 500; it depends on the taxpayer's income. For a taxpayer earning the AW, this basic allowance amounts to SEK 15 400.

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 2023, 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 42 000 since the general pension contributions are not paid for income over SEK 599 600 (=8.07*74 300). 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 2023 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 66 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.

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:

	2023
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. The age limit for the higher basic allowance was increased from 65 to 66 years in 2023.

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 700 000 in 2023.

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.

2023 Parameter values

Average earnings/yr	Ave_earn	511 738	Secretariat estimate
Central income tax			
	tax_rate	0.2	
	tax_thrsh	598 500	
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	52 500	
	basic_ant	74 300	
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	
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	

2023 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)
		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
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 2023

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**		68 434	102 141	170 576	68 434
2	**Standard tax allowances**					
	Basic allowance					
	Married or head of family		0	0	0	0
	Dependent children		0	0	0	13 200
	Deduction for social security contributions and income taxes		7 750	12 566	22 099	7 750
	Work-related expenses		2 000	2 868	4 000	2 000
	Other		1 800	1 800	1 800	3 200
		Total	11 550	17 234	27 899	26 150
3	**Tax credits or cash transfers included in taxable income**		0	0	0	6 000
4	**Central government taxable income (1 - 2 + 3)**		56 800	84 900	142 600	48 200
5	**Central government income tax liability (exclusive of tax credits)**		609	1 806	6 549	194
6	**Tax credits**					
	Basic credit					
	Married or head of family					
	Children		0	0	0	510
	Other					
		Total	0	0	0	510
7	**Central government income tax finally paid (5-6)**		609	1 806	6 549	0
8	**State and local taxes**		5 489	10 630	22 831	2 126
9	**Employees' compulsory social security contributions**					
	Gross earnings		4 380	6 537	10 671	4 380
	Taxable income					
		Total	4 380	6 537	10 671	4 380
10	**Total payments to general government (7 + 8 + 9)**		10 478	18 972	40 051	6 505
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)**		57 956	83 169	130 525	67 929
13	**Employer's compulsory social security contributions**		4 380	6 537	10 671	4 380
14	**Average rates**					
	Income tax		8.9%	12.2%	17.2%	3.1%
	Employees' social security contributions		6.4%	6.4%	6.3%	6.4%
	Total payments less cash transfers		15.3%	18.6%	23.5%	0.7%
	Total tax wedge including employer's social security contributions		20.4%	23.5%	28.0%	6.7%
15	**Marginal rates**					
	Total payments less cash transfers: Principal earner		22.0%	28.1%	35.7%	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%	38.9%	20.8%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Switzerland 2023

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**		102 141	170 576	204 282	170 576
2	**Standard tax allowances**					
	Basic allowance					
	Married or head of family		2 700	16 300	16 300	16 300
	Dependent children		13 200	13 200	13 200	0
	Deduction for social security contributions and income taxes		12 566	22 316	28 001	22 316
	Work-related expenses		2 868	2 868	2 868	2 868
	Other		5 000	5 000	5 000	3 600
		Total	36 334	59 684	65 369	45 084
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)**		71 800	116 800	144 900	125 400
5	**Central government income tax liability (exclusive of tax credits)**		754	2 867	5 185	3 468
6	**Tax credits**					
	Basic credit					
	Married or head of family					
	Children		510	510	510	0
	Other					
		Total	510	510	510	0
7	**Central government income tax finally paid (5-6)**		244	2 357	4 675	3 468
8	**State and local taxes**		5 476	14 118	19 559	16 910
9	**Employees' compulsory social security contributions**					
	Gross earnings		6 537	10 917	13 074	10 917
	Taxable income					
		Total	6 537	10 917	13 074	10 917
10	**Total payments to general government (7 + 8 + 9)**		12 257	27 392	37 308	31 295
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)**		95 884	149 184	172 974	139 280
13	**Employer's compulsory social security contributions**		6 537	10 917	13 074	10 917
14	**Average rates**					
	Income tax		5.6%	9.7%	11.9%	11.9%
	Employees' social security contributions		6.4%	6.4%	6.4%	6.4%
	Total payments less cash transfers		6.1%	12.5%	15.3%	18.3%
	Total tax wedge including employer's social security contributions		11.8%	17.8%	20.4%	23.3%
15	**Marginal rates**					
	Total payments less cash transfers: Principal earner		21.5%	25.8%	31.8%	28.5%
	Total payments less cash transfers: Spouse		22.1%	26.5%	31.8%	29.2%
	Total tax wedge: Principal earner		26.3%	30.3%	35.9%	32.8%
	Total tax wedge: Spouse		26.8%	30.9%	35.9%	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 102 141 (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 2 700 for married couples for direct federal tax.
- Deduction for children

A CHF 6 600 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 255 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 3 600 for married persons and CHF 1 800 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 8 300 and no more than CHF 13 600.

