

AVAILABLE ON LINE  
[www.SourceOECD.org](http://www.SourceOECD.org)  
DISPONIBLE EN LIGNE



# Taxing Wages

SPECIAL FEATURE:

PART-TIME WORK  
AND TAXING WAGES

## 2004-2005



# **Taxing Wages**

SPECIAL FEATURE:  
PART-TIME WORK AND TAXING WAGES

**2004/2005**

2005 Edition



ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

# ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

The OECD is a unique forum where the governments of 30 democracies work together to address the economic, social and environmental challenges of globalisation. The OECD is also at the forefront of efforts to understand and to help governments respond to new developments and concerns, such as corporate governance, the information economy and the challenges of an ageing population. The Organisation provides a setting where governments can compare policy experiences, seek answers to common problems, identify good practice and work to co-ordinate domestic and international policies.

The OECD member countries are: Australia, Austria, Belgium, Canada, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, the Slovak Republic, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States. The Commission of the European Communities takes part in the work of the OECD.

OECD Publishing disseminates widely the results of the Organisation's statistics gathering and research on economic, social and environmental issues, as well as the conventions, guidelines and standards agreed by its members.

*This work is published on the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of the Organisation or of the governments of its member countries.*

Also available in French under the title :

**Les impôts sur les salaires : 2004/2005**

© OECD 2006

---

No reproduction, copy, transmission or translation of this publication may be made without written permission. Applications should be sent to OECD Publishing: [rights@oecd.org](mailto:rights@oecd.org) or by fax (33 1) 45 24 13 91. Permission to photocopy a portion of this work should be addressed to the Centre français d'exploitation du droit de copie, 20, rue des Grands-Augustins, 75006 Paris, France ([contact@cfcopies.com](mailto:contact@cfcopies.com)).

---

## Foreword

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

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

The focus of the Report is the presentation of accurate estimates of the tax/benefit position of employees in the edition year (2005). In addition, the Report shows definitive data on the tax/benefit position of employees for the year 2004. It is important to note that, starting from this Report, the definition of average worker has been broadened from average manual production worker (ISIC Sector D) to average worker (ISIC Sectors C to K) including both manual and non-manual workers.<sup>2</sup>

The Report is structured as follows. Part I reviews the main results for 2005 and 2004. Also, Part I offers a Special Feature discussing a number of issues related to the taxation of part-time work and the interpretation of results reported in Taxing Wages. The main results are summarised in the comparative tables and charts included in Part II of the Report, while historical trends are reported in Part III. Country tables specifying the wage levels considered and the associated tax burdens for eight separate family types are found in Part IV, together with descriptions of the tax/benefit system of each country. The methodology used – and its limitations – are set out in Part V.

The Report has been prepared under the auspices of the Working Party on Tax Policy Analysis and Tax Statistics of the Committee on Fiscal Affairs and has benefited from financial support provided by the Commission of the European Communities. It is published on the responsibility of the Secretary-General of the OECD.

1. Previous 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. Annex D presents historical series using the old definition of the average production worker (1979-2004).

**This book has...**



## **StatLinks**

**A service from OECD Publishing  
that delivers Excel™ files from the printed page!**

Look for the StatLinks at the bottom right-hand corner of the tables or graphs in this book. To download the matching Excel™ spreadsheet, just type the link into your internet browser, starting with the <http://dx.doi.org> prefix.

If you're reading the PDF e-book edition, and your pc is connected to the Internet, simply click on the link. You'll find StatLinks appearing in more OECD books.

# Table of Contents

## Part I

### Methodological Overview

<b>Basic Methodology and Main Results</b> .....	12
1. Basic Methodology .....	12
2. Review of results for 2005 .....	14
3. Results for 2004 .....	30
4. Historical trends .....	32
<b>Special Feature: Part-time Work and Taxing Wages</b> .....	36
1. Introduction .....	36
2. Comparison of earnings levels – Part-time <i>versus</i> full-time employees .....	36
3. Special tax, social security contributions or benefit provisions for part-time work . . .	38
4. The use of hours-related rules to encourage increases in hours of work. ....	41
5. Summary .....	42

## Part II

### Comparative Tables and Charts

<b>1. Tax Burdens, 2005 (Tables)</b> .....	44
II.1. Income tax plus employee and employer contributions less cash benefits, by family-type and wage level (as % of labour costs), 2005. ....	44
II.2. Income tax plus employee contributions, by family-type and wage level (as % of gross wage earnings), 2005 .....	45
II.3. Income tax plus employee contributions less cash benefits, by family-type and wage level (as % of gross wage earnings), 2005 .....	46
II.4. Income tax, by family-type and wage level (as % of gross wage earnings), 2005 .	47
II.5. Employee contributions, by family-type and wage levels (as % of gross wage earnings), 2005 .....	48
II.6. Marginal rate of income tax plus employee and employer contributions less cash benefits, by family-type and wage level (as % of labour costs), 2005 . . .	49
II.7. Marginal rate of income tax plus employee contributions less cash benefits, by family-type and wage level (as % of gross wage earnings), 2005 .....	50
II.8. Increase in net income after 1% increase in gross wage, by family-type and wage level (%), 2005. ....	51
II.9. Increase in net income after 1% increase in labour costs, by family-type and wage level (%), 2005. ....	52

II.10. Annual gross wage earnings and net income, by family-type and wage level (in US dollars using PPP), 2005. . . . .	53
II.11. Annual labour costs and net income, by family-type and wage level (in US dollars using PPP), 2005. . . . .	55
<b>2. Tax Burdens, 2004 (Tables)</b> . . . . .	57
II.12. Income tax plus employee and employer contributions less cash benefits, by family-type and wage level (as % of labour costs), 2004. . . . .	57
II.13. Income tax plus employee contributions, by family-type and wage level (as % of gross wage earnings), 2004 . . . . .	58
II.14. Income tax plus employee contributions less cash benefits, by family-type and wage level (as % of gross wage earnings), 2004. . . . .	59
II.15. Income tax, by family-type and wage level (as % of gross wage earnings), 2004 .	60
II.16. Employee contributions, by family-type and wage level (as % of gross wage earnings), 2004. . . . .	61
II.17. Marginal rate of income tax plus employee and employer contributions less cash benefits, by family-type and wage level (as % of labour costs), 2004 . . .	62
II.18. Marginal rate of income tax plus employee contributions less cash benefits, by family-type and wage level (as % of gross wage earnings), 2004 . . . . .	63
II.19. Increase in net income after 1% increase in gross wage, by family-type and wage level (%), 2004. . . . .	64
II.20. Increase in net income <sup>1</sup> after 1% increase in labour costs, by family-type and wage level (%), 2004. . . . .	65
II.21. Annual gross wage and net income, by family-type and wage level (in US dollars using PPP), 2004. . . . .	66
II.22. Annual labour costs and net income, by family-type and wage level (in US dollars using PPP), 2004. . . . .	68
<b>3 Tax Burdens, 2005 (Charts)</b> . . . . .	70
II.1. Income tax plus employee and employer contributions less cash benefits, by family-type (as % of labour costs), 2005 . . . . .	70
II.2. Income tax plus employee contributions less cash benefits, by family-type (as % of gross wage earnings), 2005 . . . . .	71
II.3. Income tax, by family-type (as % of gross wage earnings), 2005 . . . . .	72
II.4. Employee contributions, by family-type (as % of gross wage earnings), 2005 .	73
II.5. Marginal rate of income tax plus employee and employer contributions less cash benefit, by family-type (as % of labour costs), 2005 . . . . .	74
II.6. Marginal rate of income tax plus employee contributions less cash benefits, by family-type (as % of gross wage earnings), 2005 . . . . .	75

## Part III

**Tax Burden Trends, 2000-2005**

III.1.a. Evolution of the tax burden, 2000-2005. Single persons without children at 67% of average earnings. Income tax plus employee and employer contributions less cash benefits as a % of labour costs . . . . .	78
--	----



III.1.b. Evolution of the tax burden, 2000-2005. Single persons without children at 67% of average earnings. Income Tax as a % of gross wage earnings . . . . .	79
III.1.c. Evolution of the tax burden, 2000-2005. Single persons without children at 67% of average earnings. Income tax plus employee contributions less cash benefits as a % of gross wage earnings. . . . .	80
III.2.a. Evolution of the tax burden, 2000-2005. Single persons without children at 100% of average earnings. Income tax plus employee and employer contributions less cash benefits as a % of labour costs. . . . .	81
III.2.b. Evolution of the tax burden, 2000-2005. Single persons without children at 100% of average earnings. Income Tax as a % of gross wage earnings . . . . .	82
III.2.c. Evolution of the tax burden, 2000-2005. Single persons without children at 100% of average earnings. Income tax plus employee contributions less cash benefits as a % of gross wage earnings. . . . .	83
III.3.a. Evolution of the tax burden, 2000-2005. Single persons without children at 167% of average earnings. Income tax plus employee and employer contributions less cash benefits as a % of labour costs . . . . .	84
III.3.b. Evolution of the tax burden, 2000-2005. Single persons without children at 167% of average earnings. Income Tax as a % of gross wage earnings . . . . .	85
III.3.c. Evolution of the tax burden, 2000-2005. Single persons without children at 167% of average earnings. Income tax plus employee contributions less cash benefits as a % of gross wage earnings. . . . .	86
III.4.a. Evolution of the tax burden, 2000-2005. Single parent with two children at 67% of average earnings. Income tax plus employee and employer contributions less cash benefits as a % of labour costs . . . . .	87
III.4.b. Evolution of the tax burden, 2000-2005. Single parent with two children at 67% of average earnings. Income Tax as a % of gross wage earnings . . . . .	88
III.4.c. Evolution of the tax burden, 2000-2005. Single parent with two children at 67% of average earnings. Income tax plus employee contributions less cash benefits as a % of gross wage earnings. . . . .	89
III.5.a. Evolution of the tax burden, 2000-2005. One-earner married couple with two children at 100% of average earnings. Income tax plus employee and employer contributions less cash benefits as a % of labour costs . . . . .	90
III.5.b. Evolution of the tax burden, 2000-2005. One-earner married couple with two children at 100% of average earnings. Income Tax as a % of gross wage earnings . .	91
III.5.c. Evolution of the tax burden, 2000-2005. One-earner married couple with two children at 100% of average earnings. Income tax plus employee contributions less cash benefits as a % of gross wage earnings. . . . .	92
III.6.a. Evolution of the tax burden, 2000-2005. Two-earner married couple, one at 100% of average earnings and the other at 33%. Income tax plus employee and employer contributions less cash benefits as a % of labour costs . . . . .	93
III.6.b. Evolution of the tax burden, 2000-2005. Two-earner married couple, one at 100% of average earnings and the other at 33%. Income Tax as a % of gross wage earnings . . . . .	94
III.6.c. Evolution of the tax burden, 2000-2005. Two-earner married couple, one at 100% of average earnings and the other at 33%. Income tax plus employee contributions less cash benefits as a % of gross wage earnings . . . . .	95

III.7.a. Evolution of the tax burden, 2000-2005. Two-earner married couple, one at 100% of average earnings and the other at 67%. Income tax plus employee and employer contributions less cash benefits as a % of labour costs . . . . .	96
III.7.b. Evolution of the tax burden, 2000-2005. Two-earner married couple, one at 100% of average earnings and the other at 67%. Income Tax as a % of gross wage earnings . . . . .	97
III.7.c. Evolution of the tax burden, 2000-2005. Two-earner married couple, one at 100% of average earnings and the other at 67%. Income tax plus employee contributions less cash benefits as a % of gross wage earnings . . . . .	98
III.8.a. Evolution of the tax burden, 2000-2005. Two-earner married couple, one at 100% of average earnings and the other at 33%, with no children. Income tax plus employee and employer contributions less cash benefits as a % of labour costs . . . . .	99
III.8.b. Evolution of the tax burden, 2000-2005. Two-earner married couple, one at 100% of average earnings and the other at 33%, with no children. Income Tax as a % of gross wage earnings . . . . .	100
III.8.c. Evolution of the tax burden, 2000-2005. Two-earner married couple, one at 100% of average earnings and the other at 33%, with no children. Income tax plus employee contributions less cash benefits as a % of gross wage earnings . .	101
III.9. Annual average gross wage earnings, single persons without children, 2000-2005 (US Dollars using PPP) . . . . .	102
III.10. Annual average gross wage earnings, single persons without children, 2000-2005 (national currency) . . . . .	103

## Part IV

**Country Details, 2005**

Australia (2004-2005 income tax year) . . . . .	107
Austria . . . . .	121
Belgium . . . . .	133
Canada . . . . .	145
Czech Republic . . . . .	161
Denmark . . . . .	169
Finland . . . . .	179
France . . . . .	187
Germany . . . . .	199
Greece . . . . .	209
Hungary . . . . .	219
Iceland . . . . .	229
Ireland . . . . .	239
Italy . . . . .	249
Japan . . . . .	259
Korea . . . . .	271
Luxembourg . . . . .	281
Mexico . . . . .	291
Netherlands . . . . .	301
New Zealand (2005-2006 income tax year) . . . . .	313

Norway .....	321
Poland .....	329
Portugal .....	339
Slovak Republic .....	349
Spain .....	359
Sweden .....	369
Switzerland .....	379
Turkey .....	391
United Kingdom (2005-2006 income tax year) .....	399
United States .....	407

Part V

**Methodology and Limitations**

<b>Methodology</b> .....	418
1. Introduction .....	418
2. Calculation of gross wage earnings .....	418
3. Estimating gross wage earnings in 2005 .....	423
4. Coverage of taxes and benefits .....	423
5. Taxpayer characteristics .....	424
6. Calculation of personal income taxes .....	425
7. State and local income taxes .....	426
8. Social security contributions .....	430
9. Payroll taxes .....	431
10. Church tax .....	431
11. Family cash benefits from general government .....	432
12. Payable tax credits .....	432
13. The calculation of marginal tax rates .....	433
<b>Limitations</b> .....	435
1. General limitations .....	435
2. Some specific limitations on the income tax calculation .....	436
3. Limitations to time-series comparisons .....	436
<b>A Note on the Tax Equations</b> .....	439
<i>Annex A. Overall Tax Levels and Tax Structures in OECD Member Countries, 1990-2003</i> .....	441
<i>Annex B. Source of Earnings Data</i> .....	444
<i>Annex C. Exchange Rates and Purchasing Power Parities of National Currencies, 2005</i> .....	446
<i>Annex D. Historical Series under the Old Definition of Average Worker, 1979-2004</i> ....	447



## PART I

# Methodological Overview

*This Report provides unique information for each of the OECD countries 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 one- and two-earner families, and the implied total labour costs for employers. These data are widely used in academic research and in the formulation and evaluation of social and economic policies. The taxpayer specific detail in this Report enables it to complement the information provided annually in the Revenue Statistics, a publication providing internationally comparative data on tax levels and tax structures in its the thirty member countries. The methodology followed in this Report is set out briefly in Section 1 and described in more detail in Part V of this Report.*

*The present edition provides estimates of tax burdens and of the tax “wedge” between labour costs and net take-home pay for 2005, summarised in Section 2 below. The Report also presents definitive results for 2004 and discusses the changes between 2004 and 2005 (see Section 3). Section 4 reviews historical changes in tax burdens from 2000.*

## Basic Methodology and Main Results

### 1. Basic Methodology

This section briefly introduces the methodology employed for this Report, which focuses on employees. It is assumed that their annual income from employment is equal to a given fraction of the average gross wage earnings of adult, full-time both manual and non-manual workers covering industry Sectors C-K inclusive with reference to the International Standard Industrial Classification of All Economic Activities, Revision 3 (ISIC Rev. 3)<sup>1</sup> of each OECD economy, also referred to as the *average wage*. Additional assumptions are made regarding other relevant personal circumstances of these wage earners to enable their tax/benefit position to be determined. The taxes included in the present Report are confined to personal income tax, social security contributions and payroll taxes (which, in this Report, are aggregated with employers' social contributions in the calculation of tax rates), payable on gross wage earnings. Consequently, any income tax that might be due on non-wage income, as well as all other kinds of taxes – e.g. corporate income tax, net wealth tax and consumption taxes – are not taken into account in this Report. The benefits included are those paid by general government as cash transfers, usually in respect of dependent children.

Previous editions of this Report have been based on the narrower concept of average full time wages of manual workers in the manufacturing sector, referred to as the average worker (APW) wage. Moving to the new definition has involved a break in the time series for the earnings measure, and for the corresponding *Taxing Wages* tax rate results. However, this edition includes historical figures using the new definition for the average worker since 2000.

Additionally, as explained in the Special Feature of the 2004 edition of *Taxing Wages*, the move to this new definition has a significant effect on the level of average earnings used in the tax calculations for some countries as well as on the reported tax rates. Table I.1 compares gross wage earnings of the average worker under the old and new definition in each OECD member country. Column 1 in Table I.1 shows the gross wage earnings (old definition) published in the last edition of *Taxing Wages*. Column 2 in Table I.1 exhibits 2004 revised values of gross wage earnings submitted in 2005 for the OECD member countries for which the figures under the new definition are not available. When the wage figure under the new definition is not available the most updated figure under the old definition will be used in this Report. Finally, 2004 gross wage earnings of the average worker under the new definition are shown in column 3 in Table I.1.

The move to the new definition has implied an increase of more than twenty per cent in gross wage earnings of the average worker for six countries (Austria, France, Greece, Hungary, Portugal and the United Kingdom). For three additional countries the increase in the gross wage earning was between fifteen and twenty per cent (Germany, Luxembourg and Sweden). In contrast, this move has implied a decrease of more than fifteen per cent

Table I.1. Comparison of wage levels for 2004 under the old and new definition

	Old definition		New definition
	2004 Publication	2004 Updates	
Australia <sup>1</sup>	51 190	-	48 827
Austria	24 946	-	32 872
Belgium	32 281	-	35 578
Canada	40 912	-	38 945
Czech Republic	213 573	-	209 489
Denmark	327 192	-	316 500
Finland	29 449	-	31 539
France	23 087	-	29 549
Germany	34 088	-	41 046
Greece	12 525	-	17 360
Hungary	1 260 948	-	1 697 268
Iceland	2 859 073	-	2 770 000
Ireland	27 291	30 170	-
Italy <sup>2</sup>	22 683	-	22 053
Japan	4 205 596	-	4 943 208
Korea	25 534 233	27 356 688	-
Luxembourg	32 586	-	39 171
Mexico	66 432	-	76 332
Netherlands	32 457	-	37 026
New Zealand	41 778	-	39 428
Norway	317 101	-	366 161
Poland	26 584	-	29 263
Portugal	8 905	-	12 969
Slovak Republic	180 000	-	200 722
Spain	17 913	-	19 828
Sweden	251 282	-	300 814
Switzerland	64 419	-	70 649
Turkey	13 670	13 959	-
United Kingdom	21 079	-	27 150
United States	34 934	-	30 355

1. For the 2003-04 fiscal year.

2. The reduction in the wage figure for Italy reflects the combined effect of a broader definition of average worker (increase) and a change in the data source (now including all firms instead of only large firms).

Source: Country submissions and *OECD, Economic Outlook No 77*, June 2005 and *Taxing Wages* (2004).

StatLink: <http://dx.doi.org/10.1787/732357012677>

for the United States and more than five per cent for Canada and New Zealand. The other five countries that have experienced a decrease in the gross average wage were Australia, the Czech Republic, Denmark, Iceland and Italy.<sup>2</sup>

For Ireland, Korea and Turkey the gross wage earnings of the average worker under the new definition was not available and, therefore, the latest figure under the old definition was used.

For most OECD countries, the tax year matches up with the calendar year. However Australia, New Zealand and the United Kingdom have tax years that do not start on 1 January. In earlier editions of this Report, a “forward looking” approach has been taken so

that, for example, the tax rates reported for 2004 have been those for the fiscal year 2004-2005. In the case of New Zealand and the United Kingdom this forward looking approach continues to be appropriate as the tax year starts in April. However, the tax year in Australia starts in July and it has now been decided to take a “backward looking” approach in order to obtain more reliable results. Thus, from this Edition, for Australia the year 2004 has been redefined to mean its fiscal year 2003-2004, and all other years have been treated in the same manner.

As detailed in the Special Feature of this Report, second earners who are earning 33% of the average wage are very likely to be working part-time, although the *Taxing Wages* methodology generally assumes that they are working full-time. This only seriously affects the accuracy of the results in *Taxing Wages* for two family types in Belgium (married couple where a second earner is earning 33% of average wages, with and without children). Therefore, one should be cautious when interpreting the results for this family type for Belgium. In addition, for all countries with hour-based rules (see the Special Feature), caution should be used in applying the results in this Report to other household types.

This Report contains several measures of taxation on labour. Most emphasis is given to the tax wedge – a measure of the difference between labour costs to the employer and the corresponding net take-home pay of the employee – which is calculated by expressing the sum of personal income tax, employee plus employer social security contributions together with any payroll tax, minus benefits as a percentage of labour costs. To determine a measure of total labour costs, employer social security contributions and – in some countries – payroll taxes are added to gross wage earnings of employees. Of course, it should be recognised that this measure may not reflect the true labour costs faced by employers.

In addition, attention is paid to the personal average tax rate, which is the term used when personal income tax and/or employees’ social security contributions are expressed as a percentage of gross wage earnings. Net personal average tax rate is the term used when the personal income tax and employee social security contributions net of cash benefits are expressed as a percentage of gross wage earnings.

Thus, *Taxing Wages* seeks to determine the combined effect of personal income taxes, social security contributions (including payroll taxes) and family cash benefits on the net incomes of various illustrative family-types and on the labour costs faced by employers. Information is provided on employees at comparable levels of income. Key results are highlighted in the following section. Part II contains detailed results for both 2005 and 2004.

## 2. Review of results for 2005

### 2.1. Tax wedge

In 2005, the tax wedge between total 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 (See column 1 in Table I.2). The tax wedge exceeded 50 per cent in Belgium, Germany, France and Hungary and was lower than 19 per cent in Korea and Mexico.

The increase between 2004 and 2005 of the tax wedge of an average worker (column 2) varied between 2 percentage points (Mexico) and –4.15 percentage points (Slovak Republic). Germany (–1.5 percentage points) and Hungary (–1.24 percentage points) were the only



Table I.2. Comparison of total tax wedge (as percent of labour costs) <sup>1</sup>

Country <sup>2</sup>	Total Tax Wedge 2005	Annual change 2005/04 (in percentage points) <sup>3</sup>			
		Tax wedge	Income tax	Employee SSC	Employer SSC
	(1)	(2)	(3)	(4)	(5)
Belgium	55.43	0.03	0.01	0.00	0.02
Germany	51.77	-1.50	-1.50	0.00	0.00
Hungary	50.54	-1.24	-1.11	0.02	-0.15
France	50.05	0.21	0.12	-0.02	0.11
Sweden	47.93	-0.45	-0.31	0.00	-0.14
Austria	47.43	-0.10	-0.16	0.03	0.03
Italy	45.40	0.00	0.00	0.00	0.00
Finland	44.60	0.10	-0.09	0.19	0.00
Czech Republic	43.79	0.26	0.26	0.00	0.00
Poland	43.56	0.23	0.06	0.17	0.00
Turkey	42.75	-0.01	-0.01	0.00	0.00
Denmark	41.35	0.09	0.16	-0.04	-0.02
Spain	39.00	0.26	0.26	0.00	0.00
Greece	38.76	0.46	0.46	0.00	0.00
Netherlands	38.62	0.06	0.31	-0.42	0.17
Slovak Republic	38.31	-4.15	0.42	0.71	-5.27
Norway	37.27	-0.88	-0.93	0.00	0.05
Portugal	36.22	-0.61	-0.61	0.00	0.00
Luxembourg	35.25	0.68	0.45	0.11	0.12
United Kingdom	33.52	0.15	0.08	0.03	0.04
Canada	31.55	-0.43	-0.48	0.18	-0.13
Switzerland	29.52	0.08	0.08	0.00	0.00
United States	29.11	-0.02	-0.01	-0.01	-0.01
Iceland	28.96	-0.41	-0.40	-0.01	0.00
Australia	28.32	0.34	0.34	0.00	0.00
Japan	27.71	0.36	-0.04	0.20	0.20
Ireland	25.72	-0.44	-0.47	0.04	0.00
New Zealand	20.47	0.48	0.48	0.00	0.00
Mexico	18.18	2.00	2.09	-0.04	-0.05
Korea	17.28	0.12	-0.08	0.03	0.16
<i>Unweighted average:</i>					
OECD	37.28	-0.14	-0.02	0.04	-0.16
EU-15	42.07	-0.07	-0.09	0.00	0.02
EU-19	42.49	-0.31	-0.09	0.04	-0.27

Note: EU-15 area countries are: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden and United Kingdom.

EU-19 area countries are: EU-15 countries plus Czech Republic, Hungary, Poland and Slovak Republic.

1. Single persons without children at the income level of the average worker.

2. Countries are ranked by decreasing tax wedge.

3. Payroll taxes only in the case of Australia and employees social contributions plus payroll taxes for Austria, Hungary and Sweden.

Source: OECD calculations based on country submissions and OECD, *Economic Outlook No 77*, June 2005.

StatLink: <http://dx.doi.org/10.1787/541603023424>

other OECD member countries in which the changes in the tax wedge did not fall in the range of plus or minus one percentage point. The tax wedge has increased in seventeen OECD member countries and fell in twelve.

To explain these changes it is interesting to look at the constituent components of the tax wedge shown in Table I.2: the income tax (see column 3), the employee's social security contributions (see column 4) and the employer's social security contributions (see column 5).

To a large extent, changes in tax wedges reflect changes in income tax. However, there are five cases where the main drivers of the increase in the tax wedge are the social security contributions: Finland and Poland (main changes in employee's SSC), the Slovak Republic and Korea (mainly changes in employer's SSC) and Japan (changes in both employee's and employer's SSC). Additionally, in some countries changes in income taxes are offset by changes in social security contributions. For example, the increases in income tax and employer's SSC in the Netherlands are almost compensated by a decrease in the employee's SSC. The income tax increase in Denmark is partly compensated particularly by a decrease in SSC contributions. The decrease in the income tax in Finland and Korea is more than offset by the increase in the employee's and employer's SSC respectively. In Canada the decreases in income tax and employer's SSC are a little bit offset by an increase in the employee's SSC. Finally, in France and Sweden, the main drivers of the changes in the tax wedge are jointly changes in income tax and changes in employer's SSC.

Table I.3 and Chart I.1 show the constituent components of the tax wedge for 2005 as percentage of labour costs. The portion of labour costs paid in personal income tax is less than five per cent in Korea (2.5 per cent) and Greece (4.3 per cent); whereas it exceeds 30 per cent in Denmark (30.2 per cent). The portion representing employee social security contributions also varies widely, ranging from zero per cent in Australia and New Zealand to over 19 per cent in the Netherlands and Poland. Employers pay 29.7 per cent of total labour costs in social security contributions (including payroll taxes where applicable) in France, 26.3 per cent in Hungary and 25.9 per cent in the Czech. In contrast, employers in New Zealand are not subject to these levies, while in Denmark employer contributions are negligible (0.5 per cent).

As a percentage of labour costs, the total of employee and employer social security contributions exceed 25 per cent in half of the OECD countries. They exceed one-third of total labour costs in eight OECD countries: Austria, Belgium, the Czech Republic, France, Germany, Greece, Hungary and Poland.

## 2.2. Personal average tax rates

Table I.4 summarises personal average tax rates – defined as income tax plus employee social security contributions as a percentage of gross wage earnings – in 2005. At the average earnings level, single workers without children pay over 40 per cent of their annual wages in personal income tax and employee social security contributions in Belgium, Germany and Denmark. In Japan, Ireland, Korea and Mexico, the personal average tax rate was below 20 per cent.

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

- the overall ratio of aggregate tax revenues to Gross Domestic Product (see Annex I); and
- the share of personal income tax and social security contributions in national tax mixes.

Table I.3. **Income tax plus employees' and employers' social security contributions**  
(as % of labour costs), 2005 <sup>1</sup>

Country <sup>2</sup>	Total Tax Wedge	Income tax	Social security contributions		Labour costs <sup>2</sup>
	(1)		employee	employer <sup>3</sup>	
Belgium	55.4	21.4	10.7	23.3	53 581
Germany	51.8	17.3	17.3	17.3	53 278
United Kingdom	33.5	15.7	8.2	9.6	50 982
France	50.1	10.8	9.6	29.7	47 824
Austria	47.4	10.9	14.0	22.6	47 692
Luxembourg	35.3	11.1	12.3	11.9	46 531
Netherlands	38.6	9.5	19.7	9.5	45 910
Switzerland	29.5	9.6	10.0	10.0	45 191
Sweden	47.9	18.1	5.3	24.5	43 916
Norway	37.3	18.8	6.9	11.6	43 554
Finland	44.6	20.1	5.1	19.4	43 443
Japan	27.7	5.9	10.5	11.3	43 122
Korea	17.3	2.5	6.5	8.2	41 086
Australia	28.3	22.7	0.0	5.7	39 062
Denmark	41.4	30.2	10.6	0.5	38 664
Italy	45.4	13.6	6.9	24.9	36 011
Canada	31.6	14.8	6.2	10.5	34 965
Spain	39.0	10.7	4.9	23.4	34 545
Ireland	25.7	11.4	4.7	9.7	34 395
United States	29.1	14.6	7.3	7.3	34 144
Iceland	29.0	23.4	0.2	5.4	33 953
Greece	38.8	4.3	12.5	21.9	33 050
New Zealand	20.5	20.5	0.0	0.0	27 274
Portugal	36.2	8.1	8.9	19.2	24 933
Turkey	42.7	12.7	12.3	17.7	22 610
Czech Republic	43.8	8.6	9.3	25.9	20 559
Poland	43.6	5.3	21.3	17.0	19 548
Hungary	50.5	14.3	10.0	26.3	18 559
Slovak Republic	38.3	6.9	10.6	20.8	15 748
Mexico	18.2	5.6	1.4	11.2	12 031
<i>Unweighted average:</i>					
OECD	37.3	13.3	8.8	15.2	36 205
EU-15	42.1	14.2	10.0	17.8	42 317
EU-19	42.5	13.1	10.6	18.8	37 325

*Note:* EU-15 area countries are: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden and United Kingdom.

EU-19 area countries are: EU-15 countries plus Czech Republic, Hungary, Poland and Slovak Republic.

1. Single persons without children at the income level of the average worker.

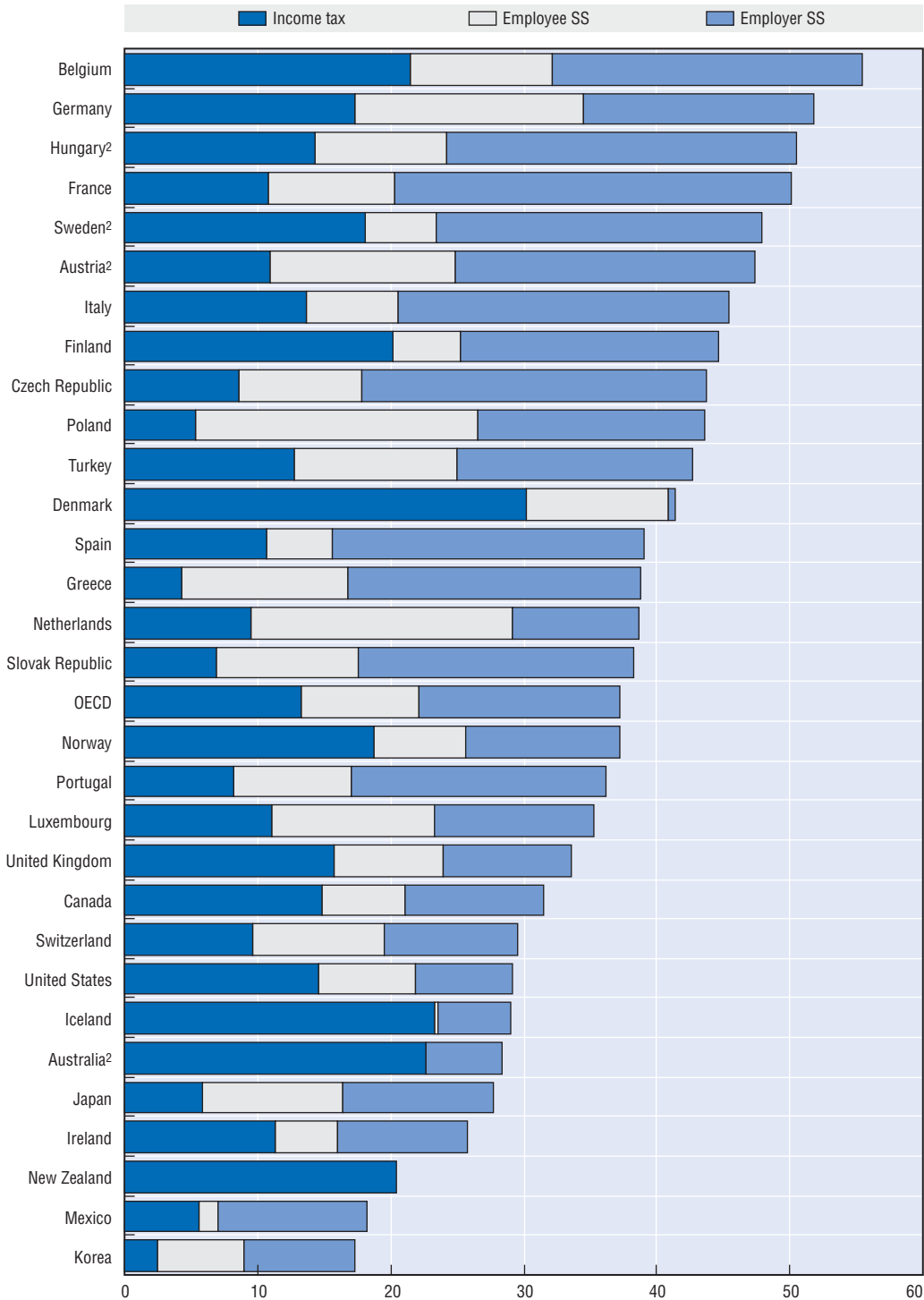
2. Countries are ranked by decreasing labour costs (US dollars using PPP).

3. Payroll taxes only in the case of Australia and employees social contributions plus payroll taxes for Austria, Hungary and Sweden.

*Source:* OECD calculations based on country submissions and OECD, *Economic Outlook No 77*, June 2005.

StatLink: <http://dx.doi.org/10.1787/738833413784>

Chart 1.1. **Income plus employees' and employers's social security contributions (as % of labour costs), 2005<sup>1</sup>**



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

2. Payroll taxes only in the case of Australia and employers social security contributions plus payroll taxes for Austria, Hungary and Sweden.

Source: OECD calculations based on country submissions and OECD, *Economic Outlook No. 77*, June 2005.

StatLink: <http://dx.doi.org/10.1787/485808154801>

Table I.4. **Income tax plus employees' social security contributions**  
(as % of gross wage earnings), 2005 <sup>1</sup>

Country <sup>2</sup>	Total payment (1)	Income tax (2)	Social security contributions (3)	Gross wage earnings <sup>3</sup> (4)
Belgium	41.9	27.9	14.0	41 101
Germany	41.7	20.9	20.9	44 086
Denmark	41.0	30.4	10.6	38 454
Hungary	32.9	19.4	13.5	13 681
Netherlands	32.2	10.5	21.7	41 560
Austria	32.1	14.1	18.1	36 934
Poland	32.0	6.4	25.6	16 232
Finland	31.3	24.9	6.4	35 035
Sweden	31.0	24.0	7.0	33 154
Turkey	30.4	15.4	15.0	18 609
Norway	29.0	21.2	7.8	38 509
France	29.0	15.4	13.6	33 619
Italy	27.3	18.1	9.2	27 060
Luxembourg	26.5	12.6	13.9	40 984
United Kingdom	26.5	17.4	9.1	46 091
Iceland	24.9	24.7	0.2	32 113
Czech Republic	24.1	11.6	12.5	15 229
Australia	24.0	24.0	0.0	36 851
United States	23.6	15.7	7.8	31 666
Canada	23.5	16.6	7.0	31 297
Slovak Republic	22.1	8.7	13.4	12 478
Switzerland	21.7	10.7	11.1	40 694
Greece	21.6	5.6	16.0	25 808
Portugal	21.1	10.1	11.0	20 148
New Zealand	20.5	20.5	0.0	27 274
Spain	20.3	14.0	6.4	26 451
Japan	18.5	6.6	11.8	38 235
Ireland	17.7	12.6	5.2	31 056
Korea	9.9	2.7	7.1	37 702
Mexico	7.9	6.3	1.6	10 688
<i>Unweighted average:</i>				
OECD	26.2	15.6	10.6	30 760
EU-15	29.4	17.2	12.2	34 769
EU-19	29.2	16.2	13.0	29 899

Note: EU-15 area countries are: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden and United Kingdom.

EU-19 area countries are: EU-15 countries plus Czech Republic, Hungary, Poland and Slovak Republic.

1. Single persons without children at the income of the average worker.

2. Countries ranked by decreasing total payment.

3. US Dollars using PPP.

Source: OECD calculations based on country submissions and OECD, *Economic Outlook No 77*, June 2005

StatLink: <http://dx.doi.org/10.1787/203241688532>

The mix of taxes paid out of gross wage earnings varies greatly between countries. Chart I.2 provides a graphical representation of the personal average tax rate decomposed between income tax and employee social security contributions. Average workers in Australia and New Zealand pay only income tax while their counterpart in Poland is paying almost entirely social security contributions.

### 2.3. Families

In 2005, the tax wedge between total labour costs to the employer and the corresponding net take-home pay for a one-earner married couple with two children, at average earnings levels, varied widely across OECD countries (see column 1 in Table I.5). The size of the tax wedge is generally lower than the one observed for a single average worker without children (see column 1 in Table I.2), since many OECD countries provide a fiscal benefit to families with children relative to single individuals through advantageous tax treatment and/or cash transfers.

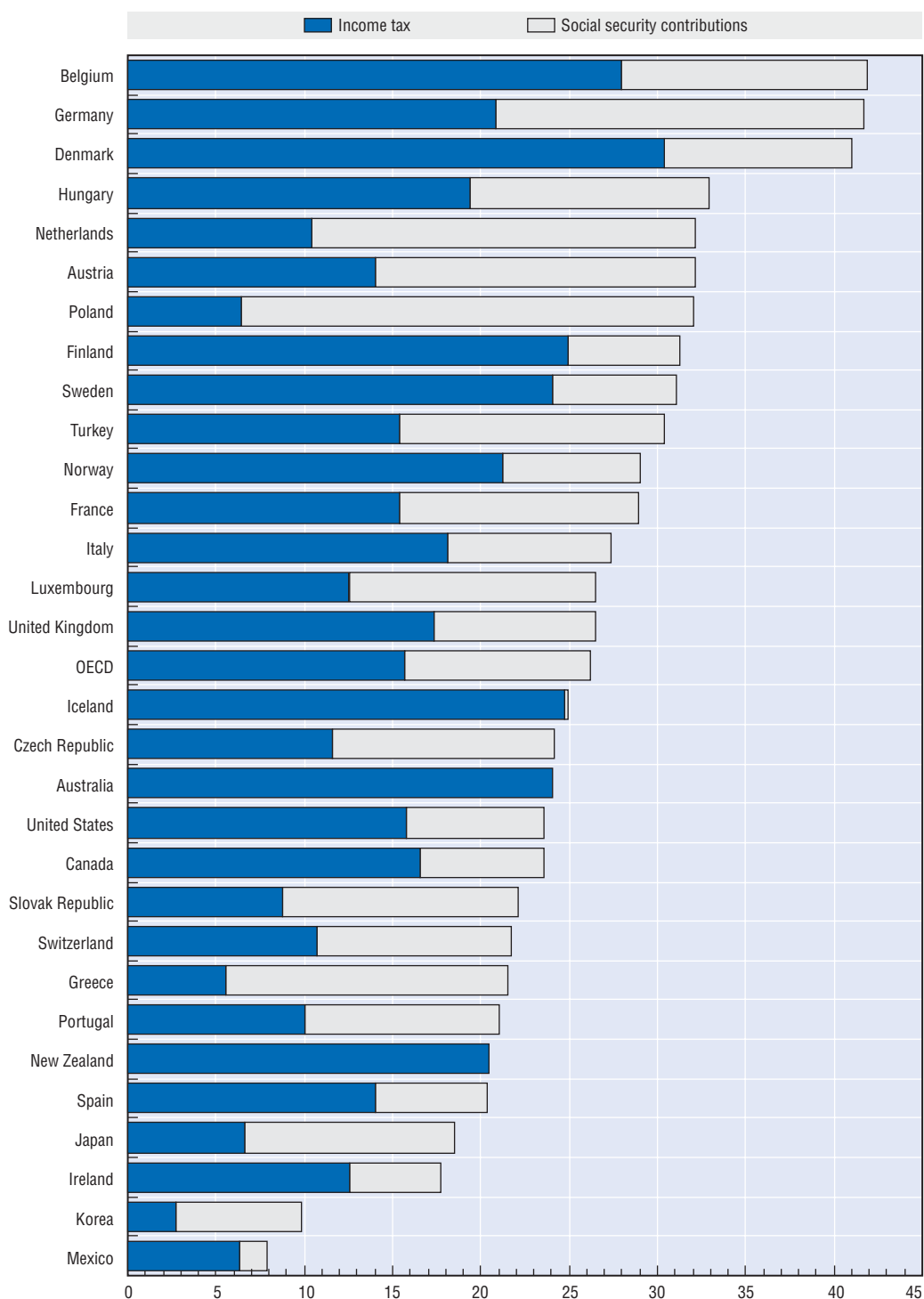
The savings realised by a one-earner married couple compared to a single worker are greater than 20 per cent of labour cost in Luxembourg. In contrast, families are slightly worse off in terms of tax burden in Greece, while the burden is the same in Mexico and Turkey (see column 1 in Table I.2. and Table I.5).

The increase between 2004 and 2005 of the tax wedge of an average one-earner married couple with two children (column 2 in Table I.5) varied between 2 percentage points (Mexico) and -5 percentage points (Slovak Republic). Hungary (-1.1 percentage points), the Czech Republic (-1.9 percentage points), Belgium (-2.36 percentage points) and New Zealand (-3.5 percentage points) were the only other OECD member countries in which the changes in the tax wedge did not fall in the range of plus or minus one percentage point. The tax wedge for a one-earner married couple with two children has decreased in thirteen OECD member countries (compared to twelve countries for a single person without children, see column 3 in Table I.5) and increased in seventeen countries.

A comparison of the changes in tax wedges between 2004 and 2005 between one-earner married couples with two children and singles persons without children, at the average wage level, is shown in column 4 in Table 1.5. The fiscal preference for families increased in eight OECD member countries: Belgium, the Czech Republic, Italy, Korea, Luxembourg, New Zealand, Portugal and the Slovak Republic. Additionally, the effect of changes in the tax system on the tax wedge were independent of the family type in France, Greece, Ireland, Japan, Mexico, the Netherlands, Poland and Turkey.

These tax wedge figures include employer social security contributions, which are independent of the family type. Therefore, the same pattern is seen for the net personal average tax rate across family types – burden of income tax plus employee social security contributions less cash benefits. Chart I.3 provides the net personal average tax rate for single individuals at 100 per cent of the earnings of an average worker and for a married one-earner couple with two children at the same earnings level. The savings realised by a one-earner married couple are greater than 20 per cent of earnings in the Czech Republic, Luxembourg and the Slovak Republic. In contrast, the burden is the same in Greece, Mexico and Turkey. It is interesting to note that when cash benefits are taken into account, married one-earner couples face a negative burden in Ireland because cash benefits exceed the income tax and social security payments.

Chart 1.2. **Percentage of gross wage earnings paid in income tax and employees social security contributions, 2005<sup>1, 2</sup>**



1. Countries ranked by decreasing tax burden.

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

Source: OECD calculations based on country submissions and OECD, *Economic Outlook* No. 77, June 2005.

StatLink: <http://dx.doi.org/10.1787/882052368783>

Table I.5. Comparison of total tax wedge by family type  
(as percentage of labour costs) <sup>1</sup>

Country <sup>2</sup>	Annual change 2005/04 (in percentage points)			
	Family total Tax wedge 2005	Family tax wedge	Single tax wedge	Difference between single and family
	(1)	(2)	(3)	(4) =(3)-(2)
Turkey	42.7	0.0	0.0	0.0
Sweden	42.4	-0.3	-0.4	-0.2
Poland	42.1	0.3	0.2	0.0
France	41.7	0.2	0.2	0.0
Belgium	40.3	-2.4	0.0	2.4
Hungary	39.9	-1.1	-1.2	-0.1
Greece	39.2	0.5	0.5	0.0
Finland	38.4	0.3	0.1	-0.2
Germany	35.7	-0.9	-1.5	-0.6
Austria	35.5	0.2	-0.1	-0.3
Italy	35.2	-0.5	0.0	0.5
Spain	33.4	0.5	0.3	-0.2
Norway	29.6	-0.3	-0.9	-0.6
Denmark	29.6	0.2	0.1	-0.1
Netherlands	29.1	0.1	0.1	0.0
United Kingdom	27.1	0.3	0.1	-0.2
Czech Republic	27.1	-1.9	0.3	2.2
Portugal	26.6	-0.9	-0.6	0.3
Japan	24.9	0.4	0.4	0.0
Slovak Republic	23.2	-5.0	-4.1	0.8
Canada	21.5	0.0	-0.4	-0.4
Switzerland	18.6	0.2	0.1	-0.1
Mexico	18.2	2.0	2.0	0.0
Korea	16.2	0.1	0.1	0.1
Australia	16.0	0.8	0.3	-0.5
New Zealand	14.5	-3.5	0.5	3.9
Luxembourg	12.2	0.5	0.7	0.2
United States	11.9	0.1	0.0	-0.1
Iceland	11.0	0.4	-0.4	-0.8
Ireland	8.1	-0.5	-0.4	0.0
<i>Unweighted average:</i>				
OECD	27.7	-0.3	-0.1	0.2
EU-15	31.6	-0.2	-0.1	0.1
EU-19	31.9	-0.5	-0.3	0.2

Note: EU-15 area countries are: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden and United Kingdom.

EU-19 area countries are: EU-15 countries plus Czech Republic, Hungary, Poland and Slovak Republic.

1. Average single worker without children and one earned married couple with two children.

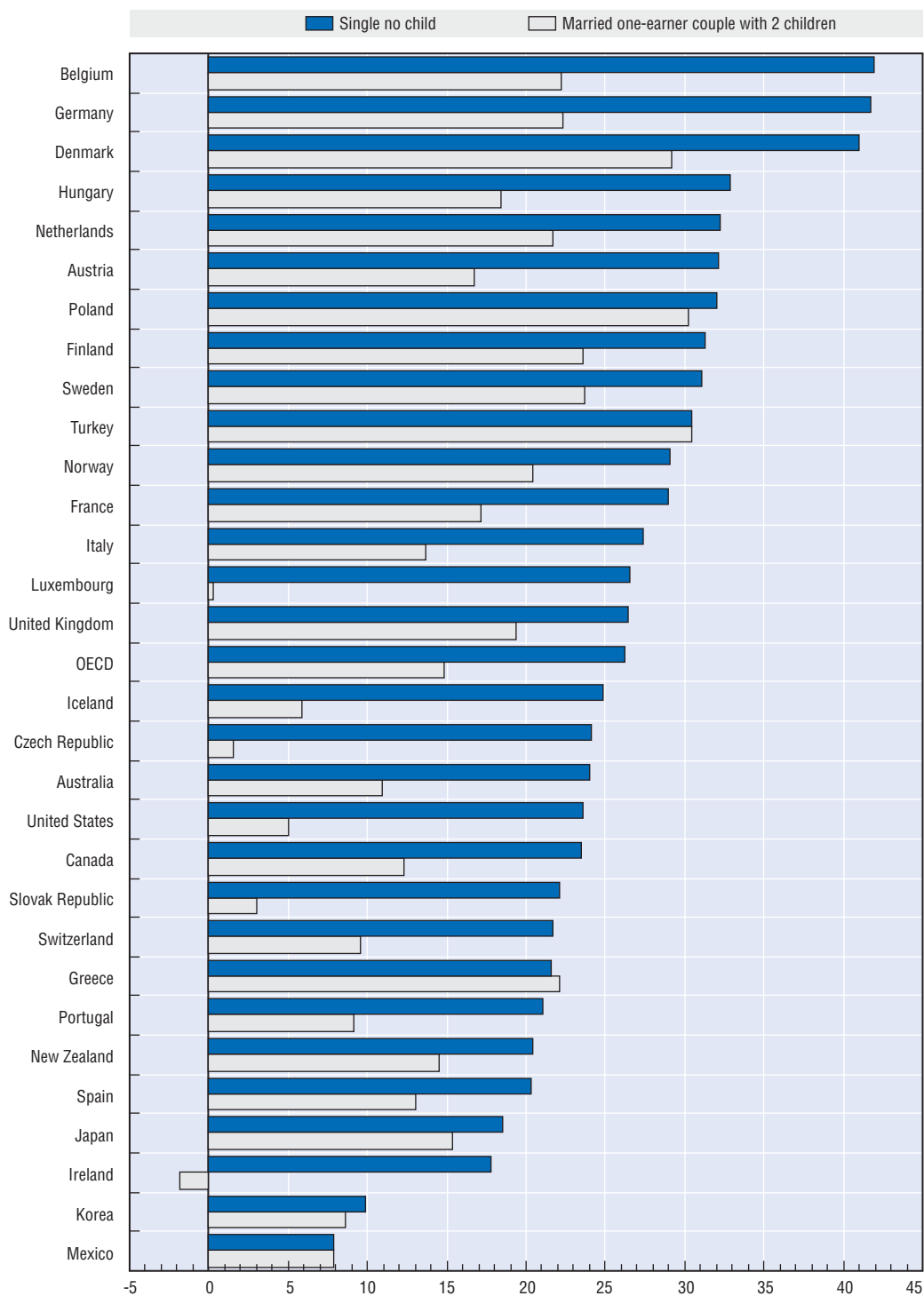
2. Countries ranked by decreasing tax wedge.

Source: Country submissions and OECD, *Economic Outlook No 77*, June 2005

StatLink: <http://dx.doi.org/10.1787/532353676781>



Chart 1.3. **Income tax plus employee contributions less cash benefits, by family-type (as % of gross wage earnings), 2005<sup>1, 2</sup>**



1. Countries ranked by decreasing single no child rates.

2. Corresponds to Table II.3 columns 2 and 5.

Source: OECD calculations based on country submissions and OECD, *Economic Outlook* No. 77, June 2005.

StatLink: <http://dx.doi.org/10.1787/445342530303>

## 2.4. Wages

Table I.6 shows gross wage earnings of the average worker in each OECD member country for years 2004 (column 1) and 2005 (column 2). The annual change of the nominal wage of an average worker – shown in column 3 – varied between 0.1 per cent (Germany) and 9.3 per cent (Turkey). To a large extent, this significant spread reflects the different inflation levels of individual OECD countries – see column 4 of Table I.6. The annual change of real wage levels (before personal income tax and employee social security contributions) is found to be in the 0-4 per cent range for most countries; see column 5 of Table I.6. Only the Slovak Republic (5.1 per cent) shows a change in real wages before tax outside this range.

## 2.5. Detailed results

This Section continues by commenting on Tables II.1-II.11 and Charts II.1-II.6 included in Part II, Sections 1 and 3. All these summary tables show results for eight family-types, characterised by different family status (single/married, 0-2 children), economic status (one-/two-earner household) and wage level (33 per cent, 67 per cent, 100 per cent and 167 per cent of annual gross wage earnings of an average worker).

Table II.1 and Chart II.1 in Part II exhibit the average tax wedge (combined burden of income tax, employee and employer social security contributions) taking into account the amount of cash benefits each specific family-type is entitled to. Total levies due minus transfers received are expressed as a percentage of total labour costs, defined as gross wage *plus* employers' social security contributions (including payroll taxes). In the case of a single person at the average wage level the wedge ranges from 18.2 per cent (Mexico) and 17.3 per cent (Korea) to 55.4 per cent (Belgium) and 51.8 per cent (Germany). For a one-earner married couple with two children at the same wage level the wedge is lowest in Ireland (8.1 per cent) and Iceland (11 per cent) and highest in Sweden (42.4 per cent) and Turkey (42.7 per cent). As stated in section 2.3, the 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 (except in the case of Greece). It is also interesting to note that the wedge for a single parent with two children earning 67 per cent of the average wage level is less than zero in the United States (-1.2 per cent), Canada (-0.4 per cent), New Zealand (-5.0 per cent), Australia (-5.5 per cent) and Ireland (-11.7 per cent). This result is due to the fact that the cash benefits received by these families as well as the value of any applicable non-wastable tax credits exceed the sum of the tax due and the total social security contributions.

Table II.2 presents the combined burden of the personal income tax (shown in Table II.4) and employee social security contributions (shown in Table II.5), expressed in the form of personal average tax rates – combined burden as percentage of gross wage. A single person at the average wage level without children is liable to an average tax plus contributions burden of over 40 per cent in Belgium (41.9 per cent), Germany (41.7 per cent) and Denmark (41 per cent). At the other extreme, the personal average tax rate is below 20 per cent in Mexico (7.9 per cent), Korea (9.9 per cent), Ireland (17.7 per cent) and Japan (18.5 per cent).

Table II.3 exhibits the combined burden of income tax and employee social security contributions, in the form of net personal average tax rates as the levies due have been reduced by the amount of cash benefits each specific family-type is entitled to. Chart II.2

Table I.6. Comparison of wage levels

Country	Gross wage earnings in national currency		Annual change 2005/2004 ( in percentage)			
	2004	2005	Gross wage (3)	Inflation <sup>1</sup> (4)	Real wage before tax (5)	Change in personal average tax rate <sup>2</sup> (6)
	(1)	(2)				
Australia	48 827	51 169	4.8	2.4	2.3	0.4
Austria	32 872	33 624	2.3	2.4	-0.1	-0.2
Belgium	35 578	36 396	2.3	2.2	0.1	0.0
Canada	38 945	40 341	3.6	1.9	1.6	-0.6
Czech Republic	209 489	221 886	5.9	2.0	3.9	0.3
Denmark	316 500	328 390	3.8	1.6	2.1	0.2
Finland	31 539	32 722	3.8	0.8	2.9	-0.1
France	29 549	30 219	2.3	1.6	0.7	0.2
Germany	41 046	41 074	0.1	1.2	-1.1	-1.8
Greece	17 360	18 339	5.6	3.7	1.9	0.6
Hungary	1 697 268	1 778 552	4.8	3.8	1.0	-1.5
Iceland	2 770 000	2 949 759	6.5	4.0	2.4	-0.4
Ireland	30 170	31 663	4.9	2.5	2.3	-0.5
Italy	22 053	22 759	3.2	2.0	1.1	0.0
Japan	4 943 208	4 953 747	0.2	-0.2	0.4	0.0
Korea	27 356 688	28 729 826	5.0	3.2	1.8	-0.1
Luxembourg	39 171	40 500	3.4	2.7	0.7	0.5
Mexico	76 332	79 997	4.8	4.4	0.4	2.4
Netherlands	37 026	37 759	2.0	1.0	1.0	0.4
New Zealand	39 428	40 949	3.9	3.2	0.7	0.5
Norway	366 161	379 934	3.8	1.4	2.3	-1.0
Poland	29 263	30 000	2.5	2.5	0.0	0.1
Portugal	12 969	13 299	2.5	1.6	0.9	-0.8
Slovak Republic	200 722	216 780	8.0	2.8	5.1	-0.1
Spain	19 828	20 701	4.4	3.1	1.3	0.3
Sweden	300 814	309 854	3.0	0.6	2.4	-0.5
Switzerland	70 649	71 595	1.3	1.1	0.2	0.1
Turkey	13 959	15 256	9.3	8.5	0.7	0.0
United Kingdom	27 150	28 571	5.2	2.0	3.2	0.1
United States	30 355	31 666	4.3	2.8	1.5	0.0
<i>Unweighted average:</i>						
OECD			3.9	2.4	1.5	-0.1
EU-15			3.3	1.9	1.3	-0.1
EU-19			3.9	2.5	1.4	-0.2

Note: EU-15 area countries are: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden and United Kingdom.

EU-19 area countries are: EU-15 countries plus Czech Republic, Hungary, Poland and Slovak Republic.

1. Estimated percentage change in the total consumer price index.

2. Difference between the personal average tax rate of the average worker (single without children) in 2004 and 2005.

Source: Country submissions and OECD, *Economic Outlook No 77*, June 2005, tables 11 and 18.

StatLink: <http://dx.doi.org/10.1787/144007738155>

illustrates this burden for single individuals without children and married one-earner couples with two children, respectively. Comparing Tables II.2 and II.3, the average tax rates for families with children (columns 4-7) are lower in Table II.3, because many OECD countries support families with children through cash benefits. A lower burden is observed for a single individual without children at 67 per cent of the average wage only in the case of Canada as this person is entitled a cash transfer as a way of mitigating the burden imposed by the federal consumption tax (further details can be found in the country chapter contained in Part IV of this Report).

Cash benefits are provided in a majority of OECD countries. For the case of single parents with two children earning 67 per cent of the average wage level, 21 countries provide benefits that range from 32.1 per cent of income (Australia) to 6.5 per cent (France). The benefits are at least 25 per cent of income in 2 other countries: Ireland (28.4 per cent) and Denmark (25.7 per cent). The same number of countries provides benefits for a one-earner married couple with two children earning 100 per cent of the average wage level, although these are less generous relative to income, ranging from 13.6 per cent (Luxembourg) to 4.4 per cent (France). This reduction in the importance of cash benefits can be attributed to three reasons: single parents may be eligible for more generous treatment; the benefits themselves may be fixed in absolute amount; and/or the benefits may be subject to income testing.

Table II.4 shows personal income tax due as a percentage of gross wage earnings. For single persons without children at the wage level of an average worker (average wage) – see column 2 of the table – the income tax burden varies between 2.7 per cent (Korea) and 30.4 per cent (Denmark). In most OECD member countries, at the average wage level, the income tax burden for one-earner married couples with two children is substantially lower than that faced by single persons (compare columns 2 and 5). This difference is clearly illustrated in Chart II.3. In 8 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 (the Czech Republic, Germany, Ireland, Luxembourg, Portugal, the Slovak Republic, Spain and the United States). In contrast, there is no difference in Australia, Denmark, Mexico, New Zealand, Sweden and Turkey.

The Slovak Republic and the United States are the only OECD member countries where a married average worker faces a personal income tax burden less than zero. This result is due to non-wastable tax credits, whereby credit amounts in excess of the taxes otherwise due are paid to the family, resulting in a tax burden of –2.8 per cent in the United States and –3.4 per cent in the Slovak Republic. Similarly, in three countries – Germany, the Slovak Republic and the United States – single parents with two children earning two-thirds of the average wage receive payments corresponding to the portion of their non-wastable credits exceeding the taxes otherwise due. As a consequence, for these cases column 4 of Table II.4 also shows a negative tax burden. In six other countries – Greece, Hungary, Ireland, Korea, Luxembourg and Portugal – this family-type pays almost no income tax.

A comparison of columns 5 and 6 in Table II.4 demonstrates that if the previously non-employed spouse finds a job which pays one-third of the average wage level, the income tax burden of the family (now expressed as a percentage of 1.33 times the average wage level) will in most cases (slightly) rise. However, the tax burden actually falls in thirteen countries: Korea (–0.1 percentage point), Italy (–0.3 percentage point), Turkey (–0.6 percentage point), New Zealand (–0.9 percentage point), Greece (–1.3 percentage points), Austria, Sweden and the United Kingdom (–1.8 percentage points), the Netherlands (–2.3 percentage points), Australia (–3.2 percentage points), Hungary (–3.5 percentage points), Finland (–3.7 percentage points) and Mexico (–4.1 percentage points).

An important consideration in the design of an income tax is progressivity – the rate at which the income tax burden increases with income. By comparing columns 1, 2, and 3 in Table II.4, one can gain an insight into how progressive the income tax system is. When one compares the income tax burden of single individuals at 100 per cent of the average wage level with their counterparts at 167 per cent (columns 2 and 3), the lower paid worker

always faces a lower tax burden. Similarly, single individuals at 67 per cent of the average wage level pay an even lower percentage of their income in income tax (columns 1 and 2). Finally, when one compares the lowest paid single person with the highest paid, the burden faced by single individuals at 67 per cent of the average wage level is less than one-quarter of the burden faced by their counterparts at 167 per cent in four OECD countries: Greece (the burden is eliminated), Mexico (slightly less than one-tenth), Korea (slightly more than one-tenth), and the Netherlands (almost one-fifth).

The addition of social security contributions to the average tax rate reduces this progressivity as well as the proportional fiscal savings enjoyed by families (compare Table II.2 and Table II.4). The OECD average tax burden of single individuals at 67 per cent of the average wage level is only one-third lower than their counterparts at 167 per cent rather than the OECD average savings of almost half noted for personal income taxes alone. The average fiscal savings observed for married one-earner couples with two children at 100 per cent of the average wage level relative to single individuals falls from two-fifths to under one quarter. These reductions are not unexpected given the observation that the average social security contribution rates tend to be the same across all family types, as shown in Table II.5.

Table II.5 shows employees' social security contributions as a percentage of their gross wage earnings. For a single worker without children at the average wage level (column 2) the rate of contributions varies between zero per cent (Australia and New Zealand) and 25.6 per cent (Poland). Only Australia and New Zealand levy no social security contributions at all on employees, though they are very low for employees in Iceland and Mexico (less than 2 per cent). Social security contributions are usually levied at a flat rate on all earnings, i.e. without any exempt threshold. In a number of OECD member countries a ceiling applies. However, this "capping" provision usually applies to wage levels higher than 167 per cent of the average wage. This particular rate structure is reflected in a roughly constant average burden of employee social security contributions for most countries over the whole range of 33 per cent to 167 per cent of average wage earnings as indicated in Table II.5. Some typical examples of the proportional burden of employee social security contributions for all family-types at all wage levels considered here, are Poland (25.6 per cent), Greece (16 per cent), Turkey (15 per cent), Hungary (13.5 per cent), The Czech Republic (12.5 per cent), Portugal (11 per cent), Italy (9.2 per cent) and Norway (7.8 per cent).

Also, with the exception of the Netherlands and the Slovak Republic, at the 100 per cent average wage level all OECD member countries impose the same burden of social security contributions on employees; regardless of their family status (see Chart II.4).

### **Marginal rates**

Assuming a marginal increase in labour costs, Table II.6 and Chart II.5 show the percentage of the rise in labour costs that ends up in the public sector through the personal income tax and both employee and employer (including payroll taxes) social security contributions. Therefore, they trace the marginal wedge. In most cases, the tax wedge absorbs 25-55 per cent of a rise in labour costs for single individuals without children at 100 per cent of the average wage level. However, in five OECD countries these individuals face higher marginal wedges – Hungary (77.2 per cent), Belgium (66.4 per cent), Germany (65.1 per cent), Austria (57.3 per cent) and France (55.8 per cent). Mexico (22.8 per cent) and Korea (24.4 per cent) have the lowest marginal tax rates.

In more than half of the OECD member countries (18), the marginal tax wedge for married one-earner couples at the average wage level is the same as for single persons with no children, or is within 5 percentage points. The marginal wage is more than 5 percentage points lower for the married one-earner couple in five countries: Luxembourg (28.4 percentage points lower), Ireland (19.8 percentage points), Germany (9 percentage points), Portugal (8.5 percentage points) and Korea (5.1 percentage points). By contrast, in Iceland (6.3 percentage points higher), the Czech Republic (9.1 percentage points), the United States (14.9 percentage points), Canada (16.3 percentage points), Australia (18.8 percentage points) and New Zealand (30 percentage points), the marginal rate for married one-earner couples with two children is more than 5 percentage points higher than it is for single persons with no children.

Table II.7 and Chart II.6 show the incremental change to personal income tax and employee social security contributions less cash benefits when gross wage earnings rise marginally. As in the case of the tax wedge, in most cases personal income tax and employee social security contributions absorb 25-55 per cent of a worker's pay rise for single individuals without children at 100 per cent of the average wage level. However, in two OECD countries these individuals face higher marginal rates – in Hungary (69.5 per cent) and Germany (57.8 per cent). Mexico (14.9 per cent), Korea (17.6 per cent) and Japan (23.1 per cent) have the lowest marginal tax rates.

As in the case of the tax wedge, in more than half of the OECD member countries (17), the marginal personal tax rate for married one-earner couples at the average wage level is the same as for single persons with no children, or is within 5 percentage points. The marginal rate is more than 5 percentage points lower for the married one-earner couple in seven countries: Luxembourg (32 percentage points lower), Ireland (22 percentage points), Germany (10.9 percentage points), Portugal (10.5 percentage points), France (6.2 percentage points) and Denmark and Korea (5.5 percentage points). By contrast, in Iceland (6.7 percentage points higher), the Czech Republic (12.3 percentage points), the United States (16.1 percentage points), Canada (17.8 percentage points), Australia (20 percentage points) and New Zealand (30 percentage points), the marginal rate for married one-earner couples with two children is more than 5 percentage points higher than it is for single persons with no children. These higher marginal rates are due to the phase out of income-tested tax reliefs and/or cash transfers. When an income-tested measure is being phased out, the reduction in the relief or benefit compounds the increase in the tax otherwise payable. For example, the Earned Income Tax Credit in the United States is an income-tested tax relief and during its phase-out, the marginal tax rate is correspondingly increased. These programmes are set out in greater detail in the relevant country chapters, in Part IV of the Report.

Table II.8 shows the percentage increase in net income when gross wage earnings increase by 1 per cent, *i.e.* the elasticity of after-tax income. Under a proportional tax system, net income would also increase by 1 per cent, in which case the elasticity is equal to 1. When an increase of gross wage by 1 per cent leads to a corresponding rise of net take-home pay of only 0.8 per cent, the elasticity is measured as 0.8. The more progressive the system is – at the income level considered – the lower this elasticity will be. In the case, for example, of the married one-earner household at the average wage level, column 5 of Table 8 shows that of all OECD member countries Hungary (0.37), New Zealand (0.43), Australia and Canada (0.54), Belgium and the United States (0.58) and the Czech Republic (0.59), have, on this measure, the most progressive system of income tax plus employee social security

contributions at this income level. At the other extreme, Mexico (0.92) Poland and Japan (0.94), Korea (0.96) and Turkey (0.97) are close to a nearly proportional system of income tax plus employee social security contributions – at least at the wage level of average workers.

In the case of single parents with two children earning two-thirds of the average wage, extremely low elasticity figures are shown for Australia, Ireland and the United Kingdom (0.3), reflecting the very high marginal rates and low average rates faced by this family-type in these three countries (refer to column 4 in Tables II.3 and II.8). It is also interesting to note that the elasticity exceeds one for a single individual at 167 per cent of the average earnings in Germany (1.03) indicating that the income tax system at this point in the income scale is regressive. In other words, a 1 per cent increase in gross pay leads to an increase in net income in excess of 1 per cent.

Table II.9 provides a different elasticity measure: the percentage increase in net income when labour costs (i.e. gross wage earnings plus employer social security contributions) rise by 1 per cent. In this case social security contributions paid by employers have also been included in the analysis. In most OECD member countries the value of this elasticity lies between 0.55 and 0.90 for most of the family-types considered. For one-earner married households at the average wage level the elasticity is below 0.55 in Hungary (0.38), New Zealand (0.43) and Australia (0.54). In contrast, the elasticity is greater than 0.9 in Japan, Mexico and Poland (0.94), Korea (0.96) and Turkey (0.97). It is interesting to mention that under this elasticity measure the income tax system is regressive for a single individual at 167 per cent of average earnings in Germany (1.2), Austria (1.18) and Spain (1.09).

Table II.10 specifies gross wage earnings and net income for the eight selected family-types after all amounts have been converted into US dollars with the same purchasing power. Single workers with the average wage take home (see Table II.10, column 4) over USD 30 000 in five countries: Korea (USD 33 987), the United Kingdom (USD 33 890), Switzerland (USD 31 851), Japan (USD 31 171) and Luxembourg (USD 30 127). Average workers pocket less than USD 10 000 after taxes in Mexico (USD 9 843), in the Slovak Republic (USD 9 715) and in Hungary (USD 9 180). In the case of a one-earner married couple at the average earnings level, families net over USD 35 000 in three countries – Luxembourg, Switzerland and the United Kingdom; while families net less than USD 10 000 only in Mexico (USD 9 843). It is interesting to observe that with the exception of Mexico and Turkey, the one-earner married couple takes home more than the single individual at the average wage with the average difference equalling more than USD 3 700. The higher take home pay for the one-earner married couple is due to the favourable tax treatment of this family and/or the cash transfers to which they are entitled.

Labour costs and net income for the selected eight family-types are shown in Table II.11. The “net” columns in Tables II.10 and II.11 are identical, but in Table II.11 the amounts in the “gross” column refer to total labour costs for employers instead of wage earnings of employees. Usually, labour costs are found to be much higher, because any employers’ social security contributions (including payroll taxes) are now taken into account. In Denmark, employer contributions for social security are negligible. If measured in US dollars with equal purchasing power, labour costs for single workers earning average wages are the highest in Belgium (USD 53 581) and Germany (USD 53 278), and the lowest in Mexico (USD 12 031) and the Slovak Republic (USD 15 748).

### 3. Results for 2004

This section briefly reviews the definitive results for 2004 reported in Tables II.12-II.22 of Section 2 in Part II of the Report and what they show about changes between 2004 and 2005. The format of Tables II.12-II.22 is identical to that of Tables II.1-II.11 reviewed above. Thus, changes between 2004 and 2005 for the various cases considered can be traced by comparing the same columns in Tables II.12-II.22, to those in Tables II.1-II.11. The following commentary on Tables II.12-II.22 focuses on changes in tax burdens and marginal tax rates for single employees without children at the average wage level (column 2 of the tables) and for married one-earner families with two children at the average wage level (column 5 of the tables). Comparing the columns 1, 3-4 and 6-8 of the tables would give the results for the remaining six family-types distinguished in this Report. Generally, only changes exceeding 1 percentage point for average effective rates and 5 percentage points for marginal effective rates are flagged.

Table II.12 presents the total tax wedge, income tax plus employee and employer's social security contributions less cash benefits by family type as a percentage of labour costs – gross wage plus employers' social security contributions (including payroll taxes). In the majority of countries, changes in the gap between total labour costs and the corresponding net take-home pay in 2005 as compared to 2004 were within plus or minus one percentage point. However, for the single average worker, the wedge fell by more than one percentage point in Hungary (–1.3 percentage points), Germany (–1.5 percentage points) and the Slovak Republic (–4.2 percentage points); compare column 2 of Tables II.1 and II.12. It increased in Mexico by 2 percentage points. The OECD average tax wedge decreased by less than one-fifth of a percentage point for a single average worker between 2005 and 2004.

For married one-earner couples (compare column 5 of Tables II.1 and II.12), the wedge decreased by more than one percentage point in five countries: Hungary (1.1 percentage points lower), the Czech Republic (1.9 percentage points), Belgium (2.4 percentage points), New Zealand (3.5 percentage points) and Slovak Republic (4.9 percentage points). For this family type, the wedge increased by more than one percentage point only in Mexico (2 percentage points). The OECD average tax wedge decreased by one third of a percentage point for this family type (more than the double of the decrease for a single worker) in this period.

Table II.13 shows the combined burden of income tax and employee social security contributions in the form of personal average tax rates as percentage of gross wage. For single persons at average earning, this fell more than one percentage point between 2004 and 2005 in Germany (– 1.8 percentage points) and Hungary (–1.5 percentage points). It rose more than one percentage point in Mexico (2.3 percentage points). For one earner married couples it fell more than one percentage point in the Czech Republic (–4.1 percentage points), Hungary (–1.3 percentage points) and Germany and Portugal (–1.1 percentage points). It rose more than one percentage point in Mexico (2.3 percentage points). For this family type, the OECD average burden decreased by less than one-fifth of a percentage point between the two years.

Table II.14 provides the combined burden of income tax and social security contributions when levies due have been reduced by the amount of cash family benefits (net personal average tax rate). For single persons at average earnings, increases between 2004 and 2005 did not exceed one percentage point, except in the case of Mexico



(2.3 percentage points); in contrast the burden of such contributions decreased more than one percentage point in Germany (-1.8 percentage points), Hungary (-1.5 percentage points) and Norway (-1.1 percentage points) – compare column 2 of Tables II.3 and II.14. Reductions in the net personal average tax rate of one-earner married couples exceeding one percentage point are noted for Portugal (-1.1 percentage points), Hungary (-1.3 percentage points), the Czech Republic (-2.6 percentage points) and New Zealand (-3.5 percentage points). On the other hand, the net personal average tax rate increased more than one percentage points only in Mexico (2.3 percentage points); compare column 5 of Tables II.3 and II.14.

Table II.15 presents information on income tax due as a percentage of gross wage earnings. In four OECD member countries (Belgium, Italy, New Zealand and the United States) the income tax for single persons at average earnings did not change between 2005 and 2004. In contrast, the income tax rate fell more than one percentage point in Germany (-1.8 percentage points), Hungary (-1.5 percentage points) and Norway (-1.1 percentage points) and increased more than one percentage point in Mexico (2.3 percentage points) – compare column 2 of Tables II.4 and II.15.

A one-earner married couple faced a decrease in the average income tax rate in thirteen of the OECD member countries while increases were observed in twelve countries. However, the OECD average income tax rate decreased 0.1 percentage points during this period. Increases greater than one percentage point are observed in Mexico (2.3 percentage points). One-earner married couples at the average earnings level in the Czech Republic (-4.1 percentage points), Hungary (-1.3 percentage points) and Germany and Portugal (-1.1 percentage points) enjoyed reduction in the average income tax rate of more than one percentage point.

Table II.16 shows information on employee social security contributions as a percentage of gross wage earnings. For both single persons at average earnings and for one-earner married couples, changes between 2004 and 2005 in the average burden of employee social security contributions did not exceed one percentage point – compare respectively column 2 and column 5 of Tables II.5 and II.16.

Table II.17 provides the marginal tax wedge (rate of income tax plus employee and employer social security contributions minus benefits) in 2004. Generally, changes between 2004 and 2005 in the marginal rate remain within the range of plus or minus five percentage points. For a single worker at the average earnings, a decrease higher than five percentage points in the marginal wedge is noted for Norway (-11.9 percentage points) and Italy (-5.3 percentage points). For a one-earner married couple, the marginal wedge increased by more than five percentage points in Australia (18.9 percentage points).

Table II.18 presents the marginal rate of income tax plus employee social security contributions minus benefits by family-type and wage level. As for the tax wedge, in general changes between 2004 and 2005 in the marginal rate remain within the range of plus or minus five percentage points. For single workers at average earnings in Sweden the marginal rate increased by 19.3 percentage points and decreased more than five percentage points in Norway (-13.5 percentage points) and Italy (-7 percentage points) – compare column 2 of Tables II.7 and II.18. For one-earner married couples with two children at average earnings, this measure increased by more than five percentage points only in Australia (20 percentage points); compare column 5 of Tables II.7 and II.18.

Table II.19 shows the increase in net income (in per cent) after a 1 per cent increase in gross wage for 2004. Table II.20 provides the increase in net income given a 1 per cent increase in labour costs for this same year. Given that the results shown in these two tables are directly dependent upon the marginal and average tax rates that have been previously discussed, readers are left to make their own comparisons.

Tables II.21 and II.22 Report background information on levels of labour costs, gross wages and net wages in 2004 and do not require further discussion.

## 4. Historical trends

As stated in Section 1, moving to the new definition of the average worker has involved a break in the time series for the earnings measure. However, this Section includes historical figures using the new definition for the average worker since 2000. The evolution of the tax burden for the eight family types in the period 2000 to 2005 is presented in Tables 1-8, Part III to this Report.

Each of the Tables 1-8 corresponds to a particular family type and each is divided into three parts. Part (a) contains the tax wedge that comprises income taxes plus employee and employer social security contributions (including any applicable payroll taxes) less cash benefits, Part (b) provides data related to the burden of income taxes, and Part (c) depicts the burden of income taxes plus employee social security contributions less cash benefits (net tax burden). Given the wealth of data that these Tables provide, it would not be possible to fully discuss all of the information. Therefore, the discussion will focus on some observable trends over this period and will highlight selected important year-to-year changes.

### 4.1. Important trends

The OECD average tax wedge, the income tax burden and the net tax burden (personal income tax plus social security contributions less cash benefits) have all tended to decline when one compares the levels in 2005 with those in 2000 for all of the family types considered in this Report. The reductions over the period in the OECD average have been one percentage point or less, but the EU-15 and EU-19 averages have fallen by more than this in some cases.

In terms of OECD average tax wedge, it has declined anywhere from 0.3 percentage point (for single average workers earning five-thirds of the average wage level) to a reduction of 0.9 percentage point (for two-earner married couple with two children where the spouse is earning either one-third or five-thirds of the average wage level).

The change in the OECD net average tax burden ranges from a fall of 0.3 percentage point (for single average workers earning five-thirds of the average wage level) to an increase of 0.7 percentage (for two-earner married couple with two children where the spouse is earning either one-third or five-thirds of the average wage level).

The OECD average personal income tax burden has also declined for all family types in the period considered. The reduction ranges from 1 percentage point (for one-earner married couple and for two-earner married couple with two children where the spouse is earning one-third of the average wage level) to 0.5 percentage point (for a single parent).

## 4.2. Tax wedge

Focusing on the overall tax wedge, it is useful to note those countries where there have been the most significant changes. The most significant reductions, exceeding five percentage points, can be observed in five OECD member countries – Australia, France, Hungary, Ireland and the Slovak Republic. The largest decline is observed in Ireland where single parents have benefited from a reduction in the wedge of 10.8 percentage points. In this particular case, all Irish married couples and single parents enjoyed a significant reduction in the wedge, ranging from a reduction of 5 percentage points (two-earner married couple where the spouse is earning five-thirds of the average wage level) to 10.8 percentage points (single parent). Also in Slovak Republic all married couples and a single worker earning two-thirds of the average wage level enjoyed a reduction of more than five percentage points in the wedge.

The reductions observed in Australia, France and Hungary have been focused in nature as well. In Australia, single parents (–6.4 percentage points) and one-earner couples (–6.7 percentage points) have enjoyed the most significant reductions. In France, the most significant reductions have affected single parents (–6.7 percentage points) and single workers earning two-thirds of the average wage level (–5.9 percentage points). In Hungary, single workers earning two-thirds of the average wage level are the most benefited from the reduction in the tax wedge (–5.6 percentage points).

It is interesting to note that the tax wedge has decreased for all family types in almost half of the OECD member countries (Australia, Belgium, Canada, Denmark, Finland, Hungary, Italy, Luxembourg, the Netherlands, Portugal, the Slovak Republic, Sweden, Switzerland and the United States) while it has increased across all family types in seven countries (the Czech Republic, Japan, Korea, Mexico, Poland, Spain and Turkey).

## 4.3. Personal income tax

Over the time period in question, the personal income tax burden has decreased for all family types in ten of the OECD member countries: Belgium, Canada, Denmark, Finland, Germany, Hungary, Ireland, Portugal, Sweden, and the United States. The most significant reductions affecting all of the family types are noted in Hungary with a range of –9.9 percentage points (single parent) to –2.4 percentage points (single person earning five-thirds of the average wage level).

The only other OECD member country with reductions in the personal income tax exceeding five percentage points is the Slovak Republic, where one earner families benefited from a reduction of eight percentage points in the personal income burden.

At the other extreme, the personal income tax burden has increased across all family types in five OECD member countries: Korea, Mexico, New Zealand, Spain and Switzerland. However, the changes have been very small in Korea (0.0-0.6 percentage point) and Switzerland (0.2-0.5 percentage point).

Increases exceeding five percentage points are only observed in two of the OECD member countries: 5.8 percentage points in Australia (single parents) and 5.4 percentage points in the Netherlands (one-earner married couple). Note that, in both cases, that these changes have been offset by increases in cash benefits (see below).

#### 4.4. Net personal income tax

Turning to the net tax burden, which takes into account employee social security contributions as well as cash benefits, one can observe that with the exception of Australia, Ireland and the Netherlands, the significant reductions noted for the personal tax burden have been diminished by increases in employee social security contributions and/or reductions in cash benefits. In the case of Australia, Ireland and the Netherlands, the changes to employee social security contributions and/or cash benefits have led to further gains over the time period in question particularly for single parents and one-earner couples. In the case of Australia, the reduction in this measure now exceeds five percentage points for single parents (–6.4 percentage points) and one-earner couples (–6.8 percentage points). In Ireland, the net tax burden decreased in this period for all family types with children, by between –5.7 percentage points (two-earner married couple where the spouse is earning five-thirds of the average wage level) and –14.2 percentage points (single parents). In the case of the Netherlands, the net tax burden has decreased across all family types, the savings being particularly significant for families. The reductions range from –5.0 percentage points for single parents to –0.4 percentage point for one-earner couples.

There are also reductions in the net tax burden exceeding five percentage points in this period for single parents in Hungary (–6.7 percentage points) and in Portugal (–5.3 percentage points).

Additionally, between 2000 and 2005, eleven OECD countries experienced a reduction of the net income tax for all family types: Australia, Canada, Denmark, Finland, Germany, Hungary, Luxembourg, the Netherlands, Portugal, Sweden and the United States.

During the period considered, five OECD countries show an increase exceeding five percentage points in the net tax burden for at least one family type: the Czech Republic (single parents, 6.6 percentage points; and one-earner married couple, 5.8 percentage points), Iceland (single parent, 7.4 percentage points), Poland (single parent, 5.6 percentage points), the Slovak Republic (single parent, 5.5 percentage points) and Turkey (single worker earning five-thirds of the average wage level, 5.7 percentage points).

#### 4.5. Progressivity

In the discussion of the results for 2005, attention was paid to how the *Taxing Wages* results could be used to assess the progressivity of personal income taxes as well as evaluating the tax treatment of families *versus* a single person. The results presented in Part III can be used to look at the evolution of these two measures.

The degree of progressivity of the personal income tax system can be assessed by comparing the burden faced by single persons earning two-thirds of the average wage with the burden faced by their counterparts earning five-thirds of the average wage. Hence Table III.1b is compared with Table III.3b. For all OECD countries and for all years the lower paid worker always pays a lower percentage of income in personal income tax than the higher paid worker.

By comparing the situation in 2000 versus the one in 2005, one can assess whether there has been any change in this measure of progressivity. On average, the progressivity of the personal income taxes has very slightly decreased in OECD countries. In both years, the tax burden of a single worker earning 67% of the average wage was about one-half that of the worker earning 167% of the average wage.

When one compares the situation in each OECD country, one observes that personal income taxes have become more progressive in eighteen countries, although none more so than in Hungary, where the burden of the lower paid worker in 2000 was about three-fifths of the higher paid worker while in 2005 the burden of the lower paid worker represents slightly less than one-third of that for the higher paid worker.

Personal income taxes have become slightly less progressive (using this measure) in eight OECD countries: Australia, France, Iceland, Korea, Mexico, Spain, Turkey and the United States.

#### **4.6. Families**

The results presented in Part III Tables III.5 and III.2 can be used to compare the tax burdens faced by a one-earner married couple at the average wage and the single worker at the same income level. Focusing on the net tax burden (personal income tax plus employee social security contributions less cash benefits which can be found in Part c of the Tables), one observes that the OECD average fiscal savings (the difference between the personal tax of a single worker and that of a married one-earner couple) enjoyed by a one-earner married couple relative to a single worker at the average wage are practically the same between 2000 and 2005.

The savings for the one-earner married couple has increased in 17 countries and declined in 11 others. In two countries, the fiscal savings has increased by more than 4.5 percentage points: in Australia (increasing 4.7 percentage points from 8.4 to 13.1 per cent of income) and Ireland (increasing 4.6 percentage points from 14.9 to 19.5 per cent of income). In contrast, the fiscal savings has decreased by more than 3.5 percentage points in two countries: in the Czech Republic (falling 4.3 percentage points since 2000 reaching 22.6 per cent of income in 2005) and in Poland (falling 3.6 percentage points from 5.3 to 1.7 per cent of income).

#### **Notes**

1. Not all national statistical agencies use ISIC Rev. 3 to classify industries. However, the Statistical Classification of Economic Activities in the European Community (NACE Rev. 1), the North American Industry Classification System (US NAICS 2002) and the Australian and New Zealand Standard Industrial Classification (ANZSIC 1993) include a classification which broadly conforms with industries C-K in ISIC Rev. 3.
2. In the case of Italy the reduction in average wage is explained by a combined effect of the change in the data source used for the calculation of average earnings (now including all firms and not only large firms) and the move to a broader definition of average worker. The isolated effect of moving from sector D to sector C-K would have been an increase in the average earnings level.

## *Special Feature:* *Part-time Work and Taxing Wages*

### **1. Introduction**

In the tax calculations presently used in *Taxing Wages*, it is generally assumed that all employees are working full-time irrespective of their level of earnings. Section 2 shows that this is an unrealistic assumption in the two household types presented in *Taxing Wages* where the second earner has an income of 33 per cent of average earnings. In fact, this income level is below the equivalent minimum wage for full-time employees in most of the OECD countries having such provisions.

However, even though two of the household types in practice can be assumed to include a second earner working part-time, this does not in itself imply that the tax rates presently reported in *Taxing Wages* are imprecise. This will only be the case if there are special tax provisions for part-time workers that are different from those applying for full-time workers. If all tax (and relevant benefit) provisions depend only on the level of income, the tax rates calculated in *Taxing Wages* are not dependent on whether employees are assumed to be working full-time or part-time. However, this will no longer necessarily be the case in countries having tax credits or tax allowances that depend on the number of hours worked, and not only on the income level itself. Section 3 shows that there are some OECD countries that have hours-based tax provisions that are special for part-time workers. However, in most cases such provisions are either of minor importance or not applicable for the household types presented in *Taxing Wages*.

Countries have generally introduced hours-based provisions for one of two possible reasons. The first is to limit the eligibility for certain tax reliefs to those whose low income is a result of low wages rather than low hours of work. The second is to provide an incentive for part-time workers to increase their hours of work. The way in which this incentive works in the United Kingdom through the Working Tax Credit is described in Section 4. Section 5 concludes with a brief summary.

### **2. Comparison of earnings levels – Part-time versus full-time employees**

Table 1 reports information for OECD countries on the number of hours worked and the hourly wage rate for full-time and part-time workers, as well as minimum wage provisions, applicable in 2003. Column A shows the average number of weekly hours worked for part-time employees as a percentage of those of full-time employees, while column B shows a similar comparison of the hourly wage rate. Column C shows the combined effect, or in other words the average weekly earnings of part-time employees as a percentage of those of full-time employees. Column D shows the hourly minimum wage rate as a percentage of the hourly wage rate for full-time employees.

**Table 1. Hours of work, hourly wage rate and weekly earnings for part-time work as a per cent of full-time work, and minimum wage as a per cent of wage rate for full-time work, 2003**

	<b>A</b> Number of weekly hours worked for part-time employees as a per cent of those for full-time employees	<b>B</b> Hourly wage rate for part-time work as a per cent of those for full-time work	<b>C</b> Weekly earnings for part-time employees as a per cent of those for full-time employees (column A x column B)	<b>D</b> Hourly minimum wage rate as a per cent of hourly wage rate for full-time work
Australia	63%	74%	47%	46%
Austria	n.a.	n.a.	n.a.	n.a.
Belgium	55%	82%	45%	53%
Canada	44%	66%	29%	31%-42%
Czech Republic	n.a.	n.a.	n.a.	n.a.
Denmark	n.a.	n.a.	n.a.	53%
Finland	57%	92%	52%	n.a.
France	59%	81%	48%	45%
Germany	61%	74%	45%	n.a.
Hungary	73%	63%	46%	44%
Iceland	n.a.	n.a.	n.a.	n.a.
Italy	63%	93%	59%	n.a.
Japan	59%	48%	28%	32%
Korea	n.a.	n.a.	n.a.	31%
Luxembourg	n.a.	n.a.	n.a.	n.a.
Mexico	n.a.	n.a.	n.a.	n.a.
Netherlands	55%	92%	51%	42%
New Zealand	34%	91%	31%	48%
Norway	48%	78%	38%	n.a.
Poland	n.a.	n.a.	n.a.	n.a.
Portugal	52%	79%	41%	50%
Slovak Republic	n.a.	n.a.	n.a.	36%
Spain	50%	76%	38%	n.a.
Sweden	51% (manual) 61% (non-manual)	91% (manual) 85% (non-manual)	46% 52%	n.a.
Switzerland	58%	96%	56%	60%
Turkey	n.a.	n.a.	n.a.	36%
United Kingdom	48%	65%	31%	34%
United States	n.a.	n.a.	n.a.	34%

n.a.: indicates that the information is not available.

StatLink: <http://dx.doi.org/10.1787/178673232343>

One should be very careful in making cross-country comparisons based on these figures, for several reasons. As discussed in Van Bastelaer *et al.* (1997),<sup>1</sup> there is no common approach to how part-time work is statistically defined across OECD countries and such variations are obviously also reflected in the figures in Table 1. Furthermore, while some countries have reported figures only for employees in the manufacturing sector, others have reported figures based on a broader scope of industrial sectors. So the main purpose of Table 1 is to compare the earnings levels of part-time and full-time employees within each country, rather than to compare earnings figures across countries.<sup>2</sup>

The table shows that the number of weekly hours worked are lower for part-time employees than for full-time employees (column A), but it also shows that the hourly wage rate is (in some cases significantly) lower for part-time work (column B). The combined effect (column C) is that weekly earnings for part-time work, in those countries where information is available, varies from about 30 per cent to just below 60 per cent, with an average of about 43 per cent. The hourly minimum wage rate reported in this table varies

from about 30 per cent to 60 per cent of the hourly wage rate for full-time work, with an average of about 40 per cent.

This brief comparison shows that part-time workers earn significantly less than full-time workers, and that this is due to a combination of the reduced number of hours worked and a lower hourly wage rate. However, it also shows that the earnings levels of part-time workers on average are normally above 33 per cent of those of full-time workers. Table 1 also shows that the hourly minimum wage rate is above 33 per cent of the hourly wage rate of full-time employees in most countries. Taken together, it becomes obvious that someone earning 33 per cent of average earnings of a full-time employee is unlikely to be working full-time. In the context of *Taxing Wages*, this means that someone at 33 per cent of average earnings should be characterized as working part-time and not full-time as is presently the case. This is relevant for the two of the household types in *Taxing Wages* that includes a second earner at 33 per cent of average earnings.

At the same time, Table 1 shows that someone earning 67 per cent of the average earnings could very well be working full-time. Thus, the household types that are most likely to be affected by different tax and benefit rules for part-time workers are the two that include a worker earning 33% of average wages.

### 3. Special tax, social security contributions or benefit provisions for part-time work

As mentioned in the introduction, the tax rates calculated in *Taxing Wages* are generally based on the assumption that all employees in the example households are working full-time<sup>3</sup> (or, equivalently, that they are working part-time but that all tax and relevant benefit provisions only depend on the level of income). Tax rates presently reported in *Taxing Wages* may, however, be imprecise if there are special hours-based provisions for part-time workers.

Table 2 provides information on special provisions for part-time work in the personal income tax system, social security contributions and/or cash benefits. The table shows that 19 of these countries do not have any special provisions for part-time work at all. Australia and Italy have certain benefit provisions which are partly influenced by whether someone is working full-time or not. Upper and lower ceilings for paying social security contributions are adjusted according to the number of hours worked in France, Spain and Turkey, while the fixed supplementary pension contribution and unemployment contribution in Denmark also partially depend on the number of hours worked. There are special reductions of income tax and social security contributions for low income workers in Belgium and France that in part depend on the number of hours worked.<sup>4</sup> Finally, the Working Tax Credit in the United Kingdom is based on the people in a family working at least 30 hours a week (16 hours for families with children).

Very few countries have tax provisions that depend on hours worked. In France the earned income tax credit is adjusted in the case of part time work, and this is already taken account of in *Taxing Wages*. In the UK the Working Tax Credit is based on the people in a family working at least 30 hours a week (16 hours for families with children). Since all household types in *Taxing Wages* include one primary earner working full time, it can be assumed that all household types in *Taxing Wages* meet the hours requirement for the Working Tax Credit. In Belgium the earned income tax credit does not apply for someone working less than of normal weekly hours.<sup>5</sup> Someone working less than of normal



Table 2. **Special hours-based tax, social security contributions and benefit provisions, 2003**

	Personal income tax	Social security contributions	Cash benefits
Australia	No	No	Newstart Allowance is only applicable for someone working less than 35 hours and who is seeking full-time employment
Austria	No	No	No
Belgium	The earned income tax credit does <i>not</i> apply for someone working <i>less than</i> of normal weekly hours.	The reductions in social security contributions are based on the full-time equivalent wage and then reduced in proportion to hours worked.	No
Canada	No	No	No
Czech Republic	No	No	No
Denmark	No	The fixed supplementary pension contribution is paid if the number of hours is at least 75% of normal hours. The rates are of those for between 50 and 75%; for between 25%-50% and 0 for below 25%. The fixed "unemployment contribution" may also be reduced to, if the number of hours is less than 75% of normal hours. However, employees normally choose to pay the full amount to retain the right to full unemployment benefits.	No
Finland	No	No	No
France	The earned income tax credit (prime pour l'emploi) is adjusted in the case of part-time work.	The reductions of the employer SSC are adjusted in the case of part-time work. The effective ceiling for SSC and unemployment insurance is adjusted in the case of part-time work.	No
Germany	No	No	No
Hungary	No	No	No
Iceland	No	No	No
Italy	No	No	The family allowance is fully paid if number of weekly hours is above 24. If below, it is based on the number of days in employment.
Japan	No	No	No
Korea	No	No	No
Luxembourg	No	No	No
Mexico	No	No	No
Netherlands	No	No	No
New Zealand	No	No	No
Norway	No	No	No
Poland	No	No	No
Portugal	No	No	No
Slovak Republic	No	No	No
Spain	No	The lower and upper ceilings for employee SSC are proportional to the actual number of hours worked.	No
Sweden	No	No	No
Turkey	No	No	No
United Kingdom	The Working Tax Credit for families where there is a person who works at least 30 hours a week. Families with children and people with a disability may claim this when working at least 16 hours a week. This is a non-wastable tax credit.	No	No
United States	No	No	No

StatLink: <http://dx.doi.org/10.1787/63276852840>

working hours would typically not have an income level of 33 per cent of average earnings (since hourly wage rates are lower for part time work than for full-time work). So, one can conclude that this special regulation is not likely to affect the household types in *Taxing Wages*. Thus there do not seem to be any special tax provisions in the personal income tax for part time work that make the results for the household types presented in *Taxing Wages* inaccurate.

In some countries (*Belgium, Denmark, France, Spain and Turkey*) the Social Security Contributions (SSC) are adjusted for part time work. In *Belgium* the reductions in the SSC are related to hours worked in such a way that, for example, someone working half time will only get half of the reduction computed on the basis of the (theoretical) wage if working full time.<sup>6</sup> In the household types in *Taxing Wages* where a second earner is earning 33% of average wages, the second earner will earn of 36 396 € in 2005, which is 12 132 €. If it is assumed that this person works half time, a theoretical full-time earnings level will be twice this amount (24 264 €). According to the Belgian regulations for employees' contributions, the reduction in SSC is 0 for annual earnings above 20 040€. However, the calculation in *Taxing Wages* disregards the fact that the second earner is working part-time and applies the reduction that would apply to a full-time worker earning this income: an amount of 1 440 € per year in 2005.<sup>7</sup> The calculation of the reduction of employers' contribution is somewhat different. In 2005, it consists of a fixed amount (1 600 €) and a variable amount, dependent on the level of earnings. Again, if the second earner works half time, the theoretical full-time wage will be 24 264 €. Following the calculation formula reported for Belgium in Section IV, the variable amount of the employers' reduction will in this case be zero, giving a total reduction of 1 600 €. Since it is assumed that the second earner works half time this amount will be reduced by 50%, to 800 €. However, under the assumptions made in *Taxing Wages*, full time earnings of 12 132 € give a variable reduction of 1 639 €, which together with the fixed amount of 1 600 € amounts to 3 239 €. The difference between half-time and full-time employment will thus in this case result in a total difference in employers contribution of 2 439 €. Thus, *Taxing Wages* reports a total tax wedge for this worker that is 3 879 € less than it would be if the worker worked half-time. This represents 32% of the second earner's gross wage and 8% of the household total gross income. However, note that this result is very sensitive to the assumption of half-time work and would be reduced if the hours of work were assumed to be higher.

In *Denmark* the fixed supplementary pension contribution (894.5 DKK in 2005 from the employee and twice this amount from the employer) is paid if the number of hours is at least 75% of normal hours. The rates are of those for between 50 and 75%, for those between 25%-50% and 0 for those working below 25% of normal hours. Assuming that the second earner (earning 33% of average wages) in the two household types in *Taxing Wages* works between 50% and 75% of normal hours, the reduction in the total pensions contribution (including both employee and employers contribution) compared to a full time worker is 894.5 DKK. This is less than 0.3 per cent of yearly earnings of the average worker in Denmark (326 943 DKK). If, instead, it is assumed that the person works 25% to 50% of normal hours, the reduction in the pension contribution will be twice as large. Thus the difference in the supplementary pension contribution seems to have a small impact on the household types in *Taxing Wages*. In Denmark the fixed unemployment contribution (7 728 DKK in 2005) may also be reduced to if the number of hours is less than 75% of normal hours. However, employees normally choose to pay the full amount to retain the right to full unemployment benefits.

The special provisions regarding thresholds and lower and upper limits for SSC in Spain and Turkey do not affect the household types in *Taxing Wages*.

In some countries like Australia (Newstart allowance) and Italy (family allowance) some cash benefits can depend on hours worked. However, the household types in *Taxing Wages*, where the primary earner works full-time and the second worker is not assumed to be seeking full-time employment, there is no impact from the rules related to hours worked.

Overall, therefore, the special tax, social security and benefit provisions for part-time work in most OECD countries have little or no impact on the results for published in *Taxing Wages*. However, in the case of Belgium, the effect of hours worked on the reductions in employees' and employers' social security contributions imply that the results in *Taxing Wages* significantly understate the taxation of earners at 33% of average earnings.

#### 4. The use of hours-related rules to encourage increases in hours of work

The case of the hours-related rules for the SSC reductions in Belgium is an example of the use of such rules to limit the benefit of the reductions to those workers (and their employers) whose hourly wages are judged to be low, and not to extend them to people whose income is low because of the part-time nature of their work.

Another major reason for hours-related rules is to encourage part-time workers to increase their hours of work. A particularly clear example of this is provided by the United Kingdom's Working Tax Credit. As described in the Country Details for the United Kingdom in Section IV of this report, this tax credit is available to several different categories of taxpayers, with different requirements in terms of minimum hours of work. Also, for families with children, the maximum value of the credit (whose actual value also depends on income) increases if one member of the household works more than 30 hours a week. All of these hours requirements give a clear incentive for the relevant workers to attain the minimum hours of work.

This can be illustrated by the case of a single-earner household with one child, where the earner is paid the National Minimum Wage. If the sole earner works 29 hours per week, net annual household income can be calculated as follows (because of rounding, the individual elements do not sum to the total):

a) Gross annual earnings	GBP 7 615
b) Income tax and SSC	GBP 647 (minus)
c) Working Tax Credit	GBP 2 325
d) Child Tax Credit	GBP 2 240
e) Child Benefit	GBP 884
f) Total net income	GBP 12 422

If the sole earner increased hours of work to 30 per week, the higher level of Working Tax Credit would apply and the calculation would be as follows:

g) Gross annual earnings	GBP 7 878
h) Income tax and SSC	GBP 734 (minus)
i) Working Tax Credit	GBP 2 890
j) Child Tax Credit	GBP 2 240
k) Child Benefit	GBP 884
l) Total net income	GBP 13 162

In this example, an increase of one hour per week increases gross earnings by GBP 263 but increases net income by GBP 740. This clearly provides a strong incentive for the main worker in the family to work at least 30 hours per week.

## 5. Summary

This special feature has discussed a number of issues related to the taxation of part-time work and the interpretation of results reported in *Taxing Wages*. First, it has shown that second earners who are earning 33% of the average wage are very likely, in reality, to be working part-time although the *Taxing Wages* methodology generally assumes that they are working full-time. However, this only affects the accuracy of the results in *Taxing Wages* if rules related to taxes and benefits are partly based on hours of work.

More than half of OECD countries do not have tax/benefit rules that depend on hours of work. Moreover, even for those countries that do have such rules, they mainly have little or no effect on the household types covered by *Taxing Wages*. In France, the rules do have an effect on these household types and these are built into the *Taxing Wages* calculations, by using specific assumptions about the relationship between earnings and hours of work. However, in the case of Belgium, the social security contribution rules include reductions for low-income workers that are hours-related, and these are not included in the *Taxing Wages* calculation. Their omission has a significant effect on the results for the two household types that include a second earner who is earning 33% of average wages, although the exact effect is sensitive to the assumptions made about hours of work.

The Belgian case is an example of how hours-related rules are used to limit tax reliefs to those on low hourly wages. In contrast, the United Kingdom's Working Tax Credit provides an example of hours related rules that increase the incentive for workers to increase their hours of work.<sup>8</sup>

As the special feature has revealed that the tax rates reported in *Taxing Wages* do not reflect the hours-based provisions that would apply to a worker earning 33% of the average wage, for one or two countries, the Working Party on Tax Policy Analysis and Tax Statistics will consider how to address this issue in future editions of this publication.

## Notes

1. Van Bastelaer, Lemâitre and Marianna (1997): The definition of part-time work for the purpose of international comparisons. *Labour Market and Social Policy Occasional Papers*, No. 22. OECD, Paris.
2. This is the reason that Table 1 only includes information on relative earnings levels using percentages, rather than presenting absolute values for hours and wage rates.
3. The one exception is France, where the worker on 33 per cent of average earnings is assumed to work the number of hours that are necessary to earn their income if paid at the hourly minimum wage rate.
4. In the case of France, these provisions are already taken account of in the *Taxing Wages* calculations.
5. The Belgian earned income tax credit was repealed with effect from 2004.
6. If  $A =$  wage of the half-time worker, the reduction is computed starting with  $wage = 2A$  and the worker gets 50 % of the reduction.
7. See the Country Details for Belgium in Section IV of this report.
8. This credit is included in the *Taxing Wages* calculations but its hours-related rules do not affect the results for the standard household types, all of which include a worker who is working more than 30 hours per week.

## PART II

# Comparative Tables and Charts

- 1. Tax Burdens, 2005 (Tables II.1 to II.11)**
- 2. Tax Burdens, 2004 (Tables II.12 to II.22)**
- 3. Tax Burdens, 2005 (Charts II.1 to II.6)**

Table II.1 . Income tax plus employee and employer contributions  
less cash benefits, by family-type and wage level (as % of labour costs), 2005

Family-type :	single	single	single	single	married	married	married	married
	no ch	no ch	no ch	2 ch	2 ch	2 ch	2 ch	no ch
Wage level (% of Average wage):	67	100	167	67	100-0	100-33 <sup>1</sup>	100-67 <sup>1</sup>	100-33 <sup>1</sup>
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Australia	24.8	28.3	35.6	-5.5	16.0	20.5	23.1	25.2
Austria	42.5	47.4	50.8	24.6	35.5	36.7	39.2	44.5
Belgium	49.1	55.4	60.8	35.2	40.3	40.3	48.2	46.9
Canada	27.0	31.6	32.9	-0.4	21.5	25.3	28.2	28.7
Czech Republic	42.1	43.8	46.2	18.1	27.1	35.2	39.0	42.6
Denmark	39.3	41.4	49.7	13.8	29.6	34.5	36.1	39.4
Finland	39.5	44.6	50.4	26.9	38.4	36.8	38.8	41.5
France	41.4	50.1	53.1	32.4	41.7	40.3	42.5	44.9
Germany	46.7	51.8	53.6	33.8	35.7	40.9	44.8	46.7
Greece	34.4	38.8	45.6	34.4	39.2	38.1	37.5	38.8
Hungary	42.9	50.5	56.5	25.4	39.9	39.4	41.1	47.4
Iceland	23.6	29.0	37.0	5.1	11.0	19.9	25.1	23.6
Ireland	19.9	25.7	36.1	-11.7	8.1	11.5	16.8	18.7
Italy	41.7	45.4	50.0	25.7	35.2	38.2	40.9	42.0
Japan	26.5	27.7	30.3	24.1	24.9	25.5	26.0	27.0
Korea	15.6	17.3	21.4	15.2	16.2	16.0	16.1	16.6
Luxembourg	29.8	35.3	42.7	6.3	12.2	16.2	21.3	28.3
Mexico	14.1	18.2	24.2	14.1	18.2	15.8	16.5	15.8
Netherlands	41.3	38.6	42.2	22.0	29.1	31.9	36.1	36.6
New Zealand	18.9	20.5	26.2	-5.0	14.5	19.6	19.8	19.6
Norway	34.3	37.3	43.9	18.7	29.6	31.3	32.8	35.4
Poland	42.4	43.6	44.8	42.4	42.1	42.4	43.1	42.4
Portugal	31.7	36.2	41.6	22.2	26.6	27.9	31.0	32.1
Slovak Republic	35.3	38.3	40.3	22.0	23.2	29.0	31.7	35.8
Spain	35.7	39.0	42.4	30.0	33.4	35.4	36.1	36.3
Sweden	46.5	47.9	54.4	38.1	42.4	42.4	44.0	46.5
Switzerland	26.7	29.5	33.9	13.1	18.6	21.0	24.0	27.4
Turkey	41.9	42.7	44.5	41.9	42.7	42.2	42.2	42.2
United Kingdom	29.9	33.5	37.1	9.6	27.1	25.0	28.2	29.9
United States	26.7	29.1	33.7	-1.2	11.9	19.6	22.5	26.7
<i>Unweighted average:</i>								
OECD	33.7	37.3	42.1	19.0	27.7	30.0	32.4	34.3
EU-15	38.0	42.1	47.4	22.9	31.6	33.1	36.1	38.2
EU-19	38.5	42.5	47.3	23.7	31.9	33.8	36.7	39.0

Note: ch= children.

