# TAX DATABASE

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OECD

BETTER POLICIES FOR BETTER LIVES

# TAXES ON LABOUR

**The average tax wedge for all four family types varied significantly between 2000 and 2018.** Since 2000, all four family types experienced a continuous decrease in their tax wedge, reaching a temporary low during the financial crisis in 2009. In the three years following the crisis, the tax wedge rose again for all four family types. However, the tax wedge of all four family types is now lower than in 2000.

The **average tax wedge** measures the effective tax rate on labour costs as the difference between the labour costs to the employer and the corresponding net take-home pay of the employee. It equals the sum of personal income tax, employee and employer social security contributions (SSCs) plus any payroll taxes, minus any cash benefits received by the employee, expressed as a percentage of labour costs (gross wages plus employer SSCs and payroll taxes).

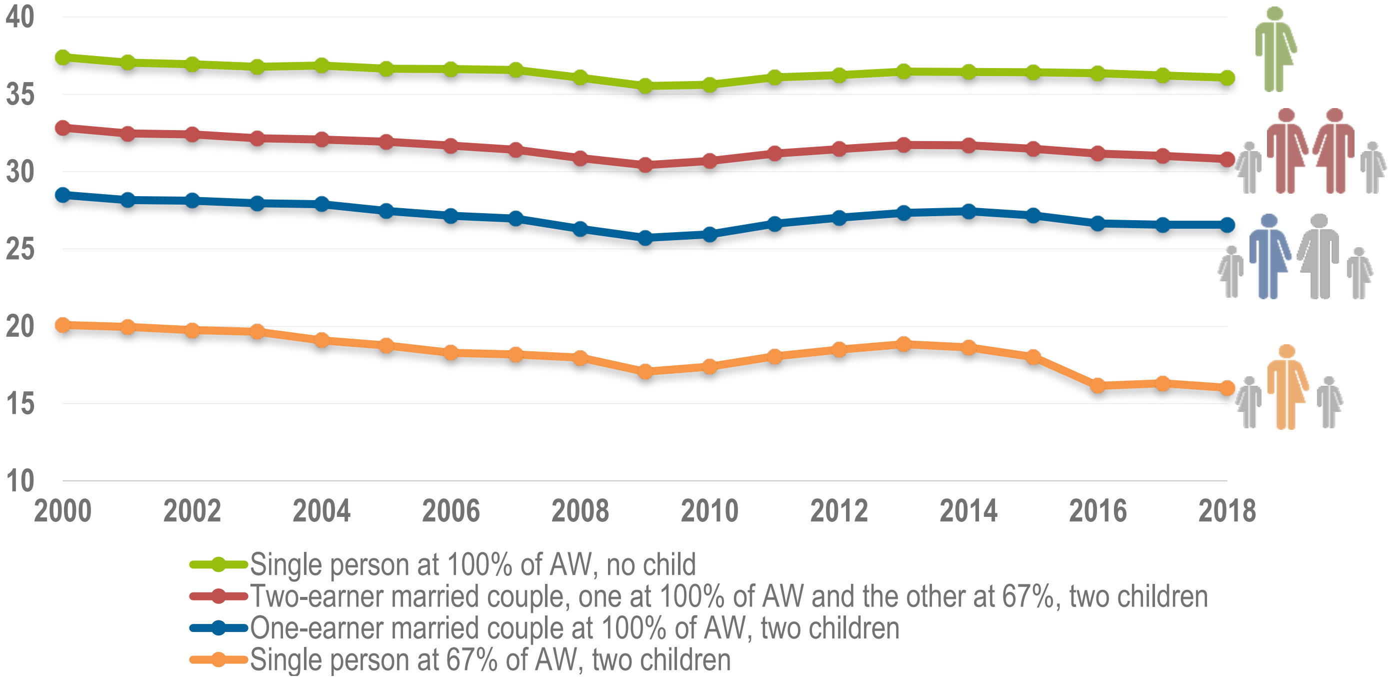
The tax wedge of the **average worker** is the highest throughout the observed period, now stabilising at 36%, which is close to but slightly below the level of 2000.

A similar trend can be observed for the tax wedge of the **two-earner married couple** and the tax wedge of the **one-earner married couple**, which are now at 30.8% and 26.6% respectively.