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	--	2 700
Deduction for 2 dependent children	--	13 200 (6 600*2)
Social contributions		
Old age insurance	5.3%	5.3%
Unemployment insurance	1.1%[2]	1.1%[2]
Pension fund	7.89%	7.89%
Maximum deductions for health insurance premiums and loan interest[3]	1 800 plus 700 per child	3 600 plus 700 per child
Deduction for two-income couples[4]		8 300−13 600

1. 3% of net income, minimum CHF 2 000, maximum CHF 4 000.
2. 1.1% of income up to 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 8 300 or adjusted smaller income, maximum CHF 13 600.

In addition, for the married taxpayer with 2 children, there is a (non-refundable) tax credit for 2 dependent children amounting to CHF 510, thus reducing the tax liability by CHF 510.

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 14 800	--	--	--
14 800 to 32 200[2]		0.77	14 800
32 200 to 42 200	133.98	0.88	32 200
42 200 to 56 200	221.98	2.64	42 200
56 200 to 73 900	591.58	2.97	56 200
73 900 to 79 600	1117.27	5.94	73 900
79 600 to 105 500	1455.85	6.60	79 600
105 500 to 137 200	3165.25	8.80	105 500
137 200 to 179 400	5954.85	11.00	137 200
179 400 to 769 700	10596.85	13.20	179 400
Over 769 700[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	--	--	--
28 800 to 51 800		1	28 800
51 800 to 59 400[2]	230	2	51 800
59 400 to 76 700	382	3	59 400
76 700 to 92 000	901	4	76 700
92 000 to 105 400	1513	5	92 000
105 400 to 116 900	2183	6	105 400
116 900 to 126 500	2873	7	116 900
126 500 to 134 200	3545	8	126 500
134 200 to 139 900	4161	9	134 200
139 900 to 143 800	4674	10	139 900
143 800 to 145 800	5064	11	143 800
145 800 to 147 700	5284	12	145 800
147 700 to 912 600	5512	13	147 700
For 912 600	104949		
Over 912 600[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	7.89%	7.89%
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	99
-- 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.

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.

2.2.4. Work-related accidents

--

2.2.5. Family allowances

The employer pays a benefit for dependent children of an employee. The effective benefits paid depend on the Canton of residence and the respective employer. As of 1 January 2009, a new Swiss-wide minimum amount of CHF 2 400 (for children up to 16 years of age and CHF 3 000 for children in education between 16 and 25 years of age) has been established. In most cases, the benefit paid exceeds this minimum. The average family benefit is estimated to amount to CHF 3 000 per child per year.

This benefit is taxable along with other components of income.

The family allowance contributions are not included in the Taxing Wages results either as they are paid to a privately-managed fund. These contributions therefore qualify as non-tax compulsory payments (see also section 5.3).

2.2.6. Other

--

3. Universal cash benefits

3.1. Benefits linked to marital status

No such benefits are paid.

3.2. Benefits for dependent children

The employer pays a benefit of, on average, 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 2023, the tax credit for children reduces the tax liability by CHF 255 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 22 050 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 based on a conversion factor. Contribution rates depend on the occupation and the pension fund. An estimated representative rate amounted to 7.89% for employees and 10.57% for employers in 2023.
- 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 6 171.60 for adults and CHF 1 460.40 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 2023 it amounts to 1.08%.
- 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.

2023 Parameter values

Average earnings/yr	Ave_earn	102 141	Secretariat estimate
Tax allowances	fed_child_al	6 600	
Tax credit	fed_child_cred	255	
Partner Allowance	partner_rate_fed	0.5	
	partner_min_fed	8 300	
	partner_max_fed	13 600	
Basic deduction for married couples	Married_ded_fed	2 700	
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	14800
		0.0077	32200
		0.0088	42200
		0.0264	56200
		0.0297	73900
		0.0594	79600
		0.066	105500
		0.088	137200
		0.11	179400
		0.132	769700
		0.115	
Married	IFD_min_m	-	
	IFD_sch_m	0	28800
		0.01	51800
		0.02	59400
		0.03	76700
		0.04	92000
		0.05	105400
		0.06	116900
		0.07	126500
		0.08	134200
		0.09	139900
		0.1	143800
		0.11	145800
		0.12	147700
		0.13	912600
		0.115	
Cantonal tax	Zurich_min	24	
Single	Zurich_sch_s	0	6700
		0.02	11400
		0.03	16100
		0.04	23700
		0.05	33000
		0.06	43700
		0.07	56100
		0.08	73000
		0.09	105500