1. Two-earner family.

StatLink: <http://dx.doi.org/10.1787/333450184555>

Table II.2 . Income tax plus employee contributions, by family-type and wage level  
(as % of gross wage earnings), 2005

Family-type :	single	single	single	single	married	married	married	married
	no ch	no ch	no ch	2 ch	2 ch	2 ch	2 ch	no ch
Wage level (% of Average wage):	67	100	167	67	100-0	100-33 <sup>1</sup>	100-67 <sup>1</sup>	100-33 <sup>1</sup>
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Australia	20.3	24.0	31.7	20.3	24.0	20.8	22.5	20.8
Austria	25.7	32.1	37.4	22.8	30.1	28.4	29.6	28.4
Belgium	34.8	41.9	48.7	29.2	30.4	31.7	37.8	33.7
Canada	19.9	23.5	26.9	12.0	19.2	20.5	22.1	20.5
Czech Republic	21.8	24.1	27.4	13.7	13.6	17.7	19.7	22.6
Denmark	38.8	41.0	49.5	38.8	35.8	38.9	39.7	38.9
Finland	25.0	31.3	38.5	25.0	31.3	27.5	28.8	27.5
France	25.9	29.0	33.1	21.0	21.5	22.0	24.5	25.0
Germany	35.6	41.7	45.9	20.0	22.3	28.5	33.3	35.6
Greece	16.0	21.6	30.3	16.0	22.1	20.8	19.9	21.6
Hungary	21.9	32.9	41.4	13.8	27.5	24.0	25.3	28.0
Iceland	19.2	24.9	33.4	19.2	13.4	19.2	22.6	19.2
Ireland	11.2	17.7	29.3	4.7	8.7	10.4	14.2	10.4
Italy	22.5	27.3	33.5	14.1	19.6	19.2	22.2	22.8
Japan	17.1	18.5	21.9	14.4	15.3	16.0	16.6	17.7
Korea	8.1	9.9	14.7	7.6	8.6	8.5	8.6	9.2
Luxembourg	20.2	26.5	35.0	13.9	13.9	15.0	18.8	18.5
Mexico	2.3	7.9	15.4	2.3	7.9	3.7	5.7	3.7
Netherlands	31.4	32.2	37.9	15.7	26.3	27.2	30.5	29.2
New Zealand	18.9	20.5	26.2	18.9	20.5	19.6	19.8	19.6
Norway	25.7	29.0	36.5	21.9	26.5	27.0	27.7	27.0
Poland	30.7	32.0	33.6	30.7	30.3	30.7	31.5	30.7
Portugal	15.5	21.1	27.7	11.3	14.1	14.2	17.4	15.9
Slovak Republic	18.3	22.1	24.9	10.6	9.0	14.9	17.4	18.9
Spain	16.0	20.3	25.1	8.6	13.0	15.6	16.6	16.8
Sweden	29.1	31.0	39.7	29.1	31.0	29.2	30.3	29.2
Switzerland	18.6	21.7	26.7	14.5	16.9	17.8	20.0	19.4
Turkey	29.4	30.4	32.6	29.4	30.4	29.8	29.8	29.8
United Kingdom	23.2	26.5	29.9	9.1	24.6	21.8	24.0	23.2
United States	20.9	23.6	28.5	-9.2	5.0	13.2	16.4	20.9
<i>Unweighted average:</i>								
OECD	22.1	26.2	32.1	16.6	20.4	21.1	23.1	22.8
EU-15	24.7	29.4	36.1	18.6	23.0	23.4	25.8	25.1
EU-19	24.4	29.1	35.2	18.3	22.4	23.0	25.3	25.1

Note : ch=children.

1. Two-earner family.

StatLink: <http://dx.doi.org/10.1787/573580386142>

Table II.3 . Income tax plus employee contributions less cash benefits,  
by family-type and wage level (as % of gross wage earnings), 2005

Family-type :	single	single	single	single	married	married	married	married
	no ch	no ch	no ch	2 ch	2 ch	2 ch	2 ch	no ch
Wage level (% of Average wage):	67	100	167	67	100-0	100-33 <sup>1</sup>	100-67 <sup>1</sup>	100-33 <sup>1</sup>
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Australia	20.3	24.0	31.7	-11.8	10.9	15.7	18.5	20.8
Austria	25.7	32.1	37.4	2.6	16.7	18.3	21.5	28.4
Belgium	34.8	41.9	48.7	16.9	22.2	25.6	32.9	33.7
Canada	18.6	23.5	26.9	-12.1	12.3	16.6	19.8	20.5
Czech Republic	21.8	24.1	27.4	-10.6	1.5	12.6	17.6	22.6
Denmark	38.8	41.0	49.5	13.1	29.2	33.9	35.7	38.9
Finland	25.0	31.3	38.5	9.4	23.6	21.7	24.1	27.5
France	25.9	29.0	33.1	14.5	17.1	18.8	21.9	25.0
Germany	35.6	41.7	45.9	20.0	22.3	28.5	33.3	35.6
Greece	16.0	21.6	30.3	16.0	22.1	20.8	19.9	21.6
Hungary	21.9	32.9	41.4	-2.0	18.4	17.2	19.8	28.0
Iceland	19.2	24.9	33.4	-0.4	5.9	15.3	20.8	19.2
Ireland	11.2	17.7	29.3	-23.7	-1.8	2.5	7.9	10.4
Italy	22.5	27.3	33.5	1.1	13.7	17.7	21.4	22.8
Japan	17.1	18.5	21.9	14.4	15.3	16.0	16.6	17.7
Korea	8.1	9.9	14.7	7.6	8.6	8.5	8.6	9.2
Luxembourg	20.2	26.5	35.0	-6.6	0.3	4.8	10.6	18.5
Mexico	2.3	7.9	15.4	2.3	7.9	3.7	5.7	3.7
Netherlands	31.4	32.2	37.9	8.9	21.7	23.8	27.8	29.2
New Zealand	18.9	20.5	26.2	-5.0	14.5	19.6	19.8	19.6
Norway	25.7	29.0	36.5	8.1	20.4	22.4	24.0	27.0
Poland	30.7	32.0	33.6	30.7	30.3	30.7	31.5	30.7
Portugal	15.5	21.1	27.7	3.7	9.1	10.8	14.6	15.9
Slovak Republic	18.3	22.1	24.9	1.6	3.0	10.4	13.8	18.9
Spain	16.0	20.3	25.1	8.6	13.0	15.6	16.6	16.8
Sweden	29.1	31.0	39.7	18.1	23.7	23.7	25.8	29.2
Switzerland	18.6	21.7	26.7	3.5	9.6	12.3	15.6	19.4
Turkey	29.4	30.4	32.6	29.4	30.4	29.8	29.8	29.8
United Kingdom	23.2	26.5	29.9	1.0	19.4	17.9	20.9	23.2
United States	20.9	23.6	28.5	-9.2	5.0	13.2	16.4	20.9
<i>Unweighted average:</i>								
OECD	22.1	26.2	32.1	5.0	14.9	17.6	20.4	22.8
EU-15	24.7	29.4	36.1	6.9	16.8	18.9	22.3	25.1
EU-19	24.4	29.1	35.2	6.5	16.1	18.7	22.0	25.1

Note: ch=children.

1. Two-earner family.

StatLink: <http://dx.doi.org/10.1787/318114716534>



Table II. 4. Income tax, by family-type and wage level (as % of gross wage earnings), 2005

Family-type :	single	single	single	single	married	married	married	married
	no ch	no ch	no ch	2 ch	2 ch	2 ch	2 ch	no ch
Wage level (% of Average wage):	67	100	167	67	100-0	100-33 <sup>1</sup>	100-67 <sup>1</sup>	100-33 <sup>1</sup>
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Australia	20.3	24.0	31.7	20.3	24.0	20.8	22.5	20.8
Austria	7.7	14.1	21.0	4.7	12.1	10.3	11.5	10.3
Belgium	21.6	27.9	34.7	16.0	16.4	20.7	23.8	22.6
Canada	13.1	16.6	22.5	5.1	12.3	13.9	15.2	13.9
Czech Republic	9.3	11.6	14.9	1.2	1.1	5.2	7.2	10.1
Denmark	26.9	30.4	39.9	26.9	25.2	27.0	28.5	27.0
Finland	18.8	24.9	32.1	18.8	24.9	21.2	22.5	21.2
France	12.3	15.4	20.1	7.4	7.9	8.4	10.9	11.4
Germany	14.8	20.9	29.2	-0.9	1.4	7.7	12.4	14.8
Greece	0.0	5.6	14.3	0.0	6.1	4.8	3.9	5.6
Hungary	8.4	19.4	27.9	0.3	14.0	10.5	11.8	14.5
Iceland	18.9	24.7	33.3	18.9	13.2	18.9	22.4	18.9
Ireland	6.5	12.6	24.3	0.0	3.6	6.5	9.2	6.5
Italy	13.3	18.1	24.3	4.9	10.4	10.1	13.0	13.6
Japan	5.2	6.6	10.7	2.5	3.5	4.2	4.7	5.8
Korea	1.0	2.7	8.0	0.4	1.5	1.4	1.4	2.1
Luxembourg	6.3	12.6	21.0	0.0	0.0	1.2	4.9	4.6
Mexico	1.0	6.3	13.6	1.0	6.3	2.2	4.2	2.2
Netherlands	4.0	10.5	24.4	3.2	10.2	7.9	7.8	8.0
New Zealand	18.9	20.5	26.2	18.9	20.5	19.6	19.8	19.6
Norway	17.9	21.2	28.7	14.1	18.7	19.2	19.9	19.2
Poland	5.0	6.4	8.0	5.0	4.6	5.0	5.9	5.0
Portugal	4.5	10.1	16.7	0.3	3.1	3.2	6.4	4.9
Slovak Republic	4.9	8.7	11.9	-1.8	-3.4	2.2	4.6	5.5
Spain	9.7	14.0	18.9	2.2	6.7	9.2	10.2	10.5
Sweden	22.1	24.0	34.9	22.1	24.0	22.2	23.2	22.2
Switzerland	7.6	10.7	15.7	3.4	5.9	6.8	9.0	8.3
Turkey	14.4	15.4	17.6	14.4	15.4	14.8	14.8	14.8
United Kingdom	15.0	17.4	23.1	0.9	15.4	13.6	15.3	15.0
United States	13.0	15.7	20.8	-17.1	-2.8	5.3	8.5	13.0
<i>Unweighted average:</i>								
OECD	11.4	15.6	22.3	6.4	10.1	10.8	12.5	12.4
EU-15	12.2	17.2	25.3	7.1	11.2	11.6	13.6	13.2
EU-19	11.1	16.0	23.2	5.9	9.7	10.4	12.3	12.3

Note: ch=children.

1. Two-earner family.

StatLink: <http://dx.doi.org/10.1787/227655577274>

Table II.5 . Employee contributions, by family-type and wage levels (as % of gross wage earnings), 2005

Family-type :	single	single	single	single	married	married	married	married
	no ch	no ch	no ch	2 ch	2 ch	2 ch	2 ch	no ch
Wage level (% of Average wage):	67	100	167	67	100-0	100-33 <sup>1</sup>	100-67 <sup>1</sup>	100-33 <sup>1</sup>
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Australia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Austria	18.1	18.1	16.4	18.1	18.1	18.1	18.1	18.1
Belgium	13.2	14.0	14.1	13.2	14.0	11.1	14.0	11.1
Canada	6.8	7.0	4.3	6.8	7.0	6.6	6.9	6.6
Czech Republic	12.5	12.5	12.5	12.5	12.5	12.5	12.5	12.5
Denmark	11.9	10.6	9.6	11.9	10.6	11.9	11.2	11.9
Finland	6.2	6.4	6.4	6.2	6.4	6.2	6.3	6.2
France	13.6	13.6	13.0	13.6	13.6	13.6	13.6	13.6
Germany	20.9	20.9	16.7	20.9	20.9	20.9	20.9	20.9
Greece	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0
Hungary	13.5	13.5	13.5	13.5	13.5	13.5	13.5	13.5
Iceland	0.3	0.2	0.1	0.3	0.2	0.3	0.2	0.3
Ireland	4.7	5.2	4.9	4.7	5.2	3.9	5.0	3.9
Italy	9.2	9.2	9.2	9.2	9.2	9.2	9.2	9.2
Japan	11.8	11.8	11.2	11.8	11.8	11.8	11.8	11.8
Korea	7.1	7.1	6.7	7.1	7.1	7.1	7.1	7.1
Luxembourg	13.9	13.9	14.0	13.9	13.9	13.9	13.9	13.9
Mexico	1.3	1.6	1.8	1.3	1.6	1.5	1.5	1.5
Netherlands	27.4	21.7	13.6	12.5	16.1	19.3	22.7	21.1
New Zealand	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Norway	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8
Poland	25.6	25.6	25.6	25.6	25.6	25.6	25.6	25.6
Portugal	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0
Slovak Republic	13.4	13.4	13.1	12.4	12.4	12.7	12.8	13.4
Spain	6.4	6.4	6.2	6.4	6.4	6.4	6.4	6.4
Sweden	7.0	7.0	4.7	7.0	7.0	7.0	7.0	7.0
Switzerland	11.1	11.1	10.9	11.1	11.1	11.1	11.1	11.1
Turkey	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
United Kingdom	8.2	9.1	6.8	8.2	9.1	8.2	8.7	8.2
United States	7.9	7.8	7.8	7.9	7.8	7.9	7.9	7.9
<i>Unweighted average:</i>								
OECD	10.7	10.6	9.8	10.2	10.4	10.3	10.6	10.4
EU-15	12.5	12.2	10.8	11.5	11.8	11.8	12.3	11.9
EU-19	13.3	13.1	12.0	12.5	12.7	12.7	13.1	12.8

Note: ch=children.

1. Two-earner family.

StatLink: <http://dx.doi.org/10.1787/778527123650>

Table II.6. **Marginal rate of income tax plus employee and employer contributions less cash benefits, by family-type and wage level (as % of labour costs), 2005<sup>1</sup>**

Family-type :	single	single	single	single	married	married	married	married
	no ch	no ch	no ch	2 ch	2 ch	2 ch	2 ch	no ch
Wage level (% of Average wage):	67	100	167	67	100-0	100-33 <sup>2</sup>	100-67 <sup>2</sup>	100-33 <sup>2</sup>
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Australia	35.4	35.4	51.4	68.3	54.2	35.4	35.4	35.4
Austria	57.3	57.3	41.9	57.3	57.3	57.3	57.3	57.3
Belgium	71.3	66.4	68.4	71.3	66.4	66.4	66.4	66.4
Canada	34.5	40.7	35.9	57.1	57.0	44.4	44.4	40.7
Czech Republic	44.9	48.1	51.4	60.5	57.2	44.9	48.1	48.1
Denmark	42.9	49.2	63.0	42.9	43.7	43.7	43.7	43.7
Finland	50.7	54.9	59.5	50.7	54.9	54.9	54.9	54.9
France	66.8	55.8	59.6	61.3	51.5	48.3	52.0	52.0
Germany	59.7	65.1	44.3	57.9	56.1	59.6	62.3	59.7
Greece	34.4	54.1	60.6	34.4	54.1	54.1	54.1	54.1
Hungary	52.4	77.2	63.7	52.4	77.2	77.2	77.2	77.2
Iceland	39.7	39.7	43.5	46.0	46.0	46.0	46.0	39.7
Ireland	33.2	53.0	49.8	66.0	33.2	33.2	33.2	33.2
Italy	52.7	52.7	59.1	54.0	54.5	53.9	52.7	52.7
Japan	28.2	31.8	31.0	28.2	29.2	29.2	29.2	31.8
Korea	17.7	24.4	23.3	17.7	19.3	24.4	24.4	24.4
Luxembourg	41.4	52.4	54.0	24.0	24.0	38.2	44.5	38.2
Mexico	22.8	22.8	33.0	22.8	22.8	22.8	22.8	22.8
Netherlands	57.4	51.0	52.0	53.7	51.0	51.0	51.0	51.0
New Zealand	21.0	33.0	39.0	39.0	63.0	33.0	33.0	33.0
Norway	43.2	43.2	53.8	43.2	43.2	43.2	43.2	43.2
Poland	45.8	45.8	53.3	45.8	45.8	45.8	45.8	45.8
Portugal	38.6	47.1	55.6	38.6	38.6	38.6	47.1	38.6
Slovak Republic	44.4	44.4	42.8	43.8	43.8	43.8	43.8	44.4
Spain	49.4	45.5	37.0	41.5	45.5	45.5	45.5	45.5
Sweden	51.2	48.8	67.2	51.2	48.8	48.8	48.8	48.8
Switzerland	34.0	36.0	42.8	29.0	31.7	33.3	37.6	35.1
Turkey	44.5	44.5	48.0	44.5	44.5	44.5	44.5	44.5
United Kingdom	40.6	40.6	47.7	73.4	40.6	40.6	40.6	40.6
United States	34.0	34.0	43.3	25.7	48.9	34.0	34.0	34.0
<i>Unweighted average:</i>								
OECD	43.0	46.5	49.2	46.7	46.8	44.5	45.5	44.6
EU-15	49.8	52.9	54.6	51.9	48.0	48.9	50.3	49.1
EU-19	49.2	53.1	54.3	51.6	49.7	49.8	51.0	50.1

Note : ch = children.

1. Assumes a rise in gross earnings of the principal earner in the household. The outcome may differ if the wage of the spouse goes up, especially if partners are taxed individually.

2. Two-earner family.

StatLink: <http://dx.doi.org/10.1787/441546166878>

Table II.7. **Marginal rate of income tax plus employee contributions less cash benefits, by family-type and wage level (as % of gross wage earnings), 2005<sup>1</sup>**

Family-type :	single	single	single	single	married	married	married	married
	no ch	no ch	no ch	2 ch	2 ch	2 ch	2 ch	no ch
Wage level (% of Average wage):	67	100	167	67	100-0	100-33 <sup>2</sup>	100-67 <sup>2</sup>	100-33 <sup>2</sup>
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Australia	31.5	31.5	48.5	66.4	51.5	31.5	31.5	31.5
Austria	44.9	44.9	37.5	44.9	44.9	44.9	44.9	44.9
Belgium	61.3	54.8	59.3	61.3	54.8	54.8	54.8	54.8
Canada	26.5	35.1	33.0	51.9	52.9	39.1	39.1	35.1
Czech Republic	25.6	30.0	34.4	46.6	42.3	25.6	30.0	30.0
Denmark	42.9	49.2	63.0	42.9	43.7	43.7	43.7	43.7
Finland	38.9	44.1	49.8	38.9	44.1	44.1	44.1	44.1
France	32.6	36.8	42.2	21.4	30.6	26.0	31.3	31.3
Germany	51.3	57.8	44.3	49.1	46.9	51.2	54.4	51.3
Greece	16.0	41.2	49.6	16.0	41.2	41.2	41.2	41.2
Hungary	36.5	69.5	51.5	36.5	69.5	69.5	69.5	69.5
Iceland	36.2	36.2	40.2	42.9	42.9	42.9	42.9	36.2
Ireland	26.0	48.0	44.4	62.4	26.0	26.0	26.0	26.0
Italy	37.1	37.1	45.6	38.7	39.5	38.7	37.1	37.1
Japan	19.0	23.1	27.0	19.0	20.2	20.2	20.2	23.1
Korea	10.3	17.6	19.9	10.3	12.1	17.6	17.6	17.6
Luxembourg	33.7	46.1	47.9	14.0	14.1	30.1	37.2	30.1
Mexico	14.9	14.9	26.1	14.9	14.9	14.9	14.9	14.9
Netherlands	49.6	45.4	52.0	45.3	45.4	45.4	45.4	45.4
New Zealand	21.0	33.0	39.0	39.0	63.0	33.0	33.0	33.0
Norway	35.8	35.8	47.8	35.8	35.8	35.8	35.8	35.8
Poland	34.8	34.8	43.7	34.8	34.8	34.8	34.8	34.8
Portugal	24.0	34.5	45.0	24.0	24.0	24.0	34.5	24.0
Slovak Republic	29.9	29.9	28.7	29.0	29.0	29.0	29.0	29.9
Spain	34.0	28.8	37.0	23.6	28.8	28.8	28.8	28.8
Sweden	35.4	32.2	56.6	35.4	32.2	32.2	32.2	32.2
Switzerland	26.7	28.9	37.1	21.2	24.2	25.9	30.7	27.9
Turkey	32.6	32.6	36.8	32.6	32.6	32.6	32.6	32.6
United Kingdom	33.0	33.0	41.0	70.0	33.0	33.0	33.0	33.0
United States	28.9	28.9	38.9	20.0	45.0	28.9	28.9	28.9
<i>Unweighted average:</i>								
OECD	32.4	37.2	42.3	36.3	37.3	34.8	36.0	35.0
EU-15	37.4	42.3	47.7	39.2	36.6	37.6	39.2	37.9
EU-19	36.2	42.0	46.0	38.7	38.1	38.1	39.6	38.5

Note: ch=children.

1. Assumes a rise in gross earnings of the principal earner in the household. The outcome may differ if the wage of the spouse goes up, especially if partners are taxed individually.

2. Two-earner family.

StatLink: <http://dx.doi.org/10.1787/638026082621>

Table II.8 . Increase in net income<sup>1</sup> after 1% increase in gross wage, by family-type and wage level (%), 2005

Family-type :	single	single	single	single	married	married	married	married
	no ch	no ch	no ch	2 ch	2 ch	2 ch	2 ch	no ch
Wage level (% of Average wage):	67	100	167	67	100-0	100-33 <sup>2</sup>	100-67 <sup>2</sup>	100-33 <sup>2</sup>
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Australia	0.86	0.90	0.75	0.30	0.54	0.81	0.84	0.86
Austria	0.74	0.81	1.00	0.57	0.66	0.67	0.70	0.77
Belgium	0.59	0.78	0.79	0.47	0.58	0.61	0.67	0.68
Canada	0.90	0.85	0.92	0.43	0.54	0.73	0.76	0.82
Czech Republic	0.95	0.92	0.90	0.48	0.59	0.85	0.85	0.90
Denmark	0.93	0.86	0.73	0.66	0.80	0.85	0.88	0.92
Finland	0.81	0.81	0.82	0.67	0.73	0.71	0.74	0.77
France	0.91	0.89	0.86	0.92	0.84	0.91	0.88	0.92
Germany	0.76	0.72	1.03	0.64	0.68	0.68	0.68	0.76
Greece	1.00	0.75	0.72	1.00	0.75	0.74	0.73	0.75
Hungary	0.81	0.45	0.83	0.62	0.37	0.37	0.38	0.42
Iceland	0.79	0.85	0.90	0.57	0.61	0.67	0.72	0.79
Ireland	0.83	0.63	0.79	0.30	0.73	0.76	0.80	0.83
Italy	0.81	0.87	0.82	0.62	0.70	0.75	0.80	0.81
Japan	0.98	0.94	0.93	0.95	0.94	0.95	0.96	0.93
Korea	0.98	0.91	0.94	0.97	0.96	0.90	0.90	0.91
Luxembourg	0.83	0.73	0.80	0.81	0.86	0.73	0.70	0.86
Mexico	0.87	0.92	0.87	0.87	0.92	0.88	0.90	0.88
Netherlands	0.73	0.81	0.77	0.60	0.70	0.72	0.76	0.77
New Zealand	0.97	0.84	0.83	0.58	0.43	0.83	0.84	0.83
Norway	0.86	0.90	0.82	0.70	0.81	0.83	0.84	0.88
Poland	0.94	0.96	0.85	0.94	0.94	0.94	0.95	0.94
Portugal	0.90	0.83	0.76	0.79	0.84	0.85	0.77	0.90
Slovak Republic	0.86	0.90	0.95	0.72	0.73	0.79	0.82	0.87
Spain	0.79	0.89	0.84	0.84	0.82	0.84	0.85	0.86
Sweden	0.91	0.98	0.72	0.79	0.89	0.89	0.91	0.96
Switzerland	0.90	0.91	0.86	0.82	0.84	0.84	0.82	0.89
Turkey	0.95	0.97	0.94	0.95	0.97	0.96	0.96	0.96
United Kingdom	0.87	0.91	0.84	0.30	0.83	0.82	0.85	0.87
United States	0.90	0.93	0.85	0.73	0.58	0.82	0.85	0.90
<i>Unweighted average:</i>								
OECD	0.87	0.85	0.85	0.69	0.74	0.79	0.80	0.84
EU-15	0.83	0.82	0.82	0.66	0.76	0.77	0.78	0.83
EU-19	0.84	0.82	0.83	0.67	0.74	0.76	0.78	0.82

Note : ch = children.

1. 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.

2. Two-earner family. Assumes a rise in gross earnings of the principal earner in the household.

StatLink: <http://dx.doi.org/10.1787/035216200832>

Table II.9 . Increase in net income<sup>1</sup> after 1% increase in labour costs, by family-type and wage level (%), 2005

Family-type :	single	single	single	single	married	married	married	married
	no ch	no ch	no ch	2 ch	2 ch	2 ch	2 ch	no ch
Wage level (% of Average wage):	67	100	167	67	100-0	100-33 <sup>2</sup>	100-67 <sup>2</sup>	100-33 <sup>2</sup>
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Australia	0.86	0.90	0.75	0.30	0.54	0.81	0.84	0.86
Austria	0.74	0.81	1.18	0.57	0.66	0.67	0.70	0.77
Belgium	0.57	0.75	0.81	0.44	0.56	0.56	0.65	0.63
Canada	0.90	0.87	0.95	0.43	0.55	0.74	0.77	0.83
Czech Republic	0.95	0.92	0.90	0.48	0.59	0.85	0.85	0.90
Denmark	0.94	0.87	0.74	0.66	0.80	0.86	0.88	0.93
Finland	0.81	0.81	0.82	0.67	0.73	0.71	0.74	0.77
France	0.57	0.88	0.86	0.57	0.83	0.87	0.83	0.87
Germany	0.76	0.72	1.20	0.64	0.68	0.68	0.68	0.76
Greece	1.00	0.75	0.72	1.00	0.75	0.74	0.73	0.75
Hungary	0.83	0.46	0.84	0.64	0.38	0.38	0.39	0.43
Iceland	0.79	0.85	0.90	0.57	0.61	0.67	0.72	0.79
Ireland	0.83	0.63	0.79	0.30	0.73	0.75	0.80	0.82
Italy	0.81	0.87	0.82	0.62	0.70	0.75	0.80	0.81
Japan	0.98	0.94	0.99	0.95	0.94	0.95	0.96	0.93
Korea	0.98	0.91	0.98	0.97	0.96	0.90	0.90	0.91
Luxembourg	0.83	0.74	0.80	0.81	0.86	0.74	0.70	0.86
Mexico	0.90	0.94	0.88	0.90	0.94	0.92	0.92	0.92
Netherlands	0.73	0.80	0.83	0.59	0.69	0.72	0.77	0.77
New Zealand	0.97	0.84	0.83	0.58	0.43	0.83	0.84	0.83
Norway	0.86	0.90	0.82	0.70	0.81	0.83	0.84	0.88
Poland	0.94	0.96	0.85	0.94	0.94	0.94	0.95	0.94
Portugal	0.90	0.83	0.76	0.79	0.84	0.85	0.77	0.90
Slovak Republic	0.86	0.90	0.96	0.72	0.73	0.79	0.82	0.87
Spain	0.79	0.89	1.09	0.84	0.82	0.84	0.85	0.86
Sweden	0.91	0.98	0.72	0.79	0.89	0.89	0.91	0.96
Switzerland	0.90	0.91	0.86	0.82	0.84	0.84	0.82	0.89
Turkey	0.95	0.97	0.94	0.95	0.97	0.96	0.96	0.96
United Kingdom	0.85	0.89	0.83	0.29	0.81	0.79	0.83	0.85
United States	0.90	0.93	0.86	0.73	0.58	0.82	0.85	0.90
<i>Unweighted average:</i>								
OECD	0.85	0.85	0.88	0.68	0.74	0.79	0.80	0.84
EU-15	0.80	0.82	0.86	0.64	0.76	0.76	0.78	0.82
EU-19	0.82	0.81	0.87	0.65	0.74	0.76	0.77	0.81

Note : ch = children.

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

StatLink: <http://dx.doi.org/10.1787/137860162632>

Table II.10. Annual gross wage earnings and net income, by family-type and wage level  
(in US dollars using PPP), 2005

Family-type :	single		single		single		single	
	no ch		no ch		no ch		2 ch	
Wage level (% of Average wage):	67		100		167		67	
	gross	net	gross	net	gross	net	gross	net
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Australia	24 567	19 585	36 851	28 000	61 418	41 920	24 567	27 469
Austria	24 622	18 284	36 934	25 070	61 556	38 524	24 622	23 980
Belgium	27 401	17 866	41 101	23 882	68 502	35 138	27 401	22 770
Canada	20 865	16 991	31 297	23 933	52 161	38 137	20 865	23 386
Czech Republic	10 153	7 943	15 229	11 557	25 381	18 433	10 153	11 225
Denmark	25 636	15 686	38 454	22 676	64 090	32 353	25 636	22 268
Finland	23 356	17 520	35 035	24 069	58 391	35 894	23 356	21 165
France	22 413	16 606	33 619	23 886	56 032	37 502	22 413	19 168
Germany	29 391	18 926	44 086	25 698	73 477	39 786	29 391	23 519
Greece	17 206	14 453	25 808	20 242	43 014	29 982	18 926	15 898
Hungary	9 121	7 123	13 681	9 180	22 801	13 366	9 121	9 302
Iceland	21 409	17 292	32 113	24 119	53 522	35 632	21 409	21 490
Ireland	20 704	18 376	31 056	25 548	51 761	36 609	20 704	25 607
Italy	18 040	13 990	27 060	19 663	45 100	30 013	18 040	17 844
Japan	25 490	21 138	38 235	31 171	63 725	49 773	25 490	21 824
Korea	25 135	23 106	37 702	33 987	62 837	53 603	25 135	23 236
Luxembourg	27 323	21 817	40 984	30 127	68 307	44 376	27 323	29 124
Mexico	7 125	6 962	10 688	9 843	17 813	15 073	7 125	6 962
Netherlands	27 706	19 000	41 560	28 181	69 266	42 987	27 706	25 236
New Zealand	18 183	14 744	27 274	21 691	45 457	33 543	18 183	19 086
Norway	25 673	19 081	38 509	27 322	64 182	40 736	25 673	23 597
Poland	10 821	7 504	16 232	11 034	27 053	17 969	10 821	7 504
Portugal	13 432	11 351	20 148	15 902	33 580	24 284	13 432	12 928
Slovak Republic	8 319	6 797	12 478	9 715	20 797	15 609	8 319	8 186
Spain	17 634	14 804	26 451	21 074	44 085	33 005	17 634	16 120
Sweden	22 103	15 671	33 154	22 867	55 257	33 342	22 103	18 111
Switzerland	27 130	22 076	40 694	31 851	67 824	49 731	27 130	26 182
Turkey	12 406	8 764	18 609	12 945	31 015	20 904	12 406	8 764
United Kingdom	30 727	23 597	46 091	33 890	76 819	53 877	30 727	30 421
United States	21 111	16 704	31 666	24 206	52 777	37 722	21 111	23 057
<i>Unweighted average:</i>								
OECD	20 507	15 792	30 760	22 444	51 267	34 328	20 564	19 514
EU-15	23 180	17 197	34 769	24 185	57 949	36 512	23 294	21 611
EU-19	20 321	15 122	30 482	21 277	50 804	32 266	20 412	18 967

Note : ch=children.

StatLink: <http://dx.doi.org/10.1787/434040380842>

Table II.10 (cont'd). Annual gross wage earnings and net income, by family-type and wage level  
(in US dollars using PPP), 2005

Family type :	married		married		married		married	
	2 ch		2 ch		2 ch		0 ch	
	100-0		100-33 <sup>1</sup>		100-67 <sup>1</sup>		100-33 <sup>1</sup>	
Wage level (% of Average wage):	gross	net	gross	net	gross	net	gross	net
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
Australia	36 851	32 816	49 135	41 430	61 418	50 082	49 135	38 933
Austria	36 934	30 766	49 245	40 240	61 556	48 315	49 245	35 279
Belgium	41 101	31 986	54 802	40 793	68 502	45 960	54 802	36 343
Canada	31 297	27 458	41 729	34 782	52 161	41 832	41 729	33 181
Czech Republic	15 229	14 997	20 305	17 756	25 381	20 908	20 305	15 724
Denmark	38 454	27 227	51 272	33 882	64 090	41 205	51 272	31 333
Finland	35 035	26 773	46 713	36 590	58 391	44 294	46 713	33 885
France	33 619	27 869	44 826	36 410	56 032	43 769	44 826	33 633
Germany	44 086	34 256	58 781	42 007	73 477	49 033	58 781	37 851
Greece	30 970	24 121	39 573	31 348	48 176	38 574	36 992	28 986
Hungary	13 681	11 159	18 241	15 103	22 801	18 282	18 241	13 125
Iceland	32 113	30 228	42 817	36 274	53 522	42 382	42 817	34 583
Ireland	31 056	31 616	41 409	40 388	51 761	47 686	41 409	37 113
Italy	27 060	23 348	36 080	29 691	45 100	35 454	36 080	27 854
Japan	38 235	32 366	50 980	42 819	63 725	53 161	50 980	41 967
Korea	37 702	34 446	50 270	46 005	62 837	57 463	37 702	45 662
Luxembourg	40 984	40 866	54 646	52 018	68 307	61 076	54 646	44 555
Mexico	10 688	9 843	14 250	13 719	17 813	16 805	14 250	13 719
Netherlands	41 560	32 529	55 413	42 201	69 266	50 000	55 413	39 260
New Zealand	27 274	23 319	36 366	29 252	45 457	36 435	36 366	29 252
Norway	38 509	30 657	51 345	39 868	64 182	48 767	51 345	37 504
Poland	16 232	11 320	21 643	15 008	27 053	18 537	21 643	15 008
Portugal	20 148	18 311	26 864	23 972	33 580	28 674	26 864	22 589
Slovak Republic	12 478	12 099	16 638	14 911	20 797	17 935	16 638	13 488
Spain	26 451	23 006	35 268	29 776	44 085	36 768	35 268	29 331
Sweden	33 154	25 306	44 205	33 749	55 257	40 977	44 205	31 310
Switzerland	40 694	36 791	54 259	47 579	67 824	57 229	54 259	43 745
Turkey	18 609	12 945	24 812	17 427	31 015	21 784	24 812	17 427
United Kingdom	46 091	37 163	61 455	50 465	76 819	60 759	61 455	47 193
United States	31 666	30 081	42 221	36 635	52 777	44 137	42 221	33 390
<i>Unweighted average:</i>								
OECD	30 932	26 189	41 185	33 737	51 439	40 609	40 680	31 441
EU-15	35 114	29 010	46 703	37 569	58 293	44 836	46 531	34 434
EU-19	30 754	25 512	40 915	32 964	51 075	39 379	40 779	30 203

Note : ch=children.

1. Two-earner family .

StatLink: <http://dx.doi.org/10.1787/806840848545>



Table II.11. Annual labour costs and net income, by family-type and wage level  
(in US dollars using PPP), 2005

Family-type :	single		single		single		single	
	no ch		no ch		no ch		2 ch	
Wage level (% of Average wage):	67		100		167		67	
	gross	net	gross	net	gross	net	gross	net
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Australia	26 041	19 585	39 062	28 000	65 103	41 920	26 041	27 469
Austria	31 795	18 284	47 692	25 070	78 246	38 524	31 795	23 980
Belgium	35 119	17 866	53 581	23 882	89 649	35 138	35 119	22 770
Canada	23 284	16 991	34 965	23 933	56 810	38 137	23 284	23 386
Czech Republic	13 706	7 943	20 559	11 557	34 265	18 433	13 706	11 225
Denmark	25 846	15 686	38 664	22 676	64 300	32 353	25 846	22 268
Finland	28 962	17 520	43 443	24 069	72 405	35 894	28 962	21 165
France	28 352	16 606	47 824	23 886	79 908	37 502	28 352	19 168
Germany	35 519	18 926	53 278	25 698	85 747	39 786	35 519	23 519
Greece	22 034	14 453	33 050	20 242	55 084	29 982	24 237	15 898
Hungary	12 471	7 123	18 559	9 180	30 735	13 366	12 471	9 302
Iceland	22 635	17 292	33 953	24 119	56 589	35 632	22 635	21 490
Ireland	22 930	18 376	34 395	25 548	57 325	36 609	22 930	25 607
Italy	24 008	13 990	36 011	19 663	60 019	30 013	24 008	17 844
Japan	28 748	21 138	43 122	31 171	71 432	49 773	28 748	21 824
Korea	27 391	23 106	41 086	33 987	68 200	53 603	27 391	23 236
Luxembourg	31 072	21 817	46 531	30 127	77 450	44 376	31 072	29 124
Mexico	8 102	6 962	12 031	9 843	19 888	15 073	8 102	6 962
Netherlands	32 341	19 000	45 910	28 181	74 351	42 987	32 341	25 236
New Zealand	18 183	14 744	27 274	21 691	45 457	33 543	18 183	19 086
Norway	29 036	19 081	43 554	27 322	72 589	40 736	29 036	23 597
Poland	13 032	7 504	19 548	11 034	32 581	17 969	13 032	7 504
Portugal	16 622	11 351	24 933	15 902	41 555	24 284	16 622	12 928
Slovak Republic	10 499	6 797	15 748	9 715	26 161	15 609	10 499	8 186
Spain	23 030	14 804	34 545	21 074	57 286	33 005	23 030	16 120
Sweden	29 277	15 671	43 916	22 867	73 193	33 342	29 277	18 111
Switzerland	30 127	22 076	45 191	31 851	75 247	49 731	30 127	26 182
Turkey	15 073	8 764	22 610	12 945	37 684	20 904	15 073	8 764
United Kingdom	33 651	23 597	50 982	33 890	85 642	53 877	33 651	30 421
United States	22 782	16 704	34 144	24 206	56 870	37 722	22 782	23 057
<i>Unweighted average:</i>								
OECD	24 056	15 792	36 205	22 444	60 059	34 328	24 129	19 514
EU-15	28 037	17 197	42 317	24 185	70 144	36 512	28 184	21 611
EU-19	24 751	15 122	37 325	21 277	61 890	32 266	24 867	18 967

Note : ch= children.

StatLink: <http://dx.doi.org/10.1787/204131167755>

Table II.11 (cont'd). Annual labour costs and net income, by family-type and wage level  
(in US dollars using PPP), 2005

Family-type :	married		married		married		married	
	2 ch		2 ch		2 ch		0 ch	
Wage level (% of Average wage):	100-0		100-331		100-67 <sup>1</sup>		100-33 <sup>1</sup>	
	gross	net	gross	net	gross	net	gross	net
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
Australia	39 062	32 816	52 083	41 430	65 103	50 082	52 083	38 933
Austria	47 692	30 766	63 589	40 240	79 486	48 315	63 589	35 279
Belgium	53 581	31 986	68 386	40 793	88 700	45 960	68 386	36 343
Canada	34 965	27 458	46 540	34 782	58 249	41 832	46 540	33 181
Czech Republic	20 559	14 997	27 412	17 756	34 265	20 908	27 412	15 724
Denmark	38 664	27 227	51 691	33 882	64 509	41 205	51 691	31333.16829
Finland	43 443	26 773	57 924	36 590	72 405	44 294	57 924	33 885
France	47 824	27 869	60 997	36 410	76 175	43 769	60 997	33 633
Germany	53 278	34 256	71 037	42 007	88 796	49 033	71 037	37 851
Greece	39 660	24 121	50 677	31 348	61 694	38 574	47 372	28 986
Hungary	18 559	11 159	24 943	15 103	31 031	18 282	24 943	13 125
Iceland	33 953	30 228	45 271	36 274	56 589	42 382	45 271	34 583
Ireland	34 395	31 616	45 627	40 388	57 325	47 686	45 627	37 113
Italy	36 011	23 348	48 015	29 691	60 019	35 454	48 015	27 854
Japan	43 122	32 366	57 496	42 819	71 870	53 161	57 496	41 967
Korea	41 086	34 446	54 781	46 005	68 477	57 463	42 214	45 662
Luxembourg	46 531	40 866	62 108	52 018	77 603	61 076	62 108	44 555
Mexico	12 031	9 843	16 289	13 719	20 133	16 805	16 289	13 719
Netherlands	45 910	32 529	61 945	42 201	78 251	50 000	61 945	39 260
New Zealand	27 274	23 319	36 366	29 252	45 457	36 435	36 366	29 252
Norway	43 554	30 657	58 071	39 868	72 589	48 767	58 071	37 504
Poland	19 548	11 320	26 064	15 008	32 581	18 537	26 064	15 008
Portugal	24 933	18 311	33 244	23 972	41 555	28 674	33 244	22 589
Slovak Republic	15 748	12 099	20 997	14 911	26 246	17 935	20 997	13 488
Spain	34 545	23 006	46 060	29 776	57 576	36 768	46 060	29 331
Sweden	43 916	25 306	58 554	33 749	73 193	40 977	58 554	31 310
Switzerland	45 191	36 791	60 255	47 579	75 319	57 229	60 255	43 745
Turkey	22 610	12 945	30 147	17 427	37 684	21 784	30 147	17 427
United Kingdom	50 982	37 163	67 302	50 465	84 633	60 759	67 302	47 193
United States	34 144	30 081	45 563	36 635	56 926	44 137	45 563	33 390
<i>Unweighted average:</i>								
OECD	36 426	26 189	48 315	33 737	60 481	40 609	47 785	31 441
EU-15	42 758	29 010	56 477	37 569	70 795	44 836	56 257	34 434
EU-19	37 673	25 512	49 820	32 964	62 423	39 379	49 646	30 203

Note: ch = children.

1. Two-earner family.

StatLink: <http://dx.doi.org/10.1787/354011422666>

Table II.12 . **Income tax plus employee and employer contributions less cash benefits, by family-type and wage level (as % of labour costs), 2004**

Family-type :	single	single	single	single	married	married	married	married
	no ch	no ch	no ch	2 ch	2 ch	2 ch	2 ch	no ch
Wage level (% of Average wage):	67	100	167	67	100-0	100-33 <sup>1</sup>	100-67 <sup>1</sup>	100-33 <sup>1</sup>
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Australia	24.3	28.0	36.1	-10.0	15.2	18.2	21.2	24.8
Austria	43.4	47.5	50.8	25.0	35.3	36.6	39.5	44.6
Belgium	48.9	55.4	61.3	34.8	42.7	43.5	48.0	49.8
Canada	27.5	32.0	33.2	-0.8	21.5	25.6	28.6	29.2
Czech Republic	41.9	43.5	45.9	18.3	29.0	35.7	39.3	42.4
Denmark	39.3	41.3	49.5	13.4	29.4	34.3	36.0	39.4
Finland	39.4	44.5	50.4	26.3	38.0	36.6	38.6	41.4
France	42.3	49.8	52.5	33.4	41.5	40.2	42.7	44.8
Germany	47.9	53.3	55.7	34.8	36.6	42.0	46.0	47.9
Greece	34.4	38.3	44.9	34.4	38.7	37.7	37.2	38.5
Hungary	44.8	51.8	57.7	27.1	41.0	40.4	42.5	48.4
Iceland	23.8	29.4	38.5	4.4	10.6	19.8	25.2	23.8
Ireland	20.5	26.2	36.4	-9.1	8.5	12.3	17.4	19.3
Italy	41.4	45.4	50.3	25.8	35.6	38.2	41.0	42.0
Japan	26.1	27.4	30.0	23.7	24.6	25.2	25.7	26.6
Korea	15.5	17.2	21.7	15.0	16.1	15.9	16.0	16.5
Luxembourg	29.2	34.6	42.2	5.7	11.7	15.4	20.4	27.7
Mexico	11.0	16.2	22.4	11.0	16.2	13.5	14.1	13.5
Netherlands	40.4	38.6	42.3	21.8	29.1	31.9	35.8	36.5
New Zealand	18.8	20.0	25.7	1.3	18.0	19.2	19.5	19.2
Norway	35.0	38.1	44.9	19.0	29.9	31.9	33.5	36.1
Poland	42.2	43.3	44.5	42.2	41.8	42.2	42.9	42.2
Portugal	32.4	36.8	42.0	22.9	27.4	28.6	31.6	32.8
Slovak Republic	39.6	42.5	44.3	26.9	28.1	33.6	36.1	40.1
Spain	35.2	38.7	42.4	29.5	32.9	35.1	35.7	36.1
Sweden	47.1	48.4	54.5	38.5	42.7	42.9	44.5	47.2
Switzerland	26.6	29.4	33.8	12.9	18.4	20.9	23.8	27.3
Turkey	41.9	42.8	44.5	41.9	42.8	42.2	42.2	42.2
United Kingdom	29.7	33.4	36.9	8.3	26.8	24.6	27.9	29.7
United States	26.7	29.1	33.6	-1.7	11.8	19.4	22.3	26.7
<i>Unweighted average:</i>								
OECD	33.9	37.4	42.3	19.2	28.1	30.1	32.5	34.6
EU-15	38.1	42.1	47.5	23.0	31.8	33.3	36.2	38.5
EU-19	38.9	42.8	47.6	24.2	32.5	34.3	37.0	39.5

Note: ch= children.

1. Two-earner family .

StatLink: <http://dx.doi.org/10.1787/033657437505>

Table II.13 . Income tax plus employee contributions, by family-type and wage level  
(as % of gross wage earnings), 2004

Family-type :	single	single	single	single	married	married	married	married
	no ch	no ch	no ch	2 ch	2 ch	2 ch	2 ch	no ch
Wage level (% of Average wage):	67	100	167	67	100-0	100-33 <sup>1</sup>	100-67 <sup>1</sup>	100-33 <sup>1</sup>
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Australia	19.7	23.7	32.3	20.0	23.7	20.3	22.1	20.3
Austria	26.9	32.3	37.8	23.8	30.2	28.5	30.1	28.5
Belgium	34.6	41.9	48.7	29.1	30.3	32.1	37.8	34.0
Canada	20.4	23.9	27.1	12.4	19.4	20.9	22.5	20.9
Czech Republic	21.5	23.8	27.0	16.0	17.7	18.8	20.2	22.2
Denmark	38.8	40.9	49.3	38.8	35.7	38.8	39.7	38.8
Finland	24.9	31.2	38.5	24.9	31.2	27.4	28.6	27.4
France	25.7	28.8	32.6	20.9	21.3	21.9	24.3	24.8
Germany	37.0	43.5	48.3	21.2	23.3	29.9	34.7	37.0
Greece	16.0	21.0	29.4	16.0	21.5	20.3	19.5	21.2
Hungary	24.3	34.4	42.9	15.8	28.8	25.0	27.0	29.2
Iceland	19.5	25.3	35.0	19.5	13.4	19.5	23.0	19.5
Ireland	12.0	18.2	29.6	4.7	9.0	11.1	14.8	11.1
Italy	22.0	27.3	33.8	14.8	20.4	19.3	22.4	22.8
Japan	16.8	18.3	21.7	14.2	15.1	15.8	16.3	17.5
Korea	8.1	9.9	15.0	7.5	8.7	8.5	8.6	9.2
Luxembourg	19.6	25.8	34.5	13.7	13.8	14.4	18.1	18.0
Mexico	-1.1	5.6	13.2	-1.1	5.6	1.2	2.9	1.2
Netherlands	30.5	32.2	38.0	15.7	26.4	27.4	30.4	29.1
New Zealand	18.8	20.0	25.7	18.8	20.0	19.2	19.5	19.2
Norway	26.6	30.1	37.8	22.8	27.1	27.8	28.7	27.8
Poland	30.4	31.8	33.1	30.4	29.9	30.4	31.2	30.4
Portugal	16.4	21.8	28.2	12.1	15.2	15.1	18.2	16.8
Slovak Republic	18.4	22.2	25.0	10.4	9.0	14.8	17.3	19.0
Spain	15.3	20.0	24.9	7.9	12.4	15.3	16.0	16.6
Sweden	29.8	31.5	39.7	29.8	31.5	29.9	30.9	29.9
Switzerland	18.5	21.6	26.6	14.4	16.8	17.7	19.9	19.2
Turkey	29.4	30.5	32.6	29.4	30.5	29.8	29.8	29.8
United Kingdom	23.0	26.3	29.6	7.9	24.3	21.5	23.8	23.0
United States	20.9	23.6	28.4	-9.7	4.9	13.0	16.2	20.9
<i>Unweighted average:</i>								
OECD	22.2	26.2	32.2	16.7	20.6	21.2	23.1	22.8
EU-15	24.8	29.5	36.2	18.7	23.1	23.5	25.9	25.3
EU-19	24.6	29.2	35.3	18.6	22.7	23.2	25.5	25.2

Note : ch=children.

1. Two-earner family.

StatLink: <http://dx.doi.org/10.1787/134237707334>

Table II.14 . Income tax plus employee contributions less cash benefits,  
by family-type and wage level (as % of gross wage earnings), 2004

Family-type :	single	single	single	single	married	married	married	married
	no ch	no ch	no ch	2 ch	2 ch	2 ch	2 ch	no ch
	67	100	167	67	100-0	100-33 <sup>1</sup>	100-67 <sup>1</sup>	100-33 <sup>1</sup>
Wage level (% of Average wage):	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Australia	19.7	23.7	32.3	-16.6	10.1	13.2	16.5	20.3
Austria	26.9	32.3	37.8	3.2	16.5	18.1	21.9	28.5
Belgium	34.6	41.9	48.7	16.4	21.9	25.7	32.8	34.0
Canada	19.1	23.9	27.1	-12.6	12.2	17.0	20.2	20.9
Czech Republic	21.5	23.8	27.0	-10.3	4.1	13.2	18.0	22.2
Denmark	38.8	40.9	49.3	12.7	29.0	33.8	35.6	38.8
Finland	24.9	31.2	38.5	8.7	23.2	21.3	23.8	27.4
France	25.7	28.8	32.6	14.3	17.0	18.6	21.7	24.8
Germany	37.0	43.5	48.3	21.2	23.3	29.9	34.7	37.0
Greece	16.0	21.0	29.4	16.0	21.5	20.3	19.5	21.2
Hungary	24.3	34.4	42.9	0.0	19.7	18.2	21.6	29.2
Iceland	19.5	25.3	35.0	-1.0	5.4	15.2	20.9	19.5
Ireland	12.0	18.2	29.6	-20.8	-1.3	3.4	8.6	11.1
Italy	22.0	27.3	33.8	1.3	14.3	17.7	21.5	22.8
Japan	16.8	18.3	21.7	14.2	15.1	15.8	16.3	17.5
Korea	8.1	9.9	15.0	7.5	8.7	8.5	8.6	9.2
Luxembourg	19.6	25.8	34.5	-7.1	-0.1	4.0	9.7	18.0
Mexico	-1.1	5.6	13.2	-1.1	5.6	1.2	2.9	1.2
Netherlands	30.5	32.2	38.0	8.7	21.8	23.9	27.6	29.1
New Zealand	18.8	20.0	25.7	1.3	18.0	19.2	19.5	19.2
Norway	26.6	30.1	37.8	8.5	20.8	23.0	24.9	27.8
Poland	30.4	31.8	33.1	30.4	29.9	30.4	31.2	30.4
Portugal	16.4	21.8	28.2	4.6	10.2	11.6	15.4	16.8
Slovak Republic	18.4	22.2	25.0	1.2	2.8	10.2	13.6	19.0
Spain	15.3	20.0	24.9	7.9	12.4	15.3	16.0	16.6
Sweden	29.8	31.5	39.7	18.4	23.9	24.2	26.3	29.9
Switzerland	18.5	21.6	26.6	3.3	9.4	12.1	15.4	19.2
Turkey	29.4	30.5	32.6	29.4	30.5	29.8	29.8	29.8
United Kingdom	23.0	26.3	29.6	-0.4	19.0	17.5	20.6	23.0
United States	20.9	23.6	28.4	-9.7	4.9	13.0	16.2	20.9
<i>Unweighted average:</i>								
OECD	22.1	26.2	32.2	5.0	15.0	17.5	20.4	22.8
EU-15	24.8	29.5	36.2	7.0	16.8	19.0	22.4	25.3
EU-19	24.6	29.2	35.3	6.7	16.3	18.8	22.1	25.2

Note: ch=children.

1. Two-earner family.

StatLink: <http://dx.doi.org/10.1787/116080284343>

Table II.15. Income tax, by family-type and wage level (as % of gross wage earnings), 2004

Family-type :	single	single	single	single	married	married	married	married
	no ch	no ch	no ch	2 ch	2 ch	2 ch	2 ch	no ch
	67	100	167	67	100-0	100-33 <sup>1</sup>	100-67 <sup>1</sup>	100-33 <sup>1</sup>
Wage level (% of Average wage):	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Australia	19.7	23.7	32.3	20.0	23.7	20.3	22.1	20.3
Austria	8.9	14.3	21.9	5.8	12.2	10.4	12.1	10.4
Belgium	21.5	27.9	34.6	16.0	16.3	20.5	23.8	22.4
Canada	13.9	17.1	22.8	5.9	12.6	14.4	15.8	14.4
Czech Republic	9.0	11.3	14.5	3.5	5.2	6.3	7.7	9.7
Denmark	26.8	30.3	39.7	26.8	25.1	26.8	28.4	26.8
Finland	18.9	25.1	32.3	18.9	25.1	21.3	22.6	21.3
France	12.1	15.2	20.0	7.3	7.7	8.3	10.7	11.2
Germany	16.1	22.7	31.8	0.4	2.5	9.0	13.9	16.1
Greece	0.0	5.0	13.4	0.0	5.5	4.3	3.5	5.2
Hungary	10.8	20.9	29.4	2.3	15.3	11.5	13.5	15.7
Iceland	19.2	25.1	34.9	19.2	13.2	19.2	22.7	19.2
Ireland	7.3	13.1	24.7	0.0	3.9	7.3	9.8	7.3
Italy	12.8	18.1	24.6	5.6	11.2	10.1	13.2	13.6
Japan	5.3	6.7	10.8	2.6	3.5	4.2	4.8	5.9
Korea	1.1	2.8	8.2	0.4	1.7	1.4	1.5	2.1
Luxembourg	5.9	12.0	20.7	0.0	0.0	0.7	4.3	4.2
Mexico	-2.3	4.0	11.3	-2.3	4.0	-0.3	1.5	-0.3
Netherlands	3.4	10.1	24.1	2.9	9.9	7.6	7.4	7.7
New Zealand	18.8	20.0	25.7	18.8	20.0	19.2	19.5	19.2
Norway	18.8	22.3	30.0	15.0	19.3	20.0	20.9	20.0
Poland	4.9	6.3	7.7	4.9	4.5	4.9	5.8	4.9
Portugal	5.4	10.8	17.2	1.1	4.2	4.1	7.2	5.8
Slovak Republic	5.0	8.8	11.9	-2.0	-3.4	2.2	4.5	5.6
Spain	9.0	13.6	18.6	1.6	6.0	8.9	9.7	10.2
Sweden	22.8	24.5	34.9	22.8	24.5	22.9	23.9	22.9
Switzerland	7.4	10.6	15.6	3.4	5.8	6.6	8.8	8.2
Turkey	14.4	15.5	17.6	14.4	15.5	14.8	14.8	14.8
United Kingdom	14.9	17.3	22.8	-0.3	15.2	13.4	15.1	14.9
United States	12.9	15.7	20.7	-17.6	-3.0	5.0	8.3	13.0
<i>Unweighted average:</i>								
OECD	11.5	15.7	22.5	6.6	10.2	10.8	12.6	12.4
EU-15	12.4	17.3	25.4	7.3	11.3	11.7	13.7	13.3
EU-19	11.3	16.2	23.4	6.2	10.0	10.6	12.5	12.4

Note: ch=children.

1. Two-earner family.

StatLink: <http://dx.doi.org/10.1787/521707365263>

Table II.16 . Employee contributions, by family-type and wage level (as % of gross wage earnings), 2004

Family-type :	single	single	single	single	married	married	married	married
	no ch	no ch	no ch	2 ch	2 ch	2 ch	2 ch	no ch
	67	100	167	67	100-0	100-33 <sup>1</sup>	100-67 <sup>1</sup>	100-33 <sup>1</sup>
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Australia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Austria	18.0	18.0	15.9	18.0	18.0	18.0	18.0	18.0
Belgium	13.1	14.0	14.0	13.1	14.0	11.6	14.0	11.6
Canada	6.6	6.8	4.2	6.6	6.8	6.5	6.7	6.5
Czech Republic	12.5	12.5	12.5	12.5	12.5	12.5	12.5	12.5
Denmark	12.0	10.7	9.6	12.0	10.7	12.0	11.2	12.0
Finland	6.0	6.1	6.2	6.0	6.1	6.0	6.1	6.0
France	13.6	13.6	12.6	13.6	13.6	13.6	13.6	13.6
Germany	20.9	20.9	16.5	20.9	20.9	20.9	20.9	20.9
Greece	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0
Hungary	13.5	13.5	13.5	13.5	13.5	13.5	13.5	13.5
Iceland	0.3	0.2	0.1	0.3	0.2	0.3	0.2	0.3
Ireland	4.7	5.1	4.9	4.7	5.1	3.8	4.9	3.8
Italy	9.2	9.2	9.2	9.2	9.2	9.2	9.2	9.2
Japan	11.6	11.6	10.9	11.6	11.6	11.6	11.6	11.6
Korea	7.1	7.1	6.8	7.1	7.1	7.1	7.1	7.1
Luxembourg	13.7	13.8	13.8	13.7	13.8	13.7	13.8	13.7
Mexico	1.3	1.6	1.9	1.3	1.6	1.5	1.5	1.5
Netherlands	27.1	22.2	13.9	12.8	16.5	19.8	23.0	21.4
New Zealand	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Norway	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8
Poland	25.4	25.4	25.4	25.4	25.4	25.4	25.4	25.4
Portugal	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0
Slovak Republic	13.4	13.4	13.0	12.4	12.4	12.7	12.8	13.4
Spain	6.4	6.4	6.3	6.4	6.4	6.4	6.4	6.4
Sweden	7.0	7.0	4.8	7.0	7.0	7.0	7.0	7.0
Switzerland	11.1	11.1	11.0	11.1	11.1	11.1	11.1	11.1
Turkey	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
United Kingdom	8.1	9.1	6.9	8.1	9.1	8.1	8.7	8.1
United States	7.9	7.8	7.8	7.9	7.8	7.9	7.9	7.9
<i>Unweighted average:</i>								
OECD	10.7	10.6	9.7	10.2	10.3	10.3	10.6	10.4
EU-15	12.4	12.2	10.8	11.5	11.8	11.8	12.2	11.9
EU-19	13.2	13.0	11.9	12.4	12.7	12.7	13.0	12.8

Note: ch=children.

1. Two-earner family.

StatLink: <http://dx.doi.org/10.1787/465363632605>

Table II.17. **Marginal rate of income tax plus employee and employer contributions less cash benefits, by family-type and wage level (as % of labour costs), 2004<sup>1</sup>**

Family-type :	single	single	single	single	married	married	married	married
	no ch	no ch	no ch	2 ch	2 ch	2 ch	2 ch	no ch
Wage level (% of Average wage):	67	100	167	67	100-0	100-33 <sup>2</sup>	100-67 <sup>2</sup>	100-33 <sup>2</sup>
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Australia	35.4	35.4	51.4	71.7	35.4	35.4	35.4	35.4
Austria	57.4	61.1	39.8	57.4	61.1	61.1	61.1	61.1
Belgium	65.6	66.4	70.2	65.6	66.4	66.4	66.4	66.4
Canada	35.4	43.5	35.9	57.8	59.3	47.1	47.1	43.5
Czech Republic	44.9	48.1	51.4	60.8	57.7	57.7	44.9	48.1
Denmark	42.9	49.2	63.0	42.9	43.7	43.7	43.7	43.7
Finland	50.5	55.1	59.7	50.5	55.1	55.1	55.1	55.1
France	66.7	56.2	58.5	61.1	48.8	48.8	52.4	52.4
Germany	60.9	67.3	47.5	59.0	56.7	60.8	61.4	60.9
Greece	34.4	54.1	60.6	34.4	54.1	54.1	54.1	54.1
Hungary	54.7	77.2	63.7	54.7	77.2	77.2	77.2	77.2
Iceland	40.4	40.4	45.2	46.8	46.8	46.8	46.8	40.4
Ireland	33.2	53.0	49.8	66.0	33.2	33.2	33.2	33.2
Italy	52.7	58.0	66.8	52.7	58.0	58.0	58.0	58.0
Japan	27.8	31.5	30.9	27.8	28.9	28.9	28.9	31.5
Korea	17.9	24.5	24.1	17.9	19.5	19.5	19.5	24.5
Luxembourg	39.6	50.7	53.8	23.8	23.8	38.0	42.8	38.0
Mexico	18.5	23.3	35.6	18.5	23.3	23.3	23.3	23.3
Netherlands	55.7	50.7	52.0	52.1	50.7	50.7	50.7	50.7
New Zealand	21.0	33.0	39.0	39.0	63.0	33.0	33.0	33.0
Norway	43.2	55.1	55.1	43.2	43.2	55.1	55.1	55.1
Poland	45.7	45.7	53.1	45.7	45.7	45.7	45.7	45.7
Portugal	39.4	47.5	55.6	39.4	39.4	39.4	47.5	39.4
Slovak Republic	48.1	48.1	46.6	47.5	47.5	47.5	47.5	48.1
Spain	49.4	45.5	28.0	41.5	45.5	45.5	45.5	45.5
Sweden	51.7	49.3	67.2	51.7	49.3	49.3	49.3	49.3
Switzerland	34.0	36.5	42.8	29.0	31.3	33.7	38.1	35.6
Turkey	44.5	44.5	48.0	44.5	44.5	44.5	44.5	44.5
United Kingdom	40.6	40.6	47.7	73.4	40.6	40.6	40.6	40.6
United States	34.1	34.1	43.4	25.8	49.0	34.1	34.1	34.1
<i>Unweighted average:</i>								
OECD	42.9	47.5	49.6	46.7	46.6	45.8	46.1	45.6
EU-15	49.4	53.6	54.7	51.4	48.4	49.6	50.8	49.9
EU-19	49.2	53.9	54.5	51.6	50.2	51.2	51.4	50.9

Note : ch = children.

1. Assumes a rise in gross earnings of the principal earner in the household. The outcome may differ if the wage of the spouse goes up, especially if partners are taxed individually.

2. Two-earner family.

StatLink: <http://dx.doi.org/10.1787/382101026317>



Table II.18. Marginal rate of income tax plus employee contributions  
less cash benefits, by family-type and wage level (as % of gross wage earnings), 2004<sup>1</sup>

Family-type :	single	single	single	single	married	married	married	married
	no ch	no ch	no ch	2 ch	2 ch	2 ch	2 ch	no ch
Wage level (% of Average wage):	67	100	167	67	100-0	100-33 <sup>2</sup>	100-67 <sup>2</sup>	100-33 <sup>2</sup>
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Australia	31.5	31.5	48.5	70.0	31.5	31.5	31.5	31.5
Austria	45.0	49.7	35.3	45.0	49.7	49.7	49.7	49.7
Belgium	53.7	54.8	59.3	53.7	54.8	54.8	54.8	54.8
Canada	27.5	36.6	33.0	52.6	54.3	40.6	40.6	36.6
Czech Republic	25.6	30.0	34.4	47.1	42.9	42.9	25.6	30.0
Denmark	42.9	49.2	63.0	42.9	43.7	43.7	43.7	43.7
Finland	38.6	44.3	50.0	38.6	44.3	44.3	44.3	44.3
France	32.4	37.8	41.4	21.2	27.2	27.2	32.4	32.4
Germany	52.8	60.4	47.5	50.4	47.7	52.6	53.3	52.8
Greece	16.0	41.2	49.6	16.0	41.2	41.2	41.2	41.2
Hungary	39.5	69.5	51.5	39.5	69.5	69.5	69.5	69.5
Iceland	37.0	37.0	42.0	43.8	43.8	43.8	43.8	37.0
Ireland	26.0	48.0	44.4	62.4	26.0	26.0	26.0	26.0
Italy	37.1	44.1	55.8	37.1	44.1	44.1	44.1	44.1
Japan	18.7	22.9	27.0	18.7	20.0	20.0	20.0	22.9
Korea	10.6	17.9	20.9	10.6	12.5	12.5	12.5	17.9
Luxembourg	31.8	44.3	47.8	13.9	13.9	30.0	35.3	30.0
Mexico	9.8	15.0	28.6	9.8	15.0	15.0	15.0	15.0
Netherlands	47.9	45.4	52.0	43.6	45.4	45.4	45.4	45.4
New Zealand	21.0	33.0	39.0	39.0	63.0	33.0	33.0	33.0
Norway	35.8	49.3	49.3	35.8	35.8	49.3	49.3	49.3
Poland	34.6	34.6	43.5	34.6	34.6	34.6	34.6	34.6
Portugal	25.0	35.0	45.0	25.0	25.0	25.0	35.0	25.0
Slovak Republic	29.9	29.9	28.7	29.0	29.0	29.0	29.0	29.9
Spain	34.0	28.8	28.0	23.6	28.8	28.8	28.8	28.8
Sweden	35.9	32.7	56.5	35.9	32.7	32.7	32.7	32.7
Switzerland	26.7	29.5	37.1	21.2	23.7	26.4	31.3	28.4
Turkey	32.6	32.6	36.8	32.6	32.6	32.6	32.6	32.6
United Kingdom	33.0	33.0	41.0	70.0	33.0	33.0	33.0	33.0
United States	29.0	29.0	39.0	20.1	45.1	29.0	29.0	29.0
<i>Unweighted average:</i>								
OECD	32.1	38.2	42.5	36.1	37.0	36.3	36.6	36.0
EU-15	36.8	43.2	47.8	38.6	37.2	38.6	40.0	38.9
EU-19	35.9	42.8	46.0	38.4	38.6	39.7	39.9	39.4

Note: ch=children.

1. Assumes a rise in gross earnings of the principal earner in the household. The outcome may differ if the wage of the spouse goes up, especially if partners are taxed individually.

2. Two-earner family.

StatLink: <http://dx.doi.org/10.1787/062857033246>

Table II.19 . Increase in net income<sup>1</sup> after 1% increase in gross wage, by family-type and wage level (%), 2004

Family-type :	single	single	single	single	married	married	married	married
	no ch	no ch	no ch	2 ch	2 ch	2 ch	2 ch	no ch
Wage level (% of Average wage):	67	100	167	67	100-0	100-33 <sup>2</sup>	100-67 <sup>2</sup>	100-33 <sup>2</sup>
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Australia	0.85	0.90	0.76	0.26	0.76	0.79	0.82	0.86
Austria	0.75	0.74	1.04	0.57	0.60	0.61	0.64	0.70
Belgium	0.71	0.78	0.79	0.55	0.58	0.61	0.67	0.69
Canada	0.90	0.83	0.92	0.42	0.52	0.72	0.74	0.80
Czech Republic	0.95	0.92	0.90	0.48	0.60	0.66	0.91	0.90
Denmark	0.93	0.86	0.73	0.65	0.79	0.85	0.87	0.92
Finland	0.82	0.81	0.81	0.67	0.73	0.71	0.73	0.77
France	0.91	0.87	0.87	0.92	0.88	0.89	0.86	0.90
Germany	0.75	0.70	1.02	0.63	0.68	0.68	0.71	0.75
Greece	1.00	0.74	0.71	1.00	0.75	0.74	0.73	0.75
Hungary	0.80	0.47	0.85	0.60	0.38	0.37	0.39	0.43
Iceland	0.78	0.84	0.89	0.56	0.59	0.66	0.71	0.78
Ireland	0.84	0.64	0.79	0.31	0.73	0.77	0.81	0.83
Italy	0.81	0.77	0.67	0.64	0.65	0.68	0.71	0.72
Japan	0.98	0.94	0.93	0.95	0.94	0.95	0.96	0.93
Korea	0.97	0.91	0.93	0.97	0.96	0.96	0.96	0.90
Luxembourg	0.85	0.75	0.80	0.80	0.86	0.73	0.72	0.85
Mexico	0.89	0.90	0.82	0.89	0.90	0.86	0.88	0.86
Netherlands	0.75	0.81	0.77	0.62	0.70	0.72	0.75	0.77
New Zealand	0.97	0.84	0.82	0.62	0.45	0.83	0.83	0.83
Norway	0.87	0.73	0.81	0.70	0.81	0.66	0.67	0.70
Poland	0.94	0.96	0.84	0.94	0.93	0.94	0.95	0.94
Portugal	0.90	0.83	0.77	0.79	0.84	0.85	0.77	0.90
Slovak Republic	0.86	0.90	0.95	0.72	0.73	0.79	0.82	0.87
Spain	0.78	0.89	0.96	0.83	0.81	0.84	0.85	0.85
Sweden	0.91	0.98	0.72	0.79	0.88	0.89	0.91	0.96
Switzerland	0.90	0.90	0.86	0.81	0.84	0.84	0.81	0.89
Turkey	0.95	0.97	0.94	0.95	0.97	0.96	0.96	0.96
United Kingdom	0.87	0.91	0.84	0.30	0.83	0.81	0.84	0.87
United States	0.90	0.93	0.85	0.73	0.58	0.82	0.85	0.90
<i>Unweighted average:</i>								
OECD	0.87	0.83	0.85	0.69	0.74	0.77	0.80	0.83
EU-15	0.84	0.81	0.82	0.67	0.75	0.76	0.77	0.82
EU-19	0.85	0.81	0.83	0.67	0.73	0.74	0.77	0.81

Note : ch = children.

1. 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.
2. Two-earner family. Assumes a rise in gross earnings of the principal earner in the household.

StatLink: <http://dx.doi.org/10.1787/161142432162>

Table II.20 . Increase in net income<sup>1</sup> after 1% increase in labour costs, by family-type and wage level(%), 2004

Family-type :	single no ch	single no ch	single no ch	single 2 ch	married 2 ch	married 2 ch	married 2 ch	married no ch
Wage level (% of Average wage):	67	100	167	67	100-0	100-33 <sup>2</sup>	100-67 <sup>2</sup>	100-33 <sup>2</sup>
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Australia	0.85	0.90	0.76	0.26	0.76	0.79	0.82	0.86
Austria	0.75	0.74	1.22	0.57	0.60	0.61	0.64	0.70
Belgium	0.67	0.75	0.77	0.53	0.59	0.59	0.65	0.67
Canada	0.89	0.83	0.96	0.42	0.52	0.71	0.74	0.80
Czech Republic	0.95	0.92	0.90	0.48	0.60	0.66	0.91	0.90
Denmark	0.94	0.86	0.73	0.66	0.80	0.86	0.88	0.93
Finland	0.82	0.81	0.81	0.67	0.73	0.71	0.73	0.77
France	0.58	0.87	0.87	0.58	0.88	0.86	0.83	0.86
Germany	0.75	0.70	1.18	0.63	0.68	0.68	0.71	0.75
Greece	1.00	0.74	0.71	1.00	0.75	0.74	0.73	0.75
Hungary	0.82	0.47	0.86	0.62	0.39	0.38	0.40	0.44
Iceland	0.78	0.84	0.89	0.56	0.59	0.66	0.71	0.78
Ireland	0.84	0.64	0.79	0.31	0.73	0.76	0.81	0.83
Italy	0.81	0.77	0.67	0.64	0.65	0.68	0.71	0.72
Japan	0.98	0.94	0.99	0.95	0.94	0.95	0.96	0.93
Korea	0.97	0.91	0.97	0.97	0.96	0.96	0.96	0.90
Luxembourg	0.85	0.75	0.80	0.81	0.86	0.73	0.72	0.86
Mexico	0.92	0.92	0.83	0.92	0.92	0.89	0.89	0.89
Netherlands	0.74	0.80	0.83	0.61	0.69	0.72	0.77	0.78
New Zealand	0.97	0.84	0.82	0.62	0.45	0.83	0.83	0.83
Norway	0.87	0.73	0.81	0.70	0.81	0.66	0.67	0.70
Poland	0.94	0.96	0.84	0.94	0.93	0.94	0.95	0.94
Portugal	0.90	0.83	0.77	0.79	0.84	0.85	0.77	0.90
Slovak Republic	0.86	0.90	0.96	0.72	0.73	0.79	0.82	0.87
Spain	0.78	0.89	1.25	0.83	0.81	0.84	0.85	0.85
Sweden	0.91	0.98	0.72	0.79	0.88	0.89	0.91	0.96
Switzerland	0.90	0.90	0.86	0.81	0.84	0.84	0.81	0.89
Turkey	0.95	0.97	0.94	0.95	0.97	0.96	0.96	0.96
United Kingdom	0.84	0.89	0.83	0.29	0.81	0.79	0.82	0.84
United States	0.90	0.93	0.85	0.73	0.58	0.82	0.85	0.90
<i>Unweighted average:</i>								
OECD	0.86	0.83	0.87	0.68	0.74	0.77	0.79	0.83
EU-15	0.81	0.80	0.86	0.65	0.75	0.75	0.77	0.81
EU-19	0.83	0.80	0.87	0.66	0.73	0.74	0.77	0.81

Note : ch = children.

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

StatLink: <http://dx.doi.org/10.1787/177147663360>

Table II.21. Annual gross wage and net income, by family-type and wage level  
(in US dollars using PPP), 2004

Family-type :	single		single		single		single	
	no ch		no ch		no ch		2 ch	
	67		100		167		67	
Wage level (% of Average wage):	gross	net	gross	net	gross	net	gross	net
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Australia	23 692	19 016	35 539	27 130	59 231	40 107	23 692	27 629
Austria	24 142	17 652	36 213	24 527	60 355	37 562	24 142	23 365
Belgium	26 867	17 567	40 300	23 427	67 166	34 468	26 867	22 450
Canada	20 492	16 583	30 737	23 390	51 229	37 357	20 492	23 067
Czech Republic	9 576	7 514	14 364	10 951	23 941	17 486	9 576	10 564
Denmark	24 926	15 263	37 390	22 087	62 316	31 577	24 926	21 769
Finland	22 458	16 876	33 687	23 184	56 145	34 550	22 458	20 512
France	21 961	16 312	32 941	23 466	54 902	37 005	21 961	18 817
Germany	29 146	18 368	43 719	24 692	72 864	37 651	29 146	22 967
Greece	16 603	13 946	24 904	19 679	41 506	29 311	18 263	15 341
Hungary	8 967	6 788	13 450	8 817	22 416	12 806	8 967	8 970
Iceland	20 501	16 509	30 752	22 963	51 253	33 309	20 501	20 713
Ireland	19 963	17 575	29 944	24 488	49 907	35 148	19 963	24 118
Italy	17 518	13 667	26 277	19 095	43 795	28 990	17 518	17 289
Japan	24 726	20 559	37 088	30 318	61 814	48 395	24 726	21 226
Korea	23 552	21 641	35 327	31 836	58 879	50 025	23 552	21 785
Luxembourg	26 540	21 334	39 810	29 532	66 351	43 463	26 540	28 420
Mexico	6 976	7 050	10 464	9 878	17 440	15 147	6 976	7 050
Netherlands	26 867	18 672	40 301	27 304	67 169	41 623	26 867	24 525
New Zealand	17 633	14 312	26 449	21 162	44 082	32 746	17 633	17 399
Norway	25 737	18 897	38 605	26 989	64 342	40 038	25 737	23 556
Poland	10 660	7 425	15 990	10 912	26 650	17 823	10 660	7 425
Portugal	13 060	10 923	19 590	15 314	32 650	23 431	13 060	12 457
Slovak Republic	7 775	6 346	11 663	9 073	19 438	14 582	7 775	7 683
Spain	17 216	14 580	25 824	20 662	43 040	32 340	17 216	15 852
Sweden	21 511	15 103	32 267	22 103	53 778	32 442	21 511	17 548
Switzerland	26 617	21 694	39 926	31 287	66 543	48 872	26 617	25 749
Turkey	11 929	8 425	17 893	12 445	29 822	20 115	11 929	8 425
United Kingdom	29 251	22 520	43 876	32 319	73 127	51 455	29 251	29 361
United States	20 236	16 016	30 355	23 197	50 591	36 201	20 236	22 203
<i>Unweighted average:</i>								
OECD	19 903	15 304	29 855	21 741	49 758	33 201	19 959	18 941
EU-15	22 535	16 691	33 803	23 459	56 338	35 401	22 646	20 986
EU-19	19 737	14 654	29 606	20 612	49 343	31 248	19 825	18 391

Note : ch=children.

StatLink: <http://dx.doi.org/10.1787/160135658222>

Table II.21 (cont'd). Annual gross wage and net income, by family-type and wage level  
(in US dollars using PPP), 2004

Family-type :	married		married		married		married	
	2 ch		2 ch		2 ch		0 ch	
	100-0		100-33 <sup>1</sup>		100-67 <sup>1</sup>		100-33 <sup>1</sup>	
Wage level (% of Average wage):	gross	net	gross	net	gross	net	gross	net
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
Australia	35 539	31 953	47 385	41 108	59 231	49 487	47 385	37 767
Austria	36 213	30 240	48 284	39 521	60 355	47 155	48 284	34 546
Belgium	40 300	31 487	53 733	39 900	67 166	45 161	53 733	35 460
Canada	30 737	26 991	40 983	34 033	51 229	40 904	40 983	32 418
Czech Republic	14 364	13 771	19 153	16 633	23 941	19 629	19 153	14 904
Denmark	37 390	26 551	49 853	33 009	62 316	40 126	49 853	30 490
Finland	33 687	25 882	44 916	35 328	56 145	42 758	44 916	32 630
France	32 941	27 349	43 921	35 752	54 902	42 991	43 921	33 035
Germany	43 719	33 510	58 291	40 869	72 864	47 561	58 291	36 737
Greece	29 885	23 468	38 186	30 441	46 487	37 414	35 696	28 116
Hungary	13 450	10 794	17 933	14 672	22 416	17 581	17 933	12 695
Iceland	30 752	29 082	41 002	34 786	51 253	40 551	41 002	33 018
Ireland	29 944	30 333	39 925	38 586	49 907	45 636	39 925	35 487
Italy	26 277	22 513	35 036	28 834	43 795	34 362	35 036	27 049
Japan	37 088	31 481	49 451	41 648	61 814	51 707	49 451	40 818
Korea	35 327	32 245	47 103	43 101	58 879	53 826	35 327	42 781
Luxembourg	39 810	39 845	53 080	50 948	66 351	59 889	53 080	43 547
Mexico	10 464	9 878	13 952	13 785	17 440	16 928	13 952	13 785
Netherlands	40 301	31 522	53 735	40 887	67 169	48 647	53 735	38 097
New Zealand	26 449	21 700	35 266	28 510	44 082	35 475	35 266	28 510
Norway	38 605	30 588	51 474	39 620	64 342	48 345	51 474	37 161
Poland	15 990	11 202	21 320	14 849	26 650	18 337	21 320	14 849
Portugal	19 590	17 594	26 120	23 081	32 650	27 617	26 120	21 736
Slovak Republic	11 663	11 334	15 550	13 962	19 438	16 788	15 550	12 594
Spain	25 824	22 631	34 432	29 176	43 040	36 148	34 432	28 723
Sweden	32 267	24 549	43 023	32 609	53 778	39 630	43 023	30 163
Switzerland	39 926	36 168	53 235	46 778	66 543	56 288	53 235	42 992
Turkey	17 893	12 445	23 858	16 754	29 822	20 941	23 858	16 754
United Kingdom	43 876	35 525	58 501	48 247	73 127	58 046	58 501	45 040
United States	30 355	28 875	40 473	35 228	50 591	42 410	40 473	32 015
<i>Unweighted average:</i>								
OECD	30 021	25 384	39 972	32 755	49 924	39 411	39 497	30 464
EU-15	34 135	28 200	45 402	36 479	56 670	43 543	45 236	33 390
EU-19	29 868	24 742	39 736	31 963	49 605	38 183	39 605	29 258

Note : ch=children.

1. Two-earner family.

StatLink: <http://dx.doi.org/10.1787/085045020617>

Table II.22. Annual labour costs and net income, by family-type and wage level  
(in US dollars using PPP), 2004

Family-type :	single		single		single		single	
	no ch		no ch		no ch		2 ch	
	67		100		167		67	
Wage level (% of Average wage):	gross	net	gross	net	gross	net	gross	net
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Australia	25 114	19 016	37 671	27 130	62 785	40 107	25 114	27 629
Austria	31 162	17 652	46 743	24 527	76 363	37 562	31 162	23 365
Belgium	34 409	17 567	52 520	23 427	88 963	34 468	34 409	22 450
Canada	22 880	16 583	34 388	23 390	55 884	37 357	22 880	23 067
Czech Republic	12 928	7 514	19 392	10 951	32 320	17 486	12 928	10 564
Denmark	25 138	15 263	37 601	22 087	62 527	31 577	25 138	21 769
Finland	27 848	16 876	41 772	23 184	69 620	34 550	27 848	20 512
France	28 273	16 312	46 786	23 466	77 846	37 005	28 273	18 817
Germany	35 223	18 368	52 834	24 692	84 920	37 651	35 223	22 967
Greece	21 261	13 946	31 892	19 679	53 153	29 311	23 387	15 341
Hungary	12 298	6 788	18 284	8 817	30 254	12 806	12 298	8 970
Iceland	21 676	16 509	32 514	22 963	54 190	33 309	21 676	20 713
Ireland	22 109	17 575	33 163	24 488	55 271	35 148	22 109	24 118
Italy	23 313	13 667	34 969	19 095	58 282	28 990	23 313	17 289
Japan	27 824	20 559	41 735	30 318	69 152	48 395	27 824	21 226
Korea	25 621	21 641	38 431	31 836	63 912	50 025	25 621	21 785
Luxembourg	30 140	21 334	45 137	29 532	75 130	43 463	30 140	28 420
Mexico	7 922	7 050	11 785	9 878	19 512	15 147	7 922	7 050
Netherlands	31 351	18 672	44 435	27 304	72 080	41 623	31 351	24 525
New Zealand	17 633	14 312	26 449	21 162	44 082	32 746	17 633	17 399
Norway	29 090	18 897	43 636	26 989	72 726	40 038	29 090	23 556
Poland	12 838	7 425	19 257	10 912	32 094	17 823	12 838	7 425
Portugal	16 162	10 923	24 243	15 314	40 405	23 431	16 162	12 457
Slovak Republic	10 512	6 346	15 768	9 073	26 199	14 582	10 512	7 683
Spain	22 484	14 580	33 726	20 662	56 103	32 340	22 484	15 852
Sweden	28 545	15 103	42 818	22 103	71 364	32 442	28 545	17 548
Switzerland	29 559	21 694	44 338	31 287	73 835	48 872	29 559	25 749
Turkey	14 494	8 425	21 740	12 445	36 234	20 115	14 494	8 425
United Kingdom	32 013	22 520	48 511	32 319	81 505	51 455	32 013	29 361
United States	21 840	16 016	32 733	23 197	54 517	36 201	21 840	22 203
<i>Unweighted average:</i>								
OECD	23 389	15 304	35 176	21 741	58 374	33 201	23 460	18 941
EU-15	27 295	16 691	41 143	23 459	68 236	35 401	27 437	20 986
EU-19	24 106	14 654	36 308	20 612	60 232	31 248	24 218	18 391

Note : ch= children.

StatLink: <http://dx.doi.org/10.1787/011745201002>

Table II.22 (cont'd). Annual labour costs and net income, by family-type and wage level  
(in US dollars using PPP), 2004

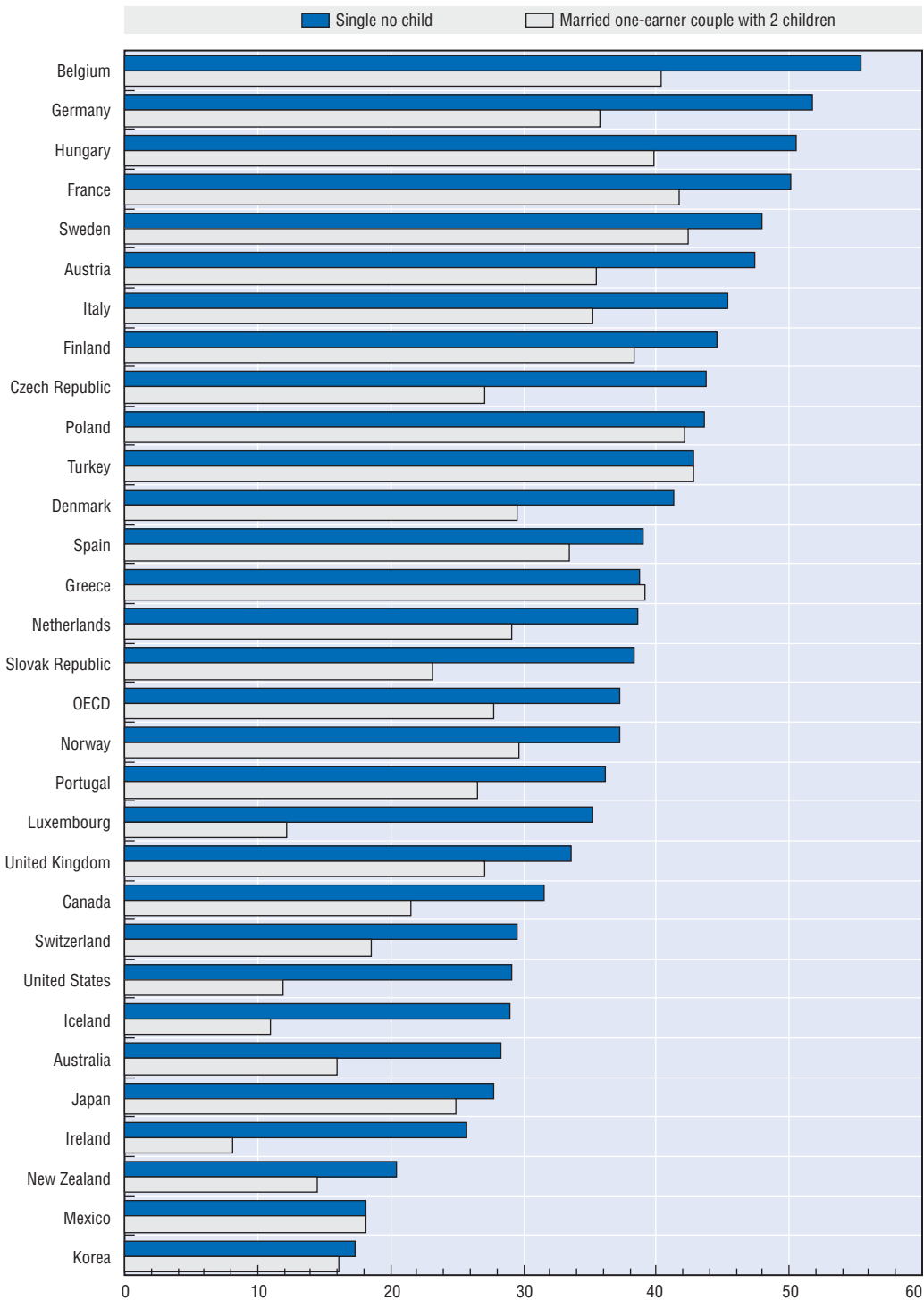
Family-type :	married		married		married		married	
	2 ch		2 ch		2 ch		0 ch	
	100-0		100-33 <sup>1</sup>		100-67 <sup>1</sup>		100-33 <sup>1</sup>	
Wage level (% of Average wage):	gross	net	gross	net	gross	net	gross	net
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
Australia	37 671	31 953	50 228	41 108	62 785	49 487	50 228	37 767
Austria	46 743	30 240	62 324	39 521	77 905	47 155	62 324	34 546
Belgium	54 918	31 487	70 678	39 900	86 929	45 161	70 678	35 460
Canada	34 388	26 991	45 760	34 033	57 268	40 904	45 760	32 418
Czech Republic	19 392	13 771	25 856	16 633	32 320	19 629	25 856	14 904
Denmark	37 601	26 551	50 276	33 009	62 739	40 126	50 276	30 490
Finland	41 772	25 882	55 696	35 328	69 620	42 758	55 696	32 630
France	46 786	27 349	59 812	35 752	75 059	42 991	59 812	33 035
Germany	52 834	33 510	70 445	40 869	88 056	47 561	70 445	36 737
Greece	38 270	23 468	48 901	30 441	59 532	37 414	45 712	28 116
Hungary	18 284	10 794	24 597	14 672	30 582	17 581	24 597	12 695
Iceland	32 514	29 082	43 352	34 786	54 190	40 551	43 352	33 018
Ireland	33 163	30 333	43 993	38 586	55 271	45 636	43 993	35 487
Italy	34 969	22 513	46 626	28 834	58 282	34 362	46 626	27 049
Japan	41 735	31 481	55 647	41 648	69 559	51 707	55 647	40 818
Korea	38 431	32 245	51 241	43 101	64 052	53 826	39 465	42 781
Luxembourg	45 137	39 845	60 248	50 948	75 277	59 889	60 248	43 547
Mexico	11 785	9 878	15 945	13 785	19 707	16 928	15 945	13 785
Netherlands	44 435	31 522	60 030	40 887	75 786	48 647	60 030	38 097
New Zealand	26 449	21 700	35 266	28 510	44 082	35 475	35 266	28 510
Norway	43 636	30 588	58 181	39 620	72 726	48 345	58 181	37 161
Poland	19 257	11 202	25 676	14 849	32 094	18 337	25 676	14 849
Portugal	24 243	17 594	32 324	23 081	40 405	27 617	32 324	21 736
Slovak Republic	15 768	11 334	21 024	13 962	26 280	16 788	21 024	12 594
Spain	33 726	22 631	44 968	29 176	56 210	36 148	44 968	28 723
Sweden	42 818	24 549	57 091	32 609	71 364	39 630	57 091	30 163
Switzerland	44 338	36 168	59 117	46 778	73 896	56 288	59 117	42 992
Turkey	21 740	12 445	28 987	16 754	36 234	20 941	28 987	16 754
United Kingdom	48 511	35 525	64 026	48 247	80 524	58 046	64 026	45 040
United States	32 733	28 875	43 681	35 228	54 573	42 410	43 681	32 015
<i>Unweighted average:</i>								
OECD	35 468	25 384	47 066	32 755	58 777	39 411	46 568	30 464
EU-15	41 728	28 200	55 162	36 479	68 864	43 543	54 950	33 390
EU-19	36 770	24 742	48 663	31 963	60 749	38 183	48 495	29 258

Note: ch = children.

1. Two-earner family.

StatLink: <http://dx.doi.org/10.1787/757543333565>

Chart II.1. **Income tax plus employee and employer contributions less cash benefits, by family-type (as % of labour costs), 2005**



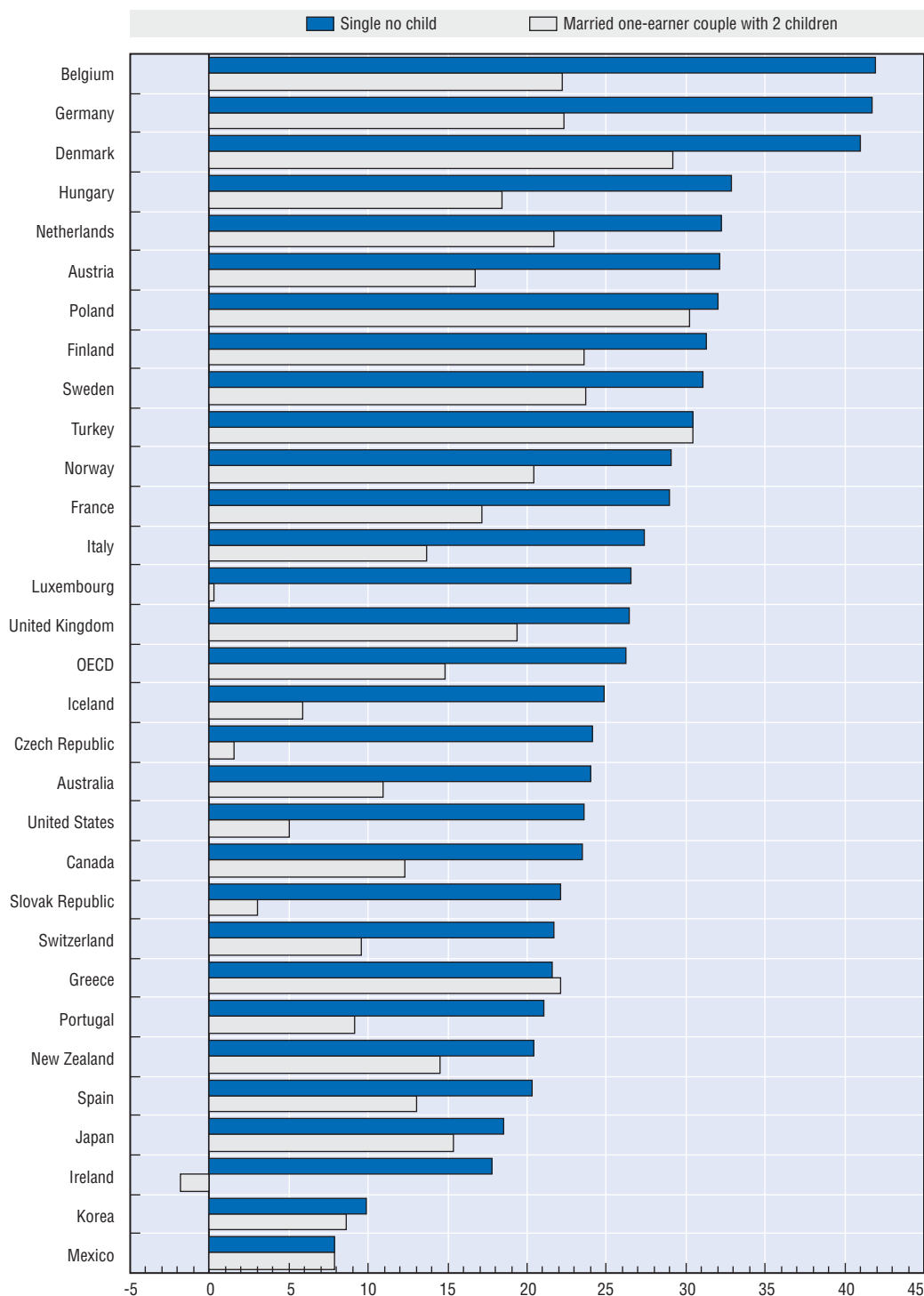
Note: Corresponds to Table II.1, columns 2 and 5.

Source: OECD calculations based on country submissions and OECD, *Economic Outlook* No. 77, June 2005.

StatLink: <http://dx.doi.org/10.1787/574235143035>



Chart II.2. **Income tax plus employee contributions less cash benefits, by family-type (as % of gross wage earnings), 2005**

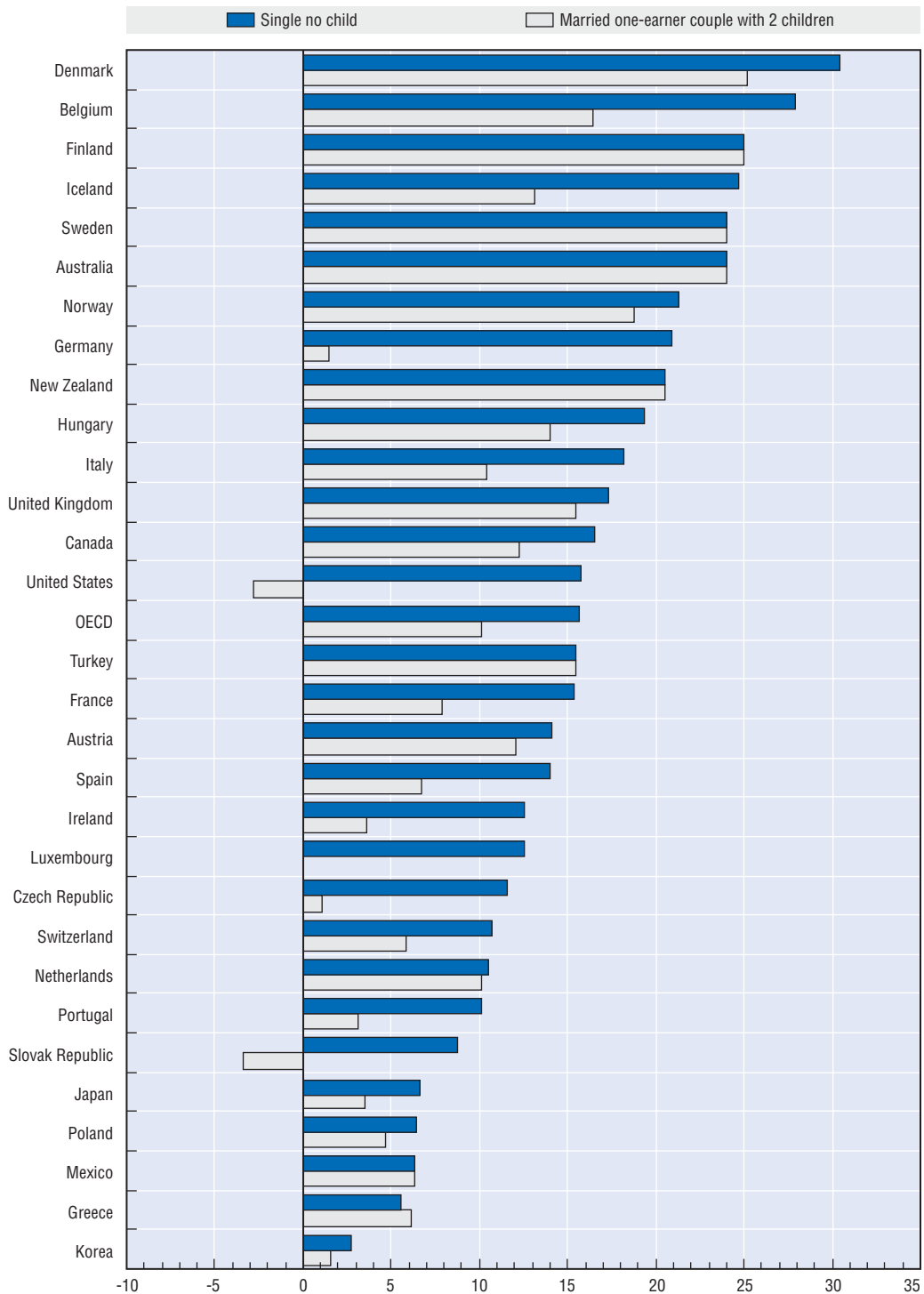


Note: Corresponds to Table II.3. columns 2 and 5.

Source: OECD calculations based on country submissions and OECD, *Economic Outlook* No. 77, June 2005.

StatLink: <http://dx.doi.org/10.1787/354072058865>

Chart II.3. **Income tax, by family-type (as % of gross wage earnings), 2005**

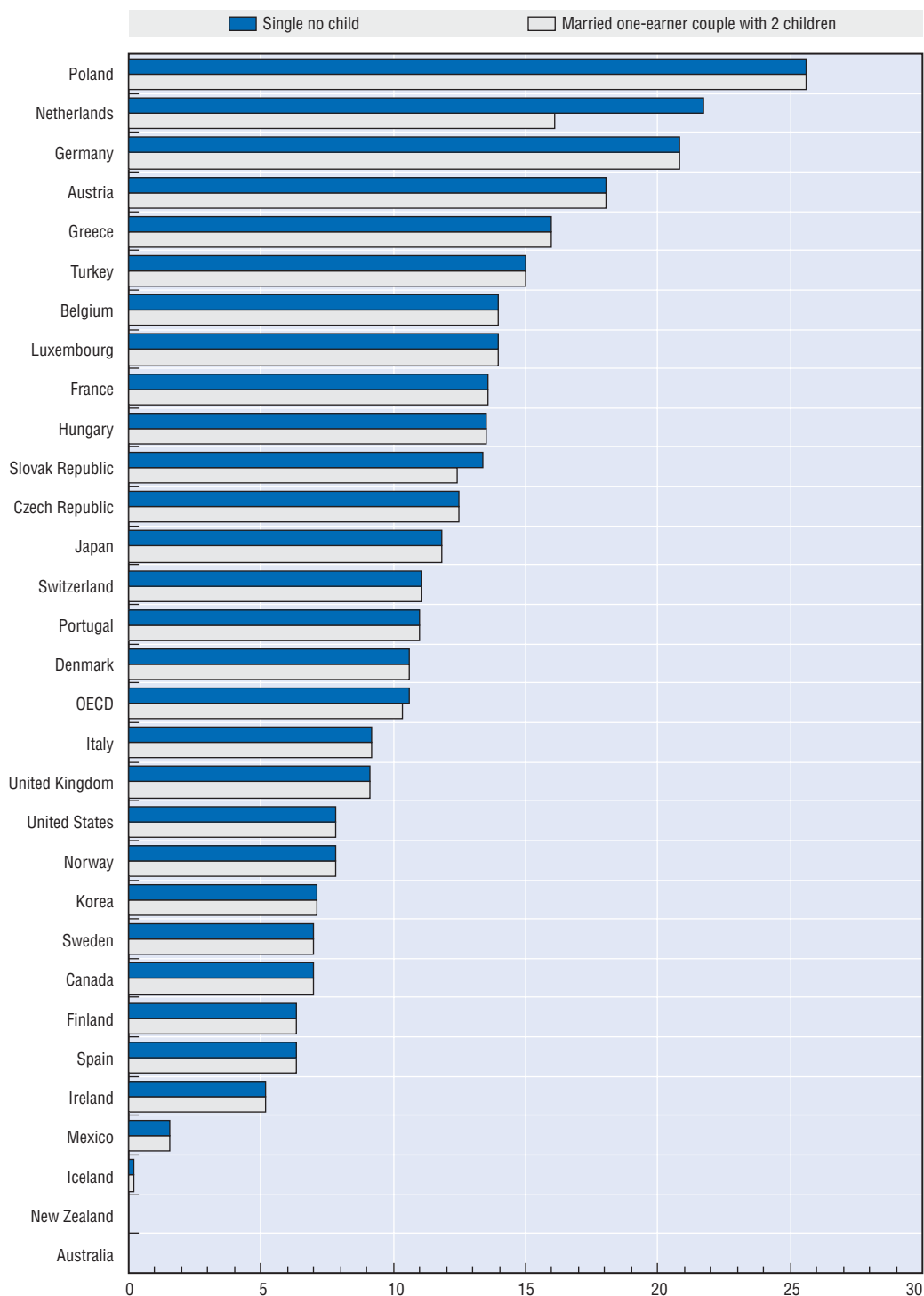


Note: Corresponds to Table II.4, columns 2 and 5.

Source: OECD calculations based on country submissions and OECD, *Economic Outlook* No. 77, June 2005.

StatLink: <http://dx.doi.org/10.1787/188506578456>

Chart II.4. **Employee contributions, by family-type**  
(as % of gross wage earnings), 2005

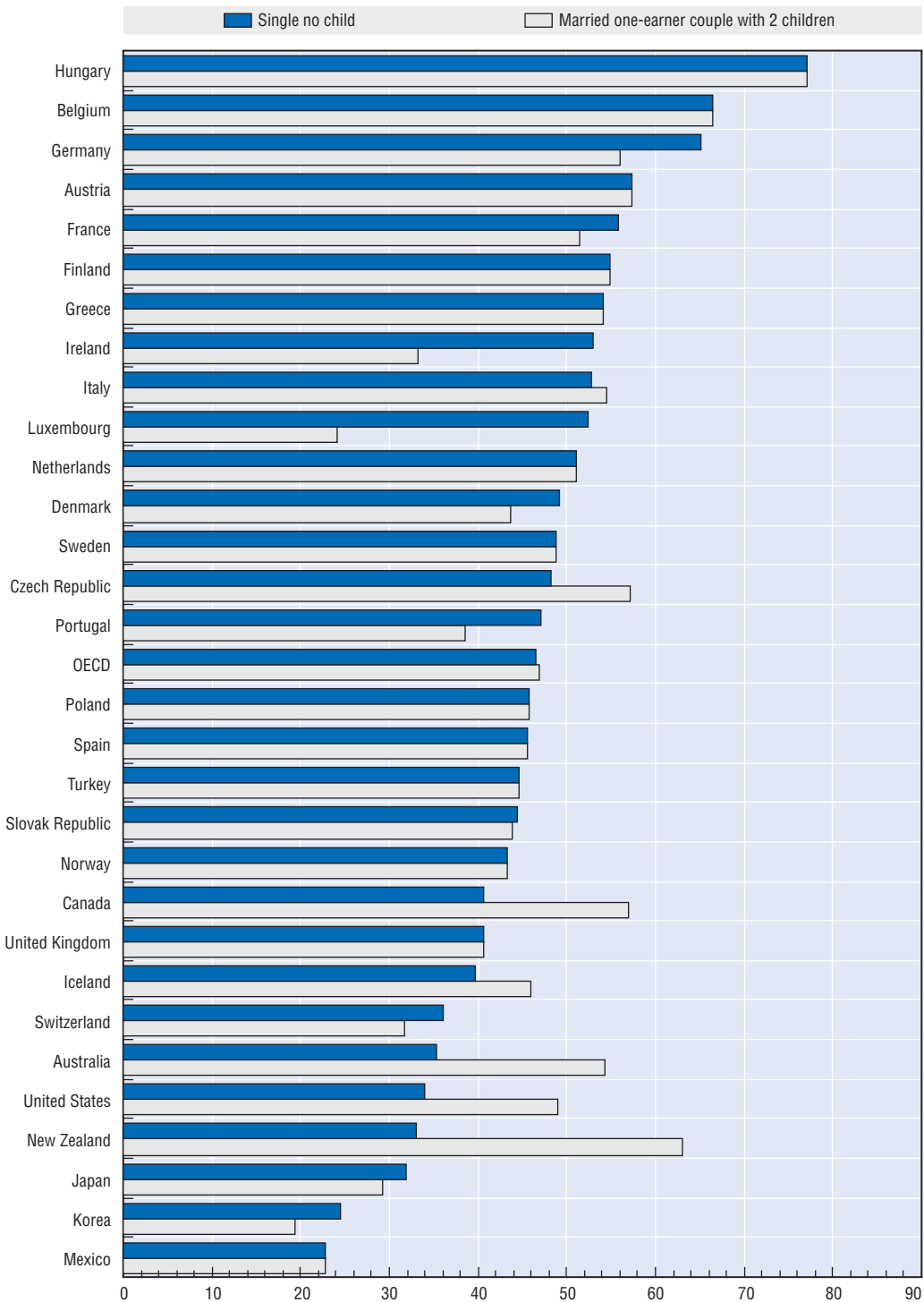


Note: Corresponds to Table II.5, columns 2 and 5.