The average tax wedge of the **single person with two children earning 67% of the average wage** is the lowest of all four family types throughout the whole period. After experiencing a short increase between 2009 and 2013, it has now reached an all-time low of 16.0% of total labour costs.

# OECD average tax wedge, 2000-2018

## as % of total labour costs



# TAXES ON LABOUR

**Compared to 2000, the average OECD tax wedge in 2018 has decreased for all eight family types, on average by 2.1 percentage points.** The largest decrease over this period occurred for the single worker with two children earning 67% of the average wage (4.1 percentage points).

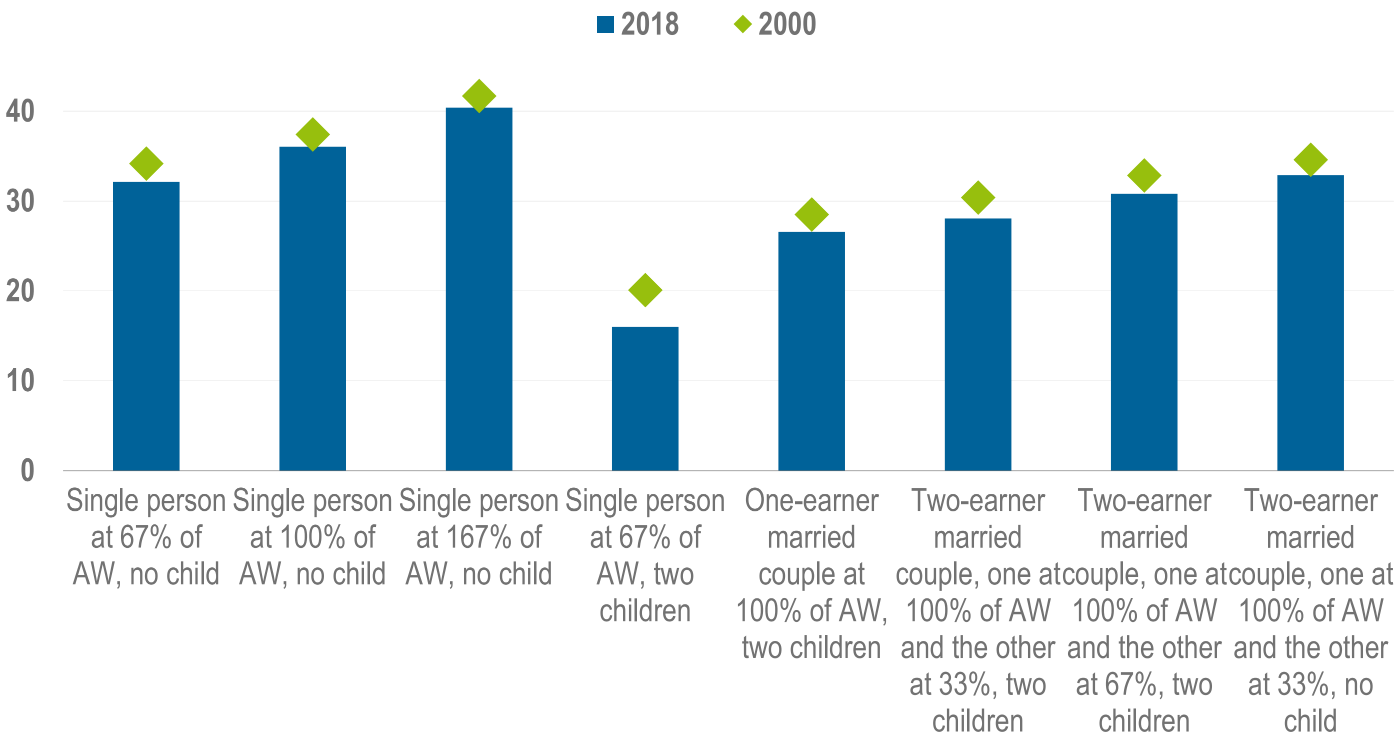
**The OECD average tax wedge as a share of total labour costs differs significantly across family types. In 2018, it ranged from**

**16.0%** for a single person with two children earning 67% of the average wage to

**40.4%** for a single person without children earning 167% of the average wage.

# OECD average tax wedge, 2000 and 2018

## as % of total labour costs



# TAXES ON LABOUR

Across OECD countries, the sum of **income tax**, **employer social security contributions** (SSCs) and **employee SSCs** as a share of labour costs for the average worker ranged from 52.7% in Belgium to 7.0% in Chile, with an average of 36.1%.

