

Taxing Wages 2026

The Progressivity of Labour Taxation in OECD Countries



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THE PROGRESSIVITY OF LABOUR TAXATION
IN OECD COUNTRIES

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Foreword

*Taxing Wages*¹ is an annual publication that provides details of taxes paid on wages in the 38 Member countries of the OECD. The information contained in the Report covers the personal income tax and social security contributions paid by employees, the social security contributions and payroll taxes paid by their employers and cash benefits received by families. The objective of the Report is to illustrate how personal income taxes, social security contributions and payroll taxes are calculated and to examine how these levies and family benefits affect household incomes and labour costs. The results also allow cross-country comparisons of the overall tax and benefit position of different household types.

The Report shows the amount of taxes, social security contributions, payroll taxes and cash benefits for eight household types, which differ by income level and household composition. It also presents the resulting average and marginal tax rates. Average tax rates show the share of gross wage earnings or total labour costs² that is taken in personal income taxes (before and after cash benefits), social security contributions and payroll taxes. Marginal tax rates show the share of an increase in gross earnings or total labour costs that is paid in these taxes.

This edition of the Report presents data on the tax and benefit position of employees in 2025, which it compares with corresponding data for the year 2024.

The Report is structured as follows:

- Part I (Tax burden comparisons and trends) includes six chapters:
 - Chapter 1 contains an overview of the main results for 2025.
 - Chapter 2 contains the Special Feature on “The progressivity of labour taxation in OECD countries”.
 - Chapter 3 reviews the main results for 2025, which are summarised in comparative tables and figures.
 - Chapter 4 presents a graphical exposition of the estimated tax burden on labour income in 2025 for gross wage earnings between 50% and 250% of the average wage.
 - Chapter 5 provides comparative tables showing the main results for 2024.
 - Chapter 6 shows historical trends in the tax burden for the period 2000-2025.
- Part II contains individual country tables specifying the wage levels considered and the associated tax burdens for eight separate household types, together with descriptions of each country’s tax/benefit system.
- The Annex describes the *Taxing Wages* methodology and its limitations.

The Report has been prepared by the OECD's Centre for Tax Policy and Administration (CTPA) under the auspices of Working Party No.2 on Tax Policy Analysis and Tax Statistics (WP2) of the Committee on Fiscal Affairs. The Report was led by Edoardo Magalini and Pedro Baptista under the supervision of the Director, Manal Corwin; the Head of the Tax Policy and Statistics Division, Kurt Van Dender; and the Head of the Tax Data and Statistical Analysis Unit, Alexander Pick. The Special Feature was authored by Alexander Pick, Pedro Baptista and Edoardo Magalini. The authors would like to acknowledge Michael Sharratt for his role in data management and dissemination and Rebekka Hviid Kanstrup for the publication formatting. The authors would like to thank other colleagues in CTPA for their support and valuable comments: Bert Brys, Karena Garnier, Pierce O'Reilly, Sarah Perret, Ria Sandilands and Carrie Tyler. The authors would also like to thank the delegates of WP2 for their inputs.

Notes

¹ Earlier editions were published under the title *The Tax/Benefit Position of Employees* (1996-1998 editions) and *The Tax/Benefit Position of Production Workers* (editions published before 1996).

² The reference wage for these calculations is provided by countries. The estimates for the average wage refer to a full-time employee (engaged either in manual or non-manual activities) who works in either industry sectors B-N inclusive with reference to the International Standard Industrial Classification of All Economic Activities, Revision 4 (ISIC Rev.4) or in industry sectors C-K inclusive with reference to the International Standard Industrial Classification of All Economic Activities, Revision 3 (ISIC Rev.3). More information is contained in Chapter 1 of the Report and in the Annex.

Table of contents

Foreword	3
Notes	4
Executive Summary	15
Key findings	16
Part I Effective tax rates on labour income - Comparisons and trends	18
1 Overview	19
Introduction	20
Taxation of single workers	21
Single versus one-earner couple taxpayers	31
Taxation of two-earner couples	34
Wages	38
References	43
Notes	43
2 Progressivity of labour taxation in OECD countries	45
Introduction	45
The progressivity of labour taxation is at the heart of the tax, inequality and growth agenda	46
Calculating the OECD tax progressivity indicator	50
Applying the tax progressivity indicator across OECD countries in 2025	51
Conclusion	66
Annex 2.A. Additional figures	68
Notes	71
3 Effective tax rates on labour income in 2025	73
Average tax rates	74
Marginal tax rates	76
Notes	98
4 Graphical exposition of effective tax rates in 2025	99
Notes	140
5 Effective tax rates on labour income in 2024	141
6 Evolution of effective tax rates on labour income (2000-25)	156
Long-term trends in labour taxation since 2000	157

Note	184
Part II Country details, 2025	185
Australia (2024-2025 Income tax year)	186
Personal income tax system	189
Social security contributions	191
Other taxes	192
Universal cash transfers	192
Recent changes in the tax/benefit system	195
Memorandum items	196
2024-25 Tax Equations	199
Austria	201
Personal Income Tax	204
Compulsory Social Security Contributions to Schemes Operated within the Government Sector	207
Universal Cash Transfers	207
Main Changes in Tax/Benefit Systems Since 2004	208
Memorandum Items	210
2025 Tax equations	212
Belgium	214
Personal income tax system	217
Compulsory social security contributions to schemes operated within the government sector	220
Universal cash transfers	222
Main changes in the tax/benefit system since 2016	223
Memorandum Items	224
2025 Tax equations	227
Canada	229
Personal Income Tax Systems	232
Compulsory Social Security Contributions to Schemes Operated Within the Government Sector	235
Universal Cash Transfers	237
Main changes in the Tax/Benefit system since 2009	238
2025 Tax equations	242
Notes	244
Chile	245
Personal income tax system	248
Compulsory social security contributions	249
Universal cash transfers	251
Recent changes in the tax/benefit system	252
Memorandum items	252
2025 Tax equations	254
Notes	255
Colombia	256
Personal income tax system	259
Compulsory social security contributions to schemes operated within the government sector	260

Universal cash transfers	261
Main Changes in Tax/Benefit Systems Since 2019	262
Memorandum items	262
2025 Tax equations	264
Notes	265
Costa Rica	266
Personal income tax system	269
Compulsory social security contributions to schemes operated within the government sector	270
Universal cash transfers	270
Recent changes in the tax/benefit system	270
Memorandum items	270
2025 Tax equations	272
Czechia	273
Personal Income Tax System	276
Compulsory Social Security Contributions to Schemes Operated within the Government Sector	277
Universal Cash Transfers	278
Main Changes in Tax/Benefit Systems since 2025	279
Memorandum Items	279
2025 Tax equations	281
Denmark	282
Personal income tax system	285
Compulsory Social Security Contributions to Schemes Operated Within the Government Sector	287
Universal Cash Transfers	288
Main Changes in Tax/Benefit Systems	288
Memorandum Items	291
2025 Tax equations	293
Estonia	295
Personal income tax system	298
Compulsory social security insurance system	299
Payroll tax	300
Universal cash transfers	300
Main changes in tax/benefit system since 2005	300
Memorandum items	301
2025 Tax equations	303
Finland	304
Personal Income Tax System	307
Compulsory Social Security Contributions to Schemes Operated within the Government Sector	308
Universal Cash Transfers	309
Main Changes in the Tax/Benefit System since 2024	309
Memorandum Items	310
2025 Tax equations	312
France	313
Personal income tax system	316

Compulsory social security contributions to schemes operated within the government sector.	318
Universal cash transfers	320
Main changes in the tax system and social benefits regime since the taxation of 2015 income	321
Memorandum items	323
Notes	329
Germany	330
Personal Income Tax Systems	333
Compulsory Social Security Contributions to Schemes Operated Within the Government Sector	335
Universal Cash Transfers	338
Main Changes in Tax/Benefit Systems Since 1997	338
Memorandum Items	340
2025 Tax equations	343
Greece	344
Personal income tax system	347
Mandatory Social Security Contributions to schemes operated within the Government Sector	351
Universal Cash Transfers	352
Main Changes in the Tax/benefit System since 2016	353
Memorandum items	353
2025 Tax equations	356
Note	356
Hungary	357
Personal Income Tax Systems	360
Compulsory Social Security Contributions to Schemes Operated within the Government Sector	361
Universal cash transfers	363
Main Changes in the Tax/benefit System Since 2010	364
Memorandum Items	364
2025 Tax equations	366
Iceland	367
Personal Income Tax System	370
Compulsory Social Security Contributions to Schemes Operated Within the Government Sector	371
Universal Cash Transfers	371
Main Changes in the Tax/Benefit System Since 1998	372
Memorandum Items	375
2025 Tax equations	377
Note	378
Ireland	379
Personal income tax systems	382
Compulsory Social Security Contributions to Schemes Operated within the Government Sector	384
Universal Cash Transfers	384
Other Main Changes in Tax/Benefit System Since 2016	386
Memorandum Items	386
2025 Tax equations	389
Note	390

Israel	391
Personal income tax system	394
Compulsory social security insurance system	395
Payroll taxes	396
Universal cash transfers	396
Main changes in the tax and benefit systems since 2002	397
Memorandum items	398
Italy	402
Personal Income Tax	405
Compulsory Social Security	409
Universal Cash Transfers	409
Main Changes	410
Memorandum Item	411
2025 Tax equations	413
Notes	414
Japan	415
Personal Income Tax Systems	418
Compulsory Social Security Contribution to Schemes Operated Within the Government Sector	422
Cash Benefits	424
Main changes in the Tax/benefit Systems since 1998	426
Memorandum Item	428
2025 Tax equations	431
Note	432
Korea	433
Personal Income Tax System	436
Compulsory Social Security Contribution to Schemes Operated Within the Government Sector	440
Universal Cash Transfers	442
Main Changes in Tax/Benefit System since 2000	442
Memorandum Item	443
2025 Tax equations	445
Latvia	447
Personal income tax system	450
Compulsory social security contributions to schemes operated within the government sector.	453
Universal cash transfers	455
Main changes in tax/benefit system in 2025	455
Memorandum items	456
2025 Tax equations	457
Lithuania	458
Personal income tax system	461
Compulsory social security insurance system	462
Universal cash transfers	464
Main changes in tax/benefit system since 2000	465
Memorandum items	469
2025 Tax equations	472

Luxembourg	474
Personal income tax system	477
Compulsory social security contributions to schemes operated within the government sector	480
Universal cash transfers	480
Main changes since 2008	481
Memorandum item	481
2025 Tax equations	484
Mexico	486
Personal Income Tax	489
Compulsory Social Security Contributions to Schemes Operated within the Government Sector	491
Universal Cash Transfers	491
Main Changes in the Tax/Benefit System since 1995	491
Memorandum Items	492
2025 Tax equations	494
Notes	495
Netherlands	496
Personal Income Tax System (Central Government)	499
Compulsory Social Security Contributions to Schemes Operated Within the Government Sector	501
Universal Cash Transfers	502
Main Changes in the Tax/Benefit Systems Since 2000	503
Memorandum Items	505
2025 Tax equations	508
Note	510
New Zealand (2025-2026 Income tax year)	511
Personal Income Tax System	514
Compulsory Social Security Contributions to Schemes Operated Within the Government Sector	514
Universal Cash Transfers	515
Main Changes in Personal Tax/Benefit Systems since 2024/25	516
Memorandum Items	516
2025 Tax equations	518
Norway	519
Personal Income Tax System	522
Social Security Contributions	523
Universal Cash Transfers	523
Main Changes in Tax/Benefit Systems Since 2002	524
Memorandum Items	528
2025 Tax equations	530
Poland	531
Personal income tax system	534
Social Security Contributions	537
Universal Cash Transfers	537
Main Changes in Tax/benefit Systems Since 2012	539
Memorandum Items	541
2025 Tax equations	544

Notes	545
Portugal	546
Personal Income Tax	549
Compulsory social security contributions to schemes operated within the government sector.	552
Universal cash benefits	553
Main Changes in tax/benefit systems since 2006	554
Memorandum Items	554
2025 Tax equations	556
Slovak Republic	557
Personal Income Tax System	560
Compulsory Social Security Contributions to Schemes Operated within the Government Sector	563
Universal Cash Transfers	565
Main Changes in Tax/Benefit Systems since 2017	566
Memorandum items	568
2025 Tax equations	570
Note	571
Slovenia	572
Personal income tax system	575
Compulsory social security insurance system	577
Payroll tax	578
Universal cash transfers	578
Main changes in tax/benefit system since 2005	579
Memorandum items	581
2025 Tax equations	583
Spain	584
Personal Income Tax System	587
Compulsory Social Security Contributions to Schemes Operated within the Government Sector	589
Universal Cash Transfers	590
Recent Changes in Tax/Benefit Systems	590
Memorandum Items	590
2025 Tax equations	593
Sweden	595
Personal Income Tax Systems	598
Compulsory Social Security Contributions to Schemes Operated within the Government Sector	600
Universal Cash Transfers	601
Main Changes in Tax/Benefit Systems Since 1998	601
Memorandum Items	602
2025 Tax equations	604
Switzerland	605
Personal income tax systems	608
Compulsory social security contributions to schemes operated within the government sector	612
Universal cash benefits	613
Main changes in the tax/benefit system since 1998	613