Source: OECD calculations based on country submissions and OECD, *Economic Outlook* No. 77, June 2005.

StatLink: <http://dx.doi.org/10.1787/155188456730>

**Chart II.5. Marginal rate of income tax plus employee and employer contributions less cash benefit, by family-type (as % of labour costs), 2005**

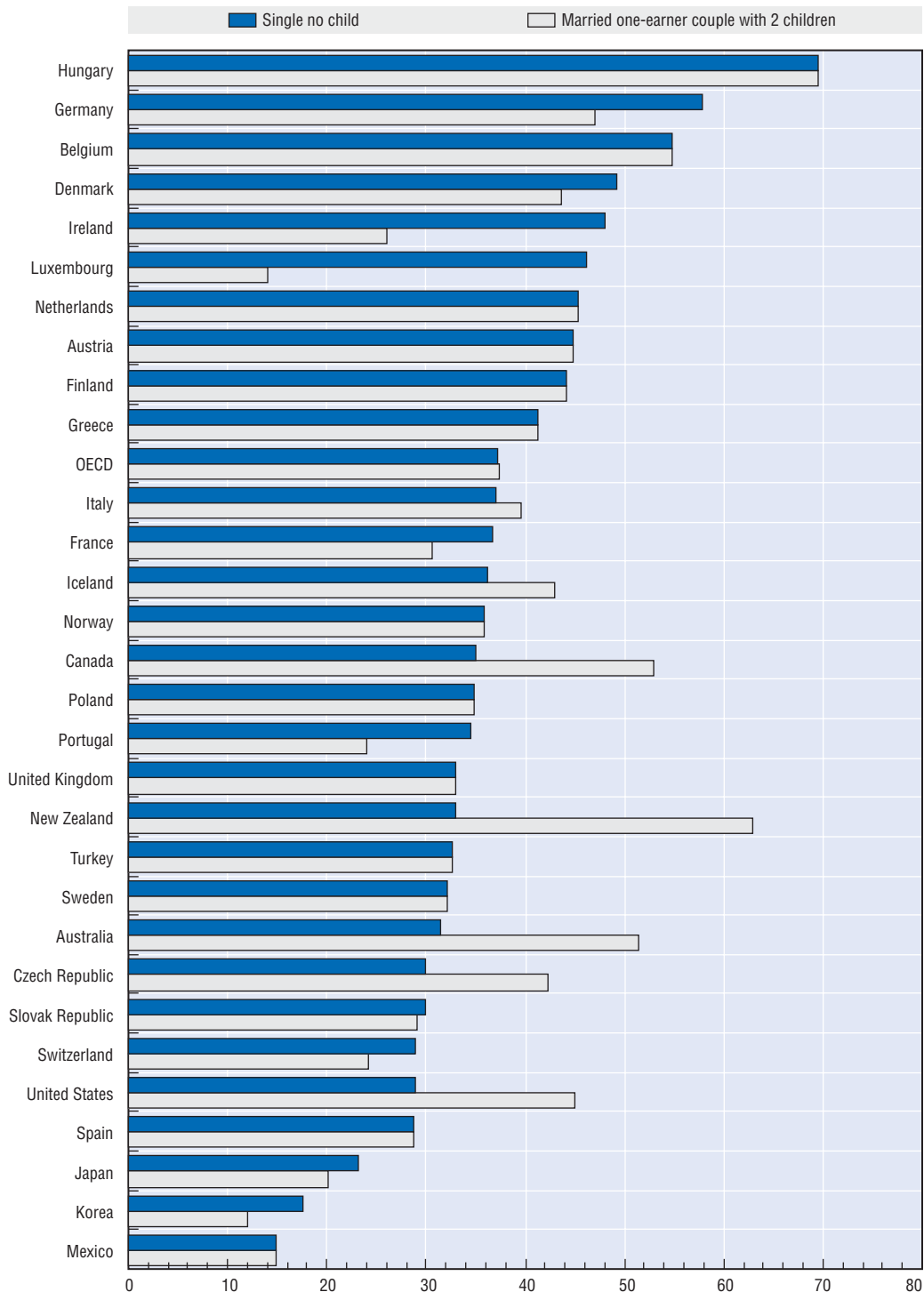


Note: Corresponds to Table II.6, columns 2 and 5.

Source: OECD Calculations based on country submissions and OECD, *Economic Outlook No. 77*, June 2005.

StatLink: <http://dx.doi.org/10.1787/734680874725>

Chart II.6. **Marginal rate of income tax plus employee contributions less cash benefits, by family-type (as % of gross wage earnings), 2005**



Note: Corresponds to Table II.7, columns 2 and 5.

Source: OECD calculations based on country submissions and OECD, *Economic Outlook* No. 77, June 2005.

StatLink: <http://dx.doi.org/10.1787/618754236165>



PART III

# Tax Burden Trends 2000-2005

Table III.1a. **Evolution of the tax burden, 2000-2005**  
**Single persons without children at 67% of average earnings**  
**Income tax plus employee and employer contributions less cash benefits as a % of labour costs**

	2000	2001	2002	2003	2004	2005
Australia	25.4	23.2	23.7	24.3	24.3	24.8
Austria	43.2	42.9	43.1	43.5	43.4	42.5
Belgium	51.3	50.7	50.5	49.6	48.9	49.1
Canada	27.8	27.2	27.4	27.2	27.5	27.0
Czech Republic	41.4	41.3	41.5	41.7	41.9	42.1
Denmark	41.2	40.5	39.8	39.8	39.3	39.3
Finland	43.0	41.4	40.9	40.0	39.4	39.5
France	47.4	47.6	47.4	45.0	42.3	41.4
Germany	48.6	47.7	48.2	45.5	47.9	46.7
Greece	35.5	35.1	34.3	34.4	34.4	34.4
Hungary	48.5	48.1	48.2	44.5	44.8	42.9
Iceland	19.7	20.9	22.6	23.6	23.8	23.6
Ireland	18.1	17.4	16.7	16.2	20.5	19.9
Italy	43.1	42.7	42.7	41.1	41.4	41.7
Japan	23.4	23.5	29.3	26.1	26.1	26.5
Korea	14.9	15.0	14.8	15.0	15.5	15.6
Luxembourg	32.5	30.6	28.6	28.9	29.2	29.8
Mexico	11.0	10.3	12.1	12.8	11.0	14.1
Netherlands	42.0	38.9	39.1	40.0	40.4	41.3
New Zealand	18.5	18.6	18.7	18.8	18.8	18.9
Norway	35.1	35.2	35.2	34.9	35.0	34.3
Poland	42.2	41.8	41.7	41.9	42.2	42.4
Portugal	33.2	32.2	32.3	32.4	32.4	31.7
Slovak Republic	40.6	41.3	40.8	40.9	39.6	35.3
Spain	34.7	35.3	35.7	34.7	35.2	35.7
Sweden	48.6	47.8	46.8	47.0	47.1	46.5
Switzerland	27.3	27.3	27.3	26.9	26.6	26.7
Turkey	39.1	42.6	41.5	41.0	41.9	41.9
United Kingdom	28.3	28.0	28.1	29.6	29.7	29.9
United States	27.2	27.1	27.0	26.7	26.7	26.7
<i>Unweighted average:</i>						
OECD	34.4	34.1	34.2	33.8	33.9	33.7
EU-15	39.4	38.6	38.3	37.8	38.1	38.0
EU-19	40.2	39.5	39.3	38.8	38.9	38.5

StatLink: <http://dx.doi.org/10.1787/623830450035>



Table III.1b. Evolution of the tax burden, 2000-2005  
 Single persons without children at 67% of average earnings  
 Income Tax as a % of gross wage earnings

	2000	2001	2002	2003	2004	2005
Australia	20.7	18.4	19.0	19.7	19.7	20.3
Austria	7.5	8.1	8.4	9.0	8.9	7.7
Belgium	22.7	22.8	22.7	21.7	21.5	21.6
Canada	15.1	14.2	14.0	13.9	13.9	13.1
Czech Republic	8.3	8.2	8.5	8.7	9.0	9.3
Denmark	27.7	27.9	27.3	27.3	26.8	26.9
Finland	21.2	20.3	20.1	19.6	18.9	18.8
France	12.3	12.4	12.5	12.2	12.1	12.3
Germany	17.5	16.4	16.8	13.0	16.1	14.8
Greece	1.5	1.1	0.0	0.0	0.0	0.0
Hungary	17.5	18.0	15.4	11.2	10.8	8.4
Iceland	15.6	16.5	18.2	18.9	19.2	18.9
Ireland	11.1	8.0	7.2	6.6	7.3	6.5
Italy	14.5	14.1	14.5	12.4	12.8	13.3
Japan	5.5	5.5	5.0	5.3	5.3	5.2
Korea	0.7	0.9	0.8	0.9	1.1	1.0
Luxembourg	9.2	7.3	5.1	5.5	5.9	6.3
Mexico	-3.7	-3.0	-2.7	-2.5	-2.3	1.0
Netherlands	5.2	4.0	4.2	3.3	3.4	4.0
New Zealand	18.5	18.6	18.7	18.8	18.8	18.9
Norway	18.9	19.1	19.1	18.8	18.8	17.9
Poland	5.6	4.8	4.8	4.9	4.9	5.0
Portugal	6.3	5.1	5.2	5.3	5.4	4.5
Slovak Republic	5.9	6.1	5.3	5.5	5.0	4.9
Spain	8.4	9.1	9.7	8.4	9.0	9.7
Sweden	24.7	23.7	22.4	22.6	22.8	22.1
Switzerland	7.3	7.3	7.3	7.3	7.4	7.6
Turkey	13.2	13.7	13.9	13.4	14.4	14.4
United Kingdom	14.6	14.5	14.7	14.9	14.9	15.0
United States	13.5	13.4	13.2	13.0	12.9	13.0
<i>Unweighted average:</i>						
OECD	12.2	11.9	11.7	11.3	11.5	11.4
EU-15	13.6	13.0	12.7	12.1	12.4	12.2
EU-19	12.7	12.2	11.8	11.2	11.3	11.1

StatLink: <http://dx.doi.org/10.1787/508181008662>

Table III.1c. **Evolution of the tax burden, 2000-2005**  
**Single persons without children at 67% of average earnings**  
**Income tax plus employee contributions less cash benefits as a % of gross wage earnings**

	2000	2001	2002	2003	2004	2005
Australia	20.7	18.4	19.0	19.7	19.7	20.3
Austria	25.6	26.2	26.5	27.0	26.9	25.7
Belgium	35.8	35.9	35.8	34.8	34.6	34.8
Canada	19.6	18.9	18.9	19.0	19.1	18.6
Czech Republic	20.8	20.7	21.0	21.2	21.5	21.8
Denmark	40.8	40.0	39.3	39.3	38.8	38.8
Finland	28.1	26.8	26.1	25.7	24.9	25.0
France	25.7	25.9	25.8	25.8	25.7	25.9
Germany	38.0	36.9	37.5	34.0	37.0	35.6
Greece	17.4	17.0	15.9	16.0	16.0	16.0
Hungary	30.0	30.5	27.9	23.7	24.3	21.9
Iceland	15.9	16.8	18.5	19.2	19.5	19.2
Ireland	11.1	10.4	9.6	9.1	12.0	11.2
Italy	23.7	23.3	23.7	21.6	22.0	22.5
Japan	15.5	15.5	18.7	16.8	16.8	17.1
Korea	7.4	7.6	7.5	7.8	8.1	8.1
Luxembourg	23.2	21.3	18.9	19.3	19.6	20.2
Mexico	-2.4	-1.7	-1.5	-1.2	-1.1	2.3
Netherlands	32.6	29.0	29.1	30.4	30.5	31.4
New Zealand	18.5	18.6	18.7	18.8	18.8	18.9
Norway	26.7	26.9	26.9	26.6	26.6	25.7
Poland	30.4	29.9	29.8	30.1	30.4	30.7
Portugal	17.3	16.1	16.2	16.3	16.4	15.5
Slovak Republic	17.9	18.9	18.1	18.3	18.4	18.3
Spain	14.7	15.4	16.0	14.7	15.3	16.0
Sweden	31.7	30.7	29.4	29.6	29.8	29.1
Switzerland	18.9	18.9	18.9	18.6	18.5	18.6
Turkey	27.2	29.7	28.9	28.4	29.4	29.4
United Kingdom	22.1	21.8	21.9	23.0	23.0	23.2
United States	21.4	21.3	21.2	20.9	20.9	20.9
<i>Unweighted average:</i>						
OECD	22.5	22.2	22.1	21.8	22.1	22.1
EU-15	25.9	25.1	24.8	24.4	24.8	24.7
EU-19	25.6	25.1	24.7	24.2	24.6	24.4

StatLink: <http://dx.doi.org/10.1787/046016810544>

Table III.2a. **Evolution of the tax burden, 2000-2005**  
**Single persons without children at 100% of average earnings**  
**Income tax plus employee and employer contributions less cash benefits as a % of labour costs**

	2000	2001	2002	2003	2004	2005
Australia	30.6	27.3	27.7	28.0	28.0	28.3
Austria	47.3	46.9	47.1	47.4	47.5	47.4
Belgium	57.1	56.7	56.3	55.7	55.4	55.4
Canada	33.2	32.0	32.1	32.0	32.0	31.6
Czech Republic	42.7	42.6	42.9	43.2	43.5	43.8
Denmark	44.3	43.6	42.6	42.6	41.3	41.4
Finland	47.8	46.4	45.9	45.0	44.5	44.6
France	49.6	49.8	49.8	49.8	49.8	50.1
Germany	53.9	53.0	53.6	51.5	53.3	51.8
Greece	38.4	38.1	37.7	37.7	38.3	38.8
Hungary	52.7	54.0	53.7	50.8	51.8	50.5
Iceland	26.1	26.9	28.4	29.2	29.4	29.0
Ireland	28.9	25.8	24.5	24.2	26.2	25.7
Italy	46.4	46.0	46.0	45.0	45.4	45.4
Japan	24.8	24.9	30.5	27.4	27.4	27.7
Korea	16.4	16.4	16.1	16.3	17.2	17.3
Luxembourg	38.2	36.2	33.6	34.1	34.6	35.3
Mexico	16.8	15.9	17.5	18.1	16.2	18.2
Netherlands	39.7	37.2	37.4	37.1	38.6	38.6
New Zealand	19.4	19.4	19.5	19.7	20.0	20.5
Norway	38.6	39.2	38.6	38.1	38.1	37.3
Poland	43.2	42.9	42.9	43.1	43.3	43.6
Portugal	37.3	36.4	36.6	36.8	36.8	36.2
Slovak Republic	41.8	42.8	42.5	42.9	42.5	38.3
Spain	38.6	38.8	39.1	38.5	38.7	39.0
Sweden	50.1	49.1	47.8	48.2	48.4	47.9
Switzerland	30.0	30.1	30.1	29.7	29.4	29.5
Turkey	40.4	43.6	42.5	42.2	42.8	42.7
United Kingdom	32.1	31.8	31.9	33.3	33.4	33.5
United States	29.7	29.6	29.4	29.2	29.1	29.1
<i>Unweighted average:</i>						
OECD	37.9	37.5	37.5	37.2	37.4	37.3
EU-15	43.3	42.4	42.0	41.8	42.1	42.1
EU-19	43.7	43.1	42.7	42.5	42.8	42.5

StatLink: <http://dx.doi.org/10.1787/714775164215>

Table III.2b. **Evolution of the tax burden, 2000-2005**  
**Single persons without children at 100% of average earnings**  
**Income Tax as a % of gross wage earnings**

	2000	2001	2002	2003	2004	2005
Australia	26.1	22.7	23.2	23.7	23.7	24.0
Austria	12.9	13.3	13.5	13.9	14.3	14.1
Belgium	29.0	29.0	28.7	28.0	27.9	27.9
Canada	19.5	18.0	17.6	17.5	17.1	16.6
Czech Republic	10.1	10.0	10.4	10.8	11.3	11.6
Denmark	32.4	32.6	31.6	31.6	30.3	30.4
Finland	27.2	26.4	26.3	25.8	25.1	24.9
France	15.4	15.6	15.8	15.3	15.2	15.4
Germany	24.0	22.8	23.3	20.3	22.7	20.9
Greece	5.2	4.9	4.3	4.2	5.0	5.6
Hungary	23.2	25.9	24.0	20.5	20.9	19.4
Iceland	22.4	22.9	24.5	24.9	25.1	24.7
Ireland	15.2	12.0	11.4	11.1	13.1	12.6
Italy	19.0	18.5	18.9	17.7	18.1	18.1
Japan	7.0	7.0	6.4	6.7	6.7	6.6
Korea	2.3	2.4	2.2	2.2	2.8	2.7
Luxembourg	15.7	13.8	10.9	11.5	12.0	12.6
Mexico	2.8	3.5	3.7	3.9	4.0	6.3
Netherlands	8.9	10.5	11.0	10.2	10.1	10.5
New Zealand	19.4	19.4	19.5	19.7	20.0	20.5
Norway	22.9	23.6	23.0	22.4	22.3	21.2
Poland	6.8	6.3	6.2	6.3	6.3	6.4
Portugal	11.4	10.3	10.6	10.7	10.8	10.1
Slovak Republic	7.5	8.2	7.7	8.2	8.8	8.7
Spain	13.4	13.8	14.1	13.4	13.6	14.0
Sweden	26.7	25.4	23.6	24.2	24.5	24.0
Switzerland	10.4	10.4	10.4	10.4	10.6	10.7
Turkey	14.7	14.9	15.1	14.8	15.5	15.4
United Kingdom	17.1	17.0	17.1	17.2	17.3	17.4
United States	16.3	16.2	16.0	15.8	15.7	15.7
<i>Unweighted average:</i>						
OECD	16.2	15.9	15.7	15.4	15.7	15.6
EU-15	18.2	17.7	17.4	17.0	17.3	17.2
EU-19	16.9	16.6	16.3	15.8	16.2	16.0

StatLink: <http://dx.doi.org/10.1787/433780636214>

Table III.2c. **Evolution of the tax burden, 2000-2005**  
**Single persons without children at 100% of average earnings**  
**Income tax plus employee contributions less cash benefits as a % of gross wage earnings**

	2000	2001	2002	2003	2004	2005
Australia	26.1	22.7	23.2	23.7	23.7	24.0
Austria	31.0	31.4	31.6	32.0	32.3	32.1
Belgium	43.0	43.0	42.7	42.0	41.9	41.9
Canada	25.4	24.1	24.1	24.1	23.9	23.5
Czech Republic	22.6	22.5	22.9	23.3	23.8	24.1
Denmark	44.1	43.3	42.3	42.2	40.9	41.0
Finland	34.2	32.9	32.4	31.9	31.2	31.3
France	28.8	29.1	29.1	28.9	28.8	29.0
Germany	44.5	43.4	44.0	41.3	43.5	41.7
Greece	21.1	20.8	20.2	20.2	21.0	21.6
Hungary	35.7	38.4	36.5	33.0	34.4	32.9
Iceland	22.6	23.1	24.7	25.2	25.3	24.9
Ireland	20.3	16.9	16.4	16.0	18.2	17.7
Italy	28.2	27.6	28.1	26.9	27.3	27.3
Japan	17.0	17.0	20.0	18.2	18.3	18.5
Korea	9.0	9.1	8.9	9.1	9.9	9.9
Luxembourg	29.6	27.8	24.7	25.3	25.8	26.5
Mexico	4.5	5.1	5.4	5.5	5.6	7.9
Netherlands	33.2	30.5	30.6	31.0	32.2	32.2
New Zealand	19.4	19.4	19.5	19.7	20.0	20.5
Norway	30.7	31.4	30.8	30.2	30.1	29.0
Poland	31.6	31.3	31.3	31.5	31.8	32.0
Portugal	22.4	21.3	21.6	21.7	21.8	21.1
Slovak Republic	19.5	21.0	20.5	21.0	22.2	22.1
Spain	19.8	20.1	20.4	19.7	20.0	20.3
Sweden	33.7	32.4	30.6	31.2	31.5	31.0
Switzerland	22.0	22.0	22.0	21.7	21.6	21.7
Turkey	28.7	30.9	30.1	29.8	30.5	30.4
United Kingdom	25.4	25.2	25.3	26.3	26.3	26.5
United States	24.1	24.0	23.9	23.6	23.6	23.6
<i>Unweighted average:</i>						
OECD	26.6	26.3	26.1	25.9	26.2	26.2
EU-15	30.6	29.7	29.3	29.1	29.5	29.4
EU-19	29.9	29.4	29.0	28.7	29.2	29.1

StatLink: <http://dx.doi.org/10.1787/242044647061>

Table III.3a. **Evolution of the tax burden, 2000-2005**  
**Single persons without children at 167% of average earnings**  
**Income tax plus employee and employer contributions less cash benefits as a % of labour costs**

	2000	2001	2002	2003	2004	2005
Australia	38.4	34.3	35.1	36.0	36.1	35.6
Austria	50.4	50.6	50.6	50.6	50.8	50.8
Belgium	62.6	62.3	62.0	61.3	61.3	60.8
Canada	35.3	33.2	33.2	33.0	33.2	32.9
Czech Republic	44.9	44.8	45.2	45.5	45.9	46.2
Denmark	51.6	51.0	50.2	50.1	49.5	49.7
Finland	53.5	52.1	51.7	50.9	50.4	50.4
France	51.7	52.0	52.3	52.1	52.5	53.1
Germany	56.0	55.0	55.2	55.6	55.7	53.6
Greece	40.3	44.3	44.2	44.3	44.9	45.6
Hungary	57.9	57.6	57.9	57.6	57.7	56.5
Iceland	38.0	38.3	39.8	38.4	38.5	37.0
Ireland	39.4	35.8	34.5	34.6	36.4	36.1
Italy	50.3	49.8	49.9	49.9	50.3	50.0
Japan	28.6	28.8	32.2	30.0	30.0	30.3
Korea	21.2	20.7	20.4	21.3	21.7	21.4
Luxembourg	46.2	44.3	41.4	41.8	42.2	42.7
Mexico	23.0	22.4	23.8	24.2	22.4	24.2
Netherlands	44.8	41.5	41.7	41.4	42.3	42.2
New Zealand	24.2	24.5	25.0	25.4	25.7	26.2
Norway	45.2	45.6	45.2	44.9	44.9	43.9
Poland	44.1	43.9	43.9	44.1	44.5	44.8
Portugal	42.3	41.4	41.7	41.9	42.0	41.6
Slovak Republic	45.1	46.1	45.9	46.3	44.3	40.3
Spain	41.1	41.8	42.7	42.2	42.4	42.4
Sweden	55.7	55.1	54.0	54.4	54.5	54.4
Switzerland	34.3	34.4	34.4	34.0	33.8	33.9
Turkey	35.0	42.9	44.0	44.2	44.5	44.5
United Kingdom	35.0	35.1	35.3	36.8	36.9	37.1
United States	34.8	34.6	34.3	33.7	33.6	33.7
<i>Unweighted average:</i>						
OECD	42.4	42.1	42.3	42.2	42.3	42.1
EU-15	48.1	47.5	47.2	47.2	47.5	47.4
EU-19	48.1	47.6	47.4	47.4	47.6	47.3

StatLink: <http://dx.doi.org/10.1787/614230067667>

Table III.3b. **Evolution of the tax burden, 2000-2005**  
**Single persons without children at 167% of average earnings**  
**Income Tax as a % of gross wage earnings**

	2000	2001	2002	2003	2004	2005
Australia	34.5	30.2	31.1	32.1	32.3	31.7
Austria	20.3	21.1	21.4	21.8	21.9	21.0
Belgium	36.0	35.9	35.5	34.7	34.6	34.7
Canada	25.9	23.5	23.1	23.1	22.8	22.5
Czech Republic	13.1	13.0	13.5	13.9	14.5	14.9
Denmark	40.8	41.2	40.4	40.3	39.7	39.9
Finland	34.3	33.6	33.4	32.9	32.3	32.1
France	20.7	21.0	21.2	20.4	20.0	20.1
Germany	33.3	32.3	32.9	31.4	31.8	29.2
Greece	13.9	12.8	12.7	12.6	13.4	14.3
Hungary	30.3	30.7	30.4	30.2	29.4	27.9
Iceland	34.9	35.0	36.5	34.8	34.9	33.3
Ireland	26.7	23.1	22.4	22.4	24.7	24.3
Italy	24.2	23.7	24.1	24.1	24.6	24.3
Japan	11.2	11.3	10.5	10.7	10.8	10.7
Korea	7.5	7.0	6.9	7.6	8.2	8.0
Luxembourg	24.9	23.0	19.8	20.3	20.7	21.0
Mexico	9.5	10.5	10.8	11.1	11.3	13.6
Netherlands	24.9	24.4	24.8	24.2	24.1	24.4
New Zealand	24.2	24.5	25.0	25.4	25.7	26.2
Norway	30.3	30.8	30.4	30.0	30.0	28.7
Poland	7.8	7.4	7.4	7.4	7.7	8.0
Portugal	17.6	16.5	16.8	17.1	17.2	16.7
Slovak Republic	12.1	12.7	12.5	13.1	11.9	11.9
Spain	18.4	18.7	18.9	18.3	18.6	18.9
Sweden	36.3	35.7	34.4	34.7	34.9	34.9
Switzerland	15.2	15.3	15.4	15.3	15.6	15.7
Turkey	18.0	17.8	17.7	17.2	17.6	17.6
United Kingdom	21.8	22.1	22.4	22.7	22.8	23.1
United States	22.0	21.7	21.4	20.8	20.7	20.8
<i>Unweighted average:</i>						
OECD	23.0	22.6	22.5	22.4	22.5	22.3
EU-15	26.3	25.7	25.4	25.2	25.4	25.3
EU-19	24.1	23.6	23.4	23.3	23.4	23.2

StatLink: <http://dx.doi.org/10.1787/424585078424>

Table III.3c. Evolution of the tax burden, 2000-2005  
**Single persons without children at 167% of average earnings**  
**Income tax plus employee contributions less cash benefits as a % of gross wage earnings**

	2000	2001	2002	2003	2004	2005
Australia	34.5	30.2	31.1	32.1	32.3	31.7
Austria	36.3	37.3	37.4	37.6	37.8	37.4
Belgium	50.0	49.9	49.6	48.7	48.7	48.7
Canada	29.6	27.3	27.2	27.2	27.1	26.9
Czech Republic	25.6	25.5	26.0	26.4	27.0	27.4
Denmark	51.4	50.9	50.0	49.9	49.3	49.5
Finland	41.4	40.2	39.6	39.1	38.5	38.5
France	32.5	32.8	33.1	32.6	32.6	33.1
Germany	49.1	47.9	48.3	48.2	48.3	45.9
Greece	26.8	28.7	28.6	28.6	29.4	30.3
Hungary	42.8	43.2	42.9	42.7	42.9	41.4
Iceland	35.0	35.1	36.6	34.9	35.0	33.4
Ireland	32.1	28.1	27.4	27.6	29.6	29.3
Italy	33.4	32.9	33.3	33.3	33.8	33.5
Japan	21.2	21.3	22.8	21.7	21.7	21.9
Korea	14.2	13.7	13.6	14.5	15.0	14.7
Luxembourg	38.8	37.0	33.7	34.1	34.5	35.0
Mexico	11.7	12.6	12.9	13.0	13.2	15.4
Netherlands	40.4	36.9	37.0	37.4	38.0	37.9
New Zealand	24.2	24.5	25.0	25.4	25.7	26.2
Norway	38.1	38.6	38.2	37.8	37.8	36.5
Poland	32.6	32.4	32.4	32.6	33.1	33.6
Portugal	28.6	27.5	27.8	28.1	28.2	27.7
Slovak Republic	24.1	25.5	25.3	25.9	25.0	24.9
Spain	24.3	24.8	25.2	24.6	24.9	25.1
Sweden	41.1	40.3	39.0	39.4	39.7	39.7
Switzerland	26.8	26.9	26.9	26.6	26.6	26.7
Turkey	26.9	31.7	32.3	32.2	32.6	32.6
United Kingdom	28.0	28.3	28.5	29.6	29.6	29.9
United States	29.8	29.5	29.2	28.5	28.4	28.5
<i>Unweighted average:</i>						
OECD	32.4	32.1	32.0	32.0	32.2	32.1
EU-15	36.9	36.2	35.9	35.9	36.2	36.1
EU-19	35.8	35.3	35.0	35.1	35.3	35.2

StatLink: <http://dx.doi.org/10.1787/283371256413>



Table III.4a. **Evolution of the tax burden, 2000-2005**  
**Single parent with two children at 67% of average earnings**  
**Income tax plus employee and employer contributions less cash benefits as a % of labour costs**

	2000	2001	2002	2003	2004	2005
Australia	0.9	-7.1	-6.6	-4.4	-10.0	-5.5
Austria	25.1	24.8	25.5	26.0	25.0	24.6
Belgium	36.3	36.2	36.1	35.4	34.8	35.2
Canada	0.5	6.3	0.0	-1.4	-0.8	-0.4
Czech Republic	13.2	14.5	14.9	16.5	18.3	18.1
Denmark	15.3	14.8	14.3	14.1	13.4	13.8
Finland	28.8	27.7	27.8	27.3	26.3	26.9
France	39.1	38.9	38.9	36.4	33.4	32.4
Germany	33.8	33.4	33.6	31.5	34.8	33.8
Greece	34.8	34.5	34.3	34.4	34.4	34.4
Hungary	30.0	28.1	29.6	25.9	27.1	25.4
Iceland	-2.9	-2.5	0.9	3.2	4.4	5.1
Ireland	-0.9	-1.5	-12.8	-18.3	-9.1	-11.7
Italy	27.8	27.3	26.4	25.1	25.8	25.7
Japan	21.0	21.2	27.0	23.7	23.7	24.1
Korea	14.5	14.6	14.3	14.7	15.0	15.2
Luxembourg	8.1	7.9	5.1	5.5	5.7	6.3
Mexico	11.0	10.3	12.1	12.8	11.0	14.1
Netherlands	25.8	22.6	21.9	22.5	21.8	22.0
New Zealand	-3.3	-1.7	-0.6	0.7	1.3	-5.0
Norway	16.2	17.7	18.4	18.4	19.0	18.7
Poland	37.8	37.3	37.1	37.4	42.2	42.4
Portugal	26.5	22.5	22.5	22.8	22.9	22.2
Slovak Republic	24.8	26.9	26.1	27.0	26.9	22.0
Spain	28.4	29.0	29.5	29.1	29.5	30.0
Sweden	39.9	38.5	37.9	38.2	38.5	38.1
Switzerland	13.3	13.4	13.4	13.1	12.9	13.1
Turkey	39.1	42.6	41.5	41.0	41.9	41.9
United Kingdom	10.9	8.8	8.7	9.0	8.3	9.6
United States	1.7	0.6	0.5	0.6	-1.7	-1.2
<i>Unweighted average:</i>						
OECD	19.9	19.5	19.3	18.9	19.2	19.0
EU-15	25.2	24.3	23.3	22.6	23.0	22.9
EU-19	25.5	24.8	24.1	23.5	24.2	23.7

StatLink: <http://dx.doi.org/10.1787/713527683643>

Table III.4b. **Evolution of the tax burden, 2000-2005**  
**Single parent with two children at 67% of average earnings**  
**Income Tax as a % of gross wage earnings**

	2000	2001	2002	2003	2004	2005
Australia	14.5	18.4	18.8	19.7	20.0	20.3
Austria	5.7	6.3	6.7	7.3	5.8	4.7
Belgium	16.5	16.8	16.9	16.1	16.0	16.0
Canada	6.7	6.2	6.0	6.0	5.9	5.1
Czech Republic	2.4	2.2	2.8	3.3	3.5	1.2
Denmark	27.7	27.9	27.3	27.3	26.8	26.9
Finland	21.2	20.3	20.1	19.6	18.9	18.8
France	7.6	7.1	7.3	7.3	7.3	7.4
Germany	-0.3	-0.8	-0.8	-3.9	0.4	-0.9
Greece	0.6	0.3	0.0	0.0	0.0	0.0
Hungary	10.2	6.6	5.3	2.0	2.3	0.3
Iceland	15.6	16.5	18.2	18.9	19.2	18.9
Ireland	2.2	0.0	0.0	0.0	0.0	0.0
Italy	8.8	7.8	7.0	4.9	5.6	4.9
Japan	2.8	2.9	2.4	2.6	2.6	2.5
Korea	0.2	0.4	0.2	0.5	0.4	0.4
Luxembourg	0.0	0.0	0.0	0.0	0.0	0.0
Mexico	-3.7	-3.0	-2.7	-2.5	-2.3	1.0
Netherlands	2.9	3.0	3.0	2.6	2.9	3.2
New Zealand	18.5	18.6	18.7	18.8	18.8	18.9
Norway	13.2	15.4	15.4	15.1	15.0	14.1
Poland	5.6	4.8	4.8	4.9	4.9	5.0
Portugal	3.3	0.8	0.9	1.1	1.1	0.3
Slovak Republic	3.1	3.6	2.4	2.7	-2.0	-1.8
Spain	0.2	0.9	1.6	1.1	1.6	2.2
Sweden	24.7	23.7	22.4	22.6	22.8	22.1
Switzerland	3.2	3.3	3.2	3.2	3.4	3.4
Turkey	13.2	13.7	13.9	13.4	14.4	14.4
United Kingdom	4.8	2.6	2.2	0.7	-0.3	0.9
United States	-14.0	-15.2	-15.3	-15.2	-17.6	-17.1
<i>Unweighted average:</i>						
OECD	7.2	7.0	6.9	6.7	6.6	6.4
EU-15	8.4	7.8	7.6	7.1	7.3	7.1
EU-19	7.7	7.0	6.8	6.3	6.2	5.9

StatLink: <http://dx.doi.org/10.1787/806515668516>

Table III.4c. **Evolution of the tax burden, 2000-2005**  
**Single parent with two children at 67% of average earnings**  
**Income tax plus employee contributions less cash benefits as a % of gross wage earnings**

	2000	2001	2002	2003	2004	2005
Australia	-5.4	-13.9	-13.2	-10.6	-16.6	-11.8
Austria	1.8	2.9	3.7	4.4	3.2	2.6
Belgium	15.9	17.0	17.1	16.5	16.4	16.9
Canada	-10.9	-4.4	-11.6	-12.9	-12.6	-12.1
Czech Republic	-17.2	-15.5	-14.9	-12.8	-10.3	-10.6
Denmark	14.7	14.0	13.5	13.4	12.7	13.1
Finland	10.3	9.6	9.8	9.8	8.7	9.4
France	14.0	13.6	13.8	14.2	14.3	14.5
Germany	20.2	19.7	19.9	17.1	21.2	20.0
Greece	16.5	16.2	15.9	16.0	16.0	16.0
Hungary	4.8	3.6	2.1	-1.8	0.0	-2.0
Iceland	-7.8	-7.9	-4.3	-2.3	-1.0	-0.4
Ireland	-9.5	-10.2	-22.4	-28.4	-20.8	-23.7
Italy	3.2	2.6	2.1	0.3	1.3	1.1
Japan	12.8	12.9	16.0	14.1	14.2	14.4
Korea	6.9	7.1	6.9	7.4	7.5	7.6
Luxembourg	-4.6	-4.5	-7.7	-7.3	-7.1	-6.6
Mexico	-2.4	-1.7	-1.5	-1.2	-1.1	2.3
Netherlands	13.9	10.1	9.2	10.0	8.7	8.9
New Zealand	-3.3	-1.7	-0.6	0.7	1.3	-5.0
Norway	5.5	7.2	7.9	8.0	8.5	8.1
Poland	25.1	24.5	24.3	24.6	30.4	30.7
Portugal	9.0	4.0	4.1	4.4	4.6	3.7
Slovak Republic	-3.9	-1.0	-2.1	-0.9	1.2	1.6
Spain	6.5	7.3	7.9	7.4	7.9	8.6
Sweden	20.1	18.4	17.5	17.9	18.4	18.1
Switzerland	3.3	3.4	3.4	3.3	3.3	3.5
Turkey	27.2	29.7	28.9	28.4	29.4	29.4
United Kingdom	3.1	0.9	0.9	0.4	-0.4	1.0
United States	-6.1	-7.3	-7.4	-7.2	-9.7	-9.2
<i>Unweighted average:</i>						
OECD	5.4	5.2	4.6	4.4	5.0	5.0
EU-15	8.9	8.0	7.0	6.4	7.0	6.9
EU-19	7.5	6.9	6.0	5.5	6.7	6.5

StatLink: <http://dx.doi.org/10.1787/624675838350>

Table III.5a. Evolution of the tax burden, 2000-2005

**One-earner married couple with two children at 100% of average earnings**  
**Income tax plus employee and employer contributions less cash benefits as a % of labour costs**

	2000	2001	2002	2003	2004	2005
Australia	22.7	18.3	18.4	19.6	15.2	16.0
Austria	35.2	34.9	35.3	35.7	35.3	35.5
Belgium	42.6	42.6	42.4	41.6	42.7	40.3
Canada	23.9	22.4	22.3	21.5	21.5	21.5
Czech Republic	22.7	24.5	24.5	27.1	29.0	27.1
Denmark	31.0	30.6	30.0	29.9	29.4	29.6
Finland	40.7	39.5	39.4	38.7	38.0	38.4
France	40.7	40.5	40.9	41.3	41.5	41.7
Germany	37.3	36.8	36.7	33.8	36.6	35.7
Greece	39.8	39.7	39.5	38.1	38.7	39.2
Hungary	41.5	41.6	42.2	39.4	41.0	39.9
Iceland	5.7	5.8	8.3	9.7	10.6	11.0
Ireland	15.5	12.8	9.1	6.4	8.5	8.1
Italy	38.0	37.1	35.7	35.0	35.6	35.2
Japan	21.1	21.3	27.1	23.8	24.6	24.9
Korea	15.7	15.7	15.5	15.8	16.1	16.2
Luxembourg	14.7	13.2	11.3	11.6	11.7	12.2
Mexico	16.8	15.9	17.5	18.1	16.2	18.2
Netherlands	29.6	28.2	28.3	27.8	29.1	29.1
New Zealand	13.5	14.9	15.9	17.2	18.0	14.5
Norway	28.4	29.3	29.7	29.6	29.9	29.6
Poland	38.8	38.4	41.3	41.6	41.8	42.1
Portugal	30.2	27.1	27.1	27.3	27.4	26.6
Slovak Republic	30.5	32.1	31.3	31.9	28.1	23.2
Spain	32.1	32.7	33.1	32.5	32.9	33.4
Sweden	44.3	42.9	41.8	42.4	42.7	42.4
Switzerland	18.7	18.8	19.0	18.6	18.4	18.6
Turkey	40.4	43.6	42.5	42.2	42.8	42.7
United Kingdom	27.0	24.9	25.1	26.6	26.8	27.1
United States	15.9	15.1	14.3	11.8	11.8	11.9
<i>Unweighted average:</i>						
OECD	28.4	28.0	28.2	27.9	28.1	27.7
EU-15	33.1	32.1	31.7	31.2	31.8	31.6
EU-19	33.2	32.5	32.4	32.0	32.5	31.9

StatLink: <http://dx.doi.org/10.1787/754568432102>

Table III.5b. Evolution of the tax burden, 2000-2005  
 One-earner married couple with two children at 100% of average earnings  
 Income Tax as a % of gross wage earnings

	2000	2001	2002	2003	2004	2005
Australia	25.1	22.7	23.2	23.7	23.7	24.0
Austria	11.7	12.1	12.4	12.8	12.2	12.1
Belgium	18.9	19.1	19.0	17.9	16.3	16.4
Canada	15.5	14.0	13.4	13.1	12.6	12.3
Czech Republic	4.2	4.0	4.5	4.9	5.2	1.1
Denmark	25.7	26.2	25.6	25.5	25.1	25.2
Finland	27.2	26.4	26.3	25.8	25.1	24.9
France	7.6	7.1	7.8	7.8	7.7	7.9
Germany	4.0	3.2	3.0	-1.1	2.5	1.4
Greece	7.1	6.9	6.7	4.7	5.5	6.1
Hungary	18.3	18.2	17.3	14.3	15.3	14.0
Iceland	10.8	11.4	12.6	12.9	13.2	13.2
Ireland	5.0	2.9	2.5	2.2	3.9	3.6
Italy	14.4	13.1	11.7	10.6	11.2	10.4
Japan	2.9	3.0	2.4	2.6	3.5	3.5
Korea	1.5	1.6	1.6	1.7	1.7	1.5
Luxembourg	1.3	0.0	0.0	0.0	0.0	0.0
Mexico	2.8	3.5	3.7	3.9	4.0	6.3
Netherlands	4.8	10.1	10.5	9.9	9.9	10.2
New Zealand	19.4	19.4	19.5	19.7	20.0	20.5
Norway	18.1	19.6	19.7	19.4	19.3	18.7
Poland	5.1	4.4	4.3	4.4	4.5	4.6
Portugal	6.2	3.9	4.0	4.1	4.2	3.1
Slovak Republic	4.6	5.0	3.8	4.1	-3.4	-3.4
Spain	5.0	5.7	6.2	5.5	6.0	6.7
Sweden	26.7	25.4	23.6	24.2	24.5	24.0
Switzerland	5.4	5.5	5.6	5.6	5.8	5.9
Turkey	14.7	14.9	15.1	14.8	15.5	15.4
United Kingdom	17.1	14.9	15.0	15.2	15.2	15.4
United States	1.4	0.6	-0.2	-3.0	-3.0	-2.8
<i>Unweighted average:</i>						
OECD	11.1	10.8	10.7	10.2	10.2	10.1
EU-15	12.2	11.8	11.6	11.0	11.3	11.2
EU-19	11.3	11.0	10.7	10.1	10.0	9.7

StatLink: <http://dx.doi.org/10.1787/780424301231>

Table III.5c. **Evolution of the tax burden, 2000-2005**  
**One-earner married couple with two children at 100% of average earnings**  
**Income tax plus employee contributions less cash benefits as a % of gross wage earnings**

	2000	2001	2002	2003	2004	2005
Australia	17.7	13.2	13.4	14.8	10.1	10.9
Austria	15.1	15.9	16.4	16.9	16.5	16.7
Belgium	23.7	24.5	24.4	23.4	21.9	22.2
Canada	15.0	13.5	13.1	12.5	12.2	12.3
Czech Republic	-4.3	-2.0	-1.9	1.5	4.1	1.5
Denmark	30.7	30.2	29.6	29.5	29.0	29.2
Finland	25.3	24.4	24.2	23.9	23.2	23.6
France	16.3	15.9	16.6	16.9	17.0	17.1
Germany	24.5	23.8	23.6	19.9	23.3	22.3
Greece	23.0	22.8	22.6	20.7	21.5	22.1
Hungary	20.4	21.8	20.7	17.5	19.7	18.4
Iceland	1.2	0.8	3.5	4.5	5.4	5.9
Ireland	5.4	2.3	-0.7	-3.7	-1.3	-1.8
Italy	16.9	15.8	14.5	13.5	14.3	13.7
Japan	12.9	13.0	16.1	14.2	15.1	15.3
Korea	8.2	8.3	8.3	8.6	8.7	8.6
Luxembourg	2.9	1.6	-0.5	-0.2	-0.1	0.3
Mexico	4.5	5.1	5.4	5.5	5.6	7.9
Netherlands	22.1	20.5	20.5	20.8	21.8	21.7
New Zealand	13.5	14.9	15.9	17.2	18.0	14.5
Norway	19.3	20.3	20.7	20.6	20.8	20.4
Poland	26.3	25.8	29.4	29.6	29.9	30.3
Portugal	13.6	9.8	9.8	10.0	10.2	9.1
Slovak Republic	4.0	6.2	5.1	5.9	2.8	3.0
Spain	11.4	12.1	12.6	11.8	12.4	13.0
Sweden	26.0	24.2	22.7	23.5	23.9	23.7
Switzerland	9.3	9.5	9.6	9.4	9.4	9.6
Turkey	28.7	30.9	30.1	29.8	30.5	30.4
United Kingdom	19.8	17.6	17.9	18.9	19.0	19.4
United States	9.3	8.5	7.6	4.9	4.9	5.0
<i>Unweighted average:</i>						
OECD	15.3	14.9	15.0	14.7	15.0	14.9
EU-15	18.3	17.2	16.9	16.4	16.8	16.8
EU-19	16.9	16.3	16.2	15.8	16.3	16.1

StatLink: <http://dx.doi.org/10.1787/243610622837>

Table III.6a. **Evolution of the tax burden, 2000-2005**  
**Two-earner married couple, one at 100% of average earnings and the other at 33%**  
**Income tax plus employee and employer contributions less cash benefits as a % of labour costs**

	2000	2001	2002	2003	2004	2005
Australia	24.1	20.6	21.0	21.5	18.2	20.5
Austria	36.3	35.8	36.1	36.4	36.6	36.7
Belgium	44.3	44.0	43.7	42.3	43.5	40.3
Canada	27.4	26.2	26.3	25.6	25.6	25.3
Czech Republic	31.6	32.9	32.9	34.2	35.7	35.2
Denmark	36.2	35.6	34.9	34.8	34.3	34.5
Finland	39.7	38.3	38.1	37.3	36.6	36.8
France	41.0	40.6	40.7	41.1	40.2	40.3
Germany	42.8	42.0	42.1	39.5	42.0	40.9
Greece	38.6	38.5	38.4	37.3	37.7	38.1
Hungary	41.5	41.7	42.8	39.1	40.4	39.4
Iceland	14.6	15.1	17.6	19.1	19.8	19.9
Ireland	20.3	16.8	13.6	11.2	12.3	11.5
Italy	41.0	40.4	38.1	37.2	38.2	38.2
Japan	22.5	22.6	28.4	25.2	25.2	25.5
Korea	15.3	15.6	15.4	15.6	15.9	16.0
Luxembourg	18.7	17.2	14.5	15.0	15.4	16.2
Mexico	13.6	13.0	14.7	15.4	13.5	15.8
Netherlands	34.0	31.2	31.2	31.4	31.9	31.9
New Zealand	18.5	18.6	18.7	18.9	19.2	19.6
Norway	30.8	32.0	31.9	31.6	31.9	31.3
Poland	40.0	39.5	41.7	41.9	42.2	42.4
Portugal	30.6	28.2	28.1	28.2	28.6	27.9
Slovak Republic	35.0	36.2	35.3	35.7	33.6	29.0
Spain	34.9	35.2	35.4	34.9	35.1	35.4
Sweden	44.7	43.4	42.2	42.6	42.9	42.4
Switzerland	21.1	21.3	21.5	21.1	20.9	21.0
Turkey	39.7	42.9	41.8	41.4	42.2	42.2
United Kingdom	24.5	22.7	23.0	24.5	24.6	25.0
United States	22.4	21.9	21.9	19.3	19.4	19.6
<i>Unweighted average:</i>						
OECD	30.8	30.3	30.4	30.0	30.1	30.0
EU-15	35.1	33.9	33.3	32.9	33.3	33.1
EU-19	35.5	34.7	34.4	33.9	34.3	33.8

StatLink: <http://dx.doi.org/10.1787/227070734080>

Table III.6b. **Evolution of the tax burden, 2000-2005**  
**Two-earner married couple, one at 100% of average earnings and the other at 33%**  
**Income Tax as a % of gross wage earnings**

	2000	2001	2002	2003	2004	2005
Australia	21.5	19.2	19.6	20.2	20.3	20.8
Austria	9.4	9.7	9.9	10.2	10.4	10.3
Belgium	24.0	24.3	23.7	22.3	20.5	20.7
Canada	16.6	15.3	14.9	14.8	14.4	13.9
Czech Republic	5.4	5.2	5.6	6.0	6.3	5.2
Denmark	27.7	27.9	27.3	27.3	26.8	27.0
Finland	23.7	22.8	22.7	22.1	21.3	21.2
France	9.5	8.9	8.5	8.4	8.3	8.4
Germany	10.5	9.5	9.5	5.8	9.0	7.7
Greece	5.6	5.4	5.3	3.7	4.3	4.8
Hungary	15.7	16.0	14.7	10.7	11.5	10.5
Iceland	15.8	16.6	18.2	18.9	19.2	18.9
Ireland	11.1	7.9	7.2	6.6	7.3	6.5
Italy	13.4	12.7	10.9	9.7	10.1	10.1
Japan	4.4	4.5	4.0	4.2	4.2	4.2
Korea	1.1	1.5	1.4	1.5	1.4	1.4
Luxembourg	2.9	1.4	0.0	0.2	0.7	1.2
Mexico	-2.0	-1.1	-0.8	-0.5	-0.3	2.2
Netherlands	7.3	8.2	8.5	7.8	7.6	7.9
New Zealand	18.5	18.6	18.7	18.9	19.2	19.6
Norway	19.2	20.8	20.5	20.0	20.0	19.2
Poland	5.6	4.8	4.8	4.9	4.9	5.0
Portugal	5.7	4.0	3.9	4.0	4.1	3.2
Slovak Republic	4.5	4.9	3.9	4.1	2.2	2.2
Spain	8.6	9.0	9.2	8.7	8.9	9.2
Sweden	25.3	23.9	22.2	22.6	22.9	22.2
Switzerland	6.2	6.4	6.5	6.5	6.6	6.8
Turkey	14.0	14.1	14.3	13.8	14.8	14.8
United Kingdom	14.6	12.9	13.1	13.3	13.4	13.6
United States	8.3	7.8	7.7	5.0	5.0	5.3
<i>Unweighted average:</i>						
OECD	11.8	11.4	11.2	10.7	10.8	10.8
EU-15	13.3	12.6	12.1	11.5	11.7	11.6
EU-19	12.1	11.6	11.1	10.4	10.6	10.4

StatLink: <http://dx.doi.org/10.1787/183230373626>



Table III.6c. **Evolution of the tax burden, 2000-2005**  
**Two-earner married couple, one at 100% of average earnings and the other at 33%**  
**Income tax plus employee contributions less cash benefits as a % of gross wage earnings**

	2000	2001	2002	2003	2004	2005
Australia	19.2	15.6	16.1	16.8	13.2	15.7
Austria	16.5	17.0	17.4	17.8	18.1	18.3
Belgium	29.3	29.6	29.2	27.5	25.7	25.6
Canada	19.1	17.8	17.7	17.2	17.0	16.6
Czech Republic	7.7	9.4	9.4	11.2	13.2	12.6
Denmark	35.7	35.0	34.3	34.2	33.8	33.9
Finland	24.0	22.8	22.6	22.2	21.3	21.7
France	19.4	18.8	18.4	18.6	18.6	18.8
Germany	31.0	30.1	30.1	26.8	29.9	28.5
Greece	21.5	21.3	21.2	19.7	20.3	20.8
Hungary	20.4	21.8	20.4	16.2	18.2	17.2
Iceland	10.5	10.7	13.3	14.5	15.2	15.3
Ireland	11.4	7.5	4.8	2.2	3.4	2.5
Italy	20.9	20.2	17.7	16.4	17.7	17.7
Japan	14.4	14.5	17.6	15.8	15.8	16.0
Korea	7.8	8.2	8.1	8.4	8.5	8.5
Luxembourg	7.5	6.1	3.0	3.5	4.0	4.8
Mexico	-0.4	0.5	0.8	1.0	1.2	3.7
Netherlands	26.2	23.1	23.0	23.8	23.9	23.8
New Zealand	18.5	18.6	18.7	18.9	19.2	19.6
Norway	22.0	23.3	23.2	22.9	23.0	22.4
Poland	27.7	27.2	29.8	30.1	30.4	30.7
Portugal	14.1	11.1	11.0	11.2	11.6	10.8
Slovak Republic	10.1	11.9	10.5	11.1	10.2	10.4
Spain	15.0	15.3	15.6	15.0	15.3	15.6
Sweden	26.5	24.8	23.3	23.8	24.2	23.7
Switzerland	12.0	12.2	12.4	12.1	12.1	12.3
Turkey	28.0	30.1	29.3	28.8	29.8	29.8
United Kingdom	17.9	16.1	16.4	17.4	17.5	17.9
United States	16.3	15.7	15.7	12.9	13.0	13.2
<i>Unweighted average:</i>						
OECD	18.3	17.9	17.7	17.3	17.5	17.6
EU-15	21.1	19.9	19.2	18.7	19.0	18.9
EU-19	20.1	19.4	18.8	18.4	18.8	18.7

StatLink: <http://dx.doi.org/10.1787/606874436082>

Table III.7a. Evolution of the tax burden, 2000-2005

**Two-earner married couple, one at 100% of average earnings and the other at 67%**  
**Income tax plus employee and employer contributions less cash benefits as a % of labour costs**

	2000	2001	2002	2003	2004	2005
Australia	26.2	23.0	23.4	23.9	21.2	23.1
Austria	39.0	38.6	39.0	39.4	39.5	39.2
Belgium	50.9	50.6	50.3	49.2	48.0	48.2
Canada	30.0	29.0	29.1	28.4	28.6	28.2
Czech Republic	36.5	36.6	36.9	39.0	39.3	39.0
Denmark	39.1	38.4	37.4	37.3	36.0	36.1
Finland	41.6	40.3	40.0	39.2	38.6	38.8
France	44.2	44.4	44.4	43.6	42.7	42.5
Germany	46.7	46.0	46.0	44.0	46.0	44.8
Greece	38.3	38.0	37.7	36.8	37.2	37.5
Hungary	44.3	44.2	44.6	41.4	42.5	41.1
Iceland	20.9	21.2	23.4	24.7	25.2	25.1
Ireland	21.8	19.5	17.0	15.1	17.4	16.8
Italy	43.4	42.7	41.8	40.6	41.0	40.9
Japan	23.0	23.1	28.9	25.7	25.7	26.0
Korea	15.6	15.6	15.3	15.6	16.0	16.1
Luxembourg	24.0	22.4	19.3	19.9	20.4	21.3
Mexico	14.4	13.7	15.3	16.0	14.1	16.5
Netherlands	37.7	34.9	35.0	35.2	35.8	36.1
New Zealand	19.0	19.1	19.2	19.3	19.5	19.8
Norway	33.0	33.8	33.6	33.3	33.5	32.8
Poland	42.8	40.7	42.4	42.6	42.9	43.1
Portugal	32.9	30.9	31.1	31.3	31.6	31.0
Slovak Republic	36.8	37.9	36.8	37.2	36.1	31.7
Spain	35.3	35.7	36.1	35.3	35.7	36.1
Sweden	46.0	44.9	43.8	44.2	44.5	44.0
Switzerland	24.2	24.3	24.4	24.0	23.8	24.0
Turkey	39.9	43.2	42.1	41.5	42.2	42.2
United Kingdom	27.6	26.1	26.3	27.8	27.9	28.2
United States	24.8	24.4	24.3	22.3	22.3	22.5
<i>Unweighted average:</i>						
OECD	33.3	32.8	32.8	32.5	32.5	32.4
EU-15	37.9	36.9	36.3	35.9	36.2	36.1
EU-19	38.4	37.5	37.2	36.8	37.0	36.7

StatLink: <http://dx.doi.org/10.1787/248407087611>

Table III.7b. Evolution of the tax burden, 2000-2005  
 Two-earner married couple, one at 100% of average earnings and the other at 67%  
 Income Tax as a % of gross wage earnings

	2000	2001	2002	2003	2004	2005
Australia	23.3	21.0	21.5	22.1	22.1	22.5
Austria	10.7	11.2	11.5	12.0	12.1	11.5
Belgium	26.4	26.4	26.1	24.9	23.8	23.8
Canada	17.7	16.5	16.2	16.1	15.8	15.2
Czech Republic	6.9	6.8	7.1	7.4	7.7	7.2
Denmark	30.5	30.7	29.8	29.8	28.4	28.5
Finland	24.8	24.0	23.8	23.3	22.6	22.5
France	10.7	10.7	11.0	10.8	10.7	10.9
Germany	15.3	14.4	14.2	11.2	13.9	12.4
Greece	5.1	4.8	4.3	3.0	3.5	3.9
Hungary	18.0	18.1	16.5	13.1	13.5	11.8
Iceland	19.7	20.3	22.0	22.5	22.7	22.4
Ireland	13.3	10.4	9.7	9.3	9.8	9.2
Italy	15.9	15.0	14.2	12.7	13.2	13.0
Japan	5.0	5.0	4.5	4.8	4.8	4.7
Korea	1.4	1.5	1.4	1.5	1.5	1.4
Luxembourg	7.0	5.4	3.3	3.8	4.3	4.9
Mexico	0.2	0.9	1.1	1.3	1.5	4.2
Netherlands	7.4	7.9	8.2	7.4	7.4	7.8
New Zealand	19.0	19.1	19.2	19.3	19.5	19.8
Norway	20.6	21.8	21.4	20.9	20.9	19.9
Poland	6.3	5.7	5.7	5.7	5.8	5.9
Portugal	8.1	6.6	6.8	7.1	7.2	6.4
Slovak Republic	5.7	6.0	4.8	5.1	4.5	4.6
Spain	9.2	9.7	10.2	9.2	9.7	10.2
Sweden	25.9	24.7	23.1	23.6	23.9	23.2
Switzerland	8.5	8.6	8.7	8.6	8.8	9.0
Turkey	14.1	14.4	14.6	14.0	14.8	14.8
United Kingdom	16.1	14.7	14.9	15.0	15.1	15.3
United States	11.0	10.6	10.5	8.3	8.3	8.5
<i>Unweighted average:</i>						
OECD	13.5	13.1	12.9	12.5	12.6	12.5
EU-15	15.1	14.4	14.1	13.5	13.7	13.6
EU-19	13.9	13.3	12.9	12.3	12.5	12.3

StatLink: <http://dx.doi.org/10.1787/248407087611>

Table III.7c. Evolution of the tax burden, 2000-2005

**Two-earner married couple, one at 100% of average earnings and the other at 67%**  
**Income tax plus employee contributions less cash benefits as a % of gross wage earnings**

	2000	2001	2002	2003	2004	2005
Australia	21.5	18.2	18.7	19.3	16.5	18.5
Austria	20.0	20.7	21.1	21.6	21.9	21.5
Belgium	34.9	35.3	35.0	33.8	32.8	32.9
Canada	22.0	20.8	20.8	20.2	20.2	19.8
Czech Republic	14.3	14.4	14.8	17.6	18.0	17.6
Denmark	38.7	37.9	37.0	36.9	35.6	35.7
Finland	26.5	25.3	25.0	24.6	23.8	24.1
France	21.3	21.4	21.5	21.7	21.7	21.9
Germany	35.8	34.9	34.9	32.2	34.7	33.3
Greece	21.0	20.7	20.2	19.0	19.5	19.9
Hungary	24.2	25.3	23.6	20.0	21.6	19.8
Iceland	17.1	17.1	19.4	20.3	20.9	20.8
Ireland	13.5	11.0	8.8	6.7	8.6	7.9
Italy	24.2	23.3	22.5	21.0	21.5	21.4
Japan	15.0	15.0	18.2	16.3	16.3	16.6
Korea	8.1	8.2	8.1	8.4	8.6	8.6
Luxembourg	13.5	12.0	8.4	9.2	9.7	10.6
Mexico	1.7	2.4	2.6	2.8	2.9	5.7
Netherlands	29.6	26.5	26.5	27.3	27.6	27.8
New Zealand	19.0	19.1	19.2	19.3	19.5	19.8
Norway	24.4	25.4	25.2	24.8	24.9	24.0
Poland	31.1	28.6	30.7	30.9	31.2	31.5
Portugal	17.0	14.5	14.7	15.0	15.4	14.6
Slovak Republic	12.6	14.1	12.7	13.2	13.6	13.8
Spain	15.5	16.1	16.5	15.5	16.0	16.6
Sweden	28.3	26.8	25.4	25.9	26.3	25.8
Switzerland	15.5	15.6	15.7	15.4	15.4	15.6
Turkey	28.1	30.4	29.6	29.0	29.8	29.8
United Kingdom	20.7	19.3	19.5	20.5	20.6	20.9
United States	18.9	18.5	18.4	16.1	16.2	16.4
<i>Unweighted average:</i>						
OECD	21.1	20.6	20.5	20.2	20.4	20.4
EU-15	24.0	23.0	22.5	22.1	22.4	22.3
EU-19	23.3	22.5	22.0	21.7	22.1	22.0

StatLink: <http://dx.doi.org/10.1787/337851333212>

Table III.8a. Evolution of the tax burden, 2000-2005

Two-earner married couple, one at 100% of average earnings and the other at 33%, with no children  
Income tax plus employee and employer contributions less cash benefits as a % of labour costs

	2000	2001	2002	2003	2004	2005
Australia	27.0	24.0	24.3	24.7	24.8	25.2
Austria	44.6	44.1	44.2	44.5	44.6	44.5
Belgium	51.2	50.6	50.2	48.8	49.8	46.9
Canada	30.3	29.3	29.4	29.1	29.2	28.7
Czech Republic	41.5	41.4	41.7	42.0	42.4	42.6
Denmark	41.2	40.5	39.8	39.8	39.4	39.4
Finland	45.0	43.4	43.0	42.1	41.4	41.5
France	45.6	45.4	45.4	45.7	44.8	44.9
Germany	48.6	47.7	48.2	45.5	47.9	46.7
Greece	38.3	38.1	38.0	38.1	38.5	38.8
Hungary	49.9	50.9	51.3	47.5	48.4	47.4
Iceland	19.7	21.0	22.6	23.6	23.8	23.6
Ireland	23.5	20.5	19.1	18.6	19.3	18.7
Italy	42.9	42.8	42.9	41.7	42.0	42.0
Japan	24.0	24.2	29.8	26.7	26.6	27.0
Korea	15.9	15.9	15.6	15.8	16.5	16.6
Luxembourg	30.3	28.7	27.1	27.4	27.7	28.3
Mexico	13.6	13.0	14.7	15.4	13.5	15.8
Netherlands	37.7	35.0	35.2	35.4	36.5	36.6
New Zealand	18.5	18.6	18.7	18.9	19.2	19.6
Norway	36.1	36.7	36.4	36.0	36.1	35.4
Poland	42.2	41.8	41.7	41.9	42.2	42.4
Portugal	33.8	32.7	32.6	32.7	32.8	32.1
Slovak Republic	40.6	41.7	41.4	41.8	40.1	35.8
Spain	36.0	36.2	36.4	36.0	36.1	36.3
Sweden	49.1	48.0	46.7	47.0	47.2	46.5
Switzerland	27.7	27.8	27.9	27.5	27.3	27.4
Turkey	39.7	42.9	41.8	41.4	42.2	42.2
United Kingdom	28.3	28.0	28.1	29.6	29.7	29.9
United States	27.8	27.7	27.6	26.8	26.7	26.7
<i>Unweighted average:</i>						
OECD	35.0	34.6	34.7	34.4	34.6	34.3
EU-15	39.8	38.8	38.5	38.2	38.5	38.2
EU-19	40.5	39.9	39.6	39.3	39.5	39.0

StatLink: <http://dx.doi.org/10.1787/636353426543>

Table III.8b. **Evolution of the tax burden, 2000-2005**  
**Two-earner married couple, one at 100% of average earnings and the other at 33%, with no children**  
**Income Tax as a % of gross wage earnings**

	2000	2001	2002	2003	2004	2005
Australia	22.3	19.2	19.6	20.2	20.3	20.8
Austria	9.4	9.7	9.9	10.2	10.4	10.3
Belgium	25.9	26.1	25.6	24.1	22.4	22.6
Canada	16.6	15.3	14.9	14.8	14.4	13.9
Czech Republic	8.5	8.4	8.8	9.2	9.7	10.1
Denmark	27.7	27.9	27.3	27.3	26.8	27.0
Finland	23.7	22.8	22.7	22.1	21.3	21.2
France	12.3	11.9	11.6	11.3	11.2	11.4
Germany	17.5	16.4	16.8	13.0	16.1	14.8
Greece	5.2	4.9	4.8	4.7	5.2	5.6
Hungary	19.4	21.7	19.7	15.4	15.7	14.5
Iceland	15.8	16.6	18.2	18.9	19.2	18.9
Ireland	11.1	7.9	7.2	6.6	7.3	6.5
Italy	14.2	14.2	14.8	13.3	13.6	13.6
Japan	6.2	6.2	5.6	5.9	5.9	5.8
Korea	1.7	1.8	1.6	1.7	2.1	2.1
Luxembourg	6.8	5.2	3.5	3.9	4.2	4.6
Mexico	-2.0	-1.1	-0.8	-0.5	-0.3	2.2
Netherlands	7.3	8.2	8.6	7.8	7.7	8.0
New Zealand	18.5	18.6	18.7	18.9	19.2	19.6
Norway	20.1	20.8	20.5	20.0	20.0	19.2
Poland	5.6	4.8	4.8	4.9	4.9	5.0
Portugal	7.1	5.7	5.6	5.7	5.8	4.9
Slovak Republic	5.9	6.6	6.3	6.7	5.6	5.5
Spain	10.1	10.3	10.5	10.0	10.2	10.5
Sweden	25.3	23.9	22.2	22.6	22.9	22.2
Switzerland	7.8	7.9	8.0	8.0	8.2	8.3
Turkey	14.0	14.1	14.3	13.8	14.8	14.8
United Kingdom	14.6	14.5	14.7	14.9	14.9	15.0
United States	14.1	14.0	13.9	13.0	13.0	13.0
<i>Unweighted average:</i>						
OECD	13.1	12.8	12.7	12.3	12.4	12.4
EU-15	14.5	14.0	13.7	13.2	13.3	13.2
EU-19	13.6	13.2	12.9	12.3	12.4	12.3

StatLink: <http://dx.doi.org/10.1787/637675038606>

Table III.8c. Evolution of the tax burden, 2000-2005  
 Two-earner married couple, one at 100% of average earnings and the other at 33%, with no children  
 Income tax plus employee contributions less cash benefits as a % of gross wage earnings

	2000	2001	2002	2003	2004	2005
Australia	22.3	19.2	19.6	20.2	20.3	20.8
Austria	27.5	27.8	28.0	28.3	28.5	28.4
Belgium	38.1	37.9	37.4	35.7	34.0	33.7
Canada	22.4	21.3	21.2	21.1	20.9	20.5
Czech Republic	21.0	20.9	21.3	21.7	22.2	22.6
Denmark	40.8	40.0	39.3	39.3	38.8	38.9
Finland	30.7	29.3	28.7	28.1	27.4	27.5
France	25.7	25.3	24.9	24.9	24.8	25.0
Germany	38.0	36.9	37.5	34.0	37.0	35.6
Greece	21.1	20.8	20.7	20.7	21.2	21.6
Hungary	31.9	34.2	32.2	27.9	29.2	28.0
Iceland	15.9	16.9	18.5	19.2	19.5	19.2
Ireland	15.0	11.6	10.9	10.3	11.1	10.4
Italy	23.4	23.4	24.0	22.4	22.8	22.8
Japan	16.2	16.2	19.2	17.4	17.5	17.7
Korea	8.4	8.5	8.3	8.6	9.2	9.2
Luxembourg	20.7	19.1	17.3	17.6	18.0	18.5
Mexico	-0.4	0.5	0.8	1.0	1.2	3.7
Netherlands	30.4	27.4	27.4	28.3	29.1	29.2
New Zealand	18.5	18.6	18.7	18.9	19.2	19.6
Norway	27.9	28.6	28.3	27.8	27.8	27.0
Poland	30.4	29.9	29.8	30.1	30.4	30.7
Portugal	18.1	16.7	16.6	16.7	16.8	15.9
Slovak Republic	17.9	19.4	19.1	19.5	19.0	18.9
Spain	16.4	16.7	16.9	16.4	16.6	16.8
Sweden	32.3	30.9	29.2	29.6	29.9	29.2
Switzerland	19.4	19.4	19.5	19.3	19.2	19.4
Turkey	28.0	30.1	29.3	28.8	29.8	29.8
United Kingdom	22.1	21.8	21.9	23.0	23.0	23.2
United States	22.1	22.0	21.8	20.9	20.9	20.9
<i>Unweighted average:</i>						
OECD	23.4	23.0	22.9	22.6	22.8	22.8
EU-15	26.7	25.7	25.4	25.0	25.3	25.1
EU-19	26.4	25.8	25.4	25.0	25.2	25.1

StatLink: <http://dx.doi.org/10.1787/844765256816>

Table III.9. Annual average gross wage earnings, single persons without children, 2000-2005 (US Dollars using PPP)

	2000		2001		2002		2003		2004		2005	
	gross	net	gross	net	gross	net	gross	net	gross	net	gross	net
Australia	30 620	22 626	31 077	24 011	32 502	24 972	34 201	26 108	35 539	27 130	36 851	28 000
Austria	32 530	22 458	32 936	22 596	33 963	23 230	35 552	24 176	36 213	24 527	36 934	25 070
Belgium	34 347	19 575	36 863	21 025	38 882	22 297	39 502	22 917	40 300	23 427	41 101	23 882
Canada	29 805	22 239	30 565	23 199	30 730	23 332	30 699	23 293	30 737	23 390	31 297	23 933
Czech Republic	11 441	8 850	12 002	9 297	12 964	9 990	13 503	10 356	14 364	10 951	15 229	11 557
Denmark	33 506	18 737	34 993	19 853	35 904	20 719	37 062	21 404	37 390	22 087	38 454	22 676
Finland	27 621	18 165	28 814	19 323	30 513	20 633	31 630	21 553	33 687	23 184	35 035	24 069
France	29 215	20 804	30 649	21 731	31 302	22 197	31 830	22 620	32 941	23 466	33 619	23 886
Germany	37 967	21 075	39 170	22 180	41 147	23 045	42 578	25 004	43 719	24 692	44 086	25 698
Greece	21 508	16 966	22 241	17 611	24 019	19 160	24 516	19 556	24 904	19 679	25 808	20 242
Hungary	10 101	6 499	11 448	7 057	12 422	7 888	12 928	8 664	13 450	8 817	13 681	9 180
Iceland	25 742	19 923	26 694	20 533	27 002	20 337	28 422	21 273	30 752	22 963	32 113	24 119
Ireland	23 086	18 390	24 134	20 062	25 427	21 255	25 605	21 497	29 944	24 488	31 056	25 548
Italy	24 748	17 779	25 150	18 196	25 550	18 371	25 554	18 688	26 277	19 095	27 060	19 663
Japan	32 466	26 946	34 011	28 213	34 787	27 828	35 425	28 963	37 088	30 318	38 235	31 171
Korea	25 527	23 236	26 839	24 404	29 386	26 783	31 681	28 788	35 327	31 836	37 702	33 987
Luxembourg	35 375	24 887	36 175	26 133	37 601	28 313	38 593	28 842	39 810	29 532	40 984	30 127
Mexico	8 769	8 375	9 663	9 165	10 069	9 528	10 118	9 560	10 464	9 878	10 688	9 843
Netherlands	33 855	22 600	36 594	25 431	38 019	26 397	39 539	27 265	40 301	27 304	41 560	28 181
New Zealand	24 116	19 445	24 519	19 756	25 436	20 483	26 212	21 055	26 449	21 162	27 274	21 691
Norway	33 116	22 950	35 869	24 590	37 627	26 041	38 334	26 771	38 605	26 989	38 509	27 322
Poland	13 564	9 273	14 309	9 832	14 972	10 293	15 235	10 437	15 990	10 912	16 232	11 034
Portugal	16 793	13 023	17 554	13 808	18 441	14 466	18 918	14 807	19 590	15 314	20 148	15 902
Slovak Republic	9 223	7 424	9 895	7 821	10 629	8 449	10 718	8 464	11 663	9 073	12 478	9 715
Spain	23 126	18 555	23 844	19 045	24 855	19 784	25 910	20 803	25 824	20 662	26 451	21 074
Sweden	28 680	19 008	29 799	20 146	30 600	21 229	31 275	21 503	32 267	22 103	33 154	22 867
Switzerland	34 458	26 893	35 398	27 619	38 008	29 647	38 742	30 332	39 926	31 287	40 694	31 851
Turkey	20 466	14 585	18 290	12 635	17 272	12 070	17 313	12 160	17 893	12 445	18 609	12 945
United Kingdom	36 828	27 482	39 376	29 464	41 781	31 211	42 542	31 352	43 876	32 319	46 091	33 890
United States	27 372	20 765	28 090	21 334	28 939	22 028	29 813	22 769	30 355	23 197	31 666	24 206
<i>Unweighted average:</i>												
OECD	25 866	18 651	26 899	19 536	28 025	20 399	28 798	21 033	29 855	21 741	30 760	22 444
EU-15	29 279	19 967	30 553	21 107	31 867	22 154	32 707	22 799	33 803	23 459	34 769	24 185
EU-19	25 448	17 450	26 629	18 453	27 842	19 417	28 578	19 995	29 606	20 612	30 482	21 277

StatLink: <http://dx.doi.org/10.1787/232132225020>



Table III.10. Annual average gross wage earnings, single persons without children, 2000-2005 (national currency)<sup>1</sup>

	2000		2001		2002		2003		2004		2005	
	gross	net	gross	net	gross	net	gross	net	gross	net	gross	net
Australia	40 218	29 719	41 313	31 920	43 441	33 377	46 200	35 267	48 827	37 274	51 169	38 879
Austria	29 732	20 527	30 280	20 774	30 966	21 180	32 288	21 957	32 872	22 264	33 624	22 824
Belgium	31 644	18 035	33 109	18 884	34 330	19 686	34 643	20 098	35 578	20 683	36 396	21 148
Canada	36 764	27 431	37 232	28 259	37 765	28 674	38 220	29 000	38 945	29 636	40 341	30 849
Czech Republic	164 327	127 113	175 159	135 679	185 030	142 589	195 219	149 721	209 489	159 710	221 886	168 388
Denmark	281 700	157 533	292 100	165 723	302 500	174 562	311 300	179 786	316 500	186 968	328 390	193 648
Finland	27 037	17 781	28 111	18 851	29 495	19 945	30 414	20 724	31 539	21 706	32 722	22 480
France	26 731	19 035	27 564	19 544	28 175	19 979	28 847	20 500	29 549	21 050	30 219	21 470
Germany	37 253	20 679	38 204	21 633	39 440	22 089	40 375	23 711	41 046	23 183	41 074	23 942
Greece	14 721	11 612	15 431	12 218	16 278	12 985	16 739	13 352	17 360	13 718	18 339	14 383
Hungary	1 084 214	697 527	1 259 940	776 670	1 425 084	904 901	1 556 892	1 043 367	1 697 268	1 112 667	1 778 552	1 193 458
Iceland	2 142 000	1 657 791	2 370 000	1 822 991	2 489 000	1 874 694	2 669 000	1 997 716	2 770 000	2 068 453	2 949 759	2 215 441
Ireland	22 008	17 532	23 762	19 753	25 477	21 297	25 951	21 788	30 170	24 673	31 663	26 047
Italy	19 991	14 362	20 583	14 892	21 076	15 154	21 462	15 695	22 053	16 026	22 759	16 538
Japan	5 026 569	4 171 893	5 075 080	4 209 951	4 997 660	3 997 942	4 929 133	4 030 013	4 943 208	4 040 868	4 953 747	4 038 572
Korea	19 217 616	17 492 568	20 428 200	18 574 820	22 885 416	20 857 826	24 887 904	22 614 840	27 356 688	24 653 132	28 729 826	25 898 856
Luxembourg	34 949	24 587	36 047	26 040	36 848	27 746	38 034	28 424	39 171	29 057	40 500	29 771
Mexico	53 649	51 239	61 093	57 947	66 304	62 742	70 962	67 048	76 332	72 057	79 997	73 672
Netherlands	31 300	20 894	33 610	23 357	35 010	24 308	36 385	25 090	37 026	25 085	37 759	25 604
New Zealand	34 894	28 136	36 238	29 198	37 286	30 026	38 496	30 922	39 428	31 547	40 949	32 566
Norway	298 385	206 788	326 851	224 076	343 997	238 074	353 448	246 837	366 161	255 986	379 934	269 566
Poland	24 682	16 875	26 438	18 165	27 329	18 787	28 098	19 248	29 263	19 971	30 000	20 392
Portugal	10 922	8 470	11 544	9 081	12 140	9 524	12 583	9 848	12 969	10 138	13 299	10 496
Slovak Republic	148 173	119 266	161 136	127 361	172 251	136 914	181 792	143 570	200 722	156 157	216 780	168 770
Spain	17 162	13 770	17 874	14 276	18 462	14 695	19 220	15 432	19 828	15 864	20 701	16 493
Sweden	263 581	174 686	278 197	188 079	286 566	198 801	293 700	201 928	300 814	206 058	309 854	213 708
Switzerland	65 370	51 018	67 128	52 376	68 584	53 498	69 487	54 403	70 649	55 361	71 595	56 037
Turkey	5 545	3 952	7 752	5 355	10 561	7 380	12 636	8 874	13 959	9 708	15 256	10 613
United Kingdom	23 291	17 380	24 550	18 370	25 490	19 042	26 280	19 367	27 150	19 999	28 571	21 008
United States	27 372	20 765	28 090	21 334	28 939	22 028	29 813	22 769	30 355	23 197	31 666	24 206

1. The annual average gross wage earnings in euro area countries are expressed in euros. New Turkish Lira is used in Turkey.

StatLink: <http://dx.doi.org/10.1787/373347604884>



## PART IV

# Country Details 2005

This part of the publication provides the individual country details for 2005 that lie behind the comparative analysis. For each country, a table of detailed country results is followed by a description of the tax/benefit system.

All thirty country tables in this part of the report have a similar format. The left hand page of each table specifies the tax-benefit position of single persons in four cases, which differ by wage level and the presence of children (0/2). The right hand page of the table specifies the tax-benefit position of married couples, again discerning between four cases, which now differ by wage level, the presence of children (0/2) and one-/two-earner situations.

All tables start with gross wage earnings (line 1) and derive taxable income for the personal income tax levied by central government (line 4), taking into account a number of standard tax allowances (line 2) and taxable cash transfers (line 3). Taxable income allows one to determine central government income tax paid (line 7); including reductions in the form of tax credits (line 6). Total payments to general government (line 10) also include state and local income taxes (line 8) and employees' compulsory social security contributions (line 9). Take-home pay (line 12) is calculated as gross wage earnings less all payments to general government, plus universal cash transfers received from general government (line 11).

Line 13 reports employers' compulsory social security contributions (including payroll taxes).

Average tax rates (line 14) are then calculated as:

- the share of income tax in gross wage earnings;
- the share of employees' social security contributions in gross wage earnings;
- the share of income tax and employees' social security contributions minus benefits in gross wage earnings; and
- the share of income tax and all social security contributions minus benefits in gross labour costs.

Marginal tax rates (line 15) are calculated similarly as:

- the increase in income tax and employees' contributions minus benefits as a share of the related increase in gross wage earnings (both for the principal earner and the spouse); and
- the increase in tax and all social security contributions minus benefits as a share of the related increase in gross labour costs (both for the principal earner and the spouse).



# Australia

## (2004-2005 income tax year)

<b>Australia</b>		<b>2005</b>				
<b>The tax/benefit position of single persons</b>						
		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
<b>1. Gross wage earnings</b>			34113	51169	85282	34113
<b>2. Standard tax allowances</b>						
	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
<b>3. Tax credits or cash transfers included in taxable income</b>			0	0	0	377
<b>4. Central government taxable income (1 - 2 + 3)</b>			34113	51169	85282	34490
<b>5. Central government income tax liability (exclusive of tax credits)</b>						
	Income tax		6406	11523	25794	6519
	Medicare Levy		512	768	1279	517
	Total		6917	12290	27074	7036
<b>6. Tax credits</b>						
	Basic credit		0	0	0	0
	Married or head of family		0	0	0	112
	Children					
	Other					
	Total		0	0	0	112
<b>7. Central government income tax finally paid (5-6)</b>			6917	12290	27074	6924
<b>8. State and local taxes</b>			0	0	0	0
<b>9. Employees' compulsory social security contributions</b>			0	0	0	0
<b>10. Total payments to general government (7 + 8 + 9)</b>			6917	12290	27074	6924
<b>11. Cash transfers from general government</b>						
	For head of family		0	0	0	528
	For two children		0	0	0	10425
	Total		0	0	0	10953
<b>12. Take-home pay (1-10+11)</b>			27195	38879	58208	38142
<b>13. Employers' payroll tax</b>			2047	3070	5117	2047
<b>14. Average rates</b>						
	Income tax		20.3%	24.0%	31.7%	20.3%
	Employees' social security contributions		0.0%	0.0%	0.0%	0.0%
	Total payments less cash transfers		20.3%	24.0%	31.7%	-11.8%
	Total tax wedge including employer payroll taxes		24.8%	28.3%	35.6%	-5.5%
<b>15. Marginal rates</b>						
	Total payments less cash transfers: Principal earner		31.5%	31.5%	48.5%	66.4%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		35.4%	35.4%	51.4%	68.3%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

StatLink: <http://dx.doi.org/10.1787/670401807776>

<b>Australia</b>		<b>2005</b>			
<b>The tax/benefit position of married couples</b>					
Wage level (per cent of average wage)		100-0	100-33	100-67	100-33
Number of children		2	2	2	none
<b>1. Gross wage earnings</b>		51169	68225	85282	68225
<b>2. Standard tax allowances</b>					
	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
<b>3. Tax credits or cash transfers included in taxable income</b>		0	0	0	0
<b>4. Central government taxable income (1 - 2 + 3)</b>		51169	68225	85282	68225
<b>5. Central government income tax liability (exclusive of tax credits)</b>					
	Income tax	11523	13402	17929	13402
	Medicare Levy	768	998	1279	998
	Total	12290	14401	19208	14401
<b>6. Tax credits</b>					
	Basic credit	0	235	0	235
	Married or head of family	0	0	0	0
	Children				
	Other				
	Total	0	235	0	235
<b>7. Central government income tax finally paid (5-6)</b>		12290	14166	19208	14166
<b>8. State and local taxes</b>		0	0	0	0
<b>9. Employees' compulsory social security contributions</b>		0	0	0	0
<b>10. Total payments to general government (7 + 8 + 9)</b>		12290	14166	19208	14166
<b>11. Cash transfers from general government</b>					
	For head of family	0	0	0	0
	For two children	6688	3468	3468	0
	Total	6688	3468	3468	0
<b>12. Take-home pay (1-10+11)</b>		45567	57527	69541	54060
<b>13. Employers' payroll tax</b>		3070	4094	5117	4094
<b>14. Average rates</b>					
	Income tax	24.0%	20.8%	22.5%	20.8%
	Employees' social security contributions	0.0%	0.0%	0.0%	0.0%
	Total payments less cash transfers	10.9%	15.7%	18.5%	20.8%
	Total tax wedge including employer payroll taxes	16.0%	20.5%	23.1%	25.2%
<b>15. Marginal rates</b>					
	Total payments less cash transfers: Principal earner	51.5%	31.5%	31.5%	31.5%
	Total payments less cash transfers: Spouse	29.9%	37.0%	31.5%	37.0%
	Total tax wedge: Principal earner	54.2%	35.4%	35.4%	35.4%
	Total tax wedge: Spouse	33.8%	40.6%	35.4%	40.6%

StatLink: <http://dx.doi.org/10.1787/670401807776>

The national currency is the Australian dollar (AUD). For the 2004-2005 income tax year AUD 1.3096 was equal to USD 1 (average of previous eleven months daily exchange rates). In that period the average worker in the manufacturing sector earned AUD 52 777. Using the new definition, which includes all adult full-time employees in industries falling under categories C-K inclusive, the average worker is forecasted to earn AUD 51 169 (Secretariat estimate).

From this Edition, since the tax year in Australia starts in July, a backward looking approach has been adopted in this Report. Thus, from this Edition Australia has redefined the year 2005 to mean its fiscal year 2004-2005.

## 1. Personal income tax system

### 1.1. Federal government income tax

#### 1.1.1. Tax unit

Members of the family are taxed separately.

#### 1.1.2. Tax allowances and credits

##### 1.1.2.1. Standard tax reliefs

- *Basic reliefs:* Income earned up to AUD 6 000 by resident taxpayers is subject to tax at a zero rate;
- *Standard marital status reliefs:* A taxpayer may claim a tax credit where he or she contributes to the maintenance of a dependent spouse (legal or *de facto*). During 2004-05, the credit is AUD 1 566 for a dependent spouse without dependent children. The credit is reduced by AUD 1 for every AUD 4 by which the spouse's separate net income exceeds AUD 282. The rebate for a dependent spouse with a dependent child has been replaced by the Family Tax Benefit system (see below).
- *Relief(s) for children:* From 1 July 2000, Family Tax Benefit (FTB) has replaced several forms of tax relief and cash transfers, such as Family Tax Assistance, the dependent spouse with child rebate and the sole parent rebate. FTB can be claimed either through the taxation system or as a cash transfer. A refundable tax offset, called the Baby Bonus, is also available for families with a child born between 1 July 2001 and 30 June 2004. Families with a child born on or after 1 July 2004 are eligible for a Maternity Payment which replaces the Baby Bonus tax offset. See Section 4.2 for more detail.
- *Relief for social security contributions and other taxes:* no such contributions are levied.
- *Reliefs for low income earners:* An AUD 235 tax credit is available for taxpayers whose taxable income was less than AUD 21 600. This credit is reduced by AUD 0.04 for every AUD 1 by which the taxpayer's taxable income exceeds AUD 21 600, and no tax credit is available once the taxpayer's taxable income equals AUD 27 475.<sup>1</sup>
- The government has announced the introduction of a Mature Aged Worker Tax Offset, for eligible taxpayers aged 55 years and over, who have income from working in 2004-05



and subsequent years. For the 2004-05 year, the maximum tax credit of AUD 500 is available where income from working is between AUD 10 000 and AUD 48 000. Where income from working is below AUD 10 000 the tax credit tapers in at a rate of AUD 0.05 for every AUD 1 earned. Where income from working is in excess of AUD 48 000 the tax credit is reduced by AUD 0.05 for each additional AUD 1 earned, so that no tax credit is available where income from working exceeds AUD 58 000.

- *Other*: No other standard relief available.

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

- *Reliefs for superannuation*: From 1 July 1992, all employers are required to provide a minimum level of superannuation support for each of their full-time, part-time and casual employees. Apart from a limited number of exemptions, if no superannuation support is provided the employer is liable for a superannuation guarantee charge.
- From 1 July 2004, there is an increase in the Government Superannuation Co-contribution for Low Income Earners and a reduction in the income test taper rate applying to the co-contribution. In 2004-05 a co-contribution of up to AUD 1 500 is provided for superannuation contributions made by low income earners (those earning below AUD 58 000). The maximum co-contribution of AUD 1 500 is payable for those on incomes of AUD 28 000 or less and reduces by AUD 0.05 for each AUD 1 of income over AUD 28 000. The co-contribution replaces the taxation rebate for personal superannuation contributions made by low income earners available prior to 2003-04.
- A taxpayer may receive an 18 per cent income tax rebate for contributions up to AUD 3 000 per annum to a complying superannuation fund on behalf of a spouse with an income equal to or below AUD 13 800 per annum (a maximum rebate of AUD 540). The maximum rebatable limit is reduced at the rate of one dollar for each dollar of spouse assessable income exceeding AUD 10 800.
- Investment income from superannuation savings is taxed at the concessional rate of 15 per cent.
- *Relief for private health insurance*: On 1 January 1999, the Government introduced a 30 per cent rebate for individuals who have private health insurance. To be eligible for the tax rebate, an individual must pay a premium in respect of an “appropriate private health insurance policy” – a policy that provides hospital cover, ancillary cover or combined cover and the person being covered by the policy is eligible to claim benefits under Medicare. The amount of the rebate is not means tested and is 30 per cent of the amount paid for cover in respect of the year of income.
- *Relief for medical expenses*: A medical expense credit applies at a rate of 20 per cent to the excess of net medical expenses over AUD 1 500 for the 2004-05 year of income. To qualify for the rebate, the medical expenses must have been paid by a resident taxpayer in respect of himself or herself or a resident dependant. However, it is not necessary that the payments be made to a resident or that they be paid in Australia. “Medical expenses” for the purposes of the medical expenses rebate includes payments to doctors, nurses, chemists, dentists, opticians and optometrists. Payments for therapeutic treatment and for medical or surgical appliances, remuneration paid to an attendant of an incapacitated person and payments for the maintenance of a guide dog may also qualify.

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

### 1.1.3. Tax schedule

#### General rates of tax – resident individuals

Taxable income (AUD)		Tax at general rates on total taxable income
Not less than	Not more than	
0	6 000	NIL
6 000	21 600	NIL + 17c for each AUD in excess of AUD 6 000
21 600	58 000	AUD 2 652 + 30c for each AUD in excess of AUD 21 600
58 000	70 000	AUD 13 572 + 42c for each AUD in excess of AUD 58 000
70 000 and over		AUD 18 612 + 47c for each AUD in excess of AUD 70 000

To contribute towards the cost of basic medical and hospital care a Medicare Levy is imposed on the taxable incomes of resident taxpayers. In 2004-05 the levy applies at the rate of 1.5 per cent of the taxable income of an individual.

Certain thresholds are applied before the levy is imposed. For example, in 2004-05, an individual taxpayer would not pay the levy where their taxable income does not exceed AUD 15 902. A taxpayer in a couple or sole parent family does not pay the levy if the taxable family income does not exceed AUD 26 834. The threshold increased by AUD 2 464 for each dependent child. Where an individual's taxable income exceeds AUD 15 902 but does not exceed AUD 17 191 shading-in provisions apply under which the levy payable is 20 per cent of the excess of taxable income over AUD 15 902.

In 2004-05, it is forecasted that individual pensioners under Age Pension age do not pay the levy where their taxable income does not exceed AUD 19 252. Where taxable income exceeds AUD 19 252 but does not exceed AUD 20 812 shading in provisions apply under which the levy payable is 20 per cent of the excess of taxable income over AUD 19 252.

A Medicare Levy Surcharge equal to 1 per cent of the taxpayer's taxable income and reportable fringe benefits may also be paid by high income taxpayers without adequate private patient hospital insurance. In 2004-05, a single taxpayer with combined taxable income and reportable fringe benefits exceeding AUD 50 000 may be liable to surcharge. A couple or sole parent family may be liable to surcharge where combined taxable income and reportable fringe benefits exceed AUD 100 000. This family surcharge threshold is increased by AUD 1 500 for each dependant after the first. The effects of the Medicare Levy Surcharge are not shown in this publication. Most taxpayers who would otherwise be liable

to surcharge have private patient hospital insurance as the cost of this insurance tends to be lower than the surcharge and therefore the surcharge is not typically imposed.

### **1.2. State and local income taxes**

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

## **2. Social security contributions**

### **2.1. Employees' contributions**

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

### **2.2. Employers' contributions**

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

Part of Australia's retirement income system is the provision of compulsory employer contributions (the Superannuation Guarantee system) equal to at least 9 per cent of ordinary time earnings or of the relevant industrial award. 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 the Superannuation Guarantee scheme is mandated by the Australian Government, superannuation is provided through private superannuation funds subject to Government regulation. Employers' contributions are generally made to individual accounts and form part of employees' personal superannuation assets. Some defined benefit schemes for government employees and private defined benefit schemes also exist. The employee may take superannuation benefits as either a lump sum payment or pension on retirement.

## **3. Other taxes**

### **3.1. Pay-roll tax**

Australian State Governments levy pay-roll taxes on wages, cash or in kind, provided by larger employers to their employees. The rates of pay-roll tax, thresholds and deductions differ across States. In New South Wales, the State with the largest population, the pay-roll tax rate is 6.00 per cent for employers with total Australian wages in excess of AUD 600 000 in 2004-05. The employer is 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 600 000. The exempt amount is reduced based on the proportion of the employer's New South Wales pay-roll to total Australian pay-roll.

Pay-roll tax revenue is not used to fund social security. It forms part of the consolidated revenue of State Governments, which do not deliver social security.

## **4. Universal cash transfers<sup>2</sup>**

### **4.1. Transfers related to marital status**

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

### **4.2. Transfers related to dependent children**

- In 2004-05, the base rate of Family Tax Benefit Part A (FTB(A)) is payable where the combined "adjusted" taxable income of parents does not exceed AUD 84 023 plus

AUD 3 258 for each child after the first. The payment shades out at the rate of AUD 0.30 per AUD 1 of income over the ceiling. The base rate of payment is AUD 1 733.75 for a dependent child aged under 18, and AUD 2 120.65 for a dependent child aged under 21 or a dependent full-time student aged 21 to 24. A higher benefit is available for lower income earners, and the value of this benefit is dependent on the age and number of children. Families may receive a maximum payment of AUD 4 095.30 for each child aged under 13 years and AUD 5 029.70 for each child aged 13 to 15 years in 2004-05. From 2004-05, this additional benefit tapers out at the rate of AUD 0.20 for each dollar of income over AUD 32 485 until the base payment is reached. The taper rate on the maximum payment was AUD 0.30 per dollar of income in previous years. The attached calculations assume each dependant is less than 13 years of age.

- Family Tax Benefit Part B (FTB(B)) is targeted at single income couple and sole parent families. Eligibility for FTB(B) is contingent upon the spouse meeting a separate income test and the existence of at least one dependent child under the age of 16 or a qualifying dependent full-time student up to the age of 18. There is no income ceiling for sole parents or the main income earner in a couple family, however there is a spouse income threshold. From 1 July 2004, this threshold is forecasted to be AUD 4 000, above which the entitlement is reduced by AUD 0.20 for each dollar of income (a lower taper rate than that applying in previous years). In 2004-05, the maximum payment is AUD 2 234.38 per year if the youngest dependent child is aged between 5 and 18 years, and AUD 3 139.58 per year if there is a child under 5 years. The attached calculations assume each dependant is between 5 and 16 years of age.
- From 1 July 2004, a one-off lump sum Maternity Payment is paid to families for each baby born. The average value of the payment in 2004-05 is AUD 3 043. This payment replaces the Baby Bonus tax offset for new births, while the Baby Bonus remains payable with respect to children aged under 5, born between 1 July 2001 and 30 June 2004.
- Parenting Payment is a taxable payment payable to partnered and sole parents in low income families with a qualifying child under 16. The maximum annual rate of Parenting Payment (Partnered) (PP(P)) is estimated to be AUD 9 259 in 2004-05, while the maximum annual rate of Parenting Payment (Single) (PP(S)) is estimated to be AUD 12 242. These payments are subject to income and assets tests. Under the PP(P) income test, a spouse with little or no income (less than AUD 62 per fortnight) would not receive any Parenting Payment where the higher earning partner's income exceeded AUD 1 100 per fortnight (AUD 28 609 per year) in 2004-05. PP(S) reduces by AUD 0.40 for each AUD 1 of income above a fortnightly threshold of AUD 122 (or AUD 3 172 yearly) plus AUD 24.60 (AUD 639.60 yearly) for each child. A sole parent with two qualifying dependants may be entitled to some taxable PP(S) in 2004-05 where private income does not exceed an average of AUD 1 348 per fortnight (or AUD 35 055 yearly).
- A non-taxable supplementary payment called Pharmaceutical Allowance (PA) is payable with PP(S). This payment is added to the maximum basic rate of PPS before a person's entitlement is calculated. Anyone with a PP(S) entitlement, after PA has been added, receives the full amount of PA. In 2004-05, the payment is AUD 5.80 per fortnight (AUD 150.80 yearly).

## 5. Main changes in the tax/benefit system since 1999

### 5.1. General rates of tax – resident individuals

- As part of tax reform, the personal income tax rates and thresholds have changed from those which applied from the 1995-1996 to 1999-2000 income years. These thresholds have also changed for the 2004-05 income year. See Section 1.1.3.
- In the attached calculations, the Medicare Levy has been shifted from the Employee's Compulsory Social Security Contributions category to the Central Government Income Tax category.

### 5.2. Cash transfers related to dependent children

- From 1 July 2000, the Family Tax Benefit (FTB) has replaced several forms of tax relief and cash transfers. See Sections 1.1.2 and 4.2.

## 6. Memorandum items

### 6.1. Identification of an average worker

The source of the information used in replying to the questionnaire was the Australian Bureau of Statistics publication *Average Weekly Earnings – Australia*, catalogue number 6302.0. The survey is conducted on a quarterly basis and is based on a representative sample of employers in each industry.

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 in private households employing staff;
- 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; and
- persons paid solely by commission without a retainer.

The sample for the AWE survey, like most ABS business surveys, is selected from the ABS Business Register which is primarily based on registrations to 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.

The survey data used in identifying the average worker relates to that applying to full-time employees being adult males and females without regard to marital status.

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.* superannuation, board and lodging) have been made. Included in ordinary time earnings are award, workplace and enterprise bargaining payments, and other agreed base rates of pay, over award and over agreed payments, penalty payments, shift and other allowances; commissions and retainers; bonuses and similar payments related to the reference period; payments under incentive or piecework; payments under profit sharing schemes normally paid each pay period; payment for leave taken during the reference period; all workers' compensation payments made through the payroll; and salary payments made to directors. Excluded are overtime payments, retrospective pay, pay in advance, leave loadings, severance, termination and redundancy payments, and other payments not related to the reference period.

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

## **6.2. Employers' contribution to private health and pension scheme**

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

From a survey of employment benefits conducted by the Australian Bureau of Statistics for November 1995, the findings of which are published in *Superannuation – Australia* (ABS Catalogue No 6319.0), it was estimated that 95.6 per cent of all persons aged 15 to 74 and employed full-time in the manufacturing industry were covered by a superannuation scheme.

### **Notes**

1. The tax calculations reflect other reliefs available to low-income families that are not pertinent at the income levels taken into consideration for this Report and are not described here. These reliefs are the pensioner tax offset and the beneficiary tax offset.
2. The tax calculations reflect the New Start Allowance which is a transfer amount that is available to low-income families although it is not pertinent to the family types considered within this Report and its description is not included herein.

## 2005 Parameter values

Average earnings/yr	Ave_earn	51 169	Secretariat estimate
Spouse	spouse_cr	1 566	
income limit	sp_lim	282	
withdrawal rate	sp_redn	0.25	
Low income credit	low_inc_cr	235	
	low_inc_lim	21 600	
	low_inc_redn	0.04	
Tax schedule	tax_sch	0	6 000
		0.17	21 600
		0.30	58 000
		0.42	70 000
		0.47	
Medicare levy	medic_rate	0.015	
exemption limits	sing_lim	15 902	}
married/sole parent	m_lim	26 834	
+ per child	ch_lim	2 464	
shading-in rate	shade_rate	0.2	
Part A FTB max	FTB_A_max	4 095.3	
Part A FTB basic	FTB_A_base	1 733.75	
part A income limit 1	FTB_A_lim1	32 485	
part A income limit 2	FTB_A_lim2	84 023	
reduction rate 1	FTB_A_taper1	0.2	
reduction rate 2	FTB_A_taper2	0.3	
additional limit 2 per extra child	FTB_A_child	3 358	
Part B FTB	FTB_B	2 234	
part B partner income limit	FTB_B_lim	4 000	
reduction rate	FTB_B_taper	0.2	
Parenting payment single	PPS	12 241.84	Treasury projection
reduction rate	PPS_taper	0.4	
income limit	PPS_lim	3 172	
additional limit per child	PPS_ch_lim	639.6	
Pharmaceutical allowance	PA	150.8	
State pay-roll tax rate (NSW)	Pay_roll_rate	0.06	
Additional parameters			
Parenting payment partnered	PPP	9 259.38	
reduction rate 1	PPP_taper1	0.5	
reduction rate 2	PPP_taper2	0.7	
income limit 1	PPP_lim1	1 612	
income limit 2	PPP_lim2	6 370	
partner income threshold	PPP_ptrn_lim	15 413.06	
partner income taper	PPP_ptrn_taper	0.7	
Newstart allowance single	NSAS	10 262.98	
Newstart allowance partnered	NSAP	9 259.38	
reduction rate 1	NSA_taper1	0.5	
reduction rate 2	NSA_taper2	0.7	
income limit 1	NSA_lim1	1 612	
income limit 2	NSA_lim2	3 692	
Pensioner tax offset single	PTOS	2 117	
Pensioner tax offset threshold single	PTOS_thresh	18 453	
Pensioner tax offset supplement single	PTOS_supp	444.86	
Pensioner tax offset taper rate	PTOS_taper	0.125	

## 2005 Tax Equations

The equations for the Australian system in 2005 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 calculation of employee social security contributions (medicare levy) uses shading-in rules which depend on the levels of earnings of the spouses. The basis of calculation is shown by the Range indicator in the table below.

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

Line in country table and intermediate steps	Variable name	Range	Equation
1. Earnings	earn		
2. Allowances	tax_al	B	0
3. Credits in taxable income:			
Credits in taxable income of principal	taxbl_cr_princ	P	IF(AND(Children>0, Married=0), Taper(PPS, earn_princ, PPS_lim+PPS_ch_lim*Children, PPS_taper), IF(AND(Children=0, Married=0), taper2(NSAS, earn_princ, NSA_lim1, NSA_lim2, NSA_taper1, NSA_taper2), IF(AND(Children=0, Married>0), taper3(NSAP, earn_princ, earn_spouse, NSA_lim1, NSA_lim2, NSA_taper1, NSA_taper2), IF(AND(Children>0, Married>0), taper3(NSAP, earn_princ, earn_spouse, NSA_lim1, NSA_lim2, NSA_taper1, NSA_taper2), 0))))
Credits in taxable income of spouse	taxbl_cr_spouse	S	IF(AND(Children>0, Married=0), 0, IF(AND(Children=0, Married=0), 0, IF(AND(Children=0, Married>0), taper3(NSAP, earn_spouse, earn_princ, NSA_lim1, NSA_lim2, NSA_taper1, NSA_taper2), IF(AND(Children>0, Married>0), taper4(PPP, earn_spouse, earn_princ, PPP_lim1, PPP_lim2, PPP_taper1, PPP_taper2, PPP_ptnr_lim), 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, ch_lim, shade_rate, medic_rate, married, tax_inc_oth, Children)
Tax liability			
	liab	P	Tax(tax_inc, tax_sch)
	CG_tax_excl	B	liab + med_levy
6. Tax credits :			
Spouse credit	spouse_cr	P	Taper(IF(Children>0, 0, spouse_cr), earn_spouse, sp_lim, sp_redn)
Low income credit	low_cr	B	Taper(low_inc_cr, tax_inc, low_inc_lim, low_inc_redn)
Pensioner tax offset	pen_cr	P	IF(AND(taxbl_cr_princ>0, AND(Children>0, Married=0)), MIN(PTOS-(earn_princ-PTOS_thresh)*PTOS_taper, PTOS), 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	spouse_cr+low_cr+pen_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



Line in country table and intermediate steps	Variable name	Range	Equation
11. Cash transfers:			
Family Tax Benefit (Part A)	ftbA	P	IF(PA>0, FTB_A_max*Children, IF(earn_total+taxbl_cr>FTB_A_lim2+FTB_A_child*(Children-1), Taper(FTB_A_base*Children, earn_total+ taxbl_cr, FTB_A_lim2+FTB_A_child*(Children-1), FTB_A_taper2), fbtaper (FTB_A_max*Children, earn_total+taxbl_cr, FTB_A_lim1, FTB_A_taper1, FTB_A_base*Children)))
Family Tax Benefit (Part B)	ftbB	J	IF (children>0, Taper(FTB_B, earn_spouse+taxbl_cr_spouse, FTB_B_lim, FTB_B_taper), 0)
Pharmaceutical Allowance	PA	J	AND(Children>0, Married=0)*IF(Taper(PPS+PA, earn Princ, PPS_lim+PPS_ch_lim*Children, PPS_taper)>0, PA, 0)
	cash_trans	J	ftbA+ftbB+taxbl_cr+PA
13. Employer's State pay-roll tax	tax_empr	B	earn*Pay_roll_rate

Key to range of equation:

B calculated separately for both principal earner and spouse.

P calculated for principal only (value taken as 0 for spouse calculation).

J calculated once only on a joint basis.



