Taxing Wages 2024

Tax and Gender through the Lens of the Second Earner

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Taxing Wages 2024

The OECD's *Taxing Wages 2024* report provides unique information for each of 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 social security contributions and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for one- and two-earner households, and the implied total labour costs for employers. This brochure summarises the main results of this edition by:

- Presenting analysis of the average tax wedge in OECD countries in 2023, the changes from the previous year and the trends between 2000 and 2023 for a selection of household types that are covered in *Taxing Wages 2024*.

- Presenting a brief analysis of the net personal average tax rate for a single worker earning the average wage across OECD countries in 2023.

Box 1: **The tax wedge**

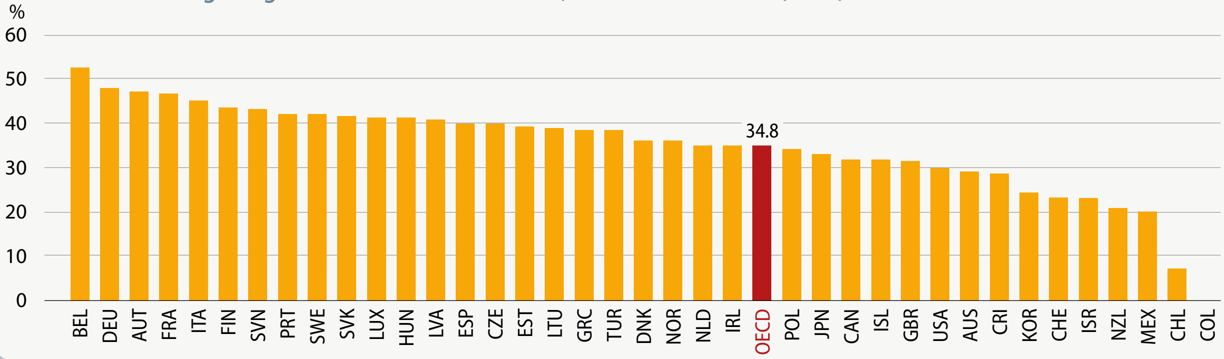
Taxing Wages 2024 presents several measures of taxation on labour. Most emphasis is given to the **tax wedge** – a measure of the difference between labour costs to the employer and the corresponding net take-home pay of the employee – which is calculated by expressing the sum of personal income tax, employee and employer social security contributions plus any payroll taxes, minus any benefits received by the employee, as a percentage of labour costs. Employer social security contributions and (in some countries) payroll taxes are added to gross wage earnings of employees in order to determine a measure of total labour costs. However, it should be recognised that this measure may be less than the true labour costs faced by employers because, for example, employers may also have to make *non-tax compulsory payments* (NTCPs)[1]. The average tax wedge measures that part of labour costs which is taken in tax and social security contributions 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 social security contributions less cash benefits.

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

TRENDS IN LABOUR TAXES ACROSS OECD COUNTRIES

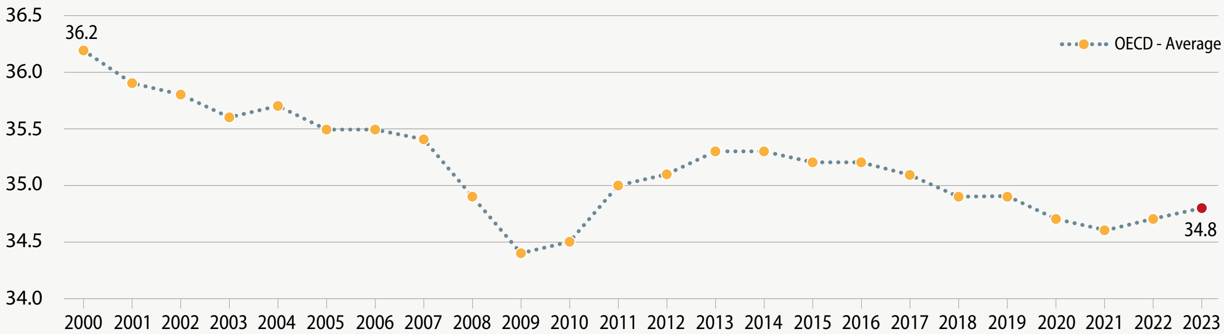
Labour taxes vary greatly across OECD countries, with the tax wedge for the average single worker ranging from 0% in Colombia to 52.7% in Belgium