Memorandum item	613
2025 Tax equations	617
Türkiye	618
Personal Income Tax Systems	621
Compulsory Social Security Contributions to Schemes Operated within the Government Sector	622
Universal Cash Transfers	623
Main Changes in Tax/Benefit System Since 2004	623
Memorandum Items	624
2025 Tax equations	625
Notes	625
United Kingdom (2025-2026 Income tax year)	626
Personal Income Tax System	629
Compulsory Social Security Contributions to Schemes Operated Within the Government Sector	630
Universal Cash Transfers	631
Recent changes in the tax/benefit system	631
Memorandum Items	632
2025 Tax equations	634
United States	635
Personal Income Tax System	638
Compulsory Social Security Contributions to Schemes Operated within the Government Sector	641
Universal Cash Transfers	641
Principal Changes to Individual Provisions since 2017	642
Memorandum Items	642
2025 Tax equations	645
Notes	646
Annex A. Methodology and limitations	647
Reference	666
Notes	666

Tables

Table 1.1. Comparison of total tax wedge, 2025	25
Table 1.2. Income tax plus employee and employer social security contributions, 2025	25
Table 1.3. Income tax plus employee social security contributions, 2025	29
Table 1.4. Comparison of total tax wedge for single and one-earner couple taxpayers, 2025	32
Table 1.5. Comparison of total tax wedge for two-earner couples with children, 2025	36
Table 1.6. Income tax plus employee social security contributions less cash benefits, 2025	36
Table 1.7. Comparison of average wage levels in 2024 and 2025	40
Table 1.8. Average wage Industry Classification	40
Table 3.1. Income tax plus employee and employer contributions less cash benefits, 2025	78
Table 3.2. Income tax plus employee contributions, 2025	80
Table 3.3. Income tax plus employee contributions less cash benefits, 2025	82
Table 3.4. Income tax, 2025	84
Table 3.5. Employee contributions, 2025	86
Table 3.6. Marginal rate of income tax plus employee and employer contributions less cash benefits, 2025	88
Table 3.7. Marginal rate of income tax plus employee contributions less cash benefits, 2025	90
Table 3.8. Percentage increase in net income relative to percentage increase in gross wages, 2025	92

Table 3.9. Percentage increase in net income relative to percentage increase in gross labour costs, 2025	93
Table 3.10. Annual gross wage and net income, single person, 2025	94
Table 3.11. Annual gross wage and net income, married couple, 2025	95
Table 3.12. Annual labour costs and net income, single person, 2025	96
Table 3.13. Annual labour costs and net income, married couple, 2025	97
Table 5.1. Income tax plus employee and employer contributions less cash benefits, 2024	143
Table 5.2. Income tax plus employee contributions, 2024	144
Table 5.3. Income tax plus employee contributions less cash benefits, 2024	145
Table 5.4. Income tax, 2024	146
Table 5.5. Employee contributions, 2024	147
Table 5.6. Marginal rate of income tax plus employee and employer contributions less cash benefits, 2024	148
Table 5.7. Marginal rate of income tax plus employee contributions less cash benefits, 2024	149
Table 5.8. Percentage increase in net income relative to percentage increase in gross wages, 2024	150
Table 5.9. Percentage increase in net income relative to percentage increase in gross labour cost, 2024	151
Table 5.10. Annual gross wage and net income, single person, 2024	152
Table 5.11. Annual gross wage and net income, married couple, 2024	153
Table 5.12. Annual labour costs and net income, single person, 2024	154
Table 5.13. Annual labour costs and net income, married couple, 2024	155
Table 6.1. Income tax plus employee and employer contributions less cash benefits, single persons at 67% of average wage	158
Table 6.2. Income tax plus employee and employer contributions less cash benefits, single persons at 100% of average wage	159
Table 6.3. Income tax plus employee and employer contributions less cash benefits, single persons at 167% of average wage	160
Table 6.4. Income tax plus employee and employer contributions less cash benefits, single parent at 67% of average wage	161
Table 6.5. Income tax plus employee and employer contributions less cash benefits, married couple at 100% of average wage	162
Table 6.6. Income tax plus employee and employer contributions less cash benefits, married couple with two children, at 100% and 67% of average wage	163
Table 6.7. Income tax plus employee and employer contributions less cash benefits, married couple, both at 100% of average wage	164
Table 6.8. Income tax plus employee and employer contributions less cash benefits, married couple at 100% and 67% of average wage	165
Table 6.9. Income tax, single persons at 67% of average wage	166
Table 6.10. Income tax, single persons at 100% of average wage	167
Table 6.11. Income tax, single persons at 167% of average wage	168
Table 6.12. Income tax, single parent at 67% of average wage	169
Table 6.13. Income tax, married couple at 100% of average wage	170
Table 6.14. Income tax, married couple with two children, at 100% and 67% of average wage	171
Table 6.15. Income tax, married couple, both at 100% of average wage	172
Table 6.16. Income tax, married couple at 100% and 67% of average wage	173
Table 6.17. Income tax plus employee contributions less cash benefits, single persons at 67% of average wage	174
Table 6.18. Income tax plus employee contributions less cash benefits, single persons at 100% of average wage	175
Table 6.19. Income tax plus employee contributions less cash benefits, single persons at 167% of average wage	176
Table 6.20. Income tax plus employee contributions less cash benefits, single parent at 67% of average wage	177
Table 6.21. Income tax plus employee contributions less cash benefits, married couple at 100% of average wage	178
Table 6.22. Income tax plus employee contributions less cash benefits, married couple with two children, at 100% and 67% of average wage	179
Table 6.23. Income tax plus employee contributions less cash benefits, married couple, both at 100% of average wage	180
Table 6.24. Income tax plus employee contributions less cash benefits, married couple at 100% and 67% of average wage	181
Table 6.25. Annual average gross and net wage earnings, single individual no children, 2000-25	182
Table 6.26. Annual average gross and net wage earnings, single individual no children, 2000-25 (national currency)	183

Figures

Figure 1.1. OECD average tax wedge for different household types, 2000-25	22
Figure 1.2. Income tax plus employee and employer social security contributions for a single worker, 2025	26
Figure 1.3. Percentage of gross wage earnings paid in income tax and employee social security contributions for a single worker, 2025	29
Figure 1.4. Income tax plus employee contributions less cash benefits by household type, 2025	32
Figure 1.5. Income tax plus employee and employer social security contributions less cash benefits for two-earner couples, 2025	35
Figure 2.1. Marginal tax wedge for a single worker at 50% and 500% of the average wage, 2025	48
Figure 2.2. Decomposition of the marginal tax wedge for a single worker in 2025	49
Figure 2.3. Progressivity indicator with standard deviation across earnings intervals, 2025	52
Figure 2.4. Decomposition of the OECD average progressivity indicator, 2025	53
Figure 2.5. Progressivity by earnings interval for a single worker without children, 2025	56
Figure 2.6. Progressivity by earnings interval for a one-earner married couple with children, 2025	57
Figure 2.7. Tax wedge progressivity for a single worker earning the average wage and a one-earner married couple with two children, 2025	58
Figure 2.8. Change in the progressivity indicator for different household types, OECD average, 2000-25	59
Figure 2.9. Decomposition of the change in the progressivity indicator by period	60
Figure 2.10. Changes in the progressivity indicator by earnings interval, OECD average, 2000-25	62
Figure 2.11. Change in the progressivity indicator for a single worker, 2000-25	64
Figure 2.12. Change in the progressivity indicator for a one-earner couple with children, 2000-25	65
Figure 3.1. Income tax plus employee and employer contributions less cash benefits, 2025	79
Figure 3.2. Income tax plus employee contributions, 2025	81
Figure 3.3. Income tax plus employee contributions less cash benefits, 2025	83
Figure 3.4. Income tax, by household type, 2025	85
Figure 3.5. Employee contributions, 2025	87
Figure 3.6. Marginal rate of income tax plus employee and employer contributions less cash benefits, 2025	89
Figure 3.7. Marginal rate of income tax plus employee contributions less cash benefits, 2025	91

Executive Summary

Effective tax rates on labour income for a single worker earning the average wage rose across a majority of OECD countries for the fourth consecutive year in 2025. In the same year, effective tax rates increased for all eight household types examined in this Report on average across the OECD for the first time since 2022, when many countries phased out COVID-19 support measures. The largest increases were observed for households with children, which narrowed the difference in effective tax rates between households with children and those without for the second consecutive year.

Taxing Wages 2026 provides cross-country comparison of the labour tax wedge, which shows total taxes on labour paid by employees and employers, minus cash benefits received by working families, as a percentage of labour costs. A higher tax wedge tends to reduce incentives to work and hire by reducing take-home pay and increasing employers' labour costs.

For a single worker earning the average wage, the tax wedge rose in 24 countries, fell in 11 and stayed the same in three in 2025 relative to the previous year. On average across the OECD, the tax wedge for this household type increased by 0.15 percentage points (p.p.) in 2025 to 35.1%. The largest increase (of 2.45 p.p.) was observed in the United Kingdom; this was partly due to an increase in employer social security contributions (SSCs) and partly a result of fiscal drag, the phenomenon by which effective tax rates increase mechanically when the parameters of tax systems are not adjusted to inflation. Increases greater than 1 p.p. also occurred in Estonia (1.95 p.p.), Germany (1.34 p.p.) and Israel (1.09 p.p.). Estonia increased its personal income tax (PIT) rate from 20% to 22% in 2025 while the increases in the tax wedge in Germany and Israel were a result of higher SSCs for employers and employees as well as fiscal drag.

Decreases in the tax wedge for this household type exceeded 1 p.p. in Italy (-1.21 p.p.), Latvia (-1.44 p.p.) and Australia (-1.67 p.p.). The decreases in Italy and Latvia were due to larger tax reliefs for average wage earners, while in Australia the drop was mainly attributable to a reform of the tax schedule that reduced statutory PIT rates.

The tax wedge increased for all other seven household types analysed in *Taxing Wages* on average across the OECD in 2025. The largest increase was for the single parent of two children earning 67% of the average wage, whose tax wedge increased by 0.52 p.p. on average to 16.3% and rose in 22 countries. The tax wedge for this household type rose most in Slovenia (5.6 p.p.), the Slovak Republic (4.7 p.p.) and the United Kingdom (4.3 p.p.), due to a mixture of fiscal drag, higher SSCs, and lower tax reliefs and cash transfers. The largest decreases were observed in Luxembourg (-3.2 p.p.), Lithuania (-2.7 p.p.), Denmark, Ireland and Latvia (all -2.0 p.p.), reflecting lower PIT rates and higher child-related tax benefits.

The tax wedge for a one-earner couple with two children at the average wage level increased in 22 countries and decreased in 15 in 2025; the 0.46 p.p. rise in the OECD average tax wedge (to 26.2%) was the second-largest increase among the household types. The difference between the OECD average tax wedge for this household type and that of the single worker earning the average wage narrowed by 0.31 p.p. to 8.9 p.p. in 2025, indicating a reduction in the fiscal advantage for households with children.

The Report includes a Special Feature examining the statutory progressivity of labour taxation in OECD countries. Building upon the statutory progressivity indicator introduced in the 2013 edition of *Taxing*

Wages, it examines how the tax wedge on labour income varies according to the earnings and composition of working households in OECD countries. Across the OECD, labour tax systems tend to be most progressive for households at lower earnings levels and with children due to the impact of tax reliefs measures and cash transfers.

The Special Feature also finds that tax systems have become more progressive in OECD countries since 2000 for households earning below the average wage while the progressivity of the tax wedge on earnings above the average wage has not changed significantly, as OECD countries have tended to reduce taxes on low-earning workers by more than for average- and higher-earning workers over this period.

Key findings

The average tax wedge for a single worker earning the average wage increased in a majority of OECD countries in 2025

- The tax wedge of a single worker with no children earning the average national wage was 35.1% of labour costs on average across the OECD in 2025, the highest level since 2016.
- Between 2024 and 2025, the tax wedge for this household type increased in 24 countries, fell in 11 and was unchanged in three.
- In 2025, the largest tax wedge for this household type was observed in Belgium (52.5%), Germany (49.3%), France (47.2%), Austria (47.1%) and Italy (45.8%).
- The personal average tax rate (which expresses PIT and employee SSCs as a percentage of gross earnings) for this household type was 25.1% on average across the OECD in 2025.