		0.1	137700
		0.11	188700
		0.12	254900
		0.13	
Married	Zurich_sch_m	0	13500
		0.02	19600
		0.03	27300
		0.04	36700
		0.05	47400
		0.06	61300
		0.07	92100
		0.08	122900
		0.09	169300
		0.1	224700
		0.11	284800
		0.12	354100
		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	29 400	
	NTCP_pension_ee	0.0789	
Unemployment	unemp_rate	0.011	
	unemp_rate2	0.000	
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	1 800	
married couples	max_dedn_m	3 600	
child	max_dedn_c	700	
Child cash transfer	child_ben	3 000	

2023 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 2023

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**		213 776	319 068	532 843	213 776
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		32 066	47 860	79 927	32 066
	Work-related expenses					
	Other					
		Total	32 066	47 860	79 927	32 066
3	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4	**Central government taxable income (1 - 2 + 3)**		181 709	271 208	452 917	181 709
5	**Central government income tax liability (exclusive of tax credits)**		35 061	59 226	108 288	35 061
	Stamp tax		556	1 355	2 978	556
		Total	35 617	60 581	111 265	35 617
6	**Tax credits**					
	Basic credit		20 391	20 391	20 391	20 391
	Married or head of family					
	Children					
	Other					
		Total	20 391	20 391	20 391	20 391
7	**Central government income tax finally paid (5-6)**		15 226	40 190	90 874	15 226
8	**State and local taxes**		0	0	0	0
9	**Employees' compulsory social security contributions**					
	Gross earnings		32 066	47 860	79 927	32 066
	Taxable income					
		Total	32 066	47 860	79 927	32 066
10	**Total payments to general government (7 + 8 + 9)**		47 293	88 050	170 801	47 293
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)**		166 483	231 018	362 043	166 483
13	**Employer's compulsory social security contributions**		37 411	55 837	93 248	37 411
14	**Average rates**					
	Income tax		7.1%	12.6%	17.1%	7.1%
	Employees' social security contributions		15.0%	15.0%	15.0%	15.0%
	Total payments less cash transfers		22.1%	27.6%	32.1%	22.1%
	Total tax wedge including employer's social security contributions		33.7%	38.4%	42.2%	33.7%
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 2023

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**		319 068	532 843	638 136	532 843
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		47 860	79 927	95 720	79 927
	Work-related expenses					
	Other					
		Total	47 860	79 927	95 720	79 927
3	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4	**Central government taxable income (1 - 2 + 3)**		271 208	452 917	542 415	452 917
5	**Central government income tax liability (exclusive of tax credits)**		59 226	94 288	118 452	94 288
	Stamp tax		1 355	1 355	1 355	1 355
		Total	60 581	95 643	119 807	95 643
6	**Tax credits**					
	Basic credit		20 391	40 782	40 782	40 782
	Married or head of family					
	Children					
	Other					
		Total	20 391	40 782	40 782	40 782
7	**Central government income tax finally paid (5-6)**		40 190	55 417	80 380	55 417
8	**State and local taxes**		0	0	0	0
9	**Employees' compulsory social security contributions**					
	Gross earnings		47 860	79 927	95 720	79 927
	Taxable income					
		Total	47 860	79 927	95 720	79 927
10	**Total payments to general government (7 + 8 + 9)**		88 050	135 343	176 101	135 343
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)**		231 018	397 500	462 035	397 500
13	**Employer's compulsory social security contributions**		55 837	93 248	111 674	93 248
14	**Average rates**					
	Income tax		12.6%	10.4%	12.6%	10.4%
	Employees' social security contributions		15.0%	15.0%	15.0%	15.0%
	Total payments less cash transfers		27.6%	25.4%	27.6%	25.4%
	Total tax wedge including employer's social security contributions		38.4%	36.5%	38.4%	36.5%
15	**Marginal rates**					
	Total payments less cash transfers: Principal earner		38.7%	38.7%	38.7%	38.7%
	Total payments less cash transfers: Spouse		22.1%	38.7%	38.7%	38.7%
	Total tax wedge: Principal earner		47.8%	47.8%	47.8%	47.8%
	Total tax wedge: Spouse		33.7%	47.8%	47.8%	47.8%

The national currency unit is the “Türk Lirası” (TL). In 2023, TL 21,51 were equal to USD 1. In that year, the average worker earned TL 319 068 (Country estimate).

1. Personal Income Tax Systems

1.1. Central government income tax

1.1.1. Tax unit

Spouses are taxed separately on earned income. This rule has been applied since 1 January 1999.

1.1.2. Tax allowances and tax credits

1.1.2.1. Standard reliefs:

- Reliefs for social security contributions: Employee's social security contributions are deductible from gross earnings. These contributions are 15% of gross income as stated by the Social Insurance Act. The contribution to the unemployment fund is included in this amount and equals 1% of gross income.
- Contributions to public pension funds established by law are deductible.
- Work related expenses: None.
- Minimum 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.