Tax wedge (income tax plus employee and employer social security contributions, minus cash benefits) for the average single worker in OECD countries, as % of labour costs (2023)



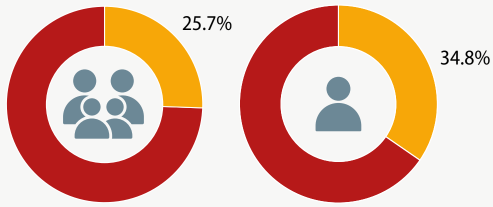
The tax wedge for the single worker earning the average wage has increased since 2021

Tax wedge for the single worker earning the average wage in OECD countries, as % of labour costs, 2000-2023



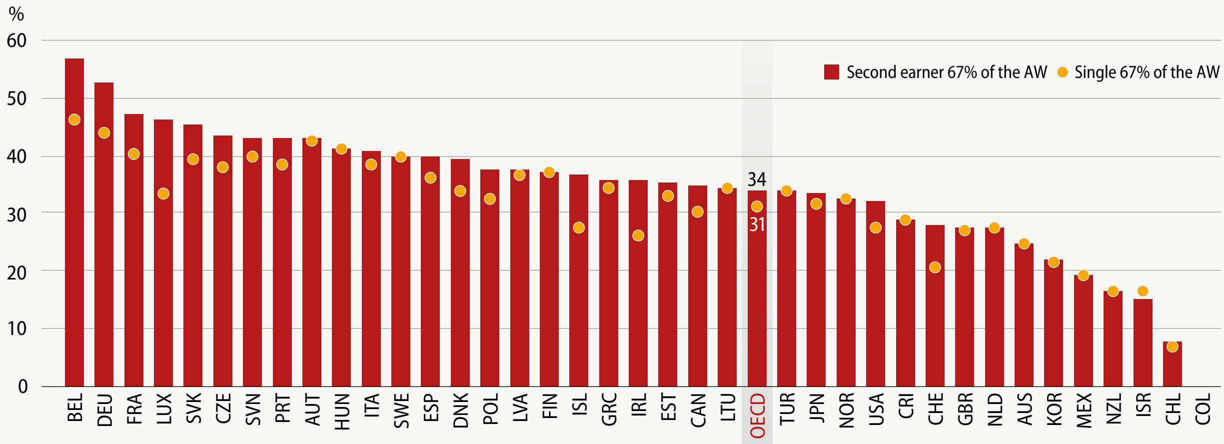
One-earner married couples with two children face a lower tax wedge than the single worker earning the average wage in the OECD

Tax wedge for one-earner married couples with 2 children vs single worker, as % of labour costs (2023)



The tax wedge is higher for the second earner than for the single worker in most OECD countries

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



Note: The principal earner of the two-earners married couple is assumed to be working at the average wage.

Source: Data from *Taxing Wages 2024* (OECD), https://oe.cd/taxingwages.

TABLE 1. COMPARISON OF TOTAL TAX WEDGE FOR THE AVERAGE WORKER IN OECD COUNTRIES IN 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)
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

Notes: Results are for a single worker without children earning the average wage.

1. Countries ranked by decreasing total tax wedge.
2. Due to rounding, the changes in tax wedge in column (2) may differ by one-hundredth of a percentage point from the sum of columns (3)-(5). 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: Data from *Taxing Wages 2024* (OECD), https://oe.cd/taxingwages.