The percentage of labour costs paid in income tax varies considerably across OECD countries. The lowest figures are in Chile (zero) and Korea (5.8%) and the highest values are in Denmark (35.8%), with Australia, Belgium and Iceland all over 20%.

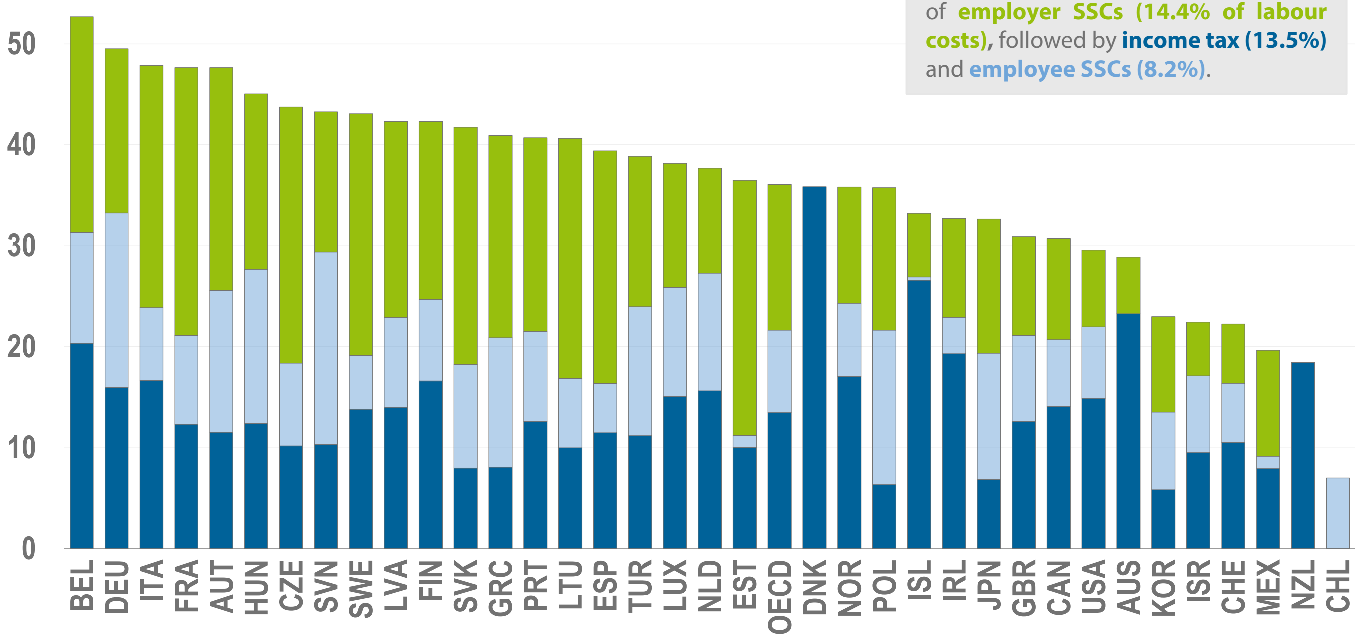
**60%** **of the countries have a tax wedge between 30% and 45%.**

The total of employee and employer SSCs as a percentage of labour costs exceeds 20% in more than half of the OECD countries. In eight OECD countries, it represents at least one-third of labour costs: Austria, the Czech Republic, France, Germany, Greece, Hungary, the Slovak Republic and Slovenia.

# Income tax plus employee and employer SSC*, 2018

## as % of total labour costs

The tax wedge of the average worker in OECD countries is comprised primarily of **employer SSCs (14.4% of labour costs)**, followed by **income tax (13.5%)** and **employee SSCs (8.2%)**.