1.1.2.2. Main non-standard tax reliefs applicable to an AW

- Reliefs for disabled: Article 31 of PIT Law (implemented in 01.01.2004 by the law 4842) regulates tax relief for disabled persons. The employee who lost his/her working capacity with at least 80% is considered to be disabled in the 1st degree; employees are disabled in the 2nd 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 4 400
  - Disabled in the 2nd degree: TL 2 600
  - Disabled in the 3rd degree: TL 1 100
- 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 2023 is as follows:

Taxable income (TL)	Tax on lower threshold (TL)	Tax on excess amount above lower threshold (%)
Up to 70 000		15
70 000 up to 150 000	10 500	20
150 000 up to 550 000	26 500	27
550 000 up to 1 900 000	134 500	35
Over 1 900 000	607 000	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 2023.

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 2023, the base amount is approximately TL 140 535 and the ceiling amount is approximately TL 1 054 013. 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 2018-2023 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.

2023 Parameter values

Average earnings/yr.	Ave_earn	319 068	Country estimate
Income tax	Tax_sch	0 .15	70 000
		0 .20	150 000
		0 .27	550 000
		0 .35	1 900 000
		0 .40	
Stamp tax	Stamp_rate	0 .00759	
Employees SSC	SSC_rate	0 .15	
	SSC_ceil	1 054 013	
	SSC_support	2 400	
	SSC_supp_lim	45 000	
Employers SSC Minimum living relief	SSC_empr	0 .175	
	min_wage	140 535	
	min_wage_taxable_income	119 455	

2023 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
(2023-2024 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 2023

The tax/benefit position of single persons

		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1	**Gross wage earnings**		32 284	48 185	80 468	32 284
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)**		19 714	35 615	67 898	19 714
5	**Central government income tax liability (exclusive of tax credits)**		3 943	7 123	19 619	3 943
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)**		3 943	7 123	19 619	3 943
8	**State and local taxes**		0	0	0	0
9	**Employees' compulsory social security contributions**					
	Gross earnings		2 366	4 274	5 128	2 366
	Taxable income					
		Total	2 366	4 274	5 128	2 366
10	**Total payments to general government (7 + 8 + 9)**		6 308	11 397	24 747	6 308
11	**Cash transfers from general government**					
	For head of family					
	For two children		0	0	0	3 404
		Total	0	0	0	3 404
12	**Take-home pay (1-10+11)**		25 975	36 788	55 721	29 380
13	**Employer's compulsory social security contributions**		3 199	5 394	9 849	3 199
14	**Average rates**					
	Income tax		12.2%	14.8%	24.4%	12.2%
	Employees' social security contributions		7.3%	8.9%	6.4%	7.3%
	Total payments less cash transfers		19.5%	23.7%	30.8%	9.0%
	Total tax wedge including employer's social security contributions		26.8%	31.3%	38.3%	17.2%
15	**Marginal rates**					
	Total payments less cash transfers: Principal earner		32.0%	32.0%	42.0%	69.4%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		40.2%	40.2%	49.0%	73.1%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

United Kingdom 2023

The tax/benefit position of married couples

		Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
		Number of children	2	2	2	none
1	**Gross wage earnings**		48 185	80 468	96 369	80 468
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)**		34 355	55 328	71 229	55 328
5	**Central government income tax liability (exclusive of tax credits)**		6 871	11 066	14 246	11 066
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)**		6 871	11 066	14 246	11 066
8	**State and local taxes**		0	0	0	0
9	**Employees' compulsory social security contributions**					
	Gross earnings		4 274	6 639	8 548	6 639
	Taxable income					
		Total	4 274	6 639	8 548	6 639
10	**Total payments to general government (7 + 8 + 9)**		11 145	17 705	22 793	17 705
11	**Cash transfers from general government**					
	For head of family					
	For two children		2 086	2 086	2 086	0
		Total	2 086	2 086	2 086	0
12	**Take-home pay (1-10+11)**		39 126	64 850	75 662	62 763
13	**Employer's compulsory social security contributions**		5 394	8 593	10 787	8 593
14	**Average rates**					
	Income tax		14.3%	13.8%	14.8%	13.8%
	Employees' social security contributions		8.9%	8.3%	8.9%	8.3%
	Total payments less cash transfers		18.8%	19.4%	21.5%	22.0%
	Total tax wedge including employer's social security contributions		27.0%	27.2%	29.4%	29.5%
15	**Marginal rates**					
	Total payments less cash transfers: Principal earner		32.0%	32.0%	32.0%	32.0%
	Total payments less cash transfers: Spouse		20.3%	32.0%	32.0%	32.0%
	Total tax wedge: Principal earner		40.2%	40.2%	40.2%	40.2%
	Total tax wedge: Spouse		27.5%	40.2%	40.2%	40.2%

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 48 185 (Secretariat estimate).