The highest tax wedge is observed in Belgium (52.7%) and the lowest in Colombia (0.0%). The OECD average tax wedge was 34.8% of labour costs in 2023.

The tax wedge

Tax wedge for the average worker in OECD countries

Table 1 shows that the tax wedge between the labour costs to the employer and the corresponding net take-home pay for single workers without children, at average earnings levels, varied widely across OECD countries in 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 non-tax compulsory payments and therefore not counted as taxes in *Taxing Wages*. The average tax wedge as a percentage of labour costs in OECD countries was 34.8% in 2023.

Box 2: **Tax and Gender through the Lens of the Second Earner**

The Report contains a Special Feature on the tax wedge on second earners, more than 75% of whom are women in most OECD countries. This chapter sheds light on how tax policy may affect the incentives facing married women in a context of persistent gender-related inequalities in labour outcomes, particularly as concerns labour force participation. 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, showing how these compare with the tax wedge of a single worker and how they have evolved over time.

The results show that the average tax wedge for second earners is higher than for single workers across a majority of OECD countries and on average across the OECD. They also show that the average tax wedge is higher for a second earner who starts work at 100% of the average wage than at 67%, which reflects the progressivity of labour taxation in OECD countries. The average tax wedge is also higher for second earners with children than for those without children. In general, countries with a joint approach to taxation or where tax reliefs are determined at the household level display larger fiscal disincentives for second earners.

On average across the OECD, employer social security contributions 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, 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.








The loss of child benefits contributes to the tax wedge for second earners with children who take up employment.

As a percentage of labour costs, total employee and employer social security contributions exceeded 20% in 23 OECD countries.

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. 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. 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).

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 the tax wedge 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.

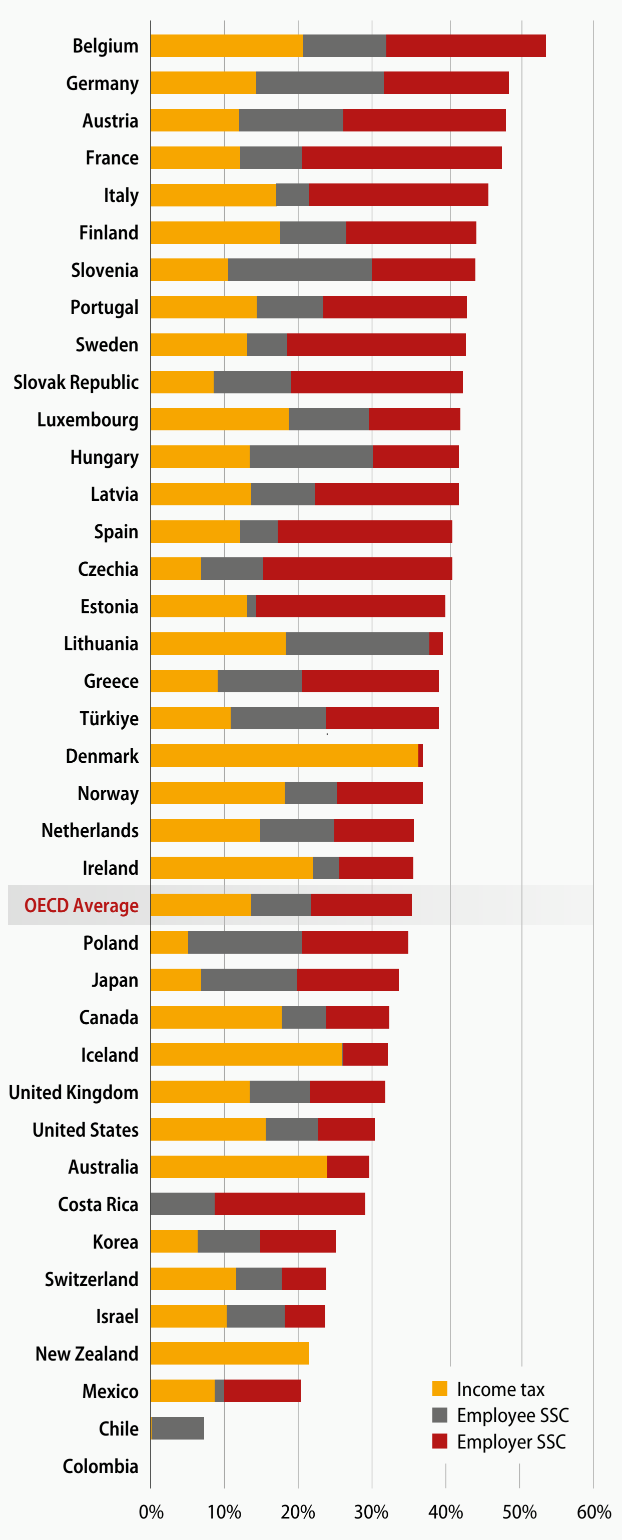
In the majority of countries where the tax wedge increased, the rise was driven by higher personal income tax as a percentage of labour costs (see column 3 of Table 1). In some countries, such as the examples of Australia and Luxembourg noted above, this was due to increases in the nominal average wage 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. 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 rose 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).