*Note*: Single individual without children at the income level of the average worker. Includes payroll taxes where applicable.
* Social Security Contributions

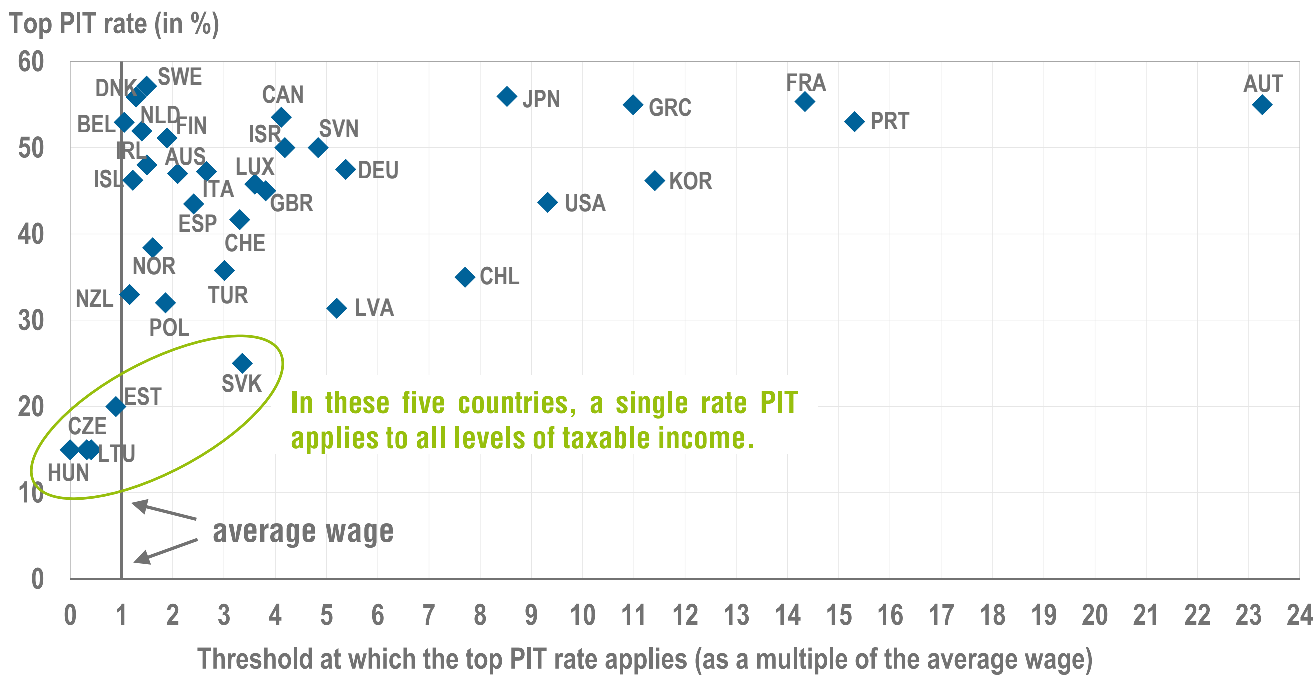
# PERSONAL INCOME TAXES

The **top statutory personal income tax (PIT) rate** is the combined central government and sub-central government personal income tax rate that applies for gross wage earnings in the highest earnings bracket of the PIT rate schedule. Tax credits and tax deductions are not taken into account. The earnings threshold is given by the bottom end of this bracket, i.e. the lowest income where the top PIT rate first applies, expressed as a multiple of the average wage.

**In 2018, a top statutory PIT rate of more than 30% applied in all but five OECD countries. In all these countries – the Czech Republic (15%), Estonia (20%), Hungary (15%), Lithuania (15%) and the Slovak Republic (25%) – a single rate PIT applies to all levels of taxable income.**

Eleven OECD countries (Sweden, Japan, Denmark, France, Greece, Austria, Canada, Portugal, Belgium, the Netherlands and Finland, listed in descending order) apply a top PIT rate of more than 50%, with thresholds ranging from 1.1 times the average wage in Belgium to 23.3 times the average wage in Austria.

# Top statutory PIT rates, 2018
## against their thresholds




*Note*: The figure includes data for all OECD countries except Mexico. Mexico, which is an outlier, has been excluded to improve the readability of the graph. In Mexico, a top PIT rate of 35% applies above a threshold of 28.7 times the average wage.