The tax wedge for households with children increased more than for single workers

- The tax wedge for a one-earner couple at the average wage with two children increased in 22 countries and rose by 0.46 p.p. on average across OECD countries to 26.2%.
- On average across the OECD, the difference between the tax wedge for this household type and that of a single worker on the average wage narrowed by 0.31 p.p. in 2025, having shrunk by 0.13 p.p. in 2024.
- Across the eight household types analysed in *Taxing Wages*, the largest increase in the OECD average tax wedge in 2025 was for a single parent earning 67% of the average wage (up 0.52 p.p. to 16.3%). The tax wedge for this household type increased in 22 countries.
- The average tax wedge for a married couple with children in which both earn the average wage rose in 22 countries and increased by 0.26 p.p. on average across the OECD to 32.0%.

The OECD average tax wedge for most household types is at its highest level since before the COVID-19 pandemic

- On average across the OECD, the tax wedge has risen for all eight household types since 2021, increasing most for the one-earner married couple at the average wage with two children (1.7 p.p.).
- For all households except the single parent with two children, the OECD average tax wedge in 2025 was at its highest level since at least 2018.
- Looking further back, the tax wedge in 2025 remained below the level in 2000, the first year for which *Taxing Wages* data is available. For the single worker earning the average wage, the tax wedge decreased by 1.1 p.p. on average across OECD countries over this period.

Average wages and post-tax incomes increased in real terms across the OECD

- The average wage increased in all 38 OECD countries in nominal terms in 2025 from the previous year and increased in 35 countries in real terms.
- The post-tax income of a single worker earning the average wage increased in 28 countries in 2025 in real terms, having increased in 29 countries in 2024.

Part I Effective tax rates on labour income - Comparisons and trends

1 Overview

This chapter presents and analyses the main indicators of labour taxation across OECD countries in 2025. Most emphasis is given to the tax wedge, which measures the difference between labour costs to the employer and the corresponding net take-home pay of the employee. The chapter also examines the net personal average tax rate, which expresses personal income tax and employee social security contributions net of cash benefits as a percentage of gross wage earnings. The analysis focuses on three household types: a single worker with no children at average earnings; a one-earner married couple with two children, also at average earnings; and a two-earner couple with two children, where one spouse earns the average wage and the other 67% thereof. The chapter also includes analysis of changes in the average wage in OECD countries in 2025.

This Report provides unique information for the 38 OECD countries on the income taxes paid by workers, their social security contributions, the transfers they receive in the form of cash benefits, as well as the social security contributions (SSCs) and payroll taxes paid by their employers. The taxpayer-specific detail in this Report complements the information provided annually in *Revenue Statistics*, which provides internationally comparable data on the level and structure of tax revenues in OECD countries.

Part I of the Report presents detailed information about the effective tax rates on labour income as well as the implied total labour costs for employers in OECD countries in 2025 for eight illustrative household types earning comparable levels of income (expressed as a percentage of the national average wage). It also provides detailed analysis of changes in effective tax rates between 2024 and 2025 as well as changes since 2000. Part II provides detailed information on labour taxation systems in individual OECD countries. The methodology followed in this Report is explained in the Annex.

This chapter begins with an introduction to the *Taxing Wages* methodology, which is followed by a review of the effective tax rate indicators across OECD countries in 2025. The review analyses the tax wedge and the personal average tax rates for a single worker without children who earns the average wage. It also examines the corresponding indicators for a one-earner couple earning the average wage with two children and a two-earner married couple, also with two children, where one spouse earns the average wage and the other 67% thereof. The chapter concludes by analysing changes in nominal and real average wages as well as changes in post-tax income by country in 2025 and by setting out the industry classification on which the wage data is based.

Introduction

The *Taxing Wages* methodology focuses on full-time employees. It is assumed that their annual income from employment is equal to a given percentage of the average full-time adult gross wage earnings for each OECD economy, referred to as the average wage. This covers both manual and non-manual workers for either industry sectors C-K inclusive with reference to the International Standard Industrial Classification of All Economic Activities, Revision 3 (ISIC Rev.3) or industry sectors B-N inclusive with reference to the International Standard Industrial Classification of All Economic Activities, Revision 4 (ISIC Rev.4).¹ Further details are provided in Table 1.8 as well as in the Annex of this Report. Additional assumptions are made about the personal circumstances of these wage earners to determine their tax and benefit position.

In *Taxing Wages*, the term ‘tax’ includes personal income tax, SSCs and payroll taxes (which are aggregated with employer SSCs in the calculation of tax rates) payable on gross wage earnings. Consequently, any income tax that might be due on non-wage income and other kinds of taxes – such as corporate income tax, net wealth tax and consumption taxes – are not taken into account. The transfers included are those paid by general government as cash benefits, usually in respect of dependent children.

For most OECD countries, the tax year is equivalent to the calendar year, the exceptions being Australia, New Zealand and the United Kingdom. In the case of New Zealand and the United Kingdom, where the tax year starts in April, the calculations apply a ‘forward-looking’ approach. This implies that, for example, the tax rates reported for 2025 are those for the tax year 2025-2026. However, in Australia, where the tax year starts in July, a ‘backward-looking’ approach is adopted to present more reliable results; the year 2025 in respect of Australia is the 2024-2025 tax year. *Taxing Wages* also adopts a backward-looking approach for Italy due to how the relevant information is collected by national authorities; the information included in this publication for 2025 therefore refers to the policies in place during the 2024 fiscal year.

Taxing Wages presents several measures of taxation on labour. Most emphasis is given to the tax wedge, a measure of the difference between labour costs to the employer and the corresponding net take-home pay of the employee. This indicator is calculated by expressing the sum of personal income tax, employee plus employer SSCs together with any payroll tax, minus benefits as a percentage of labour costs.

Employer SSCs and (in some countries) payroll taxes are added to the gross wage earnings of employees in order to determine a measure of total labour costs.

The average tax wedge measures that part of total labour costs which is taken in tax and SSCs net of cash benefits, while the marginal tax wedge measures that part of an *increase* in total labour costs that is paid in taxes and SSCs less cash benefits. The tax wedge only includes payments that are classified as taxes according to the OECD Interpretative Guide. Employees and employers may also make non-tax compulsory payments (NTCPs)² that may affect the indicators presented in this Report, such as the tax wedge. An accompanying paper to *Taxing Wages* presents “compulsory payment indicators” that combine taxes and NTCPs. It is available at: <https://www.oecd.org/content/dam/oecd/en/topics/policy-issues/tax-policy/non-tax-compulsory-payments.pdf>.

This Report also includes analysis of the personal average tax rate and the net personal average tax rate. The personal average tax rate is the term used when the personal income tax and employee SSCs are expressed as a percentage of gross wage earnings. The net personal average tax rate corresponds to the above measure net of cash benefits. The net personal marginal tax rate shows that part of an *increase* in gross wage earnings that is paid in personal income tax and employee SSCs net of cash benefits.

Taxation of single workers

The tax wedge

Table 1.1 shows that the tax wedge between the labour costs to the employer and the corresponding net take-home pay for single workers without children, at average wage earnings levels, varied widely across OECD countries in 2025 (see column 1). While the tax wedge for this type of household exceeded 45% of labour costs in Austria, Belgium, France, Germany, Italy and Slovenia, it was below 20% in Chile and Colombia. The largest tax wedge was observed in Belgium (52.5%) and the lowest in Colombia (0.0%). In Colombia, a single worker earning the average wage did not pay personal income taxes in 2025, while their contributions to pension, health and employment risk insurance are considered to be NTCPs³ and therefore not counted as taxes in *Taxing Wages*. shows Table 1.1 that the average tax wedge as a percentage of labour costs in OECD countries was 35.1% in 2025.

Changes in the tax wedge as a percentage of labour costs between 2024 and 2025 for a single worker earning the average wage without children are shown in column 2 of Table 1.1. The OECD average tax wedge for this household type increased by 0.15 percentage points (p.p.) in 2025, having increased by 0.11 p.p. in 2024 and by 0.16 p.p. in 2023. Between 2024 and 2025, the tax wedge increased in twenty-four OECD countries, fell in eleven, and remained the same in three. Box 1.1 provides a longer-term perspective on the changes in the tax wedge for this household type and the other two household types considered in this Chapter since 2000.

Box 1.1. Changes in the tax wedge between 2000 and 2025 across household types

The tax wedge for the eight household types examined in this Report may differ in terms of their level but they have followed a similar trajectory since 2000. The small overall decline in the tax wedge between 2000 and 2025 for each household type masks significant fluctuations over the intervening period that are primarily linked to two economic shocks: the Global Financial Crisis and the COVID-19 pandemic.

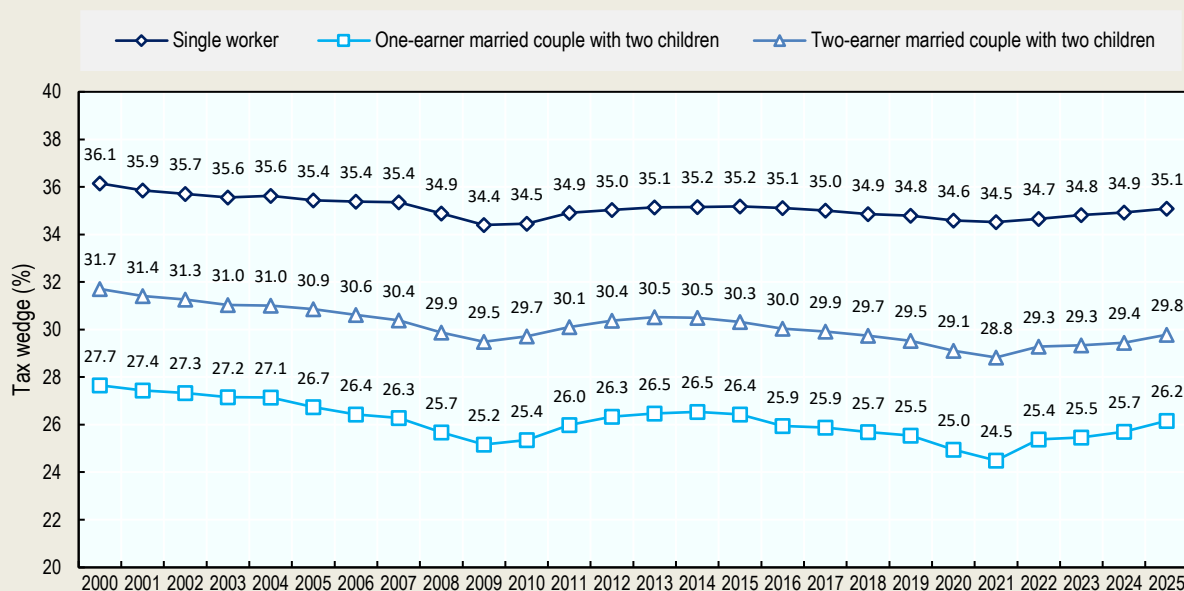
Figure 1.1 shows the average tax wedge for OECD countries in each year between 2000 and 2025 for the three household types analysed in this Chapter: the single worker earning the average wage; the one-earner married couple earning the average wage with two children; and the two-earner married couple with two children where the principal earns the average wage and the spouse earns 67% of the average wage.

Tax burdens for the three household types have followed a similar trend over this period, with the lowest average tax wedge for each observed in 2009 during the Global Financial Crisis and in 2020-21 during the COVID-19 pandemic, when many countries introduced temporary measures to support households. In every year between 2022 and 2025 (inclusive), the tax wedge increased for all three household types.

In 2025, the average tax wedge for the single worker was at its highest level since 2016, while that of the one-earner married couple reached its highest level since 2015, and that of the two-earner married couple attained its highest level since 2018.

Figure 1.1. OECD average tax wedge for different household types, 2000-25

As % of labour costs



Notes: The single worker as well as the principal earner in the one-earner married couple earn the average wage. For the two-earner married couple, the principal earner is assumed to earn the average wage while the spouse is assumed to earn 67% of the average wage. Payroll taxes are included in the calculations for the employer social security contributions, where applicable.

StatLink  <https://stat.link/bv5sxu>

In 2025, all OECD countries introduced changes to the thresholds, rates and amounts for personal income tax, SSCs or cash transfers. As a result, changes in the tax wedge reflected both these policy adjustments (whether reforms or parametric changes) and changes in the average wage, making it difficult to ascribe with certainty movements in the tax wedge in a specific country to either factor, especially since some policy rates might be automatically indexed to wage growth (OECD, 2023^[1]).

