TAX DATABASE

KEY TAX RATE INDICATORS

September 2021

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Costa Rica was not an OECD member at the time of the last update of the Tax Database and is therefore not included in this publication. Accordingly, Costa Rica does not appear in the list of OECD members and is not included in the zone aggregates.

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TAX DATABASE - KEY INDICATORS

TAX RATES ON LABOUR, CORPORATE INCOME AND CONSUMPTION

CONTENTS

This summary presents comparative information on a range of statutory tax rates and tax rate indicators in OECD countries, encompassing personal income tax rates and social security contributions, corporate income tax rates and value-added taxes.

These indicators provide a baseline of information on tax settings in 2020 and in early 2021. During this period, many countries have announced and implemented a range of short-term tax measures in response to COVID-19. For more information, please see the list of **COVID-19 tax policy measures** and the latest edition of ***Tax Policy Reforms.***

TAXES ON LABOUR

The average tax wedge for all four household types (presented on page 5) varied significantly between 2000 and 2020. From 2000, all four household types experienced a continuous decrease in their tax wedge, before reaching a temporary low during the financial crisis in 2009 (see graphic page 5). In the years following the crisis, the tax wedge rose again for all four household types, before decreasing again from 2014. The tax wedge for all four household 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).

Tax wedge on different household types

The tax wedge for the **average single worker** is the highest of the household types throughout the observed period, falling in 2020 to 34.6%, which is below the level of 2000.

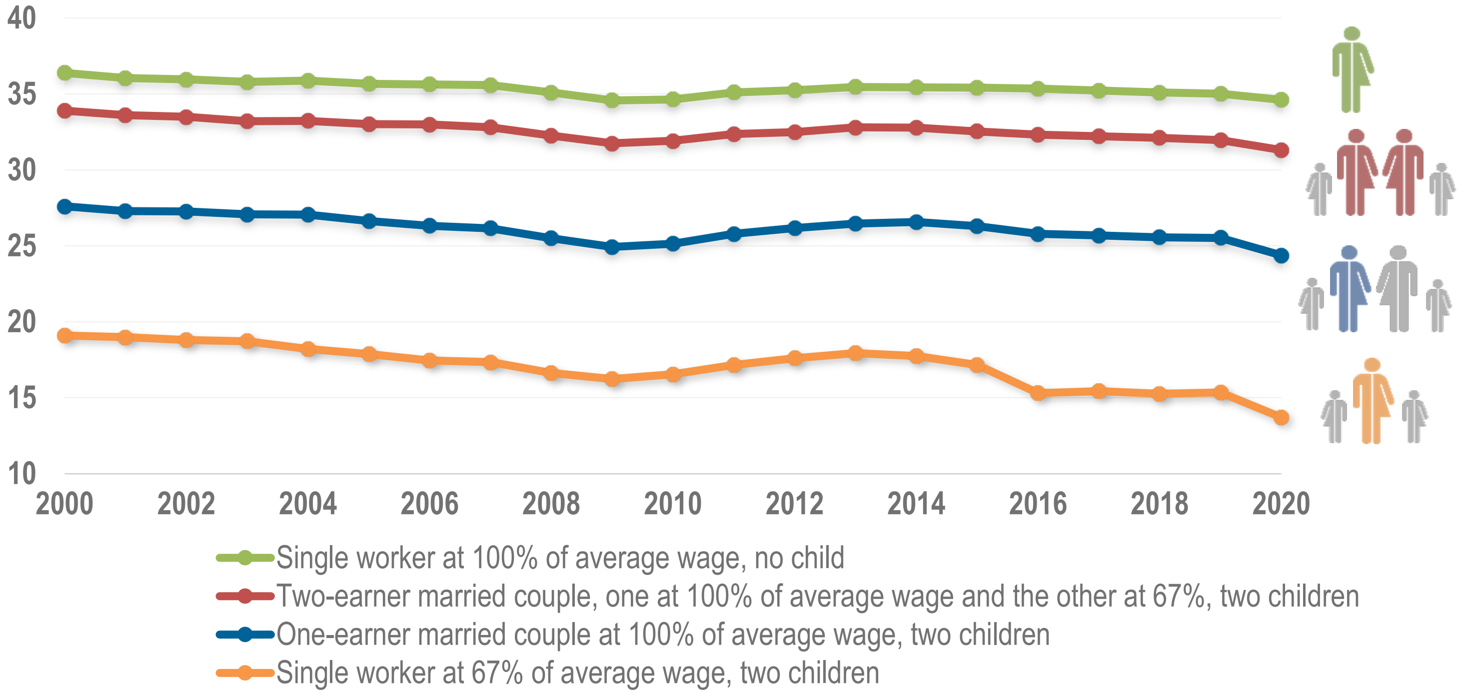
A similar trend can be observed for the tax wedge for the **two-earner married couple** and the tax wedge for the **one-earner married couple**, which are now at 31.3% and 24.4% respectively.