# PERSONAL INCOME TAXES

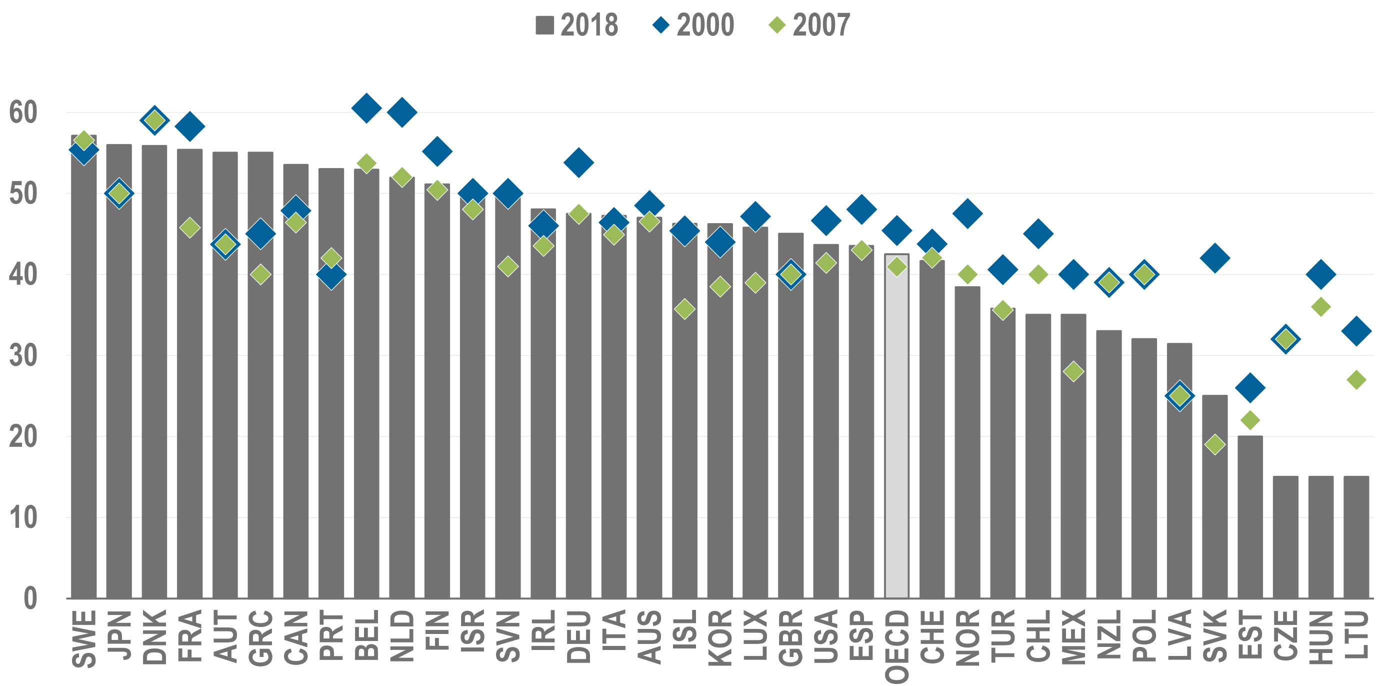
In 2018, top PIT rates ranged from more than 55% in Sweden, Japan, Denmark and France to 25% and below in the Slovak Republic, Estonia, Hungary, Lithuania and the Czech Republic.

**Compared to 2000, top PIT rates have decreased in the majority of OECD countries, with the largest decrease in Hungary, from 40% to 15%.**

However, compared to 2007, 23 OECD countries have increased their top PIT rates, leading to an increase in the OECD average PIT rate between 2007 and 2018.

**In 2018, the OECD average top PIT rate reached a level close to 42.5%, which is almost 3 percentage points lower than in 2000.**