FIGURE 1. **INCOME TAX PLUS EMPLOYEE AND EMPLOYER SOCIAL SECURITY CONTRIBUTIONS, OECD COUNTRIES, 2023**

As % of labour costs



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

Source: Data from *Taxing Wages 2024* (OECD), https://oe.cd/taxingwages.

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 social contribution rate (from 26.50% to 25.17%). In the Netherlands, a reduction of 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 led to a decrease in the tax wedge of -0.98 p.p.

Figure 1 shows 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.

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 2. COMPARISON OF TOTAL TAX WEDGE FOR SINGLE AND ONE-EARNER COUPLE TAXPAYERS, OECD COUNTRIES, 2023

As % of labour costs

				Annual change, 2023/22 (in percentage points)		
Country[1]	Family[2] Total tax wedge 2023 (1)	Single[3] Total tax wedge 2023 (2)	Fiscal preference for families (1)-(2) (3)	Family tax wedge (4)	Single tax wedge (5)	Difference between single and family (4)-(3) (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

Notes:
1. Countries ranked by fiscal preference for families.
2. One-earner married couple with two children and earnings at the average wage level.
3. Single individual without children and earnings at the average wage level.

Source: Data from *Taxing Wages 2024* (OECD), https://oe.cd/taxingwages.

In all OECD countries, the tax wedge for families on average wage with children was lower than (or in Costa Rica, Mexico and Türkiye, the same as) the tax wedge for the average single earner without children.

Single compared to one-earner couple taxpayers in OECD countries

Many OECD countries provide a fiscal benefit to households with children through advantageous tax treatment and/or cash benefits. Table 2 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.

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 rose 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 2. The fiscal preference for families increased in 14 out of the 38 OECD countries: Belgium, Canada, Chile, Colombia, Estonia, Germany, Ireland, Italy, Lithuania, the Netherlands, Norway, Slovak Republic, Slovenia and the United Kingdom.

The fiscal preference for families increased in 14 out of the 38 OECD countries.

TABLE 3. COMPARISON OF TOTAL TAX WEDGE FOR TWO-EARNER COUPLES WITH CHILDREN, OECD COUNTRIES, 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

Notes: Two-earner married couple, one at 100% and the other at 67% of the average wage, with 2 children.