The average tax wedge for the **single worker with two children earning 67% of the average wage** is the lowest of all four household types throughout the whole period. After experiencing a short increase between 2009 and 2013, it experienced a sharp decline in 2020 and has now reached an all-time low of 13.7% of total labour costs.

More information on the impact of COVID-19 on the tax wedge.

OECD average tax wedge, 2000-2020

for four household types as % of total labour costs



Source: OECD (2021), OECD Tax Database, https://oe.cd/tax-database.

TAXES ON LABOUR

Compared to 2000, the average OECD tax wedge in 2020 has decreased for the eight household types modelled in *Taxing Wages* (see page 7), on average by 2.8 percentage points. The largest decrease over this period occurred for the single worker with two children earning 67% of the average wage (5.4 percentage points).

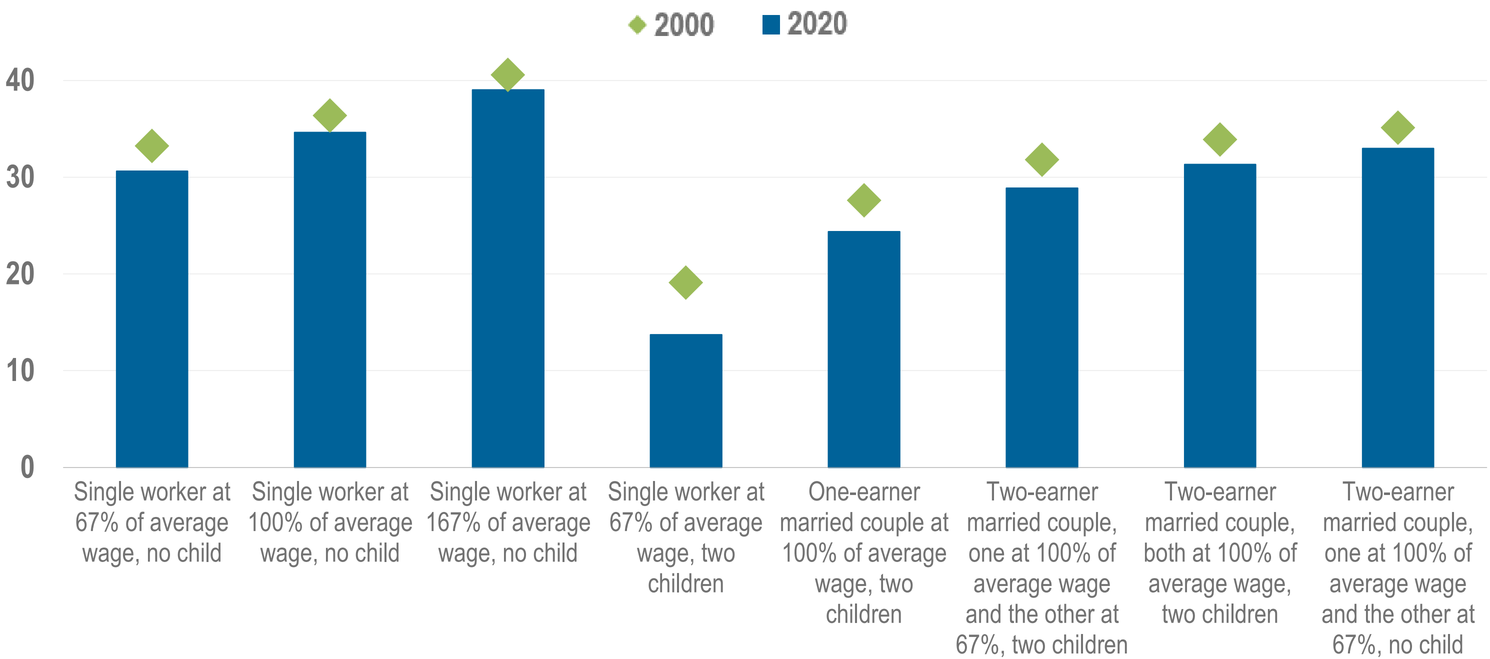
The OECD average tax wedge as a share of total labour costs differs significantly across household types. In 2020, it ranged from

13.7% for a single worker with two children earning 67% of the average wage to

39.0% for a single worker without children earning 167% of the average wage.