# Austria

<b>Austria</b>		<b>2005</b>			
<b>The tax/benefit position of single persons</b>					
	Wage level (per cent of average wage)	67	100	167	67
	Number of children	none	none	none	2
<b>1. Gross wage earnings</b>		22416	33624	56040	22416
<b>2. Standard tax allowances</b>					
	Basic allowance	60	60	50	60
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes	4048	6072	9177	4048
	Work-related expenses	132	132	132	132
	Other	1068	1292	1741	1068
	Total	5308	7556	11099	5308
<b>3. Tax credits or cash transfers included in taxable income</b>		0	0	0	0
<b>4. Central government taxable income (1 - 2 + 3)</b>		17108	26068	44941	17108
<b>5. Central government income tax liability (excl. of tax credits)</b>		2068	5074	12136	2068
<b>6. Tax credits</b>					
	Basic credit	0	0	0	0
	Married or head of family	0	0	0	669
	Children				
	Other	345	345	345	345
	Total	345	345	345	1014
<b>7. Central government income tax finally paid (5-6)</b>		1723	4729	11791	1054
<b>8. State and local taxes</b>		0	0	0	0
<b>9. Employees' compulsory social security contributions</b>					
	Gross earnings	4048	6072	9177	4048
	Taxable income				
	Total	4048	6072	9177	4048
<b>10. Total payments to general government (7 + 8 + 9)</b>		5771	10800	20968	5102
<b>11. Cash transfers from general government</b>					
	For head of family				
	For two children	0	0	0	4517
	Total	0	0	0	4517
<b>12. Take-home pay (1-10+11)</b>		16645	22824	35072	21831
<b>13. Employer's wage dependent contributions and taxes</b>					
	Employer's social security contributions	4848	7272	10992	4848
	Payroll taxes	1681	2522	4203	1681
	Total	6529	9794	15195	6529
<b>14. Average rates</b>					
	Income tax	7.7%	14.1%	21.0%	4.7%
	Employees' social security contributions	18.1%	18.1%	16.4%	18.1%
	Total payments less cash transfers	25.7%	32.1%	37.4%	2.6%
	Total tax wedge incl. employer's social security contr. and pay-roll taxes	42.5%	47.4%	50.8%	24.6%
<b>15. Marginal rates</b>					
	Total payments less cash transfers: Principal earner	44.9%	44.9%	37.5%	44.9%
	Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner	57.3%	57.3%	41.9%	57.3%
	Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.
Memorandum item: Non-wastable tax credits					
	tax expenditure component	54	54	54	723
	cash transfer component	0	0	0	0

StatLink: <http://dx.doi.org/10.1787/430482837768>

Austria	2005				
	The tax/benefit position of married couples				
	Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
	Number of children	2	2	2	none
<b>1. Gross wage earnings</b>		33624	44832	56040	44832
<b>2. Standard tax allowances</b>					
Basic allowance		60	120	120	120
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes		6072	8095	10119	8095
Work-related expenses		132	264	264	264
Other		1292	2137	2361	2137
	Total	7556	10616	12864	10616
<b>3. Tax credits or cash transfers included in taxable income</b>		0	0	0	0
<b>4. Central government taxable income (1 - 2 + 3)</b>		26068	34216	43176	34216
<b>5. Central government income tax liability (excl. of tax credits)</b>		5074	5074	7142	5074
<b>6. Tax credits</b>					
Basic credit		0	0	0	0
Married or head of family		669	0	0	0
Children					
Other		345	690	690	690
	Total	1014	690	690	690
<b>7. Central government income tax finally paid (5-6)</b>		4060	4619	6452	4619
<b>8. State and local taxes</b>		0	0	0	0
<b>9. Employees' compulsory social security contributions</b>					
Gross earnings		6072	8095	10119	8095
Taxable income					
	Total	6072	8095	10119	8095
<b>10. Total payments to general government (7 + 8 + 9)</b>		10131	12714	16571	12714
<b>11. Cash transfers from general government</b>					
For head of family					
For two children		4517	4517	4517	0
	Total	4517	4517	4517	0
<b>12. Take-home pay (1-10+11)</b>		28009	36635	43986	32118
<b>13. Employer's wage dependent contributions and taxes</b>					
Employer's social security contributions		7272	9697	12121	9697
Payroll taxes		2522	3362	4203	3362
	Total	9794	13059	16324	13059
<b>14. Average rates</b>					
Income tax		12.1%	10.3%	11.5%	10.3%
Employees' social security contributions		18.1%	18.1%	18.1%	18.1%
Total payments less cash transfers		16.7%	18.3%	21.5%	28.4%
Total tax wedge incl. employer's social security contr. and pay-roll taxes		35.5%	36.7%	39.2%	44.5%
<b>15. Marginal rates</b>					
Total payments less cash transfers: Principal earner		44.9%	44.9%	44.9%	44.9%
Total payments less cash transfers: Spouse		23.0%	18.1%	44.9%	18.1%
Total tax wedge: Principal earner		57.3%	57.3%	57.3%	57.3%
Total tax wedge: Spouse		40.4%	36.5%	57.3%	36.5%
Memorandum item: Non-wastable tax credits					
tax expenditure component		723	164	108	164
cash transfer component		0	0	0	0

StatLink: <http://dx.doi.org/10.1787/430482837768>

The Austrian currency is the EUR (EUR). In year 2005, EUR 0.80 was equal to 1 USD (average of eleven months daily exchange rates). In that year the average worker earned EUR 33 624 (Secretariat estimate).

## 1. Personal income tax

### 1.1. Central government income tax

#### 1.1.1. Tax unit

Each person is taxed separately.

#### 1.1.2. Tax allowances

##### 1.1.2.1. Standard tax reliefs

- Work related expenses: a minimum allowance of EUR 132 is available to all employees.
- Minimum allowance for special expenses EUR 60 (reduced to 0 between income\* of EUR 36 400 and EUR 50 900).
- Social security contributions and connected contributions (see Section 2).

##### 1.1.2.2. Non-standard tax reliefs

- Mainly work-related expenses (“Werbungskosten”).
- Traffic relief according to the distance between home/address and working place.

Following allowances are deductible from income (EUR per year):

	Public transport	
	Available	Not available
more than 2 km	0	243
more than 20 km	450	972
more than 40 km	891	1 692
more than 60 km	1 332	2 421

- Special expenses allowances (“Sonderausgaben”): Some personal expenses (for example, life insurance premiums, expenses for the purchase of residence including repayments of housing loans) are partly deductible from income. The allowance is limited to EUR 2 920 per taxpayer or EUR 5 840 for sole earners or parents. A quarter of “Sonderausgaben” can be deducted up to a taxable income of EUR 36 400, whereas between EUR 36 400 and EUR 50 900 the deductible amount is (linearly) reduced to zero. Unless higher special expenses can be proved, a standard deduction for “Sonderausgaben”

\* The income used is taxable income excluding Christmas and leave bonus prior to the deduction of the allowance.

of EUR 60 is granted (see Section 1.1.2.1). Additionally, contributions to the church are deductible up to an amount of EUR 75.

Tax-free supplements for dirty, hard, dangerous, night, weekend and holiday work and overtime. The supplement for five hours of overtime up to EUR 43 per month is tax free, the other supplements are tax free up to EUR 360 (EUR 540 for night workers) per month.

#### 1.1.2.3. Adjustments

The data on which the gross earnings of an average worker are based reflect amounts that form a category of tax-free income (Freibeträge). In order to make the tax calculations as realistic as possible, it is assumed for this Report that 2 per cent of the gross earnings is tax free.

#### 1.1.3. Rate schedule

The new tax schedule has a zero-zone up to EUR 10 000 and shows average tax rates for two amounts of income:

Income (EUR)	Average rate %
10 000	0
25 000	23
51 000	33.5

Between these amounts, the tax has to be calculated by linear interpolation of the tax amounts (0, 5 750, 17 085). This means an effective marginal tax rate of 38.333% between 10 000 and 25 000 and of 43.596% between 25 000 and 51 000, respectively. For income parts exceeding EUR 51 000, the marginal tax rate is 50%.

There is a special taxation apart from the normal tax schedule for Christmas and leave bonus as far as their sum does not exceed two average monthly payments (of current income). If these bonuses are below EUR 2 000 p.a., no tax is calculated. Otherwise the tax is the minimum of 30 per cent of the amount exceeding EUR 2 000 and of 6 per cent of total bonuses minus a tax-free amount of EUR 620.

#### 1.1.4. Tax credits

Tax credits are available as follows:

- Employee's tax credit of EUR 54. In the overall tax calculation, negative tax is possible where the amount paid to the taxpayer would equal the gross tax minus tax credits but is limited to 10 per cent of social security contributions to a maximum of EUR 110.
- Traffic (commuting) tax credit EUR 291.
- Sole earner's and sole parent's tax credit of EUR 364. The sole earner's credit is not given when a spouse's income exceeds EUR 2 200 or EUR 6 000 for a family with children. This tax credit is increased by EUR 130 for the first, by EUR 175 for the second and by EUR 220 for the third and every additional child. If there are children, this tax credit is non-wastable and can be paid out as a negative income tax (in addition to the negative tax permitted in respect of the Employee's tax credit).
- Children's tax credit EUR 610.80 per child. As this tax credit is paid together with children allowances and not connected with income tax assessment, it is treated as a transfer – like in the Revenue Statistics.

- Tax credit for retired persons EUR 400. This credit is linearly reduced to 0 between 16 715 EUR and 21 800 EUR of income.

### 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 <sup>2</sup>	Employer <sup>3</sup>
Health insurance	3 630	7 260	3.95	3.55
Unemployment insurance	3 630	7 260	3.00	3.00
Pension insurance	3 630	7 260	10.25	12.55
Accident insurance	3 630	7 260	–	1.40
Contribution to the labour chamber	3 630	<sup>1</sup>	0.50	–
Contribution for the promotion of residential building	3 630	<sup>1</sup>	0.50	0.50
Addition to secure wage payments in the case of bankruptcy	3 630	7 260	–	0.70

1. No contributions 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 the contribution for the promotion of residential buildings is included in Taxes on payroll (3000).
2. There is a threshold for employee contributions of EUR 323.46 per month.
3. A new program has been introduced as of 1 January 2004 for severance payments. Employers are required to pay 1.53 per cent of gross wages to the Social Health Security Fund ("Krankenkassen") for those whose employment starts after 1 January 2004 or where the employer and employee opt to participate in the new program. It is assumed that the wage earners considered in the Report do not participate in this new program.

### 2.2. Payroll taxes

There are two payroll taxes which are levied for all private sector employees on employers with a monthly gross wage total of more than EUR 1 095: the contribution to the Family Burden Equalisation Fund (4.5 per cent) and the Community Tax (3 per cent). The wage-dependant part of the contribution to the Entrepreneurs' Chamber (listed under heading 1000, taxes on profits, in the *Revenue Statistics*) which is levied together with contributions to the Family Burden Equalisation Fund at different rates depending upon the Länder Chamber (the average rate is approximately 0.4 per cent) is not taken into account. The contribution for the promotion of residential buildings (listed under heading 3000, taxes on payroll, in the *Revenue Statistics*) is included in the social security contributions shown above as it is levied by the Health Insurance Companies on monthly income (current) along with the other social security contribution amounts.

## 3. Universal cash transfers

### 3.1. Amount for marriage

No recurrent payments.

### 3.2. Amount for children

A family allowance is granted for each child; in 2004 the monthly payment is EUR 105.40 for the first child, EUR 118.20 for the second and EUR 130.90 for subsequent child. It is increased by EUR 7.30 for children above 3 years, EUR 25.50 for children above



10 years of age and by EUR 47.30 for students (above 19). Children under the age of 3 were exempted from the 7.30 EUR increase in 2004, as for these children one parent is entitled to a childcare transfer of 436 EUR per month, introduced in 2002. The children's tax credit (EUR 50.90 monthly, see § 1.14) is paid out together with the family allowance and therefore treated as a transfer.

There is a supplement to the family allowance of EUR 36.40 monthly for the third and every additional child, if the family taxable income (i.e. the sum of the tax base for the progressive IT schedule) of the preceding year did not exceed 12 times the SSC ceiling. This supplement is paid out on application after an assessment of the very year.

#### 4. Main Changes in tax/benefit systems since 1994

In this section, all amounts are expressed in Austrian shillings (ATS). In 1994, a major tax reform took effect. Most measures concerned the taxation of firms. For employees the following points are important. The general tax credit was increased by ATS 3 840, i.e. ATS 320 monthly. For employees with low income a negative income tax option was introduced (the negative income tax is limited to the wage earner's tax credit, but it cannot exceed 10 per cent of social security contributions).

In 1995, family allowances were reduced by ATS 100 per month (ATS 1 200 per year).

In 1996, a consolidation package was introduced, some measures of which took effect already in 1996. The deductibility of special expenses was reduced (half to quarter) and abolished for incomes above ATS 700 000. Tax free overtime supplements were limited to ATS 590 per month. The general tax credit was linearly reduced to zero between ATS 200 000 and ATS 500 000 of income and there was a change in the deductibility of social security contributions on non-current wages and salaries.

The family package of 1998 brought an increase of ATS 1 500 of the family allowances and the children's tax credits each in 1999. A supplement of ATS 2 400 in 1999 and ATS 4 800 in 2000 for the 3rd, etc. child for families earning less than ATS 504 000 was introduced. The sole earner's or sole parent's tax credit negative tax limit was abolished. For 2000 and following years there is another increase of the sum of family allowances and children's tax credits by ATS 3 000, but the differentiation according to the number of children was transferred to the allowances, i.e. from now there is a unique annual tax credit of ATS 8 400 per child.

The tax reform 1999, effective from the beginning of 2000, brought a reduction of the tax schedule and an increase of the general tax credit leading to a (linearly increasing) tax reduction between ATS 4 000 and 7 000 p.a. The maximum reduction is reached at a gross income near the ceiling for social security contributions. The reform also included a number of other measures which concerned mainly enterprise taxation.

The budget consolidation measures for 2001 included an abolition of the general tax credit for incomes exceeding 487 400 ATS, the halving of the employee's tax credit to 750 ATS and a phasing-out of the pensioner's tax credit between an income of 230 000 and 300 000 ATS. The adaptation of the tax laws to the EURO did not bring any substantive changes. In 2004 (effective), the family allowances for children above three years of age were increased by EUR 7.30 per month.

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 made uniform for all groups of tax payers.

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

## 5. Memorandum items

### 5.1. Calculation of earnings data

- Sector used – All employees.
- 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.

## 2005 Parameter values

AW-income	Ave_earn	33 624	(Secretariat estimate)
Non current income as %	non_cur_pc	14.286%	
Tax free inc on non-current	bonus	620	
Ceiling for taxing non-current income	nonc_ceil	1 950	
Work related	work_rel	132	
Allowance f. "Special expenses"	Basic_al	60	
Basic allowances threshold	Basic_al_thrsh	36 400	
Basic allowance reduction rate	Basic_al_redn	0.4138%	
Tax free inc.	tax_free	2.00%	
Employee's tax credit	wage_cr	54	
Max. neg. employee's tax credit	neg_wage_cr	110	
Traffic (commuting) tax credit	traffic_cr	291	
Sole earner's (parent's) tax credit	sole_cr	364	
Children suppl. to SETC:			
1st child	dsole1_cr	130	
2nd child	dsole2_cr	175	
3rd+ child	dsole3_cr	220	
Spouse income not more than	sole_lim0	2 200	
Spouse with children	sole_lim1	6 000	
Tax on non-current income	non_cur_rate	6%	
Altern. tax on non-current income	alt_nonc_rate	30%	
Income tax schedule	tax_sch(se)	0	10 000
		0.38333	7 270
		0.43596	10 000
		0.5	
Ceiling f. soc. security contributions	SSC_ceil	3 630	
lower limit	SSC_low	323.46	
Employees' contr. rates	health_rate	3.95%	
	unemp_rate	3.00%	
	pension_rate	10.25%	
sum without others	empl_14	17.2%	
	others_rate	1.00%	
Employers' contr. rates	health_empr	3.55%	
	unemp_empr	3.00%	
	pension_empr	12.55%	
	accident_empr	1.40%	
	payinsur_empr	0.70%	
sum without others	empr_14	21.2%	
	others_empr	0.50%	
Pay roll taxes	payroll_rate	7.50%	
Child benefit:			
1st child	CB_1	1 264.80	
2nd child	CB_2	1 418.40	
3rd+ child	CB_3	1 570.80	
suppl. > 3years	CB03sppl	87.60	
suppl. > 10years	CB10sppl	306.00	
suppl. > 19years	CB19sppl	567.60	
Child credit first	child_cr_1	610.80	

## 2005 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 people with children. 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 children 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, , 1 or 1 2/3 in AW tables
4	Number of children	child	0 or 2 in AW tables
5	Gross earnings	earn	=Ave_earn*percent
6	Current income	cearn	=(1-non_cur_pc)*earn
7	Basic allowance	allow	=(earn>14*SSC_low)*Taper(Basic_al;cearn-SSCc-work_rel-taxfrinc;Basic_al_thrsh;Basic_al_rdn)
8	SSC on curr.inc.	SSCc	=(empl_14+others_rate)*MIN(12*SSC_ceil;cearn)*(cearn>12*SSC_low)
9	Work related expenses	work_rel	=work_rel
10	Tax-free income	taxfrinc	=tax_free*earn
11	Tax base for schedule	ctbase	=(earn>14*SSC_low)*(cearn-allow-SSCc-work_rel-taxfrinc)
12	Gross tax on current income	gtaxcur	=Tax(ctbase;tax_sch)
13	Basic tax credit	btaxcr	=0
14	Married or head of family	headcr	=(earn_sp<IF(child>0;sole_lim1;sole_lim0))*(sole_cr+(child>0)*dsole1_cr+(child>1)*dsole2_cr+(child>2)*(child-2)*dsole3_cr)
15	Other	othcr	=min(wage_cr;10%*SSC)+traffic_cr
16	Interm. tax on current income	itcur	=gtaxcur-btaxcr-headcr-othcr
17	Net tax on current income	ntaxcur	=IF(itcur>0; itcur;MAX(itcur;-0,1*SSC-(child>0)*headcr; -neg_wage_cr-(child>0)*headcr))
18	Non current income	ncearn	=earn-cearn
19	SSC on non-curr. inc.	SSCnc	=(health_rate+unemp_rate+pension_rate)*MIN(2*SSC_ceil;ncearn)*(ncearn>2*SSC_low)
20	Non current income-SSC	ncearn_adj1	=ncearn-SSCnc
21	Of which tax free	taxfree	=MIN(bonus;ncearn_adj1)
22	Non-curr. tax base	ncearn_adj2	=ncearn_adj1-taxfree
23	Tax on non current income	taxnc	=Positive(MIN((ncearn_adj1-nonc_ceil)*alt_nonc_rate;ncearn_adj2*non_cur_rate))
24	Taxable income	taxinc	=ctbase+ncearn_adj2
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	=(empr_14+others_empr)*MIN(12*SSC_ceil;cearn)+empr_14*MIN(12*SSC_ceil;ncearn)
29	Pay-roll taxes	payroll	=payroll_rate*earn
30	Cash transfers	cash	=IF(child<2;child*(CB_1+CB10sppl);CB_1+CB_2+(child-2)*(CB_3+CB03suppl))+2*CB10sppl+child*child_cr_1 (for singles and spouses in the married couple cases)
31	Take-home pay		=earn-inctax-SSC+cash

Bn	Variable	Code for docn equations	Excel-Function
32	Wage cost		=earn+SSCf+payroll
	Non-wastable tax credits		
	Tax expenditure component	taxexp	=MIN(inctax;-headcr-wage_cr-(othcr of spouse>0)*MAX(wage_cr;-inctax of spouse))-transfer
	Cash transfer component	transfer	=IF(inctax<0,-inctax,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.



# Belgium

Belgium	2005				
	The tax/benefit position of single persons				
	Wage level (per cent of APW)	67	100	167	67
	Number of children	none	none	none	2
<b>1. Gross wage earnings</b>		24264	36396	60660	24264
<b>2. Standard tax allowances</b>					
Basic allowance					
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes		3171	4757	7928	3171
Work-related expenses		2104	2420	3053	2104
Other					
	Total	5275	7177	10981	5275
<b>3. Tax credits or cash transfers included in taxable income</b>		0	0	0	0
<b>4. Central government taxable income (1 - 2 + 3)</b>		18989	29219	49679	18989
<b>5. Central government income tax liability (exclusive of tax credits)</b>		6339	10942	21091	6339
<b>6. Tax credits</b>					
Basic credit		0	0	0	0
Married or head of family		1445	1445	1445	1753
Children		0	0	0	951
Other					
	Total	1445	1445	1445	2703
<b>7. Central government income tax finally paid (5-6)</b>		4894	9497	19646	3636
<b>8. State and local taxes</b>		343	665	1375	254
<b>9. Employees' compulsory social security contributions</b>					
Gross earnings		3171	4757	7928	3171
Taxable income		36	329	595	36
	Total	3207	5086	8523	3207
<b>10. Total payments to general government (7 + 8 + 9)</b>		8443	15248	29544	7097
<b>11. Cash transfers from general government</b>					
For head of family					
For two children		0	0	0	2997
	Total	0	0	0	2997
<b>12. Take-home pay (1-10+11)</b>		15821	21148	31116	20164
<b>13. Employer's compulsory social security contributions</b>		6834	11051	18726	6834
<b>14. Average rates</b>					
Income tax		21.6%	27.9%	34.7%	16.0%
Employees' social security contributions		13.2%	14.0%	14.1%	13.2%
Total payments less cash transfers		34.8%	41.9%	48.7%	16.9%
Total tax wedge including employer's social security contributions		49.1%	55.4%	60.8%	35.2%
<b>15. Marginal rates</b>					
Total payments less cash transfers: Principal earner		61.3%	54.8%	59.3%	61.3%
Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner		71.3%	66.4%	68.4%	71.3%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.
Memorandum item: Non-wastable tax credits					
tax expenditure component		0	0	0	951
cash transfer component		0	0	0	0

StatLink: <http://dx.doi.org/10.1787/118883355753>



Belgium	2005				
	The tax/benefit position of married couples				
	Wage level (per cent of APW)	100-0	100-33	100-67	100-33
	Number of children	2	2	2	none
<b>1. Gross wage earnings</b>		36396	48528	60660	48528
<b>2. Standard tax allowances</b>					
Basic allowance					
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes		4757	4903	7928	4903
Work-related expenses		2420	4182	4524	4182
Other					
	Total	7177	9084	12452	9084
<b>3. Tax credits or cash transfers included in taxable income</b>		0	0	0	0
<b>4. Central government taxable income (1 - 2 + 3)</b>		29219	39444	48208	39444
<b>5. Central government income tax liability (exclusive of tax credits)</b>		9363	13667	17281	13667
<b>6. Tax credits</b>					
Basic credit		0	550	0	550
Married or head of family		2890	2890	2890	2890
Children		882	882	882	0
Other					
	Total	3772	4322	3772	3440
<b>7. Central government income tax finally paid (5-6)</b>		5591	9345	13509	10227
<b>8. State and local taxes</b>		391	693	946	754
<b>9. Employees' compulsory social security contributions</b>					
Gross earnings		4757	4903	7928	4903
Taxable income		329	462	576	462
	Total	5086	5365	8504	5365
<b>10. Total payments to general government (7 + 8 + 9)</b>		11068	15402	22958	16346
<b>11. Cash transfers from general government</b>					
For head of family					
For two children		2997	2997	2997	0
	Total	2997	2997	2997	0
<b>12. Take-home pay (1-10+11)</b>		28324	36123	40698	32182
<b>13. Employer's compulsory social security contributions</b>		11051	12029	17885	12029
<b>14. Average rates</b>					
Income tax		16.4%	20.7%	23.8%	22.6%
Employees' social security contributions		14.0%	11.1%	14.0%	11.1%
Total payments less cash transfers		22.2%	25.6%	32.9%	33.7%
Total tax wedge including employer's social security contributions		40.3%	40.3%	48.2%	46.9%
<b>15. Marginal rates</b>					
Total payments less cash transfers: Principal earner		54.8%	54.8%	54.8%	54.8%
Total payments less cash transfers: Spouse		35.7%	49.5%	54.8%	49.5%
Total tax wedge: Principal earner		66.4%	66.4%	66.4%	66.4%
Total tax wedge: Spouse		40.5%	66.1%	66.4%	66.1%
Memorandum item: Non-wastable tax credits tax expenditure component		882	1432	882	550
cash transfer component		0	0	0	0

StatLink: <http://dx.doi.org/10.1787/118883355753>

The national currency is the euro. In 2005, EUR 0.80 was equal to USD 1 (average of daily exchange rates over eleven months). The Secretariat has estimated that in that same year the average worker earned EUR 36 396.

## 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.

#### 1.1.2. 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 and self-employed professionals are entitled to a standard deduction for work-related expenses. This deduction may under no circumstances exceed EUR 3 100 per spouse, and it is computed as follows:

Gross earnings less social insurance contributions (EUR)	Rate (%)
Below 4 660	25
Between 4 660 and 9 270	10
Between 9 270 and 15 420	5
Above 15 420	3

Paid company directors are also entitled to a standard deduction for work-related expenses; this is equal to 5% of gross income (less social insurance contributions) and may not exceed EUR 3 110 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, business gifts) is limited, however. Taxpayers who report actual expenses may deduct EUR 0.15 per kilometre, up to 50 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 8 160.

### 1.1.2.4. Exempt income

The base amount is 5 780 €. These amounts vary with regards to the family situation. Additional exemptions for dependent children (a handicapped child counts as two children):

- 1 child                    1 230
- 2 children                3 160
- 3 children                7 080
- 4 children                11 450
- > 4 children        4 370 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 and capped at EUR 350 per dependent child.*

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

- Other dependants                                    1 230
- Handicapped spouse                                1 230
- Other handicapped dependants                    1 230
- Widow(er) with dependent child(ren)        1 230
- Single father or mother                            1 230

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

Taxable income (EUR)	Marginal rate (%)
0-7 100	25
7 100-10 100	30
10 100-16 830	40
16 830-30 840	45
30 840- and above	50

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

## 1.2. Local government taxes

Local taxes are levied as a percentage of federal tax liability before deduction of reimbursable tax credits (for low earned income and for children). The rate of this surtax is set by each municipality, and there is no upper limit. The average rate is deemed to be 7%.

## 1.3. Tax credits

A refundable tax credit is granted for low earned income other than salary. For salaries, the credit is replaced by an "employment bonus" that reduces individual social security contributions (see below).

The tax credit is based on the net amount of earned income other than salary. The net amount is computed after deduction of work-related expenses.

The base for the credit is income before any transfer of notional income between spouses.

Tax credits are granted by spouse according to the following schedule:

Tax credit schedule

Net income brackets (R) in EUR		Amount of tax credit in EUR
L <sub>1</sub>	L <sub>2</sub>	
0	4 050	0
4 050	5 410	$B \times (R - L_1)/(L_2 - L_1)$
5 410	13 530	B
13 530	17 590	$B \times (L_2 - R)/(L_2 - L_1)$
17 590	and above	0

For 2005 income, the amount of the base (B) was EUR 550.

## 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):

	Employee	Employer	Total
Unemployment	0.87	3.16	4.19
Health insurance indemnities	1.15	2.35	3.50
Health care	3.55	3.80	7.35
Placement services		0.05	0.05
Family allowances		7.00	7.00
Pensions	7.50	8.86	16.36
Child care		0.05	0.05
Work-related illnesses		1.04	1.04
Work-related accidents		0.30	0.30
Education leave		0.04	0.04
Business closures		0.51	0.51
Wage restraint		7.60	7.60
Total	13.07	34.76	47.76

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 1 January 2005 is as follows:

Gross annual earnings (S)	Fixed amount	Variable amount
0-23 482.84	1 600	0.1444 (23 482.84 – S)
23 482.84-48 000	1 600	0
48 000 and up	1 600	0.06 (S – 48 000)

*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 following schedule will take effect as of 01.01.2005 to 31.03.2005:

Gross annual salary (S) in euros	Reduction in euros
0 < S < 14 328.36	1 260
14 328.36 < S < 20 040	1 260 – 0.2206 (S-14 328.36)
S > 20 040	0

The following schedule will take effect as of 01.04.2005 to 31.07.2005:

Gross annual salary (S) in euros	Reduction in euros
0 < S < 14 520.12	1 440
14 328.36 < S < 20 040	Max (1 440 : (1 500 – 0.2664 (S-14 810.76)))
S > 20 040	0

The following schedule will take effect as of 01.08.2005:

Gross annual salary (S) in euros	Reduction in euros
0 < S < 14 810.76	1 440
14 810.76 < S < 20 441.04	Max (1 440 : (1 500 – 0.2664 (S-14 810.76)))
S > 20 441.04	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 amount of the contribution is as follows:

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

## 2.2. Deductions according to family status or gender

None.

## 3. Universal cash transfers

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

	< 6 years	6-12 years	12-18 years	> 18 years
1st child	914.03	1 073.25	1 156.51	1 255.11
2nd child	1 691.36	2 008.89	2 176.56	2 308.34
3rd child	2 525.25	2 842.78	3 010.45	3 142.23

To determine the resources available to the average worker, it was assumed that children were between six and twelve years of age.

## 4. Main changes in the tax/benefit system

Full inflation-indexing of the schedules and of all amounts set in EUR was restored in 1999.

The reform of personal income tax, which was implemented gradually between 2002 and 2004, sought to reduce the tax burden on earned income, achieve lifestyle neutrality, provide better treatment for taxpayers with dependent children, and make taxation more environmentally responsible.

## 2005 Parameter values

	Ave_earn	36 396	Secretariat estimate	
Work-related expenses	work_rel_max	3,110		
	work_rel_sch	0.25	4 660	
		0.1	9 270	
		0.05	15 420	
		0.03		
Tax credits (tranche exonérée)	single_cr	5,780		
	married_cr	5,780		
One child	child_cr1	1,230		
Two children	child_cr2	3,160		
Single parents	s_parent_cr	1,230		
Maximum Child Credit Payment	child_cr_max	350		
Basic Credit	basic_cr_base	550		
	basic_cr_thrsh1	4,050		
	basic_cr_thrsh2	5,410		
	basic_cr_thrsh3	13,530		
	basic_cr_thrsh4	17,590		
Income tax schedule		tax_rate1		
	tax_sch	0.25	7 100	
		0.30	10 100	
		0.40	16 830	
		0.45	30 840	
		0.50		
	quote_max	8,160		
	quote_rate	0.3		
Local tax	local_rate	0.07		
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	0
	(annual)	14 593.28	1 440.00	0
		20 207.10	1 440.00	0.2567
		99 999 999.00	0.00	0
		9 999 999		
Special annual contribution	SSC_special	0.000	18 592.02	
		0.090	21 070.96	
		0.013	60 161.85	
		0.000		
Employer contributions	SSC_empr_rt	0.3482		
	SSC_empr_redn	0	1,600	-0.1444
		23,843	1,600	0.0000
		48,000	1,600	0.0600
		9,999,999	0	0.0000
		9,999,999		
Child benefit (age 6-12)	CB_1	1 043.52		
Second child	CB_2	1 953.12		
Third child	CB_3	2 763.96		

## 2005 Tax equations

The equations for the Belgian system in 2005 are mostly calculated on an individual basis. But central government tax for a married couple is calculated on two bases and the lower value 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, 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(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, IF(MIN((tax_inc_int_total)*Parameters!quote_rate, Parameters!quote_max)<tax_inc_int_spouse, 0, MIN((tax_inc_int_total)*Parameters!quote_rate, Parameters!quote_max), 0), 0)
CG adjusted taxable income – principal	tax_inc_adj_princ	P	IF((Q>0), tax_inc_initial_total-Q, tax_inc_int_princ)
CG adjusted taxable income – spouse	tax_inc_adj_spouse	S	IF((Q>0), Q, tax_inc_int_spouse)
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)
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, tax_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))))
7. CG tax			
Tax prior to non-wasteable credits	CG_tax_init	B	Positive(CG_tax_incl-tax_credits)
Non-wasteable child credit	child_credit_nw	J	MIN(Tax(MIN((children=1)*Parameters!child_cr1+(children=2)*Parameters!child_cr2), (positive(ex_inc_int-tax_inc_int), tax_sch), children*child_cr_max)
Final CG tax	CG_tax_final	J	CG_tax_init-basic_cr_total-child_credit_nw
8. State and local taxes	local_tax	J	local_rate*CG_tax_init



Line in country table and intermediate steps	Variable name	Range	Equation
9. Employees' soc security	SSC	B	$((\text{earn}) * \text{SSC\_rt} - (\text{VLOOKUP}(\text{earn}, \text{SSC\_redn}, 2) - \text{VLOOKUP}(\text{earn}, \text{SSC\_redn}, 3)) * (\text{earn} - \text{VLOOKUP}(\text{earn}, \text{SSC\_redn}, 1))))$
	SSC_special	J	$\text{positive}(\text{Tax}(\text{tax\_inc\_total}, \text{SSC\_special}))$
	SSC_total		$\text{SSC} + \text{SSC\_special}$
11. Cash transfers	cash_trans	J	$(\text{Children} > 0) * \text{CB\_1} + (\text{Children} > 1) * \text{CB\_2}$
13. Employer's soc security	empr_sch	B	$\text{Positive}(\text{earn} * \text{SSC\_empr\_rt} - (\text{VLOOKUP}(\text{earn}, \text{SSC\_empr\_redn}, 2) - \text{VLOOKUP}(\text{earn}, \text{SSC\_empr\_redn}, 3)) * (\text{earn} - \text{VLOOKUP}(\text{earn}, \text{SSC\_empr\_redn}, 1))))$

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

Canada	2005				
	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
<b>1. Gross wage earnings</b>		26894	40341	67235	26894
<b>2. Standard tax allowances</b>					
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
<b>3. Tax credits or cash transfers included in taxable income</b>		0	0	0	0
<b>4. Central government taxable income (1 - 2 + 3)</b>		26894	40341	67235	26894
<b>5. Central government income tax liability (exclusive of tax credits)</b>		4034	6383	12300	4034
<b>6. Tax credits</b>					
Basic credit		1297	1297	1297	1297
Married or head of family		0	0	0	1102
Children		0	0	0	0
Other(CPP & EI)		252	388	393	252
	Total	1550	1685	1690	2651
<b>7. Central government income tax finally paid (5-6)</b>		2485	4699	10610	1383
<b>8. State and local taxes</b>		1029	1985	4546	0
<b>9. Employees' compulsory social security contributions</b>					
Gross earnings		1682	2584	2622	1682
Taxable income (Provincial Health Care Levy)		150	225	300	150
	Total	1832	2809	2922	1832
<b>10. Total payments to general government (7 + 8 + 9)</b>		5346	9492	18077	3215
<b>11. Cash transfers from general government</b>					
For head of family		354	0	0	354
For two children		0	0	0	6111
	Total	354	0	0	6465
<b>12. Take-home pay (1-10+11)</b>		21902	30849	49158	30144
<b>13. Employers' compulsory social security contributions</b>		3119	4728	5992	3119
<b>14. Average rates</b>					
Income tax		13.1%	16.6%	22.5%	5.1%
Employees' social security contributions		6.8%	7.0%	4.3%	6.8%
Total payments less cash transfers		18.6%	23.5%	26.9%	-12.1%
Total tax wedge including employer's social security contributions		27.0%	31.6%	32.9%	-0.4%
<b>15. Marginal rates</b>					
Total payments less cash transfers: Principal earner		26.5%	35.1%	33.0%	51.9%
Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner		34.5%	40.7%	35.9%	57.1%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

StatLink: <http://dx.doi.org/10.1787/555828156635>

Canada	2005				
	The tax/benefit position of married couples				
	Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
	Number of children	2	2	2	none
<b>1. Gross wage earnings</b>		40341	53788	67235	53788
<b>2. Standard tax allowances</b>					
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
<b>3. Tax credits or cash transfers included in taxable income</b>		0	0	0	0
<b>4. Central government taxable income (1 - 2 + 3)</b>		40341	53788	67235	53788
<b>5. Central government income tax liability (exclusive of tax credits)</b>		6383	8400	10417	8400
<b>6. Tax credits</b>					
Basic credit		1297	2594	2594	2594
Married or head of family		1102	0	0	0
Children		0	0	0	0
Other(CPP & EI)		388	501	640	501
	Total	2786	3095	3234	3095
<b>7. Central government income tax finally paid (5-6)</b>		3597	5305	7183	5305
<b>8. State and local taxes</b>		1347	2149	3014	2149
<b>9. Employees' compulsory social security contributions</b>					
Gross earnings		2584	3339	4267	3339
Taxable income (Provincial Health Care Levy)		225	225	375	225
	Total	2809	3564	4642	3564
<b>10. Total payments to general government (7 + 8 + 9)</b>		7753	11018	14839	11018
<b>11. Cash transfers from general government</b>					
For head of family		0	0	0	0
For two children		2805	2063	1525	0
	Total	2805	2063	1525	0
<b>12. Take-home pay (1-10+11)</b>		35393	44833	53921	42770
<b>13. Employers' compulsory social security contributions</b>		4728	6201	7846	6201
<b>14. Average rates</b>					
Income tax		12.3%	13.9%	15.2%	13.9%
Employees' social security contributions		7.0%	6.6%	6.9%	6.6%
Total payments less cash transfers		12.3%	16.6%	19.8%	20.5%
Total tax wedge including employer's social security contributions		21.5%	25.3%	28.2%	28.7%
<b>15. Marginal rates</b>					
Total payments less cash transfers: Principal earner		52.9%	39.1%	39.1%	35.1%
Total payments less cash transfers: Spouse		29.8%	36.1%	30.5%	32.1%
Total tax wedge: Principal earner		57.0%	44.4%	44.4%	40.7%
Total tax wedge: Spouse		36.7%	43.1%	38.1%	39.5%

StatLink: <http://dx.doi.org/10.1787/555828156635>

The national currency is the Canadian dollar (CAD). In 2005, CAD 1.22 was equal to USD 1. (Average of eleven months of daily exchange rates) In that year, the average worker earned CAD 40 341 (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; however, in cases where the income of a spouse is below CAD 7 611 and the couple has no children, the income can be reported on the return of the other spouse. The filer receives a tax credit in respect of his/her dependent spouse.

#### 1.1.2. Tax allowances and credits

##### 1.1.2.1. Standard credits

- *Basic credit*: As of January 1, 2005 all taxpayers qualify for a basic personal tax credit of CAD 1 297.20.
- *Age credit*: Taxpayers aged 65 and over are entitled to a tax credit of CAD 596.85, reduced at 15 per cent of net income<sup>1</sup> in excess of CAD 29 619.
- *Credit for Spouse or Eligible Dependant*: A taxpayer supporting a spouse or other eligible dependant receives a tax credit of CAD 1 101.60 which is reduced by 15 cents for each dollar of the dependant's income in excess of CAD 735.
- *The goods and services tax credit* provides a refundable credit of CAD 232 that is paid out quarterly for each adult 19 years of age or older and CAD 122 for each dependent child under the age of 19. Single tax filers can receive an additional credit of CAD 122 if living alone and CAD 232 if they have a child. These credits are reduced at a rate of 5 percent of net family income over CAD 30 270. As this amount is paid directly to families, it is considered as a cash transfer for the purposes of this report.<sup>2</sup>
- *Infirm dependent age 18 and older amount*: For dependents aged 18 and over and physically or mentally infirm, a maximum credit of CAD 577.20 is allowed. If the dependent has a net income between CAD 3 848 and CAD 9 308, a partial credit is provided. The credit is reduced by the dependent's net income above CAD 3 848 at a 15 per cent rate.
- *Caregiver amount*: taxpayers can claim a caregiver credit of up to CAD 615.68 for a dependent 18 years of age or older who is living with the taxpayer and is dependent upon the taxpayer due to mental or physical infirmity or is a parent or grandparent. This credit is reduced by the dependant's net income in excess of CAD 13 141 at a 15 per cent rate.
- *Social security contributions*: taxpayers are entitled to claim 15 per cent of their contributions to the Canada or Quebec Pension Plans (to a maximum of CAD 1 861.20) and their Employment Insurance premiums (to a maximum of CAD 760.50).
- *Child care*: (See non-standard reliefs).

### 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 AW in Canada. The main ones are:

- *Medical expenses credit*: Taxpayers are entitled to a 15 per cent tax credit for an amount of eligible medical expenses that exceeds the lesser of 3 per cent of net income or CAD 1 844.
- *Disability credit*: Canadians who are markedly restricted by disabilities in carrying out the basic activities of daily living can claim a disability credit of CAD 989.40. Unused amounts may be transferred to a spouse or other supporting person.
- *Supplement for Disabled Children*: Children under age 18 who qualify for the Disability Tax Credit can claim a supplement of up to CAD 577.20. This credit is reduced by the amount of child care expenses or attendant care expenses claimed on their behalf in excess of CAD 2 254, at a 15 per cent rate. Any unused credit may be transferred to a supporting person.
- *Charitable donations credit*: The credit is 15 per cent on the first CAD 200 of eligible charitable donations and 29 per cent on eligible donations in excess of CAD 200. Eligible donations are those made to registered charities, to a maximum of 75 per cent 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 in respect of current and/or past service. Generally, employee contributions to a registered pension plan are not subject to any limit; however, limits apply to the benefits that a plan may provide.
- *Registered retirement savings plan (RRSP) premiums*: Individuals can deduct their contributions to an RRSP up to a limit of 18 per cent of the previous year's earned income, to a maximum of CAD 16 500 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 per cent of the previous year's earned income to a maximum of CAD 16 500, minus a pension adjustment amount based on pension benefits accrued in the 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 lesser of:
  1. the expenses incurred for the care of a child;
  2. two-thirds of the taxpayer's earned income; and
  3. CAD 7 000 for each child who is under age seven, and CAD 4 000 per child between seven and sixteen years of age. The amount for a disabled child under seventeen is CAD 10 000.

- *Northern residents' deduction*: Individuals living in prescribed areas in Canada may claim the northern resident deduction, made up of a residency deduction and a deduction for employer-provided travel benefits. The maximum annual residency deduction is CAD 5 400 per household.
- *Post-secondary education and training*: A 15 per cent credit is available for tuition fees paid by students to a post-secondary or other approved institution. In addition, students enrolled at prescribed institutions can claim a credit of CAD 60 per month of full time study, CAD 18 per month of part time study. The unused portion of the education and tuition fee credits can be transferred to a supporting person or carried forward to another year.
- *Student loans*: Individuals repaying student loans are allowed to claim a 15 per cent credit on the interest portion of repayments made in the current year.
- *Scholarship income*: Individuals are allowed an exemption for the first CAD 3 000 of scholarship, fellowship or bursary amounts received in a year.

### 1.1.3. Tax schedule

Federal income tax rates before tax reductions range from 16 per cent to 29 per cent. There are four income tax brackets. The table of tax rates is given below.

#### 2005 Federal income tax rates basic federal tax

Taxable income (CAD)	Marginal tax rate (%)
0-35 595	15
35 595-71 190	22
71 190-115 739	26
115 739 and over	29

## 1.2. State and local income taxes

### 1.2.1. Tax rates

With the exception of Quebec, the Federal Government has an agreement in place to administer the provincial income tax systems. Prior to the 2000 tax year, provincial tax in all jurisdictions other than Quebec, was calculated as a percentage of the Basic Federal Tax (tax-on-tax). In 2000 and 2001, these provinces adopted tax-on-income systems under which tax is levied as a percentage of Taxable Income using tax brackets, rates and credits as defined by the province. Many provinces still levy high-income surtaxes but all flat taxes were eliminated following the move to tax-on-income systems.



The following table compares the provincial tax rates and brackets for the 2004 tax year.

### 2005 Provincial income tax rates

Province	Taxable income	Marginal tax rate (%)
Newfoundland	0-29 590	10.57
	29 590-59 180	16.16
	59 180 and over	18.02
Prince Edward Island	0-30 754	9.8
	30 754-61 509	13.8
	61 509 and over	16.7
Nova Scotia	0-29 590	8.79
	29 590-59 180	14.95
	59 180-93 000	16.67
	93 000 and over	17.5
New Brunswick	0-32 730	9.68
	32 730-65 462	14.82
	65 462-106 427	16.52
	106 427 and over	17.84
Quebec	0-28 105	16
	28 105-56 220	20
	56 220 and over	24
Ontario	0-34 010	6.05
	34 010-68 020	9.15
	68 020-and over	11.16
Manitoba	0-30 544	10.9
	30 544-65 000	14
	65 000 and over	17.4
Saskatchewan	0-36 770	11
	35 770-105 056	13
	105 056 and over	15
Alberta	14 523 and over	10
British Columbia	0-33 061	6.05
	33 061-66 123	9.15
	66 123-75 917	11.7
	75 917-92 185	13.7
	92 185 and over	14.7
Yukon	0-35 595	7.04
	35 595-71 190	9.68
	71 190-115 739	11.44
	115 739 and over	12.76
Northwest Territories	0-33 811	5.9
	33 811-67 622	8.6
	67 622-109 939	12.2
	109 939 and over	14.5
Nunavut	0-35 595	4
	35 595-71 190	7
	71 190-115 739	9
	115 739 and over	11.5

### 1.2.2. Tax allowance and credits

With tax-on-tax systems, the participating provinces implicitly adopted the wastable tax credits offered under the Federal system. However, under tax-on-income, each province is free to determine which credits they will allow, the value of those credits and whether the amounts and thresholds are indexed. This has always been the case in Québec.

### 1.2.3. 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	Marginal tax rate
CAD 0 to CAD 34 010	6.05%
CAD 34 010 to CAD 68 020	9.15%
Over CAD 68 020	11.16%

#### Wastable tax credits

- 6.05 per cent of the contributions made to the Canada Pension Plan and of the Employment Insurance premiums.
- A maximum credit of CAD 421.08 for a dependant spouse that is withdrawn as the income of the spouse exceeds CAD 697 and is completely withdrawn when the income of the spouse is at least CAD 7 657.

#### Non-wastable tax credits

- Tax credit equal to CAD 100 for the principal wage earner, CAD 100 for the spouse and CAD 50 for each dependent child under the age of 19 to a maximum credit entitlement of CAD 1 000. The credit is reduced by 2 per cent of the total net income of the family exceeding CAD 4 000 and by 4 per cent of the total family net income exceeding CAD 22 000.

#### Surtax

Provincial tax after accounting for credits	Surtax rate
Amounts Exceeding CAD 3 929	20% of the excess amount
Amounts Exceeding CAD 4 957	36% of the excess amount

#### Tax Reduction

The earner with the highest income is entitled to claim a tax reduction where the initial entitlement is equal to CAD 190 plus CAD 350 for each dependant child under the age of 19. 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, 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 Canada Pension Plan (Québec Pension Plan in the province of Québec). For 2005, all employees are required to contribute to the Canada Pension Plan at a rate of 4.95 per cent of income up to a maximum contribution of CAD 1 861.20. Income subject to contributions is earnings (wages and salaries) less a CAD 3 500 basic exemption. The maximum contribution of CAD 1 861.20 is reached at an earnings level of CAD 41 100 *i.e.*  $(CAD\ 41\ 100 - CAD\ 3\ 500) \times 0.0495 = CAD\ 1\ 861.20$ . For employees, each contribution to the CPP or QPP gives rise to a tax credit equal to 16 per cent of the contributed amount. Employers are also required to contribute to the Canada Pension Plan on behalf of their employees at the same rate (refer § 2.2.1).

Self-employed persons must also contribute to the Canada Pension Plan (Québec Pension Plan in the province of Québec) on their own behalf. However, the self-employed are required to contribute at the combined employer/employee rate of 9.9 per cent of earnings up to a maximum of CAD 3 722.40. For the 2001 tax year onwards, the self-employed can deduct the employer portion of their contribution from income, equal to 50 per cent of the total contribution or CAD 1 861.20. The remaining 50 per cent, representing the employee portion, is then claimed as a tax credit at 16 per cent.

#### 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. Four provinces, Quebec, Ontario, Alberta and British Columbia, levy health insurance premiums 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 2005.

**The Ontario health premium**

Taxable income	Fixed component (CAD)	Variable component
0 to CAD 20 000	0	
CAD 20 000 to CAD 25 000	0	6% of the taxable income in excess of CAD 20 000
CAD 25 000 to CAD 36 000	300	
CAD 36 000 to CAD 38 500	300	6% of the taxable income in excess of CAD 36 000
CAD 38 500 to CAD 48 000	450	
CAD 48 000 to CAD 48 600	450	25% of the taxable income in excess of CAD 48 000
CAD 48 600 to CAD 72 000	600	
CAD 72 000 to CAD 72 600	600	25% of the amount of taxable income in excess of CAD 72 600
CAD 72 600 to CAD 200 000	750	
CAD 200 000 to 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. For 2005, employees are required to contribute at the rate of 1.95 per cent of insurable earnings. Insurable earnings are earnings (wages and salaries) up to a maximum of CAD 750 per week. The maximum employee contribution is CAD 760.50 per year. Employment insurance contributions give rise to a tax credit equal to 16 per cent of the amount contributed. Employers are also required to contribute to the plan (see Section 2.2.3).

### **2.1.4. Work injury**

There is no national work injury benefit plan administered by the federal government. Each province, however, has a provincial workers' compensation plan which pays benefits to workers (or their families in case of death) for work-related illness or injury. These plans are funded entirely by employer contributions. Benefits from workers' compensation are not subject to federal or provincial income tax.

### **2.1.5. Family allowances**

None.

### **2.1.6. Others**

None.

## **2.2. Employers' contributions**

### **2.2.1. Pensions**

Employers are required to contribute to the Canada Pension Plan on behalf of their employees an amount equal to their employees' contributions. Thus, employers also contribute at the rate of 4.95 per cent of earnings (less the CAD 3 500 earnings exemption) to a maximum of CAD 1 861.20.

### **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 a 1.95 per cent Employer Health Tax on the value of their payroll that exceeds CAD 400 000.

### **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, 2.73 per cent of insurable earnings. 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 in the C to K industry sector pay, on average, 2.61 per cent of the wages paid to each employee to a maximum of CAD 67 700.

#### 2.2.5. Family allowances

None.

#### 2.2.6. Others

None.

### 3. Universal cash transfers

#### 3.1. Transfers related to marital status

None.

#### 3.2. Transfers for dependent children

The child tax benefit provides CAD 1 255 per child under age 18 plus a CAD 249 supplement for each child under 7 where no child care expenses are deducted and a CAD 88 supplement for the 3rd child and each additional child. This basic benefit is reduced by 4 per cent of family net income in excess of CAD 36 378 for families with two or more children and 2 per cent for families with one child. In addition, a national child benefit supplement (NCB) is provided to low-income families with children. The maximum NCB is CAD 1 945 for one child, plus CAD 1 720 for a second child, plus CAD 1 637 for the third and each additional child. The NCB is phased out based on family net income in excess of CAD 20 435. The reduction rates are 12.2 per cent for families with one child, 23 per cent for families with two children and 33.3 per cent for larger families.<sup>2</sup>

The province of Ontario administers a program to benefit working families providing tax-free monthly payments. For each child under seven, qualifying two-parent families can receive up to CAD 1 100 annually while qualifying single parent families can receive up to CAD 1 310. The actual benefit is calculated as being either the greater of qualifying child care expenses or a percentage of the earnings of a family over CAD 5 000. The percentage used depends upon the number of children. For a one child family, the rate is 21 per cent. For a two children family, the rate is 42 per cent. For families with more than two children, the rate is 63 per cent. The benefit is withdrawn at a rate of 8 per cent of family income that exceeds CAD 20 750.

### 4. Main changes in the tax/benefit system since 1999

Recent enrichments to the Child Benefit programs (CCTB/NCB) will bring the maximum CCTB/NCB benefit payable for 1 child from CAD 1 625 for July 1998, to CAD 2 719 effective July 2004. As well, increases in the income threshold and lowering of phase-out rates will increase the point at which partial benefits are paid, from

CAD 66 721 in July 1998 to CAD 95 400 in July 2004. Effective July, 2003, a new supplement was added to the NCB for children under age 7 with disabilities worth CAD 1 600.

Many of the amounts and thresholds used in the personal income tax system are indexed each year by the rate of inflation as determined using the Consumer Price Index (CPI). The indexation factor is calculated for a given tax year as the percentage change in the average CPI for the 12-month period ending on September 30 of the previous year relative to the previous 12-month average CPI. For the tax years 1986 through 1999, the amounts and thresholds subject to indexation were partially indexed, reflecting only inflationary increases in excess of 3%. Effective January 1, 2000, full-indexation was reinstated.

Tax rates were lowered and a fourth bracket added as of January, 2001. The 17 per cent rate was reduced to 16 per cent, the 25 per cent rate was reduced to 22 per cent, and the 29 per cent rate was reduced to 26 per cent on incomes between about CAD 61 000 and 100 000. The 5 per cent surtax was also eliminated as of January 2001.

A supplement for children under 18 who are eligible for the disability tax credit was introduced in the 2000 tax year. The amount of the supplement CAD 2 941 is reduced by the amount of child care or attendant care expenses claimed on behalf of the child in excess of CAD 2 000, and credited at a rate of 16 per cent.

For 2001, the amounts for infirm dependents, caregiver and supplement for disabled children were increased to CAD 3 500 and the disability tax credit amount was raised to CAD 6 000.

In 2004, the Ontario Health Premium was introduced based on the level of taxable income. Individuals with taxable income less than CAD 20 000 are exempt. The premium is phased in with a number of different rates to a maximum of CAD 900 for income levels above CAD 200 600.

## 5. Memorandum items

### 5.1. Identification of an average worker

The earnings data refer to production workers in the industries C to K. To obtain the annual average wage figure, the average weekly earnings for the year for employees (including overtime) are multiplied by 52.

### 5.2. Employer contributions to private health and pension schemes

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

## Notes

1. For the families taken into consideration within this Report, net income is equivalent to gross wage earnings.
2. The payments that relate to the 2004 tax year are payable between July 2005 and June 2006. The payment amount is fully indexed to inflation and will reflect consumer price index data through to October 2004. The amounts shown in this Report do not reflect the indexation adjustment that will take place based on these data and are thus subject to change.

## 2005 Parameter values

Average earnings/yr	Ave_earn	40 341	Secretariat estimate
Tax credits	Basic_cred	1 297.20	
Spouse	Spouse_cred	1 101.60	
withdrawal rate	Sp_crd_wth	0.15	
threshold	Sp_crd_thrsh	735	
Child(refundable)	Ch_credit	1 255	
Child under 7	Ch_crd_und7	249	
additional for 3rd+	Ch_crd_3rd	88	
reduction rate: 1 child	Ch_crd_red1	0.02	
redn. rate: 2 or more	Ch_crd_red2	0.04	
threshold	Ch_crd_thrsh	36 378	
Working income supplement	WIS_crd_1st	1 945	
	WIS_crd_2nd	1 720	
	WIS_crd_3rd	1 637	
threshold to start phase-out	WIS_phout_st	20 435	
threshold to end phase-out	WIS_phout_end	36 378	
reduction rate	WIS_redn1	0.122	
	WIS_redn2	0.3	
	WIS_redn3	0.333	
Federal tax schedule	Fed_sch	0.15	35 595
		0.22	71 190
		0.26	115 739
		0.29	
High-income surtax rate	H_sur_rate	0	
threshold	H_sur_thrsh	18 500	
Canada pension plan rate	CPP_rate	0.0495	
exemption	CPP_ex	3 500	
max contrib.	CPP_max	1 861.20	
Unemployment ins. rate	Unemp_rate	0.0195	
max contrib.	Unemp_max	760.50	
tax credit rate	Unemp_crd_rate	0.15	
employer contrib. mult.	Unemp_emplr	1.4	
GST adult credit	GST_crd_ad	232	
child credit	GST_crd_ch	122	
threshold	GST_crd_thrsh	30 270	
reduction rate	GST_crd_redn	0.05	
single supplement	GST_crd_sgsp	122	
single supplement eligibility threshold	GST_sgsp_thrsh	7 539	
single supplement withdrawal rate	GST_sgsp_rate	0.02	
Province: Ontario			
Tax Credits	P_basic_crd	495.85	
Spouse	P_spouse_crd	421.08	
withdrawal rate	P_sp_crd_wd	0.0605	
threshold	P_sp_crd_thr	697	
% of BFT	P_pct_bft	0.375	
Unemployment tax credit rate	P_unem_tc_rt	0.0605	
Surtax rate 1	P_sur_rt1	0.2	
threshold	P_sur_thr1	3 929	
rate 2	P_sur_rt2	0.36	
threshold	P_sur_thr2	4 957	
Tax reduction	P_tax_red	190	
amount per dependent	P_tr_chld	350	
amount per disabled dep	P_tr_dis_ch	350	
Provincial tax schedule	Prov_sch	0.0605	34 010
		0.0915	68 020
		0.1116	

Child tax credit				
% per child of earnings over threshold				
For 1 Child under 7	P_pct_earn	0.21		
threshold	P_ch_crd_th	5 000		
max per child under 7	P_und7_max	1 100		
single parent sup per ch under 7	P_sps_und7	210		
threshold reduction	P_thrsh_red	20 750		
reduction rate	P_redn_rate	0.08		
Property and Sales tax credits				
sales tax credit adult	P_sales_cred	100		
sales tax credit child	P_salcr_chd	50		
threshold	P_ps_thresh	4 000		
threshold seniors	P_ps_thr_sen	22 000		
reduction rate	P_ps_red_rt	0.02		
reduction rate seniors	P_ps_rr_sen	0.04		
max credit	P_ps_max_cr	1 000		
max credit seniors	P_ps_mxcr_sen	1 125		
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	0.0261		
Employer Workers Compensation Levy Ceiling	emp_workcomp_ceil	67 700		
Maximum number of children under the age of 7	children_und7_max	1		



## 2005 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 refundable 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	0
3. Credits in taxable income	taxbl_cr	B	0
4. CG taxable income	tax_inc	B	earn
5. CG tax before credits:	Basic_Fed_tax	B	Tax(earn, Fed_sch)
Basic Federal tax	Basic_Fed_tax	B	Tax(earn, Fed_sch)
6. Tax credits :			
Basic credit	basic_cr	B	Basic_cred
Spouse credit	spouse_cr	P	((married+children)>0)*Taper(Spouse_cred, earn_spouse, Sp_crd_thrsh, Sp_crd_wth)
Unemployment insurance	unemp_cr	B	Unemp_crd_rate*SSC
Total (wastable) tax credits	tax_cr	B	basic_cr+spouse_cr+unemp_cr
7. CG tax	CG_tax	B	Basic_Fed_tax-tax_cr
8. State and local taxes			
Liabe provincial tax	Prov_tax_sch	B	Tax(earn, Prov_sch)
Provincial tax credits	Prov_tax_cred	B	P_basic_crd+P_unem_tc_rt*SSC+IF(AND(Married=0, Children>0), P_spouse_crd, Married*Taper(P_spouse_crd, earn_spouse, P_sp_crd_thr, P_sp_crd_wd))
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)
Provincial sales tax credit	Prov_tax_stcred	P	Taper(IF(Married=1, 2, 1)*P_sales_cred+Children*P_salcr_chd, earn_total, P_ps_thresh, P_ps_red_rt)
Liabe provincial tax	Prov_tax	B	Positive(Prov_tax_sch-Prov_tax_cred+Prov_surtax-Prov_tax_redn)-Prov_tax_stcred
9. Employees' soc security:			
Canada Pension Plan	CPP	B	MIN(CPP_rate*Positive((earn-CPP_ex), CPP_max)
Unemployment insurance	Unemp	B	MIN(Unemp_rate*earn, Unemp_max)
State health premium	Prov_health	B	(MIN(Hstep(AE7, P_hlth_sch), P_hlth_max))/2
Total Employees'soc security	SSC	B	CPP+Unemp+Prov_health
11. Cash transfers (nonwastable)			
Child Tax Benefit	CTB	P	(Children>0)*(Taper(Children*Ch_credit +MAXA((Children-2), 0)*Ch_crd_3rd+MINA(Children, children_und7_max)*Ch_crd_und7, earn_total, Ch_crd_thrsh, IF(Children=1, Ch_crd_red1, Ch_crd_red2))+MAXA(IF(Children>0, IF(Children<2, WIS_crd_1st, IF(Children<3, WIS_crd_1st+WIS_crd_2nd, WIS_crd_1st+WIS_crd_2nd+(Children-2)*WIS_crd_3rd)), 0)-MAXA((earn_total-WIS_phout_st), 0)*IF(Children=1, WIS_redn1, IF(Children=2, WIS_redn2, WIS_redn3)), 0)

Line in country table and intermediate steps	Variable name	Range	Equation
GST Credit – Total	GST_cr	P	$\text{Taper}((\text{GST\_crd\_ad}+(\text{Married}=1)*(\text{GST\_crd\_ad}+\text{Children}*\text{GST\_crd\_ch})+(\text{Married}=0)*(\text{Children}>0)*(\text{GST\_crd\_ad}+\text{GST\_crd\_sgsp}+\text{Positive}(\text{Children}-1)*\text{GST\_crd\_ch})+(\text{Married}=0)*(\text{Children}=0)*\text{Positive}(\text{MIN}(\text{GST\_crd\_sgsp}, (\text{earn\_total}-\text{GST\_sgsp\_thrsh})*\text{GST\_sgsp\_rate}))), \text{earn\_total}, \text{GST\_crd\_thrsh}, \text{GST\_crd\_redn})$
GST Credit – Adult	GST_cr_adult	P	$\text{Taper}((\text{GST\_crd\_ad}+(\text{Married}=1)*(\text{GST\_crd\_ad})+(\text{Married}=0)*\text{Positive}(\text{MIN}(\text{GST\_crd\_sgsp}, (\text{earn\_total}-\text{GST\_sgsp\_thrsh})*\text{GST\_sgsp\_rate}))), \text{earn\_total}, \text{GST\_crd\_thrsh}, \text{GST\_crd\_redn})$
GST Credit – Child	GST_cr_child	P	$\text{GST\_cr}-\text{GST\_cr\_adult}$
Provincial Child Care Supplement	Prov_childcare	P	$\text{Taper}(\text{MIN}(((\text{earn\_total})-\text{P\_ch\_crd\_th})*\text{MIN}(\text{Children}, \text{children\_und7\_max}, 3)*\text{P\_pct\_earn}, \text{Positive}((\text{P\_und7\_max}+\text{IF}(\text{Married}=0, \text{P\_sps\_und7}, 0))*\text{MIN}(\text{Children}, \text{children\_und7\_max}))), \text{earn\_total}, \text{P\_thrsh\_red}, \text{P\_redn\_rate})$
Total Cash Transfers	Cash_tran	P	$\text{CTB}+\text{GST\_cr}+\text{Prov\_childcare}$
13. Employer's soc security			
Canada Pension Plan	CPP_empr	B	$\text{CPP}*\text{Unemp\_empr}$
Unemployment insurance	Unemp_empr	B	$\text{Unemp}*\text{Unemp\_empr}$
Ontario Employers Health Tax	Health_empr	B	$\text{earn}*\text{emp\_healthtax}$
Ontario Workers Compensation	Comp_empr	B	$\text{MAX}(\text{earn}, \text{emp\_workcomp\_ceil})*\text{emp\_workcomp}$
Total Employer's soc security	SSC_empr	B	$\text{CPP\_empr}+\text{Unemp\_empr}+\text{Health\_empr}+\text{Comp\_empr}$

Key to range of equation:

B calculated separately for both principal earner and spouse.

P calculated for principal only (value taken as 0 for spouse calculation).

J calculated once only on a joint basis.

# Czech Republic

<b>Czech Republic</b>		<b>2005</b>			
<b>The tax/benefit position of single persons</b>					
	Wage level (per cent of average wage)	67	100	167	67
	Number of children	none	none	none	2
<b>1. Gross wage earnings</b>		147924	221886	369810	147924
<b>2. Standard tax allowances</b>					
Basic allowance		38040	38040	38040	38040
Married or head of family		0	0	0	0
Dependent children		0	0	0	0
Deduction for social security contributions and income taxes		18491	27736	46226	18491
Work-related expenses					
Other					
	Total	56531	65776	84266	56531
<b>3. Tax credits or cash transfers included in taxable income</b>		0	0	0	0
<b>4. Central government taxable income (1 - 2 + 3)</b>		91394	156110	285544	91394
<b>5. Central government income tax liability (exclusive of tax credits)</b>		13709	25762	55006	13709
<b>6. Tax credits</b>					
Basic credit					
Married or head of family					
Children					
Other		0	0	0	12000
	Total	0	0	0	12000
<b>7. Central government income tax finally paid (5-6)</b>		13709	25762	55006	1709
<b>8. State and local taxes</b>		0	0	0	0
<b>9. Employees' compulsory social security contributions</b>					
Gross earnings		18491	27736	46226	18491
Taxable income					
	Total	18491	27736	46226	18491
<b>10. Total payments to general government (7 + 8 + 9)</b>		32200	53498	101232	20200
<b>11. Cash transfers from general government</b>					
For head of family					
For two children		0	0	0	35831
	Total	0	0	0	35831
<b>12. Take-home pay (1-10+11)</b>		115724	168388	268578	163555
<b>13. Employers' compulsory social security contributions</b>		51773	77660	129434	51773
<b>14. Average rates</b>					
Income tax		9.3%	11.6%	14.9%	1.2%
Employees' social security contributions		12.5%	12.5%	12.5%	12.5%
Total payments less cash transfers		21.8%	24.1%	27.4%	-10.6%
Total tax wedge including employer's social security contributions		42.1%	43.8%	46.2%	18.1%
<b>15. Marginal rates</b>					
Total payments less cash transfers: Principal earner		25.6%	30.0%	34.4%	46.6%
Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner		44.9%	48.1%	51.4%	60.5%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

StatLink: <http://dx.doi.org/10.1787/128013476242>

Czech Republic		2005				
		The tax/benefit position of married couples				
		Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
		Number of children	2	2	2	none
<b>1. Gross wage earnings</b>			221886	295848	369810	295848
<b>2. Standard tax allowances</b>						
	Basic allowance		76080	76080	76080	76080
	Married or head of family		21720	0	0	0
	Dependent children		0	0	0	0
	Deduction for social security contributions and income taxes		27736	36981	46226	36981
	Work-related expenses					
	Other					
	Total		125536	113061	122306	113061
<b>3. Tax credits or cash transfers included in taxable income</b>			0	0	0	0
<b>4. Central government taxable income (1 - 2 + 3)</b>			96350	182787	247504	182787
<b>5. Central government income tax liability (exclusive of tax credits)</b>			14453	27418	38581	29764
<b>6. Tax credits</b>						
	Basic credit					
	Married or head of family					
	Children					
	Other		12000	12000	12000	0
	Total		12000	12000	12000	0
<b>7. Central government income tax finally paid (5-6)</b>			2453	15418	26581	29764
<b>8. State and local taxes</b>			0	0	0	0
<b>9. Employees' compulsory social security contributions</b>						
	Gross earnings		27736	36981	46226	36981
	Taxable income					
	Total		27736	36981	46226	36981
<b>10. Total payments to general government (7 + 8 + 9)</b>			30188	52399	72807	66745
<b>11. Cash transfers from general government</b>						
	For head of family					
	For two children		26812	15264	7632	0
	Total		26812	15264	7632	0
<b>12. Take-home pay (1-10+11)</b>			218510	258713	304635	229103
<b>13. Employers' compulsory social security contributions</b>			77660	103547	129434	103547
<b>14. Average rates</b>						
	Income tax		1.1%	5.2%	7.2%	10.1%
	Employees' social security contributions		12.5%	12.5%	12.5%	12.5%
	Total payments less cash transfers		1.5%	12.6%	17.6%	22.6%
	Total tax wedge including employer's social security contributions		27.1%	35.2%	39.0%	42.6%
<b>15. Marginal rates</b>						
	Total payments less cash transfers: Principal earner		42.3%	25.6%	30.0%	30.0%
	Total payments less cash transfers: Spouse		41.2%	25.6%	30.0%	25.6%
	Total tax wedge: Principal earner		57.2%	44.9%	48.1%	48.1%
	Total tax wedge: Spouse		56.5%	44.9%	48.1%	44.9%

StatLink: <http://dx.doi.org/10.1787/128013476242>

The national currency is the Koruny (CZK). In 2005 CZK 23.91 was equal to USD 1 (average of eleven months of daily exchange rates). In that year, the average worker earns CZK 221 886 (Secretariat estimate).

## 1. Personal income tax system

### 1.1. Central government income taxes

#### 1.1.1. Tax unit

The tax unit is the individual. Since 2005, spouses with children can be taxed in one of two ways (tax payer's choice):

- As married individuals filling separately and reporting actual income of each spouse or
- As married couple filling jointly (using the income splitting method) on the combined income of both spouses.\*

#### 1.1.2. Tax allowances and tax credits

##### 1.1.2.1. Standard reliefs

- *Basic relief*: CZK 38 040 allowance for all individuals.
- *Marital status relief*: An additional allowance of CZK 21 720 is given in respect of a spouse living in a common household if that spouse earns no more than CZK 38 040. The principal is eligible to this allowance even if they opt for joint taxation.
- *Relief for social and health security contributions*. Employees' 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 AW

- *Charitable donations allowance*: A tax allowance of up to 10 per cent of taxable income is available for donations made to municipalities or legal entities for financing of social, health, cultural, humanitarian, religious, ecological and sport activities. The minimum limit for donations is the lesser of 2 per cent of taxable income or CZK 1 000.
- *Interest payments*: Taxpayer may claim an allowance of up to CZK 300 000 for mortgage interest payments or other interest payments related to purchase or improvement of housing. If more than one individual living in the same household applies for this allowance, the sum of their annual deductions is subject to the above-mentioned ceiling, i.e. CZK 300 000.
- *Supplementary pension scheme contributions*: Taxpayers who are members of a registered supplementary private pension scheme are entitled to deduct individually paid (i.e. paid by employee) annual contributions to a registered pension scheme reduced by CZK 6 000 from the earned income. The maximum allowance is CZK 12 000 a year.

\* This is the option in the model since joint taxation will be always more advantageous.

- *Private life insurance premiums:* Taxpayer may claim an allowance of up to CZK 12 000 for premiums paid according to a contract between taxpayer and an insurance company if the benefit (lump sum or recurrent pension) is paid out 60 months after the signature of the contract and in the year in which the taxpayer reaches the age of 60.

### 1.1.2.3. Tax schedule

The tax schedule is as follows:

Taxable income (CZK)	Tax at the lower limit (CZK)	Tax rate on taxable income in excess of the lower limit (%)
0-109 200	0	15
109 200-218 400	16 380	20
218 400-331 200	38 220	25
Over 331 200	66 420	32

### 1.1.2.4. Tax credits

- *Credit for children:* Since 2005, taxpayers are eligible to a tax credit for each child. One spouse may claim a non-wastable tax credit of CSK 6 000 per child (irrespective of the child's own income) if the child satisfies one or more of the following criteria:
  - aged below 18;
  - aged below 26 and receiving full-time education;
  - aged below 26 and physically or mentally disabled provided that the child is not in receipt of a state disability payment.

## 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

### 2.1. 2.1. Employees' contributions

Compulsory contributions of 12.5 per cent of gross wages and salaries (with no limit) are paid by all employees into government operated schemes. The total is made up as follows (in %):

Health insurance	4.5
Social insurance	8.0
Sickness	1.1
Retirement	6.5
Unemployment	0.4

### 2.2. Employers' contributions

The total contribution for employers is 35 per cent of gross earnings (with no limit).

The contribution consists of the health insurance contribution (9 per cent of gross wages and salaries) and social insurance (26 per cent).

### 3. Universal cash transfers

#### 3.1. Transfers related to marital status

None.

#### 3.2. Transfers for dependent children

Non-taxable family allowances are paid as follows:

Family income	up to 1.1 MLS	1.1 MLS-1.8 MLS	1.8 MLS-3.0 MLS
Age of child	Total payment CZK per month		
below 6	551	482	241
6 – 10	615	538	269
10 – 15	727	636	318
15 – 26	797	698	349

The central government pays an allowance in respect of each dependent child based on the family income level and provided that family income does not exceed three times the relevant minimum living standard (MLS). The limits of family income bands are defined as multiples of the MLS. Family income includes the earnings of both parents net of income tax and the employees' social security and health insurance contributions. The monthly MLS for the AW-type family with children can be calculated by summing the following amounts (in CZK):

Basic Personal Requirement	
Adult	2 360
Child aged below 6	1 720
Child aged between 6 and 10	1 920
Child aged between 10 and 15	2 270
Child aged between 15 and 26	2 490
Household Expenses	
One person household	1 940
Two person household	2 530
Three or four person household	3 140
Five and more person household	3 520

#### 3.3. Additional transfers

##### 3.3.1. Transfers related to social status

A family is entitled to a social allowance if there is at least one child in the family and the net monthly income of the family is below 1.6 MLS. The transfer is calculated based on the following formula:

$$\text{child's basic personal requirement} - \frac{\text{child's basic personal requirement} * \text{net family income}}{\text{MLS} * 1.6}$$

If the net family income is below MLS, MLS is to be used in this formula instead of the net family income. The central government pays this allowance monthly.

##### 3.3.2. Municipal allowances

An additional allowance is paid by local government to low income families. The amount transferred varies according to the budget capacity and is provided if total family



income including family allowances is less than the MLS. This allowance is not included in the computation.

#### 4. Main Changes in tax/benefit systems since 2004

There were two main changes in the tax system in 2005:

- introduction of the non-wastable tax credit for children; the previous tax allowance for children was abolished.
- introduction of the optional joint taxation (income splitting) of spouses with children.

Both changes are described above in more details. There were no fundamental changes in the transfers for dependent children apart from a particular increase of the amounts.

#### 5. Memorandum items

##### 5.1. Identification of AW and valuation of earnings

The Ministry of Finance estimates the average earnings of the AW based on the data supplied by the Czech Statistical Office. The data supplied cover years up to 2004.

##### 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.

#### 2005 Parameter values

	Ave_earn	221 886	National estimate
Basic allowance	basic_al prin	38 040	
	basic_al spo	38 040	
	spouse_al prin	21 720	
Income tax schedule	tax_sch	0.15	109 200
		0.2	218 400
		0.25	331 200
		0.32	
Social security contributions	SSC_rate	0.125	
Employers	SSC_empr	0.35	
New Tax Credit			
Child tax credit	child cr	6 000	
Minimum living standard (MLS)			
	basic_adult	2 360	
	basic_child	2 270	
	house_exp	1	1 940
		2	2 530
		3	3 140
		4	3 410
		5	3 520
Cash transfers	transf_1	727	
	transf_2	636	
	transf_3	318	

## 2005 Tax equations

The equations for the Czech system are on an individual basis. But the spouse allowance 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.

Line in country table and intermediate steps	Variable name	Range	Equation
1. Earnings	earn		Earn_prin+earn_spo
Earnings principal	earn_prin		
Earnings spouse	earn_sp		
2. Allowances:			
Basic	basic_al prin	B	basic_al prin
	spo_al prin	P	IF(earn_spo>basic_al, 0, Married*spouse_al)
	basic-al spo	J	Married*IF(or(children>0;earn-spouse<bas-al);basic_al)
Total	tax_al	B	basic_al prin+spo_al prin+basic_al sp+SSC
3. Credits in taxable income	taxbl_cr	B	0
4. CG taxable income	tax_inc prin	J	
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
11. Cash transfers			
Net family income	net_inc	J	earn_total-CG_tax_total-SSC_total
Minimum living standard (montly)	MLS	J	(1+Married)*basic_adult+Children*basic_child+VLOOKUP((1+Married+Children), house_exp, 2, FALSE)
Total cash transfers	cash_trans	J	Children*IF(net_inc<=(1.1)*MLS*12, transf_1*12, IF(net_inc<=(1.8)*MLS*12, transf_2*12, IF(net_inc<=(3)*MLS*12, transf_3*12, 0))+Children*12*IF(net_inc<MLS*12, basic_child*(0.6/1.6), IF(net_inc<1.6*MLS*12, basic_child*(1-net_inc/(1.6*MLS*12)), 0))
13. Employer's soc security	SSC_empr	B	earn*SSC_empr

Key to range of equation:

B calculated separately for both principal earner and spouse.

P calculated for principal only (value taken as 0 for spouse calculation).

J calculated once only on a joint basis.

# Denmark

<b>Denmark</b>		<b>2005</b>			
<b>The tax/benefit position of single persons</b>					
		67	100	167	67
		Wage level (per cent of average wage)			
		Number of children			
		none	none	none	2
<b>1. Gross wage earnings</b>		218927	328390	547317	218927
<b>2. Standard tax allowances</b>					
	Basic allowance				
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes	18409	27166	44680	18409
	Work-related expenses	7728	7728	7728	7728
	Other				
	Total	26137	34894	52408	26137
<b>3. Tax credits or cash transfers included in taxable income</b>		0	0	0	0
	Earnings tax credit deduction	5473	7200	7200	5473
	Total	-5473	-7200	-7200	-5473
<b>4. Central government taxable income (1 - 2 + 3)</b>		187317	286296	487709	187317
<b>5. Central government income tax liability (exclusive of tax credits)</b>		10988	19011	70650	10988
<b>6. Tax credits</b>					
	Basic credit	2060	2060	2060	2060
	Married or head of family				
	Children				
	Other				
	Total	2060	2060	2060	2060
<b>7. Central government income tax finally paid (5-6)</b>		8928	16950	68590	8928
<b>8. State and local taxes</b>		49905	82898	150035	49905
<b>9. Employees' compulsory social security contributions</b>					
	Gross earnings	26137	34894	52408	26137
	Taxable income				
	Total	26137	34894	52408	26137
<b>10. Total payments to general government (7 + 8 + 9)</b>		84970	134742	271032	84970
<b>11. Cash transfers from general government</b>					
	For head of family				
	For two children	0	0	0	56208
	Total	0	0	0	56208
<b>12. Take-home pay (1-10+11)</b>		133957	193648	276284	190165
<b>13. Employer's compulsory social security contributions</b>		1789	1789	1789	1789
<b>14. Average rates</b>					
	Income tax	26.9%	30.4%	39.9%	26.9%
	Employees' social security contributions	11.9%	10.6%	9.6%	11.9%
	Total payments less cash transfers	38.8%	41.0%	49.5%	13.1%
	Total tax wedge including employer's social security contributions	39.3%	41.4%	49.7%	13.8%
<b>15. Marginal rates</b>					
	Total payments less cash transfers: Principal earner	42.9%	49.2%	63.0%	42.9%
	Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner	42.9%	49.2%	63.0%	42.9%
	Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.

StatLink: <http://dx.doi.org/10.1787/744655011051>

Denmark		2005				
<b>The tax/benefit position of married couples</b>						
		Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
		Number of children	2	2	2	none
<b>1. Gross wage earnings</b>			328390	437853	547317	437853
<b>2. Standard tax allowances</b>						
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		27166	36817	45574	36817
	Work-related expenses		7728	15456	15456	15456
	Other					
	Total		34894	52273	61030	52273
<b>3. Tax credits or cash transfers included in taxable income</b>			0	0	0	0
	Earnings tax credit deduction		7200	7200	7200	7200
	Total		-7200	-7200	-7200	-7200
<b>4. Central government taxable income (1 - 2 + 3)</b>			286296	375643	473613	375643
<b>5. Central government income tax liability (exclusive of tax credits)</b>			16507	21977	27495	21977
<b>6. Tax credits</b>						
	Basic credit		6181	4121	4121	4121
	Married or head of family					
	Children					
	Other					
	Total		6181	4121	4121	4121
<b>7. Central government income tax finally paid (5-6)</b>			12386	17856	23375	17856
<b>8. State and local taxes</b>			70365	100147	132803	100147
<b>9. Employees' compulsory social security contributions</b>						
	Gross earnings		34894	52273	61030	52273
	Taxable income					
	Total		34894	52273	61030	52273
<b>10. Total payments to general government (7 + 8 + 9)</b>			117645	170276	217208	170276
<b>11. Cash transfers from general government</b>						
	For head of family					
	For two children		21768	21768	21768	0
	Total		21768	21768	21768	0
<b>12. Take-home pay (1-10+11)</b>			232513	289345	351877	267577
<b>13. Employer's compulsory social security contributions</b>			1789	3578	3578	3578
<b>14. Average rates</b>						
	Income tax		25.2%	27.0%	28.5%	27.0%
	Employees' social security contributions		10.6%	11.9%	11.2%	11.9%
	Total payments less cash transfers		29.2%	33.9%	35.7%	38.9%
	Total tax wedge including employer's social security contributions		29.6%	34.5%	36.1%	39.4%
<b>15. Marginal rates</b>						
	Total payments less cash transfers: Principal earner		43.7%	43.7%	43.7%	43.7%
	Total payments less cash transfers: Spouse		48.1%	42.9%	42.9%	42.9%
	Total tax wedge: Principal earner		43.7%	43.7%	43.7%	43.7%
	Total tax wedge: Spouse		48.9%	42.9%	42.9%	42.9%

StatLink: <http://dx.doi.org/10.1787/744655011051>

The national currency is the Kroner (DKK). In 2005, DKK 5.97 was equal to USD 1 (average of eleven months daily exchange rates). In that year, the average worker earned DKK 328 390 (Secretariat estimate).

## 1. Personal income tax systems

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.
- *Capital income* (e.g. interest payments and dividends received, imputed rent of owner-occupied dwellings); calculated as a net amount.
- *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.

The employees' social security contributions and their payments to labour market supplementary pension schemes (see Section 2.1) are not included in personal income (or taxable income).

*Regarding the tax unit, the earned income of each spouse is taxed separately. However, as it 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

If a wage or salary earner has expenses related to earning his income (e.g. transport, trade union membership dues, unemployment premiums) these expenses are fully deductible against taxable income. In this report contributions to unemployment insurance are considered as a standard tax allowance (and as a social security contribution).

From 2004 and on there is a tax credit scheme whereby the taxpayer can deduct 2.5 per cent of earned income to a maximum of DKK 7 200 (2005) in the calculation of taxable income. The effective value of the credit is equal to the local income tax rate (33.3 per cent on average) multiplied by the value of the deduction.

#### 1.1.2. Main non-standard tax reliefs applicable to an AW

- Interest payments are fully deductible against capital income.
- The non-standard deduction for wage and salary earners: Actual costs related to the acquisition of income are deductible from taxable income. The main items are:
  - ❖ Contributions paid to trade unions.

- ❖ Transportation costs: Up to 24 km per day: No deduction. 25-100 km: DKK 1.68 per km. Above 100 km.: DKK 0.84 per km. as a standard, but transport from municipalities placed in the outskirts of the country gives a credit of DKK 1.64 also above 100 km.
- ❖ Other costs above DKK 5 000.
- Contributions/premiums paid to *private pension saving plans* are in general deductible from personal income. Contributions/premiums paid to private pension saving plans with sum payments are from 1999 on no longer deductible from income subject to the top bracket tax.
- 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 6 400).
  - ❖ Losses incurred from unincorporated business in earlier years are as a principal rule deductible from personal income.

### 1.1.3. Tax credits

Each person is granted a personal allowance, which is converted into a wastable tax credit by applying the marginal tax rate of the first bracket of the income tax schedule. For a person 18 years of age and older the tax credit amounts to:

For central government income tax	5.48 per cent of DKK 37 600 = DKK 2 060
For local government income tax and church tax (average rate)	33.3 per cent of DKK 37 600 = DKK 12 521

Special personal allowance for an individual younger than 18 years: DKK 27 900.

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

Low bracket tax to the central government is assessed on the aggregate of personal income and positive net capital income at the rate of 5.48 per cent.

Medium bracket tax to the central government is assessed on the part of the aggregate of personal income and positive net capital income above DKK 259 500, at the rate of 6 per cent. If a married individual cannot utilise the total allowance of DKK 259 500, the unutilised part is transferred to the spouse.

Top bracket tax to the central government is assessed on the excess of DKK 311 500 of the aggregate of personal income and positive net capital income at the rate of 15 per cent. If a married individual cannot utilise the total allowance of DKK 311 500, the unutilised part is not transferred to the spouse.

If the marginal tax rate including local tax but excluding church tax exceeds 59 per cent the top bracket tax rate is reduced by the difference between the marginal tax rate and 59 per cent. At the average local tax rate, this reduction equals 0.1 per cent in 2005.

### **1.3. State and local income taxes**

#### **1.3.1. General description**

Local income taxes are levied by the counties and the municipalities (and the church). They are flat-rate taxes levied by the local authorities (the rate varies by jurisdiction).

#### **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: 28.5 per cent.

Highest rate: 36.71 per cent.

Average rate: 33.3 per cent (municipalities: 22.139; counties: 10.457; church: 0.733).

The average rate is used in this study. It is applied to the tax base less personal allowances (see Section 1.1).

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

### **2.1. Employees' contributions**

Employees are required to make a fixed contribution of DKK 7 728 for unemployment insurance. From 1999 and on the contribution to unemployment insurance is split into two: One part consisting of the contribution to unemployment insurance (DKK 3 144), while the other part is a voluntary contribution to an early retirement scheme (DKK 4 584).

In this report both contributions are included. What is not included is an administration charge paid to the unemployment fund. It varies between the funds from just above DKK 600 to above DKK 2 700. The mean for all 33 funds in Denmark is approximately DKK 1 400. The typical charge for an industrial worker is DKK 1 602.

Additional social security contributions are assessed on the basis of employees' gross earnings at the rate of 8.0 per cent.<sup>1</sup> Social security contributions are not assessed on social transfers nor on capital income.

Normally a compulsory contribution of 1 per cent of employee's gross earnings is paid to an individual Labour Market Supplementary Pension Scheme established for the employee – this contribution is not considered as a social security contribution rather it is savings being made by the individual. However, in 2004 and 2005 this contribution is suspended (see Section 4). In addition, there is a compulsory fixed contribution to a general Labour Market Supplementary Pension Scheme of DKK 894.5 for workers with at least 117 hours of work each month and their employer makes a corresponding contribution that is double this amount (for workers who work less than 117 hours and at least 78 hours, the rate is DKK 596 while for those workers whose hours amount to at least 39 hours but less than 78, the rate is DKK 298). Under this scheme, each employee has a plan and it should be noted that the contribution that is ascribed to this plan is determined by the level of employment and does not necessarily relate to the actual amount described above. For the purposes of this Report, only the fixed contribution amount is considered as a social security contribution.



## 2.2. Employers' contributions

From 2000 and on the social security contribution is zero. The employer only contributes to a Labour Market Supplementary Pension scheme, which for a full-time employee corresponds to a fixed amount of DKK 1 789 (twice the fixed amount of DKK 894.5 mentioned in Section 2.1).

## 3. Universal cash transfers

The transfers for each dependent child are as follows

Age group	Quarterly amount (DKK) for each child
0-2	3 370
3-6	3 046
7-17	2 396

The transfer is independent of the parents' income. There are additional special amounts for single parents: the transfer for each dependent child is DKK 4 240 per year and a yearly transfer of DKK 4 312 regardless of the number of children. In addition there is a state transfer of DKK 10 824 per year for each dependent child in case an "absent parent" does not contribute (this amount) to the family. This transfer has been included in the calculations for single parents.

## 4. Main changes in tax/benefit systems

From 2000 to 2002, the low bracket tax rate has been reduced from 7 per cent to 5.5 percent. The low bracket tax is assessed on the aggregate of personal income and positive net capital income. From 2005 the low bracket tax is reduced from 5.5 to 5.48. But this is not a real tax reduction but a "Tax freeze" – compensation from the government, because the average rate of state and local income taxes from 2004 to 2005 rose from 33.31 to 33.33.<sup>2</sup>

After parliamentary elections in 2001 the Conservative/Liberal government adopted a tax freeze policy, which means essentially that no tax rates can be increased, either in nominal or relative terms, during the current term of the government. Therefore there were no tax increases from 2002 to 2005. After parliamentary election in February 2005 the Conservative/Liberal government and the tax freeze policy is still in action.

In the spring of 2003 the government agreed with one of the opposition parties to implement a tax package. The aim of this package is to decrease the level of labour taxation in Denmark, and thereby reduce the distortions in the labour market and improve incentives to work. The package contains 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 per cent of earned income to a maximum of DKK 7 200 (in 2005) in the calculation of taxable income. The effective value of the credit is equal to the local income tax rate (33.3 per cent on average) multiplied by the value of the deduction.

It was originally planned to implement the tax reductions gradually from 2004 to 2007, but in order to stimulate the economy the government decided in the spring 2004 to implement the reductions fully from 2004 as a part of the "Spring Package". Another element in the "Spring Package" is a temporary suspension in 2004 and 2005 of the

employees 1 per cent contribution to their *individual* Labour Market Supplementary Pension Schemes. The Aim hereby is to stimulate private consumption.

## 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. Employers' contribution to private schemes

The employer must provide his employees with work injuries' insurance.

Employees typically participate in a private occupational (labour market) pension scheme to which both the employee and the employer make contributions. The employee's contribution is deductible for income tax purposes and treated here as a non-standard tax relief. The employer's contribution is not included in the gross wage income of the employee.

### Notes

1. In the *Revenue Statistics* this payment is not reported as a social security contribution, but as a separate type of personal income tax. For presentational reasons it is included here as a social security contribution.
2. Technically the compensation is included in the calculation for final tax payments regarding 2004. In 2005 the official low bracket tax rate is again 5.5 per cent and from 2006 and on it is 5.48. For simplicity this compensation is here presented as a reduction from 2005 and on.

**2005 Parameter values**

	Ave_earn	328 390
Central taxes	Low_rate	0.0548
	Medium_thrsh	259 500
	Medium_rate	0.06
	Top_thrsh	311 500
	Top_rate	0.15
	Marg_rate_ceil	0.59
	Adj_top_rate	0.149
	Temp_tax_rate	0.00
	Temp_tax_thrsh	0
	Personal_al	3 760
Local taxes	gener_rate	0.326
	church_rate	0.007
total local tax rate	Local_rates	0.3333
Earned income tax credit scheme	earncredit_rate	0.025
	earncredit_max	7 200
Child transfers	Child_3to6	12 184
	Child_7to17	9 584
for single parents	Sing_par_basic	4 312
	Sing_par_ch	15 064
Individual Labour Market Pension Scheme	Pension_rate	0
Employees soc. security:		
suppl. pension scheme	Pension	894.5
unempl. insurance	Unemp	7 728
SSC rate	SSC_rate	0.08
Employer soc. security:		
suppl. pension scheme	Pension_empr	1 789
refunded by government	Pension_ref	0.00
SSC rate	SSC_empr	0.0000

## 2005 Tax equations

The equations for the Danish system in 2005 are mostly on an individual basis. But there is an interaction in the calculation of Central Government tax between spouses 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	SSC+Pension_rate*earn
	earncredit	B	Min(earn*earncredit_rate, earncredit_max)
3. Credits in taxable income	taxbl_cr	B	0
4. CG taxable income	tax_inc	B	Positive(earn-tax_al-earncredit+taxbl_cr)
Personal income	pers_inc	B	Positive(earn-pension-pension_rate*earn-ssc_rate*earn)
5. CG tax before credits	CG_tax_excl_princ	P	Low_rate*tax_inc_princ+Medium_rate*Positive(tax_inc_princ-Medium_thrsh-Married*Positive(Medium_thrsh-pers_inc_spouse))+Adj_top_rate*Positive(tax_inc_princ-Top_thrsh)
	CG_tax_excl_spouse	S	Low_rate*tax_inc_spouse+Medium_rate*Positive(tax_inc_spouse-Medium_thrsh)+Adj_top_rate*Positive(tax_inc_spouse-Top_thrsh)
6. Tax credits :	tax_cr_princ	P	Personal_al*Low_rate+Married*Positive(Personal_al-pers_inc_spouse)*Low_rate
	tax_cr_spouse	S	Personal_al*Low_rate
7. CG tax	CG_tax	B	CG_tax_excl-tax_cr
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			
relevant earnings	SSC_earn	B	earn
contribution	SSC	B	(earn>0)*(Pension+Unemp+SSC_rate*SSC_earn)
10. Total payments	tot_payments	J	Positive(CG_tax_total+local_tax_total+SSC_total)
11. Cash transfers	cash_trans	J	(Children>0)*(Child_3to6+(Children>1)*(Children-1)*Child_7to17+(Married=0)*(Sing_par_basic+Children*Sing_par_ch))
13. Employer's soc security	SSC_empr	B	SSC_empr*earn+(earn>0)*(Pension_empr-Pension_ref)

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

<b>Finland</b>		<b>2005</b>			
<b>The tax/benefit position of single persons</b>					
	Wage level (per cent of average wage)	67	100	167	67
	Number of children	none	none	none	2
<b>1. Gross wage earnings</b>		21815	32722	54537	21815
<b>2. Standard tax allowances</b>					
Basic allowance					
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes		1113	1669	2781	1113
Work-related expenses		620	620	620	620
Other					
	Total	1733	2289	3401	1733
<b>3. Tax credits or cash transfers included in taxable income</b>		0	0	0	0
<b>4. Central government taxable income (1 - 2 + 3)</b>		20082	30433	51135	20082
<b>5. Central government income tax liability (exclusive of tax credits)</b>		1067	3166	8552	1067
<b>6. Tax credits</b>					
Basic credit					
Married or head of family					
Children					
Other					
	Total	0	0	0	0
<b>7. Central government income tax finally paid (5-6)</b>		1067	3166	8552	1067
<b>8. State and local taxes</b>		3023	4997	8945	3023
<b>9. Employees' compulsory social security contributions</b>					
Gross earnings		1360	2078	3515	1360
Taxable income					
	Total	1360	2078	3515	1360
<b>10. Total payments to general government (7 + 8 + 9)</b>		5451	10242	21012	5451
<b>11. Cash transfers from general government</b>					
For head of family					
For two children		0	0	0	3404
	Total	0	0	0	3404
<b>12. Take-home pay (1-10+11)</b>		16364	22480	33524	19768
<b>13. Employer's compulsory social security contributions</b>		5236	7853	13089	5236
<b>14. Average rates</b>					
Income tax		18.8%	24.9%	32.1%	18.8%
Employees' social security contributions		6.2%	6.4%	6.4%	6.2%
Total payments less cash transfers		25.0%	31.3%	38.5%	9.4%
Total tax wedge including employer's social security contributions		39.5%	44.6%	50.4%	26.9%
<b>15. Marginal rates</b>					
Total payments less cash transfers: Principal earner		38.9%	44.1%	49.8%	38.9%
Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner		50.7%	54.9%	59.5%	50.7%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

StatLink: <http://dx.doi.org/10.1787/770512870280>

Finland		2005				
The tax/benefit position of married couples						
		Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
		Number of children	2	2	2	none
<b>1.</b>	<b>Gross wage earnings</b>		32722	43629	54537	43629
<b>2.</b>	<b>Standard tax allowances</b>					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		1669	2225	2781	2225
	Work-related expenses		620	1240	1240	1240
	Other					
		Total	2289	3465	4021	3465
<b>3.</b>	<b>Tax credits or cash transfers included in taxable income</b>		0	0	0	0
<b>4.</b>	<b>Central government taxable income (1 - 2 + 3)</b>		30433	40164	50515	40164
<b>5.</b>	<b>Central government income tax liability (exclusive of tax credits)</b>		3166	3166	4234	3166
<b>6.</b>	<b>Tax credits</b>					
	Basic credit					
	Married or head of family					
	Children					
	Other					
		Total	0	0	0	0
<b>7.</b>	<b>Central government income tax finally paid (5-6)</b>		3166	3166	4234	3166
<b>8.</b>	<b>State and local taxes</b>		4997	6090	8020	6090
<b>9.</b>	<b>Employees' compulsory social security contributions</b>					
	Gross earnings		2078	2724	3439	2724
	Taxable income					
		Total	2078	2724	3439	2724
<b>10.</b>	<b>Total payments to general government (7 + 8 + 9)</b>		10242	11981	15693	11981
<b>11.</b>	<b>Cash transfers from general government</b>					
	For head of family					
	For two children		2526	2526	2526	0
		Total	2526	2526	2526	0
<b>12.</b>	<b>Take-home pay (1-10+11)</b>		25006	34175	41370	31649
<b>13.</b>	<b>Employer's compulsory social security contributions</b>		7853	10471	13089	10471
<b>14.</b>	<b>Average rates</b>					
	Income tax		24.9%	21.2%	22.5%	21.2%
	Employees' social security contributions		6.4%	6.2%	6.3%	6.2%
	Total payments less cash transfers		23.6%	21.7%	24.1%	27.5%
	Total tax wedge including employer's social security contributions		38.4%	36.8%	38.8%	41.5%
<b>15.</b>	<b>Marginal rates</b>					
	Total payments less cash transfers: Principal earner		44.1%	44.1%	44.1%	44.1%
	Total payments less cash transfers: Spouse		15.9%	21.5%	38.9%	21.5%
	Total tax wedge: Principal earner		54.9%	54.9%	54.9%	54.9%
	Total tax wedge: Spouse		32.2%	36.7%	50.7%	36.7%

StatLink: <http://dx.doi.org/10.1787/770512870280>

The national currency is the Euro (EUR). In 2005, EUR 0.80 was equal to USD 1 (average of eleven months daily exchange rates). In that year, the average worker earned EUR 32 722 (Secretariat estimate).

## 1. Personal income tax systems

### 1.1. Central government income taxes

#### 1.1.1. Tax unit

Spouses are taxed separately for earned income.

#### 1.1.2. Standard tax allowances

##### 1.1.2.1. Standard tax allowances

- *Work-related expenses*: A standard deduction for work-related expenses equal to the amount of wage or salary, with a maximum amount of EUR 620 is granted.

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

- *Interest*: Interest on loans associated with the earning of taxable income, loans for the purchase of owner-occupied dwelling, and student loans guaranteed by the state can be deducted against capital income. Of the excess of interest over capital income 28 per cent can be credited against income tax up to a maximum of EUR 1 400.
- *Membership fees*: membership fees paid to employees' organisations or trade unions.
- *Travelling expenses*: travelling expenses from the place of residence to the place of employment using the cheapest means in excess of EUR 500 up to a maximum deduction of EUR 4 700.
- *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 (%)
12 000-15 400	8	10.5
15 400-20 500	365	15.0
20 500-32 100	1 130	20.5
32 100-56 900	3 508	26.5
56 900- and over	10 080	33.5



## 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 2005 the tax rate varies between 16 and 21 per cent, the average rate being approximately 18.30 per cent.

Municipal tax is not deductible against central government taxes. Work-related expenses and other non-standard deductions are deductible, as for purposes of the central government income tax.

### 1.2.2. Allowances in municipal income taxation:

- An earned income allowance is calculated on the basis of taxpayer's income from work. The allowance amounts to 49 per cent of income between EUR 2 500 and EUR 7 230, and 26 per cent of the income exceeding EUR 7 230, until it reaches its maximum of EUR 3 850. The amount of the allowance is reduced by 4 per cent of the earned income minus work related expenses exceeding EUR 14 000.
- A basic allowance is granted on the basis of taxable income remaining after the other allowances have been subtracted. The maximum amount, EUR 1 480, is reduced by 20 per cent of the income exceeding EUR 1 480.

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

### 2.1. Employee contributions

#### 2.1.1. Rate and ceiling

In 2005, the rate of the health insurance contribution paid by an employee is 1.50 per cent. The tax base for the health insurance contribution is net taxable income for municipal income tax purposes.

In addition there is an employees' pension insurance contribution which amounts to 4.60 per cent of gross salary and an employees' unemployment insurance contribution equal to 0.5 per cent of gross salary. For employees with the age of 53 and over, the pension insurance contribution amounts to 5.8 per cent 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 2005 is 24 per cent of gross wage.

## 3. Universal cash transfers

### 3.1. Amount for marriage

None.

### 3.2. Amount for children

The central government pays in 2005 the following allowances (EUR):

For the first child	1 200
For the second child	1 326
For the third child	1 572
For the fourth child	1 818
Fifth and subsequent child	2 064

The child subsidy for a single parent is increased by an annual amount of EUR 439.2 for each child.

### 4. Main changes in the tax/benefit system since 2004

In January 2005 the central government tax brackets were adjusted by about two per cent, and the lower limit of the schedule was raised. The first, third, fourth and fifth central government marginal tax rates were lowered by half a percentage point. The maximum amount of the earned income allowance was raised to EUR 3 850 from EUR 3 550 in 2004.

The rate of the employees' unemployment insurance contribution was raised from 0.25 to 0.5 per cent and an additional pension insurance contribution was introduced for persons with the age of 53 and over.

### 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 hours 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.

## 2005 Parameter values

AW-wage	Ave_earn	32 722	Secretariat estimate
Expenses	Work_exp_max	620	
	Work_exp_rate	1	
Allowances	al_SSC_rate	0.051	
State tax	Tax_min	8	Tax_thrsh
Tax schedule	Tax_sch	0	12 000
		0.10.5	15 400
		0.15	20 500
		0.20.5	32 100
		0.26.5	56 900
		0.33.5	
Earned income ded.	al_thrsh	2 500	
	al_thrsh2	7 230	
	al_rate	0.49	
	al_rate2	0.26	
	al_redn_thrsh	14 000	
	al_redn_rate	0.04	
Low income	al_max	3 850	
	SL_max	1 480	
Local intax	SL_rate	0.2	
	Local_rate	0.1830	
	Church_rate	0	
	Local_tot	0.1830	
Soc sec taxpayer	SSC_rate	0.015	
Progressive	SSC_prog_rate	0	
Prog. lim	SSC_prog_thrsh	80 000	
Soc. sec empr	SSC_empr	0.24	
Cash transfer	ch_1	1 200	
	ch_2	1 326	
	ch_3	1 572	
	ch_4	1 818	
	ch_5	2 064	
	ch_small	0	
	ch_lone	439.2	

## 2005 Tax equations

The equations for the Finnish system are mostly on an individual basis. But 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		
Work related expenses	work_rel	B	MIN(Work_exp_max, Work_exp_rate*earn)
SSC deduction	SSC_al	B	earn*_al_SSC_rate
2. Allowances:	tax_al	B	work_rel+SSC_al
3. Credits in taxable income	taxbl_cr	B	0
4. CG taxable income	tax_inc	B	Positive(earn-tax_al)
5. CG tax before credits	CG_tax_excl	B	=Tax(tax_inc, Tax_sch)+Tax_min* (tax_inc>Tax_thrsh)
6. Tax credits :	tax_cr	B	0
7. CG tax	CG_tax	B	CG_tax_excl
Earned income allowance	earninc_al	B	MIN(al_max, IF(earn>al_thrsh2, al_rate*(al_thrsh2-al_thrsh1)+al_rate2*(earn-al_thrsh2), Positive(earn-al_thrsh)))-MIN(al_max, al_redn_rate* Positive(earn-work_rel-al_redn_thrsh))
Low income	low_inc	B	Positive(MIN(earn-work_rel-low_al-SSC_al, SL_max)-SL_rate*Positive(earn- work_rel- low_al-SSC_al-SL_max))
Taxable income (local)	tax_inc_l	B	tax_inc-earninc_al-low_inc
8. State and local taxes	local_tax	B	tax_inc_l*Local_tot
9. Employees' soc security	SSC	B	SSC_rate*tax_inc_l+ 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

France		2005				
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
<b>1.</b>	<b>Gross wage earnings</b>		20146	30219	50365	20146
<b>2.</b>	<b>Standard tax allowances</b>					
	Basic allowance		2954	4431	7437	2954
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		3736	5604	9049	3736
	Work-related expenses		1641	2461	4132	1641
	Other					
	Total		8331	12496	20617	8331
<b>3.</b>	<b>Tax credits or cash transfers included in taxable income</b>		0	0	0	0
<b>4.</b>	<b>Central government taxable income (1 - 2 + 3)</b>		11815	17723	29748	11815
<b>5.</b>	<b>Central government income tax liability (exclusive of tax credits)</b>		2479	4640	10099	1563
<b>6.</b>	<b>Tax credits</b>					
	Basic credit					
	Married or head of family					
	Children					
	Other		0	0	0	68
	Total		0	0	0	68
<b>7.</b>	<b>Central government income tax finally paid (5-6)</b>		2479	4640	10099	1495
<b>8.</b>	<b>State and local taxes</b>		0	0	0	0
<b>9.</b>	<b>Employees' compulsory social security contributions</b>					
	Gross earnings		2740	4109	6557	2740
	Taxable income					
	Total		2740	4109	6557	2740
<b>10.</b>	<b>Total payments to general government (7 + 8 + 9)</b>		5219	8749	16656	4235
<b>11.</b>	<b>Cash transfers from general government</b>					
	For head of family (Gross)					
	For two children (Gross)		0	0	0	1388
	CRDS Deducted		0	0	0	-69
	Total		0	0	0	1319
<b>12.</b>	<b>Take-home pay (1-10+11)</b>		14927	21470	33709	17229
<b>13.</b>	<b>Employers' compulsory social security contributions</b>		5338	12768	21461	5338
<b>14.</b>	<b>Average rates</b>					
	Income tax		12.3%	15.4%	20.1%	7.4%
	Employees' social security contributions		13.6%	13.6%	13.0%	13.6%
	Total payments less cash transfers		25.9%	29.0%	33.1%	14.5%
	Total tax wedge including employer's social security contributions		41.4%	50.1%	53.1%	32.4%
<b>15.</b>	<b>Marginal rates</b>					
	Total payments less cash transfers: Principal earner		32.6%	36.8%	42.2%	21.4%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		66.8%	55.8%	59.6%	61.3%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.
	Memorandum item: Non-wastable tax credit					
	tax expenditure component		0	0	0	68
	cash transfer component		0	0	0	0

StatLink: <http://dx.doi.org/10.1787/276655183172>

France		2005			
The tax/benefit position of married couples					
Wage level (per cent of average wage)		100-0	100-33	100-67	100-33
Number of children		2	2	2	none
<b>1. Gross wage earnings</b>		30219	40292	50365	40292
<b>2. Standard tax allowances</b>					
	Basic allowance	4431	5907	7384	5907
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes	5604	7473	9341	7473
	Work-related expenses	2461	3282	4102	3282
	Other				
	Total	12496	16662	20828	16662
<b>3. Tax credits or cash transfers included in taxable income</b>		0	0	0	0
<b>4. Central government taxable income (1 - 2 + 3)</b>		17723	23630	29537	23630
<b>5. Central government income tax liability (exclusive of tax credits)</b>		2429	3815	5526	4959
<b>6. Tax credits</b>					
	Basic credit				
	Married or head of family				
	Children				
	Other	51	411	34	377
	Total	51	411	34	377
<b>7. Central government income tax finally paid (5-6)</b>		2377	3404	5492	4581
<b>8. State and local taxes</b>		0	0	0	0
<b>9. Employees' compulsory social security contributions</b>					
	Gross earnings	4109	5479	6849	5479
	Taxable income				
	Total	4109	5479	6849	5479
<b>10. Total payments to general government (7 + 8 + 9)</b>		6487	8883	12341	10061
<b>11. Cash transfers from general government</b>					
	For head of family (Gross)				
	For two children (Gross)	1388	1388	1388	0
	CRDS Deducted	-69	-69	-69	0
	Total	1319	1319	1319	0
<b>12. Take-home pay (1-10+11)</b>		25051	32727	39343	30231
<b>13. Employers' compulsory social security contributions</b>		12768	14536	18106	14536
<b>14. Average rates</b>					
	Income tax	7.9%	8.4%	10.9%	11.4%
	Employees' social security contributions	13.6%	13.6%	13.6%	13.6%
	Total payments less cash transfers	17.1%	18.8%	21.9%	25.0%
	Total tax wedge including employer's social security contributions	41.7%	40.3%	42.5%	44.9%
<b>15. Marginal rates</b>					
	Total payments less cash transfers: Principal earner	30.6%	26.0%	31.3%	31.3%
	Total payments less cash transfers: Spouse	23.8%	23.6%	32.6%	28.8%
	Total tax wedge: Principal earner	51.5%	48.3%	52.0%	52.0%
	Total tax wedge: Spouse	35.2%	35.0%	66.8%	39.5%
	Memorandum item: Non-wastable tax credit tax expenditure component	51	411	34	377
	cash transfer component	0	0	0	0

StatLink: <http://dx.doi.org/10.1787/276655183172>

The national currency is now the euro (EUR). In 2005, EUR 0.80 equalled USD 1 (average of eleven months daily exchange rates). In that year, the average worker earned EUR 30 219 (Secretariat estimate).