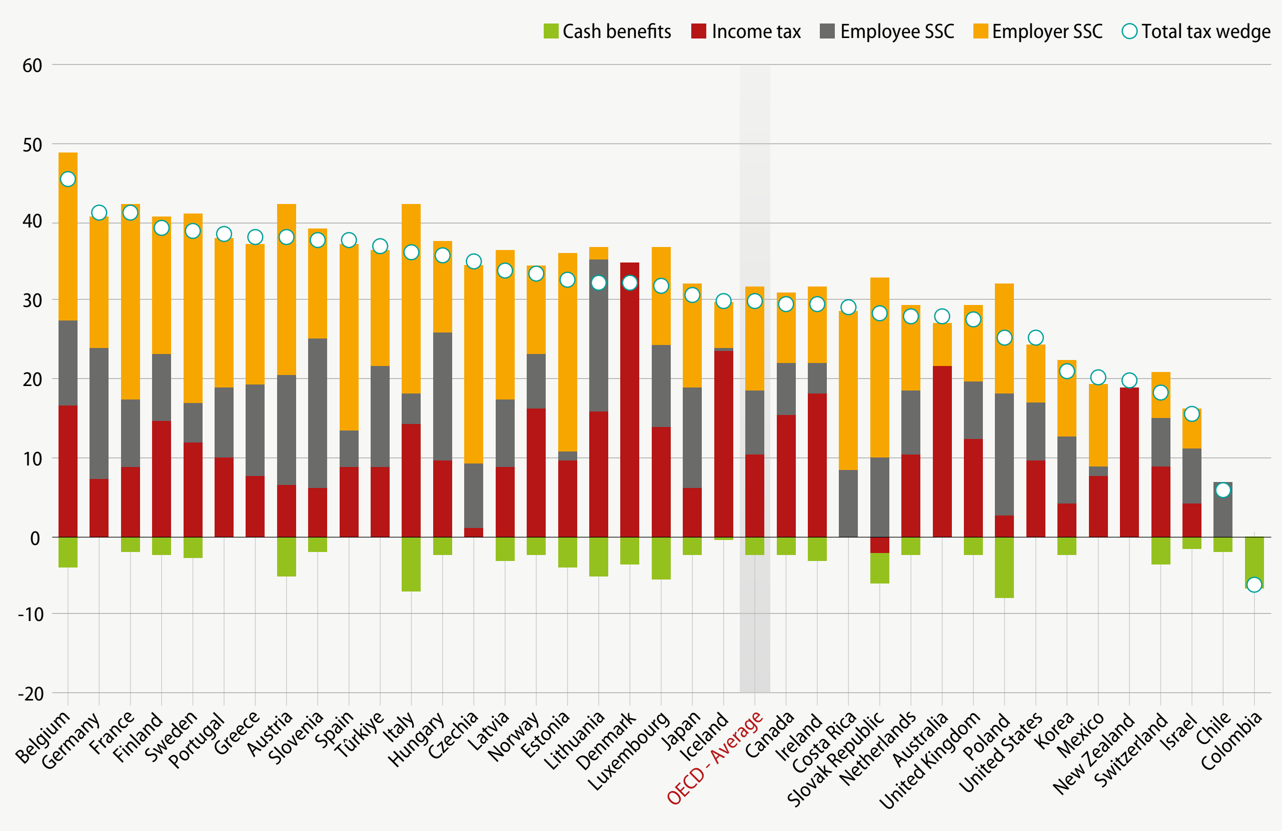
1. Countries ranked by decreasing total tax wedge.
2. Due to rounding, the changes in tax wedge in column (2) may differ by one hundredth of a percentage point from the sum of columns (3)-(6).
3. Includes payroll taxes where applicable.

Source: Data from *Taxing Wages 2024* (OECD), https://oe.cd/taxingwages.

In OECD countries, most of the increases in income tax or social security contributions were alleviated by changes in cash benefits.

FIGURE 2. **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 2 children. Includes payroll taxes where applicable.

Source: Data from *Taxing Wages 2024* (OECD), https://oe.cd/taxingwages.

Tax wedge for two-earner couples in OECD countries

For a two-earner married couple, earning 100% and 67% of the average wage, with two children, the OECD average tax wedge as a percentage of labour costs was 29.5% in 2023 (Figure 2 and Table 3). 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 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 2 shows the average tax wedge and its components as a percentage of labour costs for the two-earner married

For a two-earner married couple, earning 100% and 67% of the average wage, with two children, the OECD average tax wedge as a percentage of labour costs was 29.5% in 2023.