OECD average tax wedge, 2000 and 2020

for eight household types as % of total labour costs

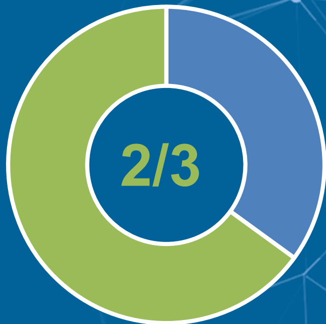


Source: OECD (2021), OECD Tax Database, https://oe.cd/tax-database, based on modelling from *Taxing Wages* (OECD, 2021).

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 51.5% in Belgium to zero in Colombia.

The percentage of labour costs paid in income tax varies considerably across OECD countries. The lowest figures are in Colombia (zero), Chile (0.03%) and Korea and Poland (5.4%) and the highest values are in Denmark (35.3%), with Australia and Iceland both over 20%.

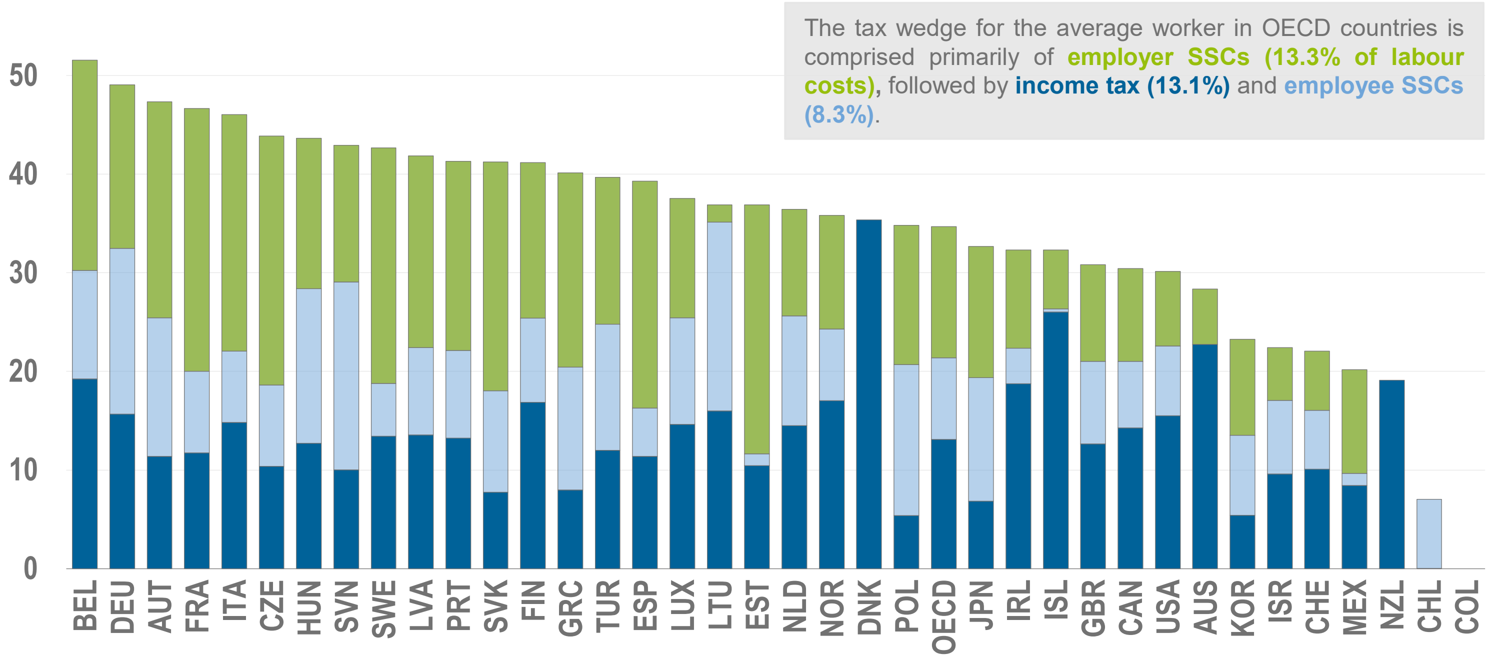


of OECD countries have a tax wedge between 30% and 45%.