## 1. Personal income tax system

### 1.1. Tax levied by the central government on 2004 income\*

#### 1.1.1. Tax unit

The tax unit is aggregate family income, but children are included only if their parents claim them as dependants. Other persons may be included on certain conditions: unlike spouses, who are always taxed jointly, children and other members of the household may opt to be taxed separately. Couples who in 1999 concluded a civil union (*pacte civil de solidarité*, or PACS), which was introduced that year, filed joint tax returns for the first time in respect of their incomes for 2002. 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 382 and a ceiling of EUR 12 862).
- Standard deduction equal to 20% of net pay after the above allowance is deducted. This deduction is not allowed on the amount of net pay (after deduction of the 10% allowance) in excess of EUR 117 900 for 2004 income.
- 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, a half-share for each dependent child, an additional half-share for the third and each subsequent dependent child, an additional half-share for each dependent child of a 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 2 121 per half-share in excess of two

\* Income tax calculations in this report for 2005 are based on rules for the taxation of 2004 income and projected gross earnings for 2005. The timing difference in relation to the other OECD countries stems from the specificity of the French tax system, which does not collect taxes on income received in 2005 (withholding tax) but taxes the 2004 income reported by French taxpayers in March 2005 (reporting system). Insofar as tax legislation covering 2005 income is not known until a year later (early 2006), this report cannot apply to 2005 income the rules that will be applicable thereto. In this version, after-tax income nonetheless remains very close economically for comparisons with that of other OECD countries.



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 lone parent, in which case the maximum benefit is EUR 3 670.

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

Certain expenditures to improve or maintain the taxpayer's primary residence, including outlays for thermal isolation or heating adjustments, major capital expenditures and money spent to equip a home to produce energy from a renewable source (15% tax credits, subject to a multi-year maximum); compensatory allowances if paid in a lump sum (25% reduction, capped at EUR 30 500); child care costs for children under seven (25% 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 the needy; trade union dues, etc.

#### 1.1.2.3. Refundable tax credit: employment premium (*prime pour l'emploi*, or PPE)

This is a tax credit for households comprising wage-earners whose equivalent full-time net taxable earned income was between EUR 3 507 and EUR 24 927 in 2004. The credit is determined in a multi-step calculation. First, the amount of the premium is calculated for each eligible wage-earner, and then the individual amounts are aggregated. The resulting amount may then be increased under certain conditions (dependent children or single-parent wage-earner). It is this final amount that is deducted from the family's tax liability. However, the credit is attributed only if the household's reference taxable income does not exceed the following limits: EUR 12 383 for a single person; EUR 19 225 for a single-parent family with two children; EUR 24 765 for a married or PACSed couple with no children; or EUR 31 607 for a married or PACSed couple with two children. In the event of part-time work, the income used to compute the amount of the credit is converted to a full-time equivalent, and the resultant credit is then adjusted to the actual amount of time worked.

The following table shows the applicable schedule for computing the employment premium by income level and type of family, as selected by the OECD:

Family status	Full-time equivalent annual earnings between	Amount of employment premium (PPE)	Increase for family responsibilities	
Single person with no children	EUR 3 507 < R <= EUR 11 689	R*4.6%	-	
	EUR 11 689 < R <= EUR 16 364	(EUR 16 364 - R) * 11.5 %		
Two-earner couple (married/PACSed)	EUR 3 507 < R <= EUR 11 689	R*4.6%	Childless	Two children EUR 68
	EUR 11 689 < R <= EUR 16 364	(EUR 16 364 - R) * 11.5 %		
Single-earner couple (married/PACSed)	EUR 3 507 < R <= EUR 11 689	R*4.6% + EUR 81	Childless	Two children EUR 68
	EUR 11 689 < R <= EUR 16 364	(EUR 15 735-R)*11.5% + EUR 81		
	EUR 16 364 < R <= EUR 23 377	EUR 81 (EUR 23 968-R)* 5.5%		
	EUR 23 377 < R <= EUR 24 927			
Single-parent family with two children	3 507 EUR < R <= 11 689	R*4.6%	EUR 102	EUR 68
	EUR 11 689 EUR < R <= 16 364	(16 364 EUR-R) * 11.5 % 0		
	EUR 16 364 EUR < R <= 24 927 EUR			

The PPE is increased for dependants in a household, and whether a married/PACSed couple has one or two earners can also affect the amount of the credit (with the amount for single-earner couples increased by EUR 81). The PPE is increased by EUR 34 for each

dependent child, except in special cases (e.g. single-earner married/PACSeD PPE recipients in the top two income brackets).

### 1.1.3. 2004 tax schedule for 2003 income

	Fraction of taxable income (1 share, in euros)	Rate (in %)
1st bracket	Up to 4 334	0
2nd bracket	From 4 334 to 8 524	6.83
3rd bracket	From 8 524 to 15 004	19.14
4th bracket	From 15 004 to 24 294	28.26
5th bracket	From 24 294 to 39 529	37.38
6th bracket	From 39 529 to 48 747	42.62
7th bracket	Above 48 747	48.09

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 800, in which case the rebate is equal to one-half the difference between this ceiling and the amount of tax before the rebate. If the final tax is less than EUR 61, no tax is payable.

### 1.2. Taxes levied by decentralised authorities

Local taxes levied on working households are:

- Residency tax (*taxe d'habitation*), which is set by municipalities;
- 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 2005, the rate of CSG has been 7.5% since 1998, 5.1 points of which being deductible from taxable income applies to 97% of gross pay.

### 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 97% of gross pay as of 1st January 2005. The rate is set at 0.5%. Unlike social security contributions, CRDS payments are not deductible from taxable income.

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

Some contributions are levied on a capped portion of monthly earnings. Since 1997, this ceiling has been adjusted once a year on 1 January. In January 2005, the ceiling was EUR 2 516 (or EUR 30 912 per year).

## **2.1. Employee contributions (as of 1 January 2005)**

### **2.1.1. Pension**

6.55% on earnings up to the ceiling.

0.10% on total earnings (created since 1st July 2004).

### **2.1.2. Illness, pregnancy, disability, death**

0.75% on total earnings.

### **2.1.3. Unemployment**

2.4% on earnings up to 4 times the ceiling (average of 2005 contributions).

### **2.1.4. Other**

- Supplemental pension for non-managers: minimum 3% up to the ceiling and 8% between one and three times the ceiling.
- Supplemental pension for managers: minimum 3% up to the ceiling and 7.5% between one and eight times the ceiling.
- From April 2001, a new contribution (AGFF) replaced the ASF, which used to be included as part of unemployment contributions. The AGFF for non-managers is 0.8% up to the ceiling and 0.9% between one and three times the ceiling, and for managers it is 0.8% up to the ceiling and 0.9% between one and four times the ceiling.
- Since January 1997, an “exceptional and temporary contribution” (CET) has been levied on the earnings of managers affiliated with the AGIRC pension scheme (up to eight times the social security ceiling). The CET is split between the employer and the manager. Its rate is 0.13%.

## **2.2. Employer contributions (as of 1 January 2005)**

### **2.2.1. Pensions**

8.2% of gross pay, up to the ceiling, plus a 1.6% levy on total pay.

### **2.2.2. Illness, pregnancy, disability, death**

12.8% of total earnings.

Since 1 July 2004, a 0.3 per cent dependency contribution (contribution de solidarité autonomie – CSA) has been levied on total salary.

### **2.2.3. Unemployment**

4% of earnings, up to 4 times the ceiling; in addition, 0.45% up to 4 times the ceiling to endow the salary guarantee fund.

### **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*). For mechanical and electrical engineering industries, the average rate is 2.22%.

### **2.2.5. Family allowances**

5.4% of total pay.

### 2.2.6. Other

- Supplemental pension: For non-managers, 4.5% up to the ceiling and 12% between one and three times the ceiling. For managers, 4.5% up to the ceiling and 12.5% between one and eight times the ceiling.
- The AGFF contribution is 1.2% up to the ceiling for both non-managers and managers, plus 1.3% between one and three times the ceiling for non-managers and 1.3% between one and four times the ceiling for managers. In the table, this is combined with the rates for supplemental pensions.
- The “exceptional and temporary contribution” (GET): 0.22% for managers, up to eight times the ceiling.
- Others (construction, housing, apprenticeship, further training): 3.17% of pay up to the social security ceiling plus 3.07% above the ceiling. The transport tax is not included because it varies geographically.

### 2.2.7. Reduction of employer-paid social insurance contributions

Act No. 2003-47 of 17 January 2003 on salaries, working time and the development of employment (the “Fillon Act”) amended how the reduction of contributions is calculated.

The following table summarises the amendments introduced by the Fillon Act for a business whose employees still work 39 hours per week:

“39 hour” businesses	January 2005 – June 2005	Gradually decreasing relief per worker up to 1.6 times the minimum wage. Maximum amount: 23.4% of salary.
	From July 2005 (forecast)	Gradually decreasing relief per worker up to 1.6 times the minimum wage. Maximum amount: 26% of salary.

Whatever the relief, the maximum amount of the exemption always corresponds to earnings at the minimum wage level.

For part-time wage-earners, the relief is computed using an equivalent full-time salary and is then adjusted proportionally to the number of hours paid.

The gross annual minimum wage (for 169 hours a month) in 2005 was an estimated EUR 15 433.

## 3. Universal cash transfers

### 3.1. Main family benefits (in respect of dependent children)

- Family allowances: Monthly base for family allowances (BMAF) = EUR 361.37 as of 1 January 2005.
- Rate: two children: 32%; per additional child: 41%.
- Family supplement: 41.65% of the BMAF at 1 January 2005. Subject to need, this is paid to families having at least three dependent children (not incorporated into the model).
- The CRDS is levied on family allowances at a rate of 0.5%.

## 4. Main changes in the tax system and social benefits regime since the taxation of 2003 income

- Tax system: Reduction of marginal tax rates.

## 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.
- The category “employees” encompasses general labourers and 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.
- It is not feasible to estimate salaries for 2005.
- Reminder: Salaries for 2004 in “2004 final” documents were estimated by multiplying salaries for 2003 by average per-capita wage increase (+2.4%).

### 2005 Parameter values

AW earnings	Ave_earn	30 219	Secretariat Estimate
Work expenses	work_rel_fl	382	
	work_rel_ceil	12 962	
	work_rel_rate	0.1	
Basic allowance	basic_al_rate	0.2	
	basic_al_max	117 900	
Tax schedule	tax_sch	0	4 334
		0.0683	8 524
		0.1914	15 004
		0.2826	24 294
		0.3738	39 529
		0.4262	48 747
	0.4809		
	limit_demipart	2 121	
	limit_sp_demipart1	3 670	
Décote value	decote	800	
	tax_min	61	
Prime Pour l'Emploi	rev_ref_sing	121 383	
	rev_ref_mar	24 765	
	maj_dem_part	3 421	
	rate1	0.046	
	rate2	0.115	
	SMIC_net	11 239	
	extra_1_earn	102	
	extra_sing_1st_pers	81	
	extra_pers	34	
	rate3	0.055	
	seuil1	3 507	
	seuil2	11 689	
	seuil3	16 364	
	seuil4	23 377	
	seuil5	24 927	
	ppe_mar_1earn	81	
	maj_tp_seuil	0.5	
	maj_tp	0.45	
CSG+CRDS	CSG_rat_noded	0.02328	
	CRDS_rat_noded	0.00485	
	CSG_CRDS_rat_noded	0.02813	
	CSG_rat_ded	0.04947	

	CRDS_special	0.05000	
Social security contributions	pension_rate	0.0655	
	Pension_rate	0.001	
	SSC_ceil	30 192	
	sickness_rate	0.0075	
	unemp_rate1	0.0240	
	unemp_rate2	0.0240	
Extra pension (non-cadres) (incl. AGFF)	pens_rate_ex	0.038	
	pens_rate_ex2	0.089	
Employer contributions	pens_empr1	0.082	
	pens_empr2	0.016	
Contribution solidarité autonomie	CSA	0.003	
	sickness_empr	0.128	
Unemployment (incl. "garantie de salaire")	unemp_empr1	0.0445	
	unemp_empr2	0.0445	
Accidents	accidents_empr	0.0222	
Family Allowance	SMIC	15 433	estimate
	fam_empr	0.054	
Extra pension (incl. AGFF)	pens_empr_ex	0.057	
	pens_empr_ex2	0.133	
Others	others_empr1	0.0317	
	others_empr2	0.0307	
Transitory Empl. SSC reduction rate	SSC_empr_redrate1	0.607	
Employer SSC reduction rate	SSC_empr_redrate2	0.55	
Employer SSC reduction maximum	SSC_empr_red_max	0.26	1 <sup>st</sup> july 2005
Employer SSC reduction SMIC reference	SSC_empr_SMIC_ref	1.6	
Child benefit (second child)	CB_2	1 388	1 <sup>st</sup> january 2005
third and subsequent	CB_3	1 778	1 <sup>st</sup> january 2005
Derivation of minimum income	SMIC_horraire	7.61	
	SMIC_heures	1 820	
	minrevtp		

## 2005 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	$1 + \text{Married} + \text{IF}(\text{Children} < 3, \text{Children}/2, \text{Children} - 1) + 0.5 * (\text{Married} = 0) * (\text{Children} > 0)$
2. Allowances:			
CSG deductible	CSG_ded	B	$\text{CSG\_rat\_ded} * \text{earn}$
Salary net	earn_dec	B	$\text{earn} - \text{SSC} - \text{CSG\_ded}$
Work related	work_exp	B	$\text{MIN}(\text{work\_rel\_ceil}, \text{MAX}(\text{work\_rel\_rate} * \text{earn\_dec}, \text{MIN}(\text{work\_rel\_fl}, \text{earn\_total})))$
Basic	basic_al	B	$\text{basic\_al\_rate} * \text{min}(\text{earn\_dec} - \text{work\_exp}, \text{basic\_al\_max})$
3. Credits in taxable income	taxbl_cr	B	0
4. CG taxable income	tax_inc	B	$\text{earn\_dec} - \text{work\_exp} - \text{basic\_al}$
5. CG tax before credits			
Calculation according to schedule	sch_tax	J	$\text{MAX}(\text{quotient} * \text{Tax}(\text{tax\_inc}/\text{quotient}, \text{tax\_sch}), \text{IF}(\text{Married}, 2 * \text{Tax}(\text{tax\_inc}/2, \text{tax\_sch}) - \text{limit\_demipart} * (\text{quotient} - 2), \text{Tax}(\text{tax\_inc}, \text{tax\_sch}) - (\text{Children} > 0) * (\text{limit\_sp\_demipart}1 + \text{limit\_demipart} * (\text{quotient} - 2))))$
Adjusted for decote	adj_tax	J	$\text{MIN}(1.5 * \text{sch\_tax} - \text{decote}/2, \text{sch\_tax})$
Tax liable	inc_tax	J	$(\text{adj\_tax} > \text{tax\_min}) * \text{adj\_tax}$
CSG + CRDS (non-deductible)	CSG_CRDS_noded	J	$\text{Positive}(\text{CSG\_CRDS\_rat\_nod} * \text{earn})$
6. Tax credits :			
Prime pour l'emploi	PPE_main	B	$\text{IF}(\text{tax\_inc} < ((\text{Married} = 0) * \text{rev\_ref\_sing} + (\text{Married} = 1) * \text{rev\_ref\_mar} + \text{maj\_dem\_part} * \text{Children}), \text{IF}(\text{earn\_dec} \geq \text{seuil}1, (\text{married} = 1) * (\text{MAX}(\text{earn\_princ}, \text{earn\_spouse}) = \text{earn\_tot}) * \text{IF}(\text{earn\_dec} * \text{Max}(\text{minrevtp}/\text{earn}, 1) > \text{seuil}4, \text{Positive}(\text{seuil}5 - \text{earn\_dec} * \text{Max}(\text{minrevtp}/\text{earn}, 1)) * \text{rate}3 * \text{Min}(\text{earn}/\text{minrevtp}, 1) * (1 + ((\text{earn}/\text{minrevtp}) \leq \text{maj\_tp\_seuil}) * \text{maj\_tp}), \text{ppe\_mar}_1 \text{earn}) + (\text{earn\_dec} * \text{Max}(\text{minrevtp}/\text{earn}, 1) < \text{seuil}2) * \text{rate}1 * \text{earn\_dec} * \text{Max}(\text{minrevtp}/\text{earn}, 1) * \text{Min}(\text{earn}/\text{minrevtp}, 1) * (1 + ((\text{earn}/\text{minrevtp}) \leq \text{maj\_tp\_seuil}) * \text{maj\_tp}) + (\text{earn\_dec} * \text{Max}(\text{minrevtp}/\text{earn}, 1) \geq \text{seuil}2) * \text{Positive}(\text{seuil}3 - \text{earn\_dec} * \text{Max}(\text{minrevtp}/\text{earn}, 1)) * \text{rate}2 * \text{Min}(\text{earn}/\text{minrevtp}, 1) * (1 + ((\text{earn}/\text{minrevtp}) \leq \text{maj\_tp\_seuil}) * \text{maj\_tp}), 0), 0)$
Additional flat rate allowance	add_all	J	$(\text{earn\_dec} \geq \text{seuil}1) * \text{IF}(\text{tax\_inc} < ((\text{Married} = 0) * \text{rev\_ref\_sing} + (\text{Married} = 1) * \text{rev\_ref\_mar} + \text{maj\_dem\_part} * \text{Children}), (\text{earn\_dec} < \text{seuil}3) * \text{extra\_pers} * \text{children} + (\text{earn\_dec} \geq \text{seuil}3) * (\text{children} > 0) * \text{extra\_pers} + (\text{married} = 0) * (\text{children} > 0) * \text{extra\_pers}, 0)$
Total NWTC	tax_cr	J	$\text{PPE\_main} + \text{add\_all}$
7. CG tax	CG_tax	J	$\text{inc\_tax} + \text{CSG\_CRDS\_noded} + \text{CSG\_ded} - \text{tax\_cr}$
8. State and local taxes	local_tax	J	0

Line in country table and intermediate steps	Variable name	Range	Equation
9. Employees' soc security	SSC	B	$pension\_rate * MINA(earn, SSC\_ceiling) + sickness\_rate * earn + unemp\_rate1 * MINA(earn, SSC\_ceiling) + (earn > SSC\_ceiling) * unemp\_rate2 * MINA(earn - SSC\_ceiling, 3 * SSC\_ceiling) + pens\_rate\_ex * MINA(earn, SSC\_ceiling) + (earn > SSC\_ceiling) * pens\_rate\_ex2 * MINA(earn - SSC\_ceiling, 3 * SSC\_ceiling - SSC\_ceiling) + pens\_widow * earn$
11. Cash transfers	cash_transf_gross	J	$IF(Children < 2, 0, CB\_2 + (Children - 2) * CB\_3)$
	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	$(pens\_empr1 + others\_empr1) * MINA(earn, SSC\_ceiling) + IF(SSC\_ceiling < earn, pens\_empr2 + others\_empr2, 0) * (earn - SSC\_ceiling) + (sickness\_empr + fam\_empr + accidents\_empr) * earn + pens\_empr\_ex * MINA(earn, SSC\_ceiling) + (earn > SSC\_ceiling) * pens\_empr\_ex2 * MINA(earn - SSC\_ceiling, 3 * SSC\_ceiling - SSC\_ceiling) + IF(earn < SSC\_ceiling, unemp\_empr1 * earn, unemp\_empr1 * earn + (unemp\_empr2 - unemp\_empr1) * (earn - SSC\_ceiling))$
	SSC_empr_reduction	B	$IF(earn > SSC\_empr\_SMIC\_ref * SMIC, 0, -MIN(SSC\_empr\_red\_max * earn, ((earn <= SMIC) * earn * SSC\_empr\_redrate2 + (earn > SMIC) * (SSC\_empr\_SMIC\_ref * SMIC - earn) * SSC\_empr\_redrate1) * MIN(earn / minrevtp, 1)))$
	SSC_empr_final	B	$SSC\_empr\_gross + SSC\_empr\_reduction$
<b>Memorandum item: Non-wastable tax credit</b>			
tax expenditure component	taxexp	P	$tax\_cr - transfer$
cash transfer component	transfer	P	$IF(CG\_tax < 0, -CG\_tax, 0)$

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.



# Germany

Germany		2005			
		The tax/benefit position of single persons			
		67	100	167	67
		Wage level (per cent of average wage)			
		none	none	none	2
		Number of children			
<b>1. Gross wage earnings</b>		27383	41074	68457	27383
<b>2. Standard tax allowances</b>					
	Basic allowance				
	Married or head of family	0	0	0	1308
	Dependent children	0	0	0	0
	Deduction for social security contributions and income taxes	2934	3201	3617	2934
	Work-related expenses	920	920	920	920
	Other	36	36	36	36
	Total	3890	4157	4573	5198
<b>3. Tax credits or cash transfers included in taxable income</b>		0	0	0	0
<b>4. Central government taxable income (1 - 2 + 3)</b>		23493	36917	63884	22185
<b>5. Central government income tax liability (exclusive of tax credits)</b>		4041	8568	19956	3457
<b>6. Tax credits</b>					
	Basic credit				
	Married or head of family				
	Children	0	0	0	3696
	Other				
	Total	0	0	0	3696
<b>7. Central government income tax finally paid (5-6)</b>		4041	8568	19956	-239
<b>8. State and local taxes</b>		0	0	0	0
<b>9. Employees' compulsory social security contributions</b>					
	Gross earnings	5709	8564	11433	5709
	Taxable income				
	Total	5709	8564	11433	5709
<b>10. Total payments to general government (7 + 8 + 9)</b>		9750	17132	31389	5470
<b>11. Cash transfers from general government</b>					
	For head of family				
	For two children				
	Total	0	0	0	0
<b>12. Take-home pay (1-10+11)</b>		17633	23942	37068	21912
<b>13. Employers' compulsory social security contributions</b>		5709	8564	11433	5709
<b>14. Average rates</b>					
	Income tax	14.8%	20.9%	29.2%	-0.9%
	Employees' social security contributions	20.9%	20.9%	16.7%	20.9%
	Total payments less cash transfers	35.6%	41.7%	45.9%	20.0%
	Total tax wedge including employer's social security contributions	46.7%	51.8%	53.6%	33.8%
<b>15. Marginal rates</b>					
	Total payments less cash transfers: Principal earner	51.3%	57.8%	44.3%	49.1%
	Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner	59.7%	65.1%	44.3%	57.9%
	Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.
	Memorandum item: Non-wastable tax credit tax expenditure component	0	0	0	3457
	cash transfer component	0	0	0	239

StatLink: <http://dx.doi.org/10.1787/150544585418>

Germany	2005				
	The tax/benefit position of married couples				
	Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
	Number of children	2	2	2	none
<b>1. Gross wage earnings</b>		41074	54765	68457	54765
<b>2. Standard tax allowances</b>					
Basic allowance					
Married or head of family					
Dependent children		0	0	0	0
Deduction for social security contributions and income taxes		5360	5868	6135	5868
Work-related expenses		920	1840	1840	1840
Other		72	72	72	72
	Total	6352	7780	8047	7780
<b>3. Tax credits or cash transfers included in taxable income</b>		0	0	0	0
<b>4. Central government taxable income (1 - 2 + 3)</b>		34722	46985	60410	46985
<b>5. Central government income tax liability (exclusive of tax credits)</b>		4290	7905	12196	8081
<b>6. Tax credits</b>					
Basic credit					
Married or head of family					
Children		3696	3696	3696	0
Other					
	Total	3696	3696	3696	0
<b>7. Central government income tax finally paid (5-6)</b>		594	4209	8500	8081
<b>8. State and local taxes</b>		0	0	0	0
<b>9. Employees' compulsory social security contributions</b>					
Gross earnings		8564	11419	14273	11419
Taxable income					
	Total	8564	11419	14273	11419
<b>10. Total payments to general government (7 + 8 + 9)</b>		9158	15628	22774	19500
<b>11. Cash transfers from general government</b>					
For head of family					
For two children					
	Total	0	0	0	0
<b>12. Take-home pay (1-10+11)</b>		31916	39137	45683	35265
<b>13. Employers' compulsory social security contributions</b>		8564	11419	14273	11419
<b>14. Average rates</b>					
Income tax		1.4%	7.7%	12.4%	14.8%
Employees' social security contributions		20.9%	20.9%	20.9%	20.9%
Total payments less cash transfers		22.3%	28.5%	33.3%	35.6%
Total tax wedge including employer's social security contributions		35.7%	40.9%	44.8%	46.7%
<b>15. Marginal rates</b>					
Total payments less cash transfers: Principal earner		46.9%	51.2%	54.4%	51.3%
Total payments less cash transfers: Spouse		47.3%	51.2%	54.4%	51.3%
Total tax wedge: Principal earner		56.1%	59.6%	62.3%	59.7%
Total tax wedge: Spouse		56.4%	59.6%	62.3%	59.7%
Memorandum item: Non-wastable tax credit tax expenditure component		3696	3696	3696	0
cash transfer component		0	0	0	0

StatLink: <http://dx.doi.org/10.1787/150544585418>

The national currency is the Euro (EUR). In 2005, EUR 0.80 was equal to USD 1 (average of eleven months daily exchange rates). The average worker earned EUR 41 074 (secretariat estimate).

## 1. 1. Personal income tax systems

### 1.1. Central/federal government income taxes

#### 1.1.1. Tax unit

Spouses are normally assessed jointly. They have, however, the option of being separately assessed. The income of dependent children is not assessable with that of the parents. The calculations in this report assume joint taxation.

#### 1.1.2. Tax allowances and tax credits:

##### 1.1.2.1. Standard reliefs and work-related expenses

- Basic reliefs: None.
- *Standard marital status reliefs*: In the case of joint assessment, specific allowances are doubled. Income tax according to the schedule is computed by the income splitting method.
- *Relief(s) for children*: tax credit of EUR 1 848 for the first, the second and the third child, EUR 2 148 for the fourth and subsequent children. In cases where the value of the tax credit is less than the relief from the tax allowances EUR 1 824 for the subsistence of a child and additionally EUR 1 080 for minding and education or training needs. For jointly assessed married couples the amount is doubled. The tax allowances are used instead to compute the income tax in the tax assessment.
- *Relief for lone parents*: allowance of EUR 1 308 (household allowance) for taxpayers who live alone with at least one child for whom they receive tax allowances or a tax credit.
- *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 of the former relief proceeds in three steps. First, EUR 3 068/6 136 (singles/couples) are deductible. These amounts are, however, lowered by 16 per cent of gross wage (serving as a proxy for employers' social security contributions). This provision is meant as a partial compensation for the self-employed, who do not receive tax-free employers' contributions to social security. Second, the remaining expenses are deductible up to EUR 1 334/2 668 (singles/couples). Third, half of the remaining expenses are deductible up to EUR 667/1 334 (singles/couples).
- *Work-related expenses*: EUR 920 lump-sum allowance per gainfully-employed person.

- *Special expenses*: Lump sum allowance (EUR 36/72 (singles/couples)) for special expenses, e.g. for tax accountancy or disbursed church taxes. When the taxpayer proves that his expenses are higher, they are fully deductible.

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

- *Interest on qualifying loans*: Interest on housing loans is fully deductible in the case of leased dwellings.
- *Contributions to pensions, life insurance, superannuation schemes*: On application to the tax office expenses are deductible up to specific ceilings.
- *Medical expenses*: Partially deductible insofar as not covered by insurance.
- *Other*: On application to the tax office work-related expenses are fully deductible (no ceiling).

#### 1.1.3. Tax schedule

The German tax schedule is formula-based.

The calculations are based on a down to the next full EUR rounded amount of taxable income

- X is the taxable income.
- T is the income tax liability.
- In addition the following definition is used in the income tax liability formulas:

$$Y = \frac{X - 7\,664}{10\,000} \quad Z = \frac{X - 12\,739}{10\,000}$$

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

1.  $T = 0$  for  $X \leq 7\,664$
2.  $T = (883.74 Y + 1\,500) Y$  for  $7\,665 \leq X \leq 12\,739$
3.  $T = (228.74 Z + 2\,397) Z + 989$  for  $12\,740 \leq X \leq 52\,151$
4.  $T = 0.42 X - 7\,914$  for  $52\,152 \leq X$

These formulae are used directly to calculate the income tax of single individuals.

The income tax liability for spouses who are assessed jointly is computed as follows: the formula income tax is calculated with respect to one-half of the joint taxable income. The resulting amount is doubled to arrive at the income tax liability of the spouses (splitting method).

#### 1.1.4. Solidarity surcharge

The solidarity surcharge is levied at 5.5 per cent of the income tax liability subject to an exemption limit of EUR 972/1 944 (singles/couples). Once the income tax liability exceeds the exemption limit, the solidarity surcharge is phased in at a higher rate of 20 per cent of the difference between the income tax liability and the exemption limit till such time that it equals 5.5 per cent of the total liability.

### 1.2. State and local income taxes

None.

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

### 2.1. Employee' contributions

Employees pay full social security contributions if their annual earnings are greater than EUR 9 600. On earnings up to EUR 4 800, no contributions are made and the contributions are fully phased in between EUR 4 800 and EUR 9 600.

#### 2.1.1. Pensions

9.75 per cent of gross wage earnings, or not more than 9.75 per cent of the insurable ceiling of EUR 62 400.

#### 2.1.2. Sickness

On average 7.0 per cent (estimate) of gross wage earnings, or not more than 7.2 per cent of the insurable ceiling of EUR 42 300.

#### 2.1.3. Unemployment

3.25 per cent of gross wage earnings, or not more than 3.25 per cent of the insurable ceiling of EUR 62 400.

#### 2.1.4. Care

0.85 per cent of gross wage earnings, or not more than 0.85 per cent of the insurable ceiling of EUR 42 300.

#### 2.1.5. Work injury

Employer only.

#### 2.1.6. Family allowances

None.

#### 2.1.7. Others

None.

### 2.2. Employers' contributions

Where the employees annual earnings are no more than EUR 4 800, employers make a special payment equal to 25% of the gross wage (23% as a social security contribution and 2% as a special tax). On annual earnings in excess of EUR 4 800, the employers contributions are determined on the basis of the rates described for employees in Section 2.1.

#### 2.2.1.-2.2.4. (Pensions, sickness, unemployment, care):

As a rule the employer pays the same amount as the employee (see Section 2.1).

#### 2.2.5. Work injury

The contributions to work injury insurance are solely paid by the employer. They are based on employees' earnings and on the danger classes in which individual enterprises are classified according to the incidence of risk. These amounts are not taxable to the employee. As it is not possible to identify a representative contribution rate, these amounts are not considered in this report.

### 2.2.6. Family allowances

None.

### 2.2.7. 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

In 1997 the tax credit for the first and second children was raised to EUR 1 350 and the child allowance increased to EUR 3 534. In 1999 the tax credit for the first and second children was raised further to EUR 1 534. In 2000 the tax credit for the first and second children was raised to EUR 1 657 and the child allowance increased to EUR 5 080. In 2002 the tax credit for the first, second and third children was raised to EUR 1 848, for the fourth and subsequent children to EUR 2 148 and the child allowance increased to EUR 5 808.

In 2004 the tax rate was reduced and the formula for calculation of 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.

From 1 January 2005 the final stage of tax reform 2000 came into effect. The bottom and top rates of income tax were further reduced to 15% and 42%. Since 1998 both the bottom and top rate of income tax 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 charge on all payers of income tax, affording the greatest relief to employees and families with low and medium incomes as well as small and medium-size 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 the employer and the 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 to encourage individuals to invest privately in respect of their old-age pension provision.

## 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.

## 2005 Parameter values

AW earnings	Ave_earn	41 074	Secretariat estimate
Tax allowances	Child_al	5 808	
Lone parents	Lone_al	1 308	
Work related	Work_rel_al	920	
SSC allowance	SSC_dn	3 068	
	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_thrsh1	7 664	
	Tax_thrsh2	12 739	
	Tax_thrsh3	52 152	
Top rate tax reduction	Reduction	7 914	
Tax equation rates			
tax_eqn_rates	Squared	Single	Constant
z	265.78	2 397	989
y	793.1	1 500	0
income tax rate stage	tax_first_stage	7 664	
	tax_second_stage	12 739	
	tax_third_stage	52 151	
Solidarity surcharge	surcharge	0.055	
Solidarity exemption limit	surcharge_limit	972	
Alternative surcharge rate	surcharge_alt	0.2	
Child credit	Ch_cred	1 848	
Social security contributions	Pension_rate	0.0975	
	ceiling	Pension_ceil	62 400
Sickness	Sick_rate	0.07	
	ceiling	Sick_ceil	42 300
Unemployment	Unemp_rate	0.0325	
	ceiling	Unemp_ceil	62 400
Care	Care_rate	0.0085	
	ceiling	Care_ceil	42 300
SSC Floor	SSC_floor	9 600	
Intermediate SSC ceiling	SSC_floor1	4 800	
Alternative employer rate	SSC_empr_alt	0.25	



## 2005 Tax equations

The equations for the German system in 2005 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` carry 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” indicate the value for the principal and spouse, respectively. SSC and SSC\_empr are separately calculated for principal and spouse and then added up.

Line in country table and intermediate steps	Variable name	Range	Equation
1. Earnings	earn		
Quotient for tax calculation	quotient	J	1+Married
2. Allowances:			
Children	children_al	J	Children*Child_al
Lone parent	lone_allce	J	Lone_al*(Children>0)*(Married=0)
Soc sec contributions	SSC_al	J	SSC_Allowance(earn princ; earn spouse; SSC; quotient; SSC_dn; SSC_dn_rt; SSC_dn_lim; SSC_dn_lump_rt; pension rate; pension ceil; rounded) – see description of function at the bottom of the table
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
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	purtax(adj;Tax_rate2;Reduction;Tax_thrsh1;Tax_thrsh2;Tax_thrsh3;tax_eqn_rates;tax_first_stage; tax_second_stage; tax_third_stage) – see description of function at the bottom of the table
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	SSC(earn; “employee”; Pension_rate; Pension_ceil; Sick_rate; Sick_ceil; Unemp_rate; Unemp_ceil; Care_rate; Care_ceil; SSC_empr_alt; SSC_floor; SSC_floor1 rounded) – see description of function at the bottom of the table

Line in country table and intermediate steps	Variable name	Range	Equation
11. Cash transfers	Cash_tran	J	Children*ch_cred
13. Employer's soc security	SSC_empr	B	SSC(earn; "employer"; Pension_rate; Pension_ceil; Sick_rate; Sick_ceil; Unemp_rate; Unemp_ceil; Care_rate; Care_ceil; SSC_empr_alt; SSC_floor; SSC_floor1 rounded) – see description of function at the bottom of the table

Key to range of equation:

B calculated separately for both principal earner and spouse.

P calculated for principal only (value taken as 0 for spouse calculation).

J calculated once only on a joint basis.

# Greece

<b>Greece</b>		<b>2005</b>				
<b>The tax/benefit position of single persons</b>						
		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
<b>1. Gross wage earnings</b>			12226	18339	30565	13449
<b>2. Standard tax allowances</b>						
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		1956	2934	4890	2152
	Work-related expenses		0	0	0	0
	Other					
	Total		1956	2934	4890	2152
<b>3. Tax credits or cash transfers included in taxable income</b>			0	0	0	0
<b>4. Central government taxable income (1 - 2 + 3)</b>			10270	15405	25675	11297
<b>5. Central government income tax liability (exclusive of tax credits)</b>			0	1021	4370	0
<b>6. Tax credits</b>						
	Basic credit		0	0	0	0
	Married or head of family					
	Children					
	Other					
	Total		0	0	0	0
<b>7. Central government income tax finally paid (5-6)</b>			0	1021	4370	0
<b>8. State and local taxes</b>			0	0	0	0
<b>9. Employees' compulsory social security contributions</b>						
	Gross earnings		1956	2934	4890	2152
	Taxable income					
	Total		1956	2934	4890	2152
<b>10. Total payments to general government (7 + 8 + 9)</b>			1956	3956	9260	2152
<b>11. Cash transfers from general government</b>						
	For head of family					
	For two children		0	0	0	0
	Total		0	0	0	0
<b>12. Take-home pay (1-10+11)</b>			10270	14383	21305	11297
<b>13. Employer's compulsory social security contributions</b>			3431	5146	8577	3774
<b>14. Average rates</b>						
	Income tax		0.0%	5.6%	14.3%	0.0%
	Employees' social security contributions		16.0%	16.0%	16.0%	16.0%
	Total payments less cash transfers		16.0%	21.6%	30.3%	16.0%
	Total tax wedge including employer's social security contributions		34.4%	38.8%	45.6%	34.4%
<b>15. Marginal rates</b>						
	Total payments less cash transfers: Principal earner		16.0%	41.2%	49.6%	16.0%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		34.4%	54.1%	60.6%	34.4%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

StatLink: <http://dx.doi.org/10.1787/076566731034>

Greece		2005				
<b>The tax/benefit position of married couples</b>						
		Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
		Number of children	2	2	2	none
<b>1.</b>	<b>Gross wage earnings</b>		22007	28120	34233	26286
<b>2.</b>	<b>Standard tax allowances</b>					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		3521	4499	5477	4206
	Work-related expenses		0	0	0	0
	Other					
	Total		3521	4499	5477	4206
<b>3.</b>	<b>Tax credits or cash transfers included in taxable income</b>		0	0	0	0
<b>4.</b>	<b>Central government taxable income (1 - 2 + 3)</b>		18486	23621	28756	22080
<b>5.</b>	<b>Central government income tax liability (exclusive of tax credits)</b>		1346	1346	1346	1484
<b>6.</b>	<b>Tax credits</b>					
	Basic credit		0	0	0	0
	Married or head of family					
	Children					
	Other					
	Total		0	0	0	0
<b>7.</b>	<b>Central government income tax finally paid (5-6)</b>		1346	1346	1346	1484
<b>8.</b>	<b>State and local taxes</b>		0	0	0	0
<b>9.</b>	<b>Employees' compulsory social security contributions</b>					
	Gross earnings		3521	4499	5477	4206
	Taxable income					
	Total		3521	4499	5477	4206
<b>10.</b>	<b>Total payments to general government (7 + 8 + 9)</b>		4867	5845	6823	5689
<b>11.</b>	<b>Cash transfers from general government</b>					
	For head of family					
	For two children		0	0	0	0
	Total		0	0	0	0
<b>12.</b>	<b>Take-home pay (1-10+11)</b>		17140	22275	27410	20597
<b>13.</b>	<b>Employer's compulsory social security contributions</b>		6175	7890	9606	7376
<b>14.</b>	<b>Average rates</b>					
	Income tax		6.1%	4.8%	3.9%	5.6%
	Employees' social security contributions		16.0%	16.0%	16.0%	16.0%
	Total payments less cash transfers		22.1%	20.8%	19.9%	21.6%
	Total tax wedge including employer's social security contributions		39.2%	38.1%	37.5%	38.8%
<b>15.</b>	<b>Marginal rates</b>					
	Total payments less cash transfers: Principal earner		41.2%	41.2%	41.2%	41.2%
	Total payments less cash transfers: Spouse		16.0%	16.0%	16.0%	16.0%
	Total tax wedge: Principal earner		54.1%	54.1%	54.1%	54.1%
	Total tax wedge: Spouse		34.4%	34.4%	34.4%	34.4%

StatLink: <http://dx.doi.org/10.1787/076566731034>

The national currency is the Euro (EUR). In 2005, EUR 0.80 were equal to USD 1 (average of eleven months daily exchange rates). In that year, the average worker earned EUR 18 339 (Secretariat estimate).

## 1. Personal income tax system

### 1.1. Central government income tax

#### 1.1.1. Tax unit

Married individuals are taxed separately on their own income, but they are required to file a joint tax return.

#### 1.1.2. Tax allowances and tax credits

##### 1.1.2.1. Standard tax reliefs

- *Reliefs for social security contributions:* Contributions to public pension funds are not regarded as taxable income.

##### 1.1.2.2. Non-standard tax reliefs

- Main non-standard tax allowances related to actual expenses incurred where the amount exceeds EUR 100:
  - ❖ Donations to the State, municipalities and communities, state universities, the church and other public institutions as well as to similar private non-profit making legal persons.
  - ❖ Donations to private legal persons engaged in cultural activities may be deducted up to 10 per cent of the total taxable income.
  - ❖ Bank interest on mortgage and housing loans, where the loans have been used for the acquisition of the main residence and taken by the 31st of December, 2002.
  - ❖ Insurance expenses for life/death/accident/sickness to a ceiling of EUR 1 100. This Also includes the expense for child insurance paid annually by separated parents.
- Non-standard tax credits related to actual expenses incurred
  - ❖ The amount of rent paid by the taxpayer for his/her main residence in case of relocation, apart from the regions of Attica and Thessaloniki, for the first five years and provided that the taxpayer is under the age of 40 years. In addition, the amount of rent paid by a public servant for his/her main residence in case of relocation. The monthly rent should not exceed the amount of EUR 300.
  - ❖ 20% of the amount – and up to EUR 3 000 – paid for mutual funds investing in Greek bonds and shares listed in the Athens Stock Exchange shall be deducted for a period of five years.
  - ❖ 20% of the amount – and up to EUR 500 – spent for installation of natural gas system and solar panel systems.
  - ❖ 20% of the expenses for medical and hospital care of the taxpayer and his/her dependents up to EUR 6 000. Such expenses shall be the sums paid by the taxpayer to health insurance organisations for permanent medical care.

- ❖ The medical and hospital expenses for the children being at the taxpayer's care, even if such expenses are paid by a parent who is not living with them due to separation from the other parent, are also included.
- ❖ 20% of the total annual amount of rent paid for the main residence, not exceeding EUR 1 000, provided that the taxpayer does not own a house with a surface equal to or larger than the rented house in the same region and that the taxpayer does not receive any rent subsidy.
- ❖ 20% of the expenses incurred by the taxpayer or his/her dependent children for private schools or private language institutes up to a maximum of EUR 1 000 per person. The expenses paid by separated parents are also included.
- ❖ 20% of the annual interest of mortgage loans obtained from 1st January 2003 for the taxpayer's principal residence. The relief is limited where the financed amount exceeds EUR 200 000;
- ❖ 20% of the amount of alimony that is paid to a spouse and is adjudicated/or agreed with notarial deed. The tax reduction can not exceed the amount of EUR 3 000.

### 1.1.2.3. Tax calculation

The amount of tax which corresponds to the taxable income, calculated in accordance with the income tax schedule, constitutes the average worker's income tax liability. This amount of tax is further decreased by the tax withheld at source and the tax credits (described in § 1.1.2.1 above). The amount left is the tax payable. The same tax regime is applicable to all taxpayers with income from dependent personal services (salaries, wages, pensions).

### 1.1.3. Rate schedule

The income tax schedule for salaries, wages and pensions for 2005 (taxable in 2006) for both single and married taxpayers, is the following:

Income bracket (EUR)	Tax rate %	Tax for each bracket (EUR)	Total	
			Income (EUR)	Tax (EUR)
0-11 000	0	0	10 000	0
11 001-13 000	15	300	13 000	300
13 001-23 000	30	3 000	23 000	3 300
23 001 and over	40			

Note: Married persons must submit a joint return, but taxes, duties and levies are calculated separately on the income declared by each spouse.

In the above tax schedule the tax-free amount of the first bracket is increased as follows:

- EUR 1 000 per child, if the family comprises one child, for example:

Income bracket (EUR)	Tax rate %	Tax for each bracket (EUR)	Total	
			Income (EUR)	Tax (EUR)
0-12 000	0	0	12 000	0
12 001-13 000	15	150	13 000	150
13 001-23 000	30	3 000	23 000	3 150
23 001 and over	40			

- EUR 2 000 per child, if the family comprises two children, for example:

Income bracket (EUR)	Tax rate %	Tax for each bracket (EUR)	Total	
			Income (EUR)	Tax (EUR)
0-31 000	0	0	13 000	0
13 001-23 000	30	3 000	23 000	3 000
23 001 and over	40			

- EUR 10 000, if the family comprises three children.

The amount of 10 000 is increased by EUR 1 000 for the families comprising more than four children:

- EUR 21 000, if the family comprises four children;
- EUR 22 000, if the family comprises five children, etc.

### 1.2. State and local income taxes

No state or local income taxes exist in Greece.

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

The great majority of individuals who are employed in the private sector and render dependent personal services are principally, directly and compulsorily insured in the Social Insurance Organisation (IKA). Apart from the main contribution, IKA compulsorily collects contributions for other minor Funds created for the employee's benefit (Unemployment Benefits Funds, etc.). A subsidiary Social Insurance Fund (TEAM) for employees who are principally insured in IKA has been also established since 1983.

The average rate of contributions paid by the employer and the employee as a percentage of gross earnings are as follows (%):

	Employer	Employee	Total
1. Social insurance organisation (IKA)	18.43	9.22	27.65
2. Subsidiary social insurance fund (TEAM)	3.00	3.00	6.00
3. Other funds	6.63	3.78	10.41
Total	28.06	16.00	44.06

Where the insured individual is engaged in unhealthy or dangerous work, higher contributions are due (19.45 per cent paid by the employee and 30.21 per cent paid by the employer), so that such individuals become entitled to pension five years earlier than when the normal age limit applies. In the industrial sector, a contribution at a rate of 1 per cent is added as an occupational risk contribution which is paid by the employer, since the workers because of their difficult employment conditions are vulnerable to an increased risk of labour accidents and occupational diseases. So the effective total rate of a mixed insurance premium is 50.66 per cent (employer's contribution 31.21 per cent and employee's contribution 19.45 per cent).

Contributions are calculated as percentages on the basis of monthly salary or wages paid but within the limits specified in the National General Collective Employment Agreement. A cap of EUR 2 140.50 per month applies. However, for individuals who have



been insured for the first time after 1st January 1993, IKA contributions are calculated on the basis of the actual total amount of their salaries (wages), irrespective from the maximum insurance class limit. Since the 1st February 2004 a cap of EUR 4 693.52 has been established whereas for 2005 the cap is EUR 4 881.36. For the purposes of the calculations contained in this Report, it is assumed that the cap does not apply.

### 3. Universal cash transfers

Employees are usually granted by their employers, according to the relevant Collective Labour Agreement or arbitrary decision, cash transfers as a rule representing 5 per cent of their salaries for each of the first, second and third child, as well as 10 per cent of their salaries for the wife independently of her income status.

Where no family subsidies are provided for by the Collective Labour Agreement, then subsidies are granted by the Manpower Employment Organisation (OAED) under certain circumstances and according to employees' income and family status.

### 4. Main changes in the tax/benefit system since 1995

No information provided.

### 5. Memorandum items

#### 5.1. Identification of an AW and method of calculations used

*Calculation of annual average earnings.* Information for this section is annually provided by the National Statistical Service of Greece *Labour Statistics*. The survey takes place quarterly and covers those establishments which at the latest industrial establishments census, had a total employment of ten persons and over. The earnings data refer to the average earnings of all full-time average workers – male and female. Regular payments are those made for normal working time and under normal working conditions. Such payments also include certain benefits, such as bonuses and gratuities paid for extra production and regular work attendance. Included are payments such as Christmas, Easter and vacation bonuses, and fringe benefits as well. Regular payments (hourly earnings) are multiplied by the number of the weekly worked hours and by thirteen weeks. Overtime hourly payments are multiplied by the number of the overtime hours per week, by thirteen weeks.

#### 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 and therefore are not subject to any tax. Since these contributions are not obligatory for employers, no data is available to the National Statistical Service of Greece and very few employers have adopted such additional insurance schemes. According to information given by certain major life insurance companies of Greece the contributions in question mainly cover over and above the regular insurance schemes, subsidiary pension, sickness, work accidents, hospitalisation, temporary or permanent disability, etc. Depending on the insurance scheme the premium paid, usually by the employer, will amount to between 1.5 and 5 per cent of the employee's earnings.

### 5.3. Effect on taxes and subsidies when the wife is gainfully employed

*On the wife's tax/benefit position*

The wife who is gainfully employed gets the same treatment as every other taxpayer.

*On the husband's reliefs and cash transfers*

The family subsidies payable to the husband by his employer are not affected. However, in the case of subsidies granted by the Manpower Employment Organisation (OAED), only one of the spouses is entitled to the transfer.

#### 2005 Parameter values

Average earnings/yr	Ave_earn	18 339	Secretariat estimate
Tax credit	Child_cred	0	
Rates of family subsidies			
paid by employers	Wife_sub	0.1	
children (up to 3)	Child_sub	0.05	
Income tax schedule	Tax_sch	0	10 000
		0.15	13 000
		0.3	23 000
		0.4	
	Bandaugment_ch	1 000	
	Bandaugment_ch3	10 000	
Social security contributions	SSC_rate	0.16	
	SSC_rate_empr	0.2806	
	SSC_ceil	24 699	
	SSC_ceil_use	0	

## 2005 Tax equations

The equations for the Greek system in 2005 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
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)
5. CG tax before credits			
Increase in non taxable income band	bandincrease	P	Children*Bandaugment_ch+(Children>2)*Bandaugment_ch3
Effective taxable income	Eff_tax_inc	B	Positive(tax_inc-bandincrease)
CG tax before credits	CG_tax_excl	B	Tax(Eff_tax_inc,tax_sch)
6. Tax credits :	tax_cr	P	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	IF(SSC_ceil_use=1,SSC_rate*MIN(earn,SSC_ceil),SSC_rate*earn)
11. Cash transfers	cash_trans	B	0
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.



# Hungary

<b>Hungary</b>		<b>2005</b>			
<b>The tax/benefit position of single persons</b>					
	Wage level (per cent of average wage)	67	100	167	67
	Number of children	none	none	none	2
<b>1. Gross wage earnings</b>		1185701	1778552	2964253	1185701
<b>2. Standard tax allowances</b>					
Basic allowance					
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes		0	0	0	0
Work-related expenses		0	0	0	0
Other					
	Total	0	0	0	0
<b>3. Tax credits or cash transfers included in taxable income</b>		0	0	0	0
<b>4. Central government taxable income (1 - 2 + 3)</b>		1185701	1778552	2964253	1185701
<b>5. Central government income tax liability (exclusive of tax credits)</b>		213426	375850	826416	213426
<b>6. Tax credits</b>					
Basic credit		113835	30861	0	113835
Married or head of family					
Children		0	0	0	96000
Other					
	Total	113835	30861	0	209835
<b>7. Central government income tax finally paid (5-6)</b>		99591	344989	826416	3591
<b>8. State and local taxes</b>		0	0	0	0
<b>9. Employees' compulsory social security contributions</b>					
Gross earnings		160070	240105	400174	160070
Taxable income					
	Total	160070	240105	400174	160070
<b>10. Total payments to general government (7 + 8 + 9)</b>		259661	585094	1226590	163661
<b>11. Cash transfers from general government</b>					
For head of family					
For two children		0	0	0	187200
	Total	0	0	0	187200
<b>12. Take-home pay (1-10+11)</b>		926040	1193458	1737663	1209240
<b>13. Employer's wage dependent contributions and taxes</b>					
Employer's compulsory social security contributions		379424	569137	948561	379424
Payroll taxes		56186	65078	82864	56186
	Total	435610	634215	1031425	435610
<b>14. Average rates</b>					
Income tax		8.4%	19.4%	27.9%	0.3%
Employees' social security contributions		13.5%	13.5%	13.5%	13.5%
Total payments less cash transfers		21.9%	32.9%	41.4%	-2.0%
Total tax wedge including employer's social security contributions		42.9%	50.5%	56.5%	25.4%
<b>15. Marginal rates</b>					
Total payments less cash transfers: Principal earner		36.5%	69.5%	51.5%	36.5%
Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner		52.4%	77.2%	63.7%	52.4%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

StatLink: <http://dx.doi.org/10.1787/802477112420>

Hungary	2005				
	The tax/benefit position of married couples				
	Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
	Number of children	2	2	2	none
<b>1. Gross wage earnings</b>		1778552	2371403	2964253	2371403
<b>2. Standard tax allowances</b>					
Basic allowance					
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes		0	0	0	0
Work-related expenses		0	0	0	0
Other					
	Total	0	0	0	0
<b>3. Tax credits or cash transfers included in taxable income</b>		0	0	0	0
<b>4. Central government taxable income (1 - 2 + 3)</b>		1778552	2371403	2964253	2371403
<b>5. Central government income tax liability (exclusive of tax credits)</b>		375850	482563	589276	482563
<b>6. Tax credits</b>					
Basic credit		30861	137574	144696	137574
Married or head of family					
Children		96000	96000	96000	0
Other					
	Total	126861	233574	240696	137574
<b>7. Central government income tax finally paid (5-6)</b>		248989	248989	348580	344989
<b>8. State and local taxes</b>		0	0	0	0
<b>9. Employees' compulsory social security contributions</b>					
Gross earnings		240105	320139	400174	320139
Taxable income					
	Total	240105	320139	400174	320139
<b>10. Total payments to general government (7 + 8 + 9)</b>		489094	569128	748755	665128
<b>11. Cash transfers from general government</b>					
For head of family					
For two children		161200	161200	161200	0
	Total	161200	161200	161200	0
<b>12. Take-home pay (1-10+11)</b>		1450658	1963474	2376699	1706274
<b>13. Employer's wage dependent contributions and taxes</b>					
Employer's compulsory social security contributions		569137	758849	948561	758849
Payroll taxes		65078	112371	121264	112371
	Total	634215	871220	1069825	871220
<b>14. Average rates</b>					
Income tax		14.0%	10.5%	11.8%	14.5%
Employees' social security contributions		13.5%	13.5%	13.5%	13.5%
Total payments less cash transfers		18.4%	17.2%	19.8%	28.0%
Total tax wedge including employer's social security contributions		39.9%	39.4%	41.1%	47.4%
<b>15. Marginal rates</b>					
Total payments less cash transfers: Principal earner		69.5%	69.5%	69.5%	69.5%
Total payments less cash transfers: Spouse		13.5%	13.5%	36.5%	13.5%
Total tax wedge: Principal earner		77.2%	77.2%	77.2%	77.2%
Total tax wedge: Spouse		38.2%	35.2%	52.4%	35.2%

StatLink: <http://dx.doi.org/10.1787/802477112420>

The national currency is the Forint (HUF). In 2005, HUF 198.31 was equal to USD 1 (average of eleven months daily exchange rates). In that year, the average worker earned HUF 1 778 552 (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.
- Relief(s) for children: None.

##### 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.

##### 1.1.2.3. Tax credits

- *Employee Tax credit*: This must be calculated as 18 per cent of wage income earned, with the monthly maximum of HUF 9 000. This tax credit is applicable to workers whose annual income does not exceed HUF 1 350 000. In the case of employees having annual income between HUF 1 350 000 and HUF 1 950 000, a reduced amount of tax credit is applicable.
- *Extended Employee Tax credit*: This tax credit is applicable to workers whose annual income is between HUF 600 000 and HUF 1 302 400. This must be calculated as 18 per cent of annual wage income earned that is in excess of HUF 600 000, with the monthly maximum of HUF 1 260. In the case of employees having annual income between HUF 1 000 000 and HUF 1 302 000, a reduced amount of tax credit is applicable.
- *Tax credit for housing loans*: 40 per cent (in the case of new buildings) or 30 per cent (in the case of used buildings) of the amount paid on housing loans during the tax year, not to exceed HUF 120 000 per year, can be deducted from the tax payable. The tax credit could not be applied if i) taxpayer's annual income is higher than HUF 4 million, and/or ii) the amount of the loan is higher than HUF 15 million (in the case of new buildings) or HUF 10 million (in the case of used buildings). This tax credit is applicable for only 5 years.



- *Tax credits for children:* For families, the tax can be reduced by the child tax credit, which is for one dependent HUF 3 000 per month; for two dependents HUF 4 000 per month/each dependent; for three or more dependents HUF 10 000 per month/each dependent. This tax deduction can be applied by a pregnant woman (or her husband) on the basis of the foetus(s), from the 91st day after conception until birth. The tax credits may be claimed by one or split between the spouses. If parent's total annual income is higher than HUF 8 million, the tax credit is reduced by 20 per cent of total annual income that is in excess of HUF 8 million limit.
- *Others:* Further tax credits are made available for certain insurance schemes, education-related expenses, bodily disability, intellectual and agricultural activities, grants made for public purposes and allotted to foundations. Tax deduction is available for landowners and those having income from abroad.

### 1.1.3. Tax schedule

Taxable income (HUF)		Tax on lower limit (HUF)	Tax rate on income in bracket (%)
Lower limit	Upper limit		
0	- 1 500 000	0	18
1 500 001	and above	270 000	38

## 1.2. State and local income taxes

In Hungary there is no local personal income tax system supplementing the central one. More precisely, the total income tax collected is split between the central government and local governments. At the same time, the local governments can levy taxes on sites and buildings, tourist facilities and activities, employment and business activities.

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

### 2.1. Employers' contributions

#### 2.1.1. Pensions

A new pension system became effective on January 1, 1998. The pension system has now three pillars and consists of a public scheme, private pension funds and voluntary mutual insurance funds/insurance companies. Participation in the public scheme is obligatory for all employees. At the same time, employees who first join(ed) the social security system between 30 June 1998 and 1 January 2002 or after 31 December 2002 and had not reached the age of 42 at that time, were/are obliged to enter a private pension fund (2nd pillar). Different rules exist for employees who first joined the social security scheme before 30 June 1998 or in 2002 and employees under the age of 30 on 1 January 2003: they had the opportunity to enter a private pension fund. Employees remaining in the public scheme continue to pay 8.5 per cent contributions to the state pension fund (the public scheme). For the purpose of this report, a pension contribution (payable to the state pension fund) of 8.5 per cent has been taken into account. The maximum annual amount of this contribution is HUF 510 051.

#### 2.1.2. Sickness

The rate of health security contribution amounts to 4 per cent of gross earnings.

### 2.1.3. Unemployment

The worker must pay, as employees' contribution, 1 per cent of gross earnings.

### 2.1.4. Others

None. The AW 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. In certain cases, an accident insurance contribution must also be paid, for example, in the case of employees who have pensioner status. None of these exceptions are applicable to the workers taken into consideration within this Report.

## 2.2. Employers' contributions

### 2.2.1. Pensions

The rate of pension security contribution amounts to 18 per cent of gross earnings.

### 2.2.2. Sickness

The rate of health security contribution amounts to 11 per cent of gross earnings.

### 2.2.3. Unemployment

The employer has to pay 3 per cent of gross earnings (employer's contribution).

### 2.2.4. Others

None. Social security contributions must be also paid on other benefits than gross earnings (*e.g.*, grants in kind) and payments (*e.g.*, certain kind of contracts) as well.

The employer contributions also reflect payroll taxes that consist of the per employee lump sum health contribution as well as a percentage rate training contribution. In 2004, the lump sum health contribution amounted to 3 450 HUF per month and 1 950 HUF per month applicable as of 1 November 2005. The training contribution amounted to 1.5 per cent of salaries paid.

## 3. Universal cash transfers

### 3.1. Transfers related to marital status

None.

### 3.2. Transfers for dependent children

Effective from 1 January 2005:

Type of family	HUF per month
For a couple with one child	5 100
For a single earner with one child	6 000
For a couple with two children, per child	6 200
For a single earner with two children, per child	7 200
For a couple with 3 or more children, per child	7 800
For a single earner with 3 or more children, per child	8 400
For a couple with permanently sick and disabled child	13 900
For a single earner with permanently sick and disabled child	15 700

In July families receive an extra one-month benefit. It must be emphasised that measures only for a single parent and a couple with two children have been built in the relevant equations.

#### 4. Main changes in the tax/benefit system since 2004

The number of tax rates in the progressive tax rate structure has been reduced. The extended employee tax credit has been increased. Income limit has been introduced in the system of tax credits for children.

As of 1 November 2005 the per employee lump sum health contribution will be reduced.

The amount of child benefit was increased.

Since 2002 payroll taxes (the employer lump sum health contribution and the training contribution) have been included in the tax/benefit calculation.

#### 5. Memorandum items

##### 5.1. Method used to identify an average worker and to calculate his gross earnings

##### 5.2. Employer contributions to private social security arrangements

After 1998 (when the pension reform was introduced), private individuals have had the opportunity or were/are obliged to enter private pension funds (the second pillar of the social security system). According to the relevant legislation in force, payments made by employers (on behalf of their employees or to supplement the payments of employees) to private pension funds are exempted from both personal income tax and all social security contributions.

In Hungary the law dealing with the voluntary mutual insurance funds (like pension funds) was enacted on 6 December 1993. Based on the rules of 2005, the monthly contribution paid to a voluntary mutual insurance fund by the employer of a private worker who participates in a voluntary mutual insurance fund, limited to an amount that is below the mandatory minimum wage, is exempt from the personal income tax and all social security contributions. Contributions exceeding the limit mentioned here are taxable according to the progressive tax rate structure and social security contributions of 41.5 per cent (= employers' social security contributions of 29 per cent + employees' social security contributions of 12.5 per cent) are also payable. In the case of employers' contributions simultaneously paid to pension, health or mutual aid funds, the applicable limit is 130 per cent of the mandatory minimum wage. Sponsor's donations paid by employer to its employees' voluntary mutual insurance fund are taxable according to the progressive tax rate schedule. In addition employees can apply a 30 per cent tax deduction (with a limit of HUF 100 000 or 130 000 per year, in the case of payments simultaneously made to pension, health or mutual aid funds the limit is HUF 120 000 or 150 000 per year) on these taxable payments.

In general, insurance premiums (on the basis of which an employee is named as the recipient/beneficiary of insurance services) paid by the employer are taxable, and social security contributions of 41.5 per cent (= employers' social security contributions of 29 per cent + employees' social security contributions of 12.5 per cent) are also payable. At the same time insurance premiums related to life insurance policy for accidental death, injury liability, or medical care insurance for full and permanent incapacity to work are exempted from taxation.

## 2005 Parameter values

	Ave_earn	1 778 552	Secretariat estimate	
Child allowance (per child)	child_al	0		
Social security allowance	SSC_al	0		
Income tax schedule	tax_sch	0.18	1 500 000	
		0.38		
Social security contributions	SSC_unemp	0.01		
	SSC_p	0.085		
	SSC_lim	6 000 600		
	SSC_h	0.04		
Tax credits	tax_cr_pe	0.18		
	tax_cr_ce	9 000		
	tax_cr_li1	1 350 000		
	tax_cr_li2	1 950 000		
	tax_cr_ra	0.18		
	EXtax_cr_pe	0.18		
	EXtax_cr_ce	1 260		
	EXtax_cr_li1	600 000		
	EXtax_cr_li2	1 000 000		
	EXtax_cr_li3	1 302 400		
	EXtax_cr_ra	0.18		
	CL_rates	1	36 000	
		2	48 000	
		3	120 000	
	CL limit	8 000 000		
	CL limit rate	0.02		
Employers	SSC_empr	0.32		
Payroll taxes	payroll_rate1	38 400		
	payroll_rate2	0.015		
		# of children	1	2
Transfers for children (monthly)	CB_rates	0	5 100	6 200
		1	6 000	7 200

## 2005 Tax equations

The equations for the Hungarian system in 2005 are mostly on an individual basis. But the child allowance 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.

Line in country table and intermediate steps	Variable name	Range	Equation
1. Earnings	earn		
2. Allowances:			
Children	child_allce	P	Children*child_al
Total	tax_al	B	child_allce+SSC_unemp*earn*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	tax_cr	B	MIN(CG_tax_excl, IF(earn>tax_cr_li2, 0, IF(earn<tax_cr_li1, MIN(earn/12*tax_cr_pe, tax_cr_ce)*12, tax_cr_ce*12-(earn-tax_cr_li1)*tax_cr_ra))+IF(earn<=EXTax_cr_li1, 0, IF(earn<=EXTax_cr_li2, MIN(EXTax_cr_ce*12, (earn-EXTax_cr_li1)*EXTax_cr_pe), IF(earn<=EXTax_cr_li3, EXTax_cr_ce*12-(earn-EXTax_cr_li2)*EXTax_cr_ra))+MAX(0, MIN(MAX(CG_tax_excl-Employee Tax Credit-Extended Employee Tax Credit, 0), IF(Children=0, 0, Children*VLOOKUP(Children, CL_rates, 2)))-MAX(0, (earn-CL_limit))*CL_limit_rate))
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*SSC_unemp+earn*SSC_h+MIN(earn, SSC_lim)*SSC_p
11. Cash transfers	cash_trans	J	Children*(VLOOKUP((1-Married), CB_rates, MIN(Children, 3))+1)*13)
13. Employer's soc security	SSC_empr	B	earn*SSC_empr
Employer's payroll taxes	Payroll	B	IF(earn>0, payroll_rate1 0)+earn*payroll_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.



# Iceland

Iceland		2005			
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
<b>1. Gross wage earnings</b>		1966506	2949759	4916265	1966506
<b>2. Standard tax allowances</b>					
Basic allowance					
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes		78660	117990	196651	78660
Work-related expenses					
Other					
	Total	78660	117990	196651	78660
<b>3. Tax credits or cash transfers included in taxable income</b>		0	0	0	0
<b>4. Central government taxable income (1 - 2 + 3)</b>		1887846	2831769	4719614	1887846
<b>5. Central government income tax liability (exclusive of tax credits)</b>		467242	700863	1364755	467242
<b>6. Tax credits</b>					
Basic credit		339846	339846	339846	339846
Married or head of family					
Children					
Other					
	Total	339846	339846	339846	339846
<b>7. Central government income tax finally paid (5-6)</b>		127396	361017	1024909	127396
<b>8. State and local taxes</b>		245042	367564	612606	245042
<b>9. Employees' compulsory social security contributions</b>					
Gross earnings		5738	5738	5738	5738
Taxable income					
	Total	5738	5738	5738	5738
<b>10. Total payments to general government (7 + 8 + 9)</b>		378176	734318	1643253	378176
<b>11. Cash transfers from general government</b>					
For head of family					
For two children		0	0	0	385658
	Total	0	0	0	385658
<b>12. Take-home pay (1-10+11)</b>		1588330	2215441	3273012	1973988
<b>13. Employer's compulsory social security contributions</b>		112681	169021	281702	112681
<b>14. Average rates</b>					
Income tax		18.9%	24.7%	33.3%	18.9%
Employees' social security contributions		0.3%	0.2%	0.1%	0.3%
Total payments less cash transfers		19.2%	24.9%	33.4%	-0.4%
Total tax wedge including employer's social security contributions		23.6%	29.0%	37.0%	5.1%
<b>15. Marginal rates</b>					
Total payments less cash transfers: Principal earner		36.2%	36.2%	40.2%	42.9%
Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner		39.7%	39.7%	43.5%	46.0%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

StatLink: <http://dx.doi.org/10.1787/778764248800>



Iceland		2005			
The tax/benefit position of married couples					
Wage level (per cent of average wage)		100-0	100-33	100-67	100-33
Number of children		2	2	2	none
<b>1. Gross wage earnings</b>		2949759	3933012	4916265	3933012
<b>2. Standard tax allowances</b>					
	Basic allowance				
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes	117990	157320	196651	157320
	Work-related expenses				
	Other				
	Total	117990	157320	196651	157320
<b>3. Tax credits or cash transfers included in taxable income</b>		0	0	0	0
<b>4. Central government taxable income (1 - 2 + 3)</b>		2831769	3775692	4719614	3775692
<b>5. Central government income tax liability (exclusive of tax credits)</b>		700863	934484	1168105	934484
<b>6. Tax credits</b>					
	Basic credit	679692	679692	679692	679692
	Married or head of family				
	Children				
	Other				
	Total	679692	679692	679692	679692
<b>7. Central government income tax finally paid (5-6)</b>		21171	254792	488413	254792
<b>8. State and local taxes</b>		367564	490085	612606	490085
<b>9. Employees' compulsory social security contributions</b>					
	Gross earnings	5738	11476	11476	11476
	Taxable income				
	Total	5738	11476	11476	11476
<b>10. Total payments to general government (7 + 8 + 9)</b>		394472	756352	1112495	756352
<b>11. Cash transfers from general government</b>					
	For head of family				
	For two children	221362	155287	89212	0
	Total	221362	155287	89212	0
<b>12. Take-home pay (1-10+11)</b>		2776648	3331947	3892983	3176660
<b>13. Employer's compulsory social security contributions</b>		169021	225362	281702	225362
<b>14. Average rates</b>					
	Income tax	13.2%	18.9%	22.4%	18.9%
	Employees' social security contributions	0.2%	0.3%	0.2%	0.3%
	Total payments less cash transfers	5.9%	15.3%	20.8%	19.2%
	Total tax wedge including employer's social security contributions	11.0%	19.9%	25.1%	23.6%
<b>15. Marginal rates</b>					
	Total payments less cash transfers: Principal earner	42.9%	42.9%	42.9%	36.2%
	Total payments less cash transfers: Spouse	43.5%	42.9%	42.9%	36.2%
	Total tax wedge: Principal earner	46.0%	46.0%	46.0%	39.7%
	Total tax wedge: Spouse	46.6%	46.0%	46.0%	39.7%

StatLink: <http://dx.doi.org/10.1787/778764248800>

The national currency is the króna (plural: krónur) (ISK). In 2005, ISK 62.82 was equal to USD 1 (average of eleven months of daily exchange rates). In that year, the average worker earned ISK 2 949 759 (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 339 846 in 2005, 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 as well as net wealth 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 may utilise up to 100 per cent of each spouses' unutilised portion of his/her basic tax credit.
- *Relief(s) for children*: None.
- *Relief(s) for compulsory pension contributions*: Since January 2000, the compulsory payment to pension funds, which amounts to 4 per cent of wages, is deductible. In addition, an optional payment of up to 4 per cent of wages may also be deducted. As the additional 4% contribution is optional, it is considered to be 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 2005 is ISK 169 541 for a single person, ISK 218 042 for a single parent and ISK 280 372 for a married couple. The following constraints apply to interest rebates: 1) They can not exceed 5.5 per cent 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 494 782 for an individual, ISK 649 544 for a single parent and ISK 804 304 for a couple. 3) Six per cent of taxable income is subtracted from the interest expense. 4) The rebates begin to be curtailed at a net worth threshold of ISK 3 721 542 for a single individual and ISK 6 169 097 for a couple and are eliminated altogether at a 60 per cent higher amount.
- Seamen are entitled to a special credit against income tax of ISK 768 per day at sea in 2005.

### 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 single-rated. The central government income tax rate in 2005 is 24.75 per cent and applies to all personal income in excess of ISK 75 061 per month (ISK 900 732 per year). The tax relief is provided by the basic credit described in Section 1.1.2.1.

A special 4 per cent income surtax is levied in 2005 on individuals with a monthly personal income in 2004 above ISK 4 191 686 for a single person and ISK 8 383 372 for a couple. For 2006, the surtax will be lowered further, to 2 per cent and will be applied to 2005-incomes of ISK 4 191 686 and ISK 8 383 372 for single persons and couples, respectively.

The tax on capital income is 10 per cent. It is levied on all capital income of individuals, such as interest, dividends, rents etc. Such capital income is not subject to the personal income tax described above.

## 1.2. Local government income tax

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

The local governments' income tax is single-rated, but the rate varies from 11.24 to 13.03 per cent between municipalities. The average rate in 2005 is 12.98 per cent.

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

### 2.1. Employees' contributions

Fee to the Retiree Investment Fund: Individuals, age 16-70, are subjected to a fixed tax of ISK 5 738 in 2005, provided the individual's taxable income was at least ISK 855 231 in 2004.

### 2.2. Employers' contributions

Employers have to pay a social security tax on total wages of 5.73 per cent. In addition a 0.65 per cent is levied on the wages of fishermen as a premium for their government accident insurance.

## 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 2005 they are as follows (in ISK per year):

For all children under the age of seven regardless of income:	37.397
<b>Children under the age of sixteen in 2003:</b>	
First child	126.952
Each additional child	151.114
<b>Benefits for single parents:</b>	
First child	211.447
Each additional child	216.902
<b>Income threshold for benefit curtailment:</b>	
For couples	1.487.463
For a single parent	743.732
<b>Curtailment of benefits:</b>	
For one child	3 per cent
For two children	7 per cent
For three children or more	9 per cent

Note that child benefits are based on income in the year 2004 but are paid out in 2005.

## 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 belong to pension funds. The employee contribution is generally 4 per cent and the employer contributions was 6 per cent, increasing to 7 per cent as of the beginning to 2005. In some cases, the contributions of employees and employers are higher.

This voluntary pension savings option was first introduced at the beginning of 1999 in order to encourage personal saving. At the time the contribution rate was 2 per cent for employees and 0.2 per cent for employers. In May 2000 these rates were doubled to 4 and 0.4 per cent, 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 per cent against a voluntary employee contribution of 4 per cent in 2001 and 2 per cent 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 at the time it is drawn. As of the beginning of 2004, the employer option of deducting the above 0.4 per cent against the social security tax was abolished. Since such employer counter-contributions had become a part of wage agreements in most cases, it was no longer felt that such a tax incentive was needed.

### 4.2. A reduction of the central government income tax rate

The Government has pursued a policy of reducing the marginal tax rate. It did so with a reduction of 1.1 percentage points at the beginning of 1997, by 0.9 point at the beginning of 1998 and by 1 point at the beginning 1999. From 2001, the rate was lowered by 0.33 point to compensate for a similar increase in local government rates. In 2002, the rate was further lowered by 0.33 point and in 2005 it was lowered by 1 point. From 1998 on the

combined central government and average local government personal income tax rate has been as follows:

	Central gov't general tax rate	Municipal tax rate	Total tax rate	Central gov't 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

#### 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 per cent. For 2003-income it was reduced back to 5 per cent, to 4 per cent for 2004-income and to 2 per cent for 2005 income.

Incomes in 2005 in excess of ISK 4 191 686 for an individual and double that for a couple are subject to a surtax of 2 per cent, payable in 2006 and abolished altogether at the end of that year.

#### 4.4. A revision of the child benefit system

Child benefits are granted for each child, subject to income thresholds. The amendments to tax legislation that came into effect at the end of 2004 included a schedule for raising child benefits. In 2004-2007 they are as follows (in ISK per year):

	2004	2005	2006	2007
For all children under the age of seven	36 308	37 397	46 747	56 096
<b>Children under the age of sixteen:</b>				
First child	123 254	126 952	139 647	139 647
Each additional child	146 713	151 114	166 226	166 226
<b>Benefits for single parents:</b>				
First child	205 288	211 447	232 591	232 591
Each additional child	210 854	216 902	238 592	238 592
<b>Income threshold for benefit curtailment:</b>				
For couples	1 444 139	1 487 463	1 859 329	2 231 195
For a single parent	722 070	743 732	929 665	1 115 598
<b>Curtailment of benefits:</b>				
For one childre	3%	3%	3%	2%
For two children	7%	7%	7%	6%
For three children or more	9%	9%	9%	8%

#### 4.5. A revision of the interest rebates

In 2004, the interest rebate was cut by 10 per cent, effective for that year only. The ceiling on interest payments that qualify for the interest rebate was reduced from 7 per cent to 5.5 per cent as of the beginning of 2005 and the interest rate cut was reduced from 10 per cent to 5 per cent. As of the beginning of 2006 the ceiling will be further reduced to 5 per cent and the cut eliminated altogether.

#### **4.6. Transferability of the basic tax credit between spouses**

The basic tax credit was made transferable between spouses in stages. See Section 1.1.2.1 above. In the income year 2001, 90 per cent of the credit became transferable, rising to 95 per cent in 2002 and 100 per cent in 2003.

### **5. Memorandum items**

#### **5.1. Identification of AW and valuation of earnings**

The earnings data refer to average workers. To obtain the earning figures, the average weekly hours for the year are multiplied by average hourly earnings. The resulting number is then multiplied by 52 to obtain annual salary. The original data are obtained from a quarterly survey among members of the Labour Market Research Institute.

#### **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, generally linked to unions and employee associations. The private pension funds are not part of the government-run social security system, to which a payroll tax is paid as described under Section 2.2 above. Compulsory payments to such funds are described under Section 4.1 above.

Furthermore, employees can invest up to a limit of 4% of income in a voluntary pension scheme (individual retirement accounts) that is deductible from income before tax. Employees who take advantage of this option receive a matching contribution of up to 2% from their employer. As of May 2000, employers could reduce their payroll tax to the social security system by 0.4 percentage point if they contributed 2 per cent of the employee wage income to a voluntary pension scheme. As of the beginning of 2004 this deduction was abolished.

## 2005 Parameter values

AW-income	Ave_earn	2 949 759	Secretariat estimate
Previous year income	fiscal_inc	2 859 073	Estimate
Pension rate for tax allowance	pension_rate	0.04	
Tax credit	Basic_crd	339 846	
	Married_propn	1	
Central income tax	central_rate	0.2475	
Special tax	special_rate	0.04	
threshold	special_thrsh	4 191 686	
Local tax	local_rate	0.1298	
Church tax	church_tax	0	
Social Security Contr.	SSC_fixed	5 738	
	SSC_thrsh	900 732	
Employer SSC	SSC_empr	0.0573	
General child allowance:			
child allowance	CA	37 397	
Maximum number of children under 7	max_child_under7	1	
Supplement child allowance:			
Married couple case			
first child	SA_first_m	126 952	
other children	SA_others_m	151 114	
income threshold	SA_tresh_m	1 487 463	
Single parent case			
first child	SA_first_s	211 447	
other children	SA_others_s	216 902	
income threshold	SA_tresh_s	743 732	
reduction rate (one child)	SA_redn_1	0.03	
reduction rate (two children)	SA_redn_2	0.07	
reduction rate (tree or more children)	SA_redn_3	0.09	

## 2005 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	earn*central_rate
6. Tax credits :	tax_cr	P	MIN(Basic_crd+Married_propn*(Basic_crd-tax_cr_spouse), CG_tax_excl_prin+local_tax_princ)
		S	MIN(Basic_crd, CG_tax_excl_spouse+local_tax_spouse)
	special_tax	J	(earn_total>(1+Married))*special_thrsh)*earn_total* special_rate
7. CG tax	CG_tax	B	CG_tax_excl-tax_cr+special_tax
8. State and local taxes	local_tax	B	earn*local_rate
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	Children*CA+(Children>0)*(IF(Married;SA_first_m+ Positive(Children-1)*SA_others_m;SA_first_s+ Positive(Children- 1)*SA_others_s)- Positive(inc_tot*(1-pension_rate)- IF(Married;SA_tresh_m;SA_tresh_s))*IF(Children=1; SA_redn_1;IF(Children=2;SA_redn_2;SA_redn_3)))
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.



# Ireland

Ireland	2005				
	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
<b>1. Gross wage earnings</b>		21109	31663	52772	21109
<b>2. Standard tax allowances</b>		0	0	0	0
<b>3. Tax credits or cash transfers included in taxable income</b>		0	0	0	0
<b>4. Central government taxable income (1 - 2 + 3)</b>		21109	31663	52772	21109
<b>5. Central government income tax liability (exclusive of tax credits)</b>		4222	6830	15696	4222
<b>6. Tax credits</b>					
Basic credit		1580	1580	1580	1580
Single, head of family		0	0	0	1580
Children					
Other		1270	1270	1270	1270
	Total	2850	2850	2850	4430
<b>7. Central government income tax finally paid (5-6)</b>		1372	3980	12846	0
<b>8. State and local taxes</b>		0	0	0	0
<b>9. Employees' compulsory social security contributions</b>					
Gross earnings		1002	1636	2601	1002
Taxable income					
	Total	1002	1636	2601	1002
<b>10. Total payments to general government (7 + 8 + 9)</b>		2374	5616	15448	1002
<b>11. Cash transfers from general government</b>					
For head of family		0	0	0	2663
For two children		0	0	0	3338
	Total	0	0	0	6001
<b>12. Take-home pay (1-10+11)</b>		18735	26047	37324	26107
<b>13. Employer's compulsory social security contributions</b>		2269	3404	5673	2269
<b>14. Average rates</b>					
Income tax		6.5%	12.6%	24.3%	0.0%
Employees' social security contributions		4.7%	5.2%	4.9%	4.7%
Total payments less cash transfers		11.2%	17.7%	29.3%	-23.7%
Total tax wedge including employer's social security contributions		19.9%	25.7%	36.1%	-11.7%
<b>15. Marginal rates</b>					
Total payments less cash transfers: Principal earner		26.0%	48.0%	44.4%	62.4%
Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner		33.2%	53.0%	49.8%	66.0%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

StatLink: <http://dx.doi.org/10.1787/507120250656>

Ireland	2005				
	The tax/benefit position of married couples				
	Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
	Number of children	2	2	2	none
<b>1. Gross wage earnings</b>		31663	42217	52772	42217
<b>2. Standard tax allowances</b>		0	0	0	0
<b>3. Tax credits or cash transfers included in taxable income</b>		0	0	0	0
<b>4. Central government taxable income (1 - 2 + 3)</b>		31663	42217	52772	42217
<b>5. Central government income tax liability (exclusive of tax credits)</b>		6333	8443	10554	8443
<b>6. Tax credits</b>					
Basic credit		3160	3160	3160	3160
Single, head of family		0	0	0	0
Children					
Other		2040	2540	2540	2540
	Total	5200	5700	5700	5700
<b>7. Central government income tax finally paid (5-6)</b>		1133	2743	4854	2743
<b>8. State and local taxes</b>		0	0	0	0
<b>9. Employees' compulsory social security contributions</b>					
Gross earnings		1636	1636	2638	1636
Taxable income					
	Total	1636	1636	2638	1636
<b>10. Total payments to general government (7 + 8 + 9)</b>		2768	4379	7492	4379
<b>11. Cash transfers from general government</b>					
For head of family		0	0	0	0
For two children		3338	3338	3338	0
	Total	3338	3338	3338	0
<b>12. Take-home pay (1-10+11)</b>		32233	41177	48618	37838
<b>13. Employer's compulsory social security contributions</b>		3404	4301	5673	4301
<b>14. Average rates</b>					
Income tax		3.6%	6.5%	9.2%	6.5%
Employees' social security contributions		5.2%	3.9%	5.0%	3.9%
Total payments less cash transfers		-1.8%	2.5%	7.9%	10.4%
Total tax wedge including employer's social security contributions		8.1%	11.5%	16.8%	18.7%
<b>15. Marginal rates</b>					
Total payments less cash transfers: Principal earner		26.0%	26.0%	26.0%	26.0%
Total payments less cash transfers: Spouse		15.3%	20.0%	26.0%	20.0%
Total tax wedge: Principal earner		33.2%	33.2%	33.2%	33.2%
Total tax wedge: Spouse		21.9%	26.3%	33.2%	26.3%

StatLink: <http://dx.doi.org/10.1787/507120250656>

The national currency is the Euro (EUR). In 2005, EUR 0.80 was equal to USD 1 (average of eleven months daily exchange rates). In that year, the average production worker earned EUR 31 663 (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 1 580 per year.
- *Standard marital status reliefs*: The married person's credit is EUR 3 160 per year (i.e. twice the basic credit of 1 580).
- *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 1 270.
- *Single-parent family relief*: The single parent family credit is EUR 1 580.

##### 1.1.2.2. Main non-standard tax reliefs applicable to an APW

- *Interest on qualifying loans*: A qualifying loan in respect of the purchase, repair or improvement of the principal private residence. This relief is subject to the following overall limits in 2005:

	First time mortgage holders	Other mortgage holders
Married couple	EUR 8 000	EUR 5 079
Widowed person	EUR 8 000	EUR 5 079
Single person	EUR 4 000	EUR 2 539

- *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. This relief is now granted at source and is paid to the insurance provider.

- *Mortgage interest relief*: This relief is now granted at source and is paid to the mortgage 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 770 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 5 079. A reduced measure of relief is granted for income between EUR 5 080 and EUR 6 620. 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. The calculations within this Report take into consideration the New Carers Allowance.

### 1.1.3. Tax schedule

Band of taxable Income (€)				Rate (%)
Single/widow(er)	Married couple (One income)	Married couple (Two incomes)	One-parent families	
Up to 29 400	Up to 38 400	Up to minimum of 38 400 to a maximum of 58 800 (threshold is increased by the amount of the lowest income to a maximum of 19 000)	33 400	20
Balance	Balance	Balance	Balance	42

### 1.1.4. Low income exemption and marginal relief tax

Where total income is less than or equal to the income exemption limit that income is exempt from tax.

*Exemption limits:*

	EUR
Single/widowed	
Under 65	5 210
65 and over	15 500
Married	
Under 65	10 420
65 and over	31 000
Children	

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.

## 1.2. 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 as a percentage of an employee's gross earnings less allowable superannuation contributions. No distinction is made by marital status or sex. The first EUR 356 of weekly earnings are exempt from the health levy and the first EUR 287 of weekly earnings are exempt from social insurance. If the employee is not exempt, then an allowance of EUR 127 per week is applicable for social insurance contribution purposes. The first EUR 127 of weekly earnings are exempt from the social insurance contribution. This weekly exemption is non-cumulative in that the earner is no longer entitled to the weekly exemption when their cumulative annual earnings exceed the social insurance ceiling. The following is a breakdown of the 2005 rate of contribution together with ceilings where applicable:

Description	Rate	Ceiling (EUR)
Health contribution	2.00	No ceiling
Pension and social insurance	4.00	44 180
TOTAL	6.00	

### 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 2005 rate of contribution:

Description	Rate %	Ceiling (EUR)
Occupational injuries	0.50	
Redundancy contribution	0.40	
Pension and social insurance	9.85	
TOTAL	10.75	No ceiling

The employers' contribution is reduced from 12% to 8.5% in respect of employees earning less than EUR 356 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 19 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. The amounts payable in 2005 are as follows:

Period	Monthly rate per child	
April 2004 to March 2005	First to third child EUR 131. 60	Subsequent children EUR 165. 30
April 2005 to December 2005	First to second child EUR 141. 60	Subsequent children EUR 177. 30

### **3.3. Transfers for low income families**

A non-taxable family income supplement is payable to low income families where either the principal earner and/or the spouse are in full-time employment. Full-time employment is defined as working nineteen hours per week or more. The hours worked by the principal and the spouse can be aggregated for the purposes of this definition. When calculating income for the purposes of the relief superannuation payments, social welfare payments, tax payments, health and employment and training levies are all subtracted to arrive at disposable income.

The level of payment is dependent on the amount of family income and the number of children. The supplement payable is 60% of the difference between the family income and the income limit applicable to the family. A minimum of EUR 20 per week is payable to eligible families. No supplement is payable to families with income in excess of the relevant income limit.

The income limit for a family with two children in 2005 is EUR 472 per week.

*One parent family payment:* This new non-taxable 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 persons earnings does not exceed EUR 7 618. Where earnings are between EUR 7 618 and EUR 15 236 a reduced payment is received. The amount of the full payment for 2005 is EUR 6 490 plus EUR 1 004 for each child. Because of the complex means testing system this type of person is excluded from the AW examples.

## **4. Other main changes in tax/benefit system since 2004**

### **5. Memorandum items**

#### **5.1. Employer contributions to private social security arrangements**

Information not available, although such schemes do exist.

## 2005 Parameter values

	Ave_earn	31 663	Secretariat estimate
Tax allowances			
Tax Credits	Basic_al_at_standardrate	1 580	
	Married_al_at_standardrate	1 580	
	Empl_al_at_standardrate	1 270	
	Singleparent_at_standardrate	1 580	
	Carers_allow	770	
	Carers_thrsh1	5 080	
	Carers_thrsh2	6 620	
	Carers_taper_rt	0.5	
Exemption amount	Single_ex	5 210	
	Married_ex	5 210	
	Child_ex	575	
	Child_ex_3	830	
Marginal relief limit	Single_MR	10 420	
	Married_MR	10 420	
	Child_MR	1 150	
	Child_MR_3	1 660	
Marginal relief	marg_rel_rate	0.4	
Income tax	Single_sch	0.2	29 400
		0.42	
	Single_sch_child	0.2	33 400
		0.42	
	Married_sch_oneinc	0.2	38 400
		0.42	
	Married_sch_twainc	0.2	58 800
		0.42	
Maximum increase in first band	Band_increase_lim	19 000	
Social security contributions	SSC_thresh	14 924	
Employees	pension_rate	0.04	
	pension_ceil	44 180	
	Emp_hlth_lower	20 872	
	Health_rate	0.02	
	Non_cum_Allc	6 604	
Employers	Empr_rate	0.1075	
	Empr_lower_rate	0.085	
	Empr_thrsh	18 512	
Child benefit	Ch_ben	1 669.2	
	Ch_ben_3	2 091.6	
Family income supplement	FIS_pay_limit	24 544	
	FIS_min	1 040	
	FIS_rate	0.6	
Medical card	single_med_card	7 982	
	married_med_card	11 544	
	child_add_med_card	1 638	



## 2005 Tax equations

The equations for the Irish system in 2005 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
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 Liability (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)
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))
8. State and local taxes	local_tax	J	0
9. Employees' soc security			
Weekly allowance	weekly_allce	B	IF(earn=0, 0, MINA(IF(earn<pension_ceil, Non_cum_Allc*pension_ceil/earn, Non_cum_Allc), earn))
Employees' soc security	SSC	B	Health_rate*earn*(earn>Emp_hlth_lower)+IF(earn>SSC_thresh, pension_rate*Positive(MINA(earn, pension_ceil)-weekly_allce), 0)
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)<=FIS_pay_limit, MAXA((FIS_pay_limit-(earn_tax-SSC))*FIS_rate, FIS_min), 0)
Total cash transfers	cash_trans		Child_benefit+FIS
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.



# Italy

Italy	2005				
	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
<b>1. Gross wage earnings</b>		15173	22759	37932	15173
<b>2. Standard tax allowances</b>					
Basic allowance					
Married or head of family					
Dependent children and spouse		0	0	0	5500
Deduction for social security contributions and income taxes		7083	5793	3486	7083
Work-related expenses					
Other					
	Total	7083	5793	3486	12583
<b>3. Tax credits or cash transfers included in taxable income</b>		0	0	0	0
<b>4. Central government taxable income (1 - 2 + 3)</b>		8089	16966	34446	2590
<b>5. Central government income tax liability (exclusive of tax credits)</b>		1861	3902	8824	596
<b>6. Tax credits</b>					
Basic credit		0	0	0	0
Married or head of family		0	0	0	0
Children		0	0	0	0
Other					
	Total	0	0	0	0
<b>7. Central government income tax finally paid (5-6)</b>		1861	3902	8824	596
<b>8. State and local taxes</b>		152	227	379	152
<b>9. Employees' compulsory social security contributions</b>					
Gross earnings		1394	2092	3486	1394
Taxable income					
	Total	1394	2092	3486	1394
<b>10. Total payments to general government (7 + 8 + 9)</b>		3406	6221	12689	2142
<b>11. Cash transfers from general government</b>					
For head of family					
For two children		0	0	0	1977
	Total	0	0	0	1977
<b>12. Take-home pay (1-10+11)</b>		11766	16538	25243	15008
<b>13. Employer's compulsory social security contributions</b>		5019	7529	12548	5019
<b>14. Average rates</b>					
Income tax		13.3%	18.1%	24.3%	4.9%
Employees' social security contributions		9.2%	9.2%	9.2%	9.2%
Total payments less cash transfers		22.5%	27.3%	33.5%	1.1%
Total tax wedge including employer's social security contributions		41.7%	45.4%	50.0%	25.7%
<b>15. Marginal rates</b>					
Total payments less cash transfers: Principal earner		37.1%	37.1%	45.6%	38.7%
Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner		52.7%	52.7%	59.1%	54.0%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

StatLink: <http://dx.doi.org/10.1787/630531488423>

Italy	2005				
	The tax/benefit position of married couples				
	Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
	Number of children	2	2	2	none
<b>1. Gross wage earnings</b>		22759	30345	37932	30345
<b>2. Standard tax allowances</b>					
Basic allowance					
Married or head of family					
Dependent children and spouse		7654	4694	5237	0
Deduction for social security contributions and income taxes		5793	13380	12877	13380
Work-related expenses					
Other					
	Total	13447	18074	18114	13380
<b>3. Tax credits or cash transfers included in taxable income</b>		0	0	0	0
<b>4. Central government taxable income (1 - 2 + 3)</b>		9312	12271	19818	16966
<b>5. Central government income tax liability (exclusive of tax credits)</b>		2142	2822	4558	3902
<b>6. Tax credits</b>					
Basic credit		0	0	0	0
Married or head of family		0	0	0	0
Children		0	0	0	0
Other					
	Total	0	0	0	0
<b>7. Central government income tax finally paid (5-6)</b>		2142	2822	4558	3902
<b>8. State and local taxes</b>		227	227	379	227
<b>9. Employees' compulsory social security contributions</b>					
Gross earnings		2092	2789	3486	2789
Taxable income					
	Total	2092	2789	3486	2789
<b>10. Total payments to general government (7 + 8 + 9)</b>		4461	5838	8423	6918
<b>11. Cash transfers from general government</b>					
For head of family					
For two children		1339	465	310	0
	Total	1339	465	310	0
<b>12. Take-home pay (1-10+11)</b>		19637	24972	29819	23427
<b>13. Employer's compulsory social security contributions</b>		7529	10038	12548	10038
<b>14. Average rates</b>					
Income tax		10.4%	10.1%	13.0%	13.6%
Employees' social security contributions		9.2%	9.2%	9.2%	9.2%
Total payments less cash transfers		13.7%	17.7%	21.4%	22.8%
Total tax wedge including employer's social security contributions		35.2%	38.2%	40.9%	42.0%
<b>15. Marginal rates</b>					
Total payments less cash transfers: Principal earner		39.5%	38.7%	37.1%	37.1%
Total payments less cash transfers: Spouse		29.7%	9.2%	38.7%	9.2%
Total tax wedge: Principal earner		54.5%	53.9%	52.7%	52.7%
Total tax wedge: Spouse		47.2%	31.8%	53.9%	31.8%

StatLink: <http://dx.doi.org/10.1787/630531488423>

The national currency is the Euro (EUR). In 2005, EUR 0.80 was equal to USD 1 (average of eleven months daily exchange rates). In that year the average worker earned EUR 22 759 (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

- Standard allowance

A reform of the personal income tax (IRPEF) has started with the 2003 Financial Law which introduces a “no tax area” that results from the calculation of income related tax allowances. This set of new measures leads to tax savings for low/middle income earners.

- ❖ The standard allowance (“no tax area”) is EUR 7 500.00.
- ❖ The actual allowance granted to each individual depends on the value of a ratio that is defined as a function of net income and represented by the following formula:

$$(26\,000 + 7\,500 - \text{net income})/26\,000.$$

The way in which the actual allowance is to be computed is illustrated in the following table:

ratio > or = 1	Actual allowance = Standard allowance
0 < ratio < 1	Actual allowance = 7 500.00 * ratio
ratio < or = 0	Actual allowance = 0

- Personal allowances for family dependents – “family area”

The maximum tax allowances for family dependents, with income not exceeding EUR 2 840.51, are as follows:

Family dependents	Maximum allowance (EUR)
Spouse	3 200
Child	2 900
Child under three years of age	3 450
First child (singles parent)*	3 200
Disabled child	3 700
Other dependent relatives	2 900

\* If the taxpayer is a single parent the law provides for a tax allowance for the first child equal to the most favourable between the allowance for the dependent spouse and the child allowance.

The actual allowance granted to each individual depends on the value of a ratio that is defined as a function of net income:

$$(78\,000 + \text{maximum family allowance} - \text{net income})/78\,000$$

and is calculated as follows:

ratio > or = 1	Actual allowance = maximum family allowance
0 < ratio < 1	Actual allowance = maximum family allowance * ratio
ratio < or = 0	Actual allowance = 0

Tax allowance for children can be distributed between parents to allow them to take full advantage of these allowances.

An additional tax allowance has been introduced for expenses incurred by taxpayers to pay carers of non self-sufficient relatives. There is a ceiling of EUR 1 820 on the expenses that a taxpayer can claim for. Also in this case, the actual allowance granted to each individual depends on the value of a ratio that is defined as a function of net income.

$$[78\,000 + \text{expenses actually incurred (max EUR 1 820)} + \text{maximum family allowance} - \text{net income}]/78\,000$$

and is calculated as follows:

ratio > or = 1	Actual allowance = expenses actually incurred (max EUR 1 820)
0 < ratio < 1	Actual allowance = expenses actually incurred (max EUR 1 820) * ratio
ratio < or = 0	Actual allowance = 0

- Social security contributions due by law.

#### 1.1.2.2. 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 36 per cent of full expenses, apportioned into 5 or 10 annual allowances of the same amount.
- Credit for leaseholders of principal residence (a sum of EUR 495.80 for income up to EUR 15 493.71 and a sum of EUR 247.90 for income up to EUR 30 987.41).

As to the following expenses, a tax credit of 19 per cent of each incurred expense is allowed:

- Mortgage loan interest (up to EUR 1 807.60 or EUR 3 165.20 according to circumstances).
- 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.
- Funeral charges up to EUR 1 549.37.
- Expenses for disabled persons.
- Donations to political parties (ranging from EUR 51.65 to EUR 103 291.38).
- Payments to foundations (up to EUR 2 065.83).

### 1.1.3. Tax schedule

The following tax schedule is applied to taxable income:

Bracket (EUR)	Rate (%)
Up to 26 000	23
Over 26 000 up to 33 500	33
Over 33 500	39

The 2005 Financial Law introduced also a “solidarity levy” (4%) for gross earnings greater than EUR 100 000.

## 1.2. State and local taxes

The “no tax area” is not taken into account for determining taxable income for the local surcharges. The local surcharges are computed with reference to the old definition of the tax base (taxable income without consideration to the “no tax area” allowance); these surcharges are, however, due only by taxpayers who pay the IRPEF.

### 1.2.1. Regional surcharge tax

This surcharge tax has been introduced in 1997. The tax is levied by each region on resident taxpayers’ total taxable income at a discretionary rate, which must fall within an established range. As from the year 2000 this range is 0.9 per cent – 1.4 per cent. For the year 2002 only seven regions have applied rates higher than 0.9 per cent. As of September 2002 rate increases have been temporarily “frozen” until 31 December 2005. However, this provision can be derogated by regional governments running a deficit in their health expenditure budget.

### 1.2.2. Local surcharge tax

This surcharge tax has been introduced in 1999. The tax may be levied by each local government at an initial rate that cannot exceed 0.2 per cent. If the tax is levied, the local government can increase the initial rate, on a yearly basis, up to a maximum of 0.5 per cent. Each yearly increase cannot exceed 0.2 per cent.

Where a local surcharge tax has been introduced before 29th September 2002 the municipal-governments are not allowed to increase the rate until December 2006. However, the 2005 Financial Law allows those municipalities which have not introduced the local surcharge yet, to introduce it at a rate not exceeding 0.1%; also in this case the rate cannot be increased until December 2006.

The figure given in the Country Tables under the heading “State and local tax” includes the local surcharge tax paid in the most representative city (Rome – rate 0.2 per cent).

## 2. Compulsory social security

### 2.1. Employee contributions

- Rate and ceiling
  - ❖ The average rate charged to an employee is 9.19 per cent on earnings up to EUR 38 641.
  - ❖ The average rate charged to an employee is 10.19 per cent on earnings over EUR 38 641 and up to EUR 84 049.



- ❖ For earnings exceeding EUR 84 049 the employee pays a fixed amount given by  $(0.0919 \times 38\,641) + 0.1019 \times (84\,049 - 38\,641)$ .
- Distinction by marital status or sex
  - ❖ None.

## 2.2. Employer contributions

- Contributions taken into account for this report amount to 33.08 per cent that is the rate applied to earnings up to EUR 84 049. For earnings exceeding EUR 84 049 the employer pays a fixed amount given by  $0.3308 \times 84\,049$ .

## 3. Universal cash transfers

### 3.1. Amount for spouse and for dependent children

Cash transfers are granted for family income that is:

- composed of at least 70 percent wage and/or pension income;
- below a given threshold set by law each year.

Family income is the sum of the incomes of all individuals comprising the family.

Cash transfers are determined each year by INPS (Istituto Nazionale di Previdenza Sociale), the public body that collects and manages the social security contributions for dependent workers for the period beginning in July of that year (t) to June in the following year (t+1) and relate to family income earned in the previous year (t-1).

As such, the transfers granted in any given year t are determined by the family income in the previous two years. The following table provides a description of the calculations.

Transfer granted in year t	Relevant amounts as given in INPS tables
January – June	The amount of cash transfers is that given in the INPS table published in July t-1. The transfers are granted with reference to family income earned in year t-2.
July – December	The amount of cash transfers is that given in the INPS table published in July t. The transfers are granted with reference to family income earned in year t-1.

For the purposes of Taxing Wages, the cash transfers that are calculated represent those amounts that would be received by the family based on their incomes for that year even though these amounts would only begin to be paid in July of the following year.

## 4. Main changes

The main features of the reform introduced by the 2005 Financial Law are:

- new tax rate and income brackets;
- conversion of tax credits for family dependents into tax allowances;
- abolition of tax credits for employees, self-employed and pensioners.

The Financial Law provides for a grand-fathering clause which allows taxpayers penalised by the new regime to calculate their taxes due using the previous tax regime.

## 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). Employers 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.

Employers contributions to private health insurance schemes are not included in the taxable income of the employee up to the limit of 3.615,20 euros.