# Top statutory PIT rates (in %), 2000, 2007 and 2018



# CORPORATE INCOME TAXES

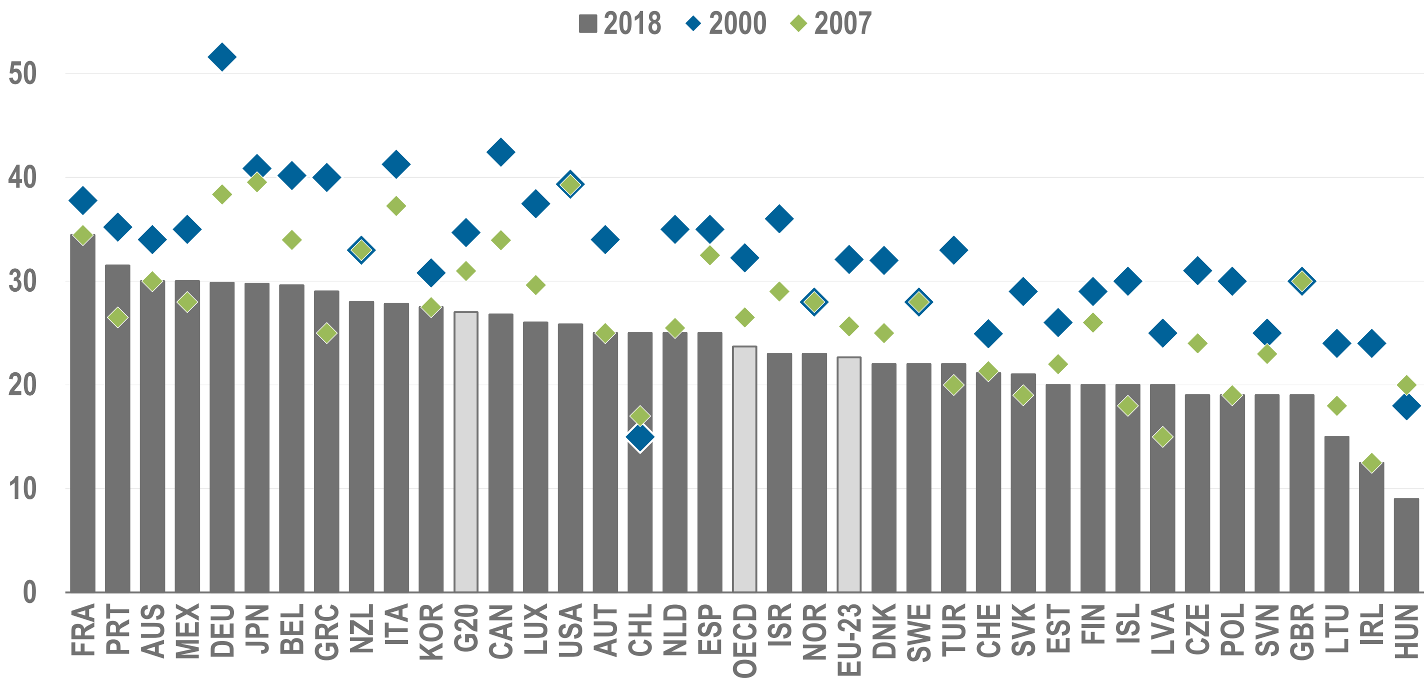
The **combined statutory corporate income tax (CIT) rate** shows the combined central and sub-central headline tax rate faced by corporations. It is given by the central government rate (less deductions for sub-national taxes) plus the sub-central rate. Where a progressive (as opposed to flat) rate structure applies, the top marginal rate is shown.

**In 2018, combined statutory CIT rates in OECD countries ranged from 9% in Hungary to over 34% in France.**

Between 2000 and 2018, statutory CIT rates have decreased in all but one OECD countries, leading to a decrease in the OECD average statutory CIT rate of almost 9 percentage points. Five OECD countries (New Zealand, the United States, Norway, Sweden and the United Kingdom) did not change their statutory CIT rates between 2000 and 2007, but lowered them in the years after the financial crisis in 2007.

**Chile was the only country to have a higher CIT rate in 2018 compared to 2000, with its CIT rate increasing from 15% to 25%.**

# Combined statutory CIT rates (in %), 2000-2018




*Note*: The averages are unweighted averages. The OECD average is an unweighted average of all OECD countries. The EU-23 average includes all EU countries that are members of the OECD. The G20 average includes all G20 countries, excluding the EU.