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

Income tax plus employee and employer social security contributions (SSCs), 2020

as % of total labour costs



Note: Single worker without children at the income level of the average worker. Includes payroll taxes where applicable. In Colombia, the single worker at the average wage level did not pay personal income taxes in 2020, whereas their contributions to pension, health and employment risk insurances are considered to be non-tax compulsory payments (NTCPs) and therefore are not counted as taxes in the Taxing Wages calculations. Please refer to the NTCP report (https://www.oecd.org/tax/tax-policy/tax-database/non-tax-compulsory-payments.pdf).
Source: OECD (2021), OECD Tax Database, https://oe.cd/tax-database.

PERSONAL INCOME TAXES

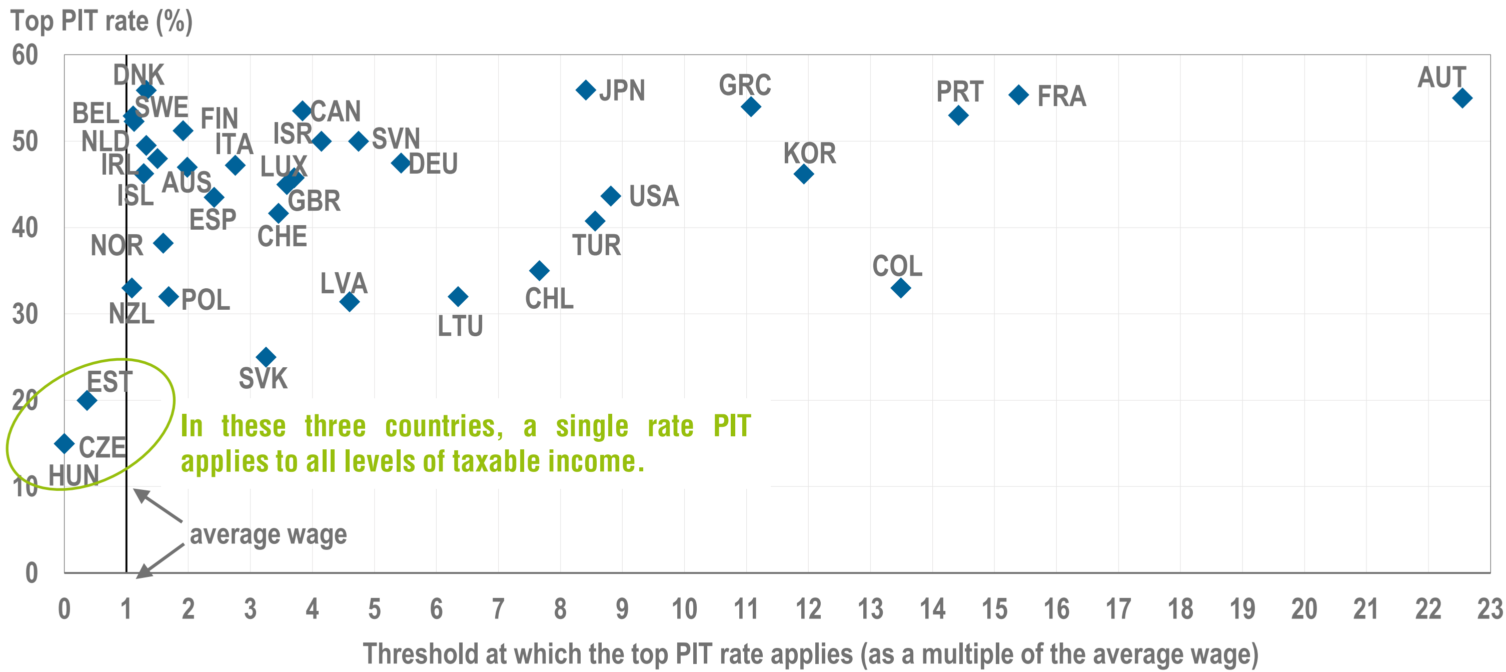
The **top statutory personal income tax (PIT) rate** is the combined central government and sub-central government personal income tax rate that applies for gross wage earnings in the highest earnings bracket of the PIT rate schedule. Tax credits and tax deductions are not taken into account. The earnings 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 2020, a top statutory PIT rate of more than 30% applied in all but four OECD countries. In three of these countries – the Czech Republic (15%), Estonia (20%) and Hungary (15%) – a single rate PIT applies to all levels of taxable income.

Ten OECD countries (Japan, Denmark, France, Austria, Greece, Canada, Portugal, Belgium, Sweden 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 22.5 times the average wage in Austria.