1. Personal Income Tax System

1.1. Central government income taxes

1.1.1. Tax unit

The tax unit is the individual, but certain reliefs depend on family circumstances (see Section 1.1.2.1.).

1.1.2. Tax allowances and tax credits

All figures shown are those applying at the start of the tax year in April.

1.1.2.1. Standard reliefs

- Basic reliefs: A personal allowance of GBP 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.

1.1.2.2. Main non-standard tax reliefs applicable to an AW.

- Work-related expenses: Flat rate expenses for tools and special clothing are allowed to certain occupational categories. Since this provision is not applicable to all manufacturing occupations, and hence average workers, and because the rates vary slightly across categories, this relief is considered here as non-standard;
- Contributions to approved superannuation schemes or personal pension schemes are deducted when calculating taxable income. Premiums on approved life assurance policies payable to life assurance companies attract 12.5% tax relief for policies entered into force before 13 March 1984.

1.1.3. Tax schedule

In 2023-24 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 1 000 in 2023-24, meaning that dividend taxpayers will not have to pay tax on the first GBP 1 000 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 125 140. 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
37 700–125 140	40
Over 125 140	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 2023-24, 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 125 140.

In 2023-24 all Scottish taxpayers are liable on taxable income other than savings and dividend income at the starter rate of 19% on the first GBP 2 162, 20% over the starter rate limit of GBP 2 162, 21% over the basic rate limit of GBP 13 118, 42% over the intermediate rate limit of GBP 31 092 and 47% over the higher rate limit of GBP 125 140. (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

In 2023-24 National Insurance contributions (NICs) were payable by employees earning more than GBP 242 in any week. This averages out to an annual equivalent of GBP 12 57011 908. These NICs are 12% of weekly earnings between the Primary Threshold (GBP 242) and GBP 967 and 2% 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.

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 13.8% of earnings above GBP 175 per week.

The apprenticeship levy was introduced in April 2017. The apprenticeship levy is charged at a rate of 0.5% on the gross pay bill of employers. Employers will receive an allowance of GBP 15 000 per year to offset against the levy meaning that only employers with a gross pay bill of over GBP 3m will end up paying the levy. Due to the fact that the apprenticeship levy does not apply to all employers, it is not included in the Taxing Wages calculations

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 24.00 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 15.90 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 893.82 or GBP 10725.84 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 631 per month; a different threshold of GBP 379 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

4.2 Other changes

For the first time since its introduction in 2010-11, the Additional Rate threshold which had been fixed at GBP 150 000, has been reduced to GBP 125 140 and aligned to the end of the Personal Allowance taper.

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.

2023 Parameter values

Average earnings/yr	Ave_earn	48 185	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	125140
		0.45	
Employees SSC			
Primary threshold	SSC_sch	0	12570
Upper earnings limit		0.12	50270
		0.02	
Employers SSC	SSC_rate2	0.138	
	ST	9100	
Child benefit (first)	CB_first	24.00	
Child benefit (others)	CB_others	15.90	
	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	368.74	
Standard allowance (couple over 25)	UC_standard_couple	578.82	
Child element (first child born<6 Apr 2017)	UC_child_1	315.00	
Child element	UC_child	269.58	
Work allowance (no housing costs)	UC_WA	631.00	
Taper rate	UC_taper	0.55	
Number of days in year	numdays	366.00	

2023 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	IF(Earn<PA_taper,IF(AND(OR(((MAX(Earn-Basic_al,0))+(MAX(AF7-Basic_al,0)))>((MAX(Earn-(Basic_al+Married_al),0))+(MAX(AF7-(Basic_al-Married_al),0))),((MAX(Earn-Basic_al,0))+(MAX(AF7-Basic_al,0)))>((MAX(Earn-(Basic_al-Married_al),0))+(MAX(AF7-(Basic_al+Married_al),0)))),AND(Earn<(BRL+Basic_al),(AF7<(BRL+Basic_al))),Married=1),IF(Earn>=AF7,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 2023