Increases in the tax wedge for a single worker earning the average wage ranged from 0.02 p.p. in Switzerland to 2.45 p.p. in the United Kingdom. The increase in the tax wedge was larger than 1.0 p.p. in four countries: Israel, Germany, Estonia and the United Kingdom. In the United Kingdom, the increase was mainly driven by higher personal income taxes due to fiscal drag (gross earnings increased while tax allowances and the thresholds for the tax schedule remained unchanged) and the increase in employer SSCs (which resulted from an increase in the National Insurance contribution rate and a lowering of the minimum earnings threshold for contributions). In Estonia, the 1.95 p.p. increase was mainly due to an increase in the personal income tax rate⁴ between 2024 and 2025 from 20% to 22%, as well as fiscal drag. In Germany, the 1.34 p.p. increase was primarily attributable to an increase in SSC rates for sickness and long-term care insurance for employees and employers between 2024 and 2025, to the discontinuation of the inflation compensation premium, and to gross earnings increasing by more than the adjustments to PIT thresholds. Finally, a 1.09 p.p. increase in the tax wedge in Israel was mostly caused by fiscal drag, as tax credits and the thresholds for tax brackets did not change, combined with an increase in the SSC rates for employees and employers.

In thirteen out of the 24 countries where the tax wedge increased, the rise was driven by higher personal income tax as a percentage of labour costs (see column 3 of). In the countries where Table 1.1 the rules concerning the tax schedule did not change, such as Korea and Poland, this was due to increases in the nominal average wage between 2024 and 2025. Higher average wages increase personal income tax rates through the progressivity of income tax systems if income tax thresholds rise by less than average earnings (OECD, 2023^[1]). Similarly to the case of Israel, the higher personal income taxes in Korea and Poland were primarily the result of a higher proportion of earnings becoming subject to tax while the value of tax allowances and tax credits fell relative to earnings.

In Belgium, Canada, Chile, Finland, Germany, Israel, Luxembourg, Slovenia, Türkiye and the United Kingdom, the increase in the tax wedge was mostly due to higher employee or employer SSCs. In Belgium, the SSC rate on employers edged up slightly in 2025. In Canada, both the employee and employer contribution rates increased year-on-year. In Chile, a new employer SSC payment was introduced. Similarly, in Finland and in Luxembourg, employers now bear a larger share of contributions to the social security system. In Slovenia, a 1.0 p.p. increase in the contribution rate for both employers and employees took effect in mid-2025. In Türkiye, the employer SSC rate increased between 2024 and 2025. The increases in Israel, Germany and the United Kingdom are discussed above.

In nine of the eleven OECD countries where the tax wedge fell as a percentage of labour costs, the decline was mostly derived from lower personal income tax (Australia, Denmark, Iceland, Ireland, Italy, Latvia, Portugal, Sweden and the United States). The decreases in the tax wedge observed in 2025 exceeded 1 p.p. in Australia (-1.67 p.p.), Latvia (-1.44 p.p.) and Italy (-1.21 p.p.). In Australia, the decrease in the tax wedge was mostly due to a decrease in the tax rates and a parallel increase in the earnings thresholds of the tax schedule. In Latvia, the decrease was mainly due to the introduction of a flat basic allowance of EUR 510 per month, which replaced a means-tested allowance and further lowered the taxable income of the single worker earning the average wage. In Italy, the main driver of the decrease was the replacement of the temporary reduced rate for employee SSCs by two new tax credits.

Table 1.2 and Figure 1.2 show the components of the tax wedge across OECD countries in 2025: personal income tax, employee SSCs and employer SSCs (including payroll taxes where applicable), as a percentage of labour costs for a worker without children earning the average wage. Labour costs in Table 1.2 are expressed in US dollars with equivalent purchasing power.

The percentage of labour costs paid in personal income tax varied considerably across OECD countries in 2025, from zero in Colombia and Costa Rica and 0.1% in Chile (with Czechia, Japan, Korea, Poland and the Slovak Republic also below 10%) to 35.1% in Denmark (with Australia, Belgium, Iceland and New Zealand also above 20%). The percentage of labour costs paid in employee SSCs also varied widely, ranging from 0.0% in Australia, Colombia, Denmark and New Zealand to 19.2% in Lithuania and 20.6% in Slovenia. Employers in France paid 26.7% of labour costs in SSCs, the highest amongst OECD countries. Employer SSCs accounted for more than 20% of labour costs in eight other countries: Austria, Belgium, Czechia, Estonia, Italy, the Slovak Republic, Spain and Sweden. Combined employee and employer SSCs exceeded 20% of labour costs in 23 countries and represented at least one-third of labour costs in Austria, Czechia, France, Germany, the Slovak Republic and Slovenia.

Table 1.1. Comparison of total tax wedge, 2025

As % of labour costs

Country ¹	Total tax wedge 2025 (1)	Annual change, 2025/2024 (in percentage points) ²			
		Tax wedge (2)	Income tax (3)	Employee SSC (4)	Employer SSC ³ (5)
Belgium	52.5	0.08	-0.02	-0.01	0.11
Germany	49.3	1.34	0.28	0.53	0.52
France	47.2	0.06	0.06	0.00	0.00
Austria	47.1	0.29	-0.01	0.00	0.00
Italy	45.8	-1.21	-1.21	0.00	0.00
Slovenia	45.3	0.63	-0.06	0.32	0.37
Slovak Republic	42.7	0.20	0.20	0.00	0.00
Estonia	42.6	1.95	1.95	0.00	0.00
Finland	42.5	0.35	-0.09	0.09	0.35
Spain	41.4	0.31	0.25	0.00	0.05
Czechia	41.2	0.24	0.24	0.00	0.00
Hungary	41.2	0.00	0.00	0.00	0.00
Sweden	41.1	-0.37	-0.37	0.00	0.00
Türkiye	40.3	0.76	0.29	-0.08	0.55
Luxembourg	40.2	0.24	-0.54	-0.11	0.88
Latvia	40.1	-1.44	-1.44	0.00	0.00
Lithuania	39.8	0.38	0.38	0.00	0.00
Portugal	39.3	-0.24	-0.24	0.00	0.00
Greece	39.3	-0.16	0.54	-0.36	-0.34
Norway	36.4	-0.07	0.02	-0.09	0.00
Netherlands	35.9	0.04	0.23	-0.41	0.22
Denmark	35.8	-0.41	-0.48	0.00	0.06
Poland	35.0	0.28	0.32	0.01	-0.04
Japan	33.1	0.39	0.46	-0.04	-0.04
Ireland	32.6	-0.63	-0.79	0.06	0.10
United Kingdom	32.4	2.45	0.98	-0.31	1.77
Canada	32.1	0.13	-0.38	0.28	0.23
Iceland	31.5	-0.05	-0.04	-0.01	0.00
United States	30.0	-0.09	-0.08	0.00	-0.01
Australia	27.9	-1.67	-1.70	0.00	0.02
Costa Rica	27.7	0.00	0.00	0.00	0.00
Israel	26.1	1.09	0.26	0.43	0.39
Korea	24.8	0.13	0.18	0.00	-0.05
Switzerland	23.0	0.02	0.02	0.00	0.00
Mexico	21.7	0.36	0.37	0.00	-0.01
New Zealand	20.8	0.03	0.03	0.00	0.00
Chile	7.5	0.46	0.11	-0.03	0.37
Colombia	0.0	0.00	0.00	0.00	0.00
OECD Average	35.1	0.15	-0.01	0.01	0.15

Note: Table shows results for a single individual without children earning the average wage.

1. Countries ranked by decreasing total tax wedge.

2. Due to rounding, changes in the tax wedge in column (2) may differ by one-hundredth of a percentage point from the sum of columns (3)-(5). Although not included in columns (3)-(5), the discontinuation of the "climate bonus" cash transfer contributed to increasing the tax wedge in Austria between 2024 and 2025 by 0.30 p.p.

3. Includes payroll taxes where applicable.

Source: Country submissions, (OECD_[2]) Economic Outlook Volume 2025 Issue 2.StatLink  <https://stat.link/6cvy8h>

Table 1.2. Income tax plus employee and employer social security contributions, 2025

As % of labour costs

Country ¹	Total tax wedge ² (1)	Income tax (2)	Social security contributions		Labour costs ⁴ (5)
			employee (3)	employer ³ (4)	
Germany	49.3	14.2	17.8	17.3	113 595
Switzerland	23.0	10.9	6.0	6.0	113 350
Belgium	52.5	20.1	11.0	21.4	111 355
Austria	47.1	11.4	14.0	21.6	110 216
Luxembourg	40.2	17.3	10.8	12.0	105 925
Netherlands	35.9	15.8	8.9	11.2	104 614
Norway	36.4	18.1	6.8	11.5	99 126
United Kingdom	32.4	15.4	4.9	12.0	93 576
France	47.2	12.2	8.3	26.7	91 724
Ireland	32.6	18.9	3.7	10.1	90 018
Canada	32.1	17.2	6.2	8.8	89 590
Denmark	35.8	35.1	0.0	0.7	89 045
Iceland	31.5	25.4	0.1	6.0	88 869
Finland	42.5	17.6	7.9	17.0	88 536
Sweden	41.1	11.9	5.3	23.9	87 206
Australia	27.9	22.2	0.0	5.7	83 604
Italy	45.8	14.5	7.2	24.0	79 609
United States	30.0	15.4	7.1	7.5	79 466
Spain	41.4	13.1	5.0	23.4	75 101
Korea	24.8	6.4	8.5	10.0	75 072
Japan	33.1	6.9	12.7	13.5	69 083
Türkiye	40.3	12.1	12.7	15.6	64 832
Israel	26.1	11.9	8.3	5.9	62 889
Slovenia	45.3	10.4	20.6	14.2	62 611
Poland	35.0	5.7	15.3	14.0	62 288
Greece	39.3	10.5	11.0	17.9	62 082
Czechia	41.2	7.3	8.7	25.3	60 388
Estonia	42.6	16.2	1.2	25.3	58 134
Lithuania	39.8	18.9	19.2	1.8	57 657
Portugal	39.3	11.3	8.9	19.2	56 779
New Zealand	20.8	20.8	0.0	0.0	56 534
Latvia	40.1	12.5	8.5	19.1	53 122
Hungary	41.2	13.3	16.4	11.5	51 943
Slovak Republic	42.7	8.2	10.1	24.4	50 392
Costa Rica	27.7	0.0	7.9	19.8	41 725
Chile	7.5	0.1	7.0	0.4	30 615
Mexico	21.7	10.6	1.3	9.8	23 537
Colombia	0.0	0.0	0.0	0.0	20 534
OECD Average	35.1	13.4	8.1	13.5	74 072

Note: Table shows results for a single individual without children earning the average wage.

1. Countries ranked by decreasing labour costs.

2. Due to rounding, the total in column (1) may differ by one tenth of a percentage point from the sum of columns (2)-(4).