Top statutory PIT rates, 2020

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 26.7 times the average wage.
Source: OECD (2021), OECD Tax Database, https://oe.cd/tax-database.

PERSONAL INCOME TAXES

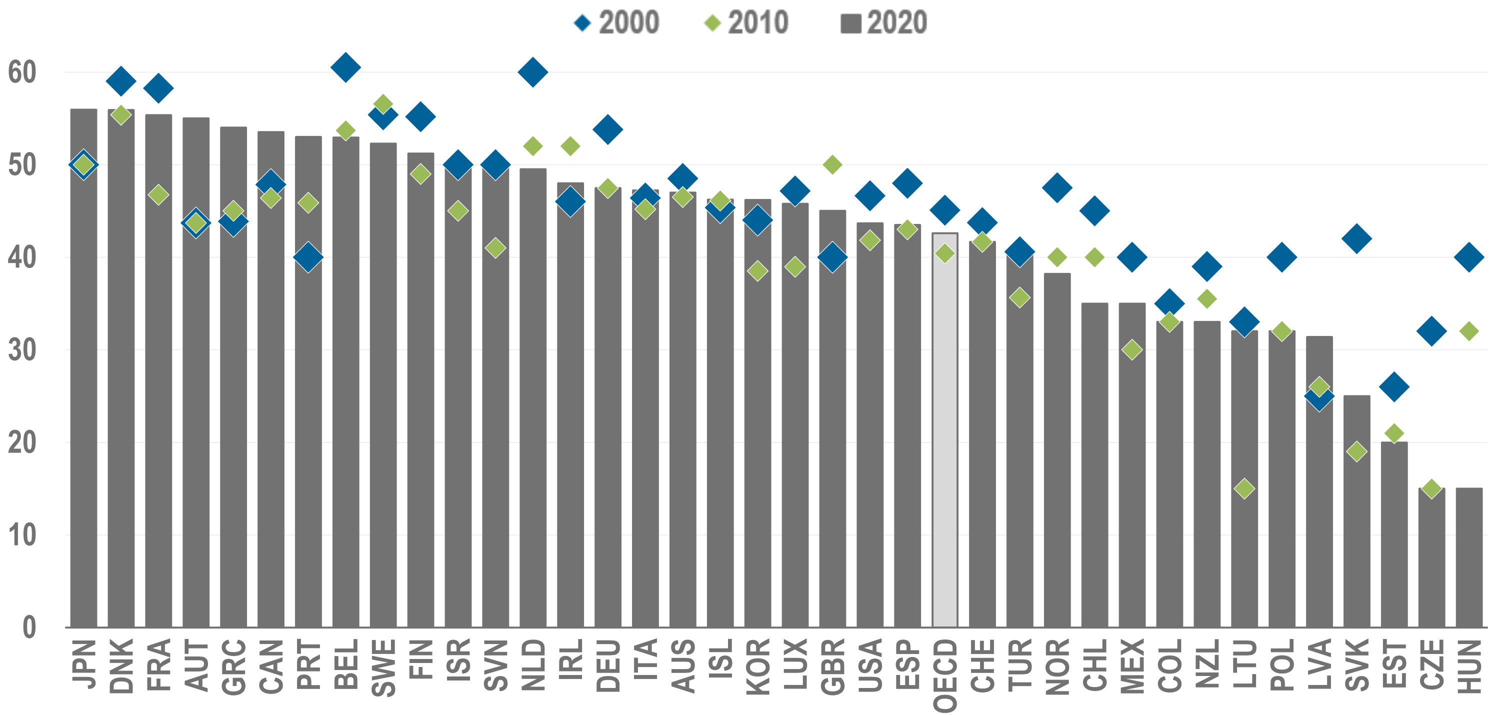
In 2020, top statutory PIT rates ranged from more than 55% in Japan, Denmark and France to 25% and below in the Slovak Republic, Estonia, the Czech Republic and Hungary.

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 2010, 22 OECD countries have increased their top PIT rates, leading to an increase in the OECD average PIT rate between 2010 and 2020.

In 2020, the OECD average top PIT rate was 42.6%, 2.5 percentage points lower than in 2000.

Top statutory PIT rates (%), 2000, 2010 and 2020



Source: OECD (2021), OECD Tax Database. https://oe.cd/tax-database.