# CORPORATE INCOME TAXES

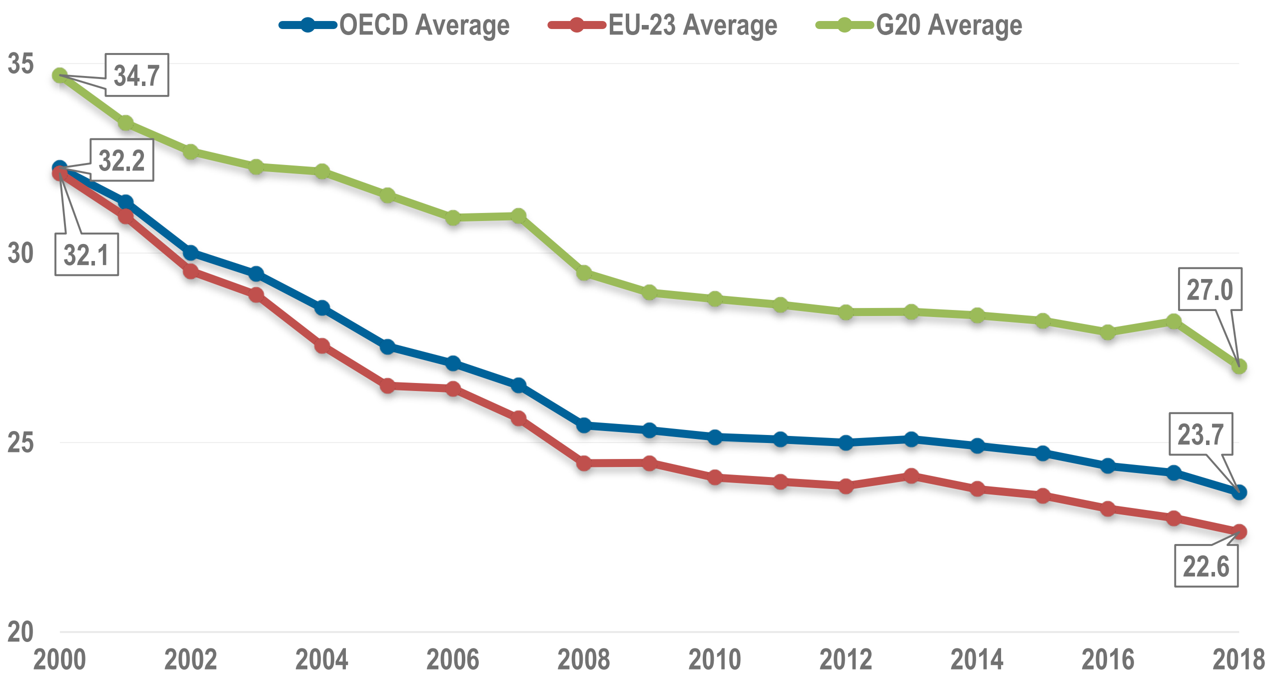
**The OECD average, the EU-23 average and the average for the G20 countries average combined statutory CIT rates decreased strongly between 2000 and 2018, most visibly in the course of the financial crisis between 2007 and 2008.**

The **statutory CIT rate** measures the marginal tax that would be paid on an additional unit of income, in the absence of other provisions in the tax code. However, it does not reflect any special regimes or rates targeted to certain industries or income types, nor does it take into account the breadth of the corporate tax base to which the rate applies.

While the OECD average statutory CIT rate was only slightly above the EU-23 average of 32.1% in 2000, it was more than 1 percentage point higher than the EU-23 average in 2018, at 23.7% compared to 22.6%.

**The G20 average was the highest** of the three statutory CIT rate averages between 2000 and 2018. The gap between the G20 average and the OECD average statutory CIT rate has remained relatively stable at around 3 percentage points throughout the period.

# Combined statutory CIT rates (in %), 2000-2018




*Note*: The averages are unweighted averages. The OECD average is an unweighted average of all OECD countries. The EU-23 average includes all EU countries that are members of the OECD. The G20 average includes all G20 countries, excluding the EU.

# VALUE ADDED TAX

The **Value Added Tax (VAT)** (and its equivalent in several jurisdictions, the goods and services tax, or GST) is a specific type of turnover tax levied at each stage in the production and distribution process. Although the liability for VAT falls on the suppliers of goods or services, the tax burden is designed to fall on final consumers, making the VAT a tax on final consumption of goods or services.