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**		45 067	67 264	112 331	45 067
2	**Standard tax allowances**					
	Basic allowance		13 850	13 850	13 850	20 800
	Married or head of family					
	Dependent children		0	0	0	0
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other					
		Total	13 850	13 850	13 850	20 800
3	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4	**Central government taxable income (1 - 2 + 3)**		31 217	53 414	98 481	24 267
5	**Central government income tax liability (exclusive of tax credits)**		3 526	7 059	17 036	2 598
6	**Tax credits**					
	Basic credit		0	0	0	1 653
	Married or head of family					
	Children		0	0	0	4 000
	Other					
		Total	0	0	0	5 653
7	**Central government income tax finally paid (5-6)**		3 526	7 059	17 036	- 3 055
8	**State and local taxes**		2 674	4 105	7 012	2 108
9	**Employees' compulsory social security contributions**					
	Gross earnings		3 448	5 146	8 593	3 448
	Taxable income					
		Total	3 448	5 146	8 593	3 448
10	**Total payments to general government (7 + 8 + 9)**		9 647	16 310	32 641	2 501
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)**		35 420	50 954	79 690	42 566
13	**Employer's compulsory social security contributions**		3 769	5 467	8 915	3 769
14	**Average rates**					
	Income tax		13.8%	16.6%	21.4%	-2.1%
	Employees' social security contributions		7.7%	7.7%	7.7%	7.7%
	Total payments less cash transfers		21.4%	24.2%	29.1%	5.5%
	Total tax wedge including employer's social security contributions		27.5%	29.9%	34.3%	12.8%
15	**Marginal rates**					
	Total payments less cash transfers: Principal earner		26.1%	36.1%	38.1%	48.4%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		31.4%	40.6%	42.5%	52.1%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

United States 2023

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**		67 264	112 331	134 529	112 331
2	**Standard tax allowances**					
	Basic allowance		27 700	27 700	27 700	27 700
	Married or head of family					
	Dependent children		0	0	0	0
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other					
		Total	27 700	27 700	27 700	27 700
3	**Tax credits or cash transfers included in taxable income**		0	0	0	0
4	**Central government taxable income (1 - 2 + 3)**		39 564	84 631	106 829	84 631
5	**Central government income tax liability (exclusive of tax credits)**		4 308	9 716	14 117	9 716
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)**		308	5 716	10 117	9 716
8	**State and local taxes**		3 406	6 313	7 745	6 779
9	**Employees' compulsory social security contributions**					
	Gross earnings		5 146	8 593	10 291	8 593
	Taxable income					
		Total	5 146	8 593	10 291	8 593
10	**Total payments to general government (7 + 8 + 9)**		8 860	20 622	28 153	25 088
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)**		58 405	91 709	106 375	87 243
13	**Employer's compulsory social security contributions**		5 467	9 236	10 934	9 236
14	**Average rates**					
	Income tax		0.06	0.11	0.13	0.15
	Employees' social security contributions		0.08	0.08	0.08	0.08
	Total payments less cash transfers		0.13	0.18	0.21	0.22
	Total tax wedge including employer's social security contributions		0.20	0.25	0.27	0.28
15	**Marginal rates**					
	Total payments less cash transfers: Principal earner		0.26	0.26	0.36	0.26
	Total payments less cash transfers: Spouse		0.26	0.26	0.36	0.26
	Total tax wedge: Principal earner		0.31	0.31	0.41	0.31
	Total tax wedge: Spouse		0.32	0.31	0.41	0.31

The national currency is the dollar (USD). In 2023, the average worker earned USD 67 264 (Secretariat estimate).

1. Personal Income Tax System

1.1. Central/federal government income taxes

1.1.1. Tax unit

Families are generally taxed in one of three ways:

- As married couples filing jointly on the combined income of both spouses,
- As married individuals filing separately and reporting actual income of each spouse; or
- As heads of households (only unmarried or separated individuals with dependents).

All others, including dependent children with sufficient income, file as single individuals.

1.1.2. Tax allowances and tax credits

1.1.2.1. Standard reliefs

- Basic reliefs: In 2023 a married couple filing a joint tax return is entitled to a standard deduction of USD 27 700. The standard deduction is USD 20 800 for heads of households and USD 13 850 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 11 750 of earned income in 2023. The credit phases down when income exceeds USD 21 560 (28 120 for married taxpayers) and phases out when it reaches USD 46 560 (53 120 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 16 510 of earned income in 2022. The credit phases down when income exceeds USD 21 560 (28 120 for married taxpayers) and phases out when it reaches USD 52 918 (59 478for married taxpayers). For taxpayers with three or more children the credit is 45% of up to USD 16 510 of earned income. The credit phases down when income exceeds USD 21 560 (28 120 for married taxpayers) and phases out when it reaches USD 56 838 (63 398 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 2023 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 1 600 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 7.65% of up to USD 7 840 of earned income. The credit phases down in 2023 when income exceeds USD 9 800 (16 370 for married taxpayers) and phases out completely when income reaches USD 17 640 (24 210 for married taxpayers). In 2023, this credit is available for taxpayers at least 25 years old and less than 65.
- Relief for social security and other taxes: In 2023, 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.