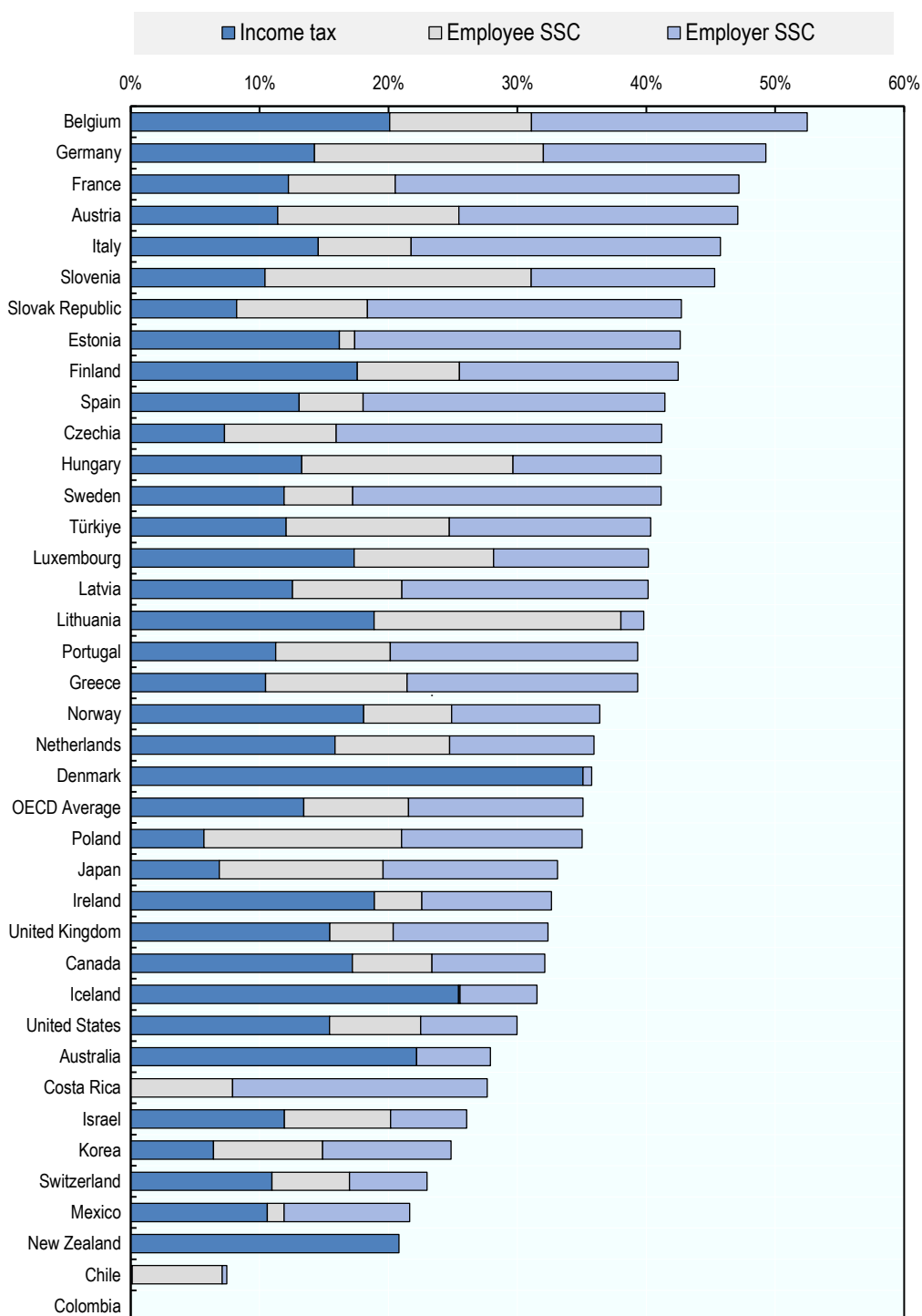
3. Includes payroll taxes where applicable.

4. US dollars with equal purchasing power.

Source: Country submissions, (OECD_[2]) Economic Outlook Volume 2025 Issue 2.StatLink  <https://stat.link/e8fvlb>

Figure 1.2. Income tax plus employee and employer social security contributions for a single worker, 2025

Salary equal to the average wage, as % of labour costs



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

StatLink  <https://stat.link/tao6wd>

Personal average tax rates

The personal average tax rate is defined as personal income tax plus employee SSCs as a percentage of gross wage earnings. Unlike the tax wedge, this indicator focuses on the total burden on gross earnings faced by the employee alone, excluding the contributions paid by employers. This indicator sheds light on the incentive to work faced by individual workers.

Table 1.3 shows the personal average tax rate in 2025 for a single worker without children at the average wage level, with the average worker's gross wage earnings expressed in US dollars with equivalent purchasing power. Figure 1.3 provides a graphical representation of the personal average tax rate decomposed between personal income tax and employee SSCs.

Table 1.3 and Figure 1.3 show that, on average, the personal average tax rate for a single worker at average earnings in OECD countries was 25.1% in 2025. Belgium had the highest rate, at 39.5% of gross wage earnings; Denmark, Germany, Lithuania and Slovenia were the other countries with rates above 35%. The lowest personal average tax rates were in Mexico (13.2%), Costa Rica (9.8%), Chile (7.1%) and Colombia (0.0%). The personal average tax rate was zero for Colombia as the single worker did not pay personal income tax at the average wage level in 2025, as discussed above.⁵

In 2025, the share of income tax in the personal average tax rate was higher than the share of employee SSCs for 23 of the 38 OECD Member countries. No employee SSCs were levied in Australia, Colombia, Denmark and New Zealand and their level was below 5% of gross earnings in Estonia, Iceland, Ireland and Mexico. In contrast, a single worker at the average wage level paid substantially more in employee SSCs than in personal income tax (i.e. a difference larger than 5 p.p.) in five countries: Chile, Costa Rica, Japan, Poland and Slovenia. In seven countries – Czechia, Greece, Korea, Lithuania, Portugal, the Slovak Republic and Türkiye – the respective shares of personal income tax and employee SSCs as a percentage of gross earnings were very close (i.e. differences smaller than 3 p.p.).

Table 1.3. Income tax plus employee social security contributions, 2025

As % of gross wage earnings

Country ¹	Total payment ²	Income tax (2)	Employee social security contributions (3)	Gross wage earnings ³ (4)
Switzerland	18.1	11.7	6.4	106 532
Germany	38.7	17.2	21.5	93 985
Luxembourg	32.0	19.7	12.3	93 203
Netherlands	27.9	17.8	10.0	92 905
Denmark	35.3	35.3	0.0	88 454
Norway	28.1	20.4	7.7	87 722
Belgium	39.5	25.6	14.0	87 530
Austria	32.5	14.6	17.9	86 370
Iceland	27.2	27.1	0.1	83 563
United Kingdom	23.1	17.6	5.6	82 329
Canada	25.6	18.8	6.8	81 745
Ireland	25.1	21.0	4.1	80 970
Australia	23.5	23.5	0.0	78 815
United States	24.3	16.7	7.7	73 520
Finland	30.7	21.2	9.5	73 499
Korea	16.5	7.1	9.4	67 594
France	28.0	16.7	11.3	67 273
Sweden	22.6	15.6	7.0	66 356
Italy	28.6	19.1	9.5	60 503
Japan	22.6	7.9	14.7	59 729
Israel	21.4	12.7	8.8	59 178
Spain	23.5	17.1	6.5	57 517
Lithuania	38.7	19.2	19.5	56 643
New Zealand	20.8	20.8	0.0	56 534
Türkiye	29.3	14.3	15.0	54 702
Slovenia	36.2	12.1	24.1	53 697
Poland	24.4	6.6	17.8	53 558
Greece	26.1	12.7	13.4	50 974
Hungary	33.5	15.0	18.5	45 967
Portugal	24.9	13.9	11.0	45 882
Czechia	21.3	9.7	11.6	45 133
Estonia	23.2	21.6	1.6	43 448
Latvia	26.0	15.5	10.5	42 975
Slovak Republic	24.3	10.9	13.4	38 118
Costa Rica	9.8	0.0	9.8	33 482
Chile	7.1	0.1	7.0	30 501
Mexico	13.2	11.8	1.4	21 239
Colombia	0.0	0.0	0.0	20 534
OECD Average	25.1	15.5	9.6	63 755

Note: Table shows results for a single individual earning the average wage.

1. Countries ranked by decreasing gross wage earnings.

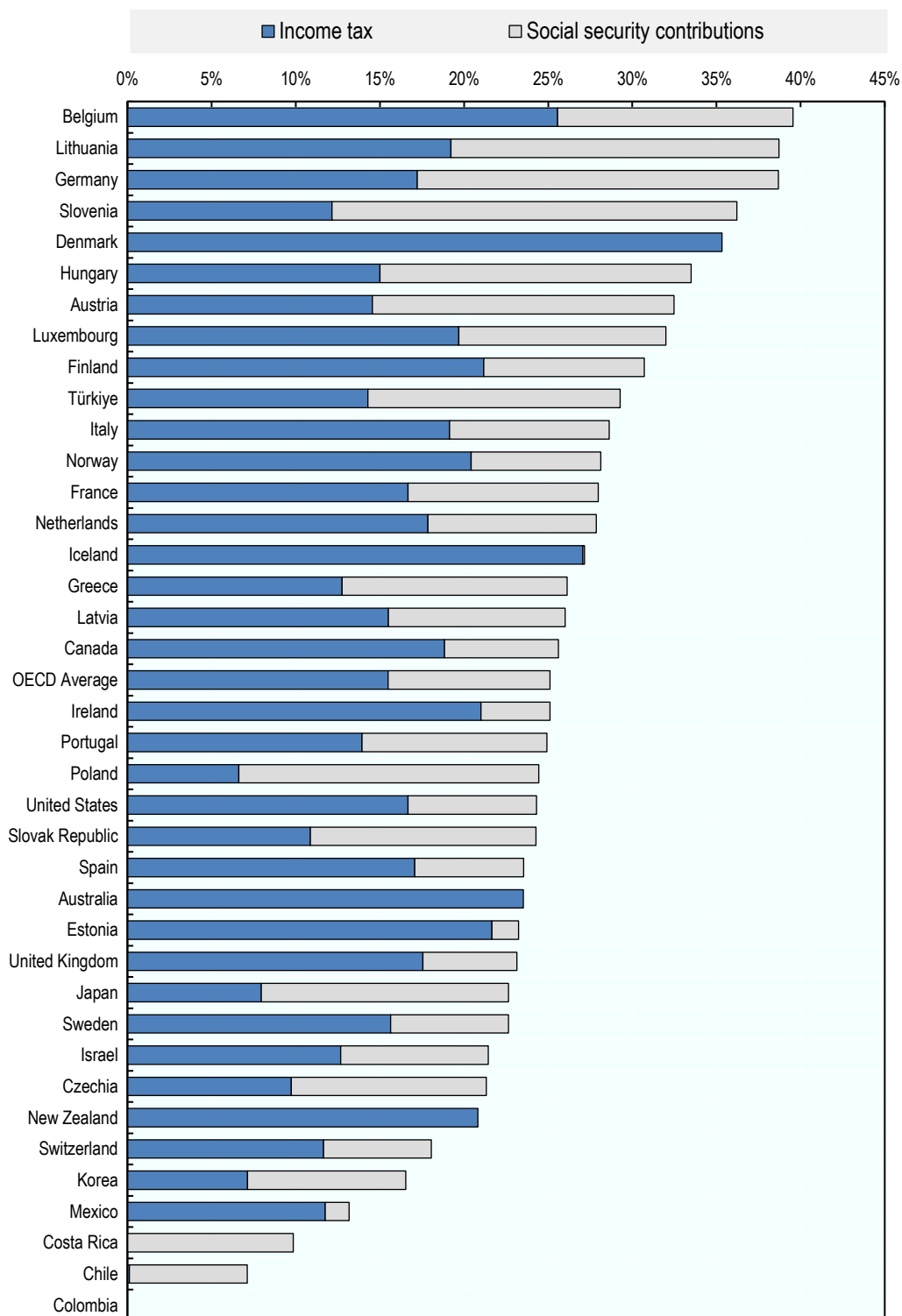
2. Due to rounding, total may differ by one tenth of a percentage point from aggregate of columns for income tax and social security contributions.

3. US dollars with equal purchasing power.

Source: Country submissions, (OECD^[2]) Economic Outlook Volume 2025 Issue 2.StatLink  <https://stat.link/mcujdy>

Figure 1.3. Percentage of gross wage earnings paid in income tax and employee social security contributions for a single worker, 2025

Salary equal to the average wage, as % of gross earnings



Notes: Countries ranked by decreasing tax burden.

Figure shows results for a single worker without children earning the average wage.

StatLink  <https://stat.link/gab0nf>

Single versus one-earner couple taxpayers

Many OECD countries provide a fiscal benefit to households with children through advantageous tax treatment or cash benefits.⁶ Table 1.4 compares the tax wedge as a percentage of labour costs for a one-earner married couple with two children with that of a single individual without children, at average wage levels. The tax wedge for the couple with children is generally smaller than that observed for the individual without children: the OECD average tax wedge as a percentage of labour costs for the one-earner married couple with two children was 26.2% in 2025, compared with 35.1% for the single worker. However, this gap narrowed by 0.31 p.p. between 2024 and 2025 because the average tax wedge for the one-earner married couple with two children increased slightly more than the tax wedge for the single worker without children between 2024 and 2025.⁷

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

The tax wedge of a one-earner married couple with two children increased by 0.46 p.p. on average and rose in 22 countries between 2024 and 2025 (column 4). In 26 countries, the change did not exceed plus or minus one percentage point, while there were increases of more than 1.0 p.p. in nine countries: Chile, Estonia, Germany, Israel, Japan, Poland, the Slovak Republic, Slovenia and the United Kingdom.

In the Slovak Republic, the tax wedge of an average one-earner married couple with two children increased by 5.37 p.p. primarily due to a reform of the child tax credit system, which reduced the amount of the fixed monthly benefit per child and introduced an income-based phase-out. In the United Kingdom, the 2.68 p.p. increase was mostly due to higher PIT caused by fiscal drag as well as increased employer contributions. In Chile, the increase (2.55 p.p.) was primarily caused by the discontinuation of the Electronic Family Wallet programme, which resulted in a decrease in cash transfers. In Japan, the increase (2.43 p.p.) was mainly driven by increases in central and local personal income tax liabilities.