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 *Taxing Wages* 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.

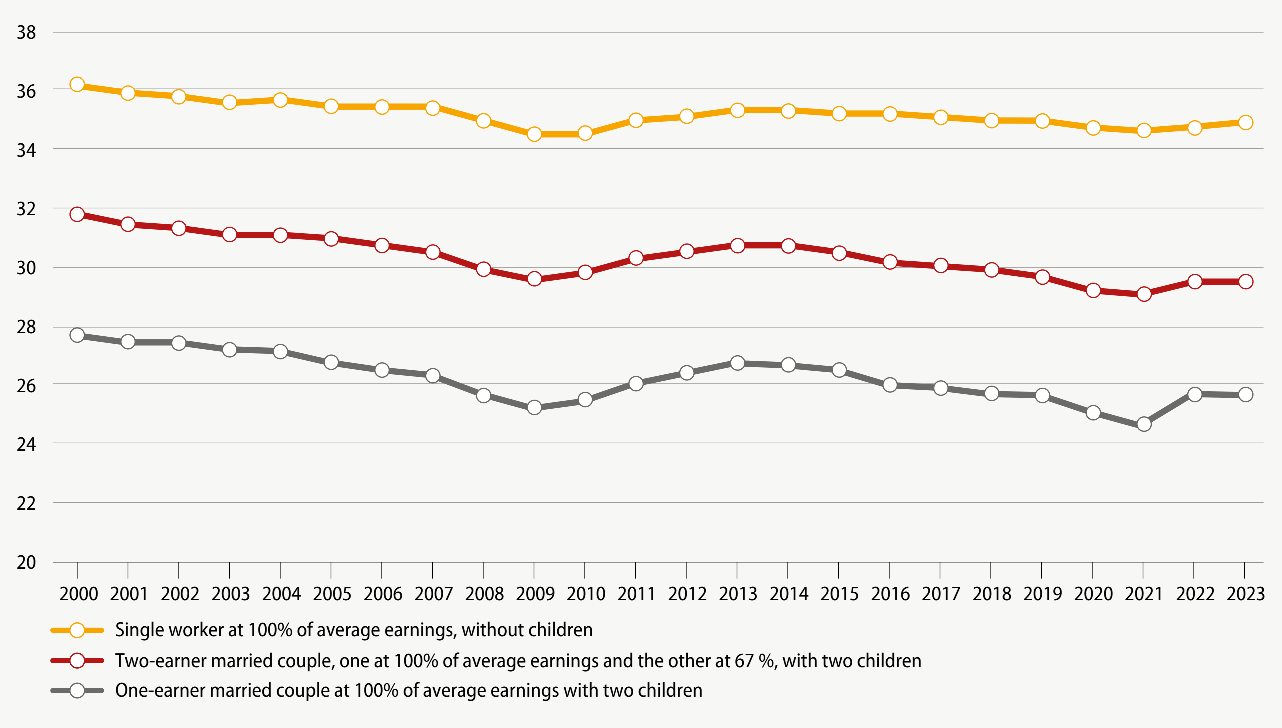
The OECD average tax wedge of the two-earner married couple increased by 0.06 p.p. in 2023 from the previous year, as indicated in Table 2 (column 2). For this household type, the tax wedge increased in 21 countries and decreased in 17. The increase exceeded one percentage point in seven countries: New 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 due to the progressivity of the tax system and increases in employee and employer SSCs. In Australia, the increase was a result of the cessation of the LMITO.

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.). 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 3. **OECD TAX WEDGES, 2000-2023**

For three household types, as % of labour costs



Source: Data from *Taxing Wages 2024* (OECD), https://oe.cd/taxingwages.