CORPORATE INCOME TAXES

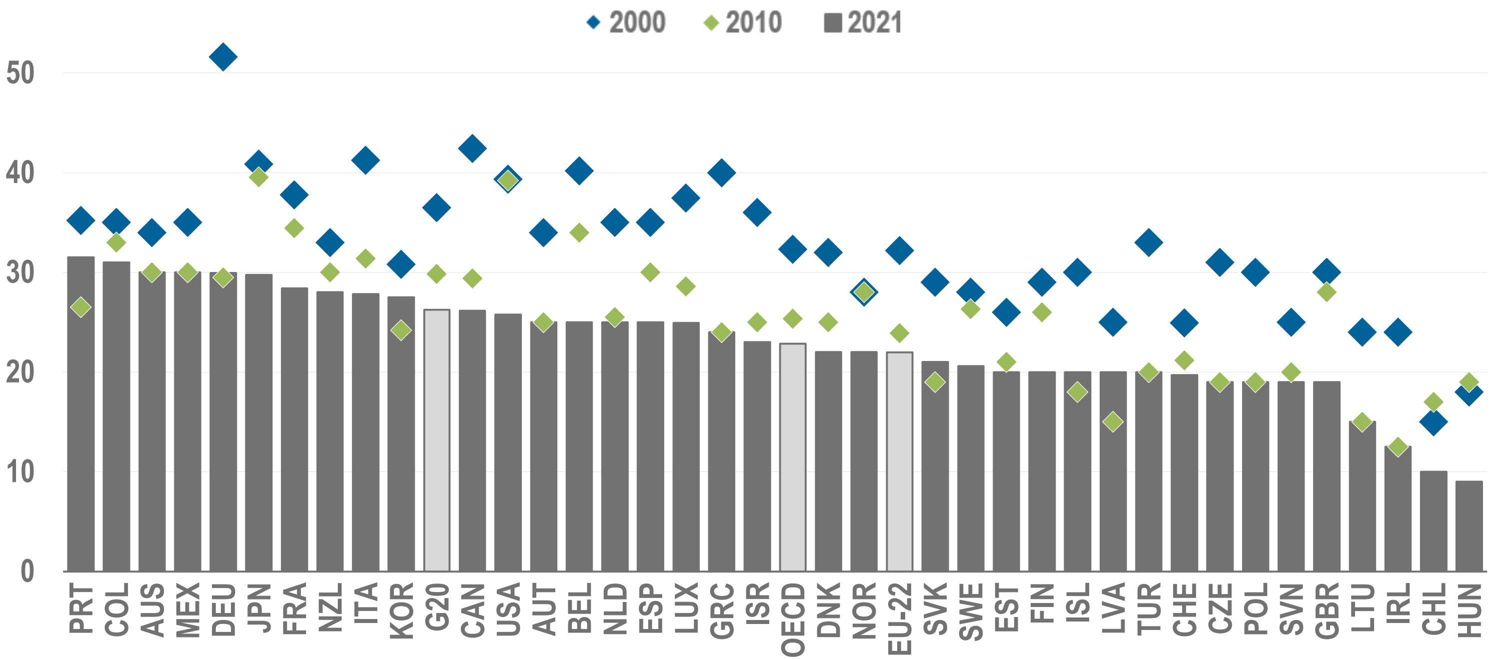
The combined statutory corporate income tax (CIT) **rate** shows the combined central and sub-central headline tax rate faced by corporations. It is given by the central government rate (less deductions for sub-national taxes) plus the sub-central rate. Where a progressive (as opposed to flat) rate structure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

In 2021, combined statutory CIT rates in OECD countries ranged from 9% in Hungary to over 31% in Portugal.

Between 2000 and 2021, statutory CIT rates have decreased in all OECD countries, leading to a decrease in the OECD average statutory CIT rate of almost 9.5 percentage points.

Most of these falls (25 out of 37 OECD countries) were between 2000 and 2010, whereas decreases between 2010 and 2021 were less significant. Only 10 OECD countries had larger decreases in the last decade compared to 2000-10. Six OECD countries (Germany, Iceland, Korea, Latvia, Portugal and the Slovak Republic) have raised their statutory CIT rates since 2010 after the initial decreases, but their CIT rates are still lower in 2021 than in 2000.

Combined statutory CIT rates (%), 2000, 2010 and 2021



Note: The averages are unweighted averages. The EU-22 average includes all EU countries that are members of the OECD. The G20 average includes all G20 countries, excluding the EU.
Source: OECD (2021), OECD Tax Database. https://oe.cd/tax-database.