In Poland, the increase (2.30 p.p.) was due to the combined effect of fiscal drag and the value of the child cash transfer remaining unchanged between 2024 and 2025. In Estonia, the 2.29 p.p. increase was principally attributable to an increase in the personal income tax rate between 2024 and 2025 and the tax allowances and child-related cash transfers remaining unchanged. In Germany, the 1.61 p.p. increase was primarily caused by the discontinuation of the inflation compensation premium, the increase in employee and employer SSC rates and fiscal drag. In Israel, the increase (1.19 p.p.) was mostly driven by fiscal drag and an increase in employee and employer SSC rates. Finally, in Slovenia, the increase (1.03 p.p.) can mostly be attributed to the 1 p.p. increase in employee and employer SSC rates as of July 2025.

Decreases of at least one percentage point in the tax wedge of a one-earner married couple with two children receiving the average wage occurred in three countries: Australia, Latvia and Lithuania. In Latvia, the decrease (2.09 p.p.) was mainly caused by a reform of the PIT system, which replaced a means-tested allowance with a flat basic allowance of EUR 510 per month. In Lithuania, the 1.86 p.p. fall in the tax wedge was mainly due to higher child-related transfers. Finally, in Australia, the 1.63 p.p. decrease was mostly due to a decrease in personal income tax following changes to the tax schedule in the 2023/24 and 2024/25 fiscal years.

A comparison of changes in the tax wedge between 2024 and 2025 for one-earner married couples with two children and single persons without children, at the average wage level, is shown in column 6 of Table 1.4. The fiscal preference for families decreased in 24 of the 38 OECD countries and increased in eleven countries: Colombia, Denmark, Finland, France, Hungary, Iceland, Latvia, Lithuania, Norway, Switzerland and the United States.

Table 1.4. Comparison of total tax wedge for single and one-earner couple taxpayers, 2025

As % of labour costs

Country ¹	Family ² total tax wedge 2025 (1)	Single ³ total tax wedge 2025 (2)	Fiscal preference for families (1)-(2) (3)	Annual change, 2025/24 (in percentage points)		
				Family tax wedge (4)	Single tax wedge (5)	Difference between single and family (5)-(4) (6)
Poland	14.2	35.0	-20.8	2.30	0.28	-2.02
Luxembourg	20.7	40.2	-19.5	0.67	0.24	-0.44
Slovak Republic	24.0	42.7	-18.7	5.37	0.20	-5.16
Lithuania	23.7	39.8	-16.1	-1.86	0.38	2.24
Belgium	36.9	52.5	-15.6	0.16	0.08	-0.08
Germany	34.9	49.3	-14.4	1.61	1.34	-0.27
Austria	33.3	47.1	-13.8	1.00	0.29	-0.71
Ireland	19.0	32.6	-13.6	-0.52	-0.63	-0.11
Iceland	19.2	31.5	-12.3	-0.08	-0.05	0.04
Switzerland	10.8	23.0	-12.1	-0.26	0.02	0.28
Slovenia	33.4	45.3	-11.9	1.03	0.63	-0.39
Portugal	27.5	39.3	-11.8	0.09	-0.24	-0.33
Italy	34.3	45.8	-11.5	-0.89	-1.21	-0.32
Korea	14.0	24.8	-10.8	0.47	0.13	-0.34
United States	19.6	30.0	-10.4	-0.47	-0.09	0.38
Latvia	29.8	40.1	-10.4	-2.09	-1.44	0.65
Canada	22.1	32.1	-10.0	0.17	0.13	-0.04
Hungary	31.5	41.2	-9.6	-0.50	0.00	0.50
New Zealand	11.4	20.8	-9.4	0.88	0.03	-0.85
Czechia	31.9	41.2	-9.3	0.81	0.24	-0.57
Denmark	26.6	35.8	-9.1	-0.45	-0.41	0.04
France	39.1	47.2	-8.1	-0.03	0.06	0.09
Netherlands	28.5	35.9	-7.5	0.30	0.04	-0.26
Australia	21.2	27.9	-6.7	-1.63	-1.67	-0.04
Estonia	37.0	42.6	-5.6	2.29	1.95	-0.34
Norway	31.4	36.4	-5.0	-0.93	-0.07	0.87
Colombia	-4.8	0.0	-4.8	-0.32	0.00	0.32
Japan	28.4	33.1	-4.7	2.43	0.39	-2.04
Israel	21.4	26.1	-4.7	1.19	1.09	-0.10
Spain	36.8	41.4	-4.6	0.50	0.31	-0.19
Sweden	36.8	41.1	-4.3	-0.24	-0.37	-0.14
Finland	38.7	42.5	-3.7	0.32	0.35	0.03
United Kingdom	28.8	32.4	-3.5	2.68	2.45	-0.24
Chile	4.9	7.5	-2.5	2.55	0.46	-2.09
Greece	37.5	39.3	-1.9	-0.11	-0.16	-0.06
Türkiye	40.3	40.3	0.0	0.76	0.76	0.00
Mexico	21.7	21.7	0.0	0.36	0.36	0.00
Costa Rica	27.7	27.7	0.0	0.00	0.00	0.00
OECD Average	26.2	35.1	-8.9	0.46	0.15	-0.31

1. Countries ranked by decreasing tax wedge of the family.

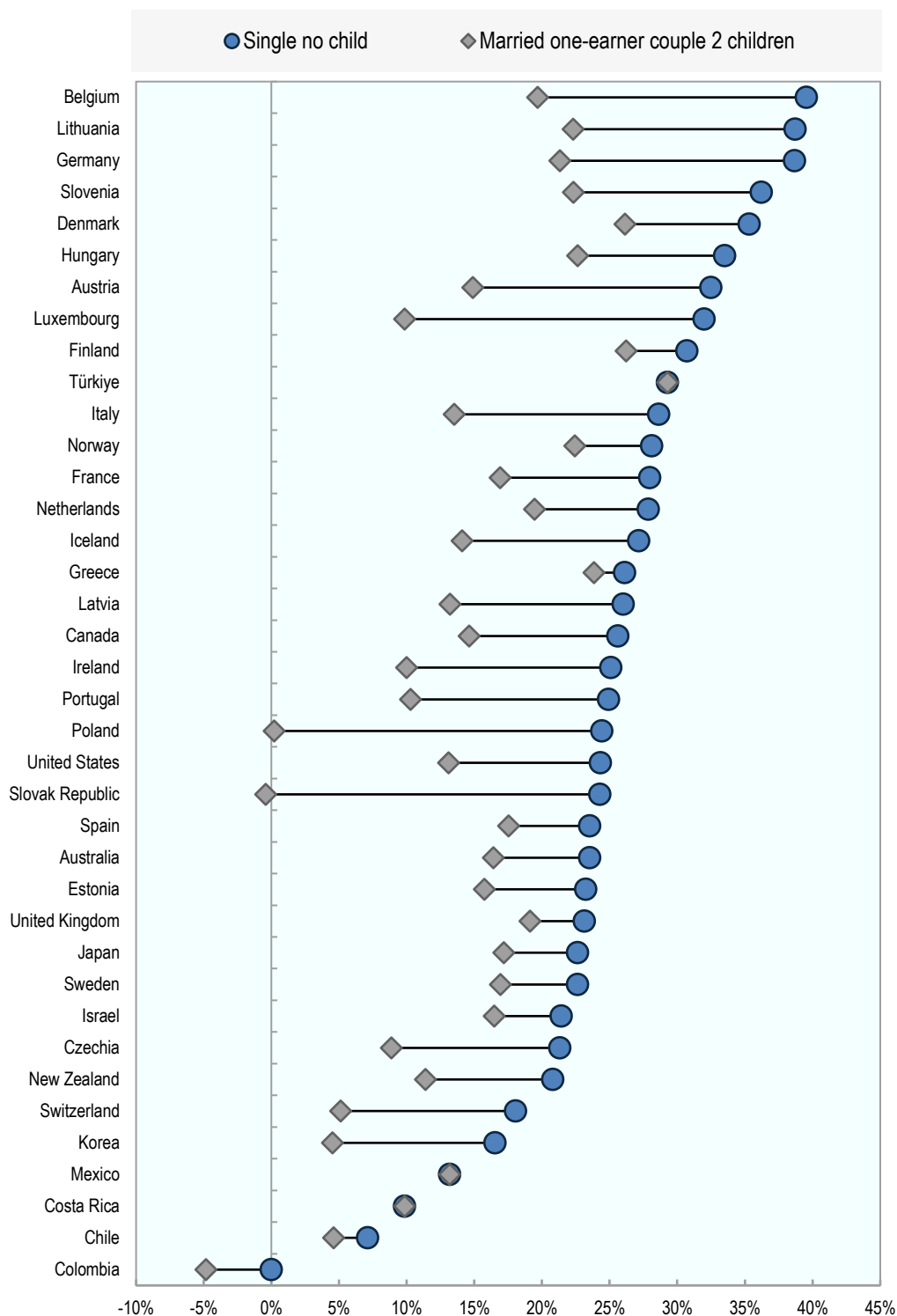
2. One-earner married couple with two children and earning the average wage.

3. Single individual without children earning the average wage.

Source: Country submissions, (OECD, 2025^[2]) Economic Outlook Volume 2025 Issue 2.StatLink  <https://stat.link/d6fijl>

Figure 1.4. Income tax plus employee contributions less cash benefits by household type, 2025

As % of gross wage earnings



Notes: Countries ranked by decreasing rates for single taxpayer without children.

The household type 'single no child' corresponds to a wage level of 100% of average wage and 'married one earner couple 2 children' corresponds to a combined wage level of 100%-0% of average wage

StatLink  <https://stat.link/t84rue>

Figure 1.4 compares the net personal average tax rate for a single worker earning the average wage with that of a one-earner married couple with two children at the same income level. Due to tax reliefs and cash benefits for families with children, the one-earner married couple's disposable income exceeded that of the single worker by more than 20% of earnings in the Slovak Republic (24.7%), Poland (24.2%) and Luxembourg (22.1%); and by more than 15% in Belgium (19.9%), Austria (17.6%), Germany (17.4%), Lithuania (16.4%), Italy and Ireland (both 15.1%).

Meanwhile, the disposable income of the one-earner married couple exceeded that of the single worker by less than 10% of earnings in 15 countries: New Zealand (9.4%), Denmark (9.2%), the Netherlands (8.4%), Estonia (7.5%), Australia (7.1%), Spain (6.0%), Norway and Sweden (both 5.7%), Japan (5.5%), Israel (5.0%), Colombia (4.8%), Finland (4.5%), the United Kingdom (4.0%), Chile (2.5%) and Greece (2.3%). The disposable income was the same for both household types in Costa Rica, Mexico and Türkiye, as in each country their net personal average tax rates were identical.

Taxation of two-earner couples

The preceding sections focused on two households with comparable levels of income: the single worker at 100% of the average wage and the married couple with one earner at 100% of the average wage, with two children. This section extends the analysis to examine the tax wedge and personal average tax rate for a third household type: the two-earner married couple, earning 100% and 67% of the average wage respectively, with two children.

The tax wedge

For the two-earner married couple where the principal earns the average wage and the spouse earns 67% of the average wage, with two children, the OECD average tax wedge was 29.8% of labour costs in 2025 (Figure 1.5 and Table 1.5). Belgium's tax wedge of 44.8% was the highest among OECD countries for this household type. The other countries with a tax wedge exceeding 40% were Germany and France (42.6% and 41.0%, respectively). The lowest tax wedge was observed in Colombia (-5.8%), where the tax wedge was negative because this household type did not pay income taxes at that level of earnings (although it paid contributions that are not considered taxes) and received cash benefits that were paid on top of their wages. The other countries where the tax wedge for this household type was below 20% were Korea (18.6%), New Zealand (18.5%), Israel (17.7%), Switzerland (17.1%) and Chile (5.5%).

Figure 1.5 shows the average tax wedge and its components as a percentage of labour costs for the two-earner married couple in 2025. On average across OECD countries, income tax represented 10.6% of labour costs and the sum of employee and employer SSCs represented 21.6%. The OECD tax wedge is net of cash benefits, which represented 2.4% of labour costs in 2025. The cash benefits that are included in the *Taxing Wages* models are those universally paid to workers in respect of dependent children between the ages of six to eleven inclusive. In-work benefits that are paid to workers regardless of their family situation are also included in the calculations.