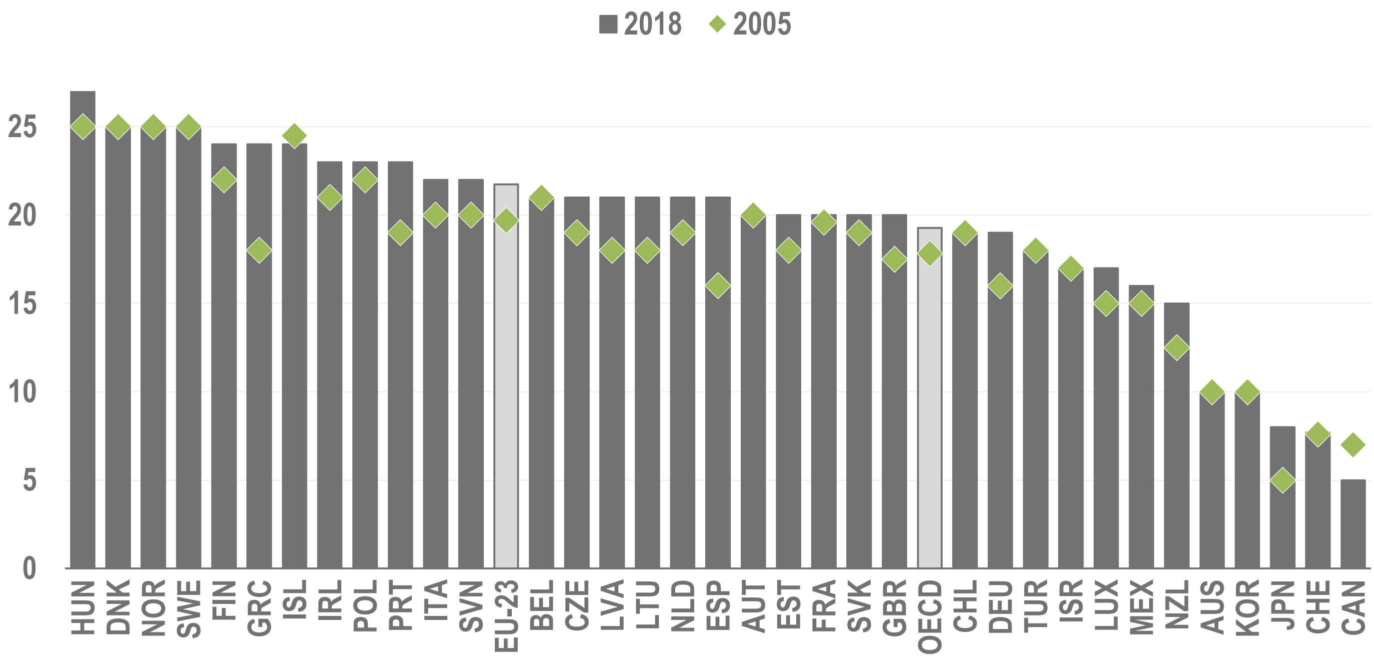
The **standard VAT rate** generally applies to all goods and services, unless advised differently by legislation. However, most OECD countries continue to apply a wide variety of reduced rates and exemptions to support various policy objectives (see: OECD Consumption Tax Trends, 2018).

**In 2018, standard VAT rates ranged from 27% in Hungary to less than 10% in Japan, Switzerland and Canada.**

Compared to 2005, the standard VAT rate increased in nearly two thirds of OECD countries (22), leading to an increase in the OECD average standard VAT rate. Since reaching its peak of 19.2% in 2015, the OECD average standard VAT rate has remained stable.

**In 2018, the average standard VAT rate of the 23 OECD countries that are members of the EU was at 21.7%, which is significantly higher than the OECD average.**

# Standard VAT rates (in %), 2005 and 2018



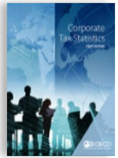

*Source:* National delegates, position as of 1 January of the respective year.
*Note:* The averages are unweighted averages including the countries for which data was available by the time this graph was composed. The OECD average includes all OECD countries but the United States (which do not apply a VAT). The EU-23 average includes all OECD countries that are members of the EU. Country-specific notes can be found here: *www.oecd.org/tax/consumption/Table-2.A2.1-VAT-GST-Rates-2018.xlsx*

# FURTHER READING

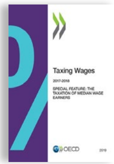
**Key link:**

✓ OECD Tax Database: http://oe.cd/tax-database


OECD (2018), *Consumption Tax Trends 2018: VAT/GST and Excise Rates, Trends and Policy Issues*, OECD Publishing, Paris, https://doi.org/10.1787/ctt-2018-en.




OECD (2019), *Corporate Tax Statistics*, OECD Publishing, Paris, http://oe.cd/corporate-tax-stats.




OECD (2019), *Taxing Wages 2019*, OECD Publishing, Paris, https://doi.org/10.1787/tax_wages-2019-en.

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