CORPORATE INCOME TAXES

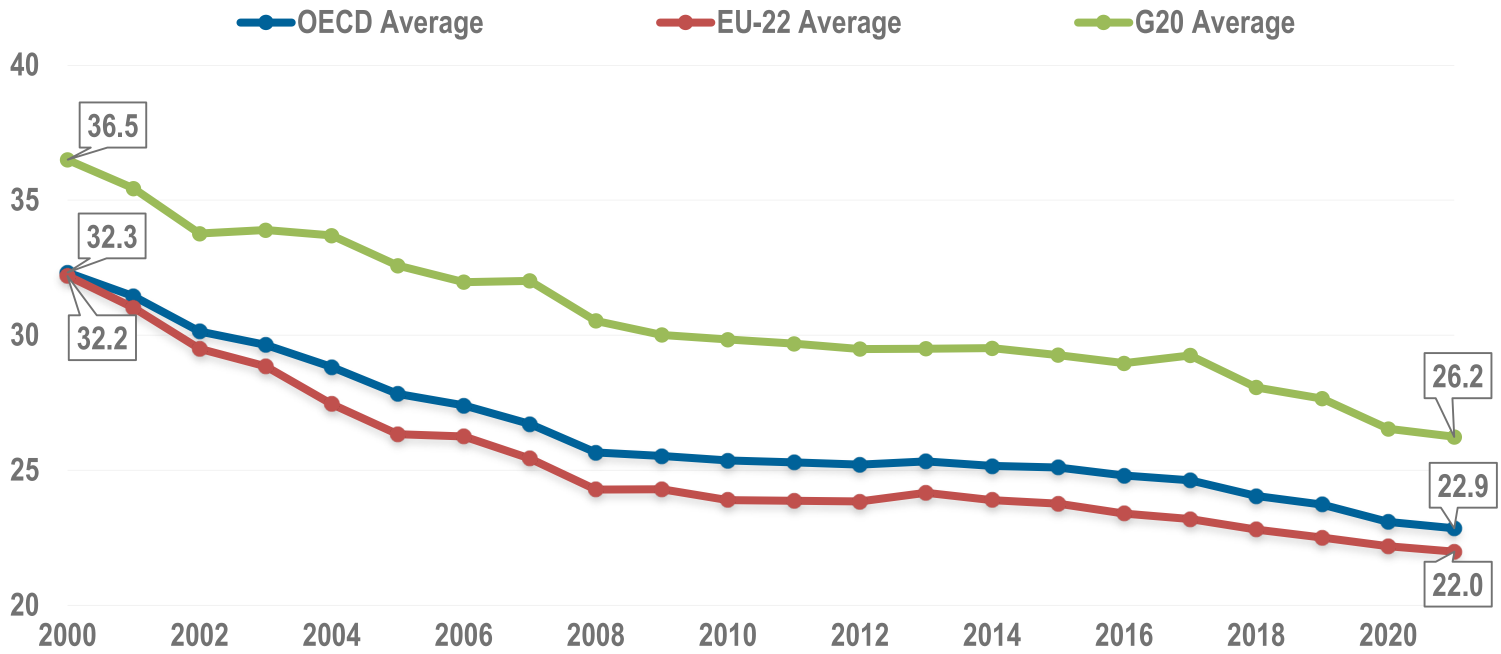
The OECD average, the EU-22 average and the average for the G20 countries combined statutory CIT rates decreased strongly between 2000 and 2021, most visibly in the course of the financial crisis between 2007 and 2008.

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 close to the EU-22 average of 32.2% in 2000, it was almost one percentage point higher than the EU-22 average in 2021, at 22.9% compared to 22.0%.

The G20 average was the highest of the three statutory CIT rate averages between 2000 and 2021. The gap between the G20 average and the OECD average statutory CIT rate has remained relatively stable at around 4.3 percentage points throughout the period.

Combined statutory CIT rates (%), 2000-2021



Note: The averages are unweighted averages. The EU-22 average includes all EU countries that are members of the OECD. The G20 average includes all G20 countries, excluding the EU.
Source: OECD (2021), OECD Tax Database. https://oe.cd/tax-database.

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.