## 2005 Parameter values

Average earnings/yr	Ave_earn	22 759	Secretariat estimate		
Tax schedule	tax_sch	0.23	15 000.00		
		0.29	29 000.00		
		0.31	32 600.00		
		0.39	70 000.00		
		0.45	999 999 999.99		
Standard tax allowances	b_all	7 500.00			
Family tax allowance					
limit	Sp_crd_lim	2 840.51			
spouse allowance	s all	3 200.00			
child allowance for single parent	c all s	0	3 200.00	6 100.00	9 000.00
		0	2 900.00	5 800.00	8 700.00
Regional and local tax	reg_rt	0.011			
Social security contributions	SSC_sch	0.0919	37 883.00		
		0.1019	82 401.00		
		0.00	999 999 999.99		
Employer contributions	Empr_sch	0.3308	82 401.00		
		0.00	999 999 999.99		
Cash transfers:					
family allowance sched. (t)	trans_sch_m	0	0.00	130.66	250.48
-married couple		12 229.35	0.00	114.65	220.53
		15 132.73	0.00	92.45	190.57
		18 305.55	0.00	65.59	158.04
		20 937.23	0.00	43.90	111.55
		23 841.18	0.00	25.82	81.60
		26 743.98	0.00	15.49	57.33
		29 647.93	0	15.49	38.73
		32 549.63	0	12.91	25.82
		35 452.45	0	12.91	25.82
		38 354.69	0	12.91	23.24
		41 259.21	0	0.00	23.24
		44 162.01	0	0.00	23.24
		47 065.41	0	0.00	0.00
		49 968.21	0	0.00	0.00
		52 872.17	0	0	0.00
		55 776.13	0	0	0.00
	999 999 999.99	0	0	0	
family allowance sched. (t)	trans_sch_s	0	99.68	184.89	412.13
-single parent		14 164.55	79.53	164.75	372.37
		17 067.95	54.23	136.34	332.60
		19 969.62	23.24	102.26	289.73
		22 873.01	20.66	73.85	230.34
		25 776.97	20.66	48.55	190.57
		28 679.78	0	34.09	159.07
		31 582.58	0	34.09	136.34
		34 485.41	0	28.41	119.30
		37 387.65	0	28.41	119.30
		40 292.17	0	28.41	102.26
		43 195.55	0	0	102.26
		46 097.23	0	0	102.26
		49 001.19	0	0	0
		51 904.56	0	0	0
		54 808.51	0	0	0
		57 711.32	0	0	0
	999 999 999.99	0	0	0	

## 2005 Tax equations

The equations for the Italian system in 2005 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_al1	B	SSC
	tax_al2	B	$(\text{earn} > 0) * \text{MIN}(\text{earn} - \text{tax\_al1}, (\text{b\_all} * \text{MIN}(1, (\text{MAX}((1 - (\text{earn} - \text{tax\_al1} - \text{b\_all}) / 26000), 0)))) )$
3. Credits in taxable income	taxbl_cr	B	0
4. CG taxable income	tax_inc_xal2	B	earn-tax_al1
	tax_inc	B	earn-tax_al1-tax_al2
5. CG tax before credits	CG_tax_excl	B	Tax(tax_inc, tax_sch)
6. Tax credits :			
Employment	emp_cr	B	$\text{MIN}((\text{emp\_flat} + \text{VLOOKUP}(\text{tax\_inc\_xal2}, \text{emp\_add}, 2)), \text{CG\_tax\_excl})$
Spouse credit	spouse_cr	P	$\text{IF}(\text{Married}=1, \text{IF}(\text{tax\_inc\_xal2\_spouse} > \text{Sp\_crd\_lim}, 0, \text{VLOOKUP}(\text{tax\_inc\_princ}, \text{Spouse\_cred}, 2)), 0)$
Child credit	child_cr_princ	P	$\text{IF}(\text{Married}=1, (\text{Children} > 0) * \text{VLOOKUP}(\text{tax\_inc\_xal2}, \text{Child\_credit\_m}, 1 + \text{Children}) * (1 - \text{child\_crpct\_spouse}), (\text{Children} > 0) * \text{VLOOKUP}(\text{tax\_inc\_xal2}, \text{Child\_credit\_sp}, 1 + \text{Children}))$
	child_crfull_spo use	S	$(\text{Children} > 0) * (\text{spouse\_cr} = 0) * \text{Married} * \text{VLOOKUP}(\text{tax\_inc\_xal2\_spouse}, \text{Child\_credit\_m}, 1 + \text{Children})$
	child_crpct_spo use	S	$\text{IF}(\text{child\_crfull\_spouse} > 0, \text{MIN}(1, (\text{CG\_tax\_excl\_spouse} - \text{emp\_cr\_spouse}) / \text{child\_crfull\_spouse}), 0)$
	child_cr_spouse	S	child_crfull_spouse * child_crpct_spouse
Total	tax_cr	B	$\text{MIN}(\text{emp\_cr} + \text{spouse\_cr} + \text{child\_cr}, \text{CG\_tax\_excl})$
7. CG tax	CG_tax	B	Positive(CG_tax_excl-tax_cr)
8. State and local taxes	reg_rt	B	$\text{IF}(\text{CG\_tax} > 0; \text{taxable\_income} * \text{reg\_rt}; 0)$
9. Employees' soc security	SSC	B	Tax(earn, SSC_sch)
11. Cash transfers		J	$((\text{Children} + \text{Married}) > 0) * 12 * \text{VLOOKUP}(\text{earn\_total}, \text{IF}(\text{Married}, \text{trans\_sch\_m}, \text{trans\_sch\_s}), 1 + \text{Married} + \text{Children})$
13. Employer's soc security	SSC_empr	B	Tax(earn, Empr_sch)

Key to range of equation:

B calculated separately for both principal earner and spouse.

P calculated for principal only (value taken as 0 for spouse calculation).

J calculated once only on a joint basis.

# Japan

Japan	2005				
	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
<b>1. Gross wage earnings</b>		3302498	4953747	8256245	3302498
<b>2. Standard tax allowances:</b>					
Basic allowance		380000	380000	380000	380000
Married or head of family		0	0	0	0
Dependent children		0	0	0	760000
Deduction for social security contributions and income taxes		391082	586623	920837	391082
Work-related expenses		1170749	1530749	2025625	1170749
Other					
	Total	1941831	2497372	3326461	2701831
<b>3. Tax credits or cash transfers included in taxable income</b>		0	0	0	0
<b>4. Central government taxable income (1 - 2 + 3)</b>		1360667	2456375	4929784	600667
<b>5. Central government income tax liability (exclusive of tax credits)</b>		108853	196510	524765	48053
<b>6. Tax credits</b>					
Basic credit					
Married or head of family					
Children					
Other					
	Total	0	0	0	0
<b>7. Central government income tax finally paid (5-6)</b>		108853	196510	524765	48053
<b>8. State and local taxes</b>		63953	132042	361978	35903
<b>9. Employees' compulsory social security contributions</b>					
Gross earnings		391082	586623	920837	391082
Taxable income					
	Total	391082	586623	920837	391082
<b>10. Total payments to general government (7 + 8 + 9)</b>		563888	915175	1807581	475038
<b>11. Cash transfers from general government</b>					
For head of family					
For two children		0	0	0	0
	Total	0	0	0	0
<b>12. Take-home pay (1-10+11)</b>		2738610	4038572	6448664	2827460
<b>13. Employer's compulsory social security contributions</b>		422125	633188	998445	422125
<b>14. Average rates</b>					
Income tax		5.2%	6.6%	10.7%	2.5%
Employees' social security contributions		11.8%	11.8%	11.2%	11.8%
Total payments less cash transfers		17.1%	18.5%	21.9%	14.4%
Total tax wedge including employer's social security contributions		26.5%	27.7%	30.3%	24.1%
<b>15. Marginal rates</b>					
Total payments less cash transfers: Principal earner		19.0%	23.1%	27.0%	19.0%
Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner		28.2%	31.8%	31.0%	28.2%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

StatLink: <http://dx.doi.org/10.1787/044103071500>

Japan		2005			
		The tax/benefit position of married couples			
Wage level (per cent of average wage)		100-0	100-33	100-67	100-33
Number of children		2	2	2	none
<b>1. Gross wage earnings</b>		4953747	6604996	8256245	6604996
<b>2. Standard tax allowances</b>					
	Basic allowance	380000	760000	760000	760000
	Married or head of family	380000	0	0	0
	Dependent children	760000	760000	760000	0
	Deduction for social security contributions and income taxes	586623	782164	977705	782164
	Work-related expenses	1530749	2191249	2701499	2191249
	Other				
	Total	3637372	4493413	5199203	3733413
<b>3. Tax credits or cash transfers included in taxable income</b>		0	0	0	0
<b>4. Central government taxable income (1 - 2 + 3)</b>		1316375	2111583	3057042	2871583
<b>5. Central government income tax liability (exclusive of tax credits)</b>		105310	168927	244563	229727
<b>6. Tax credits</b>					
	Basic credit				
	Married or head of family				
	Children				
	Other				
	Total	0	0	0	0
<b>7. Central government income tax finally paid (5-6)</b>		105310	168927	244563	229727
<b>8. State and local taxes</b>		68446	106242	146424	155813
<b>9. Employees' compulsory social security contributions</b>					
	Gross earnings	586623	782164	977705	782164
	Taxable income				
	Total	586623	782164	977705	782164
<b>10. Total payments to general government (7 + 8 + 9)</b>		760379	1057333	1368692	1167704
<b>11. Cash transfers from general government</b>					
	For head of family				
	For two children				
	Total	0	0	0	0
<b>12. Take-home pay (1-10+11)</b>		4193368	5547663	6887553	5437292
<b>13. Employer's compulsory social security contributions</b>		633188	844251	1055313	844251
<b>14. Average rates</b>					
	Income tax	3.5%	4.2%	4.7%	5.8%
	Employees' social security contributions	11.8%	11.8%	11.8%	11.8%
	Total payments less cash transfers	15.3%	16.0%	16.6%	17.7%
	Total tax wedge including employer's social security contributions	24.9%	25.5%	26.0%	27.0%
<b>15. Marginal rates</b>					
	Total payments less cash transfers: Principal earner	20.2%	20.2%	20.2%	23.1%
	Total payments less cash transfers: Spouse	18.0%	17.7%	19.0%	17.7%
	Total tax wedge: Principal earner	29.2%	29.2%	29.2%	31.8%
	Total tax wedge: Spouse	27.3%	27.1%	28.2%	27.1%

StatLink: <http://dx.doi.org/10.1787/044103071500>

The national currency is the Yen (JPY). In 2005 JPY 109.34 was equal to USD 1 (average of eleven months daily exchange rates). In that year, the average worker is assumed to earn JPY 4 953 747 (Secretariat estimate).

## 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

- *Basic allowance*: a taxpayer may deduct JPY 380 000 as basic allowance from his or her income.
- *Allowance for spouse*: allowance equal to JPY 380 000 is given to a resident taxpayer who has a spouse, provided certain requirements are met.
- *Allowance for dependents*: if a resident taxpayer has children and other relatives who meet the same requirements as for a spouse mentioned above, an allowance of JPY 380 000 is given for each dependent.
- *Special allowance for dependents*: if a resident taxpayer has dependents who meet the requirement mentioned above and who are between 16 and 22 years old, an allowance of JPY 630 000 is given for each dependent instead of the allowances for dependents mentioned above.
- *Deduction for social insurance premiums*: the amount of social insurance premiums for a resident taxpayer or his/her dependents shall be deducted from his/her income without any ceiling.
- *Employment income deduction*: the following amounts may be deducted from the income in calculating taxable income:
  - ❖ If income received does not exceed JPY 1 800 000 the deduction is 40 per cent of salaries etcetera, but the minimum amount deductible is JPY 650 000.
  - ❖ If income received exceeds JPY 1 800 000, but not JPY 3 600 000, the deduction is JPY 180 000 plus 30 per cent of salaries.
  - ❖ If income received exceeds JPY 3 600 000, but not JPY 6 600 000, the deduction is JPY 540 000 plus 20 per cent of salaries.
  - ❖ If income received exceeds JPY 6 600 000, but not JPY 10 000 000, the deduction is JPY 1 200 000 plus 10 per cent of salaries.
  - ❖ If income received exceeds JPY 10 000 000, the deduction is JPY 1 700 000 plus 5 per cent of salaries.



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

- *Credit for housing loans:* A resident taxpayer who constructs, purchases, enlarges or rebuilds a house, financing its cost by housing loans and uses it as his or her own dwelling, is entitled to an income tax credit up to the amount described below for 10 years after the year including the day when the house is put in use, provided that: the floor space is 50m<sup>2</sup> or more, and not less than half of the floor space in use is for own dwelling. Base of the tax credit is equal to the balance of the housing loan debt amount, calculated at the end of each year, consisting of the loan obtained not only from private financial institutions but also from public institutions. This tax credit cannot be claimed by those whose total income is not less than JPY 30 million.
- The rates for tax credits correspond to the year in which residence in the house commenced as follows :

Residence starts:	From 1 July in 2001 to 31 December 2004	From 1 January in 2005 to 31 December 2005	From 1 January in 2006 to 31 December 2006
Tax credit rate	If the remaining housing loan balance at the end of year (R.H.L.B.) is JPY 50 million or less: The R.H.L.B. x 1.0%	If the R.H.L.B. is JPY 40 million or less: The R.H.L.B. x 1.0% (for first 8 years) The R.H.L.B. x 0.5% (for last 2 years)	If the R.H.L.B. is JPY 30 million or less: The R.H.L.B. x 1.0% (for first 7 years) The R.H.L.B. x 0.5% (for last 3 years)
Maximum tax credit amount (for each year)	JPY 500 000	JPY 400 000 JPY 200 000 (for last 2 yrs)	JPY 300 000 JPY 150 000 (for last 3 yrs)
Maximum tax credit amount (for the deductible period in total)	JPY 5 million	JPY 3.6 million	JPY 2.55 million
Residence starts:	From 1 January in 2007 to 31 December 2007	From 1 January in 2008 to 31 December 2008	
Tax credit rate	If the R.H.L.B. is JPY 25 million or less: The R.H.L.B. x 1.0% (for first 6 years) The R.H.L.B. x 0.5% (for last 4 years)	If the R.H.L.B. is JPY 20 million or less: The R.H.L.B. x 1.0% (for first 6 years) The R.H.L.B. x 0.5% (for last 4 years)	
Maximum tax credit amount (for each year)	JPY 250 000 JPY 125 000 (for last 4 yrs)	JPY 200 000 JPY 100 000 (for last 4 yrs)	
Maximum tax credit amount (for the deductible period in total)	JPY 2 million	JPY 1.6 million	

- *Deduction for life insurance premiums and personal pension plan premiums:* If a resident taxpayer pays insurance premiums on life insurance contracts, under which the recipient of insurance proceeds is the taxpayer, his/her spouse or other relatives living with him, that portion of such premiums which does not exceed the maximum prescribed below, is deductible from ordinary income, retirement income or timber income.

In addition, if a resident taxpayer pays insurance premiums for a “qualified personal pension plan (insurance type)”, under which the recipient of the pension payment is the taxpayer or his/her spouse under a specific condition, the portion of such premiums which does not exceed the maximum prescribed below, is deductible from ordinary income, retirement income, or timber income.

Premiums paid (JPY)		Deduction
Over	Not over	
	25 000	Total amount of premiums paid (1)
25 000	50 000	(1) x 1/2 + JPY 12 500
50 000	100 000	(1) x 1/4 + JPY 25 000
100 000	–	JPY 50 000

As for the insurance premiums of this type of pension plan, the deduction for life insurance premiums is not applied.

- *Deduction for medical expenses:* If a resident taxpayer pays bills for medical or dental care for himself/herself or for his/her spouse or other relatives living with him/her and the amount of such expenses (excluding those recovered by insurance) exceeds the lesser of JPY 100 000 and 5 per cent of the total of his/her ordinary income, retirement income and timber income, the excess amount is deductible from his/her ordinary income, retirement income or timber income. The maximum deductible is JPY 2 million.
- *Deduction for casualty insurance premiums:* If a resident taxpayer pays insurance premiums for fire or other casualty insurance, covering the house which he/she, his/her spouse or other relatives own and live in, or on household goods necessary for daily living, a portion of those premiums up to the maximum indicated below, is deductible from ordinary income, retirement income, or timber income.

Type of insurance	Premiums paid		Deduction
	Over	Not over	
Long-term insurance		JPY 10 000	Total amount of premiums paid (1)
	JPY 10 000	JPY 20 000	(1) x 1/2+ JPY 5 000
	JPY 20 000		JPY 15 000
Short-term insurance		JPY 2 000	Total amount of premiums paid (2)
	JPY 2 000	JPY 4 000	(2) x 1/2+ JPY 1 000
	JPY 4 000		JPY 3 000

### 1.1.3. Tax schedule

Taxable income (JPY)		Tax rate (%) (A)	Deductible amounts for each bracket (JPY) (B)
Over	Not over		
	3 300 000	10	
3 300 000	9 000 000	20	330 000
9 000 000	18 000 000	30	1 230 000
18 000 000		37	2 490 000

Proportional tax reduction (C) : 20 per cent of calculated amount (ceiling: JPY 250 000).

Tax liability is obtained by multiplying the taxable income by tax rate (A) and deducting the amount (B). In addition, Proportional Tax Reduction (C) is granted from (Fy) 1999. From 2006, the rate of the reduction will be reduced from 20 per cent to 10 per cent and the ceiling will be reduced from JPY 250 000 to JPY 125 000. For example, income tax due on taxable income of JPY 7 million is:

$$7\,000\,000 \times 0.20 \text{ (A)} - 330\,000 \text{ (B)} - 214\,000 \text{ (C)} = \text{JPY } 856\,000.$$

## 1.2. State and local income taxes

### 1.2.1. General description of the system

State and local income taxes in Japan consist of prefectural inhabitants tax levied by prefectures and municipal inhabitants tax levied by cities, towns and villages. The prefectural inhabitants tax is collected together with the municipal inhabitants tax by cities, towns and villages.

### 1.2.2. Tax base

The base for prefectural and municipal inhabitants' taxes is taxable income augmented by a fixed per capita amount. The taxable income is similar to the one computed for the purpose of the previous year's national income tax (see below).

Note: Calculation of income for local inhabitants' taxes is slightly different from the one for the national income tax. For example, the amount of Basic Allowance, Allowance for Spouse, Allowance for Dependants is JPY 330 000, the amount of Special Allowance for dependants is JPY 450 000, etc.

### 1.2.3. Tax rate

- The standard per capita tax rate of Prefectural inhabitants' tax is JPY 1 000.
- The standard per capita tax rate of Municipal inhabitants' tax is JPY 3 000.
- The standard rate of Prefectural and Municipal inhabitants' tax is as follows:

Taxable income (JPY)		Tax rate (%) (A)	Deductible amounts for each bracket (JPY) (B)
Over	Not over		
<b>Prefectural inhabitants' tax</b>			
	7 000 000	2	–
7 000 000	–	3	70 000
<b>Municipal inhabitants' tax</b>			
	2 000 000	3	–
2 000 000	7 000 000	8	100 000
7 000 000	–	10	240 000

Proportional tax reduction (C) : 15 % of calculated amount (ceiling: JPY 40 000).

Tax liability is obtained by multiplying the taxable income by tax rate (A) and deducting the amount (B). In addition, Proportional Tax Reduction (C) is granted from FY 1999. From FY 2006, the rate of the reduction will be reduced from 15 per cent to 7.5 per cent and the ceiling will be reduced from JPY 40 000 to JPY 20 000.

For example, income tax due on taxable income of JPY 3 million is:

$$3\,000\,000 \times (0.02 + 0.03)(A) - 100\,000 (B) - 30\,000 (C) = \text{JPY } 170\,000.$$

### 1.2.4. Tax rate selected for this study

Country-wide rates as described above.

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

### 2.1. Employees' contributions

#### 2.1.1. Pension

6.967 per cent of total remuneration (standard remuneration and bonuses), up to the insurable ceiling of JPY 620 000 (monthly).

#### 2.1.2. Sickness

4.1 per cent of total remuneration (standard remuneration and bonuses) up to the insurable ceiling of JPY 980 000 (monthly).

#### 2.1.3. Unemployment

0.8 per cent of total remuneration (raised to 0.8 per cent from 0.7 per cent from 1 April 2005).

#### 2.1.4-1.5. Work injury and family allowance

None.

### 2.2. Employers' contributions

#### 2.2.1. Pensions

6.967 per cent of total remuneration, up to the insurable ceiling of JPY 620 000 (monthly).

#### 2.2.2. Sickness

4.1 per cent of total remuneration up to the insurable ceiling of JPY 980 000 (monthly).

#### 2.2.3. Unemployment

1.15 per cent of total remuneration (raised to 1.15 per cent from 1.05 per cent from 1 April 2005).

#### 2.2.4. Work injury

0.5 per cent to 12.9 per cent of total remuneration, the contribution rate depending on each industry's accident rate over the last three years and other factors. There are thirty-one rates for fifty-one industrial categories at present.

#### 2.2.5. Family allowance

0.09 per cent of total remuneration.

## 3. Universal cash transfers

### 3.1. Transfers related to marital status

Not available.

### 3.2. Transfers for dependent children

JPY 5 000 for the first and second child until the first March after the age of nine, and JPY 10 000 for the third and subsequent children until the first March after the age of nine.

## 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 per cent to 37 per cent. The top rate of the local inhabitants' tax was reduced from 15 per cent to 13 per cent. Proportional tax reduction was granted on national income tax and local inhabitants' tax. The amount is equal to the lesser of 20 per cent (local inhabitants' tax: 15 per cent) of the amount of tax before reduction or JPY 250 000 (local inhabitants' tax: JPY 40 000).

As part of the FY 2005 tax reform, the rate of the reduction will be reduced from 20 per cent to 10 per cent (local inhabitants' tax: from 15 per cent to 7.5 per cent), the ceiling will be reduced from JPY 250 000 to JPY 125 000 (local inhabitants' tax from JPY 40 000 to JPY 20 000) from 2006 (local inhabitants' tax: FY 2006).

Eligible age for transfers for dependant children was raised from three to six from 1 June 2001 and from six to nine from 1 April 2004.

## 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 all establishments with ten or more regular employees over the whole country, and contains statistical figures for monthly contractual cash earnings in June and annual special cash earnings (such as bonuses) received by various categories of workers. Male and female workers of the manufacturing sector in an average age group are the point of departure. Their gross annual earnings have been calculated by multiplying monthly contractual cash earnings by 12 and adding any annual special cash earnings. In the *Basic Survey*, sickness and unemployment compensations are excluded from cash earnings, but average overtime and bonuses are included.

As far as the *Basic Survey* is concerned, it covers the whole country, and no special assumption is made regarding the place of residence of the average worker.

### 5.2. Employer contributions to private pension and health schemes

No information available.

## 2005 Parameter values

	Ave_earn	4 953 747	Secretariat estimate
Allowances for central tax	basic_al	380 000	
	spouse_al	380 000	
	child_al	380 000	
Employment income deduction	emp_inc_min	650 000	
	emp_inc_sch	0.4	1 800 000
		0.3	3 600 000
		0.2	6 600 000
		0.1	10 000 000
		0.05	
Central gov't tax schedule	tax_sch	0.1	3 300 000
		0.2	9 000 000
		0.3	18 000 000
		0.37	
Central gov't tax reduction			
	cgtax_redn_rt	0.20	
	cgtax_redn_max	250 000.00	
Allowances for state/local tax	s_basic_al	330 000	
	s_spouse_al	330 000	
	s_child_al	330 000	
Prefectural tax	pref_per_cap	1 000	
Municipal tax	mun_per_cap	3 000	
	local_sch	0.05	2 000 000
		0.10	7 000 000
		0.13	
Local gov't tax reduction	loctax_redn_rt	0.15	
	loctax_redn_max	40 000	
Social security contributions	SSC_pens	0.06967	
	pens_ceil	7 440 000	
	SSC_sick	0.041	
	sick_ceil	11 760 000	
	SSC_unemp	0.0078	
Employer contribution proportion	SSC_empr_unemp	0.0113	
	SSC_empr_oth	0.0059	

## 2005 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= basic_al + spousal_al+child_al + work_al + SSC	P	basic_al + Married*(earn=0)*spouse_al + Children*child_al + MAX(emp_inc_min, Tax(earn, emp_inc_sch)) + SSC
	tax_al= basic_al + work_al + SSC	S	basic_al + MAX(emp_inc_min, Tax(earn, emp_inc_sch)) + SSC
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)-MINA(cgtax_redn_rt*Tax(tax_inc, tax_sch), cgtax_redn_max))
6. Tax credits :	tax_cr	B	0
7. CG tax	CG_tax	B	CG_tax_excl
8. State and local taxes			
Taxable income for local taxes	local_inc_princ	P	Positive(earn-(s_basic_al+Married*(earn_sp=0)*s_spouse_al+Children*s_child_al+MAX(emp_inc_min, Tax(earn, emp_inc_sch)) + SSC))
	local_inc_sp	S	Positive(earn-(s_basic_al+MAX(emp_inc_min, Tax(earn, emp_inc_sch)) + SSC))
Tax	local_tax	P	pref_per_cap+mun_per_cap+Positive(Tax(local_inc_princ, local_sch)-MINA(loctax_redn_rt*Tax(local_inc_princ, local_sch), loctax_redn_max))
		S	(earn>0)*(pref_per_cap+mun_per_cap+Positive(Tax(local_inc_sp, local_sch)-MINA(loctax_redn_rt*Tax(local_inc_sp, local_sch), loctax_redn_max)))
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	0
13. Employer's soc 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).





# Korea

Korea	2005				
	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
<b>1. Gross wage earnings</b>		19153217	28729826	47883043	19153217
<b>2. Standard tax allowances</b>					
Basic allowance					
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes					
Work-related expenses					
Other					
	Total	14484877	16352316	19085505	16984877
<b>3. Tax credits or cash transfers included in taxable income</b>		0	0	0	0
<b>4. Central government taxable income (1 - 2 + 3)</b>		4668340	12377510	28797538	2168340
<b>5. Central government income tax liability (exclusive of tax credits)</b>		373467	1204177	3995581	173467
<b>6. Tax credits</b>					
Basic credit		205407	486253	500000	95407
Married or head of family					
Children					
Other					
	Total	205407	486253	500000	95407
<b>7. Central government income tax finally paid (5-6)</b>		168060	717924	3495581	78060
<b>8. State and local taxes</b>		16806	71792	349558	7806
<b>9. Employees' compulsory social security contributions</b>					
Gross earnings		1360836	2041254	3191353	1360836
Taxable income					
	Total	1360836	2041254	3191353	1360836
<b>10. Total payments to general government (7 + 8 + 9)</b>		1545702	2830970	7036493	1446702
<b>11. Cash transfers from general government</b>					
For head of family					
For two children					
	Total	0	0	0	0
<b>12. Take-home pay (1-10+11)</b>		17607515	25898856	40846550	17706515
<b>13. Employers' compulsory social security contributions</b>		1719001	2578502	4086766	1719001
<b>14. Average rates</b>					
Income tax		1.0%	2.7%	8.0%	0.4%
Employees' social security contributions		7.1%	7.1%	6.7%	7.1%
Total payments less cash transfers		8.1%	9.9%	14.7%	7.6%
Total tax wedge including employer's social security contributions		15.6%	17.3%	21.4%	15.2%
<b>15. Marginal rates</b>					
Total payments less cash transfers: Principal earner		10.3%	17.6%	19.9%	10.3%
Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner		17.7%	24.4%	23.3%	17.7%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

StatLink: <http://dx.doi.org/10.1787/175555847226>

Korea	2005				
	The tax/benefit position of married couples				
	Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
	Number of children	2	2	2	none
<b>1. Gross wage earnings</b>		28729826	38306435	47883043	38306435
Spouse adjustment when spouse income < allowance					-9576609
	Total	28729826	38306435	47883043	28729826
<b>2. Standard tax allowances</b>					
Basic allowance					
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes					
Work-related expenses					
	Subtotal	19352316	29571568	33337193	27571568
Adjustment spouse income < allowance					-11219252
	Total	19352316	29571568	33337193	16352316
<b>3. Tax credits or cash transfers included in taxable income</b>		0	0	0	0
<b>4. Central government taxable income (1 - 2 + 3)</b>		9377510	10377510	14545850	12377510
<b>5. Central government income tax liability (exclusive of tax credits)</b>		750201	864177	1197644	1204177
<b>6. Tax credits</b>					
Basic credit		350060	384253	567660	486253
Married or head of family					
Children					
Other					
	Total	350060	384253	567660	486253
<b>7. Central government income tax finally paid (5-6)</b>		400141	479924	629984	717924
<b>8. State and local taxes</b>		40014	47992	62998	71792
<b>9. Employees' compulsory social security contributions</b>					
Gross earnings		2041254	2721672	3402090	2721672
Taxable income					
	Total	2041254	2721672	3402090	2721672
<b>10. Total payments to general government (7 + 8 + 9)</b>		2481409	3249588	4095073	3511388
<b>11. Cash transfers from general government</b>					
For head of family					
For two children					
	Total	0	0	0	0
<b>12. Take-home pay (1-10+11)</b>		26248417	35056846	43787971	34795046
<b>13. Employers' compulsory social security contributions</b>		2578502	3438003	4297503	3438003
<b>14. Average rates</b>					
Income tax		1.5%	1.4%	1.4%	2.1%
Employees' social security contributions		7.1%	7.1%	7.1%	7.1%
Total payments less cash transfers		8.6%	8.5%	8.6%	9.2%
Total tax wedge including employer's social security contributions		16.2%	16.0%	16.1%	16.6%
<b>15. Marginal rates</b>					
Total payments less cash transfers: Principal earner		12.1%	17.6%	17.6%	17.6%
Total payments less cash transfers: Spouse		8.0%	7.1%	10.3%	7.1%
Total tax wedge: Principal earner		19.3%	24.4%	24.4%	24.4%
Total tax wedge: Spouse		15.6%	14.8%	17.7%	14.8%

StatLink: <http://dx.doi.org/10.1787/175555847226>

The national currency is the Won (KRW). In 2005 KRW 1 024.37 was equal to USD 1 (average of eleven months daily exchange rates). In this year, the average production worker is expected to earn KRW 28 729 826.

## 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:

- national pension, medical insurance, unemployment insurance and work injury 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 1 000 000 per month is non-taxable.

#### 1.1.2. Allowances and tax credits

##### 1.1.2.1. Standard reliefs

The standard reliefs are taken as deductions from gross income:

- *Employment income deduction*: the following deduction from gross income is allowed for wage and salary income earners:

Salary	Deduction
Up to KRW 5 000 000	Total amount
KRW 5 000 000 to KRW 15 000 000	KRW 5 000 000 plus 50% of the salary over KRW 5 000 000
KRW 15 000 000 to KRW 30 000 000	KRW 10 000 000 plus 15% of the salary over KRW 15 000 000
KRW 30 000 000 to KRW 45 000 000	KRW 12 250 000 plus 10% of the salary over KRW 30 000 000
Over KRW 45 000 000	KRW 13 750 000 plus 5% of the salary over KRW 45 000 000

- *Basic allowance*: a taxpayer can deduct KRW 1 000 000 from his/her income for each person who meets one of following conditions:
  - ❖ taxpayer him/herself;
  - ❖ taxpayer's spouse whose taxable income is under KRW 1 000 000;
  - ❖ taxpayer's (including the spouse's) dependents (parents, siblings, children) within the same household whose income after accounting for the employment income deduction is under KRW 1 000 000 and whose ages are as follows:
    1. parents: aged 60 years (female: aged 55 years) or over;

2. brother/sister: aged 60 years (female: aged 55 years) or over, or aged 20 years or under;
  3. children: aged 20 years or under (for the purposes of this Report, where there are two wage earners in the household, it is assumed that the principal wage earner will always claim this allowance).
- **Additional allowance:** a taxpayer can deduct KRW 1 000 000 (500 000 in the case of (c), 2 000 000 in the case of (b) from his/her gross income when the taxpayer or his/her dependents fall into the following categories (for this report, only cases (c) and (d) would be applicable):
    - ❖ a person aged 65 years or over (KRW 1 500 000 in case of 70 years or over)(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 (in the case of this report, any female wage earner would be entitled to this allowance)\* (c)
    - ❖ a child aged 6 years or under (For the purposes of this Report, this allowance is claimed by the principal wage earner in households with children.) (d)
  - **Extra allowance:**
    - ❖ an income earner who is not claiming any other dependents may deduct KRW 1 000 000 from gross income;
    - ❖ a single income earner with a single dependent (e.g., spouse, child) may deduct KRW 500 000 from gross income.
  - **Compulsory social security contribution:**
    - ❖ *National pension deduction:* Employees can deduct 100 per cent of their contribution of National Pension.
  - **Tax credits:** for wage and salary income earners, the following tax credit is allowed.

Calculated tax	Amount of tax credit
Up to KRW 500 000	55% of calculated tax
Over KRW 500 000	KRW 275 000 plus 30% of the calculated tax over KRW 500 000 (limit: KRW 500 000)

#### 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:

- **Insurance premiums (a):** general insurance premium up to KRW 1 000 000 plus Medical insurance premium and Unemployment insurance premium deduction: employees can deduct 100% of their contribution to authorities.
- **Medical expense (b):** up to KRW 5 000 000. Full deductions are allowed for medical expenses exceeding 3% of taxable income for the taxpayer himself, taxpayer's dependents who are aged 65 years or over and handicapped persons.

\* This extra allowance was introduced to promote female work-force participation. The presence of this allowance necessitates further specifying the demographic make-up of each family type considered within this report. To that end, for Korea, it is assumed that with the exception of the single parent with two children, the principal wage earner is a male.

- *Educational expense (c)*: Tuition fees for pre-school, elementary, middle school and college (but graduate school fee deduction is allowed only for taxpayer himself, either for the taxpayer himself or his/her dependents (including the taxpayer's spouse, children, and siblings), can be deducted from gross income. Deductible amount is full for taxpayer, and for dependents as follows:
  - ❖ for pre-school: up to KRW 2 000 000 per child;
  - ❖ for elementary, middle and high school: up to KRW 2 000 000 per student;
  - ❖ for college/university: up to KRW 7 000 000 per student.
- *Saving/Payment for housing (d)*: full amount paid up to KRW 10 000 000 for the interest of long-term mortgage loans for purchasing a house plus 40 per cent of the amount repaid for the loan for leasing house or the amount contributed to a savings account for housing by a taxpayer who does not own a house or owns one which is not more than 85m<sup>2</sup>.
- *Charities (e)*: deductible amount is as follows:
  - ❖ donation to a government body, donation for national defense, natural disaster, certain charitable associations: total amount up to gross income;
  - ❖ donation to public welfare, religious associations: up to ten per cent of gross income.
- *Credit card purchase (f)*: Employees may deduct 20 per cent of their credit/debit card purchases that exceed 15 per cent of their total income to a maximum of the lesser of KRW 5 000 000 or 10 per cent of their total income.
- *Lump-sum tax relief*: Any taxpayer whose total deductible expense for (a), (b), (c), (d), (e) and (f) is not over KRW 1 000 000 may deduct KRW 1 000 000 from their gross income as a lump-sum tax relief.

### 1.1.3. Tax schedule

Over (KRW)	Not more than (KRW)	Marginal tax rate (%)
0	10 000 000	8
10 000 000	40 000 000	17
40 000 000	80 000 000	26
80 000 000		35

## 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 per cent is applied. However, the local government can adjust the rate between the lower limit of 5 per cent and upper limit of 15 per cent.

### 1.2.3. Tax rate (selected for this study)

A country-wide rate of 10 per cent.

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

### 2.1. Employees' contribution

#### 2.1.1. National pension

4.5 per cent of standardised average monthly wage income (for the purposes of this report, standardised average monthly wage income is taken to mean gross earnings) to a maximum of KRW 1 944 000.

#### 2.1.2. Medical insurance

Insurance premium is charged at 2.155 per cent of standardised average monthly wage income.

#### 2.1.3. Unemployment insurance

0.45 per cent of gross income.

#### 2.1.4. Work injury insurance

Employer only.

### 2.2. Employers' contribution

#### 2.2.1. National pension

4.5 per cent of standardised average monthly wage income to a maximum of KRW 1 944 000.

#### 2.2.2. Medical insurance

- insurance premium is charged at 2.155 per cent of standardised average monthly wage income.

#### 2.2.3. Unemployment insurance

- insurance premium is charged between 0.7 per cent and 1.3 per cent of gross income;
- insurance premium selected for this study is 0.7 per cent.

#### 2.2.4. Work injury insurance

- insurance premium is a specific rate for each industry set by the Labour Minister x gross income;
- average rate of all industries (selected for this study) is 1.62 per cent.

## 3. Universal cash transfers

None.

## 4. Main changes in tax/benefit system since 2000 with regard to APW

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 per cent to 47.5 per cent. 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 per cent to 50 per cent. 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.

## 5. Memorandum item

### 5.1. Identification of the Average Production Worker (APW)

Sector used: manufacturing.

Geographical coverage: whole country.

Type of workers: production workers (male and female).

### 5.2. Method to calculate earnings

The *Report on Monthly Labour Survey* covering data in the first half of 2005 by the Ministry of Labour is used to calculate the annual earnings of the AW. The statistics were obtained through a sample survey of 4 900 firms with ten or more regular employees throughout the whole country.

Basic method of calculation used: average monthly earnings x 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 per cent 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).



## 2005 Parameter values

AW earnings	Ave_earn	28 729 826	Secretariat Estimate
Tax allowances	basic_al	1 000 000	
spouse	spouse_al	1 000 000	
dependents including children	dep_al	1 000 000	
extra allowance 1	ext1_all	1 000 000	
extra allowance 2	ext2_all	500 000	
additional allowance	add_all	500 000	
additional allowance 2	add2_all	1 000 000	
Main non-standard tax relief	lump_sum	1 000 000	
max number of kids permitted to be under 7	child_und7_max	1	
Employment income deduction	empdedsch	0	1
		5 000 000	0.5
		15 000 000	0.15
		30 000 000	0.1
		45 000 000	0.05
Tax credit threshold	tax_thresh	500 000	
maximum credit	cred_max	500 000	
tax credit rate 1	cred_rate1	0.55	
tax credit rate 2	cred_rate2	0.3	
Tax schedule	tax_sch	0.08	10 000 000
		0.17	40 000 000
		0.26	80 000 000
		0.35	
Local tax rate	local_rate	0.1	
Social security contributions	SSC_pens	0.045	
	SSC_pens_max	1 944 000	
	SSC_sick	0.02155	
	SSC_unemp	0.0045	
Employer contributions	emp_pens	0.045	
	emp_sick	0.02155	
	emp_unemp	0.007	
	emp_inj	0.0162	

## 2005 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	Empincedd(earn, empinceddsch)
Basic	bas_al	B	basic_al
Spouse	sp_al	P	Married*spouse_al*(earn_spouse-emp_al_spouse<=spouse_al)
Dependents	dp_al	P	Children*dep_al
Extra and additional allowances	ext_al_princ	P	(1-Married)*(Children=0)*ext1_all + Married*((sp_al+dp_al)=0)*ext1_all + (1- Married)*(Children>0)*add_all+(Children>0)*add2_all
Extra and additional allowances	ext_al_spouse	S	(earn_spouse>0)*(ext1_all + add_all)
Social Security Contribution (SSC)	ssc_al	P	SSC
Main non-standard tax relief	lump_sum	B	if(earn>0,if(earn*(SSC_sick+SSC_unemp)>lump_sum,earn*(SSC_sick+SSC_unemp),lump_sum),0)
Total	tax_al	B	emp_al+bas_al+sp_al+dp_al+ext_al+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 :	tax_cr	B	IF(CG_tax_excl<=tax_thresh, cred_rate1* CG_tax_excl, MIN((cred_rate1*tax_thresh+ cred_rate2*(CG_tax_excl- tax_thresh)), cred_max))
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	MIN(earn*SSC_pens, ssc_pens_max)+earn*(SSC_sick+SSC_unemp))
11. Cash transfers	cash_trans	J	0
13. Employer's soc security	SSC_empr	B	MIN(earn*(SSC_pens), ssc_pens_max)+earn*(emp_pens+emp_sick+emp_unemp+emp_i nj)

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.

# Luxembourg

<b>Luxembourg</b>		<b>2005</b>			
<b>The tax/benefit position of single persons</b>					
	Wage level (per cent of average wage)	67	100	167	67
	Number of children	none	none	none	2
<b>1. Gross wage earnings</b>		27000	40500	67500	27000
<b>2. Standard tax allowances</b>					
Basic allowance		1080	1080	1080	1080
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes		3524	5285	8809	3524
Work-related expenses		936	936	936	936
Other		0	0	0	0
	Total	5540	7301	10825	5540
<b>3. Tax credits or cash transfers included in taxable income</b>		0	0	0	0
<b>4. Central government rounded taxable income (1 - 2 + 3)</b>		21450	33150	56650	21450
<b>5. Central government income tax liability (exclusive of tax credits)</b>		1691	5083	14209	266
<b>6. Tax credits</b>					
Basic credit					
Married or head of family					
Children		0	0	0	266
Other					
	Total	0	0	0	266
<b>7. Central government income tax finally paid (5-6)</b>		1691	5083	14209	0
<b>8. State and local taxes</b>		0	0	0	0
<b>9. Employees' compulsory social security contributions</b>					
Gross earnings		3749	5646	9440	3749
Taxable income					
	Total	3749	5646	9440	3749
<b>10. Total payments to general government (7 + 8 + 9)</b>		5441	10729	23648	3749
<b>11. Cash transfers from general government</b>					
For head of family					
For children		0	0	0	5529
	Total	0	0	0	5529
<b>12. Take-home pay (1-10+11)</b>		21559	29771	43852	28780
<b>13. Employers' compulsory social security contributions</b>		3705	5481	9034	3705
<b>14. Average rates</b>					
Income tax		6.3%	12.6%	21.0%	0.0%
Employees' social security contributions		13.9%	13.9%	14.0%	13.9%
Total payments less cash transfers		20.2%	26.5%	35.0%	-6.6%
Total tax wedge including employer's social security contributions		29.8%	35.3%	42.7%	6.3%
<b>15. Marginal rates</b>					
Total payments less cash transfers: Principal earner		33.7%	46.1%	47.9%	14.0%
Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner		41.4%	52.4%	54.0%	24.0%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

StatLink: <http://dx.doi.org/10.1787/648650267833>

<b>Luxembourg</b>		<b>2005</b>			
<b>The tax/benefit position of married couples</b>					
Wage level (per cent of average wage)		100-0	100-33	100-67	100-33
Number of children		2	2	2	none
<b>1. Gross wage earnings</b>		40500	54000	67500	54000
<b>2. Standard tax allowances</b>					
	Basic allowance	1080	2160	2160	2160
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes	5285	7047	8809	7047
	Work-related expenses	936	1872	1872	1872
	Other	0	4500	4500	4500
	Total	7301	15579	17341	15579
<b>3. Tax credits or cash transfers included in taxable income</b>		0	0	0	0
<b>4. Central government rounded taxable income (1 - 2 + 3)</b>		33150	38400	50150	38400
<b>5. Central government income tax liability (exclusive of tax credits)</b>		1562	2472	5124	2472
<b>6. Tax credits</b>					
	Basic credit				
	Married or head of family				
	Children	1562	1845	1845	0
	Other				
	Total	1562	1845	1845	0
<b>7. Central government income tax finally paid (5-6)</b>		0	627	3279	2472
<b>8. State and local taxes</b>		0	0	0	0
<b>9. Employees' compulsory social security contributions</b>					
	Gross earnings	5646	7499	9396	7499
	Taxable income				
	Total	5646	7499	9396	7499
<b>10. Total payments to general government (7 + 8 + 9)</b>		5646	8126	12675	9971
<b>11. Cash transfers from general government</b>					
	For head of family				
	For children	5529	5529	5529	0
	Total	5529	5529	5529	0
<b>12. Take-home pay (1-10+11)</b>		40383	51403	60354	44029
<b>13. Employers' compulsory social security contributions</b>		5481	7374	9186	7374
<b>14. Average rates</b>					
	Income tax	0.0%	1.2%	4.9%	4.6%
	Employees' social security contributions	13.9%	13.9%	13.9%	13.9%
	Total payments less cash transfers	0.3%	4.8%	10.6%	18.5%
	Total tax wedge including employer's social security contributions	12.2%	16.2%	21.3%	28.3%
<b>15. Marginal rates</b>					
	Total payments less cash transfers: Principal earner	14.1%	30.1%	37.2%	30.1%
	Total payments less cash transfers: Spouse	18.4%	30.1%	37.2%	30.1%
	Total tax wedge: Principal earner	24.0%	38.2%	44.5%	38.2%
	Total tax wedge: Spouse	28.4%	38.7%	44.5%	38.7%

StatLink: <http://dx.doi.org/10.1787/648650267833>

The national currency is the euro (EUR). In 2005, EUR 0.80 equalled USD 1 (daily average over 11 months). The Secretariat has estimated that in that same year the average worker earned EUR 40 500.

## 1. Personal income tax system

### 1.1. Taxes levied by central government

#### 1.1.1. Tax unit

Spouses 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.

#### 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.
- Taxpayers may deduct at least EUR 396 for commuting expenses. This standard deduction increases by EUR 99 for each kilometre beginning with the fourth, up to a limit of EUR 2 970.
- 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.
- Wage-earners may reduce their taxable income by a special "compensatory exemption" of EUR 600. This deduction is doubled for spouses taxed jointly.
- If both spouses have earned income and are taxed jointly, they qualify for a supplementary 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. 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. However, the deduction of interest charges is capped at EUR 672 per year. This ceiling is increased by EUR 672 for the taxpayer's spouse and for each child.

- 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. However, deductions are subject to the same limits as interest charges.
- Payments to an insurance company or credit institution in respect of an individual retirement scheme are deductible.
- Contributions to licensed homebuyer savings plans are deductible up to the limits for interest charges. The ceiling varies between EUR 1 500 and EUR 3 200, depending on the subscriber's age. Each spouse may take out such a contract and qualify for the respective ceilings.
- Interest charges in respect of the rental value of owner-occupied housing are deductible only up to an annual ceiling. During the first five years, the ceiling is EUR 1 500; for the following five years it is EUR 1 125; thereafter it is EUR 750. These ceilings are increased by an equal amount for the taxpayer's spouse, and for each qualifying child.
- 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).

### 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 less than	9 750
8 % for the portion of income between	9 750 and 11 400
10 % for the portion of income between	11 400 and 13 050
12 % for the portion of income between	13 050 and 14 700
14 % for the portion of income between	14 700 and 16 350
16 % for the portion of income between	16 350 and 18 000
18 % for the portion of income between	18 000 and 19 650
20 % for the portion of income between	19 650 and 21 300
22 % for the portion of income between	21 300 and 22 950
24 % for the portion of income between	22 950 and 24 600
26 % for the portion of income between	24 600 and 26 250
28 % for the portion of income between	26 250 and 27 900
30 % for the portion of income between	27 900 and 29 550
32 % for the portion of income between	29 550 and 31 200
34 % for the portion of income between	31 200 and 32 850
36 % for the portion of income between	32 850 and 34 500
38 % for the portion of income exceeding	34 500

The income tax liability of *single* taxpayers is determined by applying the above schedule to taxable income.

The income tax liability of *married* taxpayers 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 39 000, with the marginal tax rate capped at 38%.

The income tax liability of a taxpayer with a dependent child is reduced by EUR 900 per child, up to the total amount of tax due.

Income tax as determined by the applicable schedules is subject to a 2.5% “solidarity” surtax to finance the employment fund.

#### 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 3 480.

Single-parent households are allowed an exemption of EUR 1 920 if there is a child in the household.

### 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, less a lump sum that is set annually in the budget bill.

## 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	(7 333.85 x 12 =) 88 006.2
b) Health insurance	5.05	5.05	Same ceilings as a)
c) Dependency insurance		1	
d) Health in the workplace	0.11		
e) Accident insurance	Rate varies according to the probability of accidents (0.6 – 6) <sup>1</sup>		

1. For accident insurance, the employer's share is assumed to be 0.86%.

No distinction is made according to family status or gender.

## 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. For 2004, the amounts are:

Effective date	As of 1 October 2004
1 eligible child	EUR 1 781.08
2 eligible children	EUR 429.98
3 eligible children	EUR 783.98

Starting with the third eligible child, the allowance is raised by about EUR 344 per child (EUR 353 as from 1 October 2004).



The amounts indicated above are increased by EUR 15.39 (EUR 15.78 as from 1 October 2004) for children aged 6 to 11 and by EUR 46.18 (EUR 47.34 as from 1 October 2004) for those aged 12 years or older.

#### 4. Main changes since 2001

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.

In respect of direct taxes, it is important to note that joint taxation of spouses does not extend to partners under the aforementioned Act. The newly introduced Article 127 *quarter* of the Income Tax Act (LIR) allows a taxpayer to claim a deduction for extraordinary expenses in respect of material assistance to a partner with whom he or she shares a home or a common residence. The amount of the deduction is reduced by the income of the partner to whom the support is provided.

The amount of the partner’s deduction is set at EUR 9 780 per year (EUR 815 per month). It is increased by EUR 1 020 per year (EUR 86 per month) for each of the partner’s children living in the taxpayer’s household and aged less than 21 years at the beginning of the tax year.

#### 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.

## 2005 Parameter values

AW earnings	Ave_earn	40 500	Secretariat estimate
Tax allowances: general	gen_dedn	480	
compensation	comp_al	600	
professional expenses	prof_exp	540	
travel expenses	travel_exp	396	
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	39 000	
Tax schedule	tax_sch	0	9 750
		0.08	11 400
		0.1	13 050
		0.12	14 700
		0.14	16 350
		0.16	18 000
		0.18	19 650
		0.2	21 300
		0.22	22 950
		0.24	24 600
		0.26	26 250
		0.28	27 900
		0.3	29 550
		0.32	31 200
		0.34	32 850
		0.36	34 500
		0.38	
Child credit maximum	ch_cred	900	
Social Minimum Salary	min_salary	17 601.24	
Multiplier for unemployment	unemp_rate	1.025	
Social security contributions	SSC_rate	0.1305	
	SSC_ceil	88 006.20	
	infirm	0.01	
	infirm_abatement	0.25	
	workhealth	0.0011	
Employer contributions	SSC_empr	0.1305	
	SSC_acc	0.0086	
Child benefit (1 child)	CB_1	181.08	
2 children	CB_2	429.08	
extra age 6-11	CB_ex	15.39	
Class 1a Discount	discount	0.5	
Maximum Marginal Rate	max_rate	0.38	

## 2005 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+comp_al)
Work-related	work_rel	J	IF(earn_spouse=0, 1, 2)*(prof_exp+travel_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, IF(tax_inc<=allow_1, 0, Tax(tax_inc, tax_sch)*unemp_rate), IF(tax_inc<=allow_2, 0, quotient*Tax(tax_inc/quotient, tax_sch)*unemp_rate)) + (Children>0)*IF(Married=0, IF(tax_inc<=allow_2, 0, Taxclass1a(tax_inc, tax_sch, discount, cl_1a_lim, max_rate)*unemp_rate), IF(tax_inc<=allow_2, 0, quotient*Tax(tax_inc/quotient, tax_sch)*unemp_rate))
6. Tax credits :	tax_cr	J	MIN(tax_excl, Children*ch_cred)
7. CG tax	CG_tax	J	Positive(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
13. Employer's soc security	SSC_empr	B	(SSC_empr+workhealth)*MIN(earn, SSC_ceil)+SSC_acc*MIN(earn, min_salary)

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

Mexico	2005				
	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
<b>1. Gross wage earnings</b>		53331	79997	133328	53331
<b>2. Standard tax allowances</b>					
Basic allowance		1576	1686	1905	1576
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes					
Work-related expenses					
Other					
	Total	1576	1686	1905	1576
<b>3. Tax credits or cash transfers included in taxable income</b>		0	0	0	0
<b>4. Central government taxable income (1 - 2 + 3)</b>		51755	78311	131423	51755
<b>5. Central government income tax liability (exclusive of tax credits)</b>		5298	9813	25069	5298
<b>6. Tax credits</b>					
Basic credit		3451	2312	0	3451
Married or head of family					
Children					
Other					
	Total	1311	2429	6949	1311
	Total	4763	4741	6949	4763
<b>7. Central government income tax finally paid (5-6)</b>		535	5072	18120	535
<b>8. State and local taxes</b>		0	0	0	0
<b>9. Employees' compulsory social security contributions</b>					
Gross earnings		685	1253	2389	685
Taxable income					
	Total	685	1253	2389	685
<b>10. Total payments to general government (7 + 8 + 9)</b>		1220	6325	20508	1220
<b>11. Cash transfers from general government</b>					
For head of family					
For two children		0	0	0	0
	Total	0	0	0	0
<b>12. Take-home pay (1-10+11)</b>		52111	73672	112820	52111
<b>13. Employers' compulsory social security contributions</b>		7312	10050	15527	7312
<b>14. Average rates</b>					
Income tax		1.0%	6.3%	13.6%	1.0%
Employees' social security contributions		1.3%	1.6%	1.8%	1.3%
Total payments less cash transfers		2.3%	7.9%	15.4%	2.3%
Total tax wedge including employer's social security contributions		14.1%	18.2%	24.2%	14.1%
<b>15. Marginal rates</b>					
Total payments less cash transfers: Principal earner		14.9%	14.9%	26.1%	14.9%
Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner		22.8%	22.8%	33.0%	22.8%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.
Memorandum item: Non-wastable tax credit					
tax expenditure component		4763	4741	6949	4763
cash transfer component		0	0	0	0

StatLink: <http://dx.doi.org/10.1787/523724520173>

<b>Mexico</b>		<b>2005</b>				
<b>The tax/benefit position of married couples</b>						
		Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
		Number of children	2	2	2	none
<b>1.</b>	<b>Gross wage earnings</b>		79997	106663	133328	106663
<b>2.</b>	<b>Standard tax allowances</b>					
	Basic allowance		1686	2891	3262	2891
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other					
	Total		1686	2891	3262	2891
<b>3.</b>	<b>Tax credits or cash transfers included in taxable income</b>		0	0	0	0
<b>4.</b>	<b>Central government taxable income (1 - 2 + 3)</b>		78311	103771	130066	103771
<b>5.</b>	<b>Central government income tax liability (exclusive of tax credits)</b>		9813	11990	15111	11990
<b>6.</b>	<b>Tax credits</b>					
	Basic credit		2312	6634	5763	6634
	Married or head of family					
	Children					
	Other		2429	2968	3740	2968
	Total		4741	9602	9504	9602
<b>7.</b>	<b>Central government income tax finally paid (5-6)</b>		5072	2388	5607	2388
<b>8.</b>	<b>State and local taxes</b>		0	0	0	0
<b>9.</b>	<b>Employees' compulsory social security contributions</b>					
	Gross earnings		1253	1586	1938	1586
	Taxable income					
	Total		1253	1586	1938	1586
<b>10.</b>	<b>Total payments to general government (7 + 8 + 9)</b>		6325	3974	7545	3974
<b>11.</b>	<b>Cash transfers from general government</b>					
	For head of family					
	For two children		0	0	0	0
	Total		0	0	0	0
<b>12.</b>	<b>Take-home pay (1-10+11)</b>		73672	102689	125783	102689
<b>13.</b>	<b>Employers' compulsory social security contributions</b>		10050	15255	17362	15255
<b>14.</b>	<b>Average rates</b>					
	Income tax		6.3%	2.2%	4.2%	2.2%
	Employees' social security contributions		1.6%	1.5%	1.5%	1.5%
	Total payments less cash transfers		7.9%	3.7%	5.7%	3.7%
	Total tax wedge including employer's social security contributions		18.2%	15.8%	16.5%	15.8%
<b>15.</b>	<b>Marginal rates</b>					
	Total payments less cash transfers: Principal earner		14.9%	14.9%	14.9%	14.9%
	Total payments less cash transfers: Spouse		-8.8%	8.4%	14.9%	8.4%
	Total tax wedge: Principal earner		22.8%	22.8%	22.8%	22.8%
	Total tax wedge: Spouse		9.0%	15.0%	22.8%	15.0%
	Memorandum item: Non-wastable tax credit tax expenditure component		4741	9602	9504	9602
	cash transfer component		0	0	0	0

StatLink: <http://dx.doi.org/10.1787/523724520173>

The national currency is the peso (MXN). In 2005 MXN 10.91 was equal to USD 1 (average of eleven months daily exchange rates). The estimated earnings of the average worker for 2005 are 79 997 MXN (Secretariat estimate).

## 1. Personal income tax

### 1.1. Central government income tax

#### 1.1.1. Tax unit

Each person is taxed separately.

#### 1.1.2. Tax allowances and tax credits

##### 1.1.2.1. Standard tax reliefs

There are two basic allowances, a yearly holiday bonus and an end-of-year bonus.

- *Holiday Bonus*: Mexico's Labour Law stipulates a minimum holiday bonus of 25 per cent of six days of the worker's wage. The maximum exemption according to Tax Law is equivalent to 15 days of minimum wage (the minimum wage for the whole country).<sup>1</sup> Given these two restrictions, the allowance is estimated as the minimum established by the Labour Law, up to the amount that is exempt according to Tax Law.
- *End-of-year bonus*: The minimum end-of-year bonus established in the Labour Law is 15 days of the worker's wage. Tax Law exempts end-of-year-bonuses up to 30 days of the legal minimum wage (the amount for the whole country). The allowance is estimated as the minimum established by the Labour Law, up to the amount that is exempt according to Tax Law.

##### 1.1.2.2. Main non-standard tax reliefs

Deductions:

- Compulsory school transportation costs.
- *Medical expenses*: An unlimited deduction is allowed for taxpayer's medical expenses. For those made by the taxpayer, on behalf of his or her spouse and straight line relatives, the deduction is allowed only if the person, for whom he makes the expense, earns less than the minimum annual wage of his geographical area.
- *Funeral charges*: for the spouse and straight-line relatives up to a minimum annual wage of the taxpayer's geographical area.
- Charitable donations made to institutions such as:
  - ❖ Federal, state, and municipal governments.
  - ❖ Schools, colleges, and universities, hospitals or medical research centres and all other non-profit organisations listed in the law.



- Deposits on special savings accounts, insurance plans, and contributions to mutual funds related to retirement pensions are considered eligible up to 10 per cent of taxable income, and cannot exceed 82 564 MXN.
- Health insurance for individuals, if the beneficiary is the taxpayer, and/or his family.
- Beginning in 2005, real interest expenditure for the payment of mortgage loans for housing purposes that do not exceed 5 330 218 MXN. Real interest expenditure is considered the excess of interest expense over the inflation rate.

#### 1.1.2.3. Tax credits

The tax credit is a variable amount that depends on the worker's income. This credit is revised yearly; in 2005, the estimated credit for the second highest income bracket is equivalent to 2 311.92 MXN.<sup>2</sup> The new Income Tax Law clarifies that employers must pay the worker's salary tax credit<sup>3</sup> that includes worker's tax liability and the excess over that amount that is paid to them in cash. Employers reduce the salary tax credit from their own federal tax liabilities.

#### 1.1.2.4. Others

There is a fiscal subsidy that depends on the employee's taxable income and on the percentage that average fringe benefits given by the employer to all workers represent of such income. As income increases the absolute amount of the subsidy increases, but at a diminishing rate, so that the percentage it represents decreases; on the other hand, the amount diminishes with the decrease of the share of fringe benefits. An adjustment factor is estimated to account for the share of fringe benefits, following Article 114 of the Income Tax Law of 2004, using the formula  $1 - (2x(1 - TIP))$ . TIP denotes the Taxable Income Proportion and represents the sum of total salaries and wages in the industry divided by the total amount of remuneration including fringe benefits. The credit that accounts for this fiscal subsidy is derived on the basis of a schedule where there is a base credit amount and an applicable credit rate that is specified for each bracket. For a given level of taxable income, one determines the applicable bracket and then the credit itself is derived using the formula: adjustment factor x [base credit + additional credit rate x applicable tax rate x (taxable income less inferior limit of bracket)].

#### 1.1.3. Tax schedule

The tax schedule is as follows:

Taxable income (MXN)		Minimum tax (MXN)	Tax on the amount in excess of inferior limit (%)
Inferior limit	Superior limit		
0	5 270.28	0	3
5 270.29	44 732.16	158.04	10
44 732.17	78 612.72	4 104.24	17
78 612.73	91 383.84	9 864.12	25
91 383.85	And over	13 056.84	30

In 2005 the tax rate for the highest income bracket is 30 per cent versus 33 per cent in 2004; the number of brackets was reduced to five.

### 1.2. State and local income taxes

States do not levy taxes on income.

### 1.3. Payroll taxes.

In 2002 the Supreme Court determined that the payroll tax was not in accordance to the principles established in our Constitution, therefore in 2004 the Congress derogated the federal payroll tax of 4%.

## 2. Compulsory social security contributions to schemes operated within the government sector<sup>4</sup>

### 2.1. Employees' contributions

Social security contributions are divided as follows:

For sickness and maternity insurance, 0.625 per cent of the workers monthly wage,<sup>5</sup> plus 0.88 per cent<sup>6</sup> of the amount in excess of three times the minimal legal wage (the amount that applies within the Federal District of Mexico City). For disability, and life insurance, 0.625 per cent of the monthly wage.

### 2.2. Employers' contributions

- For sickness and maternity 18.45 per cent<sup>7</sup> of the minimum legal wage per worker (the amount that applies within the Federal District of Mexico City), plus 2.57 per cent<sup>8</sup> of the amount in excess of three times the minimum legal wage (the amount that applies within the Federal District of Mexico City), plus 1.75 of the monthly wage.
- For disability and life insurance, 1.75 per cent of worker's monthly wage.
- For social services and nursery, 1 per cent of worker's monthly wage.
- For insurance for work injuries of employees, 3.2 per cent of worker's monthly wage.<sup>9</sup>

## 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, changes fundamentally the financing of non-government employees' social security, which shifted from a pay-as-you-go scheme to funded individual accounts. The government no longer manages 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 fund, because legally they are still considered as contributions to social security, independently of whom may manage the fund. 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, again independently of the administration of the fund.

## 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.

	Account	Per cent of workers monthly wage
Employers' contributions	Retirement	2.00
	Discharge and old age insurance	3.15
	Housing Fund (INFONAVIT)	5.0
Employees' contributions	Discharge and old age insurance	1.125

### 5.2. Main employers' contributions to private pension, health, etc., schemes

No information available.

## Notes

1. There are three minimum wage rates established in Mexico depending upon geographical location. For the purposes of the Taxing Wages publication, the calculations are either based on the minimum wage that applies within the Federal District of Mexico City or a representative value for the country as a whole. The latter is used in the evaluation of the holiday bonus and the end-of-year bonus.
2. For the highest income bracket it is zero.
3. The salary tax credit is initially a labour cost for the employer, but it is fully compensated because the employer reduces its salary tax credit expense from its own federal tax liabilities. For the purpose of Taxing Wages' country tables it is not included in the average and marginal "tax wedge" formulas.
4. Ley del Seguro Social y Reglamento para el Pago de Cuotas del Seguro Social, July 1998.
5. In this case, monthly wage includes total fringe benefits.
6. This rate will decrease 0.16 percentage point on an annual basis until 2007.
7. This rate will increase 0.65 percentage point on an annual basis until 2007.
8. This rate will decrease 0.49 percentage point on an annual basis until 2007.
9. The amount of the work injury fee depends on the risk level in which the company is classified. The average risk premium for 1998 was 5.19 per cent. However, a methodological change was made due to access to up-to-date information. This figure is now estimated as a weighted average, which accounts for the number of workers in each of the 100 risk levels in which a company can be classified.

## 2005 Parameter values

Average earnings/yr	Ave_earn	79 997		
Allowances				
(general min wage per day)	min_wage	45.24		
(general min wage per day for the Federal District of Mexico City)	min_wage_FD	46.80		
Income tax	tax_table	0.00	0.00	0.030
		5 270.28	158.04	0.100
		44 732.17	4 104.24	0.170
		78 612.73	9 864.12	0.250
		91 383.85	13 056.84	0.300
Tax credit basic	Basic_crd	0.00	4 324.20	
		18 793.80	4 322.28	
		27 672.72	4 322.28	
		28 190.04	4 320.00	
		36 896.16	4 172.88	
		37 587.00	4 063.32	
		40 218.36	4 063.32	
		47 236.80	3 763.44	
		50 116.20	3 451.44	
		56 684.52	3 130.20	
		66 132.12	2 693.64	
		75 579.36	2 311.92	
		78 431.28	0.00	
Other credit/subsidy	Other_crd	0.00	0.00	0.50
		5 270.29	79.08	0.50
		44 732.17	2 052.24	0.50
		78 612.73	4 931.64	0.50
		91 383.85	6 528.48	0.50
		109 411.45	9 232.56	0.40
		220 667.05	22 583.16	0.30
		347 801.65	34 025.28	0.00
adjustment factor	adj_fac	0.4950		
Employees SSC	SSC_rate	0.0125		
	SSC_rate_sur	0.0088		
Employers SSC	SSC_empr	0.0770		
	SSC_empr_min	0.1845		
	SSC_empr_sur	0.0257		

## 2005 Tax equations

The equations for the Mexican system in 2005 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	$\text{MIN}(\text{earn}, \text{MIN}(\text{earn} * (6/365) * 0.25, \text{min\_wage} * 15) + \text{MIN}(\text{earn} * (15/365), \text{min\_wage} * 30))$
3. Credits in taxable income	taxbl_cr	B	0
4. CG taxable income	tax_inc	B	$\text{Positive}(\text{earn} - \text{tax\_al})$
5. CG tax before credits	CG_tax_excl	B	$\text{Tax}(\text{tax\_inc}, \text{Tax\_sch})$
6. Tax credits	tax_cr	B	$\text{VLOOKUP}(\text{tax\_inc}, \text{Basic\_crd}, 2) + \text{adj\_fac} * (\text{VLOOKUP}(\text{tax\_inc}, \text{Other\_crd}, 2) + \text{VLOOKUP}(\text{tax\_inc}, \text{Other\_crd}, 3) * \text{VLOOKUP}(\text{tax\_inc}, \text{tax\_table}, 3)) * (\text{tax\_inc} - \text{VLOOKUP}(\text{tax\_inc}, \text{tax\_table}, 1))$
7. CG tax	CG_tax	B	$\text{CG\_tax\_excl} - \text{tax\_cr}$
8. State and local taxes	local_tax	B	0
9. Employees' soc security	SSC	B	$\text{earn} * \text{SSC\_rate} + \text{Positive}(\text{earn} - (3 * 365 * \text{min\_wage\_FD})) * \text{SSC\_rate\_sur}$
11. Cash transfers	cash_trans	B	0
13. Employer's soc security	SSC_empr	B	$\text{earn} * \text{SSC\_empr} + (365 * \text{min\_wage\_FD}) * \text{SSC\_empr\_min} + \text{Positive}(\text{earn} - (3 * 365 * \text{min\_wage\_FD})) * \text{SSC\_empr\_sur}$
Memorandum item: Non-wastable tax credit			
Tax expenditure component	taxexp	B	$\text{tax\_cr} - \text{transfer}$
Cash transfer component	transfer	B	$\text{IF}(\text{CG\_tax} < 0, -\text{CG\_tax}, 0)$

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).



# Netherlands

Netherlands		2005			
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
<b>1. Gross wage earnings</b>		25173	37759	62932	25173
<b>2. Standard tax allowances:</b>					
Basic allowance					
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes		587	1323	1664	587
Work-related expenses					
Other					
	Total	587	1323	1664	587
<b>3. Tax credits or cash transfers included in taxable income</b>		1699	0	0	1699
<b>4. Central government taxable income (1 - 2 + 3)</b>		26285	36436	61267	26285
<b>5. Central government income tax liability (exclusive of tax credits)</b>		1182	4116	15496	1182
<b>6. Tax credits :</b>					
Basic credit					
Married or head of family					
Children					
Other					
	Total	166	166	166	373
<b>7. Central government income tax finally paid (5-6)</b>		1016	3950	15329	809
<b>8. State and local taxes</b>		0	0	0	0
<b>9. Employees' compulsory social security contributions</b>					
Gross earnings		1340	1323	1664	1340
Taxable income (net of credits)		5554	6882	6882	1811
	Total	6894	8205	8546	3151
<b>10. Total payments to general government (7 + 8 + 9)</b>		7910	12155	23876	3960
<b>11. Cash transfers from general government</b>					
For head of family					
For two children		0	0	0	1716
	Total	0	0	0	1716
<b>12. Take-home pay (1-10+11)</b>		17263	25604	39056	22929
<b>13. Employers' compulsory social security contributions</b>		4211	3953	4620	4211
<b>14. Average rates</b>					
Income tax		4.0%	10.5%	24.4%	3.2%
Employees' social security contributions		27.4%	21.7%	13.6%	12.5%
Total payments less cash transfers		31.4%	32.2%	37.9%	8.9%
Total tax wedge including employer's social security contributions		41.3%	38.6%	42.2%	22.0%
<b>15. Marginal rates</b>					
Total payments less cash transfers: Principal earner		49.6%	45.4%	52.0%	45.3%
Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner		57.4%	51.0%	52.0%	53.7%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

StatLink: <http://dx.doi.org/10.1787/852736617332>



Netherlands		2005			
The tax/benefit position of married couples					
		100-0	100-33	100-67	100-33
		Wage level (per cent of average wage)			
		Number of children			
		2	2	2	none
<b>1. Gross wage earnings</b>		37759	50345	62932	50345
<b>2. Standard tax allowances:</b>					
	Basic allowance				
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes	1323	1323	1910	1323
	Work-related expenses				
	Other				
	Total	1323	1323	1910	1323
<b>3. Tax credits or cash transfers included in taxable income</b>		0	850	1699	850
<b>4. Central government taxable income (1 - 2 + 3)</b>		36436	49872	62720	49872
<b>5. Central government income tax liability (exclusive of tax credits)</b>		4116	4358	5298	4358
<b>6. Tax credits :</b>					
	Basic credit				
	Married or head of family				
	Children				
	Other				
	Total	283	356	377	306
<b>7. Central government income tax finally paid (5-6)</b>		3833	4002	4921	4052
<b>8. State and local taxes</b>		0	0	0	0
<b>9. Employees' compulsory social security contributions</b>					
	Gross earnings	1323	1894	2663	1894
	Taxable income (net of credits)	4765	7824	11635	8731
	Total	6088	9718	14299	10624
<b>10. Total payments to general government (7 + 8 + 9)</b>		9921	13719	19220	14676
<b>11. Cash transfers from general government</b>					
	For head of family				
	For two children	1716	1716	1716	0
	Total	1716	1716	1716	0
<b>12. Take-home pay (1-10+11)</b>		29554	38342	45428	35669
<b>13. Employers' compulsory social security contributions</b>		3953	5935	8163	5935
<b>14. Average rates</b>					
	Income tax	10.2%	7.9%	7.8%	8.0%
	Employees' social security contributions	16.1%	19.3%	22.7%	21.1%
	Total payments less cash transfers	21.7%	23.8%	27.8%	29.2%
	Total tax wedge including employer's social security contributions	29.1%	31.9%	36.1%	36.6%
<b>15. Marginal rates</b>					
	Total payments less cash transfers: Principal earner	45.4%	45.4%	45.4%	45.4%
	Total payments less cash transfers: Spouse	30.2%	25.5%	49.6%	25.5%
	Total tax wedge: Principal earner	51.0%	51.0%	51.0%	51.0%
	Total tax wedge: Spouse	39.7%	35.6%	57.4%	35.6%

StatLink: <http://dx.doi.org/10.1787/852736617332>

The national currency is the Euro (EUR). In 2005, EUR 0.80 was equal to USD 1 (average of eleven months daily exchange rates). In that year, the average worker earned EUR 37 759 (Secretariat estimate).

## 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 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

Husband and wife are taxed separately on their personal income, which includes, besides income from business, profession and employment, all pensions and social security benefits. Certain parts of income may be freely split between husband and wife, 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

Related to wage earnings:

- Employees’ social security contributions (see Section 2.1.) are deductible with the exception of the health insurance contribution. The employers’ health insurance contribution is subject to tax.

##### 1.1.2.2. Non-standard allowances applicable to AW

Related to wage earnings:

- For distances of more than 10 km between home and work, forfaitary amounts for *travel expenses* with public transportation are deductible. The maximum deduction for employees who travel by public transport is EUR 1 816 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 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*: for a single person the expenses are deductible in excess of 11.2 per cent of the income if the income is more than EUR 6 902 and less than or equal to EUR 53 000. If the income is lower than or equal to EUR 6 804 the non-deductible limit is EUR 773 and if the income is higher than EUR 53 750 the non-deductible limit is EUR 6 020. For a person with a partner, the joint income is used to determine the non-deductible amounts.
- *Some educational expenses*: in direct connection with vocational education. Expenses above the threshold of EUR 500 are deductible. Expenses above EUR 15 000 are not deductible.
- Donations to certain institutions (charity) that serve the public good are deductible if in excess of 1 per cent of the income and in excess of EUR 60. No more than 10 per cent of the income may be deducted in this way.

### 1.1.3. Tax schedule

The tax schedule for income from work and owner-occupied housing is as follows:

Slice of taxable income (EUR)	Tax rate (%)	Social securities contributions	
		< 65 years	> 65 years
0-16 893	1.8	32.6	14.7
16 893-30 357	9.35	32.6	14.7
30 357-51 762	42	–	–
51 762 and over	52	–	–

The contributions for the general social security schemes are levied on the first and second slice of income from work and owner-occupied housing. These social security contributions are not deductible for income tax purposes. Individuals of 65 years and over pay 14.7 per cent (for widows and orphans pensions and exceptional medical expenses) and individuals younger than 65 years pay 32.6 per cent (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 applied to the combined amount of income tax levied and premiums paid for the general social security schemes (see Section 1.1.3). 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. As that ratio is currently 2.9 per cent ( $= 1.0\% / (1.0\% + 32.6\%)$ ), only 3.0 per cent of the (tax) credit is attributed to tax; the remaining 97.0 per cent being attributed to the social security contributions. In the country tables the social security contributions on taxable income are net of credits.

- *General tax credit*. This credit amounts to EUR 1 894.

- *Work credit*: This credit is the sum of 1.753 per cent of the income from work with a maximum of EUR 144 and 11.213 per cent of the income from work with a franchise of EUR 8 101. The maximum work credit is EUR 1 287.
- *Child credit*: A single person with children below 18 years of age receives a credit of EUR 112 if his or her income does not exceed EUR 59 612. A taxpayer with a partner is only entitled to the child credit if his or her income exceeds the income of the partner and the joint income does not exceed EUR 60 447.
- *Additional child credit*: If a person receives the ordinary child credit and the joint income does not exceed EUR 28 491, he or she is also entitled to the additional child credit of EUR 690; If the joint income is above EUR 28 491 but below EUR 30 225 the additional child credit amounts to EUR 504.
- *Combination credit*: A taxpayer with children below the age of 12 years is entitled to a combination credit of EUR 228, if his/her income from work exceeds EUR 4 366.
- *Additional combination credit*: A taxpayer who is entitled to the combination credit and who is either a single parent or the partner with the lowest income receives an additional credit of EUR 389.
- *Single parent credit*: A single parent under certain conditions is entitled to the single parent credit of EUR 1 401.
- *Additional single parent credit*: A single parent who is entitled to the single parent credit receives an additional credit of 4.3 per cent of his or her income from work, with a maximum of EUR 1 401.

The amount of the tax credit is limited to the amount of tax and premiums payable (wastable). If, however, a taxpayer with insufficient income to fully exploit his/her tax credit has a partner with a surplus of tax and premiums payable over his/her own tax credit, the tax credit of the former taxpayer is increased by (at most) the surplus tax and premiums payable by his/her fiscal partner. As a consequence, the tax credit of the former taxpayer will exceed tax and premiums payable, resulting in a payout of the residual tax credit to the taxpayer by the tax authority.

### 1.2. State and local income taxes

These are not used in the Netherlands.

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

### 2.1. Employees' contributions

Schemes for employees:

- Unemployment: 5.85 per cent of the gross earnings between EUR 15 138 and EUR 43 587 (this contribution is only for the general unemployment fund).
- Public insurance for medical care if gross earnings are below EUR 33 000: 1.45 per cent of the gross earnings below EUR 29 751 plus a fixed amount of EUR 388 a year for each adult.

General schemes (levied combined with income tax on income from work and owner-occupied housing; see Section 1.1.3):

- Old age pension: 17.9 per cent of taxable income in the first and second tax bracket. This scheme does not apply to individuals aged 65 or over.
- Widows and orphans pension: 1.25 per cent of taxable income in the first and second tax bracket.
- Exceptional medical expenses and disability: 13.45 per cent of taxable income in the first and second tax bracket.

## 2.2. Employers' contributions

Schemes for employees:

- Unemployment: 2.45 per cent of the gross earnings between EUR 15 138 and EUR 43 587 for the general unemployment fund and a contribution of 1.75 per cent of the gross earnings below EUR 43 587 for the industrial insurance associations redundancy payments fund.
- Invalidity: 7.25 per cent of gross earnings below EUR 43 578.
- Public insurance for medical care if gross earnings are below EUR 33 000: 6.75 per cent of gross earnings below EUR 29 754.

## 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 1 716 a year.

## 4. Main changes in the tax/benefit systems since 2000

In 2001 the tax system has been 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 has only changed marginally, after the tax reform of 2001.

In 2004 the additional combination credit was introduced.

## 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 the industry. 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.

As the figures for 2005 are not yet available, the 2004 figure was taken, adjusted for the wage increase in 2004 and 2005 by the OECD Secretariat based on wage increase estimates from the most recent issue of the *OECD Economic Outlook*.

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

In addition to the obligatory contributions to social security schemes many employers pay contributions to private pension schemes. Employers have to pay at least 70 per cent of the gross wage of their sick employees for up to a year. In practice, most (collective) labour contracts stipulate that in the case of illness the employee is entitled to 100 per cent of his gross wage. Most employers have insured themselves privately for the risks of their employees being sick.

### **5.3. Wage-cost-reduction for employers**

If a full-time employee earns less than EUR 17 805 the employer is entitled to a reduction of EUR 530 of the wage tax paid as withholding tax. For part-time employees a pro rata amount can be calculated. Similar reduction schemes exist with respect to employees, who receive a vocational training in addition to their job. The employer has a right to a reduction of EUR 2 500 of the wage tax paid as withholding tax, as long as the full-time employee annual salary does not exceed EUR 20 791. If an employer qualifies for both wage-cost reductions, then the sum of reductions is restricted to a maximum of EUR 3 405.

## 2005 Parameter values

	Ave_earn	37 759	Secretariat estimate
Social security contributions	SSC_ceil	43 578	
Employees' schemes	Unemp_rate1	0.0585	
	Unemp_franchise1	15 138	
Medical care	Med_rate	0.0145	
	Med_limit	33 000	
	Med_ceil	29 754	
	Med_adult	388	
	Med_child	0	
General schemes	Old_rate	0.179	
	Wid_rate	0.0125	
	Ex_med_rate	0.1325	
	Gen_Schemes_thrsh	30 357	
	Unemp_empr1	0.0245	
	Unemp_empr2	0.0175	
	Unemp_unempr_franchise1	15 138	
	Unemp_unempr_franchise2	0	
	Inv_empr_rate	0.0725	
	Inv_empr_franchise	0	
	Med_empr	0.0675	
	Med_franchise	0	
	Tax schedule	Tax_sch	0.018
"tax_sch_lowest"		0.0935	30 357
"tax_thrsh_1"		0.42	51 762
		0.52	
Tax credits	Gen_credit	1 894	
	Emp_credit1	144	
	Emp_credit2	1 143	
	Emp_credit1_thr	8 101	
	Emp_credit2_thr	17 733	
	Ch_credit	112	
	Ch_credit_thr	60 447	
	Ex_ch_credit	504	
	Ex_ch_credit_thr	30 225	
	add_ex_ch_credit	186	
	add_ex_ch_credit_thr	28 491	
	Comb_credit	228	
	Comb_credit_franchise	4 366	
	add_comb_credit	389	
	Sing_par_credit	1 401	
Ex_sing_par_credit_per	0.043		
Ex_sing_par_credit_max	1 401		
Family cash transfers	Ch1_trans	858	
	Ch2_trans	1 715.71	

## 2005 Tax equations

The equations for the Netherlands system in 2005 are mostly repeated for each individual of a married couple. But the tax credit of the spouse depends 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 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 affixe "\_spouse" indicates the value for the spouse. No affixe is used for the principal values. Equations for a single person are as shown for the principal, with "\_spouse" values taken as 0.

Part of the tax credit is attributed to income tax; another part to Social Security Contributions.

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	IF(earn>Med_limit;0;SSC_f(earn;Med_empr;Med_ceil;Med_franchise))
4. CG taxable income	tax_inc	B	earn-SSC_al+taxbl_cr
5. CG tax before credits	CG_tax_excl/ tax_liable	B	Tax(tax_inc;Tax_sch)
Tax credits:	tax_cr	P	MIN(CG_tax_excl+SSC_taxinc, Gen_credit+Emp_credit(tax_inc)+IF(Children>0, IF(tax_inc+tax_inc_spouse<add_ex_ch_credit_thr, Ch_credit+Ex_ch_credit+add_ex_ch_credit, IF(tax_inc+tax_inc_spouse<Ex_ch_credit_thr, Ex_ch_credit+Ch_credit, IF(tax_inc+tax_inc_spouse<Ch_credit_thr, Ch_credit, 0))))+IF(AND(Children>0, earn>Comb_credit_franchise), if(married=0;Comb_credit+add_comb_credit;comb_credit), 0) + IF(AND(Children>0, Married=0), Sing_par_credit+MIN(Ex_sing_par_credit_max, Ex_sing_par_credit_per*tax_inc), 0))
	tax_cr_spouse	S	IF(Married>0;MIN(CG_tax_excl_spouse+SSC_taxinc_spouse+CG_t ax_excl+SSC_taxinc- tax_cr;Gen_credit+Emp_credit(tax_inc_spouse)+IF(AND(Children> 0;earn_spouse>Comb_credit_franchise);Comb_credit+add_comb_ credit;0));0)
6. Tax credits income tax	tax_cr_inc	B	tax_sch_lowest/ SUM(Old_rate+Wid_rate+Ex_med_rate+tax_sch_lowest)*(tax_cr+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_f(earn;Unemp_rate2;SSC_ceil;Unemp_franchise2)+IF(earn>=Med_limit;0;SSC_f(earn;Med_rate;Med_ceil;Med_franchise)+(1+Married*IF(earn_spouse=0;1;0))*Med_adult)
	SSC_earn_spouse	S	SSC_f(earn_spouse;Unemp_rate1;SSC_ceil;Unemp_franchise1)+SSC_f(earn_spouse;Unemp_rate2;SSC_ceil;Unemp_franchise2)+IF(earn_spouse>=Med_limit;0;Med_rate*MINA(earn_spouse;Med_ceil))+IF(earn_spouse=0;0;Med_adult))
based on taxable income	SSC_taxinc	B	(Old_rate+Wid_rate+Ex_med_rate)*MINA(tax_inc;Gen_Schemes_t hrsh)



Line in country table and intermediate steps	Variable name	Range	Equation
Total employees' soc security	SSC_liable	J	SSC_earn+SSC_taxinc+SSC_earn_spouse+SSC_taxinc_spouse
	tax_cr_SSC	J	SUM(Old_rate+Wid_rate+Ex_med_rate)/ SUM(Old_rate+Wid_rate+Ex_med_rate+tax_sch_lowest)*(tax_cr+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))
12. Net pay and cash transfers	take_home_pay	J	gr_earn_total-total_payments+cash_transfer
17. Employer's soc security	SSC_empr	B	taxbl_cr+SSC_f(earn;Unemp_empr1;SSC_ceil;Unemp_unempr_franchise1)+SSC_f(earn;Unemp_empr2;SSC_ceil;Unemp_unempr_franchise2)+SSC_f(earn;Inv_empr_rate;SSC_ceil;Inv_empr_franchise)

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.



# **New Zealand**

## **(2005-2006 income tax year)**

<b>New Zealand</b>		<b>2005</b>			
<b>The tax/benefit position of single persons</b>					
	Wage level (per cent of average wage)	67	100	167	67
	Number of children	none	none	none	2
<b>1. Gross wage earnings</b>		27299	40949	68248	27299
<b>2. Standard tax allowances:</b>					
	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
<b>3. Tax credits or cash transfers included in taxable income</b>		0	0	0	0
<b>4. Central government taxable income (1 - 2 + 3)</b>		27299	40949	68248	27299
<b>5. Central government income tax liability (exclusive of tax credits)</b>		5323	8383	17887	5323
<b>6. Tax credits :</b>					
	Basic credit	161	0	0	161
	Married or head of family				
	Children				
	Other				
	Total	161	0	0	161
<b>7. Central government income tax finally paid (5-6)</b>		5163	8383	17887	5163
<b>8. State and local taxes</b>		0	0	0	0
<b>9. Employees' compulsory social security contributions</b>					
	Gross earnings	0	0	0	0
	Taxable income				
	Total	0	0	0	0
<b>10. Total payments to general government (7 + 8 + 9)</b>		5163	8383	17887	5163
<b>11. Cash transfers from general government</b>					
	For head of family				
	For two children	0	0	0	6518
	Total	0	0	0	6518
<b>12. Take-home pay (1-10+11)</b>		22136	32566	50361	28655
<b>13. Employer's compulsory social security contributions</b>		0	0	0	0
<b>14. Average rates</b>					
	Income tax	18.9%	20.5%	26.2%	18.9%
	Employees' social security contributions	0.0%	0.0%	0.0%	0.0%
	Total payments less cash transfers	18.9%	20.5%	26.2%	-5.0%
	Total tax wedge including employer's social security contributions	18.9%	20.5%	26.2%	-5.0%
<b>15. Marginal rates</b>					
	Total payments less cash transfers: Principal earner	21.0%	33.0%	39.0%	39.0%
	Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner	21.0%	33.0%	39.0%	39.0%
	Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.

StatLink: <http://dx.doi.org/10.1787/074452421435>

New Zealand	2005				
	The tax/benefit position of married couples				
	Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
	Number of children	2	2	2	none
<b>1. Gross wage earnings</b>		40949	54599	68248	54599
<b>2. Standard tax allowances:</b>					
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
<b>3. Tax credits or cash transfers included in taxable income</b>		0	0	0	0
<b>4. Central government taxable income (1 - 2 + 3)</b>		40949	54599	68248	54599
<b>5. Central government income tax liability (exclusive of tax credits)</b>		8383	11045	13707	11045
<b>6. Tax credits :</b>					
Basic credit		0	365	161	365
Married or head of family					
Children					
Other					
	Total	0	365	161	365
<b>7. Central government income tax finally paid (5-6)</b>		8383	10680	13546	10680
<b>8. State and local taxes</b>		0	0	0	0
<b>9. Employees' compulsory social security contributions</b>					
Gross earnings					
Taxable income					
	Total	0	0	0	0
<b>10. Total payments to general government (7 + 8 + 9)</b>		8383	10680	13546	10680
<b>11. Cash transfers from general government</b>					
For head of family					
For two children		2445	0	0	0
	Total	2445	0	0	0
<b>12. Take-home pay (1-10+11)</b>		35011	43919	54702	43919
<b>13. Employer's compulsory social security contributions</b>		0	0	0	0
<b>14. Average rates</b>					
Income tax		20.5%	19.6%	19.8%	19.6%
Employees' social security contributions		0.0%	0.0%	0.0%	0.0%
Total payments less cash transfers		14.5%	19.6%	19.8%	19.6%
Total tax wedge including employer's social security contributions		14.5%	19.6%	19.8%	19.6%
<b>15. Marginal rates</b>					
Total payments less cash transfers: Principal earner		63.0%	33.0%	33.0%	33.0%
Total payments less cash transfers: Spouse		34.7%	21.0%	21.0%	21.0%
Total tax wedge: Principal earner		63.0%	33.0%	33.0%	33.0%
Total tax wedge: Spouse		34.7%	21.0%	21.0%	21.0%

StatLink: <http://dx.doi.org/10.1787/074452421435>

The national currency is the New Zealand dollar (NZD). In 2005, NZD 1.4189 was equal to USD 1 (average of eleven months daily exchange rates). In that year the average worker earned NZD 40 949 (Secretariat estimate).

## 1. Personal income tax system

### 1.1. Central/federal government income taxes

#### 1.1.1. Tax unit

Members of the family are taxed separately.

#### 1.1.2. Tax allowances and tax credits

##### 1.1.2.1. Standard reliefs

- The Low Income Rebate applies where income is under NZD 38 000. It is calculated at 4.5 cents in every dollar of income where income is under NZD 9 500. Where the income is in the range NZD 9 500-38 000, the maximum rebate of NZD 427.50 is reduced by 1.5 cents for every dollar over NZD 9 500.
- The Transitional Tax Allowance is available to persons with income under NZD 9 880. This rebate is limited to those in full-time employment or who would have been in full-time employment but for sickness or accident. The rebate is NZD 728, reduced by 20 cents on each dollar earned over NZD 6 240 – thus the rebate runs out at NZD 9 880.
- Children: No credit to parents. A child under 15 years of age, or under 18 and attending an educational institution, may claim the child rebate against their own earnings. The rebate is calculated as 15 per cent of gross earnings from employment, up to a maximum allowance of NZD 156 on NZD 1 040 of income. Investment earnings are excluded from the calculation of this rebate.

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

None.

#### 1.1.3. Schedule

- Rates of income tax for individuals:
  - ❖ On so much of the income as does not exceed NZD 38 000: 19.5 per cent.
  - ❖ On so much of the income as exceeds NZD 38 000 but does not exceed NZD 60 000: 33 per cent.
  - ❖ On so much of the income as exceeds NZD 60 000: 39 per cent.

### 1.2. State and local income taxes

New Zealand has no state or local income tax.

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

New Zealand has no compulsory social security contributions to schemes operated within the Government sector.

It should be noted that there is an accident compensation scheme administered by the Accident Compensation Corporation for residents and temporary visitors to New Zealand. This scheme is funded in part by premiums paid by employees and employers. For employees, the premium represents 1.2% of their gross earnings. For employers, 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 0.9%). This scheme is not considered as a compulsory social security contribution for the purposes of the Report.

## 3. Universal cash transfers

### 3.1. Amount for marriage

None.

### 3.2. Amount for children

The *Parental Tax Credit* provides NZD 150 per week for the first eight weeks of each child's life. This tax credit abates under the same regime as the *Family Support Tax Credit* (FSTC), although it is unaffected until both the FSTC and Child Tax Credit have been abated to zero.

### 3.3. Family support tax credit

For an eldest child aged 16-18, the rate of family support tax credit is NZD 4 420 per year, while the rate of NZD 3 744 applies if the eldest child is younger than 16. For subsequent children the rate depends on the age of the child; NZD 3 900 per year for 16-18 year-olds, NZD 2 860 per year for 13-15 year-olds and NZD 2 444 per year for children under 13 years of age. The total credit is abated by 18 cents on each dollar earned in range NZD 20 356-27 481 and by 30 cents on each dollar earned over NZD 27 481. The abatement is based on the combined income of husband and wife.

### 3.4. Child tax credit

The Child tax credit is available to families not receiving an income-tested benefit, veteran's pension, New Zealand superannuation, student allowance or a weekly accident compensation for a period of more than 3 months. The level of assistance it provides is NZD 780 per child per year. It is affected by the abatement regime used with the family support tax credit, although it is unaffected until the latter has been abated to zero. In effect it is part of the family support tax credit.

### 3.5. Family tax credit

The Family tax credit is a scheme that ensures a guaranteed minimum family net income for all full-time earners with dependent children. The guaranteed minimum after-tax income is NZD 290 per week plus family support tax credit.

#### 4. Main changes in tax/benefit systems since 2002 (year ended 31st March 2003)

Family support tax credit rates increased from 1 April 2005.

#### 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*. The series are EESQ.SBAC9Z-EESQ.SBAL9Z for wages, and EESQ.SGAC9-EESQ.SGAL9 for numbers of employees. A weighted average of wages is calculated for each quarter, using employee numbers as the weights. This average is multiplied by 13 and the totals for the four quarters are added together.

##### 5.2. Employer's contributions to private pension, health schemes, etc.

No information available.

#### 2005 Parameter values

	Ave_earn	40 949	
Income tax schedule	Tax_sch	0.195	38 000
		0.330	60 000
		0.390	
Income under NZ\$ 38 000 rebate	reb_38000_rate	0.045	
	reb_38000_thrsh1	9 500	
	reb_38000_redn1	0.015	
Income under NZ\$ 9 880 rebate	reb_9880	728	
	reb_9880_thrsh	6 240	
	reb_9880_redn	0.20	
Family support credit	Fam_sup_eld	4 524	
	Fam_sup_oth	3 224	
	Fam_sup_thrsh1	20 356	
	Fam_sup_rate1	0.18	
	Fam_sup_thrsh2	27 481	
Guaranteed minimum family income	Fam_sup_rate2	0.3	
	Min_inc	15 080	



## 2005 Tax equations

The equations for the New Zealand system in 2005 are mostly repeated for each individual of a married couple. But the cash transfer is calculated only once. This is shown by the Range indicator in the table below. The functions which are used in the equations (Taper, MIN, Tax, etc.) are described in the technical note about tax equations. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables “married” and “children”. A reference to a variable with the affix “\_total” indicates the sum of the relevant variable values for the principal and spouse. And the affixes “\_princ” and “\_spouse” indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with “\_spouse” values taken as 0.

Line in country table and intermediate steps	Variable name	Range	Equation
1. Earnings	earn		
2. Allowances	tax_al	B	0
3. Credits in taxable income	taxbl_cr	B	0
4. CG taxable income	tax_inc	B	earn
5. CG tax before credits	CG_tax_excl	B	Tax(tax_inc, Tax_sch)
6. Tax credits :			
Guaranteed minimum income	GMI	P	(Children>0)*Min_inc
Under 38000 rebate	rebate_34200	B	Taper(reb_38000_rate*min(tax_inc, reb_38000_thrsh1), tax_inc, reb_38000_thrsh1, reb_38000_redn1)
Under 9880 rebate	rebate_9880	B	Taper(MIN(reb_9880, CG_tax_excl-rebate_34200), earn reb_9880_thrsh, reb_9880_redn)
Total credit	tax_cr	B	rebate_38000+rebate_9880
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 support credit	fam_sup_cr	P	Taper(Taper(Fam_sup_eld*(Children>0)+ Fam_sup_oth*Positive(Children-1), earn_total, Fam_sup_thrsh1, Fam_sup_rate1), earn_total, Fam_sup_thrsh2, Fam_sup_rate2-Fam_sup_rate1)
Family tax credit	fam_tax_cr	P	Positive(GMI-(earn_total-CG_tax_excl_total+ rebate_38000_total+ rebate_9880_total))
Cash transfers	cash_trans	J	fam_sup_cr + 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.



# Norway

<b>Norway</b>		<b>2005</b>				
<b>The tax/benefit position of single persons</b>						
		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
<b>1. Gross wage earnings</b>			253289	379934	633223	253289
<b>2. Standard tax allowances</b>						
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other					
	Total		91600	91600	91600	125800
<b>3. Tax credits or cash transfers included in taxable income</b>			0	0	0	0
<b>4. Central government taxable (ordinary) income (1 - 2 + 3)</b>			161689	288334	541623	127489
<b>5. Central government income tax liability (ordinary + personal)</b>			19079	34023	94178	15044
<b>6. Tax credits (applicable against local tax)</b>						
	Basic credit					
	Married or head of family					
	Children		0	0	0	0
	Other					
	Total		0	0	0	0
<b>7. Central government income tax paid (5)</b>			19079	34023	94178	15044
<b>8. State and local taxes (net of tax credits)</b>			26194	46710	87743	20653
<b>9. Employees' compulsory social security contributions</b>						
	Gross earnings		19757	29635	49391	19757
	Taxable income					
	Total		19757	29635	49391	19757
<b>10. Total payments to general government (7 + 8 + 9)</b>			65030	110368	231313	55454
<b>11. Cash transfers from general government</b>						
	For head of family					
	For two children		0	0	0	34980
	Total		0	0	0	34980
<b>12. Take-home pay (1-10+11)</b>			188260	269566	401911	232816
<b>13. Employer's compulsory social security contributions</b>			33181	49771	82952	33181
<b>14. Average rates</b>						
	Income tax		17.9%	21.2%	28.7%	14.1%
	Employees' social security contributions		7.8%	7.8%	7.8%	7.8%
	Total payments less cash transfers		25.7%	29.0%	36.5%	8.1%
	Total tax wedge including employer's social security contributions		34.3%	37.3%	43.9%	18.7%
<b>15. Marginal rates</b>						
	Total payments less cash transfers: Principal earner		35.8%	35.8%	47.8%	35.8%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		43.2%	43.2%	53.8%	43.2%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

StatLink: <http://dx.doi.org/10.1787/740613050052>

Norway	2005				
	The tax/benefit position of married couples				
	Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
	Number of children	2	2	2	none
<b>1. Gross wage earnings</b>		379934	506579	633223	506579
<b>2. Standard tax allowances</b>					
Basic allowance					
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes					
Work-related expenses					
Other					
	Total	125800	159994	183200	159994
<b>3. Tax credits or cash transfers included in taxable income</b>		0	0	0	0
<b>4. Central government taxable (ordinary) income (1 - 2 + 3)</b>		254134	346585	450023	346585
<b>5. Central government income tax liability (ordinary + personal)</b>		29988	40897	53103	40897
<b>6. Tax credits (applicable against local tax)</b>					
Basic credit					
Married or head of family					
Children		0	0	0	0
Other					
	Total	0	0	0	0
<b>7. Central government income tax paid (5)</b>		29988	40897	53103	40897
<b>8. State and local taxes (net of tax credits)</b>		41170	56147	72904	56147
<b>9. Employees' compulsory social security contributions</b>					
Gross earnings		29635	39513	49391	39513
Taxable income					
	Total	29635	39513	49391	39513
<b>10. Total payments to general government (7 + 8 + 9)</b>		100792	136557	175398	136557
<b>11. Cash transfers from general government</b>					
For head of family					
For two children		23320	23320	23320	0
	Total	23320	23320	23320	0
<b>12. Take-home pay (1-10+11)</b>		302462	393342	481145	370022
<b>13. Employer's compulsory social security contributions</b>		49771	66362	82952	66362
<b>14. Average rates</b>					
Income tax		18.7%	19.2%	19.9%	19.2%
Employees' social security contributions		7.8%	7.8%	7.8%	7.8%
Total payments less cash transfers		20.4%	22.4%	24.0%	27.0%
Total tax wedge including employer's social security contributions		29.6%	31.3%	32.8%	35.4%
<b>15. Marginal rates</b>					
Total payments less cash transfers: Principal earner		35.8%	35.8%	35.8%	35.8%
Total payments less cash transfers: Spouse		28.2%	28.2%	35.8%	28.2%
Total tax wedge: Principal earner		43.2%	43.2%	43.2%	43.2%
Total tax wedge: Spouse		36.6%	36.6%	43.2%	36.6%

StatLink: <http://dx.doi.org/10.1787/740613050052>

The national currency is the Kroner (NOK). In 2005, NOK 6.42 was equal to USD 1 (average of eleven months daily exchange rates). In that year the average worker earned NOK 379 934 (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 deduction may be 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 (tax class 1), but joint taxation (tax class 2) is also possible and more favourable if the spouse has little or no own income. Single parents are also entitled to be taxed under the tax class 2 schedule. Children less than 17 years old are generally taxed together with their parents, but may be taxed individually. All other income earners are taxed individually (class 1).

#### 1.1.2. Tax allowances applicable to an AW

There are no tax allowances applicable to an AW under the central government income tax (surtax). The tax base is personal income from which no deductions are allowed. As part of the overall tax rate of 28 per cent on ordinary income, 11.8 per cent is considered as central government income tax.

#### 1.1.3. Rate schedule (surtax)

Rate (%)	Class 1 (NOK)	Class 2 (NOK)
0 up to	381 000	393 700
12.0	381 000-800 000	393 700-800 000
15.5	800 000 and over	800 000 and over

### 1.2. Local government income tax

The overall tax rate on ordinary income is 28 per cent. The local government (municipal and county) income tax is 16.2 per cent points of the overall rate. Tax on ordinary income is levied after taking into account a standard allowance of NOK 34 200

(class 1) and NOK 68 400 (class 2) in 2005. The deductions in the computation of ordinary income are:

### 1.2.1. *Standard reliefs*

- Basic allowance: each individual gets a minimum allowance equal to 27 per cent of personal income, with a minimum of NOK 4 000 and a maximum of NOK 57 400. For wage income each individual can choose a separate allowance of NOK 31 800 instead of the basic allowance. Hence, a wage earner would opt to choose this separate allowance as long as it exceeds the basic allowance to which they are entitled to.

### 1.2.2. *Non-standard reliefs*

The main non-standard allowances deductible from ordinary income are:

- Parent allowance: Documented expenses for child care limited to:
  - ❖ maximum    NOK 25 000 for one child
  - ❖ plus            NOK 5 000 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 spouse. The allowance is also applicable to single parents.

- Travel expenses related to work exceeding NOK 12 800.
- Labour union fees up to NOK 1 800.
- Donations to voluntary organisations up to NOK 12 000.
- Contributions to individual pension agreement schemes (IPA), maximum NOK 40 000.
- Premiums and contributions to occupational pension schemes in the private and public sector, unlimited.
- Unlimited deduction for interest payments.

The main non-standard tax credits are :

- Home savings scheme (BSU): The BSU scheme aims to encourage young people (under 34 years old) to save for a future home purchase. A wastable tax credit of 20 per cent of annual savings up to NOK 15 000 in special accounts is granted. Total savings may not exceed NOK 100 000.

### 1.3. *Limitation on total tax payable*

The total tax payable on ordinary income and net wealth may not exceed 80 per cent of ordinary income. If that is the case the tax on net wealth should be reduced. For net wealth exceeding NOK 1 000 000, the tax levied may not be less than 0.6 per cent of the surplus net wealth.

## 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 7.8 per cent of personal wage income. Employees do not make contributions if their wage income is less than NOK 29 600. 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 7.8 per cent of the total wage income.

Contributions from the self-employed are 10.7 per cent of personal income attributable to labour. Self-employed in primary industries pay 7.8 per cent on their entire labour income.

### 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 employee resides. The standard rates are 14.1, 10.2, 9.5 or 0 per cent of gross wage. The highest rate applies to central parts of southern Norway. Lower rates may apply under certain circumstances. The weighted average rate is approximately 13.1 per cent.

The employer's social security contributions for employees aged 62 years and older are 4 percentage points lower than the standard rates, although not below zero per cent.

Where the gross wage of an employee exceeds sixteen times "G", which represents the basic amount that is used in the calculation of pensions from the National Insurance Scheme, employers are required to make a supplementary contribution amounting to 12.5 per cent of the income that exceeds this threshold. In 2005, the average "G" is estimated to NOK 60 465.

## 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 11 660 per child aged 0-18 years.

Single parents receive transfers for one more child than the actual number. Families living in the northernmost part of Norway receive extra child support of NOK 3 840 per year for each child aged 18 or under.

## 4. Main changes in tax/benefit systems since 2002

- From January 1, 2005 the ceiling in the parent allowance for two and more children was removed. From 2005 the maximum allowance will be increased with NOK 5 000 for each child after the first.
- From January 1, 2004 the geographical differentiated employer's social security contribution-rates are changed due to an ESA (EFTA Surveillance Authority) ruling stating that differentiated rates are illegal according the EEA (European Economic Area) agreement with the EU. The differentiated rates will progressively be changed into a uniform rate over the period of 2004 to 2007.
- The additional child support of NOK 7 884 for children aged 1 and 2 years was abolished from August 1, 2003.
- An allowance of maximum NOK 6 000 for donations to voluntary organisations was introduced from January 1, 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 from January 1, 2005.

- From July 1, 2002 the employer's social security contribution-rates for employees aged 62 years or older were reduced by 4 percentage points, although not below zero per cent.

## 5. Memorandum items

### 5.1. Identification of an AW and calculation of earnings

The wage series used refers to full time (equivalent) employees in the C-K industry group (ISIC rev. 3).

The calculation of annual wage earnings is as follows:

Weighted average montly wage plus overtime x 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 sectors.

### 5.2. Employers' contributions to private health and pension schemes

No information available.