The OECD average tax wedge of the two-earner married couple increased by 0.34 p.p. in 2025 from the previous year, as indicated in Table 1.5 (column 2). For this household type, the tax wedge increased in 19 countries and decreased in 18. The increase exceeded one percentage point in nine countries: the Slovak Republic (3.22 p.p.), the United Kingdom (2.55 p.p.), Estonia (2.14 p.p.), Slovenia (1.76 p.p.), Germany (1.60 p.p.), Poland (1.38 p.p.), Chile (1.27 p.p.), Japan (1.26 p.p.) and Israel (1.18 p.p.). In the Slovak Republic, the increase was primarily driven by a reduction in the monthly tax credit per child and the introduction of an income-based phase-out. In the United Kingdom the increase was due to a rise in the employer SSC rate coupled with a decrease in the minimum contribution threshold. In Estonia, the

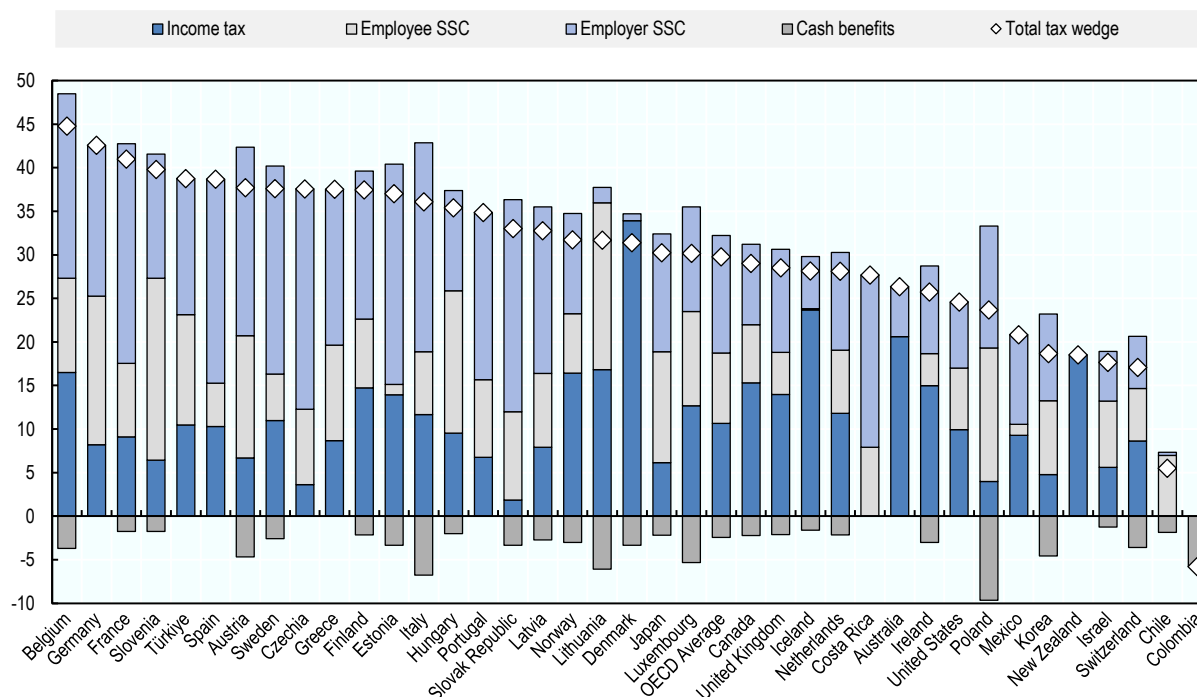
increase was mostly a result of an increase in the flat income tax rate. In Slovenia, the increase in the tax wedge was mainly driven by a fall in the value of cash transfers relative to earnings. In Germany, higher SSCs were the main driver of the increase while in Poland and Chile it was mostly due to a decline in cash benefits as a proportion of total labour costs. In Japan, the central and local income tax liability increased. Finally, in Israel, the increase can be attributed to fiscal drag as well as increased employer and employee SSC rates.

Among the countries where the tax wedge rose for two-earner married couples with children in 2025, an increase in personal income tax as a percentage of labour costs accounted for most of the increase in eight: Czechia, Estonia, Japan, Korea, Mexico, the Netherlands, the Slovak Republic and Spain. Meanwhile, an increase in SSCs was the main factor behind the higher tax wedge for this household type in seven countries: Belgium, Finland, Germany, Israel, Luxembourg, Türkiye and the United Kingdom. In Austria, Chile and Slovenia, the increase was driven by a decrease in the cash transfers received by this household type, while the value of cash transfers in Poland fell in real terms due to not being indexed to inflation.

Decreases of more than one percentage point were observed in only two countries: Latvia (-1.67 p.p.) and Australia (-1.56 p.p.). As mentioned above, the decrease in the tax wedge in Latvia resulted from the introduction of a flat basic allowance, which replaced a means-tested allowance, while in Australia the decrease was mostly caused by a decrease in personal income tax payments following changes to the tax schedule between fiscal years 2023/24 and 2024/25.

Figure 1.5. Income tax plus employee and employer social security contributions less cash benefits for two-earner couples, 2025

As % of labour costs



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

StatLink  <https://stat.link/09zjwn>

Table 1.5. Comparison of total tax wedge for two-earner couples with children, 2025

As % of labour costs

Country ¹	Total tax wedge 2025 (1)	Annual change, 2025/24 (in percentage points) ²				
		Tax wedge (2)	Income tax (3)	Employee SSC (4)	Employer SSC ³ (5)	Cash benefits (6)
Belgium	44.8	0.17	-0.01	-0.01	0.14	-0.05
Germany	42.6	1.60	0.50	0.55	0.55	0.00
France	41.0	0.00	0.04	0.00	-0.03	0.02
Slovenia	39.8	1.76	0.02	0.32	0.37	-1.05
Türkiye	38.8	0.84	0.37	-0.08	0.55	0.00
Spain	38.7	0.38	0.32	0.00	0.05	0.00
Austria	37.7	0.59	0.09	0.00	0.00	-0.50
Sweden	37.6	-0.29	-0.37	0.00	0.00	-0.08
Czechia	37.5	0.46	0.46	0.00	0.00	0.00
Greece	37.5	-0.18	0.52	-0.36	-0.34	0.00
Finland	37.5	0.23	-0.29	0.09	0.35	-0.07
Estonia	37.0	2.14	1.94	0.00	0.00	-0.20
Italy	36.1	-0.33	-2.48	1.97	0.00	-0.18
Hungary	35.4	-0.30	-0.48	0.00	0.00	-0.18
Portugal	34.8	-0.07	-0.07	0.00	0.00	0.00
Slovak Republic	33.0	3.22	3.00	0.00	0.00	-0.23
Latvia	32.8	-1.67	-1.85	0.00	0.00	-0.18
Norway	31.7	-0.59	0.01	-0.09	0.00	0.52
Lithuania	31.7	-0.35	0.49	0.00	0.00	0.84
Denmark	31.4	-0.44	-0.51	0.00	0.08	0.01
Japan	30.2	1.26	1.27	-0.04	-0.04	-0.06
Luxembourg	30.2	0.36	-0.55	-0.11	0.88	-0.14
Canada	29.0	-0.12	-0.37	0.15	0.11	0.02
United Kingdom	28.5	2.55	0.62	-0.17	1.95	-0.15
Iceland	28.2	-0.07	-0.05	-0.01	0.00	0.02
Netherlands	28.1	0.23	0.34	-0.50	0.22	-0.16
Costa Rica	27.7	0.00	0.00	0.00	0.00	0.00
Australia	26.3	-1.54	-1.56	0.00	0.02	0.00
Ireland	25.7	-0.48	-0.76	0.06	0.10	-0.12
United States	24.6	-0.29	-0.27	0.00	-0.02	0.00
Poland	23.7	1.38	0.48	0.01	-0.04	-0.93
Mexico	20.8	0.33	0.34	0.00	-0.01	0.00
Korea	18.6	0.29	0.21	0.00	-0.05	-0.12
New Zealand	18.5	-0.08	-0.08	0.00	0.00	0.00
Israel	17.7	1.18	0.19	0.49	0.48	-0.03
Switzerland	17.1	-0.13	0.08	0.00	0.00	0.22
Chile	5.5	1.27	0.00	-0.03	0.37	-0.92
Colombia	-5.8	-0.38	0.00	0.00	0.00	0.38
OECD Average	29.8	0.34	0.04	0.06	0.15	-0.09

Note: Table shows results for a two-earner married couple, one earning 100% and the other earning 67% of the average wage, with two children.

1. Countries ranked by decreasing total tax wedge.

2. Due to rounding, the changes in tax wedge in column (2) may differ by one hundredth of a percentage point from the sum of columns (3)-(6).

3. Includes payroll taxes where applicable.

Source: Country submissions, (OECD_[2]) Economic Outlook Volume 2025 Issue 2.StatLink  <https://stat.link/k2c083>

Table 1.6. Income tax plus employee social security contributions less cash benefits, 2025

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

Country ¹	Total payment ² (1)	Income tax (2)	Employee social security contributions (3)	Cash benefits (4)	Gross wage earnings ³ (5)
Switzerland	11.8	9.2	6.4	3.8	177 908
Germany	30.5	9.9	20.7	0.0	156 955
Luxembourg	20.6	14.4	12.3	6.1	155 648
Netherlands	19.0	13.3	8.2	2.4	155 151
Denmark	30.8	34.2	0.0	3.4	147 718
Norway	22.9	18.6	7.7	3.4	146 496
Belgium	30.0	20.9	13.7	4.7	146 175
Austria	20.5	8.5	17.9	6.0	144 238
Iceland	23.6	25.2	0.1	1.7	139 550
United Kingdom	18.9	15.8	5.5	2.4	137 490
Canada	21.8	16.9	7.4	2.4	136 515
Ireland	17.4	16.7	4.1	3.3	135 220
Australia	21.8	21.8	0.0	0.0	131 620
United States	18.4	10.7	7.7	0.0	122 779
Finland	24.7	17.7	9.5	2.6	122 743
Korea	9.6	5.3	9.4	5.1	112 882
France	21.1	12.1	11.3	2.4	112 345
Sweden	18.0	14.4	7.0	3.4	110 815
Italy	15.9	15.3	9.5	8.9	101 039
Japan	19.3	7.1	14.7	2.5	99 748
Israel	12.7	5.9	8.1	1.3	98 828
Spain	19.9	13.4	6.5	0.0	96 054
Lithuania	30.4	17.1	19.5	6.2	94 593
New Zealand	18.5	18.5	0.0	0.0	94 412
Greece	23.9	10.5	13.4	0.0	93 640
Türkiye	27.4	12.4	15.0	0.0	91 352
Slovenia	29.8	7.5	24.4	2.1	89 675
Poland	11.2	4.6	17.8	11.2	89 442
Hungary	27.0	10.8	18.5	2.3	76 765
Portugal	19.4	8.4	11.0	0.0	76 624
Czechia	16.4	4.8	11.6	0.0	75 373
Estonia	15.7	18.6	1.6	4.5	72 558
Latvia	16.9	9.8	10.5	3.4	71 768
Slovak Republic	11.4	2.4	13.4	4.4	63 657
Costa Rica	9.8	0.0	9.8	0.0	55 915
Chile	5.1	0.0	7.0	1.9	50 936
Mexico	11.7	10.4	1.4	0.0	35 470
Colombia	-5.8	0.0	0.0	5.8	34 292
OECD Average	18.9	12.2	9.5	2.8	106 694

Notes: Table shows results for a two-earner married couple, one at 100% and the other at 67% of the average wage, with two children.

1. Countries ranked by decreasing gross wage earnings.

2. Due to rounding, total may differ by one tenth of a percentage point from aggregate of columns for income tax, social security contributions and cash benefits.

3. US dollars with equivalent purchasing power.

Source: Country submissions, (OECD^[2]) Economic Outlook Volume 2025 Issue 2.StatLink  <https://stat.link/7mco46>

Personal average tax rates

The net personal average tax rate was 18.8% of gross wage earnings on average for a two-earner married couple with two children where one spouse earns the average wage and the other earns 67% thereof in 2025. Table 1.6 shows the net personal average tax rate for each OECD country and its components as a percentage of gross wage earnings. Household gross wage earnings in column 5 are expressed in US dollar terms with equivalent purchasing power. Unlike the results shown in Table 1.3, cash benefits are taken into account in Table 1.6 and offset personal income taxes and employee SSCs (column 2 plus column 3, minus column 4).

The net personal average tax rate of the two-earner married couple varied greatly among OECD countries in 2025, ranging from -5.8% in Colombia to 30.8% in Denmark. In Colombia, the net personal average tax rate was negative because this household type did not pay income taxes at that level of earnings, paid contributions that are not considered to be taxes⁸ and received cash benefits that were paid on top of their wages. The disposable income of the household after tax represented 105.8% of the couple's gross wage earnings in Colombia while it represented 69.2% in Denmark. The net personal average tax rate was below 10% in Costa Rica (9.8%), Korea (9.6%) and Chile (5.1%).