1.1.2.2. Main non-standard reliefs applicable to an AW

The basic non-standard relief is the deduction of certain expenses to the extent that, when itemised, they exceed in aggregate the standard deduction. For the purposes of this Report, it is assumed that workers claim the standard deduction. The principal itemised deductions claimed by individuals where the standard deduction is not being claimed are:

- Medical and dental expenses that exceed 7.5% 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 2021 based on preliminary statistics1, the most recent year for which such statistics are available, the 10% 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 6 924; charitable contributions, USD 5 848; home mortgage interest expense, USD 9 035.

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 11 000	0 to 22 000	0 to 15 700	10
11001 to 44 725	20 001 to 89 450	15 701 to 59 850	12
414726 to 95 375	89 451 to 190 750	59 851 to 95 350	22
95 376 to 182 100	190 751 to 364 200	89 051 to 182 100	24
183 101 to 231 250	364 201 to 462 500	182 101 to 231 250	32
231 251 to 578 125	462 501 to 693 750	231 250 to 578 100	35
578 126 and over	693 750 and over	578 101 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 5 400 for the taxpayer, the taxpayer's spouse and each child, and taxes income at the rate of 4.05%. 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 2023, 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 160 200. 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 160 200 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 64 845 for 2022.

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 2023 for employees in private industry[1]:

	Pension[1]	Health[2]	Life[1]
% of workers covered	56	58	59
USD employer portion per covered employee	n.a.	15 207 (family) 5 476 (single)	n.a.

1. A change in methodology and data beginning this year results in a shift upward of premium levels before considering inflation.
2. Pension and Life Insurance Information is from the National Compensation Survey: Employee Benefits in the United States, March 2021; U.S. Bureau of Labor Statistics.
3. Health Insurance information is from the Medical Expenditure Panel Survey (MEPS); U.S. Department of Health and Human Services.

2023 Parameter values

Average earnings/yr	Ave_earn	67 264	Secretariat estimate			
Standard deductions	Married_al	27 700				
	hh_al	20 800				
	single_al	13 850				
Federal tax schedules						
Single individuals	Fed_sch_s	0.1	11 000			
		0.12	44 725			
		0.22	95 375			
		0.24	182 100			
		0.32	231 250			
		0.35	578 125			
		0.37				
Married filing jointly	Fed_sch_m	0.1	22 000			
		0.12	89 450			
		0.22	190 750			
		0.24	364200			
		0.32	462500			
		0.35	693750			
		0.37				
Head of household	Fed_sch_h	0.1	15700			
		0.12	59850			
		0.22	95350			
		0.24	182100			
		0.32	231250			
		0.35	578100			
		0.37				
Earned income credit	EIC_sch	rate	income limit	threshold	thresh-married	phase-out
	no children	0.0765	7840	9800	16370	0.0765
	1 child	0.34	11750	21560	28120	0.1598
	2 children	0.4	16510	21560	28120	0.2106
	3 or more children	0.45	16510	21560	28120	0.2106
Child credit	chcrd_max	2 000				
	Chrd_lim	1600				
	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	5 400				
	Mich_ex_child	0				
	Mich_rate	0.0405				
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	160 200				
	add_hosp_thresh_m	250 000				
	add_hosp_thresh_oth	200 000				
Unemployment insurance tax	Unemp_rate	0.006				
	Unemp_dedn_rate	0.054				
	Unemp_max	7 000				
Michigan unemploy insur	Mich_unemp_rate	0.0294				
	Mich_unemp_max	9500				

2023 Tax equations

The equations for the US system in 2023 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 202.

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.[1] 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)[2] (see Table A A.3. International Standard Industrial Classification of All Economic Activities). 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 of ‘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 employed full-time 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 range 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 fringe benefits 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 the existence of schemes that 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
Czechia	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[1]	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)
Czechia	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.

Note: 1. In Colombia, the Great Integrated Household Survey has been adjusted from 2021 to incorporate the sampling frame of the National Census of Population and Housing of 2018, thereby changing the sampling frame of the 2005 census. As a result, the 2022 and 2023 average wage figures are not comparable with the figures reported up to 2021. The 2021 figure was computed through a splicing process based on the per capita income of the expenditure unit, not on labour income.

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 2023 were not available when the current Report was written. For most countries, estimates of gross wage earnings of average workers in 2023 were therefore derived by the Secretariat on the basis of a uniform approach: year 2022 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 2023 issue 2*) . This transparent procedure is intended to avoid any bias in the results. In some countries, there were varying approaches:

- The final 2023 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 2023 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 (2022), Finland (2022), Portugal (from 2013 onwards), the Slovak Republic (2022) and Switzerland (2007, 2009, 2011, 2013, 2015, 2017, 2019, 2021 and 2022) 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 2023. 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, 2022-2023 (in national currency)