#### 2005 Parameter values

AW-wage	Ave_earn	379 934	Secretariat estimate
Central rate (pers)	Tax1_sch	0	381 000
class 1		0.12	800 000
		0.155	
class 2	Tax2_sch	0	393 700
		0.12	800 000
		0.155	
Central rate (ord)	Cent_rate_ord	0.118	
Local rate (ord)	Local_rate	0.162	
Allowances	Class_al_1	34 200	
	Class_al_2	68 400	
Basic relief	Basic_min	4 000	
	Basic_max	57 400	
	Basic_rel_rate	0.27	
	Basic_min_wage	31 800	
Soc security contribs	SSC_rate	0.078	
Employer	SSC_empr	0.131	
Trygd. low.lim	SSC_low_lim	29 600	
pct.rate	SSC_low_rate	0.25	
Ref. Income "G"	SSC_G	60 465	
"G,, Multiple	SSC_Gmult	16	
Supplemental Rate	SSC_rate_sup	0.125	
Child cash transfer	Child_sup	11 660	

## 2005 Tax equations

The equations for the system for Norway in 2005 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 always chosen for single parents and 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_al	J	IF(class=1, tax1_al_princ+tax1_al_spouse, tax2_al)
Class 1 tax allowance (ordinary)	tax1_al_princ	P	MIN(MAX(Basic_min_wage, MIN(earn_princ*Basic_rel_rate, Basic_max)) +Class_al_1, earn_princ)
Class 1 tax allowance (ordinary)	tax1_al_spouse	S	MIN(MAX(Basic_min_wage, MIN(earn_spouse*Basic_rel_rate, Basic_max)) +Class_al_1, earn_spouse)
Class 2 tax allowance (ordinary)	tax2_al	J	MIN(MAX(Basic_min_wage, MIN(earn_princ*Basic_rel_rate, Basic_max)), earn_princ)+MIN(MAX(Basic_min_wage, MIN(earn_spouse*Basic_rel_rate, Basic_max)), earn_spouse)+Class_al_2
3. Credits in taxable income	taxbl_cr	J	0
4. CG taxable income (ordinary)			
Class 1 taxable income	tax1_inc	B	Positive(earn-tax1_al)
Class 2 taxable income	tax2_inc	J	Positive(earn_total-tax2_al)
5. CG tax	CG_tax		IF(class=1, CG1_tax, CG2_tax)
Class 1 tax (personal+ordinary)	CG1_tax	B	Tax(earn, Tax1_sch)+Cent_rate_ord*tax1_inc
Class 2 tax (personal+ordinary)	CG2_tax	J	Tax(earn_total, Tax2_sch)+Cent_rate_ord*tax2_inc
6. Tax credits :	tax_cr	P	0
7. CG tax	CG_tax	B	CG_tax
8. State and local taxes	local_tax	J	IF(class=1, local1_tax_total, local2_tax)
Class 1 local tax	local1_tax	B	(Local_rate*(tax1_inc_princ+tax1_inc_spouse))-tax_cr
Class 2 local tax	local2_tax	J	(Local_rate*tax2_inc)-tax_cr
Favourable class	class	J	1+((CG2_tax_excl+local2_tax)<(CG1_tax_excl_total+local1_tax_tot al))
9. Employees' soc security	SSC	B	MIN(earn*SSC_rate, Positive(SSC_low_rate*(earn-SSC_low_lim)))
11. Cash transfers	cash_trans	J	(children>0)*Child_sup
13. Employer's soc security	SSC_empr	B	earn*SSC_empr+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

<b>Poland</b>		<b>2005</b>			
<b>The tax/benefit position of single persons</b>					
	Wage level (per cent of average wage)	67	100	167	67
	Number of children	none	none	none	2
<b>1. Gross wage earnings</b>		20000	30000	50000	20000
<b>2. Standard tax allowances</b>					
Basic allowance					
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes		3742	5613	9355	3742
Work-related expenses		1534	1534	1534	1534
Other					
	Total	5276	7147	10889	5276
<b>3. Tax credits or cash transfers included in taxable income</b>		0	0	0	0
<b>4. Central government taxable income (1 - 2 + 3)</b>		14724	22853	39111	14724
<b>5. Central government income tax liability (exclusive of tax credits)</b>		2798	4342	7661	2798
<b>6. Tax credits</b>					
Basic credit		530	530	530	530
Married or head of family					
Children					
Other (health insurance)		1260	1890	3150	1260
	Total	1790	2420	3680	1790
<b>7. Central government income tax finally paid (5-6)</b>		1008	1922	3981	1008
<b>8. State and local taxes</b>		0	0	0	0
<b>9. Employees' compulsory social security contributions</b>					
Gross earnings		3742	5613	9355	3742
Taxable income		1382	2073	3455	1382
	Total	5124	7686	12810	5124
<b>10. Total payments to general government (7 + 8 + 9)</b>		6131	9608	16790	6131
<b>11. Cash transfers from general government</b>					
For head of family					
For two children		0	0	0	0
	Total	0	0	0	0
<b>12. Take-home pay (1-10+11)</b>		13869	20392	33210	13869
<b>13. Employers' compulsory social security contributions</b>		4086	6129	10215	4086
<b>14. Average rates</b>					
Income tax		5.0%	6.4%	8.0%	5.0%
Employees' social security contributions		25.6%	25.6%	25.6%	25.6%
Total payments less cash transfers		30.7%	32.0%	33.6%	30.7%
Total tax wedge including employer's social security contributions		42.4%	43.6%	44.8%	42.4%
<b>15. Marginal rates</b>					
Total payments less cash transfers: Principal earner		34.8%	34.8%	43.7%	34.8%
Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner		45.8%	45.8%	53.3%	45.8%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

StatLink: <http://dx.doi.org/10.1787/048116132403>

Poland		2005				
The tax/benefit position of married couples						
		Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
		Number of children	2	2	2	none
<b>1.</b>	<b>Gross wage earnings</b>		30000	40000	50000	40000
<b>2.</b>	<b>Standard tax allowances</b>					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		5613	7484	9355	7484
	Work-related expenses		1534	3068	3068	3068
	Other					
	Total		7147	10552	12423	10552
<b>3.</b>	<b>Tax credits or cash transfers included in taxable income</b>		0	0	0	0
<b>4.</b>	<b>Central government taxable income (1 - 2 + 3)</b>		22853	29448	37577	29448
<b>5.</b>	<b>Central government income tax liability (exclusive of tax credits)</b>		4342	5595	7140	5595
<b>6.</b>	<b>Tax credits</b>					
	Basic credit		1060	1060	1060	1060
	Married or head of family					
	Children					
	Other (health insurance)		1890	2520	3150	2520
	Total		2950	3580	4210	3580
<b>7.</b>	<b>Central government income tax finally paid (5-6)</b>		1392	2015	2930	2015
<b>8.</b>	<b>State and local taxes</b>		0	0	0	0
<b>9.</b>	<b>Employees' compulsory social security contributions</b>					
	Gross earnings		5613	7484	9355	7484
	Taxable income		2073	2764	3455	2764
	Total		7686	10248	12810	10248
<b>10.</b>	<b>Total payments to general government (7 + 8 + 9)</b>		9078	12263	15739	12263
<b>11.</b>	<b>Cash transfers from general government</b>					
	For head of family					
	For two children		0	0	0	0
	Total		0	0	0	0
<b>12.</b>	<b>Take-home pay (1-10+11)</b>		20922	27737	34261	27737
<b>13.</b>	<b>Employers' compulsory social security contributions</b>		6129	8172	10215	8172
<b>14.</b>	<b>Average rates</b>					
	Income tax		4.6%	5.0%	5.9%	5.0%
	Employees' social security contributions		25.6%	25.6%	25.6%	25.6%
	Total payments less cash transfers		30.3%	30.7%	31.5%	30.7%
	Total tax wedge including employer's social security contributions		42.1%	42.4%	43.1%	42.4%
<b>15.</b>	<b>Marginal rates</b>					
	Total payments less cash transfers: Principal earner		34.8%	34.8%	34.8%	34.8%
	Total payments less cash transfers: Spouse		31.9%	34.8%	34.8%	34.8%
	Total tax wedge: Principal earner		45.8%	45.8%	45.8%	45.8%
	Total tax wedge: Spouse		43.4%	45.8%	45.8%	45.8%

StatLink: <http://dx.doi.org/10.1787/048116132403>

The national currency is the Zloty (PLN). In 2005, PLN 3.23 was equal to USD 1 (average of eleven months daily exchange rates). In that year, the average worker earned PLN 30 000 (Secretariat Estimate).

## 1. Personal income tax system

Any individual who has residency in Poland is liable to tax on the basis of world-wide income, irrespective of the source and origin of that income. (The term “residency” is understood similarly to Article 4 paragraph 2 point a) of the OECD Model Tax Convention on Income and Capital)

### 1.1. Central government income tax

#### 1.1.1. Tax unit

Individuals are taxed on their own income, but couples married during the whole calendar year can opt to be taxed on their joint income. In the latter case, the “splitting” system applies: the tax bill for the couple is twice the income tax due on half of joint income, provided the joint income does not include capital income taxed at the flat 19 per cent rate. Single individuals with dependant children are also entitled to use the splitting system (their family quotient is two). For the purposes 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.

###### 1.1.1.1.2. Capital gains

The incomes earned from transfer against consideration of securities or derivative financial instruments exercise of rights attached thereto, and from transfer against consideration of shares in companies having legal personality or from shares taken up in companies having legal personality or contributions taken up in co-operatives in exchange for a non-cash contribution in another form than an enterprise or an organised part thereof shall be subject to 19 per cent income tax of the income earned.

###### 1.1.1.1.3. Interest income

Individual taxpayers are liable to pay tax on their gains from savings (i.e. on interest or other revenues earned from deposits at taxpayers’ bank accounts or from other forms of saving, keeping or investing money). This tax has been set at a flat rate of 19 per cent and is to be withheld at source.

#### 1.1.1.1.4. Dividend income

Dividends from joint stock companies and participation in the profits of limited liability companies are distributed from the net after-tax profit of a company. Dividends and shared profits, as well as undistributed retained earnings, are not added to income from other sources. This type of income is taxed at a flat 19 per cent rate without allowing for any deductible costs.

#### 1.1.1.1.5. Other income – definition

Income from each source is defined as the surplus of revenues from that source over the costs involved in generating that revenue in a given tax year. If in a given tax year losses from any source of income exceed the taxpayer's income from that source, then the taxpayer has the right to deduct the loss in the next five years, providing that the sum of deduction in any concerned tax year will not exceed 50 per cent of the loss. Any loss relief then still unused is not available to be carried forward.

#### 1.1.1.1.6. Rental income

Rental income is calculated as the difference between rent received less associated costs lumped together with income from other sources.

#### 1.1.1.1.7. Royalty income

Individuals who earn royalty income are allowed a standard cost deduction of 50 per cent of gross royalties or the actual cost incurred, whichever is greater. This net income is then added to income from other sources and taxed at progressive rates.

### 1.1.2. Tax allowances and tax credits

#### 1.1.2.1. Standard reliefs

- Basic relief: A non-refundable tax credit of PLN 530.08 is available for all tax payers.
- Marital status relief: None.
- Relief for children: None.
- Relief for health insurance contributions: A tax credit is provided that almost equals health insurance contribution paid to the National Health Fund. The contribution is 8.25 per cent of the basis, tax relief is 7.75 per cent of the basis.
- Relief for other social security contributions: An allowance is provided for the remaining social insurance premiums of the taxpayer if they have not been deducted as revenue earning costs.
- Relief for selected work- related expenses.

Standard deductions depend on the number of workplaces and on whether dwelling place and workplace are the same or not. The annual deductible amounts in PLN are:

	One workplace	Two/more workplaces
Same as dwelling place	1 227.00	1 840.77
Different from dwelling place	1 533.84	2 300.94

The deduction where the workplace is different from the dwelling can be estimate.

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

- A 19 per cent credit against income tax is applicable for costs incurred for repair and modernisation of a building, but not more than PLN 5 670 and in the case of a living accommodation not exceeding PLN 4 725. The minimum amount of expenses giving rise to a deduction is PLN 567. The limits for repair and modernisation deductions are determined for three years (2003-2005).

Deductions from income:

- Interest costs associated with housing loans or credits, provided that these taxpayers had not already benefited from housing reliefs in years 1992-2001.
- Expenses for the purpose of rehabilitation.
- Donations made for the purposes specified in the Act on public benefit activity, to the organisations referred to this Act carrying on public benefit activity in the field of public tasks and fulfilling the said purposes; for the purposes of religious practice – in the amount of the donation made, up to 6 per cent of income.

### 1.1.3. Tax schedule

The tax schedule is as follows:

Tax base (in PLN)		Tax amount
Over	Below	
	37 024	19 % of the tax base, less a basic tax credit of PLN 530.08
37 024	74 048	PLN 6 504.48 + 30% of surplus over PLN 37 024
74 048		PLN 17 611.68 + 40% of surplus over PLN 74 048

## 1.2. State and local income tax

There are no regional or local income taxes.

## 1.3. Wealth tax

There is no wealth tax.

## 2. Social security contributions

### 2.1. Employees' contributions

Employees pay 18.71 per cent of gross wage. This contribution includes half of the contribution for the old age and disability insurance and health/maternity insurance.

Employees also pay 8.5 per cent of their gross wages less the social security contributions described above as a contribution to the National Health Fund.

### 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 equal to 20.43 per cent of gross wages; 17.88 percentage points of this contribution is assessed for social insurance (ZUS), 2.45 percentage points for the Labour Fund and 0.15 percentage point for the Benefits Guarantee Fund. Social insurance contribution (ZUS) divides into two parts:

- 16.26 percentage points are aimed for pensions and disability payments



- 1.62 percentage points (on average) are aimed for industrial accidents fund. The rate varies across industries and is subject to change. In the calculations contained in this Report, a rate of 1.62 per cent is used.

### 3. Universal cash transfers

#### 3.1. Transfers related to marital status

None.

#### 3.2. Transfers for dependent children

Families where the average monthly income per household member for the previous period is no greater than PLN 504 are entitled to family allowances. As of May 1, 2004, the family receives PLN 43 per month for each of the first two children, PLN 53 for the third and PLN 66 for each subsequent child. In general, the child must be under 18 years of age. Single parents are entitled to a supplement of PLN 170 for each child up to a maximum of PLN 750.

### 4. Main changes in tax/benefit systems since 2002

New, simpler way of tax payment on account of the annual tax for the taxpayers who carry on business activity or begin their business activity was introduced in 2002.

- Every month taxpayers may pay on account of their annual tax sums which are equal 1/12 of their income from previous year.
- Tax Credit for taxpayers who begin their business activity: in the year following the one in which a taxpayer begin his business activity (in form of SME) he is released from the duty of furnishing monthly tax declaration and he is allowed to pay on account of his annual tax sums which are equal 1/12 of his income from previous year.

### 5. Memorandum items

#### 5.1. Identification of AW and valuation of earnings

The Polish Central Statistical Office calculates average monthly wages and salaries for employees on the basis of reports of enterprises. The figures include overtime and bonus payments and also include information for part-time employees converted to full-time equivalents. Male and female workers are included. The information, which includes estimates for different sectors, is published in the monthly *Statistical Bulletin*.

#### 5.2. Employers' contributions to private pension, health and related schemes

No information provided.

## 2005 Parameter values

AW earnings	Ave_earn	30 000	Secretariat Estimate
Work expenses	work_exp	1 227	
Income tax schedule	tax_sch	0.19	37 024
		0.3	74 048
		0.4	
Basic credit	basic_cr	530.08	
Health insurance	health_ins	0.0825	
	health_ins_credit	0.0775	
Social security contributions			
Employers	SSC_empr	0.2043	
Employees	SSC	0.1871	
Family benefit	fam_ben	516	
	fam_ben_3rd	636	
	fam_ben_add	792	
	fam_ben_Spsup	170	
Income limit	fam_ben_lim	6 048	
Income limit for single parent	fam_ben_lim_sp	6 048	

## 2005 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 per cent 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	$1 + \text{MAX}(\text{Married}, (\text{Children} > 0))$
2. Allowances:	tax_al	J	$\text{work\_exp} + \text{MIN}(\text{earn\_spouse}, \text{work\_exp})$
3. Credits in taxable income	taxbl_cr	J	0
4. CG taxable income	tax_inc	J	$\text{earn} - \text{tax\_al} - \text{SSC} * \text{earn}$
5. CG tax before credits	CG_tax_excl	J	$\text{quotient} * \text{Tax}(\text{tax\_inc}/\text{quotient}, \text{tax\_sch})$
6. Tax credits :			
Basic credit	basic_cr	J	$\text{basic\_cr} * (1 + \text{Married})$
Health insurance	health_ins	B	$\text{health\_ins\_credit} * (\text{earn} - \text{SSC})$
Total tax credits	tax_cr	J	$\text{basic\_cr} + \text{health\_ins}$
7. CG tax	CG_tax	J	$\text{Positive}(\text{CG\_tax\_excl} - \text{tax\_cr})$
8. State and local taxes	local_tax	J	0
9. Employees' soc security	SSC_emp_cont	B	$\text{SSC} * \text{earn\_total} + \text{health\_ins} * (\text{earn} - \text{SSC} * \text{earn})$
11. Cash transfers	Cash_tran	J	$((\text{earn\_total}/(1 + \text{Married} + \text{Children})) < (\text{Married} * \text{fam\_ben\_lim} + (1 - \text{Married}) * \text{fam\_ben\_lim\_sp})) * (\text{MIN}(\text{Children}, 2) * \text{fam\_ben} + (\text{Children} > 2) * \text{fam\_ben\_3rd} + \text{MAX}(\text{Children} - 3, 0) * \text{fam\_ben\_add} + (1 - \text{Married}) * (\text{Children} > 0) * \text{fam\_ben\_Spsup} * \text{children})$
13. Employer's soc security	SSC_empr_contr	B	$\text{SSC\_empr} * \text{earn\_total}$

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.



# Portugal

<b>Portugal</b>		<b>2005</b>			
<b>The tax/benefit position of single persons</b>					
	Wage level (per cent of average wage)	67	100	167	67
	Number of children	none	none	none	2
<b>1. Gross wage earnings</b>		8866	13299	22165	8866
<b>2. Standard tax allowances</b>					
	Basic allowance	3237	3237	3237	3237
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes				
	Work-related expenses	0	0	0	0
	Other				
	Total	3237	3237	3237	3237
<b>3. Tax credits or cash transfers included in taxable income</b>		0	0	0	0
<b>4. Central government taxable income (1 - 2 + 3)</b>		5629	10062	18928	5629
<b>5. Central government income tax liability (exclusive of tax credits)</b>		623	1565	3922	623
<b>6. Tax credits</b>					
	Basic credit	225	225	225	300
	Married or head of family				
	Children	0	0	0	300
	Other				
	Total	225	225	225	600
<b>7. Central government income tax finally paid (5-6)</b>		398	1340	3697	23
<b>8. State and local taxes</b>		0	0	0	0
<b>9. Employees' compulsory social security contributions</b>					
	Gross earnings	975	1463	2438	975
	Taxable income				
	Total	975	1463	2438	975
<b>10. Total payments to general government (7 + 8 + 9)</b>		1373	2803	6136	999
<b>11. Cash transfers from general government:</b>					
	For head of family				
	For two children	0	0	0	666
	Total	0	0	0	666
<b>12. Take-home pay (1-10+11)</b>		7493	10496	16029	8534
<b>13. Employer's compulsory social security contributions</b>		2106	3159	5264	2106
<b>14. Average rates</b>					
	Income tax	4.5%	10.1%	16.7%	0.3%
	Employees' social security contributions	11.0%	11.0%	11.0%	11.0%
	Total payments less cash transfers	15.5%	21.1%	27.7%	3.7%
	Total tax wedge including employer's social security contributions	31.7%	36.2%	41.6%	22.2%
<b>15. Marginal rates</b>					
	Total payments less cash transfers: Principal earner	24.0%	34.5%	45.0%	24.0%
	Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner	38.6%	47.1%	55.6%	38.6%
	Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.

StatLink: <http://dx.doi.org/10.1787/727812311482>

Portugal		2005				
		The tax/benefit position of married couples				
		Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
		Number of children	2	2	2	none
<b>1.</b>	<b>Gross wage earnings</b>		13299	17732	22165	17732
<b>2.</b>	<b>Standard tax allowances</b>					
	Basic allowance		3237	6475	6475	6475
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes					
	Work-related expenses		0	0	0	0
	Other					
		Total	3237	6475	6475	6475
<b>3.</b>	<b>Tax credits or cash transfers included in taxable income</b>		0	0	0	0
<b>4.</b>	<b>Central government taxable income (1 - 2 + 3)</b>		10062	11257	15690	11257
<b>5.</b>	<b>Central government income tax liability (exclusive of tax credits)</b>		1090	1246	2088	1246
<b>6.</b>	<b>Tax credits</b>					
	Basic credit		375	375	375	375
	Married or head of family					
	Children		300	300	300	0
	Other					
		Total	674	674	674	375
<b>7.</b>	<b>Central government income tax finally paid (5-6)</b>		416	571	1413	871
<b>8.</b>	<b>State and local taxes</b>		0	0	0	0
<b>9.</b>	<b>Employees' compulsory social security contributions</b>					
	Gross earnings		1463	1951	2438	1951
	Taxable income					
		Total	1463	1951	2438	1951
<b>10.</b>	<b>Total payments to general government (7 + 8 + 9)</b>		1879	2522	3851	2822
<b>11.</b>	<b>Cash transfers from general government</b>					
	For head of family					
	For two children		666	613	613	0
		Total	666	613	613	0
<b>12.</b>	<b>Take-home pay (1-10+11)</b>		12086	15823	18927	14910
<b>13.</b>	<b>Employer's compulsory social security contributions</b>		3159	4211	5264	4211
<b>14.</b>	<b>Average rates</b>					
	Income tax		3.1%	3.2%	6.4%	4.9%
	Employees' social security contributions		11.0%	11.0%	11.0%	11.0%
	Total payments less cash transfers		9.1%	10.8%	14.6%	15.9%
	Total tax wedge including employer's social security contributions		26.6%	27.9%	31.0%	32.1%
<b>15.</b>	<b>Marginal rates</b>					
	Total payments less cash transfers: Principal earner		24.0%	24.0%	34.5%	24.0%
	Total payments less cash transfers: Spouse		15.7%	24.0%	34.5%	24.0%
	Total tax wedge: Principal earner		38.6%	38.6%	47.1%	38.6%
	Total tax wedge: Spouse		31.9%	38.6%	47.1%	38.6%

StatLink: <http://dx.doi.org/10.1787/727812311482>

The national currency is the euro (EUR). In 2005, EUR 0.80 equalled USD 1 (daily average over 11 months). The Secretariat has estimated that in that same year the average worker earned EUR 13 299.

## 1. Personal income tax system

### 1.1. Taxes levied by central government

#### 1.1.1. Tax unit

The tax unit is family income, including that 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 up to 72% of 12 times the highest monthly minimum wage.\* 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.

A deduction is allowable 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%. The calculations for this publication do not take these dues into account.

##### 1.1.2.2. Non-standard reliefs

For income received on or after 1 January 1999, the majority of standard reliefs have been replaced by tax credits (see Section 1.1.4).

Non-standard reliefs still in effect:

- Support payments compulsory under court order or court-approved agreement.

#### 1.1.3. Social security contributions

Social security contributions are deductible only if they exceed EUR 3 237.41 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 187.35 for each married taxpayer;
- EUR 224.82 for an unmarried taxpayer;

\* The corresponding amount equals EUR 3 237.41 (72% x 12 x 374.70).



- EUR 299.76 for a taxpayer in a single-parent family;
- EUR 149.88 for each dependent child;
- EUR 206.09 for each ascendant whose income does not exceed the minimum pension benefit.

#### Other tax credits

- Non-reimbursed health care costs, not covered by Social Security: 30% of health care costs plus interest on loans contracted to meet them, without limit if the expenses are exempt from VAT or subject to the reduced rate of VAT; otherwise, up to EUR 57 or 2.5% of expenses that are exempt from VAT or subject to the reduced rate of VAT plus interest on loans contracted to meet them.
- Expenditures for educating the taxpayer or the taxpayer's dependants: 30% of outlays, up to 160% of the highest minimum wage (EUR 599.52). For households having three or more dependants, the limit is raised by 30% of the highest minimum wage (EUR 112.41) for each dependant, if each of them incurs education costs.
- 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 income: 25% of expenses up to EUR 316.
- Costs for the acquisition, construction or improvement of the taxpayers' primary, permanent residence, or for renting out property for a permanent residence: 30% of interest and principal repayments up to EUR 549.
- Acquisition of new infrastructure for the use of renewable energies: 30% of amounts spent, up to EUR 728. This tax credit cannot be combined with tax credits for the costs of acquiring, constructing or improving the taxpayer's primary, permanent residence, or of renting out property to be used as a permanent residence.
- Life and personal accident insurance premiums exclusively covering the risks of death, disability or retirement pensions: 25% of premiums paid in the year in which the corresponding income was received, up to EUR 57 for unmarried taxpayers and EUR 114 for a married couple.
- Health insurance premiums: 25% of premiums paid in the year in which the corresponding income was received, up to EUR 76 for unmarried taxpayers and EUR 152 for a married couple, plus EUR 38 for each dependent child.
- 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.

### 1.1.5. Family status

To take the taxpayer's family status into account, joint taxation of the family unit was introduced, with use of an income-splitting system to ascertain taxable income.

#### 1.1.5.1. Determination of taxable income

To determine taxable income, to which the rates listed in the tax schedule are applied, income is divided by 2.

**1.1.6. Tax rate schedule (applicable to 2005 income)**

	Taxable income (EUR) (R)	Marginal tax rate (%) (T)	Amount to deduct (EUR) (K)
Up to	4 351	10.5	–
Over 4 266 up to	6 581	13	108.78
Over 6 452 up to	16 317	23.5	799.78
Over 15 997 up to	37 528	34	2 513.07
Over 36 792 up to	54 388	36.5	3 451.27
Over	54 388	40	5 354.85

In the case of taxpayers whose income stems primarily from dependent employment (earned income), disposable income after application of the tax rates to taxable income may not be less than 120% of the national minimum wage, nor may it result in income tax, the taxable base of which after application of the conjugal quotient is EUR 1 735 or less.

In the Autonomous Region of the Azores, tax rates are reduced by 20% for resident individuals. In the Autonomous Region of Madeira, the applicable schedule is:

	Taxable income (EUR) (R)	Marginal tax rate (%) (T)	Amount to deduct (EUR) (K)
Up to	4 351	8.5	–
Over 4 351 up to	6 581	11	108.78
Over 6 581 up to	16 317	22	832.69
Over 16 317 up to	37 528	32.5	2 545.97
Over 37 528 up to	54 388	36	3 859.45
Over	54 388	39	5 491.09

Tax calculation formula (I = Income tax due):

- Unmarried taxpayers:  $I = R \times T - K - C$

Married taxpayers (with one or two earned incomes/see Section 1.1.5.1):

- $I = \{ [(R : 2) \times T - K] \times 2 \} - C$

Where:

R = Taxable income, after deduction of standard and non-standard reliefs (see Sections 1.1.2 and 1.1.5.1)

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)

**1.1.7. Special family situations**

1.1.7.1. *Handicapped taxpayer/spouse, with a disability rating of 60% or more:*

- The standard deduction from earned income is increased by 50%.
- The basic tax credit is increased by 50%.
- A 50% exemption is granted for earned income, up to an exemption of EUR 13 774.86.
- A 30% exemption is granted for pension income, up to an exemption of EUR 7 778.74.

1.1.7.2. *Handicapped dependent children, with a disability rating of 60% or more:*

- The basic tax credit is increased by 50%.

### 1.1.8. Tax-exempt income

- Any duly documented allowances for the taxpayer's own medical assistance or hospitalisation.
- Lawfully granted family allowances.
- Allowances for losses, up to 5% of the amount of fixed monthly compensation, in respect of taxpayers affiliated to the workers' fund.
- Living expenses, up to the limits established for national civil servants.
- Meal allowances, up to the amount established for national civil servants, increased by 50% or 70% 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 gross income, including vacation and Christmas allowances, by the number of dependent children plus one:

- Level 1: Families whose reference income is less than 50% of the annual minimum wage (up to EUR 2 622.90 in 2005).
- Level 2: Families whose reference income is between 50% and 100% of the annual minimum wage (between EUR 2 622.90 and EUR 5 245.80 in 2005).
- Level 3: Families whose reference income is between 100% and 150% of the annual minimum wage (between EUR 5 245.80 and EUR 7 868.70 in 2005).

- Level 4: Families whose reference income is between 150% and 250% of the annual minimum wage (between EUR 7 868.70 and EUR 13 114.50 in 2005).
- Level 5: Families whose reference income is between 250% and 500% of the annual minimum wage (between EUR 13 114.50 and EUR 26 229.00 in 2005).
- Level 6: Families whose reference income is over 500% of the annual minimum wage (over EUR 26 229.00 in 2005).

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.

As of 1 January 2005, monthly social benefits per child were as follows:

	Less than 12 months old	More than 12 months old
Level 1	123.00	30.75
Level 2	102.50	25.63
Level 3	82.00	23.58
Level 4	51.25	20.50
Level 5	30.75	10.25
Level 6	0	0

In September, families with dependent children aged between 6 and 16 years receive an additional amount equal to the regular monthly benefit.

There is also a special family allowance scheme for handicapped children.

The above cash benefits (in Sections 3.1 and 3.2) are not taxable.

#### 4. Main changes in the tax/benefit system since 2004

- Reduction of tax rates.
- Elimination of tax credits for Individual Retirement Savings Plans (PPRs), Equity Savings Plans (PPAs) and Housing Savings Accounts (CPHs).

#### 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 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.

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 1992 labour cost survey.

The formula that is used is as follows:

- 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.

#### 2005 Parameter values

AW earnings	Ave_earn	13 299	Secretariat estimate	
Tax allowances	perc	1		
	max_al	3 237.41		
Tax credits				
Married (basic)	married_cred	187.35		
Single (basic)	single_cred	224.82		
Single parent	singlepar_cred	299.76		
Each child credit	child_cred	149.88		
Tax schedule	tax_sch	0.105	4 351	
		0.13	6 581	
		0.235	16 317	
		0.34	37 528	
		0.365	54 388	
		0.4		
	tax_floor	1 735		
Social security contributions	SSC_rate	0.11		
Ceiling	SSC_empr	0.2375		
Child benefit – Schedule	ch_ben_sch	0	399.75	1st echelon
		2 622.9	333.19	2nd echelon
		5 245.8	306.54	3rd echelon
		7 868.7	266.50	4th echelon
		13 114.5	133.25	5th echelon
		26 229	0	6th echelon

## 2005 Tax equations

The equations for the Portuguese system in 2005 are mostly calculated on a family 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		
Divisor for tax calculation	divisor	J	1+Married
2. Allowances:	tax_al	J	MAX((MIN(perc*earn_princ, max_al)+MIN(perc*earn_spouse, max_al)), SSC_princ+SSC_spouse)
3. Credits in taxable income	taxbl_cr	J	0
4. CG taxable income	tax_inc	J	earn-tax_al
5. CG tax before credits	CG_tax_excl	J	IF(tax_inc/divisor>tax_floor, Tax(tax_inc/divisor, tax_sch)*(1+Married), 0)
6. Tax credits :		J	
Basic credit	basic_cr	J	IF(Married, 2*married_cred, IF(children, singlepar_cred, single_cred))
Child credit	child_cr	J	Children*child_cred
Total	tax_cr	J	basic_cr+child_cr
7. CG tax	CG_tax	J	Positive(CG_tax_excl-tax_cr)
8. State and local taxes	local_tax	J	0
9. Employees' soc security	SSC	B	earn*SSC_rt
11. Cash transfers	cash_trans	J	Children*vlookup(earn/(children+1), ch_ben_sch, 2, 1)
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.

# Slovak Republic

<b>Slovak Republic</b>		<b>2005</b>			
<b>The tax/benefit position of single persons</b>					
Wage level (per cent of average wage)		67	100	167	67
Number of children		none	none	none	2
<b>1. Gross wage earnings</b>		144520	216780	361300	144520
<b>2. Standard tax allowances</b>					
Basic allowance		87936	87936	87936	87936
Married or head of family		0	0	0	0
Dependent children		0	0	0	0
Deduction for social security contributions and income taxes		19366	29049	47160	17920
Work-related expenses					
Other					
	Total	107302	116985	135096	105856
<b>3. Tax credits or cash transfers included in taxable income</b>		0	0	0	0
<b>4. Central government taxable income (1 - 2 + 3)</b>		37218	99795	226204	38663
<b>5. Central government income tax liability (exclusive of tax credits)</b>		7071	18961	42979	7346
<b>6. Tax credits</b>					
Basic credit		0	0	0	0
Married or head of family		0	0	0	0
Children		0	0	0	10000
Other		0	0	0	0
	Total	0	0	0	10000
<b>7. Central government income tax finally paid (5-6)</b>		7071	18961	42979	-2654
<b>8. State and local taxes</b>		0	0	0	0
<b>9. Employees' compulsory social security contributions</b>					
Gross earnings		19366	29049	47160	17920
Taxable income					
	Total	19366	29049	47160	17920
<b>10. Total payments to general government (7 + 8 + 9)</b>		26437	48010	90139	15267
<b>11. Cash transfers from general government</b>					
For head of family					
For two children		0	0	0	12960
	Total	0	0	0	12960
<b>12. Take-home pay (1-10+11)</b>		118083	168770	271161	142213
<b>13. Employers' compulsory social security contributions</b>		37864	56796	93182	37864
<b>14. Average rates</b>					
Income tax		4.9%	8.7%	11.9%	-1.8%
Employees' social security contributions		13.4%	13.4%	13.1%	12.4%
Total payments less cash transfers		18.3%	22.1%	24.9%	1.6%
Total tax wedge including employer's social security contributions		35.3%	38.3%	40.3%	22.0%
<b>15. Marginal rates</b>					
Total payments less cash transfers: Principal earner		29.9%	29.9%	28.7%	29.0%
Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner		44.4%	44.4%	42.8%	43.8%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.
Memorandum item: Non-wastable tax credits					
tax expenditure component		0	0	0	7346
cash transfer component		0	0	0	2654

StatLink: <http://dx.doi.org/10.1787/651155703583>



<b>Slovak Republic</b>		<b>2005</b>			
<b>The tax/benefit position of married couples</b>					
Wage level (per cent of average wage)		100-0	100-33	100-67	100-33
Number of children		2	2	2	none
<b>1. Gross wage earnings</b>		216780	289040	361300	289040
<b>2. Standard tax allowances</b>					
Basic allowance		87936	150513	175872	150513
Married or head of family		87936	15676	0	15676
Dependent children		0	0	0	0
Deduction for social security contributions and income taxes		26881	36564	46246	38731
Work-related expenses					
Other					
	Total	202753	202753	222118	204921
<b>3. Tax credits or cash transfers included in taxable income</b>		0	0	0	0
<b>4. Central government taxable income (1 - 2 + 3)</b>		14027	86287	139182	84119
<b>5. Central government income tax liability (exclusive of tax credits)</b>		2665	16395	26444	15983
<b>6. Tax credits</b>					
Basic credit		0	0	0	0
Married or head of family		0	0	0	0
Children		10000	10000	10000	0
Other		0	0	0	0
	Total	10000	10000	10000	0
<b>7. Central government income tax finally paid (5-6)</b>		-7335	6395	16444	15983
<b>8. State and local taxes</b>		0	0	0	0
<b>9. Employees' compulsory social security contributions</b>					
Gross earnings		26881	36564	46246	38731
Taxable income					
	Total	26881	36564	46246	38731
<b>10. Total payments to general government (7 + 8 + 9)</b>		19546	42958	62691	54714
<b>11. Cash transfers from general government</b>					
For head of family					
For two children		12960	12960	12960	0
	Total	12960	12960	12960	0
<b>12. Take-home pay (1-10+11)</b>		210194	259042	311569	234326
<b>13. Employers' compulsory social security contributions</b>		56796	75728	94661	75728
<b>14. Average rates</b>					
Income tax		-3.4%	2.2%	4.6%	5.5%
Employees' social security contributions		12.4%	12.7%	12.8%	13.4%
Total payments less cash transfers		3.0%	10.4%	13.8%	18.9%
Total tax wedge including employer's social security contributions		23.2%	29.0%	31.7%	35.8%
<b>15. Marginal rates</b>					
Total payments less cash transfers: Principal earner		29.0%	29.0%	29.0%	29.9%
Total payments less cash transfers: Spouse		32.4%	32.4%	29.9%	32.4%
Total tax wedge: Principal earner		43.8%	43.8%	43.8%	44.4%
Total tax wedge: Spouse		46.4%	46.4%	44.4%	46.4%
Memorandum item: Non-wastable tax credits					
tax expenditure component		2665	10000	10000	0
cash transfer component		7335	0	0	0

StatLink: <http://dx.doi.org/10.1787/651155703583>

The national currency is the Slovak Koruna (SKK). In 2005 SKK 30.96 was equal to USD 1 (average of eleven months daily exchange rates). In that year, the average worker earned SKK 216 780 (national 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 individuals (taxpayers) is set at 19.2 times the minimum standard (MLS) for a basic adult as of January 1st, 2005 (SKK 87 936).
- *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 (living in a common household) earns no more than SKK 87 936. This allowance is calculated as the difference between the basic allowance and the spouse income.
- *Relief for children*: The prior allowance for children was replaced by non-wastable tax credit of SKK 4 800 yearly per child (SKK 400 per month). This credit has been increased to SKK 450 per month since September 2005. The tax credit for each dependent child is deducted from the tax liability and if this amount exceeds the tax liability, the excess is paid to the taxpayer. To be eligible for this credit, the parent must annually earn at least six times the minimum monthly wage which for 2005 is set at SKK 6 500 (the total annual earnings must be at least SKK 39 000). The credit can be taken by one spouse for part of the tax period (year) and by the other spouse for the rest of the tax period (year) but for all dependent children (for the purposes of this Report, it is assumed that the credit is claimed by the principal wage earner).
- *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*: Beginning on January 1, 2005, taxpayer can deduct premiums paid to the supplementary pension insurance and payments for special-purpose savings paid to bank or insurance company\* up to the maximum limit of SKK 12 000 per year. It should be noted that contributions for supplementary pension insurance made by employers on behalf of their employees are now treated as a taxable benefit (these amounts would be added to the income of the employee) as from 2004.

\*Payments for special-purpose savings paid to bank or insurance company can be deducted provided certain conditions are met:

- Agreed time of paying this special-purpose savings payments must be at least 10 years.
- Benefits arising from this special-purpose savings can be received in 55 years of the taxpayer's age, not sooner.

### 1.1.3. Tax schedule

From January 1, 2004, the progressive personal income tax rates were abolished and replaced by a flat tax rate of 19%.

## 1.2. State and local income tax

Out of the total revenue from the income tax from dependent personal services and emoluments collected by the State, an amount of SKK 23 500,5 million is transferred into the budget of municipalities and SKK 7 854 million is transferred into the budget of self-governing regions. No separate state and local income tax exist.

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

### 2.1. Employees' contributions

Compulsory contributions of 13.4 per cent 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 per cent
Social Insurance	9.4 per cent
<i>of which:</i>	
Sickness	1.4 per cent
Retirement	4.0 per cent
Disability	3.0 per cent
Unemployment	1.0 per cent

The retirement insurance rate can be decreased by 0.5 per cent for each dependent child.

There are maximum assessment bases MSSAB (maximum threshold for contributions to apply) that apply to social security contributions. From 2004 these MSSAB changed from being fixed values to depend upon the average wages.

Average monthly MSSAB for retirement, disability and unemployment insurance are calculated as:  $3 \times AW(t-2) + 3 \times AW(t-1)$ . Where  $AW(t-2)$  is average wage two years ago and  $AW(t-1)$  is average wage before current tax year. Average wage is according to the Statistical Office of the Slovak Republic.  $AW(2002)$  is SKK 13 511 monthly,  $AW(2003)$  is SKK 14 365 monthly,  $AW(2004)$  is SKK 15 825 monthly. According to the law, MSSAB in the first six months of the year is  $3 \times AW(t-2)$ , in the second half of the year it is  $3 \times AW(t-1)$ . In this report the calculation of MSSAB has been simplified by using the annual average wage.

### 2.2. Employers' contributions

The total contribution for employers varies between 34.7 and 36.5 per cent of gross earnings depending on category of risk associated with the employer's activities. The contribution comprises the health insurance contribution (10 per cent of gross wages and

salaries) and the social insurance contribution (between 24.7 and 26.5 per cent). The social insurance rate reflects contributions to sickness insurance (1.4 per cent), disability insurance (3 per cent), retirement insurance (14 per cent), the Guaranteed fund (0.25 per cent), accident insurance (0.8 per cent until 2007 and then between 0.3 and 2.1 per cent depending on category of risk associated with the employer's activities), for unemployment (1 per cent) and to the Reserve fund (4.75 per cent).

From January 2005, Slovakia has introduced the *fully funded pillar*. It means that a given proportion (9 percentage points) of social contribution paid by the employer to the retirement insurance flows directly to pension funds and not to social insurance company as in previous years. Pension funds are treated outside of general government so these contributions are not taken into account in the calculations. Therefore, for the purposes of this Report the total contribution rate for employers is assumed to be 26.2 per cent.

The MSSAB also applies to the employer's SSC.

### 3. Universal cash transfers

#### 3.1. Transfers related to marital status

None.

#### 3.2. Transfers for dependent children

The central government pays an allowance in respect of each dependent child in the amount of SKK 540 per month.

Non-wastable tax credit mentioned in Section 1.1.2.1 is a part of social support of families with dependent children. However, it is not considered as a transfer for the purposes of this Report.

#### 3.3. Transfers related to social status\*

To determine the claim to state social benefits (for example the allowance for housing costs) the minimum living standard amounts are relevant as they form the basis of the income test. For 2005, these amounts are:

	MLS monthly
First adult	4 580
Second adult	3 200
Child	2 080

A family is entitled to a social allowance if the total combined net monthly income of the family is less than the calculated MLS for this family. The extent of the allowance varies in accordance of the type.

The benefits available to a family in material need are:

- SKK 1 530 monthly for an individual.
- SKK 2 450 monthly for an individual with between one and four children.
- SKK 2 660 monthly for a couple without children.
- SKK 3 630 monthly for a couple with between one and four children.

\* The transfers related to social status do not affect the calculations, for this Report.

- SKK 3 640 monthly for an individual with more than four children.
- SKK 4 850 monthly for a couple with more than four children.
- activation allowance: SKK 1 500 monthly – for people who become active either by accepting qualifying employment opportunities or participating in retraining courses.
- housing allowance: SKK 980 for individual in material need, SKK 1 670 for a household in material need.
- protection allowance: SKK 1 500 monthly for an individual in material need where employment is not possible due to such circumstances as a disability or old age.
- health care allowance SKK 50 monthly.

#### 4. Main changes in tax/benefit systems since 2005

- Changes in tax deductibility in case of contributions for supplementary pension insurance – beginning on January 1, 2005 it is possible to deduct special-purpose savings payments as well and the total amount of deduction is up to SKK 12 000.
- Introduction of the *fully funded pillar*: a given proportion (9 percentage points) of social contribution paid by the employer to the retirement insurance flows directly to pension funds and not to social insurance company as in previous years.

#### 5. Memorandum items

##### 5.1. Identification of AW and valuation of earnings

The average earnings of an average wage worker are estimated by the Slovak Statistical Office from employer survey data. 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.

## 2005 Parameter values

			Country estimate
	Ave_earn	216 779	
Basic allowance	basic_al	87 936	
Spouse	spouse_al	87 936	
Income tax rate	tax_rate	0.19	
Tax credits – nonwastable	tax_cr	5 000	
	min_wage	6 500	
	minwage_mult	6	
Social security contributions	SSC_rate	0.08	
	SSC_sick	0.014	
	SSC_ret	0.04	
	SSC_dis	0.03	
	SSC_unemp	0.01	
	SSC_health	0.04	
	SSC_children	0.005	
Employers	SSC_empr	0.1375	
	SSC_empsick	0.014	
	SSC_empret	0.05	
	SSC_empdis	0.03	
	SSC_empunemp	0.01	
	SSC_emphealth	0.1	
	SSC_gua	0.0025	
	SSC_acc	0.008	
	SSC_fund	0.0475	
Maximum assesment base	MSSAB	543 420	
	MSSAB_health	517 140	
	MSSAB_sick	271 716	
	MSSAB_gua	271 716	
	MSSAB_fund	543 420	
Minimum living standard (MLS)			
	basic_adult	4 580	
	basic_adult1	3 200	
	basic_child	2 080	
Cash transfers	transf_1	6 480	

## 2005 Tax equations

Line in country table and intermediate steps	Variable name	Range	Equation
1. Earnings	earn		
2. Allowances:			
Basic	basic_allce	B	basic_al
Spouse	spouse_allce	P	IF(earn_spouse>basic_al, 0, Married*spouse_al)
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_rate*tax_inc
6. Tax credits :	tax_cr	P	(earn>=min_wage*minwage_mult)*Children*tax_cr
7. CG tax	CG_tax	B	CG_tax_excl-tax_cr
8. State and local taxes	local_tax	B	0
9. Employees' soc security	SSC	B	MINA(earn,MSSAB)*(SSC_rate-(Children*SSC_children)) +MINA(earn,MSSAB_sick)*SSC_sick+MINA(earn,MSSAB_health)*SSC_health
11. Cash transfers	cash_trans	J	Children*transf_1
13. Employer's soc security	SSC_empr	B	MINA(earn,MSSAB)*SSC_empr+MINA(earn,MSSAB_sick)*SSC_empsick+MINA(earn,MSSAB_health)*SSC_emphealth+earn*SSC_acc+MINA(earn,MSSAB_gua)*SSC_gua

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

Spain	2005				
	The tax/benefit position of a single persons				
	Wage level (per cent of average wage)	67	100	167	67
	Number of children	none	none	none	2
<b>1. Gross wage earnings</b>		13801	20701	34502	13801
<b>2. Standard tax allowances:</b>					
Basic allowance		3400	3400	3400	5550
Married or head of family					
Dependent children		0	0	0	2900
Deduction for social security contributions and income taxes		876	1315	2144	876
Work-related expenses		2418	2400	2400	2418
Other					
	Total	6694	7115	7944	11744
<b>3. Tax credits or cash transfers included in taxable income</b>		0	0	0	0
<b>4. Central government taxable income (1 - 2 + 3)</b>		7107	13586	26558	2057
<b>5. Central government income tax liability (exclusive of tax credits)</b>		849	1875	4299	186
<b>6. Tax credits</b>					
Basic credit		0	0	0	0
Married or head of family					
Children					
Other					
	Total	0	0	0	0
<b>7. Central government income tax finally paid (5-6)</b>		849	1875	4299	186
<b>8. State and local taxes</b>		489	1018	2229	122
<b>9. Employees' compulsory social security contributions</b>					
Gross earnings		876	1315	2144	876
Taxable income					
	Total	876	1315	2144	876
<b>10. Total payments to general government (7 + 8 + 9)</b>		2215	4208	8672	1185
<b>11. Cash transfers from general government</b>					
For head of family					
For two children		0	0	0	0
	Total	0	0	0	0
<b>12. Take-home pay (1-10+11)</b>		11586	16493	25830	12616
<b>13. Employer's compulsory social security contributions</b>		4223	6335	10331	4223
<b>14. Average rates</b>					
Income tax		9.7%	14.0%	18.9%	2.2%
Employees' social security contributions		6.4%	6.4%	6.2%	6.4%
Total payments less cash transfers		16.0%	20.3%	25.1%	8.6%
Total tax wedge including employer's social security contributions		35.7%	39.0%	42.4%	30.0%
<b>15. Marginal rates</b>					
Total payments less cash transfers: Principal earner		34.0%	28.8%	37.0%	23.6%
Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner		49.4%	45.5%	37.0%	41.5%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

StatLink: <http://dx.doi.org/10.1787/806683887016>

Spain	2005				
	The tax/benefit position of married couples				
	Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
	Number of children	2	2	2	none
<b>1. Gross wage earnings</b>		20701	27601	34502	27601
<b>2. Standard tax allowances</b>					
Basic allowance		6800	6800	6800	6800
Married or head of family					
Dependent children		2900	2900	2900	0
Deduction for social security contributions and income taxes		1315	1753	2191	1753
Work-related expenses		2400	5900	4818	5900
Other					
	Total	13415	15465	16709	14015
<b>3. Tax credits or cash transfers included in taxable income</b>		0	0	0	0
<b>4. Central government taxable income (1 - 2 + 3)</b>		7286	12136	17793	13586
<b>5. Central government income tax liability (exclusive of tax credits)</b>		878	1646	2265	1875
<b>6. Tax credits</b>					
Basic credit		0	0	0	0
Married or head of family					
Children					
Other					
	Total	0	0	0	0
<b>7. Central government income tax finally paid (5-6)</b>		878	1646	2265	1875
<b>8. State and local taxes</b>		504	900	1271	1018
<b>9. Employees' compulsory social security contributions</b>					
Gross earnings		1315	1753	2191	1753
Taxable income					
	Total	1315	1753	2191	1753
<b>10. Total payments to general government (7 + 8 + 9)</b>		2696	4298	5727	4646
<b>11. Cash transfers from general government</b>					
For head of family					
For two children		0	0	0	0
	Total	0	0	0	0
<b>12. Take-home pay (1-10+11)</b>		18005	23303	28775	22955
<b>13. Employer's compulsory social security contributions</b>		6335	8446	10558	8446
<b>14. Average rates</b>					
Income tax		6.7%	9.2%	10.2%	10.5%
Employees' social security contributions		6.4%	6.4%	6.4%	6.4%
Total payments less cash transfers		13.0%	15.6%	16.6%	16.8%
Total tax wedge including employer's social security contributions		33.4%	35.4%	36.1%	36.3%
<b>15. Marginal rates</b>					
Total payments less cash transfers: Principal earner		28.8%	28.8%	28.8%	28.8%
Total payments less cash transfers: Spouse		23.2%	6.3%	34.0%	6.4%
Total tax wedge: Principal earner		45.5%	45.5%	45.5%	45.5%
Total tax wedge: Spouse		41.2%	28.3%	49.4%	28.3%

StatLink: <http://dx.doi.org/10.1787/806683887016>

The national currency is the Euro (EUR). In 2005, EUR 0.80 was equal to USD 1 (average of eleven months daily exchange rates). In that year the average worker earned EUR 20 701 (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*: A personal allowance of EUR 3 400 is granted for each individual. For married couples filing jointly the allowance amounts to EUR 3 400 for each spouse. This figure is EUR 5 550 for heads of households.
- *Dependent children* (under 25 years): EUR 1 400 for the first dependent child; EUR 1 500 for the second one; EUR 2 220 for the third and EUR 2 300 for the fourth.
- *Child care allowance*: an additional allowance of EUR 1 200 for each of the above dependent children under 3 years.
- *Maternity tax credit*: a non-wastable tax credit addressed to working females with children under 3 years of age up to EUR 1 200.
- *Relief for social security contributions*: All these payments are fully deductible.
- *Work related expenses*: Net work income (gross income less employee social security contributions) may be reduced according to the following rules:
  - ❖ Taxpayers with net employment income equal or less than EUR 8 200: EUR 3 500.
  - ❖ For those with a net employment income between EUR 8 200 and EUR 13 000: EUR 3 500 less the result of multiplying by 0.2291 the difference between net income and EUR 8 200.
  - ❖ Taxpayers with net income over EUR 13 000 or non employment income over EUR 6 500: EUR 2 400.
- *Extending labour market participation allowance*: taxpayers extending their labour market participation beyond the retirement age (65) may increase the work-related expense allowance by 100%.

- Geographic mobility allowance: unemployed taxpayers accepting a job in a different location may also increase the work related allowance by 100%.
- Disabled workers allowance: an allowance of EUR 2 800 for disabled salary earners. Those with reduced mobility may claim an augmented allowance of EUR 6 200.

As a result of the application of the above rules, net income can not become negative.

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

- Contributions to approved Mutual, Superannuation Funds and Mutual Insured Plans: Contributions made by each member of the household, may reduce taxable income up to a maximum limit of EUR 8 000 yearly. Contributions made by taxpayers exceeding 52 years of age may be increased by EUR 1 250 for each additional year up to a maximum limit of EUR 24 250.

Also, those households whose second earner has net work income below EUR 8 000 may reduce taxable income up to a maximum of EUR 2 000 on a yearly basis, if the principal earner contributes to a Pension Fund for her/him.

- 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 300.51.
- 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:
  - ❖ As a general rule, 15 per cent of the investment made during the year with a maximum limit of EUR 9 015.18.
  - ❖ By using external funds (e.g. loans, mortgage): The first two years after the acquisition or rehabilitation: 25 per cent of the first EUR 4 507.59 and 15 per cent of the rest, with a maximum of EUR 9 015.18. In subsequent years: 20 per cent and 15 per cent, respectively.
- Gifts: 10 per cent of the amounts donated to foundations and associations declared of public benefit. 25 per cent if these amounts are donated to some special legally approved foundations and associations and other private and public institutions.
- Investments and expenses in goods of cultural interest: 15 per cent of the amounts granted to the importation, restoration, exhibition, etc. of certain goods listed in the General Registrar of Goods of Cultural Interest.

The last two amounts shall not exceed 10 per cent of taxable income.

#### 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 (%)
0.00-4 080.00	0.00	9.06
4 080.00-14 076.00	369.65	15.84
14 076.00-26 316.00	1 953.02	18.68
26 316.00-45 900.00	4 239.45	24.71
Over 45 900.00	9 078.65	29.16

## 1.2. State and local income taxes

Regional 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 (%)
0.00-4 080.00	0.00	5.94
4 080.00-14 076.00	242.35	8.16
14 076.00-26 316.00	1 058.02	9.32
26 316.00-45 900.00	2 198.79	12.29
Over 45 900.00	4 605.66	15.84

## 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 2004, these ceilings are:

- Lower ceiling: EUR 7 182.
- Upper ceiling: EUR 33 760.80.

These ceilings are based on a full-time job. For part-time workers, ceilings are proportional to the real hours worked (the tax equations used for this Report do not take into account the lower ceiling).

### 2.1. Employees' contributions

- Old age pension/sickness and disability 4.7 per cent.
- Unemployment 1.55 per cent.
- Professional training 0.1 per cent.

### 2.2. Employers' contributions

- Old age pension/sickness and disability 23.6 per cent.
- Unemployment/Work injuries 6.0 per cent.
- Wages fund 0.4 per cent.
- Professional training 0.6 per cent.

## 3. Universal cash transfers

### 3.1. Transfers related to marital status

None.

### 3.2. Transfers for dependent children

Up to EUR 291 per child for taxpayers with annual gross earnings below EUR 10 111.98 in 2005, based on the assumptions made for the AW family-type (two children). These transfers are part of the social safety net and are not included in the calculations underlying this Report.

## 4. Main changes in tax/benefit systems in 2005

Effective as of 1 January, the government has made modifications to the Personal Income Tax Law providing an indexation of both tax schedules (general and regional) at 2 per cent for mitigating the so called “bracket creep” effect due to inflation.

## 5. Memorandum items

### 5.1. Identification of an AW and calculation of earnings

Refer to the information provided in Part V and Annex B of this Report.

#### 2005 Parameter values

AW earnings	Ave_earn	20 701	Secretariat estimate	
Work related allowance	wr_rate	0.2291		
	wr_lim_max	13 000		
	wr_lim_min	8 200		
	wr_lim_min_1	8 200.01		
	wr_allow_max	3 500		
	wr_allow_min	2 400		
Basic allowance	bas_allow_sing	3 400		
	bas_allow_fam1	6 800		
	bas_allow_fam2	5 550		
Dependent children	dep_child	1 400		
	dep_child2	1 500		
	dep_child3	2 220		
	dep_child4	2 300		
Tax schedule	tax_sch_sg	0	0	9.06%
		4 080	369.65	15.84%
		14 076	1 953.02	18.68%
		26 316	4 239.45	24.71%
		45 900	9 078.66	29.16%
	tax_sch_sa	0	0	5.94%
		4 080	242.35	8.16%
		14 076	1 058.02	9.32%
		26 316	2 198.79	12.29%
		45 900	4 605.66	15.84%
Social security contributions				
Employee:				
Pension	pension_rate	0.047		
Unemployment	unemp_rate	0.0155		
Other	oth_rate	0.001		
Employer				
Pension	pension_empr	0.236		
Unemployment	unemp_empr	0.06		
Other	oth_empr	0.01		
Ceiling and floor	min_lim	0		
	top_lim	33 760		

## 2005 Tax equations

The equations for the Spanish system are mostly applied on a joint (family) basis for married couples – except that individual taxation is chosen when this gives a lower value. But social security contributions are calculated for individuals. 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 “\_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:	tax_allow	B,J	$(earn\_princ+earn\_sp)-tax\_inc$
Basic, individual	basic_ind	B	$IF(earn=0, 0, bas\_allow\_sing)$
Basic, family	basic_fam	J	$IF(AND(Married=0, Children=0), 0, IF(AND(Married=0, Children>0), bas\_allow\_fam2, bas\_allow\_fam1))$
Work related, individual	work_ind	B	$IF(earn-SSC \leq wr\_lim\_min, wr\_allow\_max, IF(earn-SSC \leq wr\_lim\_max, wr\_allow\_max-wr\_rate*((earn-SSC)-(wr\_lim\_min+1)), wr\_allow\_min))$
Work related, family	work_fam	J	$IF(AND(earn\_sp=0, Married=0, Children=0), 0, IF(earn\_total-SSC\_fam \leq wr\_lim\_min, wr\_allow\_max, IF(earn\_total-SSC\_fam \leq wr\_lim\_max, wr\_allow\_max-wr\_rate*((earn\_total-SSC\_fam)-(wr\_lim\_min+1)), wr\_allow\_min))$
Child, individual	child_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	$IF(earn\_sp=0, 0, (children>0)*(dep\_child+(children>1)*dep\_child2+(children>2)*dep\_child3+(children>3)*(children-3)*dep\_child4)/2)$
Child, family	child_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	$Positive(earn-(basic\_ind+work\_ind+child\_ind+SSC))$
	tax_inc_fam	J	$IF(AND(Married=0, Children=0), 0, Positive(earn-(basic\_fam+work\_fam+child\_fam+SSC\_princ+SSC\_sp)))$
	liable_sing_1	P	$Tax(tax\_inc\_princ, TAX\_SCH\_S)$
	liable_sing_2	S	$Tax(tax\_inc\_spouse, TAX\_SCH\_S)$
	liable_joint	J	$Tax(tax\_inc\_total, TAX\_SCH\_F)$
5. CG tax before credits	CG_tax_ind_ex	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_ex	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. Tax credits :	tax_cr	B,J	0
7. CG tax	CG_tax_ind	B	CG_tax_ind_ex
	CG_tax_fam	J	CG_tax_fam_ex
8. State and local taxes	local_tax_ind	B	$MAXA(0, VLOOKUP(tax\_inc\_ind, tax\_sch\_sa, 2)+(tax\_inc\_ind-VLOOKUP(tax\_inc\_ind, tax\_sch\_sa, 1))*VLOOKUP(tax\_inc\_ind, tax\_sch\_sa, 3))$



Line in country table and intermediate steps	Variable name	Range	Equation
	local_tax_fam	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))
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	cash_trans	J	0
13. Employer's soc security	SSC_empr	B	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

Sweden		2005			
		The tax/benefit position of a single persons			
Wage level (per cent of average wage)		67	100	167	67
Number of children		none	none	none	2
<b>1. Gross wage earnings</b>		206569	309854	516423	206569
<b>2. Standard tax allowances</b>					
	Basic allowance	20400	11600	11600	20400
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes	1900	2800	3100	1900
	Work-related expenses				
	Other				
	Total	22300	14400	14700	22300
<b>3. Tax credits or cash transfers included in taxable income</b>		0	0	0	0
<b>4. Central government taxable income (1 - 2 + 3)</b>		184200	295400	501700	184200
<b>5. Central government income tax liability (exclusive of tax credits)</b>		0	0	43180	0
<b>6. Tax credits</b>					
	Basic credit				
	Married or head of family				
	Children				
	Other	12600	18900	21400	12600
	Total	12600	18900	21400	12600
<b>7. Central government income tax finally paid (5-6)</b>		-12600	-18900	21780	-12600
<b>8. State and local taxes</b>		58207	93346	158537	58207
<b>9. Employees' compulsory social security contributions</b>					
	Gross earnings	14500	21700	24500	14500
	Taxable income				
	Total	14500	21700	24500	14500
<b>10. Total payments to general government (7 + 8 + 9)</b>		60107	96146	204817	60107
<b>11. Cash transfers from general government</b>					
	For head of family				
	For two children	0	0	0	22800
	Total	0	0	0	22800
<b>12. Take-home pay (1-10+11)</b>		146462	213708	311606	169262
<b>13. Employer's wage dependent contributions and taxes</b>					
	Employers' compulsory social security contributions	60711	91066	151777	60711
	Pay-roll taxes	6341	9512	15854	6341
	Total	67052	100578	167631	67052
<b>14. Average rates</b>					
	Income tax	22.1%	24.0%	34.9%	22.1%
	Employees' social security contributions	7.0%	7.0%	4.7%	7.0%
	Total payments less cash transfers	29.1%	31.0%	39.7%	18.1%
	Total tax wedge including employer's social security contributions	46.5%	47.9%	54.4%	38.1%
<b>15. Marginal rates</b>					
	Total payments less cash transfers: Principal earner	35.4%	32.2%	56.6%	35.4%
	Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner	51.2%	48.8%	67.2%	51.2%
	Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.

StatLink: <http://dx.doi.org/10.1787/450778217613>

Sweden	2005				
	The tax/benefit position of married couples				
	Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
	Number of children	2	2	2	none
<b>1. Gross wage earnings</b>		309854	413139	516423	413139
<b>2. Standard tax allowances:</b>					
Basic allowance		11600	39600	32000	39600
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes		2800	3700	4700	3700
Work-related expenses					
Other					
	Total	14400	43300	36700	43300
<b>3. Tax credits or cash transfers included in taxable income</b>		0	0	0	0
<b>4. Central government taxable income (1 - 2 + 3)</b>		295400	369700	479600	369700
<b>5. Central government income tax liability (exclusive of tax credits)</b>		0	0	0	0
<b>6. Tax credits</b>					
Basic credit					
Married or head of family					
Children					
Other		18900	25200	31500	25200
	Total	18900	25200	31500	25200
<b>7. Central government income tax finally paid (5-6)</b>		-18900	-25200	-31500	-25200
<b>8. State and local taxes</b>		93346	116824	151553	116824
<b>9. Employees' compulsory social security contributions</b>					
Gross earnings		21700	28900	36200	28900
Taxable income					
	Total	21700	28900	36200	28900
<b>10. Total payments to general government (7 + 8 + 9)</b>		96146	120524	156253	120524
<b>11. Cash transfers from general government</b>					
For head of family					
For two children		22800	22800	22800	0
	Total	22800	22800	22800	0
<b>12. Take-home pay (1-10+11)</b>		236508	315415	382970	292615
<b>13. Employer's wage dependent contributions and taxes</b>					
Employers' compulsory social security contributions		91066	121422	151777	121422
Pay-roll taxes		9512	12682	15853	12682
	Total	100578	134104	167630	134104
<b>14. Average rates</b>					
Income tax		24.0%	22.2%	23.2%	22.2%
Employees' social security contributions		7.0%	7.0%	7.0%	7.0%
Total payments less cash transfers		23.7%	23.7%	25.8%	29.2%
Total tax wedge including employer's social security contributions		42.4%	42.4%	44.0%	46.5%
<b>15. Marginal rates</b>					
Total payments less cash transfers: Principal earner		32.2%	32.2%	32.2%	32.2%
Total payments less cash transfers: Spouse		23.6%	25.9%	35.4%	25.9%
Total tax wedge: Principal earner		48.8%	48.8%	48.8%	48.8%
Total tax wedge: Spouse		42.3%	44.0%	51.2%	44.0%

StatLink: <http://dx.doi.org/10.1787/450778217613>

The national currency is the Swedish Kroner (SEK). In 2005, SEK 7.43 was equal to USD 1 (average of eleven months daily exchange rates). In that year, the average worker earned SEK 309 854 (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 11 600 and SEK 28 800, depending on income. For individuals paying central government income tax this basic allowance has reached its lowest level, 11 600 SEK. The basic allowance amount depends on the assessed earned income and the basic amount (39 400 SEK).

Assessed-earned-income (SEK) Relative to basic amount (BA)	Percentage of BA at lower bracket	For exceeding income, % of BA
0-1.85	0.423	
1.85-2.72	0.423	+0.2
2.72-3.11	0.73	
3.11-7.48	0.73	-0.1
7.48-	0.293	

- **Standard marital status reliefs:** None.
- **Relief(s) for children:** None.
- **Reliefs for social security contributions and other taxes:** An allowance of 25 per cent of the compulsory social security contribution paid by the employee is granted.
- **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.
- **Contributions to pensions, life insurance, superannuation schemes:** For an AW a deduction of maximum SEK 19 700 (50 per cent of the basic amount) can be claimed for

premiums paid to private pension arrangements. For higher income groups the deduction is limited to SEK 39 400.

- Medical expenses: None.
- Other: allowances are given for:
  - ❖ the amount of commuting expenses exceeding SEK 7 000;
  - ❖ other types of work-related expenses exceeding SEK 1 000. Examples are costs of tools, work-related phone calls on private telephone;
  - ❖ increased living expenses while on business trips, *e.g.* such as use of private car if 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 not move, even if the job is of a *permanent* nature;
  - ❖ travelling expenses for travelling home if working in another place than the place of residence;
  - ❖ pension premiums.

### 1.1.3. Tax schedule

Taxable income (SEK)	Tax (SEK) at lower bracket	For exceeding income, %
0-298 600	0	
298 600-450 500	0	20
over 450 500	30 380	25

### 1.1.4. Tax credits

A tax credit equal to 87.5 per cent of the compulsory social security contributions paid by the employee is granted.

A tax credit equal to 25 per cent of the trade union due and 40 per cent of the unemployment insurance fee is granted. This credit is a non-standard relief.

## 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 co-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 central government income tax. The basic allowance for individuals paying local government tax varies between SEK 11 600 and SEK 28 800, depending on income. For an AW this basic allowance amounts to SEK 14 100 (subject to revision with AW).

### 1.2.3. Tax rates

The local government personal income tax is proportional and differs between municipalities. The average rate amounted to 31.06 per cent in 2005, with the maximum and minimum rates being 34.24 per cent and 28.9 per cent, respectively. Besides the

proportional tax every individual also has to pay a statutory minimum state income tax (a lump sum tax) of SEK 200.

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

### 2.1. Employees' contributions

A general pension contribution of 7 per cent of personal income is paid by employees and self-employed where income is equal to or greater than 42.3% of the basic amount underlying the basic allowance (see Section 1.1.2.1). The contribution cannot exceed SEK 24 500 and the tax credit is maximized to SEK 21 400.

### 2.2. Employers' contributions

Contributions from the employer are calculated as a percentage of the total sum of salaries and benefits for a year. For self-employed the base is net business income. The rates for 2005 are listed below.

Program	Employer (%)	Self-employed (%)
Retirement pension	10.21	10.21
Survivor's pension	1.70	1.70
Parental insurance	2.20	2.20
Health insurance	10.15	11.12
Labour market	4.45	1.91
Occupational health	0.68	0.68
General wage tax	3.07	3.07
Total	32.46	30.89

A general discount applies both for employers and self-employed. The discount amounts to 5 per cent of the base and cannot exceed SEK 37 080 (it is not included in the calculations underlying this Report). The social security contributions are not applicable for employees or self-employed aged 65 or more. For the latter a special wage tax, which amounts to 24.26 per cent, is applicable.

## 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 parent's income. The transfers for each child are as follows:

First child	11 400
Second child	11 400
Third child	14 448
Fourth child	20 520
Fifth and subsequent child	22 800



## 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 per cent of taxable income above SEK 135 000. This reduction was abolished 2003 and was replaced by an increase in the basic allowance.

A tax credit of 25 per cent of the social security contribution paid by employees and self-employed was introduced in 2000. The tax credit for 2003 amounts to 75 per cent. In 2005 the tax credit was raised to 87.5 per cent.

In 2004, a special tax credit equal to SEK 200 is provided for the statutory minimum local income tax. The special tax credit was abolished in 2005 as well as the statutory minimum state income tax (a lump sum tax) of 200 SEK. The central government income tax bracket is indexed with the consumer price index plus 2 per cent. In order to reduce the number of people paying the central income tax there have been additional increases of the tax bracket since 2000. In 2004 the central government income tax bracket is restricted to be indexed with the consumer price index plus 1 per cent.

The child allowance was raised by SEK 1200 per year in 2000 and 2001.

Maximum fee for childcare was introduced in 2002.

The basic allowance has been increased both in 2001, 2002 and 2003.

The maximum number of days with unemployment benefit was increased from 564 to 580 days in 1998.

The unemployment benefit was raised in 2001 by SEK 100 to SEK 680 per day.

The compensation in the sick leave was raised from 75 to 80 per cent in 1998. In 2003 the compensation was lowered to 77.6 per cent and at the same time the number of days that the employer is responsible for was increased from 14 to 21 days. In 2005 the compensation in the sick leave and the number of days that the employer is responsible for was back to the same level prior in 2003.

## 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 hourly earnings in the 2nd quarter of the calendar year. To arrive at the annual wage average hourly earnings have been multiplied by the normal amount of hours worked during the year. The figures are representative for the country as a whole.

### 5.2. Employer contributions to private health, pension, etc., schemes

There are a handful of widespread private social security-type schemes. The employers' contributions to these systems equalled 5 per cent of wage earnings in 2002. This figure is taken from the official statistics of labour costs in manufacturing prepared by Statistics Sweden.

## 2005 Parameter values

AW-wage	Ave_earn	309 854	Secretariat estimate
Central income tax			
	tax_rate	0.2	
	tax_rate2	0.05	
	tax_thrsh	298 600	
	tax_thrsh2	450 500	
Basic Allowance			
	gr1	1.185	
	gr2	2.72	
	gr3	3.11	
	gr4	7.48	
	gp1	0.423	
	gp2	0.2	
	gp3	0.1	
	gp4	0.293	
	gp5	0.73	
	central	1	
Local income tax			
soc. security amount	basic_amt	39 400	
	basic_ant	43 300	
	local_rate	0.316	
	min_taxl		
Soc security contrib			
	SSC_rate	0.07	
employer	SSC_empr	0.3246	
rounding	SSCR	49	
ceiling	SSCC	8.07	
Child benefit	CB	11 400	
Tax credits			
	TC1	0	
	TC1gr1	0	
	TC1gp1	0	
	TC2gp1	0.875	
	local_fixedtax		
Employer payroll tax	PRT	0.0307	

## 2005 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.

1. Earnings	earn		
	trunc_earn	B	TRUNC(earn, -2)
2. Allowances:	basic_al	B	IF(trunc_earn <= 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 - trunc_earn, 0))), -2), trunc_earn), MINA(ROUNDUP(MAXA(gp_4 * basic_amt, gp_5 * basic_amt - gp_2 * MAXA(gr_2 * basic_amt - trunc_earn, 0) - gp_3 * MAXA(trunc_earn - gr_3 * basic_amt, 0))), -2), trunc_earn))
	ssc_al	B	ROUNDUP((1 - TC2gp1) * SSC, -2)
Total	tax_al	B	basic_al + ssc_credit
3. Credits in taxable income	taxbl_cr	B	0
4. CG taxable income	tax_inc	B	Positive(earn - basic_al - ssc_credit)
5. CG tax before credits	CG_tax_excl	B	tax_rate * Positive(tax_inc - tax_thrsh) + tax_rate2 * Positive(tax_inc - tax_thrsh2)
6. Tax credits :	ssc_credit	B	Trunc(TC2gp1 * SSC, -2)
	localtax_credit	B	local_fixedtax * (local_tax > 0)
	tax_cr	B	ssc_credit + localtax_credit
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	(trunc_earn >= gp_1 * basic_amt) * MINA(ROUNDSSC(trunc_earn * SSC_rate), ROUNDSSC(SSCC * basic_amt * 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

Switzerland		2005				
		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
<b>1. Gross wage earnings</b>			47730	71595	119325	47730
<b>2. Standard tax allowances</b>						
	Basic allowance					
	Married or head of family		0	0	0	0
	Dependent children		0	0	0	11200
	Deduction for social security contributions and income taxes		5274	7911	13060	5274
	Work-related expenses		1900	1911	3188	1900
	Other		1500	1500	1500	2434
	Total		8674	11322	17748	20808
<b>3. Tax credits or cash transfers included in taxable income</b>			0	0	0	5246
<b>4. Central government taxable income (1 - 2 + 3)</b>			39000	60200	101500	32100
<b>5. Central government income tax liability (exclusive of tax credits)</b>			258	856	3647	72
<b>6. Tax credits</b>						
	Basic credit					
	Married or head of family					
	Children					
	Other					
	Total		0	0	0	0
<b>7. Central government income tax finally paid (5-6)</b>			258	856	3647	72
<b>8. State and local taxes</b>			3358	6791	15124	1567
<b>9. Employees' compulsory social security contributions</b>						
	Gross earnings		5274	7911	13060	5274
	Taxable income					
	Total		5274	7911	13060	5274
<b>10. Total payments to general government (7 + 8 + 9)</b>			8891	15558	31831	6913
<b>11. Cash transfers from general government</b>						
	For head of family					
	For two children		0	0	0	5246
	Total		0	0	0	5246
<b>12. Take-home pay (1-10+11)</b>			38839	56037	87494	46063
<b>13. Employer's compulsory social security contributions</b>			5274	7911	13060	5274
<b>14. Average rates</b>						
	Income tax		7.6%	10.7%	15.7%	3.4%
	Employees' social security contributions		11.1%	11.1%	10.9%	11.1%
	Total payments less cash transfers		18.6%	21.7%	26.7%	3.5%
	Total tax wedge including employer's social security contributions		26.7%	29.5%	33.9%	13.1%
<b>15. Marginal rates</b>						
	Total payments less cash transfers: Principal earner		26.7%	28.9%	37.1%	21.2%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		34.0%	36.0%	42.8%	29.0%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

StatLink: <http://dx.doi.org/10.1787/376811354238>

Switzerland		2005				
		The tax/benefit position of married couples				
		Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
		Number of children	2	2	2	none
<b>1.</b>	<b>Gross wage earnings</b>		71595	95460	119325	95460
<b>2.</b>	<b>Standard tax allowances</b>					
	Basic allowance					
	Married or head of family		0	7000	7000	7000
	Dependent children		11200	11200	11200	0
	Deduction for social security contributions and income taxes		7911	10548	13185	10548
	Work-related expenses		1911	3811	3811	3811
	Other		4400	4400	4400	3000
		Total	25422	36959	39596	24359
<b>3.</b>	<b>Tax credits or cash transfers included in taxable income</b>		5246	5246	5246	0
<b>4.</b>	<b>Central government taxable income (1 - 2 + 3)</b>		51400	63700	84900	71100
<b>5.</b>	<b>Central government income tax liability (exclusive of tax credits)</b>		333	702	1580	973
<b>6.</b>	<b>Tax credits</b>					
	Basic credit					
	Married or head of family					
	Children					
	Other					
		Total	0	0	0	0
<b>7.</b>	<b>Central government income tax finally paid (5-6)</b>		333	702	1580	973
<b>8.</b>	<b>State and local taxes</b>		3869	5749	9121	6977
<b>9.</b>	<b>Employees' compulsory social security contributions</b>					
	Gross earnings		7911	10548	13185	10548
	Taxable income					
		Total	7911	10548	13185	10548
<b>10.</b>	<b>Total payments to general government (7 + 8 + 9)</b>		12113	16999	23887	18498
<b>11.</b>	<b>Cash transfers from general government</b>					
	For head of family					
	For two children		5246	5246	5246	0
		Total	5246	5246	5246	0
<b>12.</b>	<b>Take-home pay (1-10+11)</b>		64728	83707	100684	76962
<b>13.</b>	<b>Employer's compulsory social security contributions</b>		7911	10548	13185	10548
<b>14.</b>	<b>Average rates</b>					
	Income tax		5.9%	6.8%	9.0%	8.3%
	Employees' social security contributions		11.1%	11.1%	11.1%	11.1%
	Total payments less cash transfers		9.6%	12.3%	15.6%	19.4%
	Total tax wedge including employer's social security contributions		18.6%	21.0%	24.0%	27.4%
<b>15.</b>	<b>Marginal rates</b>					
	Total payments less cash transfers: Principal earner		24.2%	25.9%	30.7%	27.9%
	Total payments less cash transfers: Spouse		20.5%	26.4%	31.3%	28.4%
	Total tax wedge: Principal earner		31.7%	33.3%	37.6%	35.1%
	Total tax wedge: Spouse		28.4%	33.7%	38.1%	35.6%

StatLink: <http://dx.doi.org/10.1787/376811354238>

The national currency is the Swiss franc (CHF). In 2005, CHF 1.24 equalled USD 1 (daily average exchange rate over 11 months). The Secretariat has estimated that in that same year the average worker earned CHF 71 595.

Cantonal and communal income taxes are very substantial in relation to direct federal tax. Here, the canton of Zurich has 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. Unearned income of children living under parental authority is added to the income of their custodian. Children's earned 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 no basic deduction for direct federal tax.
- Deduction for children.
- A CHF 5 600 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.
- Deductions for social insurance contributions and other taxes.
- Premiums for old age and disability insurance (5.05% of gross earned income) and for unemployment insurance (1% for income up to CHF 106 800, the contribution being waived for the portion of pay in excess of that amount) are deductible in full. Compulsory contributions to the pension fund are also fully deductible. Health and life insurance premiums are deductible up to CHF 3 000 for married persons and CHF 1 500 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 1 900 and no more than CHF 3 800.



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 striking the taxpayer or a dependant are deductible if the taxpayer bears the expenses personally and they exceed 5% of his or her net income.

1.1.2.3. *Substantial shifts between standard and non-standard reliefs: None.*1.1.3. **Tax base**

Allowable deductions from gross income	Single taxpayer (CHF)	Married taxpayer, 2 children (CHF)
Work-related expenses <sup>1</sup>	1 900-3 800	1 900-3 800
Personal deduction	–	–
Deduction for 2 dependent children	–	11 200
Social contributions		
Old age insurance	5.05%	5.05%
Unemployment insurance	1% <sup>2</sup>	1% <sup>2</sup>
Pension fund	5%	5%
Maximum deductions for health insurance premiums and loan interest <sup>3</sup>	1 500 plus 700 per child	3 000 plus 700 per child
Deduction for two-income couples		7 000

1. 3% of net income, minimum CHF 1 800 CHF, maximum CHF 3 800.

2. 1% of income up to CHF 106 800; contribution waived on the portion exceeding that amount.

3. Insofar as this is a maximum deduction and it is necessary to provide proof of amounts actually paid, the basis here has been taken as amounts computed as a percentage of gross income, i.e.:

- persons living alone: 3.6%, min. CHF 1 080, max. CHF 1 500.
- single-parent families (two children) 5.1%, min. CHF 1 500, max. CHF 2 900.
- married couples, no children: 7.2%, min. CHF 1 710, max. CHF 3 000.
- married couples with two children: 7.2%, min. CHF 2 140, max CHF 4 400.

1.1.4. **Tax schedules**1.1.4.1. *Rates for persons living alone*

Taxable income (CHF) <sup>1</sup>	Base amount (CHF)	Plus % of excess (CHF)
Up to 16 100	–	–
16 100 to 27 900	25.40	0.77
27 900 to 36 500	116.25	0.88
36 500 to 48 600	191.90	2.64
48 600 to 63 800	511.35	2.97
63 800 to 68 800	962.70	5.94
68 800 to 91 100	1 259.70	6.60
91 100 to 118 400	2 731.50	8.80
118 400 to 154 700	5 133.90	11.00
154 700 to 664 300	9 126.90	13.20
664 400	76 406.00	–
Over 664 400 <sup>2</sup>	–	11.5 of total income

1. Fractions of less than CHF 100 are disregarded.

2. 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) <sup>1</sup>	Base amount (CHF)	Plus % of the excess (CHF)	
Up to 27 400	–	–	–
27 400 to 44 700	25	1	27 400
44 700 to 51 300	198	2	44 700
51 300 to 66 200	330	3	51 300
66 200 to 79 400	777	4	66 200
79 400 to 91 000	1 305	5	79 400
91 000 to 101 000	1 885	6	91 000
101 000 to 109 300	2 485	7	101 000
109 300 to 115 900	3 066	8	109 300
115 900 to 120 900	3 594	9	115 900
120 900 to 124 300	4 044	10	120 900
124 300 to 126 000	4 384	11	124 300
126 000 to 127 700	4 571	12	126 000
127 700 to 788 400	4 775	13	127 700
788 400	90 666	–	–
Over 788 400 <sup>2</sup>	–	11.5 of total income	

- Fractions of less than CHF 100 are disregarded.
- 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. Deductions are allowed for interest payments on debt, social security contributions and medical expenses.

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 2003, for example, the canton applied a multiple of 1.0, the commune of Zurich 1.22 and the reform church 0.10. The basic amount of tax is therefore multiplied by a total of 2.32. 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 2.22.

### 1.2.2. Tax base

Allowable deductions from gross income	Single taxpayer (CHF)	Married taxpayer, 2 children (CHF)
Work-related expenses <sup>1</sup>	1 900-3 800	1 900-3 800
Personal deduction	–	–
Deduction for 2 dependent children	–	10 800
Social contributions		
Old age insurance	5.05%	5.05%
Unemployment insurance	1% <sup>2</sup>	1% <sup>2</sup>
Pension fund	5%	5%
Maximum deductions for health insurance premiums and loan interest <sup>3</sup>	2 300 plus 1 200 per child	4 600 plus 700 per child
Deduction for two-income couples		5 200

- 3% of net income, minimum CHF 1 800 CHF, maximum CHF 3 800.
- 1% of income up to CHF 106 800; contribution waived on the portion exceeding that amount.
- Insofar as this is a maximum deduction and it is necessary to provide proof of amounts actually paid, the basis here has been taken as amounts computed as a percentage of gross income, i.e.:
  - persons living alone: 3.6%, min. CHF 1 080, max. CHF 2 300.
  - single-parent families (two children) 5.1%, min. CHF 1 500, max. CHF 4 700.
  - married couples, no children: 5.7%, min. CHF 1 710, max. CHF 4 600.
  - married couples with two children: 7.2%, min. CHF 2 140, max CHF 7 000.

### 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) <sup>1</sup>	Base amount (CHF)	Plus % of the excess (CHF)	
Up to 11 000	–	0	–
11 000 to 16 400	–	2	11 000
16 400 to 23 200	108	3	16 400
23 200 to 31 400	312	4	23 200
31 400 to 40 900	640	5	31 400
40 900 to 53 100	1 115	6	40 900
53 100 to 80 300	1 847	7	53 100
80 300 to 107 500	3 751	8	80 300
107 500 to 148 300	5 927	9	107 500
148 300 to 197 200	9 599	10	148 300
197 200 to 250 200	14 489	11	197 200
250 200 to 311 400	20 319	12	250 200
over 311 400	27 663	13	311 400

b) Basic income tax rates for other taxpayers (single with no children).

Taxable income (CHF) <sup>1</sup>	Base amount (CHF)	Plus % of the excess (CHF)	
Up to 5 500	–	0	–
5 500 to 9 600	–	2	5 500
9 600 to 13 700	82	3	9 600
13 700 to 20 400	205	4	13 700
20 400 to 28 600	473	5	20 400
28 600 to 38 100	883	6	28 600
38 100 to 49 000	1 453	7	38 100
49 000 to 63 900	2 216	8	49 000
63 900 to 92 500	3 408	9	63 900
92 500 to 121 000	5 982	10	92 500
121 000 to 165 900	8 832	11	121 000
165 900 to 224 300	13 771	12	165 900
over 224 300	20 779	13	224 300

1. Fractions below CHF 100 are disregarded.

c) Annual multiple as a percentage of basic tax rates:

Canton of Zurich	100
Commune of Zurich	122
Roman Catholic church tax	12 (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 has used 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

- 5.05% of gross income for old age insurance.
- 5% of gross income for the pension fund.

#### 2.1.2. Health insurance

–

#### 2.1.3. Unemployment

1% on the portion of income up to CHF 106 800; contribution is waived on any income in excess of that amount.

#### 2.1.4. Work-related accidents

–

#### 2.1.5. Family allowances

–

#### 2.1.6. Other

–

### 2.2. Employer contributions

#### 2.2.1. Retirement pensions

- 5.05% of gross income for old age insurance.
- 5% of gross income for the pension fund.

#### 2.2.2. Health insurance

–

#### 2.2.3. Unemployment

1% on the portion of income up to CHF 106 800; contribution is waived on any income in excess of that amount.

#### 2.2.4. Work-related accidents

–

#### 2.2.5. Family allowances

The employer pays a benefit for dependent children. The Confederation's benefit is CHF 2 623 per child per year. See Section 3.2. This benefit is taxable along with other components of income.

#### 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 for dependent children. The Confederation's benefit is CHF 2 623 per child per year. See Section 2.2.5. This benefit is taxable along with other components of income.

### 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, direct federal tax is based on annual postnumerando taxation as well.

### 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.

## 2005 Parameter values

AW earnings	Ave_earn	71 595	Secretariat estimate
Tax allowances	Child_al	5 600	
Partner Allowance	partner_central	7 000	
Partner income local	partner_local	5 200	
Single parent	sing_par_al	0	
Workrelated	work_exp	0.03	
	work_exp_min	1 900	
	work_exp_max	3 800	
Allowances for local tax	local_basic	0	
	local_child	5 400	
Federal tax	IFD_min_s	25.4	
Single	IFD_sch_s	0	16 100
		0.0077	27 900
		0.0088	36 500
		0.0264	48 600
		0.0297	63 800
		0.0594	68 800
		0.066	91 100
		0.088	118 400
		0.11	154 700
		0.132	664 400
		0.132	
Married	IFD_min_m	25	
	IFD_sch_m	0	27 400
		0.01	44 700
		0.02	51 300
		0.03	66 200
		0.04	79 400
		0.05	91 000
		0.06	101 000
		0.07	109 300
		0.08	115 900
		0.09	120 900
		0.1	124 300
		0.11	126 000
		0.12	127 700
		0.13	788 400
		0.13	
Cantonal tax	Zurich_min	24	
Single	Zurich_sch_s	0	5 500
		0.02	9 600
		0.03	13 700
		0.04	20 400
		0.05	28 600
		0.06	38 100
		0.07	49 000
		0.08	63 900
		0.09	92 500
		0.1	121 000
		0.11	165 900
		0.12	224 300
		0.13	
Married	Zurich_sch_m	0	11 000
		0.02	16 400
		0.03	23 200
		0.04	31 400

		0.05	40 900
		0.06	53 100
		0.07	80 300
		0.08	107 500
		0.09	148 300
		0.1	197 200
		0.11	250 200
		0.12	311 400
		0.13	
Canton and Commune Tax Multiple	statetax_mult	2.22	
Social security contributions	old_age	0.05	
Pension	pension_rate	0.0505	
Unemployment	unemp_rate	0.01	
	unemp_rate2	0	
Income ceiling	unemp_ciel	106 800	
	unemp_ciel2	0	
Other insurance	other_rate	0.036	
	child_rate	0.072	
	single_rate	0.051	
	married_rate	0.057	
Federal deductible limit	fed_dedn	1 500	
Deductible extra for child	fed_dedn_c	700	
Cantonal deductible limit	local_dedn	2 300	
deductible extra for child	local_dedn_c	1 200	
Min other insurance deduction			
single	min_dedn_s	1 080	
single parents	min_dedn_sp	1 500	
married couples	min_dedn_m	1 710	
married couples with children	min_dedn_mc	2 140	
Child cash transfer	child_ben	2 623	

## 2005 Tax equations

The equations for the Swiss system in 2005 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	partner_central*(earn_spouse>0)
Children	children_al	J	Children*Child_al+ (Children>0)*(Married=0)*sing_par_al
Soc sec contributions	SSC_al	B	SSC
Work related	work_al	B	MAX(work_exp_min, MIN(work_exp_max, work_exp*(earn-SSC_al)))
Other	oth_al	J	MAX(MINA((1+Married)*IF(Married=0, IF(Children>0, single_rate, other_rate), other_rate))*earn_total, (1+Married)*fed_dedn+Children*fed_dedn_c), IF(Married, IF(Children>0, min_dedn_mc, min_dedn_m), IF(Children>0, min_dedn_sp, min_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 :	tax_cr	J	0
7. CG tax	CG_tax	J	CG_tax_excl
8. State and local taxes	local_tax_inc	J	earn_total+taxbl_cr-local_basic*(1+Married)-Children*local_child-work_al-SSC-MAX(MINA(IF(Married, IF(Children>0, child_rate, married_rate), IF(Children>0, single_rate, other_rate))*earn_total, local_dedn*(1+Married)+Children*local_dedn_c), IF(Married, IF(Children>0, min_dedn_mc, min_dedn_m), IF(Children>0, min_dedn_sp, min_dedn_s)))-(earn_spouse>0)*partner_local
	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	(pension_rate+old_age)*earn+IF(earn<=unemp_ciel, earn*unemp_rate, IF(earn<=unemp_ciel2, unemp_ciel*unemp_rate+(earn-unemp_ciel)*unemp_rate2, unemp_ciel*unemp_rate+unemp_ciel2*unemp_rate2))
11. Cash transfers	Cash_tran	J	Children*child_ben
13. Employer's soc security	SSC_empr	B	SSC

Key to range of equation:

B calculated separately for both principal earner and spouse.

P calculated for principal only (value taken as 0 for spouse calculation).

J calculated once only on a joint basis.



# Turkey

Turkey	2005				
	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
<b>1. Gross wage earnings</b>		10171	15256	25427	10171
<b>2. Standard tax allowances</b>					
Basic allowance		0	0	0	0
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes		1526	2288	3814	1526
Work-related expenses					
Other					
	Total	1526	2288	3814	1526
<b>3. Tax credits or cash transfers included in taxable income</b>		0	0	0	0
<b>4. Central government taxable income (1 - 2 + 3)</b>		8645	12968	21613	8645
<b>5. Central government income tax liability (exclusive of tax credits)</b>		1399	2264	4323	1399
Stamp tax		61	92	153	61
	Total	1460	2355	4476	1460
<b>6. Tax credits</b>					
Basic credit		0	0	0	0
Married or head of family					
Children					
Other					
	Total	0	0	0	0
<b>7. Central government income tax finally paid (5-6)</b>		1460	2355	4476	1460
<b>8. State and local taxes</b>		0	0	0	0
<b>9. Employees' compulsory social security contributions</b>					
Gross earnings		1526	2288	3814	1526
Taxable income					
	Total	1526	2288	3814	1526
<b>10. Total payments to general government (7 + 8 + 9)</b>		2986	4643	8290	2986
<b>11. Cash transfers from general government</b>					
For head of family					
For two children		0	0	0	0
	Total	0	0	0	0
<b>12. Take-home pay (1-10+11)</b>		7185	10613	17137	7185
<b>13. Employer's compulsory social security contributions</b>		2187	3280	5467	2187
<b>14. Average rates</b>					
Income tax		14.4%	15.4%	17.6%	14.4%
Employees' social security contributions		15.0%	15.0%	15.0%	15.0%
Total payments less cash transfers		29.4%	30.4%	32.6%	29.4%
Total tax wedge including employer's social security contributions		41.9%	42.7%	44.5%	41.9%
<b>15. Marginal rates</b>					
Total payments less cash transfers: Principal earner		32.6%	32.6%	36.8%	32.6%
Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner		44.5%	44.5%	48.0%	44.5%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

StatLink: <http://dx.doi.org/10.1787/730016674745>

Turkey	2005				
	The tax/benefit position of married couples				
	Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
	Number of children	2	2	2	none
<b>1. Gross wage earnings</b>		15256	20341	25427	20341
<b>2. Standard tax allowances</b>					
Basic allowance		0	0	0	0
Married or head of family					
Dependent children					
Deduction for social security contributions and income taxes		2288	3051	3814	3051
Work-related expenses					
Other					
	Total	2288	3051	3814	3051
<b>3. Tax credits or cash transfers included in taxable income</b>		0	0	0	0
<b>4. Central government taxable income (1 - 2 + 3)</b>		12968	17290	21613	17290
<b>5. Central government income tax liability (exclusive of tax credits)</b>		2264	2912	3663	2912
Stamp tax		92	92	92	92
	Total	2355	3003	3754	3003
<b>6. Tax credits</b>					
Basic credit		0	0	0	0
Married or head of family					
Children					
Other					
	Total	0	0	0	0
<b>7. Central government income tax finally paid (5-6)</b>		2355	3003	3754	3003
<b>8. State and local taxes</b>		0	0	0	0
<b>9. Employees' compulsory social security contributions</b>					
Gross earnings		2288	3051	3814	3051
Taxable income					
	Total	2288	3051	3814	3051
<b>10. Total payments to general government (7 + 8 + 9)</b>		4643	6055	7568	6055
<b>11. Cash transfers from general government</b>					
For head of family					
For two children		0	0	0	0
	Total	0	0	0	0
<b>12. Take-home pay (1-10+11)</b>		10613	14287	17859	14287
<b>13. Employer's compulsory social security contributions</b>		3280	4373	5467	4373
<b>14. Average rates</b>					
Income tax		15.4%	14.8%	14.8%	14.8%
Employees' social security contributions		15.0%	15.0%	15.0%	15.0%
Total payments less cash transfers		30.4%	29.8%	29.8%	29.8%
Total tax wedge including employer's social security contributions		42.7%	42.2%	42.2%	42.2%
<b>15. Marginal rates</b>					
Total payments less cash transfers: Principal earner		32.6%	32.6%	32.6%	32.6%
Total payments less cash transfers: Spouse		27.8%	27.8%	32.0%	27.8%
Total tax wedge: Principal earner		44.5%	44.5%	44.5%	44.5%
Total tax wedge: Spouse		40.5%	40.5%	44.0%	40.5%

StatLink: <http://dx.doi.org/10.1787/730016674745>

The national currency is the Yeni Türk Liras (YTL). Turkey has changed national currency unit as YTL, after 01 January 2005. 1 YTL = 1 million TRL). In 2005, YTL 1.34 was equal to USD 1 (average of eleven months daily exchange rates). In that year, the average production worker earned YTL 15 256 (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 applies since 1 January 1999.

#### 1.1.2. Tax allowances and tax credits

Income tax is levied on the real net value of wage and salary. The real net value of wage and salary is calculated by making the following deductions from the total cash payments made and fringe benefits given by the employer:

- Legal deductions for public institutions such as OYAK (Social Aid Institution for Military Officers).
- Contributions to the public pension funds established by law.
- Contributions to the private pension funds and premiums paid by the wage-earner for himself (or herself) and his (or her) spouse and dependent children for personal insurance schemes covering, death, illness, accident, disablement, maternity, birth and education, provided that the insurance is contracted with a company established in or with a main office in Turkey. The total amount of deductible contributions to the private pension funds can not exceed 10 per cent for premiums that are paid for personal insurance schemes, it can not exceed 5 per cent of the wage in the month which premiums or contributions are paid. Also annual amount can not exceed the annual amount of minimum wage.
- Membership due made to the labour unions.

After calculating the real net value of the wage and salary, the deductions mentioned below are made to obtain taxable income.

#### 1.1.2.1. Standard reliefs:

- *Reliefs for disabled:* By the law 4842, relief fro disable person is regulated again. The employee who lost his/her working capacity at minimum 80 per cent is regarded as 1st degree disabled, minimum 60 per cent is 2nd degree disabled, minimum 40 per cent is 3rd degree disabled worker. Based n these degrees, following amounts are deducted from their montly wages.
  - ❖ For the 1st degree 480 YTL.
  - ❖ For the 2nd degree 240 YTL.
  - ❖ For the 3rd degree 120 YTL.

- *Reliefs for social security contributions:* Employees' social security contributions are deductible from gross earnings. This contribution is 15 per cent of gross income as stated by the social insurance act. The contribution to the unemployment fund is included in this amount and amounts to 1 per cent of the gross income. It is applied after 01.06.2000.
- *Work-related expenses:* None.

#### 1.1.2.2. Main non-standard tax reliefs applicable to an APW

- *Special tax credit for wage and salary earners:* Special tax credit system was amended by the law 4842. In the new system, some proportion of the annual amount of specific expenditures of the taxpayer, his/her spouse and his/her children, which is calculated according to the following rates and thresholds, is credited from the next years' personal income tax or it is refunded by the employer. Since this system was put into effect in 2004, it can be applied to the expenditures of the year 2004, but will be credited from the income tax of the year 2005.

The rates and thresholds are as follows:

Value of specified expenditures	Tax credit rate
0 to YTL 3 300	8 per cent
3 300 to 6 600 YTL	6 per cent
Over 6 600 YTL	4 per cent

#### 1.1.3. Tax schedule

The tax schedule in 2005 was as follows:

Taxable income (YTL)	Tax on lower threshold (YTL)	Tax on excess amount above lower threshold (%)
Up to 6 000		15
6 600 up to 15 000	990	20
15 000 up to 30 000	2 670	25
30 000 up to 78 000	6 420	30
78 000 and over	20 820	35

### 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 0.006 per cent for the year 2004.

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

### 2.1. Employees' contributions

2.1.1. Pensions: 9 per cent  
(disability, old age and death insurance)

2.1.2. Sickness: 5 per cent

2.1.3. Unemployment: 1 per cent

### 2.2. Employers' contributions

2.2.1. Pensions: 11 per cent  
(disability, old age and death insurance)

2.2.2. Sickness: 6 per cent

2.2.3. Unemployment: 2 per cent

2.2.4. Work injury : *Varies from 1.5 per cent to 7.0 per cent according to the industry (includes occupational disease insurance). For the purposes of this report, the lowest rate is used (1.5 per cent).*

2.2.5. Others (maternity insurance): 1.0 per cent

There is no distinction by marital status or sex and the contributions apply to gross earnings. Compulsory social security contributions of employees and their employers are calculated according to the above mentioned schemes.

For employees whose gross earnings are below the base or above ceiling earnings, which are determined at least twice a year, these contribution rates are applied to the base or ceiling amounts respectively. The ceiling amount up to YTL 38 119 and the base amount up to YTL 5 864 for the year 2005. According to the Social Security Law amended with the Law numbered 5198, the base wage for Social Security contributions was equalised to the minimum wage since 1st July 2004. For the period of 1.1.2004-30.6.2004, social security contributions (employer and employee shares, unemployment security premium) that may stem from the difference between the minimum wage and base wage was paid by the Treasury. Since the amount of APW we are using in this report is higher than the base and lower than the ceiling AW is taken into consideration within the calculations.

## 3. Universal cash transfers

Employees obtain universal cash transfers according to the collective labour agreements that are signed between the employer and the labour union. These agreements vary according to bargaining power of the parties for all sectors in the economy. This is the reason why there is no standard amount reflecting the general transfers.

## 4. Main changes in tax/benefit system since 2000

There are changes made with the code 4967 and 4842. For these changes look at Section 1.1.2.

## 5. memorandum items

### 5.1. Identification of an APW

The earnings figure refers to all production workers in the manufacturing sector. The data have been built up from monthly data and refer to the calendar year.

### 5.2. Contribution to private pension and health schemes

In accordance with Article 128 of Social Insurance Act No. 506, business enterprises as employers are permitted only to make arrangements for pension to their employees on their retirement in addition to national retirement schemes. Such additional pension arrangements, which are optional, are not widely used.

### 5.3. Saving Premium and Employer Contribution

According to the Act No. 4447, this was abolished on June 1, 2000.

#### 2005 Parameter values

Average earnings/yr	Ave_earn	15 256	Country estimate
Allowances	Basic_al	0	
Income tax	Tax_sch	0.15	6 600
		0.20	15 000
		0.25	30 000
		0.30	78 000
		0.35	
Stamp tax	Stamp_rate	0.006	
Employees SSC	SSC_rate	0.15	
	SSC_ceil	33 810 750 000	
Employers SSC	SSC_empr	0.215	

### 2005 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	Basic_al+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) + stamp_tax
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	B	Min(earn,SSC_ceil)*SSC_rate
11. Cash transfers	cash_trans	B	0
13. Employer's soc security	SSC_empr	B	Min(earn,SSC_ceil)*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.



# United Kingdom

(2005-2006 income tax year)

<b>United Kingdom</b>		<b>2005</b>				
<b>The tax/benefit position of single persons</b>						
		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
<b>1. Gross wage earnings</b>			19047	28571	47618	19047
<b>2. Standard tax allowances</b>						
Basic allowance			4895	4895	4895	4895
Married or head of family						
Dependent children						
Deduction for social security contributions and income taxes						
Work-related expenses			0	0	0	0
Other						
	<b>Total</b>		4895	4895	4895	4895
<b>3. Tax credits or cash transfers included in taxable income</b>			0	0	0	0
<b>4. Central government taxable income (1 - 2 + 3)</b>			14152	23676	42723	14152
<b>5. Central government income tax liability (exclusive of tax credits)</b>			2863	4958	11007	2863
<b>6. Tax credits</b>						
Basic credit						
Married or head of family						
Children			0	0	0	2695
Other						
	<b>Total</b>		0	0	0	2695
<b>7. Central government income tax finally paid (5-6)</b>			2863	4958	11007	168
<b>8. State and local taxes</b>			0	0	0	0
<b>9. Employees' compulsory social security contributions</b>						
Gross earnings			1558	2605	3215	1558
Taxable income						
	<b>Total</b>		1558	2605	3215	1558
<b>10. Total payments to general government (7 + 8 + 9)</b>			4420	7563	14221	1725
<b>11. Cash transfers from general government</b>						
For head of family						
For two children			0	0	0	1536
	<b>Total</b>		0	0	0	1536
<b>12. Take-home pay (1-10+11)</b>			14627	21008	33397	18858
<b>13. Employer's compulsory social security contributions</b>			1812	3031	5469	1812
<b>14. Average rates</b>						
Income tax			15.0%	17.4%	23.1%	0.9%
Employees' social security contributions			8.2%	9.1%	6.8%	8.2%
Total payments less cash transfers			23.2%	26.5%	29.9%	1.0%
Total tax wedge including employer's social security contributions			29.9%	33.5%	37.1%	9.6%
<b>15. Marginal rates</b>						
Total payments less cash transfers: Principal earner			33.0%	33.0%	41.0%	70.0%
Total payments less cash transfers: Spouse			n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner			40.6%	40.6%	47.7%	73.4%
Total tax wedge: Spouse			n.a.	n.a.	n.a.	n.a.
Memorandum item: Non-wastable tax credits						
tax expenditure component			0	0	0	2695
cash transfer component			0	0	0	0

StatLink: <http://dx.doi.org/10.1787/061331636235>

United Kingdom		2005				
		The tax/benefit position of married couples				
		Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
		Number of children	2	2	2	none
<b>1. Gross wage earnings</b>			28571	38095	47618	38095
<b>2. Standard tax allowances</b>						
	Basic allowance		4895	9790	9790	9790
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes					
	Work-related expenses		0	0	0	0
	Other					
	<b>Total</b>		4895	9790	9790	9790
<b>3. Tax credits or cash transfers included in taxable income</b>			0	0	0	0
<b>4. Central government taxable income (1 - 2 + 3)</b>			23676	28305	37828	28305
<b>5. Central government income tax liability (exclusive of tax credits)</b>			4958	5725	7821	5725
<b>6. Tax credits</b>						
	Basic credit					
	Married or head of family					
	Children		548	548	548	0
	Other					
	<b>Total</b>		548	548	548	0
<b>7. Central government income tax finally paid (5-6)</b>			4410	5178	7273	5725
<b>8. State and local taxes</b>			0	0	0	0
<b>9. Employees' compulsory social security contributions</b>						
	Gross earnings		2605	3115	4163	3115
	Taxable income					
	<b>Total</b>		2605	3115	4163	3115
<b>10. Total payments to general government (7 + 8 + 9)</b>			7016	8293	11436	8840
<b>11. Cash transfers from general government</b>						
	For head of family					
	For two children		1481	1481	1481	0
	<b>Total</b>		1481	1481	1481	0
<b>12. Take-home pay (1-10+11)</b>			23036	31283	37663	29254
<b>13. Employer's compulsory social security contributions</b>			3031	3625	4844	3625
<b>14. Average rates</b>						
	Income tax		15.4%	13.6%	15.3%	15.0%
	Employees' social security contributions		9.1%	8.2%	8.7%	8.2%
	Total payments less cash transfers		19.4%	17.9%	20.9%	23.2%
	Total tax wedge including employer's social security contributions		27.1%	25.0%	28.2%	29.9%
<b>15. Marginal rates</b>						
	Total payments less cash transfers: Principal earner		33.0%	33.0%	33.0%	33.0%
	Total payments less cash transfers: Spouse		13.4%	33.0%	33.0%	33.0%
	Total tax wedge: Principal earner		40.6%	40.6%	40.6%	40.6%
	Total tax wedge: Spouse		18.5%	40.6%	40.6%	40.6%
	Memorandum item: Non-wastable tax credits tax expenditure component		548	548	548	0
	cash transfer component		0	0	0	0

StatLink: <http://dx.doi.org/10.1787/061331636235>

The national currency is the Pound Sterling (GBP). In 2005, GBP 0.55 was equal to USD 1 (average of eleven months exchange rates). In 2005-2006, the Average Worker is estimated to earn GBP 28 571 (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 4 895 is granted to each individual.
- Standard marital status reliefs: None.
- Working Tax Credit (WTC): A non-wastable tax credit available to low income families with or without children. It is available for families with children where one person works at least 16 hours a week. It is also available for people with a disability who work at least 16 hours a week and for families without children where one person works at least 30 hours a week. The amount depends upon the hours worked, the ages of children, eligible childcare costs, and gross income. A family with a child 16 or under where the claimant (or, where applicable, their partner both claimants jointly) works at least 30 hours a week, would get a maximum credit of GBP 3.875 per year before taking into account eligible childcare costs.\* This credit is reduced by 37 pence for each GBP 1 of net income above a threshold of GBP 5.220 per year. Extra amounts are available where one or, where applicable, both claimants are disabled. WTC was introduced on 6th April 2003.
- Relief for social security contributions and other taxes: None.
- Child Tax Credit (CTC): A non-wastable tax credit available to low and middle income families with children. It provides support for children until 1st September following their 16th birthday, and beyond that date to the age of 19 for those who continue in full-time non-advanced education. The amount depends on gross income and the number and age of the children. A family with two children would get a maximum credit GBP 3.925 per year, which is reduced by 37 pence for each GBP 1 of gross income above a

\* The amount of credit received is calculated by dividing separately each element of the credit by the number of days in the tax year and rounding up to the nearest penny to give a daily rate. These daily rates are then multiplied by the number of days in the relevant period (for the purposes of this Report, the tax year) and added together.

threshold of GBP 13.910 if the family is not working. A higher threshold applies if the family is working; their CTC is reduced at the same rate once their WTC has been tapered to zero. All families with children and gross income up to GBP 50,000 are entitled to at least GBP 545. Extra amounts are available for children less than one year old and for children with disabilities. CTC was introduced on 6th April 2003.

#### 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 per cent tax relief for policies entered into force before 13 March 1984.

#### 1.1.3. Tax schedule

Taxable income (GBP)	Rate %
0-2 090	10
2 090-32 400	22
Over-32 400	40

### 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

### 2.1. Employees' contributions

National Insurance contributions are payable by employees earning more than GBP 94 in any week. These are 11 per cent of earnings between GBP 94 and GBP 630 and 1 per cent of earnings above GBP 630 for employees not contracted out of the state additional (earnings related) pension scheme (a supplement to the basic retirement pension). For employees who are contracted out, there is a rebate of 1.6 per cent on earnings between GBP 82 and GBP 630. Depending on eligibility criteria members of the National Insurance scheme qualify for pensions, sickness, industrial injury, unemployment benefits, etc. All employees earning under GBP 99 per week have no National Insurance contribution liability but a notional contribution will be deemed to have been paid in respect of earnings between GBP 82 and GBP 94 to protect benefit entitlement.

### 2.2. Employers' contributions

Employer's contributions are not payable for employees earning less than GBP 94 per week. The rate of employers' contributions for employees not contracted out of the additional (earnings related) scheme is 12.8 per cent of earnings above GBP 94 per week. For employees who are contracted out, there is a rebate of 3.5 per cent on earnings between GBP 82 and GBP 630 per week.

### 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

A child benefit of GBP 17 per week is paid in respect of the first child in the family up to age 16 with GBP 11.40 per week paid for each subsequent child. A premium of GBP 1.05 per week is paid to one parent families in respect of the first child in addition to child benefit. Single Parent Child Benefit was abolished in 1998, with only those existing claimants still receiving the benefit. The rate was frozen at 1998 levels, whilst Child Benefit has risen in line with prices. The latest forecasts show that the rate of Child Benefit will exceed the rate of Single Parent Child Benefit in 2007-08 and therefore will cease to exist from that year onwards. None of these payments is subject to tax.

### 4. Memorandum items

#### 4.1. 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 (ASHE) (results of which are published in *Labour Market Trends*) 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).

#### 4.2. Employers' contributions to private pension, health etc. schemes

About half of all wage earners are covered by private occupational pension schemes. A limited number is covered by private health schemes financed in whole or in part by employers.