Trends in the OECD tax wedge since 2000

The average tax wedge for a single worker earning the average wage, a one-earner married couple on the average wage with two children, and a two-earner married couple with total wage earnings at 167% of the average wage and two children have all declined since 2000 (Figure 3). Tax burdens for the three household types have followed a similar trend over this period, with the lowest tax wedge for each observed in 2009 during the Global Financial Crisis and in 2020-21 due to the COVID-19 pandemic. For the average single worker, the OECD average tax wedge decreased from 36.2% in 2000 to 34.4% in 2009, increased to 35.3% in 2013 then declined to 34.6% in 2021, since when it has increased to 34.8% in 2023. For a one-earner married couple on the average wage with two children, the tax wedge declined between from 27.7% in 2000 to 25.2% in 2009, increased to 26.7% in 2014 then declined to its lowest level in 2021, before rising to 25.7% in 2023. Finally, for a two-earner married couple on 167% of the average wage with two children, the tax wedge fell from 31.8% in 2000 to 29.0% in 2021, before rising to 29.5% in 2022, where it remained in 2023.

The average tax wedge for a one-earner married couple on the average wage with two children has declined since 2000.

The net personal average tax rate in OECD countries

Taxing Wages 2024 presents a second main indicator, the **net personal average tax rate,** which measures income tax plus employee SSCs less cash benefits as a percentage of gross wage earnings. On average, the net personal average tax rate for a single worker at average earnings in OECD countries was 24.9% in 2023 (Figure 4). In other words, disposable or after-tax income[2] represented 75.1% of gross wage earnings for the single average worker. 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%). *Taxing Wages 2024* also shows the net personal average tax rates for other household types, with and without children.

Box 3: **Methodology**

The analysis in *Taxing Wages 2024* focuses on full-time private sector workers in specific sectors of the economy. 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 country, referred to as the average wage.

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

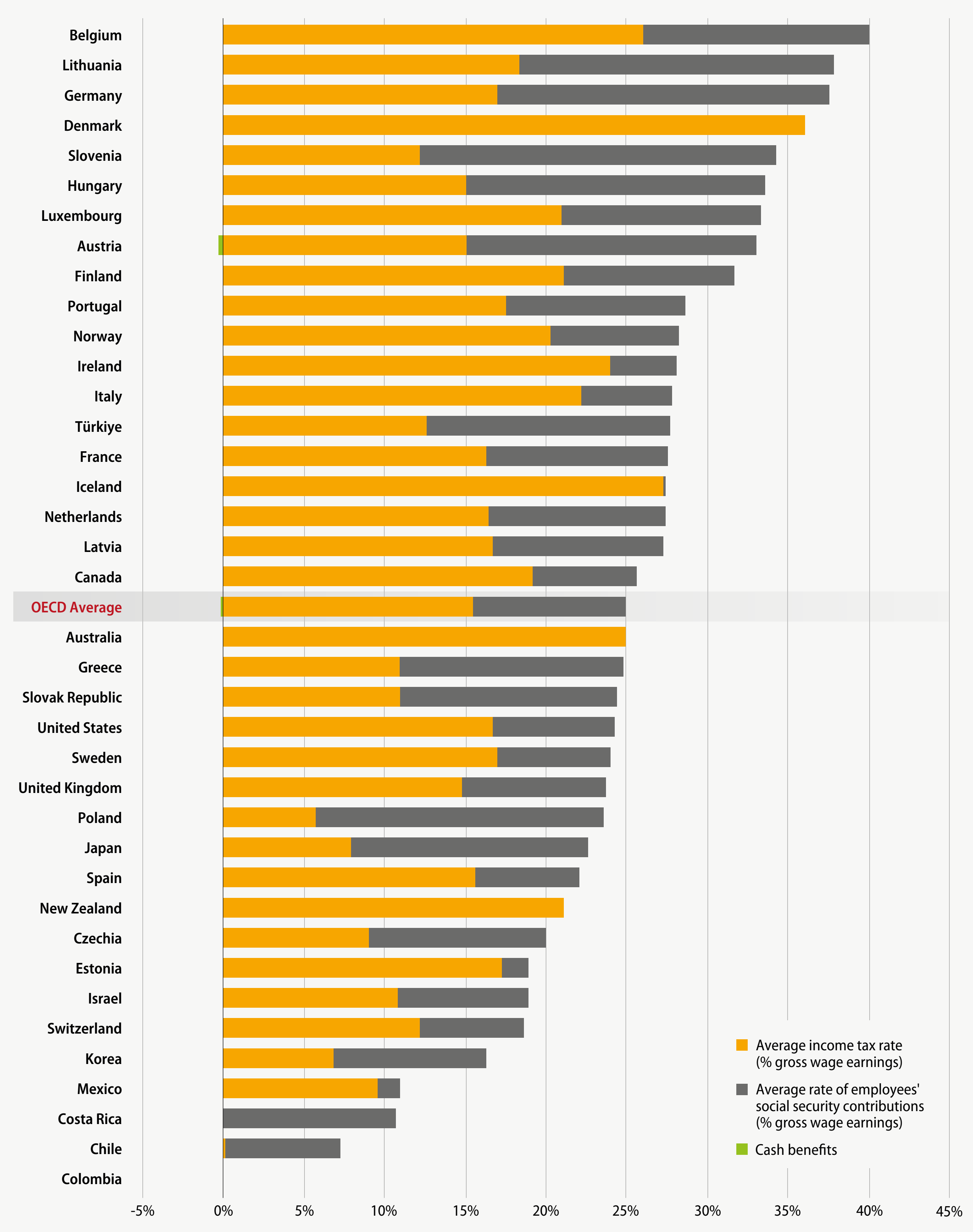
For most OECD countries, the tax year is equivalent to the calendar year, the exceptions being Australia, New Zealand and the United Kingdom. In the case of New Zealand and the United Kingdom, where the tax year starts in April, the calculations apply a 'forward-looking' approach. This implies that, for example, the tax rates reported for 2023 are those for the tax year 2023-24. However, in Australia, where the tax year starts in July, it has been decided to take a 'backward-looking' approach in order to present more reliable results. So, for example, the year 2023 in respect of Australia has been defined to mean its tax year 2022-23.