	Average wage 2022	Average wage 2023 (Secret. estimates)	Average wage 2023 (country estimates)	EO 2023 (issue 2) forecasted rates for 2022[1]
Australia[1]	95 735		99 565	5.6
Austria	53 126	57 082	57 482	7.4
Belgium	55 038	59 285		7.7
Canada	83 126	86 203		3.7
Chile[1]	11 850 890		13 232 535	
Colombia[1]	23 470 233		23 470 233	
Costa Rica[1]	8 897 195		9 193 578	
Czechia	479 623	515 219	517 993	7.4
Denmark	469 400	488 078		4.0
Estonia	20 222	21 595		6.8
Finland	50 750	53 310		5.0
France	41 522	43 438	43 766	4.6
Germany	57 667	60 867		5.5
Greece	22 170	23 536		6.2
Hungary	6 276 792	7 152 170	7 256 560	13.9
Iceland	10 452 000	11 066 502		5.9
Ireland	57 457	59 899	59 835	4.3
Israel	171 036	180 983	177 708	5.8
Italy	32 191	33 492		4.0
Japan	5 165 693	5 251 660		1.7
Korea	52 055 568	54 497 863	54 658 346	4.7
Latvia	16 500	18 559	17 904	12.5
Lithuania	21 196	23 409	23 400	10.4
Luxembourg	68 578	73 418		7.1
Mexico[2]	171 738	172 991	190 240	0.7
Netherlands	58 810	62 281		5.9
New Zealand[1]	70 588		76 001	
Norway	689 478	727 681		5.5
Poland	76 071	85 715		12.7
Portugal	22 073	23 714		7.4
Slovak Republic	15 299	16 835	17 143	10.0
Slovenia	23 632	26 667	24 966	12.8
Spain	28 780	30 237		5.1
Sweden	493 770	511 738		3.6
Switzerland	101 350	102 141		0.8
Türkiye[1]	150 661		319 068	
United Kingdom	44 854	48 185		7.4
United States	64 845	67 264		3.7

Notes:
1. The country average wage estimate is used instead of the OECD Secretariat's average wage 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.

Table A A.7. Purchasing power parities and exchange rates for 2023

	Monetary unit	Exchange rates[1]	Purchasing power parities
Australia	AUD	1.5	1.4
Austria	EUR	0.92	0.7
Belgium	EUR	0.92	0.7
Canada	CAD	1.3	1.2
Chile	CLP	840.1	451.2
Colombia	COP	4326.0	1412.6
Costa Rica	CRC		332.0
Czechia	CZK	22.2	13.5
Denmark	DKK	6.9	5.9
Estonia	EUR	0.92	0.6
Finland	EUR	0.92	0.8
France	EUR	0.92	0.7
Germany	EUR	0.92	0.7
Greece	EUR	0.92	0.5
Hungary	HUF	353.1	179.2
Iceland	ISK	137.9	144.5
Ireland	EUR	0.92	0.8
Israel	ILS	3.7	3.7
Italy	EUR	0.92	0.6
Japan	JPY	140.5	97.8
Korea	KRW	1305.8	815.8
Latvia	EUR	0.92	0.5
Lithuania	EUR	0.92	0.5
Luxembourg	EUR	0.92	0.9
Mexico	MXN	17.8	10.3
Netherlands	EUR	0.92	0.8
New Zealand	NZD	1.6	1.5
Norway	NOK	10.6	8.8
Poland	PLN	4.2	2.0
Portugal	EUR	0.92	0.6
Slovak Republic	EUR	0.92	0.6
Slovenia	EUR	0.92	0.6
Spain	EUR	0.92	0.6
Sweden	SEK	10.6	8.9
Switzerland	CHF	0.90	1.0
Türkiye	TRL		6.9
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 2023 Issue 2.

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.

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.
- 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.

Six OECD member countries include payroll taxes in the *Taxing Wages* calculations: Australia, Austria, 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.[3]

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)[4] 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.

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

[2] Not all national statistical agencies use ISIC Rev.3.1 or ISIC Rev.4 to classify industries. However, the Statistical Classification of Economic Activities in the European Community (NACE), the North American Industry Classification System (NAICS) and the Australian and New Zealand Standard Industrial Classification (ANZSIC) include a classification which is broadly in accordance with industries C-K in ISIC Rev.3.1 or industries B-N in ISIC Rev.4.

[3] OECD, *Revenue Statistics 1965–2017*, p. 62.

[4] 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.

AVAILABLE ON LINE

Taxing Wages

TAX AND GENDER THROUGH THE LENS OF THE SECOND EARNER

This annual publication provides details of taxes paid on wages in OECD countries. This year's edition focuses on fiscal incentives for second earners in the OECD and how tax policy might contribute to gender gaps in labour market outcomes. For the year 2023, 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.

ALSO AVAILABLE ON LINE
The data in this publication are also available on line via ***www.oecd-ilibrary.org*** under the title *OECD Tax Statistics* (***https://doi.org/10.1787/tax-data-en***).

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