## 2005 Parameter values

Average earnings/yr	Ave_earn	28 571	Secretariat Estimate	
Allowances	Basic_al	4 895		
	Married_al	0		
	Married_rate	0		
Income tax	Tax_sch	0.1	2 090	
		0.22	32 400	
		0.4		
Employees SSC				
Primary threshold	SSC_sch	0	4 888	PT
Upper earnings limit		0.11	32 760	UEL
		0.01		
Employers SSC	SSC_rate2	0.128		
	ST	4 888		
Child benefit (first)	CB_first	17.00		
Child benefit (others)	CB_others	11.40		
One parent benefit	CB_onepar	1.05		
<i>NEW TAX CREDITS</i>				
WTC				
Basic element	WTC_Basic	1 620		
Couple/Lone parent	WTC_couple_or_lone	1 595		
30 Hour element	WTC_30hr	660		
CTC				
Family element	CTC_family	545		
Child element	CTC_child	1 690		
Baby element	CTC_baby	545		
Threshold	NTC_1st_thres	5 220		
	NTC_1st_taper	0.37		
	NTC_2nd_thres	50 000		
	NTC_2nd_taper	0.067		
Days in tax year	numdays	365		

## 200 Tax equations

The equations for the UK system are mostly on an individual basis. But Child and Working tax credits are calculated on a family basis and child benefit is calculated only once. This is shown by the Range indicator in the table below.

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

Line in country table and intermediate steps	Variable name	Range	Equation
1. Earnings	earn		
2. Allowances:	tax_al	B	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 (nonwastable)	tax_cr	J	IF(Children>0, IF(earn_total)>NTC_2nd_thres, Taper(ROUNDUP(CTC_family/numdays, 2)/numdays, earn_total, NTC_2nd_thres, NTC_2nd_taper), MAX(Taper(ROUNDUP(CTC_family/numdays, 2)*numdays+Children*ROUNDUP(CTC_child/numdays, 2)*numdays+ROUNDUP(WTC_Basic/numdays, 2)*numdays+ROUNDUP(WTC_30hr/numdays, 2)*numdays+ROUNDUP(WTC_couple_or_lone/numdays, 2)*numdays, earn_total, NTC_1st_thres, NTC_1st_taper), ROUNDUP(CTC_family/numdays, 2)*numdays)), Taper(ROUNDUP(WTC_Basic/numdays, 2)*numdays+ROUNDUP(WTC_30hr/numdays, 2)*numdays+IF(Married=1, ROUNDUP(WTC_couple_or_lone/numdays, 2)*numdays, 0), earn_total, NTC_1st_thres, NTC_1st_taper))
7. CG tax	CG_tax	B	CG_tax_excl-tax_cr
8. State and local taxes	local_tax	B	0
9. Employees' soc security	SSC	B	Tax(earn, SSC_sch)+(earn>PT)*PT*SSC_rate1
11. Cash transfers	cash_trans	J	numdays/7*((CB_first*(Children>0)+ CB_others*Positive(Children-1))+ (Married=0)*(Children>0)*CB_onepar)
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

<b>United States</b>		<b>2005</b>				
<b>The tax/benefit position of single persons</b>						
		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
<b>1. Gross wage earnings</b>			21111	31666	52777	21111
<b>2. Standard tax allowances</b>						
	Basic allowance		8200	8200	8200	10500
	Married or head of family					
	Dependent children		0	0	0	6400
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other					
	Total		8200	8200	8200	16900
<b>3. Tax credits or cash transfers included in taxable income</b>			0	0	0	0
<b>4. Central government taxable income (1 - 2 + 3)</b>			12911	23466	44577	4211
<b>5. Central government income tax liability (exclusive of tax credits)</b>			1572	3155	7809	421
<b>6. Tax credits</b>						
	Basic credit		0	0	0	2980
	Married or head of family					
	Children		0	0	0	1938
	Other					
	Total		0	0	0	4918
<b>7. Central government income tax finally paid (5-6)</b>			1572	3155	7809	-4497
<b>8. State and local taxes</b>			1165	1827	3152	879
<b>9. Employees' compulsory social security contributions</b>						
	Gross earnings		1671	2478	4093	1671
	Taxable income					
	Total		1671	2478	4093	1671
<b>10. Total payments to general government (7 + 8 + 9)</b>			4407	7460	15054	-1947
<b>11. Cash transfers from general government</b>						
	For head of family					
	For two children		0	0	0	0
	Total		0	0	0	0
<b>12. Take-home pay (1-10+11)</b>			16704	24206	37722	23057
<b>13. Employer's compulsory social security contributions</b>			1671	2478	4093	1671
<b>14. Average rates</b>						
	Income tax		13.0%	15.7%	20.8%	-17.1%
	Employees' social security contributions		7.9%	7.8%	7.8%	7.9%
	Total payments less cash transfers		20.9%	23.6%	28.5%	-9.2%
	Total tax wedge including employer's social security contributions		26.7%	29.1%	33.7%	-1.2%
<b>15. Marginal rates</b>						
	Total payments less cash transfers: Principal earner		28.9%	28.9%	38.9%	20.0%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		34.0%	34.0%	43.3%	25.7%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.
	Memorandum item: Non-wastable tax credits					
	tax expenditure component		0	0	0	483
	cash transfer component		0	0	0	4497

StatLink: <http://dx.doi.org/10.1787/227852113687>

United States	2005				
	The tax/benefit position of married couples				
	Wage level (per cent of average wage)	100-0	100-33	100-67	100-33
	Number of children	2	2	2	none
<b>1. Gross wage earnings</b>		31666	42221	52777	42221
<b>2. Standard tax allowances</b>					
Basic allowance		16400	16400	16400	16400
Married or head of family					
Dependent children		6400	6400	6400	0
Deduction for social security contributions and income taxes					
Work-related expenses					
Other					
	Total	22800	22800	22800	16400
<b>3. Tax credits or cash transfers included in taxable income</b>		0	0	0	0
<b>4. Central government taxable income (1 - 2 + 3)</b>		8866	19421	29977	25821
<b>5. Central government income tax liability (exclusive of tax credits)</b>		887	2183	3767	3143
<b>6. Tax credits</b>					
Basic credit		1179	0	0	0
Married or head of family					
Children		2000	2000	2000	0
Other					
	Total	3179	2000	2000	0
<b>7. Central government income tax finally paid (5-6)</b>		-2292	183	1767	3143
<b>8. State and local taxes</b>		1399	2061	2724	2347
<b>9. Employees' compulsory social security contributions</b>					
Gross earnings		2478	3342	4149	3342
Taxable income					
	Total	2478	3342	4149	3342
<b>10. Total payments to general government (7 + 8 + 9)</b>		1585	5587	8640	8832
<b>11. Cash transfers from general government</b>					
For head of family					
For two children		0	0	0	0
	Total	0	0	0	0
<b>12. Take-home pay (1-10+11)</b>		30081	36635	44137	33390
<b>13. Employer's compulsory social security contributions</b>		2478	3342	4149	3342
<b>14. Average rates</b>					
Income tax		-2.8%	5.3%	8.5%	13.0%
Employees' social security contributions		7.8%	7.9%	7.9%	7.9%
Total payments less cash transfers		5.0%	13.2%	16.4%	20.9%
Total tax wedge including employer's social security contributions		11.9%	19.6%	22.5%	26.7%
<b>15. Marginal rates</b>					
Total payments less cash transfers: Principal earner		45.0%	28.9%	28.9%	28.9%
Total payments less cash transfers: Spouse		37.9%	28.9%	28.9%	28.9%
Total tax wedge: Principal earner		48.9%	34.0%	34.0%	34.0%
Total tax wedge: Spouse		42.6%	34.0%	34.0%	34.0%
Memorandum item: Non-wastable tax credits					
tax expenditure component		887	2000	2000	0
cash transfer component		2292	0	0	0

StatLink: <http://dx.doi.org/10.1787/227852113687>

The national currency is the dollar (USD). In 2005, the average worker earned USD 31 666 (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 2005 a married couple filing a joint tax return is entitled to a standard deduction of USD 10 000. The standard deduction is USD 7 300 for heads of households and USD 5 000 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.

In addition to the standard deduction, in 2005 a USD 3 200 *personal exemption* is given every taxpayer (including both husband and wife filing a joint return). The personal exemption is indexed annually for inflation. The deduction for personal exemptions is reduced by 2 per cent for each USD 2 500 by which the taxpayer's income exceeds USD 218 950 for married couples, USD 145 950 for single taxpayers, and USD 182 450 for heads of households. All of a taxpayer's exemptions are phased out simultaneously.

- *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*: For each child and other person claimed as a dependent on a taxpayer's return, the taxpayer is entitled to a dependency exemption of USD 3 200 in 2005. Low income workers with dependants are allowed a refundable (non-wastable) earned income credit. For taxpayers with one child, the credit is 34 per cent of up to USD 7 830 of earned income in 2005. The credit phases down when income exceeds USD 14 370 (16 370 for married taxpayers) and phases out when it reaches USD 31 030 (33 030 for married taxpayers). The earned income threshold and the phase-out threshold are indexed for inflation. For taxpayers with two or more children, the credit is 40 per cent of

up to USD 11 000 of earned income in 2005. The credit phases down when income exceeds USD 14 370 (16 370 for married taxpayers) and phases out when it reaches USD 35 263 (37 263 for married taxpayers).

Beginning in 1998, taxpayers are permitted a tax credit for each qualifying child under the age of 17. In 2005 the maximum credit is USD 1 000. The maximum credit is reduced for taxpayers with income in excess of certain thresholds. The credit is reduced by USD 50 for each USD 1 000 of income in excess of USD 110 000 for married taxpayers (USD 75 000 for single and head of household taxpayers). These threshold amounts are not indexed for inflation. The child credit is refundable (non-wastable) to the extent of 15 per cent of earned income in excess of USD 11 000. A taxpayer with three or more qualifying children may be allowed a supplemental refundable (non-wastable) child credit, subject to certain restrictions.

- *Relief for low income workers without children:* In 1994 and thereafter, low income workers without children are eligible for the earned income credit. In 2005 low income workers without children are permitted a non-wastable earned income credit of 7.65 per cent of up to USD 5 220 of earned income. The credit phases down when income exceeds USD 6 530 (8 530 for married taxpayers) and phases out when income reaches USD 11 750 (13 750 for married taxpayers). This credit is available for taxpayers at least 25 years old and under 65 years old.
- *Relief for social security and other taxes.* There is no special relief for social security taxes although the non-wastable earned income credits described above are sometimes considered an offset to social security contributions made by eligible employees. Furthermore, only a portion of social security benefits are subject to tax.

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

The basic non-standard relief is the deduction of certain expenses to the extent that, when itemised, they exceed in aggregate the standard deduction. For the purposes of this Report, it is assumed that workers claim the standard deduction. The principal itemised deductions claimed by individuals where the standard deduction is not being claimed are:

- *Medical and dental expenses* that exceed 7.5 per cent of income.
- Either State and local income taxes or sales taxes, real property taxes, and personal property taxes.
- Home mortgage interest.
- *Investment interest expense* up to investment income with an indefinite carry forward of disallowed investment interest expense.
- Contributions to qualified charitable organisations (including religious and educational institutions).
- *Casualty and theft losses* to the extent that each loss exceeds USD 100 and that all such losses combined exceed 10 per cent of income.
- *Miscellaneous expenses* such as non-reimbursed employee business expenses (union dues, work shoes, etc.), investment expenses, tax return preparation fees and educational expenses required by employment, to the extent that, in aggregate, they exceed 2 per cent of income.

Otherwise allowable itemised deductions are reduced by 3 per cent of the amount by which income exceeds USD 145 950. However, the reduction is limited to 80 per cent of the

total of otherwise allowable itemised deductions other than the allowable itemised deductions for medical expenses, investment interest, theft and casualty losses, and gambling losses.

In 2002, the most recent year for which such statistics are available, the 34 per cent of taxpayers with income between USD 30 000 and USD 40 000 (the AW range) who itemised their deductions claimed average deductions as follows: medical expenses, USD 1 445; taxes paid, USD 2 794; charitable contributions, USD 1 622; interest expense, USD 5 249.

*Contributions to pension and life insurance plans.* No relief is provided for employee contributions to employer sponsored pension plans or for life insurance premiums. However, tax relief is provided for certain retirement savings.

### 1.1.3. Tax schedule

#### Federal income tax rates

Taxable income bracket (USD) <sup>1</sup>			Marginal tax rate (%)
Single individual	Joint return of married couple	Head of household	
0 to 7 300	0 to 14 600	0 to 10 450	10
7 300 to 29 700	14 600 to 59 400	10 450 to 39 800	15
29 700 to 71 950	59 400 to 119 950	39 800 to 102 800	25
71 950 to 150 150	119 950 to 182 800	102 800 to 166 450	28
150 150 to 326 450	182 800 to 326 450	166 450 to 326 450	33
More than 326 450	More than 326 450	More than 326 450	35

1. The taxable income brackets are indexed for inflation.

## 1.2. State and local income taxes

### 1.2.1. General description of the system

The District of Columbia and 43 of the 50 States impose some form of individual income tax. In addition, some local governments (cities and counties) impose an individual income tax, although this is not generally the case. State individual income tax structures are usually related to the federal tax structure by the use of similar definitions of taxable income, with some appropriate adjustments. This linkage is not a legal requirement but a practical convention that functions for the convenience of the taxpayer who must fill out both federal and State income tax returns.

The AW calculations assume that the average worker lives in Detroit, Michigan. The state of Michigan permits a personal exemption of USD 3 200 for the taxpayer, the taxpayer's spouse and each child and taxes income at the rate of 3.9 per cent. The city of Detroit permits a personal exemption of USD 750 and taxes income at the rate of 2.5 per cent. Michigan provides a credit for city taxes paid. If the city income tax paid is USD 100 or less, the credit is 20 per cent of the city income tax paid. If the city income tax paid is over USD 100 but not over USD 150, the credit is 10 per cent of the excess of the city income tax paid over USD 100 plus USD 20. If the city income tax paid is over USD 150, the credit is 5 per cent of the excess of the city income tax paid over USD 150 plus USD 25.

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

### 2.1. Employees' contributions

#### 2.1.1. Pensions

The rate for employee contributions is 7.65 per cent (6.2 per cent for old age, survivors, and disability insurance, and 1.45 per cent for old age hospital insurance). The 6.2 per cent rate applies to earnings up to USD 90 000. Beginning in 1994, there is no limit on the amount of earnings subject to the 1.45 per cent rate.

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

Employers match the employees' tax of 6.2 per cent on earnings up to USD 90 000 and 1.45 per cent of all earnings (without limit).

#### 2.2.2. Unemployment

Employers are required by the federal government to pay unemployment tax of 6.2 per cent 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. The model considers that the Federal government allows employers to take a credit for state unemployment taxes of up to 5.4 per cent, resulting in a net Federal tax of 0.8 per cent.

#### 2.2.3. Injury

The States may require various payments for workman's compensation insurance.

## 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 2004

For 2004 and 2005 taxpayers may elect to deduct either state and local income taxes or state and local sales taxes as an itemised deduction. The child credit, which had been scheduled to be reduced to USD 700 in 2005, was increased to USD 1 000.

## 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 30 million non-agricultural wage and salary workers.
- The following information is used to calculate preliminary annual wage earnings for year 2004. Fifty-two weeks are assumed for regular earnings and fifty weeks (two weeks vacation) for overtime.

Average hourly earnings including overtime	USD 16.14
Average hours per week including overtime	40.8
Average weekly wage earnings including overtime	USD 658.51
Average hourly wage earnings excluding overtime	USD 15.29
Average hours worked per week excluding overtime	36.2
Average weekly wage earnings excluding overtime	USD 553.50
Estimated gross annual wage earnings excluding overtime	USD 28 781.90
Estimated annual overtime wage earnings	USD 5 250.70
Estimated gross annual wage earnings	USD 34 032.60

### 5.2. Employer contributions to private social security arrangements

Employers commonly contribute to private pension plans, 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 1993 for all non-agricultural employees:

	Pension	Health	Life
Per cent of workers covered	49	61	64
USD per covered employee	1 364	3 407	882



## 2005 Parameter values

AW earnings	Ave_earn	31 666	Secretariat estimate				
Standard deductions	Married_al	10 000					
	hh_al	7 300					
	single_al	5 000					
Personal exemption	pers_ex	3 200					
Dependency exemption	dep_ex	3 200					
Personal exemption reduction	ex_dedn_rate	0.02					
unit of earnings	ex_dedn_unit	2 500					
threshold single (no children)	ex_thrsh_s	145 950					
threshold single (with children)	ex_thrsh_hh	182 450					
threshold joint	ex_thrsh_m	218 950					
Federal tax schedules	Fed_sch_s	0.1	7 300				
		0.15	29 700				
		0.25	71 950				
		0.28	150 150				
		0.33	326 450				
Married filing jointly	Fed_sch_m	0.1	14 600				
		0.15	59 400				
		0.25	119 950				
		0.28	182 800				
		0.33	326 450				
Head of household	Fed_sch_h	0.1	10 450				
		0.15	39 800				
		0.25	102 800				
		0.28	166 450				
		0.33	326 450				
Earned income credit	EIC_sch	Rate	Income limit	Threshold	Thresh-married	Phase-out	
		no children	0.0765	5 220	6 530	8 530	0.765
		1 child	0.34	7 830	14 370	16 370	0.1598
		2 or more children	0.4	11 000	14 370	16 370	0.2106
Child credit	chcrd_max	1 000					
	chcrd_rdn	50					
	chcrd_thrsh_m	110 000					
	chcrd_thrsh_oth	75 000					
	chcrd_ref_perct	0.15					
Detroit	Detroit_ex	750					
	Detroit_rate	0.025					
Michigan	Mich_ex	3 200					
	Mich_rate	0.039					
Credit schedule on city tax	Mich_cr_sch	0.2	100				
		0.1	150				
		0.05					
Maximum	Mich_cr_max	10 000					
Pension contributions	pens_rate	0.062					
	hosp_rate	0.0145					
Ceiling for employers	pens_ceil	90 000					
Unemployment insurance tax	Unemp-rate	0.008					
	Unemp_max	7 000					

### 2005 Tax equations

The equations for the US system in 2005 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))+ Taper((1+Married)*pers_ex+ Children*dep_ex, earn_total, IF(Married, ex_thrsh_m, IF(Children=0, ex_thrsh_s, ex_thrsh_hh)), ex_dedn_rate/ex_dedn_unit)
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. Tax credits :	EIC	J	EIC(Children, earn_total, EIC_sch)
	ch_crd_max	J	Children*Positive((chcrd_max-chcrd_rdn*Positive(TRUNC(earn, - 3)-IF(Married>0, chcrd_thrsh_m, chcrd_thrsh_oth))/1000))
	ch_crd_tax	J	IF(ch_crd_tax>0, MIN(ch_crd_max, CG_tax_excl), 0)
	ch_crd_ref		IF(ch_crd_tax<ch_crd_max, MIN(ch_crd_max-ch_crd_tax, MAX(chcrd_ref_perct*(earn-chcrd_ref_thresh), 0)), 0)
	tax_cr	J	EIC+ch_crd_tax+ch_crd_ref
7. CG tax	CG_tax	J	CG_tax_excl-tax_cr
8. State and local taxes	local_tax		Detroit_rate*Positive(earn_total- Detroit_ex*(1+Married+Children))+ Mich_rate*Positive(earn_total- Mich_ex*(1+Married+Children))-MIN(Mich_cr_max, Tax(AJ7, Mich_cr_sch))
9. Employees' soc security	SSC	B	earn*(pens_rate+hosp_rate)
11. Cash transfers	Cash_tran	J	
13. Employer's soc security	SSC_empr	B	pens_rate*MIN(earn, pens_ceil)+hosp_rate*earn+IF(earn>Unemp_maxUnemp_rate*Unemp_maxUnemp_rate*earn)
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.

## PART V

# Methodology and Limitations

# Methodology

## 1. Introduction

The personal circumstances of taxpayers vary greatly. To identify representative taxpayers and to calculate the amount of their taxes, this Report uses a specific methodology. The focus is on employees. It is assumed that their annual income from employment is equal to a given fraction of the average gross wage earnings of adult, full-time workers in a broad range of industry sectors of each OECD economy. Additional assumptions are made regarding other relevant personal circumstances of these wage earners to enable their tax/benefit position to be determined. Table V.1 sets out the terminology used in this Report, while Table V.2 provides information on the industry sectors covered.

Taxes paid and cash transfers received by employees are presented for one-earner and two-earner families at various fractions of average gross wage earnings. The number of taxpayers with the defined characteristics and the wage level of the average workers differ between OECD economies.

The guidelines described in this part of the Report have been used by all OECD countries to calculate the figures shown in Parts I, II, III and IV. Where a country had to depart from the guidelines, this is noted in the text and/or in the country chapters contained in Part IV of the Report.

## 2. Calculation of gross wage earnings

This section sets out the standard definition of “average workers” for which the average earnings figure is then determined. Table V.3 indicates how countries have implemented the standard definition. Levels of gross wage earnings have been established using statistical data. Further information on the calculation of the earnings figure is provided in the country chapters in Part IV, and in Annex B. Earnings levels for the edition year 2005 had to be estimated, as relevant statistical data are not yet available. The estimation procedures followed are explained in Section 3 below.

### **Industry sectors covered**

From the 2005 edition of *Taxing Wages*, the relevant industry sectors is broadened to include industries falling under categories C to K inclusive as defined in the *International Standard Industrial Classification of All Economic Activities* (ISIC Revision 3.1, United Nations).<sup>1</sup> As stated in Part I. Section 1 of this Report, only three countries (Ireland, Korea and Turkey) are not yet able to move to this broadened industry definition, and are thus still using manual workers in manufacturing (industry sector D). These differences may affect the comparability of the data, and all countries will therefore move to the broadened definition as soon as practically possible. The reasons for moving to a broadened definition are provided in the Special Feature of *Taxing Wages* 2003-2004.

Table V.1. **Terminology**

General terms	
Average worker (AW)	An adult full-time worker in the covered industry sectors whose wage earnings are equal to the average wage earnings of such workers
Single persons	Unmarried men and women
Couple with two children	Husband and wife with two dependent children between but not including five and twelve years of age
Labour costs	Gross wage earnings plus employers' social security contributions and payroll taxes
Net take-home pay	Gross wage earnings less personal income tax and employee social security contributions, plus cash transfers received from general government
Personal average tax rate	Personal income tax plus employee social security contributions expressed as a percentage of gross wage earnings
Tax burden	See Personal average tax rate
Tax wedge	Sum of personal income tax and employee plus employer social security contributions together with any payroll tax less cash transfers, expressed as a percentage of labour costs.
Elasticity of income after tax	Shows percentage change in after-tax income following a 1 per cent change 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 employees, married couples and parents
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, including also deductions for compulsory social security contributions
Basic relief	Any standard tax relief which is 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.

StatLink: <http://dx.doi.org/10.1787/145084258203>Table V.2. **International standard industrial classification of all economic activities, revision 3.1 (ISIC Rev.3.1)**

A	Agriculture, hunting and forestry
B	Fishing
C	<i>Mining and quarrying</i>
D	<i>Manufacturing</i>
E	<i>Electricity, gas and water supply</i>
F	<i>Construction</i>
G	<i>Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods</i>
H	<i>Hotels and restaurants</i>
I	<i>Transport, storage and communications</i>
J	<i>Financial intermediation</i>
K	<i>Real estate, renting and business activities</i>
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

StatLink: <http://dx.doi.org/10.1787/335633455616>

**Geographical coverage**

The data relate to average earnings in the covered industry sectors for the country as a whole.

**Type of worker**

The type of worker referred to is an adult worker directly engaged in a production activity in the covered industry sectors, including both manual and non-manual workers. For countries that have not yet been able to move to the broadened industry definition (Ireland, Korea and Turkey), the definition includes only manual workers and minor shop-floor supervisory workers in the manufacturing industry.

**Sex**

The earnings data refer to the average earnings of all workers, both male and female.

**Full-time worker**

The worker is assumed to be fully employed during the year, although several countries are unable to separate and exclude part-time workers from the earnings figures. Two of the household types include a second earner at 33 per cent of average earnings. As shown in the Special Feature in Part I of this Report, such individuals are most likely to be working part-time and not full-time. However, it is also shown that the assumption that all employees are working full-time do not significantly affect the tax rates calculated in *Taxing Wages*, except in the case of Belgium for married couples where the spouse is earning 33 per cent of the average wage level. The reason is that special provisions for part-time workers are either of minor importance or not applicable for the household types currently presented in *Taxing Wages*.

**Determination of earnings**

The ways in which earnings data are calculated in each country are set out in Table V.3. All remuneration in cash paid to workers with characteristics similar to those defined above are included in the earnings calculation, which in addition to ordinary wages should include average amounts of overtime, cash supplements (*e.g.* Christmas bonuses, thirteenth month) and vacation payments typically paid to workers in the covered industry sectors.

Profit-sharing schemes which take the form of dividend distributions should be excluded from the calculations, as should other (non-cash) fringe benefits.

However, not all countries are able to include overtime pay, vacation payments and cash bonuses according to the definition. Furthermore, several countries are unable to exclude fringe benefits from the earnings figures.

**Sickness and unemployment**

The worker is assumed not to be sick or unemployed during the year, although some countries are not able to exclude sickness payments or unemployment benefits from the earnings figures.

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 these differences have 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 treatment of fringe benefits**

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 decision has been taken in part because these types of benefits would be difficult to evaluate in a consistent way (they may be valued at the actual cost to the employer, their taxable value to the employee or their fair market value) and in most countries are of slight importance for workers at the average wage level. In addition, if fringe benefits were to be included in the earnings definition one would also need to incorporate the tax treatment of fringe benefits in the tax calculations. This would complicate the tax calculations significantly.

As fringe benefits are a part of the total remuneration of employees, excluding them from the earnings definition may affect comparability of tax wedges – as the reliance on fringe benefits may vary between countries and over time. On the other hand, the lack of comparability is probably limited as fringe benefits rarely account for more than 1-2 per cent of labour costs and are normally more common among high-income employees than in the income ranges covered by *Taxing Wages* (33% to 167% of average earnings). The potential problems of comparability are also reduced from the fact that *Taxing Wages* compares tax rates and tax wedges, and not earnings levels as such. Table V.3 shows that some member countries are not able to exclude fringe benefits from the earnings figures reported and used in *Taxing Wages*.

In the case of employers' contributions to private pension, family allowance or health and life insurance schemes, the amounts involved can be significant. In the United States, for example, these contributions can account for more than 5 per cent of the earnings of employees. While these contributions are excluded from the earnings base (and therefore do not affect the tax calculation), in a number of cases country chapters in Part IV provide an indication of the schemes which may be relevant for an average worker. These schemes are excluded from the present Report, because if they act as substitutes for compulsory state social security schemes their inclusion would require employers' contributions to these schemes to be also taken into account for reasons of consistency. Furthermore, the tax treatment of both contributions and benefits paid out would have to be included, which is beyond the scope of this Report.

### **Calculation method used**

Table V.3 notes the calculation method used in each country and more details are provided in the country chapters in Part IV. 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. However, many countries cannot follow these procedures because of the ways in which the earnings samples are

Table V.3 Method used to calculate average earnings

	Items included and excluded from the earnings base						Basic method of calculation used	Income tax year ends	Period to which the earnings calculation refers
	Unemployment	Sickness <sup>1</sup>	Vacations	Overtime	Recurring cash payments	Fringe benefits			
Australia	Exc	Inc	Inc	Inc	Inc	Exc	Average weekly earnings x 52	30th June	Fiscal year
Austria	Exc	Exc	Inc	Inc	Inc	Taxable value inc	Average annual earnings	31st December	Calendar year
Belgium	Exc	Exc	Inc	Inc	Inc	Taxable value inc	Daily average x days worked	31st December	Calendar year
Canada	Exc	Exc	Inc	Inc	Inc	Exc	Average weekly hours x average hourly earnings x 52	31st December	Calendar year
Czech Republic	Exc	Exc	Inc	Inc	Inc	Inc	Average monthly earnings x 12	31st December	Calendar year
Denmark	Exc	Exc	Inc	Exc	Inc	Exc	Hourly earnings x hours worked	31st December	Calendar year
Finland	Exc	Exc	Inc	Inc	Inc	Exc	Hourly wages x usual working time + vacation payments+periodic bonuses	31st December	Calendar year
France	Exc	Exc	Inc	Inc	Inc	Exc	Annual earnings	31st December	Calendar year
Germany	Exc	Exc	Inc	Inc	Inc	Exc	Annual earnings	31st December	Calendar year
Greece	Exc	Exc	Inc	Inc	Inc <sup>2</sup>	Inc	Hourly earnings x hours worked	31st December	Calendar year
Hungary	Exc	Inc	Inc	Inc	Inc	Exc	Average monthly earnings x 12	31st December	Calendar year
Iceland	Exc	Exc	Inc	Inc	Inc	Exc	Hourly earnings x hours worked x 12	31st December	Calendar year
Ireland	Exc	Exc	Inc	Inc	Inc	Exc	Hourly earnings x hours worked x 52	5th April	Fiscal year
Italy	Exc	Inc	Inc	Inc	Inc	Exc	Average monthly earnings x 12	31st December	Calendar year
Japan	Exc	Exc	Inc	Inc	Inc	Exc	Monthly earnings in June x 12	31st December	Calendar year
Korea	Exc	Exc	Inc	Inc	Inc	Exc	Average monthly earnings x 12	31st December	Calendar year
Luxembourg	Exc	Exc	Inc	Inc	Inc	Exc	Hourly earnings x hours worked	31st December	Calendar year
Mexico	Exc	Exc	Inc	Inc	Inc	Exc	Average monthly earnings x 12.5	31st December	Calendar year
Netherlands	Exc	Exc	Inc	Exc	Inc	Exc	90 per cent of annual gross earnings	31st December	Calendar year
New Zealand	Exc	Exc	Inc	Inc	Inc	Exc	Average weekly earnings in each quarter x 13	31st March	Tax year
Norway	Exc	Exc	Exc	Inc	Inc	Exc	Annual wages + estimated overtime	31st December	Calendar year
Poland	Exc	Inc	Inc	Inc	Inc	Exc	Average monthly earnings x 12	31st December	Calendar year
Portugal	Exc	Exc	Inc	Inc	Inc	Exc	Weighted monthly average x 12	31st December	Calendar year
Slovak Republic	Exc	Exc	Inc	Inc	Inc	Inc	Average monthly earnings x 12	31st December	Calendar year
Spain	Exc	Exc	Inc	Inc	Inc	Exc	Weighted monthly average x 12	31st December	Calendar year
Sweden	Exc	Exc	Inc	Inc	Inc	Actual value inc	Average hourly earnings in September x hours worked	31st December	Calendar year
Switzerland	Exc	Exc	Inc	Inc	Inc	Exc	Monthly earnings x 12	31st December	Calendar year
Turkey	Exc	Exc	Inc	Inc	Inc	Actual value inc	Average annual earnings	31st December	Calendar year
United Kingdom	Exc	Exc	Inc	Inc	Inc	Exc	Average weekly earnings at beginning and end of fiscal year x 52	5th April	Fiscal year
United States	Exc	Exc	Inc	Inc	Inc <sup>2</sup>	Exc	Weekly average hourly earnings x 52 + average overtime hours x 50	31st December	Calendar year

Note: Exc = Excluded Inc = Included

1. Usually includes compensation paid by employer whether paid on behalf of the government or as part of a private sickness scheme.
2. In the United States, end of the year bonuses and profit sharing bonuses are excluded. In Greece, Christmas and Easter bonuses are excluded.

StatLink: <http://dx.doi.org/10.1787/786532824210>



constructed. In practice, the differences in calculation methods are unlikely to influence the results unduly. The sources of the earnings data are provided in Annex B.

### 3. Estimating gross wage earnings in 2005

Statistical data on average gross wage earnings in 2005 are not presently available. Still, it is felt that including estimates of the tax/benefit position of employees in the edition year increases the relevance of the Report for policy-making. Therefore the Report presents preliminary data for the current edition year. Estimates of gross wage earnings of average production workers in 2005 were derived by the Secretariat on the basis of a uniform approach: all year 2004 earnings levels are multiplied by the country-specific annual percentage change of wages reported in the most recently published edition of the *OECD Economic Outlook*.<sup>2</sup> This transparent procedure is intended to avoid any bias in the results. Only in the cases of the Slovak Republic and Turkey are national estimates used as the necessary inputs for Secretariat estimates do not sufficiently reflect wage changes in the covered industry sector.

There are gaps between wage levels reported in this publication and those contained in the OECD Analytical Data Base (ADB) corresponding to what is shown in the *Economic Outlook*. This is due to the different definitions used. Data in the ADB include 1) all employees in the business sector, 2) wages in cash and in kind, 3) fringe benefits and profit sharing schemes and 4) allowances to cover certain costs, notably to commute to work. In contrast, this Report includes 1) only employees in industry sectors C-K sector, 2) cash wages, 3) generally, no fringe benefits and no profit sharing schemes and 4) generally, no allowances to cover costs. In addition, for a number of countries the methodology for determining the average wage level is different.

Ten of the OECD member countries have opted to provide national estimates of the level of gross wage earnings of average production workers in 2005. These estimates were not used as they may not be consistent, but they are included in Table V.4 to allow a comparison to be made of estimates by applying the Secretariat formula and those from national sources. In all cases, Secretariat estimates of wage levels in 2005 and wage levels provided by national respondents are fairly close.

### 4. 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 9 below) and in one case church tax (see Section 10 below) 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 11 below). 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.<sup>3</sup>

In this study, 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

Table V.4. **Estimated gross wage earnings, 2004-2005 (in national currency)**

	Average wage 2004	Average wage 2005 (Secret. estimates)	Average wage 2005 (country estimates)	EO77 forecasted rates for 2005 <sup>1</sup>
Australia	48 827	51 169	51 110	4.8
Austria	32 872	33 624		2.3
Belgium	35 578	36 396	36 468	2.3
Canada	38 945	40 341	39 541	3.6
Czech Republic	209 489	221 886	222 896	5.9
Denmark	316 500	328 390		3.8
Finland	31 539	32 722		3.8
France	29 549	30 219		2.3
Germany	41 046	41 074		0.1
Greece	17 360	18 339		5.6
Hungary	1 697 268	1 778 552		4.8
Iceland	2 770 000	2 949 759		6.5
Ireland <sup>2</sup>	30 170	31 663		4.9
Italy	22 053	22 759		3.2
Japan	4 943 208	4 953 747		0.2
Korea <sup>2</sup>	27 356 688	28 729 826		5.0
Luxembourg	39 171	40 500		3.4
Mexico	76 332	79 997	85 797	4.8
Netherlands	37 026	37 759		2.0
New Zealand	39 428	40 949	41 301	3.8
Norway	366 161	379 934	378 244	3.9
Poland	29 263	30 000		2.5
Portugal	12 969	13 299		2.5
Slovak Republic	200 722	216 780	216 780	n.a
Spain	19 828	20 701		4.4
Sweden	300 814	309 854		3.0
Switzerland	70 649	71 595	71 638	1.3
Turkey <sup>2</sup>	13 959	15 256		n.a
United Kingdom	27 150	28 571	28 120	5.2
United States	30 355	31 666		4.3

1. Increase of compensation per employee in the business sector (EO77 Annex Table11).

2. Ireland, Korea and Turkey wage figures under the old definition of average worker (ISIC D, rev3.)

StatLink: <http://dx.doi.org/10.1787/660360207041>

the benefits is not necessarily related to the amount of the contributions. Countries finance their 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.

## 5. Taxpayer characteristics

Further assumptions are required to calculate the tax/benefit position of employees. The present Report identifies eight types of households, as set out in Table V.5:

- a single individual with no children earning 67 (two-thirds), 100 and 167 (five-thirds) per cent of the average earnings level, respectively;
- a lone parent with two children earning 67 (two-thirds) per cent of the average earnings level;
- a married couple with two children with a single earner at the average earnings level; and

- three cases of two-earner married couples, with earnings split between the two partners at 100-33 (one-third) per cent of the average earnings level, both with and without children, and finally a couple with children with the earnings split 100-67 (two-thirds) per cent of the average earnings level.

In cases of families with children, the children are assumed to be aged between but not including five and twelve.

The family is assumed to have no income source other than employment and cash benefits.

Table V.5. **Characteristics of taxpayers**

Marital status	Children	Principal earner	Secondary 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	33% of average earnings
Married couple	2 children	100% of average earnings	67% of average earnings
Married couple	No children	100% of average earnings	33% of average earnings

StatLink: <http://dx.doi.org/10.1787/480615217787>

## 6. Calculation of personal income taxes

The method by which income tax payments are calculated can be seen from the country tables in Part IV. 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 that arises in the calculation of personal income tax due 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. Standard reliefs are taken into account in calculating the tax position of employees and 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 but not including the ages of five and twelve;
  - ❖ 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.<sup>4</sup>

- *Non-standard tax reliefs*: These are reliefs which are wholly determined by reference to actual expenses incurred. They are 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 country tables. A brief description of the main non-standard reliefs is provided in most country chapters. A comparison of the effect of these reliefs claimed by an average production worker on effective income tax rates is provided in Table V.6.

There are several steps required in calculating the value of non-standard reliefs in Table V.6. First, the reliefs which could be claimed by a taxpayer with the family-type characteristics and income level of an average worker, or for a wider group of taxpayers which would include the average worker are identified. It follows that allowances that are not consistent with the assumption of an average worker (*e.g.* allowances for the self-employed) are not taken into account. Then, for each identified relief measure, the average expense-related relief is determined, taking into account also those who do not have that specific income component (and the related tax relief) to give an average value of that relief for all average worker-type taxpayers (in the wider group.) The impact of these different reliefs on the average rate of income tax is then calculated. Consider as an example the case where it is determined that 20 per cent of all taxpayers in the income class that includes the average worker owns their own house and on average deduct 10 000 currency units in mortgage interest. In this case, taxpayers in the income class that includes the average worker would be assumed on average to deduct 2 000 units in mortgage interest (because one in five actually deducts 10 000 units.) At a typical marginal tax rate of 30 per cent, the resulting tax relief is 600 units, and the average tax rate of the average worker would be re-calculated accordingly.

Non-standard reliefs which are not related to specific sources of income are wholly offset against the tax liability. In contrast, for reliefs which are related to specific sources of income (*e.g.* mortgage interest reliefs which in some countries must be offset against imputed rent from home ownership), only the excess over the associated income is taken into account in the calculations shown in Table V.6.

## 7. 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, 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 (see Table V.7). Except for Canada, Japan, Spain and Switzerland, the rate schedule of these sub-central taxes consists of a single rate.

Table V.6. Main non-standard income tax reliefs received by an average worker

	Average amount of each relief typically received by average wage (national currency) <sup>1</sup>		Rate of income tax paid by an average worker				Calculations refer to following taxpayers <sup>2</sup>
	Single persons	Couples	Before taking into account these reliefs		After taking into account these reliefs		
			Single persons	Couples	Single persons	Couples	
AUSTRALIA (2001-02)			23.5	23.6	23.1	23.3	All salary and wage earners around average wage's income level with occupations consistent with industries C-K
Work related expenses (TA)	2062	1634					
Other deductions (TA)	226	312					
AUSTRIA (2003)	1208	1487					Average of all employees
Tax-free supplements (TA)	405						
Traffic relief acc. To distance (TA)	242						
Special expenses (TA)	257	537					
Other reliefs (TA)	304						
BELGIUM (2000)	8943		27.9	17.1	17.1	16.3	All workers
CANADA (2002)	2357	1914	17.6	6.5	15.7	4.0	Average wage type taxpayers
Registered pension plan (TA)	438	254					
Registered retirement savings plan (TA)	1475	1179					
Union and professional dues (TA)	232	151					
Charitable donations (TC)	37	57					
Other (TA,TC)	175	272					
DENMARK (2001)							All workers around the average wage's income level
Contributions/premiums paid to private pension saving plans (TA)	17000	20800					
Interest payments (net of interest earned and imputed rent) (TA)	-19400	-47300					
Transportation cost (TA)	4300	7400					
Contributions to trade unions (TA)	3500	6400					
Other deductions	3250	1650					
FINLAND (1997)			28	28	26.4	25.6	Average wage type
Work related expenses (TA)	3402	4032					
Credit for interest expenses (TC)	646	1611					
HUNGARY (2004)			17.1		13.5		All taxpayers around average wage's income
Family tax credit (TC)	31499	--					
Heavily disabled persons (TC)	400	--					
Payments to voluntary mutual insurance funds (TC)	3107	--					
Supplementary membership dues in private pension fund (TC)	100	--					
Intellectual activities (TC)	207	--					
Bank credits for housing purposes (TC)	9988	--					
Tuition fees (TC)	1369	--					
Adult education and computer purchasing (TC)	7840	--					
Payments to foundations (TC)	369	--					
Insurance contracts (TC)	6782	--					
ICELAND (1994)			20.5	3.3	19.6	1.5	All wage earners around average wage's income level
Interest paid on personal dwelling (TC)	11 250	22 000					

StatLink: <http://dx.doi.org/10.1787/785768412671>

Table V.6. Main non-standard income tax reliefs received by an average worker (cont.)

	Average amount of each relief typically received by average wage (national currency) <sup>1</sup>		Rate of income tax paid by an average worker				Calculations refer to following taxpayers <sup>2</sup>
	Single persons	Couples	Before taking into account these reliefs		After taking into account these reliefs		
			Single persons	Couples	Single persons	Couples	
<b>IRELAND (1999)</b>							
Work-related expenses (TA)	80		19.3	10.1	18.5	9.4	All income earners in the range of IRE 15 000 - 17 500 of total income in manufacturing sector
Medical insurance relief (TC)	17						
Interest paid in full (TC)	75						
<b>ITALY (2001)</b>							
Medical expenses (TC)	63.29		18.6	13.3	17.4	12.1	All income earners around average wage's income level
Expenses for disabled persons (TC)	1.03						
Mortgage interest (TC)	43.49						
Payments to insurance funds (TC)	70.80						
Payments to foundations (TC)	1.38						
Expenses to attend school and university (TC)	8.41						
Funeral charges	4.14						
Other (TC)	0.31						
Compulsory contributions (TA)	309.41						
Contributions/premiums paid to private pension saving plans (TA)	7.97						
Charitable donations (TA)	1.23						
Medical and assistance expenses incurred by handicapped persons (TA)	4.53						
Periodical benefits allowed to the spouse fixed by judicial authority (TA)	10.63						
Other deductions (TA)	4.50						
<b>LUXEMBOURG (2001)</b>							
Work expenses (5 %) (TA)	75 000	75 000	10.8				All income earners
Special allowances (3.5 %) (TA)	45 000	70 000					
Exceptional expenses (1.1 %) (TA)	27 000	80 000					
Interest on personal dwelling (TA)	45 000	180 000					
<b>NORWAY (2003)</b>							
Travel expenses related to work exceeding NOK 9200 (TA)	4000		29.5		26.1		All income earners around the average wage's income level
Labour union fees (TA)	900						
Premiums and contributions to occupational pension schemes in the private and public sector (TA)	2800						
Premiums and contributions to individual pension agreement schemes (TA)	400						
Unlimited allowance for interest payments (TA)	31700						
<b>SPAIN (1995)</b>							
Mortgage interest (TA)	123557		13.2	6.4	8.9	2.2	17 per cent of all taxpayers around the average wage's income level
15 % House depreciation (TC)							

StatLink: <http://dx.doi.org/10.1787/785768412671>

Table V.6. **Main non-standard income tax reliefs received by an average worker** (cont.)

	Average amount of each relief typically received by APW (national currency) <sup>1</sup>		Rate of income tax paid by an Average Production Worker				Calculations refer to following taxpayers <sup>2</sup>
	Single persons	Couples	Before taking into account these reliefs		After taking into account these reliefs		
			Single persons	Couples	Single persons	Couples	
SWEDEN (2003)			33.3		30.8		All income earners around average wage's income level
Travel expenses to work, exceeding Skr 7000 (TA)	4219						
Other work-related expenses (TA)	547						
Premiums to pension schemes (TA)	3045						
Allowances for interest payments (TC)	15329						
SWITZERLAND (1999)			10.2	5	9.1	4.3	All income earners around average wage's income level
Work-related expenses (TA)	3 200						
TURKEY (2005)							
Tax credit for earners (TC)	651		15.4	15.4	11.2	11.2	Most of income earners around the average wage's income level
Individual Insurance premium (TA)							
Premiums to the private pensions funds (TA)							
UNITED KINGDOM (2002-2003)			15.6	10.4	15.6	10.4	All wage earners around average wage's income level
Work-related expenses (TA)	10	10					
UNITED STATES (2000)			18		n.a.		All taxpayers around average wage's wage level
Medical expenses (TA)	376						
Taxes paid (TA)	1 116						
Interest paid (TA)	1 972						
Contributions (TA)	596						

Note: TA = Tax Allowance; TC = Tax Credit

- Relates to the non-standard tax reliefs typically claimed by taxpayers around the average wage's income level. The value of each relief is calculated by dividing the total amount received by average worker-type taxpayers by the total number of such taxpayers, including those who do not claim the relief. Calculated this way the amounts of all the separate reliefs are then added up to arrive at the total relief by the average worker.
- Within average wage's income range can be taken to mean in most countries within +/- 5 per cent of average wage's income.

StatLink: <http://dx.doi.org/10.1787/785768412671>

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. The income taxes (and benefits) applicable in this area are presented. This is the procedure followed in Canada, Italy, Spain, Switzerland and the United States where the tax base and tax rates vary very widely throughout the country. Denmark, Finland, Iceland and Sweden have preferred to select the average rate of sub-central government income taxes for the country as a whole. No problem arises in Norway and Korea where the local rates in practice do not vary. Japan has used the widely prevalent standard schedule and Belgium the widely prevalent rate of local income tax. Table V.7 summarises the ways in which these taxes are calculated and the method used to determine the amount of state and local income taxes paid by an average worker.

Table V.7. **State and local personal income taxes, 2005**

Tax base		Schedule rate variation within a country or region selected		Region or rate selected here
		Single rate schedule minimum and maximum rate within country	Progressive rate schedule as applied in region selected	
Belgium	Central income tax paid	Up to maximum of 9.1%		7%
Canada <sup>1</sup> (excluding Quebec)	Adjusted central taxable income	See Part IV		Ontario (progressive rate schedule)
Denmark	Central taxable income	28.5% to 36.71%		Weighted average (33.3%)
Finland	Adjusted central taxable income <sup>2</sup>	16.0% to 21.00 %		Weighted average (18.3%)
Iceland	Adjusted central taxable income	11.24% to 13.03 %		Weighted average (12.98%)
Italy	Central taxable income	0.9 % to 1.9 %		1.1% (rate applicable in Rome in the region of Lazio)
Japan	Adjusted central taxable income <sup>2</sup>		Standard schedule applies throughout the country (5% to 15% + fixed amount)	Standard schedule
Korea	Central income tax paid	5.0 % to 15.0 %		10%
Norway	Central taxable income (minus one special deduction)	16.2% throughout the country		16.2%
Spain	Central taxable income		Standard schedule	Standard schedule
Sweden	Central taxable income	28.9% to 34.24 %		31.6% (weighted average rate)
Switzerland	Adjusted central taxable income <sup>2</sup>		0 % to 28.86 % (Zurich)	Zurich (progressive rate schedule)
United States	Adjusted central taxable income of separate tax bases	0% to 9.9%		Michigan and Detroit (flat rate 3.9% and 2.5% respectively)

1. Quebec operates a separate personal income tax system. Provincial tax is calculated as a percentage of taxable income.

2. Income subject to tax is usually the same as under the central government income tax, but tax reliefs are not the same.

StatLink: <http://dx.doi.org/10.1787/134771500830>

## 8. 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 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.

## 9. Payroll taxes

The tax base of payroll taxes 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. Twelve OECD countries report revenue from payroll taxes: Australia, Austria, Canada, Denmark, France, Hungary, Ireland, Korea, Mexico, New Zealand, Poland 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 is – 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.

Four of the OECD member countries include payroll taxes in the *Taxing Wages* calculations: Australia, Austria, Hungary and Sweden. For a variety of reasons, several countries reporting payroll tax revenue in *Revenue Statistics* have not included these taxes in the calculations for the present Report.

In the case of the Greece, Ireland and Poland revenues reported in *Revenue Statistics* are of no quantitative importance or are linked to taxes that are no longer imposed.

In Denmark, employers pay a fixed amount per employee. Tax revenues thus collected are fed into a fund. This fund provides subsidies to employers hiring medium and low-skilled trainees. This payroll tax is not included in the tax equations for Denmark.

Hungary does take into account the employer lump sum health insurance contribution. However, the communal tax on corporations is not included, since not all municipalities levy the tax.

Korea does not take into account the Business Office Tax that is imposed on employers with over 150 employees.

New Zealand has not included its payroll taxes in the tax calculations, mainly because its Fringe Benefit Tax is not a function of the employee's income and the authorities have inadequate information to allocate the tax to all employees, pro-rated by income. An added argument is that probably not all employees in the manufacturing sector receive taxable fringe benefits. It follows that the Fringe Benefit Tax is not a "standard" item; therefore, it should not be included in the tax/benefit calculations.

## 10. Church tax

Several OECD member countries impose a levy known as "church tax". With one exception, countries do not report revenues from the church tax in the OECD *Revenue Statistics*. Denmark does report revenues from its Church tax since the Danish State Church is classified as a part of general government. Denmark argues that this inclusion of the church in general government is appropriate because of the high degree of control that the

government exercises over the church. Since the Working Party on Tax Policy Analysis and Tax Statistics has agreed that church taxes should be treated consistently in its two main statistical publications, only the Danish church tax is included in the calculations for *Taxing Wages*.

## 11. Family cash benefits from general government

Tax reliefs and family cash transfers universally paid in respect of dependent children between (but not including) five and twelve years of age who are attending school are included in the scope of the study. It follows that only children of age 6, 7, 8, 9, 10 and 11 are relevant in determining the tax relief for children and/or the amount of child benefit. If tax reliefs or cash transfers vary within this age range, the most generous provisions are taken. The case of twins is explicitly disregarded. Suppose the child benefit programme of a country is structured as follows:

Age group	Benefits per child
Children 6-8	100 units
Children 9-10	120 units
Children 11-14	150 units

The most favourable outcome arises in the case of 11-year old twins: 300 units. However, as the case of twins is excluded, the best outcome now becomes 270 units (one child 11 years old, one child 9 or 10 years old). This amount would be included in the country table. Often, the amount in benefits is raised once children become one year older. By assuming that children have been born on 1 January, the annual amount received in child benefits may be calculated from the benefit schedule that is in place at the start of the year. Revisions of these amounts during the year are taken into account.

Relevant cash payments include those made by central, state and local governments. For most of the families in this study, these constitute the only major cash transfer received from general government. In some cases, the cash benefits include amounts that are paid without consideration to the number of children.

## 12. Payable tax credits

Payable (non-wastable) tax credits are included in *Taxing Wages*. Payable 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. A Special Feature in the 2001 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.<sup>5</sup> Based on this review and assessment, editions of the *Revenue Statistics* from 2002 continue to follow the Interpretative Guide which requires that only the tax expenditure component of payable tax credits be taken into account when measuring tax revenues (see below). 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.<sup>6</sup>

The treatment of payable tax credits in *Taxing Wages* includes a memorandum item reporting of tax expenditure and cash transfer components. The taxpayer calculations in

the country tables apply the full amount of payable tax credits against personal income tax. As noted above, 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)<sup>7</sup> 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 him (the "cash transfer" component) should be treated as an expenditure item and not deducted in the reporting of tax revenues.

Strict consistency with the Interpretative Guide to the *Revenue Statistics* would require that only the tax expenditure component derived in *Taxing Wages* 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 particular, limiting tax credit claims to tax expenditure amounts would yield a zero income tax liability and zero average income tax rate where cash refunds are provided. Where tax credits claims are not constrained in this way, negative income tax liabilities and negative average income tax rates would result where cash transfers are provided. Arguably, these negative amounts more clearly convey the taxpayer's position (which is improved relative to the no-tax situation). Also, not including the cash transfer portion of payable tax credits in the section (11) of the country tables focusing on "pure" cash transfers permits greater transparency of the latter amounts

Thus, in order to improve the informational content of country tables as regards payable tax credits, the memorandum item reporting at the bottom of the relevant country tables shows tax expenditure amounts on one line, with a second line showing cash transfer amounts. Where more than one payable tax credit program applies, the figures show aggregate tax expenditure and aggregate cash transfer amounts (rather than separate amounts for each program). Total program costs in each of the household cases considered can be derived by adding the tax expenditure and cash transfer amounts.

### 13. The calculation of marginal tax rates

In most cases, 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. However, in the case of a non-working spouse, the move from a zero to a small positive income is unrepresentative of income changes and therefore of little interest. So, for this case, the marginal rates for the spouse are calculated by considering the impact of an income increase from zero to 33 percent of the average wage.

#### Notes

1. Not all national statistical agencies use ISIC Rev. 3.1 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 broadly conforms with industries C-K in ISIC Rev. 3.1.
2. Wage estimates reported in the *Economic Outlook* are consistent with information in the Analytical Data Base (ADB) of the Economics Department (ECO) of the OECD. These estimates are prepared by the ECO country desks. Data in the ADB/EO77 are consistent with the June 2005 issue (No. 77) of the *Economic Outlook*.

3. Information on the fiscal powers of sub-central governments may be found in the publication *Taxing powers of state and local government*, OECD Tax Policy Studies No. 1 (Paris, 1999).
4. In this case, the amount of tax relief is related to actual social security contributions paid by the employee or withheld from 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.
5. OECD, *Revenue Statistics 1965-2000*, p. 28-31.
6. See Table D in the latest edition of OECD, *Revenue Statistics*.
7. This characterisation must be viewed as informal, as the determination of tax expenditures requires the identification of a benchmark tax system for each country, or preferably, a common international benchmark. In practice it has not been possible to reach agreement on a common international benchmark for such purposes.

## Limitations

### 1. General limitations

The simple approach of comparing the tax/benefit position of example families avoids many of the conceptual and definitional problems involved in more complex international comparisons of tax burdens and transfer programmes. However, a drawback of this methodology is that the earnings of an average worker will usually occupy a different position in the overall income distribution in different economies, although the earnings relate to workers in similar jobs in various OECD member countries.

Because of the limitations on the taxes and benefits covered in the Report, the data cannot be taken as an indication of the overall impact of the government sector on the welfare of taxpayers and their families. Complete coverage would require studies of the impact of indirect taxes, the treatment of non-wage labour income and other income components under personal income taxes and the effect of other tax allowances and cash benefits. Complete coverage 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 (see Annex A) 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.

As mentioned in Part I and detailed in the Special Feature of this Report, second earners who are earning 33% of the average wage are very likely to be working part-time, although the *Taxing Wages* methodology generally assumes that they are working full-time. However, this only affects the accuracy of the results in *Taxing Wages* for one family type in Belgium (married couple where a second earner is earning 33% of average wages).

Therefore, one should be cautious when interpreting the results for this family type for Belgium. In addition, for all countries with hour-based rules (see the Special Feature), caution should be used in applying the results in this Report to other household types.

## 2. Some specific limitations on the income tax calculation

The exclusion of non-wage income and the limited number of tax reliefs covered imply that the average rates of income tax in the tables in this publication will not necessarily reflect the actual rates confronting taxpayers at these levels of earnings. Actual rates may be lower than the calculated rates because the latter do not take into account non-standard expense-related reliefs (see Table V.6). 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 (Table V.6); and
- not all countries could calculate separately the reliefs available to different family-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.

Table V.6 shows that for most of the countries which can provide information on these reliefs their inclusion would have significantly reduced the income tax rates, notably in Luxembourg and Spain.

When comparisons are made of income tax rates, some readers may prefer to use the sort of rates shown in columns five and six of Table V.6 for countries like Luxembourg and Spain where an average worker would typically be able to claim large amounts of non-standard reliefs. Nevertheless, tax rates have been calculated for all countries using the standard methodology and these are the figures used in the main comparative tables and graphs.

## 3. Limitations to time-series comparisons

The Calculations of the tax burden on labour income in OECD countries reported in previous editions of *Taxing Wages*, including the 2004 edition, are based on an average earnings measure calculated for manual full-time workers in the manufacturing sector (the “average production worker”). From 1996 onwards there are time-series results covering all 8 family types, whereas there are results from 1979 onwards for two of these family-types: single individuals without children and married one-earner couples with two children with earnings equal to those of an average production worker.

Any analysis of the results has to take into account the fact that the earnings data do not necessarily relate to the same taxpayer throughout the period. The average earnings are calculated for each year. As such, the results do not reflect the changing earnings and tax position of particular individuals over time but rather to the position of workers earning a wage equal to average earnings in the covered industry sectors in each particular year. This, in turn, may mean that the earnings levels referred to may be at different points in the income distribution over the period covered and changes in tax rates may be influenced by these trends.

From this edition, *Taxing Wages* reports tax calculations under a revised average worker definition that includes manual and non-manual full-time employees covering industry sectors C-K (reference to ISIC).<sup>\*</sup> As argued in the special feature of the 2004 edition of *Taxing Wages*, this break in the time series of average wage earnings and tax burden indicators is desirable, as average earnings of manual workers in the manufacturing sector have become increasingly less representative or typical over time. However, introducing such a break raises the issue of how best to handle the transition for reporting purposes.

One issue to address is how to treat countries that, while able to obtain a revised average earnings figure for 2004 onwards (under the new definition), are unable to obtain revised earnings measures for earlier years. This issue is important given interest in considering *Taxing Wages* results over time, to compare current tax burden results with those of prior years under a consistent earnings measure. Some countries, while able to obtain a revised average earnings figure for 2004 onwards (under the new definition), are unable to obtain revised earnings measures for earlier years. For such countries, revised average earnings figures and corresponding tax wedges for years prior to 2004 have been estimated using the revised average earnings figure measured for 2004 and applying prior year-to-year growth rates of average earnings based on the previous average worker definition (i.e. backward extrapolation of a 2004 revised earnings measure).

It has been decided that the historical series based on the revised earnings definition commence with the year 2000. The main reasons for this are a general lack of consistent earnings data under the revised average worker definition for years prior to 2000, and limits to reliable application of backward extrapolation. In particular, reliance on backward extrapolation can be expected to give less accurate earnings estimates for prior years, the longer the time span between the estimation year and the base year (2004).

Most of the OECD member countries are able to report earnings figures from 2000 onwards based on the revised definition. However, this Report uses backward extrapolation for the following countries: Austria, France (2000 and 2001), Hungary and the United Kingdom (2000) and the United States (2000-2002). Three countries (Ireland, Korea and Turkey) are not yet able to move to the revised earnings definition, and the tax rates are therefore based on the previous earnings definition (manual workers in manufacturing; industry sector D). Additionally a forward extrapolation for 2004 was used for Austria, Germany, Greece and Sweden.

Despite the focus on the years since 2000 in the main body of the Report, Annex D also reports figures since 1979 for single individuals without children and married one-earner couples with two children with earnings equal to those of an average production worker under the old definition of average worker.

\* International Standard Industrial Classification of All Economic Activities, Revision 3.1 (ISIC Rev. 3.1).

It should, however, be noted that there are a number of additional limitations which apply to the interpretation of the results for the period from 1979-2004 (Tables in Annex D).

- For technical reasons, the procedures countries follow to determine the benchmark earnings level of the national average production worker may change over time. For instance, in the time-series from 1979 onwards one needs to be aware of the fact that the average worker wage level in France as of 1997 is based on improved statistical data, which lead to a one-off additional increase in the average worker's wage level of 5 to 7 per cent in that year. In the same vein, starting with the 1999 edition, the Netherlands assumes that the wage for manual workers in industry is on average equal to 90 per cent of the wage for all industrial workers, including white collar workers and supervisors.
- In certain cases, the taxes covered for a given country may differ over the years. For example, in the time-series from 1979 onwards one needs to be aware of the fact that Korea extended the coverage of its social security contributions as of 1997. This extended coverage largely explains why the wedge between labour costs and net take-home pay of a single average production worker in the case of Korea doubles from 6.3 per cent (1996) to 12.4 per cent (1997). Another example is the reporting of payroll taxes. In Australia, payroll taxes are included in calculations from 1996; and in Austria from 1998.
- In some of the countries with state and/or local income taxes, the rates of tax applied to an average worker refer to a typical region (see Table V.7). Consequently, if movements in tax rates in this region are unrepresentative of changes in income taxes elsewhere in the country, they will provide a poor indication of how country-wide average rates of taxes are evolving.

Particular care is required in interpreting the results where many of the limitations set out above apply to one particular country since, while taken individually, each limitation may not significantly distort the results, cumulatively the impact may be important.

To conclude, the data are comparable for the specific situations referred to and the results show the proportion of gross wage earnings retained. This net cash income (including universal cash benefits) is the amount over which the household is able to exercise a free choice in the allocation of its expenditure.



## *A Note on the Tax Equations*

Each country chapter contains a section that describes the of equations in a standard format which show 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 the 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 lower earning spouse only.
  - ❖ J The calculation is carried out only once on the basis of joint income. This applies to systems of joint or family 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 has the value 1 if the family 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 functions. These 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 IV. For example, the Earned Income Credit in the United States is calculated using the function called EIC.

Anyone wishing to make their own implementation of the equations will have to write functions corresponding to these special functions or make appropriate modifications to any equations that use them.

## ANNEX A

# *Overall Tax Levels and Tax Structures in OECD Member Countries, 1990-2003*

Table A. Tax revenues expressed as a percentage of GDP at market prices, 1990-2003

	Total tax revenue			Personal income taxes			Social security contributions						All other taxes		
	1990	1995	2003	1990	1995	2003	Employees			Employers			1990	1995	2003
							1990	1995	2003	1990	1995	2003			
Australia	29	30	32	13	12	12	0	0	0	0	0	0	17	18	19
Austria	40	41	43	8	9	10	6	6	6	6	7	7	19	19	20
Belgium	43	45	45	14	15	14	4	5	4	9	9	9	16	17	18
Canada	36	36	34	15	13	12	2	2	2	3	3	3	17	17	17
Czech Republic	-	38	38	-	5	5	-	4	4	-	10	11	-	19	19
Denmark	48	50	48	25	27	26	1	1	1	0	0	0	21	22	21
Finland	44	46	45	15	14	14	1	3	2	9	10	9	18	19	20
France	42	43	43	4	5	8	6	6	4	11	11	11	21	21	21
Germany	36	37	35	10	10	8	6	6	6	7	7	7	13	13	14
Greece	29	32	36	4	4	5	4	4	5	4	5	6	16	19	20
Hungary	-	42	39	-	7	7	-	2	2	-	12	9	-	21	20
Iceland	32	32	40	9	10	15	0	0	0	1	2	3	22	20	21
Ireland	33	33	30	11	10	8	2	2	1	3	3	3	18	18	18
Italy	39	41	43	10	11	11	2	3	2	9	9	9	17	19	21
Japan	29	27	25	8	6	4	3	4	4	4	4	4	14	13	12
Korea	19	19	25	4	4	3	0	0	3	1	1	2	14	14	17
Luxembourg	41	42	41	10	9	7	4	4	5	5	5	5	22	23	24
Mexico	17	17	19	-	-	-	0	0	0	0	0	0	17	17	19
Netherlands	43	42	39	11	8	7	10	11	7	3	3	4	19	20	21
New Zealand	38	37	35	18	17	15	-	-	-	-	-	-	20	20	20
Norway	42	41	43	11	11	11	3	3	3	7	6	6	20	21	23
Poland <sup>1</sup>	-	37	34	-	8	4	-	11	14	-	-	-	-	17	16
Portugal	29	34	37	5	6	6	3	3	0	5	6	0	17	18	31
Slovak Republic	-	-	31	-	-	3	-	-	3	-	-	9	-	-	16
Spain	32	32	35	7	8	6	2	2	2	8	8	9	15	15	18
Sweden	53	49	51	20	16	16	0	2	3	14	11	12	19	19	20
Switzerland	26	28	30	10	10	10	3	3	4	3	3	3	10	11	12
Turkey	20	23	33	5	5	5	1	1	2	2	1	3	11	15	22
United Kingdom	37	35	36	11	10	10	2	3	3	4	3	4	20	19	19
United States	27	28	26	10	10	9	3	3	3	4	4	3	11	11	10

1) Total social security contributions.

Source: OECD, *Revenue Statistics 1965-2004*, 2004 Edition.

StatLink: <http://dx.doi.org/10.1787/742684262038>

Table B. Tax revenues from personal income taxes as a percentage of GDP and total taxation, 1990-2003

(Countries with non-central government income taxes)

	Central government						:	State and local government <sup>1</sup>					
	GDP		Total		Percentage of			GDP		Total		Percentage of	
	1990	1995	2003	1990	1995	2003		1990	1995	2003	1990	1995	2003
Belgium	9	20	8	17	7	16	:	5	12	7	15	7	15
Canada	9	25	8	23	7	22	:	6	16	5	15	4	13
Denmark	12	25	12	25	10	21	:	13	28	14	29	16	32
Finland	7	15	6	12	6	13	:	9	19	9	19	8	18
Iceland	5	15	5	16	7	18	:	4	12	5	15	8	19
Japan	6	20	4	15	3	11	:	2	8	2	8	2	7
Korea	4	20	3	18	3	11	:	0	1	0	1	0	1
Norway	4	9	4	10	5	12	:	7	17	7	16	6	13
Spain <sup>2</sup>	6	20	7	22	4	12	:	1	2	1	2	2	6
Sweden	5	9	1	3	-1	-1	:	15	29	15	31	17	33
Switzerland	3	10	2	7	2	7	:	7	29	8	29	8	27
United States	8	30	8	29	7	28	:	2	7	2	7	2	7

1) Income-tax sharing arrangements exist in Austria, Germany, Greece, Luxembourg, Portugal and Spain.

2) Spain has introduced an income tax of the Autonomous Regions as of 1997; pro memory.

Source: OECD, *Revenue Statistics 1965-2004*, 2005 Edition.

StatLink: <http://dx.doi.org/10.1787/874105401715>

## ANNEX B

*Source of Earnings Data*

Country	Type of sample	Source
Australia	Representative sample of employers and employees in each industry. Carried out in May	Bureau of Statistics "Distribution and composition of employee earnings and hours"
Austria	Annual Wage Tax Statistics	"Lohnsteuerstatistik"
Belgium	Annual survey by National Bureau of Social Security	"Rapport Annuel d'Office National de Sécurité Sociale"
Canada	Monthly survey of all firms	Statistics Canada, "Employment Earnings and Hours"
Czech Republic	Employer survey data	National Statistical Office
Denmark	Danish Employers Confederation survey of earnings	Annual Report Danish Employers Confederation (Dansk Arbejds Giverforening)
Finland	Finnish Employers Federation survey of hourly earnings	"Wages Statistics" published by the Central Statistical Office
France	Update of file based upon "annual declarations of salaries"	"Economie et Statistiques"
Germany	Survey carried out by the Federal Statistical Office	"Statistical Yearbook"
Greece	Survey carried out by National Statistics Service and Social Security Institutions	National Statistical Service Labour Statistics
Hungary	Monthly surveys among enterprises with over five employees.	Central Statistical Office
Iceland	Monthly survey of earnings in the private market	Statistics Iceland
Ireland	Quarterly surveys of industrial employment, earnings and hours worked by Central Statistical Office	
Italy	Quarterly indicators of wages in industry and services	National Institute of Statistics
Japan	Basic survey of wage structure of all establishments with more than 10employees	Ministry of Labour, Annual Report
Korea	Major Labour Statistics	Ministry of Labour
Luxembourg	Monthly aggregated files of Social security services.	National Statistical Office and Social Security Services.
Mexico	Elaborated by the National Minimum Wage Commission (Comisión Nacional de Salarios Mínimos (CONASAMI)) based on data from the Mexican Social Security Institute (Instituto Mexicano del Seguro Social (IMSS))	National Minimum Wage Commission (Comisión Nacional de Salarios Mínimos (CONASAMI))
Netherlands	Survey Employment and Wages	Central Bureau of Statistics, Statline
New Zealand	Department of Statistics PCInfos	Statistics New Zealand INFOS
Norway	Sample of enterprises based on published sector statistics for 3rd quarter – except agriculture, forestry and fishing and private households	Statistics Norway Wage
Portugal	April and October survey of earnings carried out by the Ministry of Labour	Ministry of Labour
Poland	Estimates for different sectors	Monthly Statistical Bulletin
Slovak republic	Quarterly and annual statistical data	Slovak Statistical Office
Spain	Quarterly survey of firms	Instituto Nacional de Estadística "Encuesta Trimestral de Coste Laboral"
Sweden	Second quarter survey of Swedish employers	Statistics Sweden

Country	Type of sample	Source
Switzerland	Swiss Statistics Office. Personnes actives occupées selon la branche économique <i><a href="http://www.bfs.admin.ch/bfs/portal/fr/index/themen/arbeit_und_e/erwerbstaetigkeit/blank/kennzahlen0/detaillierte_ergebnisse.html">http://www.bfs.admin.ch/bfs/portal/fr/index/themen/arbeit_und_e/erwerbstaetigkeit/blank/kennzahlen0/detaillierte_ergebnisse.html</a> (Table T3.1)</i>	La vie économique, SECO (Secrétariat d'État à l'économie) table B.8.1
Turkey	Annual Manufacturing Industry Survey	State Institute of Statistics
United Kingdom	Annual sample of weekly earnings in PAYE (new earnings survey)	Department of Employment "Employment Gazette"
United States	Monthly surveys by Department of Labour on the basis of a questionnaire covering more than 30million non-agricultural wage and salary-workers	"Employment and Earnings"

StatLink: <http://dx.doi.org/10.1787/817720405713>

## ANNEX C

## Exchange Rates and Purchasing Power Parities of National Currencies, 2005

Exchange Rates and Purchasing Power Parities of national currencies, 2005

	Monetary unit	Exchange rates * Purchasing power parities	
Australia	AUD	1.31	1.39
Austria	EUR	0.80	0.91
Belgium	EUR	0.80	0.89
Canada	CAD	1.22	1.29
Czech Republic	CZK	23.91	14.57
Denmark	DKK	5.97	8.54
Finland	EUR	0.80	0.93
France	EUR	0.80	0.90
Germany	EUR	0.80	0.93
Greece	EUR	0.80	0.71
Hungary	HUF	198.31	130.00
Iceland	ISK	62.82	91.86
Ireland	EUR	0.80	1.02
Italy	EUR	0.80	0.84
Japan	JPY	109.34	129.56
Korea	KRW	1 024.37	762.02
Luxembourg	EUR	0.80	0.99
Mexico	MXN	10.91	7.48
Netherlands	EUR	0.80	0.91
New Zealand	NZD	1.42	1.50
Norway	NOK	6.42	9.87
Poland	PLZ	3.23	1.85
Portugal	EUR	0.80	0.66
Slovak Republic	SKK	30.96	17.37
Spain	EUR	0.80	0.78
Sweden	SEK	7.43	9.35
Switzerland	CHF	1.24	1.76
Turkey	TRY	1.34	0.82
United Kingdom	GBP	0.55	0.62
United States	USD	1.00	1.00

\* Average of 9 months daily rates.

StatLink: <http://dx.doi.org/10.1787/675303808671>



## ANNEX D

## Historical Series under the Old Definition of Average Worker, 1979-2004

### Warning

The tables contained in this annex reproduce data published in *Taxing Wages 2003-2004*,\* for the convenience of the reader as the main body of this Report only presents data for 2000-2005. However, any user of the data should be aware of its limitations. First, it is based on the previous definition of the wage – the average production worker (APW) wage. Second, there were changes in the reporting practices of some countries over the period 1979-2004 and so the times series cannot be regarded as completely consistent. The most important breaks in the series for recent years are the following:

- Austria: From 1998 payroll taxes included in calculations. They are excluded in earlier years.
- France: From 1997 earning figure based on improved statistical data.
- Italy: From 2002 there is a change in the methodology used to calculate family cash transfers.
- Japan: From 2002 improvements were made in the reporting of social security contributions.
- Korea: From 1997 the coverage of social security contributions is extended.
- The Netherlands: From 1999 average wage level for manual workers assumed to be equal to 90% of the wage for all industrial workers, including white collar workers and supervisors.

\* The data for Australia have been revised to provide a consistent time series. Data before 1996 are not available on the same basis.

Table D.1. Income tax plus employee and employer contributions (as % of labour costs), 1979–2004  
single persons without children

	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	1999	2000	2001	2002	2003	2004
Australia	-	-	-	-	-	-	-	-	-	29.6	30.4	27.4	27.8	28.3	28.3	28.6
Austria	36.5	38.6	38.1	40.3	39.6	38.1	39.1	40.0	41.2	45.6	45.9	44.9	44.5	44.7	45.0	44.9
Belgium	47.4	49.8	49.2	51.0	53.5	53.2	53.7	54.6	56.3	56.6	56.9	56.2	55.6	55.1	54.6	54.2
Canada	23.2	24.7	25.6	26.9	29.0	27.2	29.0	30.8	31.5	32.3	31.1	31.8	30.4	32.2	32.4	32.3
Czech Republic	-	-	-	-	-	-	-	42.6	43.2	42.9	42.7	42.7	42.6	42.9	43.2	43.6
Denmark	40.6	42.7	46.5	47.8	47.6	46.6	46.7	47.0	45.2	45.1	44.5	44.4	43.6	42.7	42.7	41.5
Finland	41.6	42.4	43.2	45.2	45.5	46.2	44.5	49.3	51.2	48.9	47.4	47.3	45.9	45.2	44.4	43.8
France <sup>1</sup>	-	-	-	-	-	-	-	-	49.1	48.7	48.1	48.2	48.3	48.2	48.3	47.4
Germany	40.8	41.9	43.4	44.5	45.1	45.5	46.4	46.4	50.2	52.3	51.9	51.8	50.8	51.1	51.9	50.7
Greece	25.6	25.5	31.2	31.4	31.6	33.8	33.0	35.3	35.6	35.8	35.7	36.0	35.7	34.6	34.4	34.9
Hungary	-	-	-	-	-	-	-	-	51.4	52.0	50.7	49.6	49.0	49.0	45.6	45.8
Iceland	-	18.4	18.8	16.5	13.9	19.5	20.1	22.0	23.1	24.4	26.0	26.7	27.5	28.8	29.4	29.7
Ireland	33.9	34.7	40.1	42.4	42.8	40.6	39.8	40.0	36.9	33.9	32.4	28.9	25.8	24.5	24.2	23.8
Italy <sup>2</sup>	45.3	47.3	50.5	50.0	49.4	51.2	48.8	49.2	50.3	51.5	47.2	46.7	46.1	46.1	45.4	45.7
Japan	16.7	17.3	17.7	21.6	21.4	20.4	21.5	21.2	19.5	20.7	24.0	24.1	24.2	29.8	26.7	26.6
Korea	-	-	-	-	-	-	-	-	6.9	12.4	16.1	16.5	16.6	16.1	16.3	16.6
Luxembourg	38.5	38.2	38.6	38.4	35.7	35.5	33.9	34.9	34.3	35.2	34.6	35.5	33.9	31.3	31.5	31.9
Mexico	-	-	-	-	-	23.5	24.4	26.6	27.2	20.8	14.1	15.4	14.4	16.1	17.2	15.4
Netherlands	48.0	48.3	52.0	49.9	49.5	47.0	46.5	45.7	44.8	43.6	44.3	45.1	42.3	35.5	35.2	43.6
New Zealand	26.0	26.8	26.6	27.9	26.1	23.4	23.8	24.0	24.5	21.6	19.4	19.5	19.5	20.1	20.3	20.7
Norway	43.5	43.1	42.3	41.8	42.6	42.7	41.2	36.8	37.5	37.4	37.3	37.2	36.9	36.9	36.8	36.9
Poland <sup>3</sup>	-	-	-	-	-	-	-	44.1	44.7	43.9	43.0	43.0	42.7	42.8	42.9	43.1
Portugal	28.1	29.9	32.3	34.9	34.5	33.9	33.2	33.3	33.7	33.9	33.4	33.5	32.5	32.6	32.6	32.6
Slovak Republic	-	-	-	-	-	-	-	-	-	-	-	41.2	41.7	41.1	41.4	42.0
Spain	36.4	37.4	38.0	36.6	37.9	35.9	36.5	38.0	38.5	39.0	37.5	37.6	37.9	38.2	37.7	38.0
Sweden	50.7	50.8	50.6	50.9	51.7	52.7	46.0	45.6	49.3	50.7	50.5	49.5	48.5	47.6	47.9	48.0
Switzerland	28.2	29.1	28.8	28.8	28.5	28.6	27.3	28.7	30.6	30.0	29.8	29.5	29.5	29.6	29.0	28.8
Turkey	53.9	47.7	44.8	37.0	40.2	40.1	41.2	40.0	35.3	40.7	30.3	40.4	43.6	42.5	42.2	42.7
United Kingdom	36.1	37.6	38.2	37.8	36.0	34.2	33.2	32.6	33.4	32.0	30.8	30.1	29.5	29.5	31.0	31.2
United States	31.9	35.3	34.9	33.6	30.6	31.1	31.3	31.2	31.0	31.1	31.1	30.8	29.8	29.7	29.5	29.6

Note: For Australia, from 1996 to 2001, data have been revised to include payroll taxes and so produce a consistent series. Data for earlier years are not available on the same basis.

1. Employers' social security contributions not reported by France for period 1979 to 1993.

2. As from 1990 on, data on wages have been revised to include only production workers.

3. A submission for 2004 was not received from this country and consequently the tax/benefit structure for this country has been updated using external sources. Given the potential for error, the reader should use caution in interpreting the results for this country.

StatLink: <http://dx.doi.org/10.1787/347506703704>

Table D.2. Income tax (in % of gross wage), 1979-2004, single persons without children

	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	1999	2000	2001	2002	2003	2004
Australia	-	-	-	-	-	-	-	-	-	24.8	25.9	22.8	23.3	24.0	24.0	24.3
Austria	9.3	10.2	9.4	10.2	9.5	7.0	7.5	8.6	8.9	10.2	10.8	9.8	10.2	10.5	10.8	10.8
Belgium	15.2	18.7	25.5	26.4	25.9	25.3	25.9	26.1	27.2	27.6	27.9	27.9	27.8	27.2	26.7	26.6
Canada	18.3	19.0	18.8	19.4	21.4	20.0	20.4	21.1	21.7	22.1	20.8	21.1	19.3	17.9	18.0	17.8
Czech Republic	-	-	-	-	-	-	-	8.5	10.0	10.4	10.2	10.1	10.0	10.4	10.8	11.4
Denmark	35.7	37.8	39.4	40.0	44.0	44.0	44.2	44.4	37.4	35.1	33.0	32.4	32.6	31.7	31.7	30.6
Finland	26.7	27.3	29.5	30.5	30.8	30.8	28.3	28.6	29.3	28.0	26.3	26.6	25.9	25.4	24.9	24.2
France	8.5	8.6	8.4	7.4	6.8	6.7	8.1	8.5	8.8	10.5	14.3	13.4	13.5	13.6	13.2	13.1
Germany	16.0	16.4	17.1	18.1	18.6	18.6	18.4	18.3	20.8	21.2	21.2	21.5	20.1	20.4	20.8	19.6
Greece	1.4	1.3	3.0	3.2	3.5	5.8	3.6	1.7	1.7	2.0	1.9	2.2	1.8	0.4	0.0	0.6
Hungary	-	-	-	-	-	-	-	-	16.4	17.8	17.6	18.9	19.2	16.9	12.9	12.4
Iceland	-	16.8	16.9	14.5	12.0	17.5	17.9	19.7	20.4	21.2	22.3	23.1	23.5	24.8	25.2	25.5
Ireland	23.7	23.4	24.6	26.8	27.9	25.5	24.7	23.9	22.4	20.5	19.3	15.2	12.0	11.4	11.1	10.6
Italy <sup>1</sup>	11.6	14.1	16.3	18.4	18.4	18.1	16.3	15.8	17.5	18.8	20.0	19.3	18.6	19.1	18.2	18.6
Japan	7.6	8.5	9.0	8.8	8.5	7.9	8.5	8.4	6.4	8.0	6.1	6.2	6.2	5.6	5.9	5.9
Korea	-	-	-	-	-	-	-	-	2.5	1.7	2.1	2.5	2.5	2.2	2.3	2.2
Luxembourg	17.4	16.8	17.4	16.7	14.0	13.5	11.8	12.7	13.1	13.8	12.1	12.6	10.8	8.3	8.5	8.9
Mexico	-	-	-	-	-	6.6	6.1	6.5	2.5	-1.2	0.0	1.3	1.9	2.1	2.8	3.0
Netherlands	14.8	13.5	12.0	11.3	11.9	12.1	11.5	12.2	6.7	6.5	6.3	7.6	8.8	7.0	6.0	8.5
New Zealand	26.0	26.8	26.6	27.9	26.1	23.4	23.8	24.0	24.5	21.6	19.4	19.5	19.5	20.1	20.3	20.7
Norway	25.7	24.7	23.3	22.7	22.7	25.9	24.4	20.9	21.8	21.7	21.6	21.4	21.0	21.0	20.9	20.9
Poland <sup>2</sup>	-	-	-	-	-	-	-	17.2	18.1	16.9	6.6	6.6	6.0	6.1	6.0	6.1
Portugal	4.4	4.9	7.1	6.9	7.5	6.5	5.9	6.8	7.0	7.2	6.6	6.7	5.4	5.5	5.6	5.6
Slovak Republic	-	-	-	-	-	-	-	-	-	-	-	6.0	6.8	5.9	6.3	7.9
Spain	10.1	11.3	12.2	10.6	12.7	10.4	11.3	12.3	13.2	13.8	11.8	12.1	12.6	13.0	12.3	12.7
Sweden	36.5	36.1	35.5	35.6	36.6	37.0	28.0	28.5	28.7	28.5	27.2	25.8	24.6	23.4	23.8	24.0
Switzerland	10.6	11.6	11.4	11.2	10.8	10.8	9.6	11.1	11.0	10.3	10.2	9.8	9.9	9.9	9.7	9.8
Turkey	42.0	35.2	30.2	22.9	22.4	23.5	27.1	27.4	25.2	23.9	15.2	14.7	14.9	15.1	14.8	15.4
United Kingdom	23.2	23.4	22.7	22.3	20.3	19.0	18.7	18.0	18.2	16.7	16.3	15.8	15.5	15.6	15.7	15.9
United States	20.6	23.5	23.0	21.8	18.4	18.4	18.4	18.3	18.1	18.2	18.2	17.9	16.8	16.6	16.4	16.5

Note: For Australia, from 1996 to 2001, data have been revised to include payroll taxes and so produce a consistent series. Data for earlier years are not available on the same basis.

1. As from 1990 on, data on wages have been revised to include only production workers.

2. A submission for 2004 was not received from this country and consequently the tax/benefit structure for this country has been updated using external sources. Given the potential for error, the reader should use caution in interpreting the results for this country.

StatLink: <http://dx.doi.org/10.1787/115170117562>

Table D.3. Income tax plus employee contributions (in % of gross wage), 1979-2004, single persons without children

	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	1999	2000	2001	2002	2003	2004
Australia	-	-	-	-	-	-	-	-	-	24.8	25.9	22.8	23.3	24.0	24.0	24.3
Austria	23.5	25.1	24.5	26.6	25.9	23.8	24.7	25.9	27.0	28.3	28.8	27.9	28.3	28.6	28.9	28.8
Belgium	25.3	28.8	37.0	38.5	38.0	37.4	37.9	39.2	41.1	41.5	41.9	41.9	41.7	41.2	40.7	40.5
Canada	20.8	22.0	22.3	23.3	25.4	23.8	25.0	26.3	27.1	27.7	26.5	27.1	25.5	24.4	24.6	24.7
Czech Republic	-	-	-	-	-	-	-	22.0	23.2	22.9	22.7	22.6	22.5	22.9	23.3	23.9
Denmark	40.1	42.2	44.8	46.3	46.0	46.6	46.7	47.0	45.2	44.9	44.2	44.1	43.3	42.3	42.3	41.2
Finland	29.4	30.0	32.2	34.2	34.2	34.0	31.7	35.7	38.0	35.8	33.7	33.6	32.4	31.5	31.0	30.3
France	20.3	20.5	22.6	22.6	23.5	25.0	25.2	26.9	27.4	28.1	27.7	26.8	27.0	26.8	26.8	26.7
Germany	31.6	32.6	33.9	35.0	35.7	36.0	36.6	36.6	40.5	42.3	41.9	42.0	40.7	41.0	41.8	40.5
Greece	11.6	11.5	16.2	16.4	16.8	19.1	17.4	17.5	17.6	17.9	17.8	18.1	17.7	16.3	16.0	16.6
Hungary	-	-	-	-	-	-	-	-	27.9	29.3	30.1	31.4	31.7	29.4	25.4	25.9
Iceland	-	17.0	17.2	14.7	12.2	17.5	18.1	20.0	20.6	21.5	22.5	23.2	23.7	25.1	25.4	25.7
Ireland	28.1	28.1	33.1	35.3	35.7	33.3	32.4	32.7	29.2	26.0	24.3	20.3	16.9	16.4	16.0	15.7
Italy <sup>1</sup>	20.0	22.6	25.8	27.0	27.3	26.7	25.3	25.8	27.5	29.0	29.1	28.5	27.8	28.3	27.4	27.8
Japan	12.5	13.2	13.1	15.8	15.5	14.9	15.5	15.4	13.4	15.0	16.1	16.2	16.2	19.3	17.5	17.4
Korea	-	-	-	-	-	-	-	-	4.8	5.6	8.8	9.2	9.2	8.9	9.2	9.3
Luxembourg	29.3	28.8	29.5	28.9	26.2	25.9	24.1	25.2	25.6	26.4	25.8	26.6	24.8	22.1	22.3	22.7
Mexico	-	-	-	-	-	11.1	10.9	11.3	7.7	1.4	1.6	2.9	3.4	3.7	4.4	4.5
Netherlands	35.5	35.8	40.4	38.0	37.4	35.6	40.4	41.8	40.5	39.3	35.4	36.2	32.9	28.6	29.0	34.4
New Zealand	26.0	26.8	26.6	27.9	26.1	23.4	23.8	24.0	24.5	21.6	19.4	19.5	19.5	20.1	20.3	20.7
Norway	34.4	33.8	33.0	32.7	33.6	33.8	32.2	28.7	29.6	29.5	29.4	29.2	28.8	28.8	28.7	28.7
Poland <sup>2</sup>	-	-	-	-	-	-	-	17.2	18.1	16.9	31.4	31.4	31.0	31.1	31.2	31.5
Portugal	14.4	15.4	18.1	18.4	18.5	17.4	17.6	16.9	18.0	18.2	17.6	17.7	16.4	16.5	16.6	16.6
Slovak Republic	-	-	-	-	-	-	-	-	-	-	-	18.8	19.6	18.7	19.1	21.3
Spain	15.7	16.9	18.1	16.9	18.7	16.4	17.3	18.4	19.6	20.2	18.2	18.5	18.9	19.3	18.6	19.0
Sweden	36.5	36.1	35.5	35.6	36.6	37.0	28.0	29.5	32.6	34.5	34.1	32.8	31.7	30.4	30.7	31.0
Switzerland	20.9	21.9	21.5	21.5	21.1	21.2	19.9	21.4	22.5	21.9	21.7	21.3	21.4	21.4	21.0	20.9
Turkey	49.0	42.2	38.2	31.3	31.8	32.6	34.8	34.3	30.5	33.1	22.9	28.7	30.9	30.1	29.8	30.4
United Kingdom	29.7	31.2	31.7	31.3	29.3	27.3	26.2	25.6	26.7	25.2	24.4	23.6	23.1	23.2	24.2	24.4
United States	26.8	30.2	29.7	28.9	25.6	26.0	26.0	26.0	25.8	25.8	25.8	25.5	24.4	24.3	24.1	24.2

Note: For Australia, from 1996 to 2001, data have been revised to include payroll taxes and so produce a consistent series. Data for earlier years are not available on the same basis.

1. As from 1990 on, data on wages have been revised to include only production workers.
2. A submission for 2004 was not received from this country and consequently the tax/benefit structure for this country has been updated using external sources. Given the potential for error, the reader should use caution in interpreting the results for this country.

Table D.4. **Income tax plus employee and employer contributions less cash benefits (as % of labour costs), 1979–2004**  
**one-earner family with two children**

	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	1999	2000	2001	2002	2003	2004
Australia	-	-	-	-	-	-	-	-	-	21.2	22.4	18.6	19.2	20.4	16.1	17.2
Austria	20.5	23.9	24.3	25.6	24.4	23.3	24.7	24.3	27.2	32.2	31.6	29.5	29.0	29.5	29.5	28.8
Belgium	33.1	36.0	35.3	38.4	41.6	36.1	37.3	38.6	40.3	40.8	41.2	40.5	40.3	39.7	39.1	35.6
Canada	11.7	13.5	13.3	15.2	17.4	15.7	18.5	20.6	21.7	23.4	21.2	22.2	20.4	23.1	23.1	23.0
Czech Republic	-	-	-	-	-	-	-	23.1	28.5	31.2	24.4	22.7	24.5	24.5	27.1	29.5
Denmark	30.9	33.6	37.5	37.7	35.5	32.4	32.5	32.5	30.9	31.3	31.1	31.0	30.7	30.1	30.1	29.8
Finland	32.4	33.2	32.7	35.6	35.8	34.8	32.5	38.1	42.1	40.8	39.6	39.9	38.8	38.3	37.6	36.8
France <sup>1</sup>	-	-	-	-	-	-	-	-	39.5	39.5	38.9	39.8	39.4	39.5	39.9	39.0
Germany	30.7	30.9	33.3	34.2	32.7	34.0	34.3	33.6	37.3	35.6	34.4	33.3	32.7	32.2	33.4	32.2
Greece	9.3	9.3	14.5	22.9	30.3	32.0	30.5	34.3	34.9	36.2	35.8	36.1	35.9	35.0	34.4	34.9
Hungary	-	-	-	-	-	-	-	-	37.4	40.8	35.9	35.0	32.8	33.9	30.3	31.3
Iceland	-	6.2	4.6	-3.0	-4.8	-11.4	-14.0	-11.2	-10.9	-2.8	5.8	7.6	7.8	9.5	10.4	11.7
Ireland	20.4	22.7	27.4	30.0	30.6	30.0	29.4	29.9	26.8	23.8	20.1	15.5	12.8	9.1	6.4	5.9
Italy <sup>2</sup>	40.9	41.1	42.3	43.9	44.6	43.9	40.7	42.4	44.9	43.3	37.0	36.5	35.4	36.0	35.7	36.2
Japan	11.2	11.9	12.3	16.0	15.9	14.8	15.3	16.0	15.1	15.6	19.8	20.2	20.4	26.2	22.9	23.8
Korea	-	-	-	-	-	-	-	-	6.0	11.6	15.4	15.8	15.9	15.5	15.8	15.8
Luxembourg	20.1	19.5	18.1	18.1	15.3	14.0	14.3	12.5	12.7	13.0	10.7	11.4	11.5	9.2	9.2	9.3
Mexico	-	-	-	-	-	23.5	24.4	26.6	27.2	20.8	14.1	15.4	14.4	16.1	17.2	15.4
Netherlands	39.4	39.7	43.6	41.2	41.1	38.7	40.1	35.7	34.9	33.0	34.1	35.5	33.0	25.1	24.5	34.3
New Zealand	10.4	16.8	17.5	15.5	24.3	18.0	20.8	22.2	22.4	16.2	14.1	15.5	16.7	18.8	19.4	20.7
Norway	32.6	30.1	28.5	28.0	28.4	28.0	26.4	23.0	24.4	24.9	26.2	26.9	26.9	27.3	27.5	27.8
Poland <sup>3</sup>	-	-	-	-	-	-	-	36.8	39.3	38.9	38.1	38.2	37.8	41.2	37.9	41.5
Portugal	24.3	25.8	27.5	31.4	29.7	26.5	25.4	25.3	26.6	26.8	26.0	26.2	24.1	23.6	23.7	22.5
Slovak Republic	-	-	-	-	-	-	-	-	-	-	-	25.2	28.5	28.2	32.3	27.2
Spain	31.9	32.7	33.4	32.4	34.1	31.6	32.6	32.9	33.3	33.7	30.4	30.6	31.1	31.5	30.9	31.6
Sweden	42.5	42.9	43.2	42.5	43.0	45.5	37.7	37.7	42.2	45.2	44.4	42.6	41.1	40.3	40.8	41.2
Switzerland	19.2	20.6	19.9	19.0	18.3	18.6	18.0	17.3	18.9	17.7	17.8	17.7	17.9	18.1	17.5	17.2
Turkey	53.9	47.7	44.8	37.0	40.2	40.1	41.2	40.0	35.3	40.7	30.3	40.4	43.6	42.5	42.2	42.7
United Kingdom	25.2	26.8	26.6	26.2	25.6	25.1	24.3	23.8	26.1	24.8	23.3	21.4	18.1	17.3	17.4	18.0
United States	23.5	26.8	27.7	26.7	25.5	24.7	24.8	24.7	24.4	24.1	21.1	21.3	18.3	17.8	15.6	16.4

Note: For Australia, from 1996 to 2001, data have been revised to include payroll taxes and so produce a consistent series. Data for earlier years are not available on the same basis.

1. Employers' social security contributions not reported by France for period 1979 to 1993.
2. As from 1990 on, data on wages have been revised to include only production workers.
3. A submission for 2004 was not received from this country and consequently the tax/benefit structure for this country has been updated using external sources. Given the potential for error, the reader should use caution in interpreting the results for this country.

Table D.5. Income tax (as % of gross wage), 1979–2004, one-earner family with two children

	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	1999	2000	2001	2002	2003	2004
Australia	-	-	-	-	-	-	-	-	-	23.7	24.9	22.8	23.3	24.0	24.0	24.3
Austria	6.5	7.6	6.6	7.6	6.4	3.1	3.8	2.8	3.5	5.0	9.2	8.2	8.7	9.0	9.3	8.1
Belgium	8.0	11.6	18.4	19.3	19.1	14.2	15.0	15.5	16.1	16.5	17.0	17.1	17.1	16.7	15.9	15.2
Canada	9.7	10.6	9.0	10.3	12.3	10.9	12.1	10.3	11.2	12.6	10.2	16.9	15.3	14.1	14.2	13.9
Czech Republic	-	-	-	-	-	-	-	2.5	4.5	5.2	4.3	4.2	4.0	4.5	4.9	5.3
Denmark	30.3	32.6	33.8	34.3	35.7	35.6	36.0	36.2	29.4	27.8	26.2	25.7	26.2	25.7	25.7	25.4
Finland	20.9	21.9	23.8	25.3	25.2	23.7	21.8	23.3	29.3	28.0	26.3	26.6	25.9	25.4	24.9	24.2
France	0.4	0.5	0.4	0.0	0.0	0.0	1.0	1.7	1.9	3.7	7.6	7.6	7.0	7.1	7.1	7.1
Germany	9.9	9.7	10.5	10.9	8.6	9.2	8.7	7.9	9.6	1.0	0.0	-0.9	-1.7	-2.4	-1.6	-2.8
Greece	0.0	0.0	0.0	0.0	1.8	3.7	0.5	0.5	0.8	2.5	1.9	2.3	2.0	0.9	0.0	0.6
Hungary	-	-	-	-	-	-	-	-	16.4	17.8	12.0	12.6	9.2	8.0	4.6	4.7
Iceland	-	10.2	9.4	6.4	4.8	1.3	0.3	2.5	3.6	6.8	11.3	12.0	12.6	13.3	13.3	14.0
Ireland	11.5	13.0	14.0	16.2	17.9	17.0	16.2	15.9	15.4	14.1	10.1	5.0	2.9	2.5	2.2	2.2
Italy <sup>1</sup>	9.4	10.8	12.5	16.2	15.2	14.8	12.7	11.9	14.0	15.3	15.8	14.9	13.4	11.9	11.3	11.9
Japan	1.8	2.8	3.3	2.8	2.7	1.9	2.4	2.8	1.6	2.6	1.5	2.0	2.0	1.4	1.6	2.7
Korea	-	-	-	-	-	-	-	-	1.5	0.9	1.3	1.7	1.8	1.6	1.7	1.4
Luxembourg	3.4	3.1	2.7	2.2	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mexico	-	-	-	-	-	6.6	6.1	6.5	2.5	-1.2	0.0	1.3	1.9	2.1	2.8	3.0
Netherlands	12.5	11.2	9.6	8.4	8.9	9.2	10.1	9.5	4.4	3.5	4.8	4.9	8.3	6.4	5.7	8.3
New Zealand	17.0	21.5	21.7	24.8	24.3	20.3	20.8	22.2	22.4	16.2	14.1	19.5	19.5	20.1	20.3	20.7
Norway	17.5	17.0	15.6	15.0	15.2	18.6	17.8	15.9	17.0	17.1	17.4	17.1	18.1	18.2	18.0	18.0
Poland <sup>2</sup>	-	-	-	-	-	-	-	15.3	16.1	14.7	4.6	4.7	4.0	4.2	4.0	4.1
Portugal	4.0	4.0	6.0	6.0	6.0	2.1	1.2	1.1	3.3	3.1	2.4	2.7	0.1	0.3	0.3	0.4
Slovak Republic	-	-	-	-	-	-	-	-	-	-	-	2.0	3.5	2.6	3.1	-5.3
Spain	6.1	6.7	7.5	5.9	8.3	5.3	6.4	5.6	6.4	6.8	2.5	3.0	3.6	4.2	3.5	4.3
Sweden	33.7	33.7	33.3	33.9	35.0	35.7	28.0	28.5	28.7	28.5	27.2	25.8	24.6	23.4	23.8	24.0
Switzerland	6.3	7.2	6.1	6.4	6.0	5.8	5.4	5.7	5.7	5.1	5.0	4.9	5.0	5.1	5.0	5.1
Turkey	42.0	35.2	30.2	22.9	22.4	23.5	27.1	27.4	25.2	23.9	15.2	14.7	14.9	15.1	14.8	15.4
United Kingdom	19.3	19.8	18.6	17.9	16.5	15.5	15.4	15.0	16.6	15.1	15.2	13.3	10.2	9.3	7.9	8.1
United States	11.6	14.4	15.2	14.5	13.0	11.5	11.3	11.3	11.0	10.7	7.4	7.6	4.3	3.9	1.5	2.4

Note: For Australia, from 1996 to 2001, data have been revised to include payroll taxes and so produce a consistent series. Data for earlier years are not available on the same basis.

1. As from 1990 on, data on wages have been revised to include only production workers.

2. A submission for 2004 was not received from this country and consequently the tax/benefit structure for this country has been updated using external sources. Given the potential for error, the reader should use caution in interpreting the results for this country.

StatLink: <http://dx.doi.org/10.1787/007756865155>

Table D.6. **Income tax plus employee contributions less cash benefits (as % of gross wage), 1979-2004**  
**one-earner family with two children**

	1979	1981	1983	1985	1987	1989	1991	1993	1995	1997	1999	2000	2001	2002	2003	2004
Australia	-	-	-	-	-	-	-	-	-	15.8	17.5	13.5	14.2	15.6	11.1	12.2
Austria	4.2	7.1	7.8	8.6	7.3	5.6	6.9	6.5	9.5	10.7	10.0	7.6	8.2	8.9	8.9	8.0
Belgium	5.0	9.1	19.8	22.6	22.1	14.5	16.0	17.8	19.5	20.2	20.7	21.1	21.6	21.0	20.4	16.4
Canada	9.0	10.4	9.4	11.0	13.1	11.8	14.0	15.5	16.6	18.2	15.9	16.9	14.8	14.3	14.2	14.4
Czech Republic	-	-	-	-	-	-	-	-4.5	3.3	7.1	-2.1	-4.3	-2.0	-1.9	1.5	4.9
Denmark	30.3	33.1	35.5	35.9	33.5	32.4	32.5	32.5	30.9	31.1	30.7	30.7	30.2	29.7	29.7	29.4
Finland	18.2	18.9	19.7	22.6	22.5	20.0	17.0	21.5	26.3	25.7	23.9	24.3	23.5	22.8	22.6	21.7
France	6.8	6.6	6.4	7.7	9.3	10.9	11.2	13.1	13.8	15.3	15.0	15.0	14.4	14.6	15.0	15.1
Germany	19.9	19.8	22.2	23.1	21.2	22.5	22.4	21.5	25.0	22.1	20.7	19.6	18.9	18.3	19.4	18.1
Greece	-7.7	-7.7	-4.1	-4.1	15.1	16.9	14.2	16.3	16.7	18.4	17.8	18.2	17.9	16.8	16.0	16.6
Hungary	-	-	-	-	-	-	-	-	7.3	12.9	9.1	11.6	9.9	8.5	4.4	6.1
Iceland	-	4.5	2.7	-5.2	-6.8	-14.2	-16.9	-14.0	-14.5	-6.8	1.3	3.2	3.0	4.7	5.3	6.6
Ireland	13.4	14.9	19.0	21.5	22.1	21.5	20.8	21.3	17.9	14.6	10.5	5.4	2.3	-0.7	-3.7	-4.2
Italy <sup>1</sup>	12.1	11.5	13.6	18.1	20.3	15.8	15.5	15.9	19.6	17.0	15.5	14.8	13.5	14.9	14.4	15.2
Japan	6.7	7.6	8.0	9.8	9.7	8.9	9.4	9.8	8.6	9.6	11.5	12.0	12.0	15.1	13.2	14.3
Korea	-	-	-	-	-	-	-	-	3.8	4.7	8.0	8.4	8.5	8.3	8.7	8.4
Luxembourg	8.1	7.3	5.9	5.5	2.8	1.2	1.6	-0.6	1.2	1.3	-1.3	-0.8	-0.7	-3.0	-3.0	-2.9
Mexico	-	-	-	-	-	11.1	10.9	11.3	7.7	1.4	1.6	2.9	3.4	3.7	4.4	4.5
Netherlands	24.8	25.1	29.9	27.2	27.0	25.5	33.2	31.1	29.8	27.9	23.6	25.0	22.1	17.1	17.3	23.6
New Zealand	10.4	16.8	17.5	15.5	24.3	18.0	20.8	22.2	22.4	16.2	14.1	15.5	16.7	18.8	19.4	20.7
Norway	21.8	18.8	17.0	16.7	17.1	16.8	15.2	13.1	14.9	15.4	16.8	17.6	17.5	18.0	18.2	18.4
Poland <sup>2</sup>	-	-	-	-	-	-	-	6.4	10.1	9.5	25.4	25.6	25.0	29.2	25.3	29.5
Portugal	9.9	10.5	12.3	13.9	12.5	8.6	7.1	7.0	9.2	9.4	8.4	8.7	6.1	5.4	5.6	4.1
Slovak Republic	-	-	-	-	-	-	-	-	-	-	-	-3.2	1.4	0.9	6.6	1.2
Spain	9.8	10.6	12.0	11.3	13.8	10.8	12.2	11.7	12.8	13.2	8.9	9.3	10.0	10.5	9.8	10.6
Sweden	25.9	25.9	25.9	24.6	25.2	27.5	17.0	19.1	23.1	27.2	26.0	23.7	21.8	20.8	21.4	21.9
Switzerland	11.0	12.5	11.7	10.6	9.9	10.1	9.6	8.8	9.5	8.2	8.4	8.2	8.4	8.6	8.1	8.0
Turkey	49.0	41.4	38.2	31.3	31.8	32.6	34.8	34.3	30.5	33.1	22.9	28.7	30.9	30.1	29.8	30.4
United Kingdom	17.7	19.4	19.0	18.5	17.8	17.3	16.5	15.9	18.6	17.3	16.2	14.1	10.7	9.9	9.3	9.8
United States	17.7	21.0	21.9	21.6	20.2	19.0	19.0	18.9	18.6	18.3	15.0	15.3	12.0	11.5	9.2	10.0

Note: For Australia, from 1996 to 2001, data have been revised to include payroll taxes and so produce a consistent series. Data for earlier years are not available on the same basis.

1. As from 1990 on, data on wages have been revised to include only production workers.

2. A submission for 2004 was not received from this country and consequently the tax/benefit structure for this country has been updated using external sources. Given the potential for error, the reader should use caution in interpreting the results for this country.

OECD PUBLICATIONS, 2, rue André-Pascal, 75775 PARIS CEDEX 16  
PRINTED IN FRANCE  
(23 2006 04 1 P) ISBN 92-64-02202-3 – No. 55017 2006



# Taxing Wages

*Taxing Wages* provides unique information on income tax paid by workers and social security contributions levied on employees and their employers in OECD countries. In addition, this annual publication specifies family benefits paid as cash transfers. Amounts of taxes and benefits are detailed programme by programme, for eight household types which differ by income level and household composition. Results reported include the marginal and effective tax burden for one- and two-earner families, and total labour costs of employers. These data on tax burdens and cash benefits are widely used in academic research and the preparation and evaluation of social and economic policy-making. This year's issue includes a Special feature entitled "Part-time Work and Taxing Wages".

## ALSO AVAILABLE ON CD-ROM AND ON LINE

An extended version of the database (1979-2005) is available on CD-ROM and on line at [www.SourceOECD.org](http://www.SourceOECD.org).

For further information on this title, please consult: [www.oecd.org/ctp/taxingwages](http://www.oecd.org/ctp/taxingwages).

The full text of this book is available on line via these links:

<http://www.sourceoecd.org/taxation/9264022023>

<http://www.sourceoecd.org/employment/9264022023>

Those with access to all OECD books on line should use this link:

<http://www.sourceoecd.org/9264022023>

SourceOECD is the OECD's online library of books, periodicals and statistical databases.

For more information about this award-winning service and free trials ask your librarian, or write to us at

[SourceOECD@oecd.org](mailto:SourceOECD@oecd.org).

[www.oecd.org](http://www.oecd.org)

2005

OECD 

OECD PUBLISHING

ISBN 92-64-02202-3  
23 2006 04 1 P