For information on the tax burden on other household types, please see *Taxing Wages 2024.* A full description of the methodology is set out in the *Taxing Wages 2024* Annex.

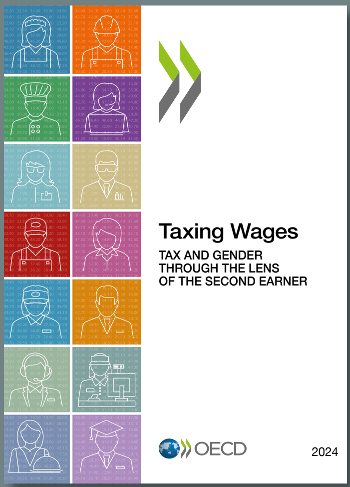
2. The *Taxing Wages* indicators focus on the structure of income tax systems on disposable income. To assess the overall impact of the government sector on people's welfare other factors such as indirect taxes (e.g. VAT) should also be taken into account, as should other forms of income (e.g. capital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

FIGURE 4. **INCOME TAX AND EMPLOYEE SOCIAL SECURITY CONTRIBUTIONS LESS CASH BENEFITS, OECD COUNTRIES, 2023**

For a single worker earning the average wage, as % of gross wage earnings



Source: Data from *Taxing Wages 2024* (OECD), https://oe.cd/taxingwages.



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FURTHER READING

OECD, Non-tax compulsory payments (NTCPs) as an additional burden on labour income in 2018.

OECD, Taxing Wages associated paper: *Taxing Wages in Selected Partner Economies: Brazil, China, India, Indonesia and South Africa, 2017-2018*

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OTHER STATISTICAL SOURCES

OECD Tax Database, https://oe.cd/tax-database.

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For more information:

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