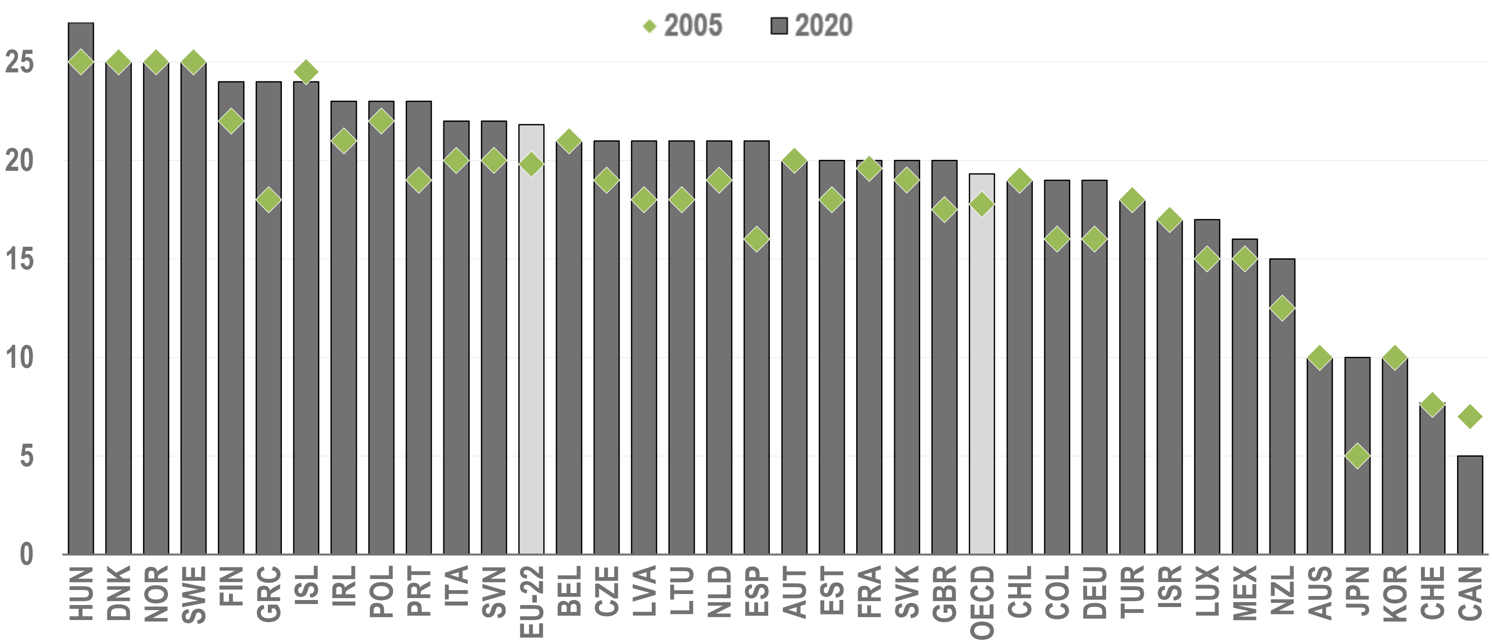
The **standard VAT rate** generally applies to all goods and services, unless advised differently by legislation. However, most OECD countries continue to apply a wide variety of reduced rates and exemptions to support various policy objectives (see: *OECD Consumption Tax Trends*, 2020).

In 2020, standard VAT rates ranged from 27% in Hungary to less than 10% in Switzerland and Canada.

Compared to 2005, the standard VAT rate has increased in two thirds of OECD countries (24), leading to an increase in the OECD average standard VAT rate. Since reaching its peak of 19.3% in 2017, the OECD average standard VAT rate has remained stable.

In 2020, the average standard VAT rate of the 22 OECD countries that are members of the EU was at 21.8%, which is significantly higher than the OECD average.

Standard VAT rates (%), 2005 and 2020



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-22 average includes all OECD countries that are members of the EU. Country-specific notes can be found here: https://www.oecd.org/tax/consumption-tax-trends-19990979.htm

Source: National delegates, position as of 1 January of the respective year.

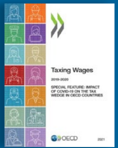
FURTHER READING

Key links:

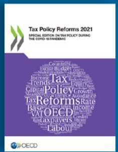
✓ Access the data: stats.oecd.org/Index.aspx?DataSetCode=TABLE_I1

✓ Tax Database webpage: https://oe.cd/tax-database

OECD (2021), *Corporate Tax Statistics*, OECD Publishing, Paris, oe.cd/corporate-tax-stats.



OECD (2021), *Taxing Wages 2021*, OECD Publishing, Paris, oe.cd/TaxingWages.



OECD (2021), *Tax Policy Reforms 2021: Special Edition on Tax Policy during the COVID-19 Pandemic*, OECD Publishing, Paris, oe.cd/tax-policy-reform.

OECD (2020), *Consumption Tax Trends 2020: VAT/GST and Excise Rates, Trends and Policy Issues*, OECD Publishing, Paris, oe.cd/consumption-tax-trends.

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