The *Taxing Wages* indicators focus on labour taxation. To assess the overall impact of the government sector on people's welfare, other factors including indirect taxes (such as value added tax) should also be taken into account, as should taxation of other forms of income, such as capital income (Hourani et al., 2023^[3]). NTCPs are not included in the calculations presented in this Report but further analysis of those payments is presented in the accompanying online paper:

<https://www.oecd.org/content/dam/oecd/en/topics/policy-issues/tax-policy/non-tax-compulsory-payments.pdf>.

Wages

The average wage increased in all OECD countries between 2024 and 2025 in nominal terms, and it increased in 35 of the 38 countries in real terms. The real post-tax income for a single worker earning the average wage increased in 28 countries in real terms over the same period, having increased in 29 countries in 2024.

Table 1.7 shows gross wage earnings in national currency of the average worker across OECD countries in 2024 and 2025. The figures for 2025 are estimated by the OECD Secretariat by applying the change in the compensation per employee in the total economy as presented in the *OECD Economic Outlook* Volume 2025 Issue 2 database (OECD, 2025^[2]) to the final average wage values provided for previous years by each OECD country. More information on the value of the average wage and the estimation methodology is included in the Annex of this Report.

The annual change in gross nominal wages in 2025 – shown in column 3 – ranged from 0.7% in Switzerland to 39.8% in Türkiye. To a large extent, changes in nominal wage levels in OECD countries exceeded consumer price inflation (see column 4 of Table 1.7). The annual change in real wage levels (before personal income tax and employee SSCs) decreased the most in Israel (-1.3%), whereas in two other countries the decline was smaller than 1 p.p. By contrast, 21 countries recorded real wage growth of up to 2 p.p. in 2025, while another fourteen countries experienced increases exceeding 2 p.p. (see column 5 of Table 1.7).

By combining changes in the average wage in 2025 with the changes in the net personal average tax rate discussed earlier in this chapter, it is possible to calculate changes in workers' post-tax real income between 2024 and 2025. However, it should be noted that this indicator provides only a partial view of changes in workers' overall disposable income because it does not take into account government policies

that do not meet the criteria for inclusion in the *Taxing Wages* models. These policies may nonetheless have a significant impact on workers' disposable income, thereby offsetting declines in real wages. Such 'non-standard' measures are typically linked to consumer spending and may include policies to reduce the cost of staple goods or to lower the cost of health and education. Further information on the benefits included in the *Taxing Wages* models is provided in Annex A, while country-specific information can be found in the country chapters located in Part II of the Report.

In ten OECD countries, the real post-tax income of a single worker without children earning the average wage was lower in 2025 than in 2024, either because the personal average tax rate (column 6) increased or remained unchanged while the real wage before tax decreased (column 5), or because the personal average tax rate increased by more than the real wage before tax.

In contrast, the real post-tax income of this household type rose in 28 countries in 2025: Australia, Belgium, Chile, Colombia, Costa Rica, Czechia, Denmark, Finland, France, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Lithuania, Luxembourg, the Netherlands, New Zealand, Norway, Poland, Portugal, the Slovak Republic, Slovenia, Sweden, Switzerland, Türkiye and the United States.

- The personal average tax rate decreased or remained unchanged while the real wage before tax increased in Australia, Belgium, Colombia, Costa Rica, Denmark, Hungary, Iceland, Ireland, Italy, Latvia, Luxembourg, the Netherlands, Norway, Portugal, Sweden and the United States.
- The personal average tax rate increased by less than the real wage before tax in Chile, Czechia, Finland, France, Greece, Lithuania, New Zealand, Poland, the Slovak Republic, Slovenia, Switzerland and Türkiye.

When comparing wage levels, it is important to note that the definition of average wage earnings may vary between countries due to data limitations. For instance, some countries do not include the wages earned by supervisory and managerial workers or do not exclude part-time workers (see Table A.4 in the Annex).

Table 1.8 provides more information on whether average wages for the years 2000 to 2025 are based on industry sectors C-K inclusive with reference to the International Standard Industrial Classification of All Economic Activities, Revision 3 (ISIC Rev.3), industry sectors B-N inclusive with reference to the International Standard Industrial Classification of All Economic Activities, Revision 4 (ISIC Rev.4), or on alternative classification systems where countries were not able to provide data in line with the two previously mentioned approaches.⁹

Table 1.7. Comparison of average wage levels in 2024 and 2025

Country	Gross wage in national currency		Annual change, 2025/24 (percentage)			
	2024 (1)	2025 (2)	Gross wage (3)	Inflation ¹ (4)	Real wage before tax (5)	Change in personal average tax rate ² (6)
Australia	103 794	108 674	4.7	2.7	1.9	-7.1
Austria	60 749	63 054	3.8	3.6	0.2	1.1
Belgium	60 370	62 348	3.3	3.0	0.3	0.0
Canada	90 747	92 401	1.8	2.0	-0.2	-0.2
Chile	13 349 540	14 201 852	6.4	4.4	1.9	1.6
Colombia	29 342 796	31 542 293	7.5	5.1	2.2	0.0
Costa Rica	9 868 241	10 340 494	4.8	-0.1	4.9	0.0
Czechia	551 030	584 744	6.1	2.4	3.6	1.5
Denmark	521 300	537 071	3.0	1.9	1.1	-1.3
Estonia	24 139	25 603	6.1	5.0	1.1	12.6
Finland	53 858	55 462	3.0	1.9	1.1	0.4
France	45 313	45 964	1.4	1.0	0.5	0.3
Germany	63 528	66 700	5.0	2.2	2.8	3.3
Greece	25 680	26 563	3.4	2.9	0.5	0.4
Hungary	7 754 304	8 455 487	9.0	4.6	4.3	0.0
Iceland	11 808 000	12 433 527	5.3	4.1	1.2	-0.2
Ireland	58 026	60 258	3.8	2.0	1.8	-3.0
Israel	206 064	209 735	1.8	3.1	-1.3	4.0
Italy	35 360	36 594	3.5	1.8	1.6	-5.3
Japan	5 540 008	5 703 038	2.9	3.2	-0.3	2.2
Korea	55 238 136	56 749 797	2.7	2.0	0.7	1.2
Latvia	19 992	21 321	6.6	3.8	2.8	-6.4
Lithuania	25 984	28 474	9.6	3.5	5.8	1.0
Luxembourg	75 341	77 844	3.3	2.5	0.8	-1.3
Mexico	210 262	219 608	4.4	3.8	0.6	3.2
Netherlands	66 190	69 028	4.3	2.9	1.3	-0.5
New Zealand	80 019	83 073	3.8	2.8	1.0	0.2
Norway	769 476	801 695	4.2	3.0	1.2	-0.3
Poland	96 364	105 738	9.7	3.8	5.7	1.5
Portugal	23 118	24 254	4.9	2.2	2.6	-1.2
Slovak Republic	18 336	19 590	6.8	4.2	2.5	1.1
Slovenia	28 242	30 135	6.7	2.5	4.1	1.3
Spain	31 472	32 678	3.8	2.6	1.2	1.5
Sweden	539 923	557 053	3.2	0.9	2.3	-2.1
Switzerland	100 006	100 715	0.7	0.2	0.5	0.1
Türkiye	595 782	833 120	39.8	34.5	4.0	1.5
United Kingdom	52 615	55 983	6.4	3.5	2.8	5.5
United States	70 695	73 520	4.0	2.8	1.2	-0.4

Note: Table shows results for a single worker without children earning the average wage.

1. Estimated percentage change in the consumer price index.

2. Percentage change in the personal average tax rate of the average worker (single without children) between 2024 and 2025.

Source: Country submissions, (OECD_[2]) Economic Outlook Volume 2025 Issue 2.

StatLink  <https://stat.link/m2b90h>

Table 1.8. Average wage Industry Classification

	Years for which ISIC Rev. 3.1 or any variant (Sectors C-K) has been used to calculate the AW	Years for which ISIC Rev. 4 or any variant (Sectors B-N) has been used to calculate the AW
Australia ¹		2000-2025
Austria ²	2004-2007	2008-2025
Belgium	2000-2007	2008-2025
Canada	2000-2025	
Chile ³	2000-2008	2009-2025
Colombia ⁴	2000-2025	
Costa Rica ⁵		
Czechia		2000-2025
Denmark ⁶	2000-2007	2008-2025
Estonia		2000-2025
Finland		2000-2025
France	2000-2007	2008-2025
Germany	2000-2005	2006-2025
Greece ⁷		2000-2025
Hungary		2000-2025
Iceland ⁸		2000-2025
Ireland ⁹	2000-2007	2008-2025
Israel ¹⁰	2000-2012	2013-2025
Italy		2000-2025
Japan		2000-2025
Korea ¹¹	2000-2007	2008-2025
Latvia ¹²		2000-2025
Lithuania		2000-2025
Luxembourg	2000-2004	2005-2025
Mexico ¹³		
Netherlands ¹⁴	2000-2007	2008-2011
New Zealand ¹⁵	2000-2003	2004-2025
Norway	2000-2008	2009-2025
Poland	2000-2006	2007-2025
Portugal		2000-2025
Slovak Republic ¹⁶		2000-2025
Slovenia		2000-2025
Spain		2000-2025
Sweden	2000-2007	2008-2025
Switzerland		2000-2025
Türkiye ¹⁷		2007-2025
United Kingdom	2000-2007	2008-2025
United States	2000-2006	2007-2025

1. For Australia, data is based on ANZSIC06 such that the categories substantially overlap with ISIC 4, sectors B-N.

2. For Austria, 2000-2003 average wage values are not based on the NACE (ISIC) classification.

3. For Chile, the values for 2000 to 2008 are estimates deriving from the annual changes in the average wages based on "CIU Rev.3" (2009=100) between 2000 and 2008 and the average wage for 2009 based on CIU Rev.4 (2016=100). From 2009, the values are based on ISIC4.CL2012 sectors B to R, excluding O (8422) "Defense Activities" and O (8423) "Public order and safety activities".

4. For Colombia, average wage values are based on ISIC rev. 3. The "Agriculture, hunting and forestry", "Other community, social and personal service activities" and "Activities not adequately defined" sectors are excluded.

5. For Costa Rica, the average wage from 2000 onwards refers to the earnings of workers within the formal sector. The average worker's wage was calculated based on microdata from national household surveys.

6. For Denmark, average wage values are based on sectors B-N and R-S (NACE rev 2).

7. For Greece, average annual earnings refer to full time employees for the sectors B to N of NACE Rev 2, including Division 95 and excluding Divisions 37, 39 and 75 from 2008 onwards.

8. For Iceland, this uses a national classification system that corresponds with the NACE rev. 2 classification system.
9. For Ireland, values from 2019 onwards are based on CSO table NAQ08. This includes compensation of employees across all sectors of the economy based on official quarterly national accounts estimates for Ireland compiled in accordance with the European System of National and Regional Accounts (ESA 2010) framework. Values from 2008 to 2018 are based on CSO table EHA05 for NACE rev.2 B-N. Values for prior years are Secretariat estimates based on the growth rates of the average wages for sectors C to E in reference to NACE.
10. Information on data for Israel is available at: <http://oe.cd/israel-disclaimer>.
11. For Korea, average wage values are based on 6th Korean Standard Industrial Classification (KSIC) C-K for 2000-2001, 8th KISC C-M for 2002 to 2007. Average wage data from 2008 to 2010 is based on the 9th KISC B-N (samples of firms with five or more permanent employees). Average wage data of 2011 to 2019 is based on the 9th KISC B-N (samples of firms with one or more permanent employees). Average wage data of 2020 and 2021 are based on the 10th KISC B-N (samples of firms with one or more permanent employees).
12. For Latvia, values are based on NACE rev.2 and cover the private sector that includes commercial companies with central or local government capital participation up to 50%, commercial companies of all types without central or local government capital participation, individual merchants, and peasant and fishermen farms with 50 or more employees.
13. For Mexico: Average wage values from 2000-2023 are based on the Mexican Classification of Economic Activities (Clasificación Mexicana de Actividades Económicas [CMAE]), which is based on one of the first versions of ISIC.
14. For the Netherlands, average wages from 2012 onwards include all economic activities (sectors A to U from SBI2008). Values for the private sector only (sectors B to N) are not available.
15. For New Zealand: see the note for Australia, which applies from 2004.
16. For the Slovak Republic, average wage values are based on SK NACE Rev. 2 classification (B to N) without the earnings of the self-employed. However, employment data used for the calculation of the weighted mean still include the self-employed.
17. For Türkiye, the average wage is based on the average production worker wage ISIC rev. 3.1 sector D for years 2000 to 2006.

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Notes

¹ Not all national statistical agencies use ISIC Rev.3 or Rev.4 to classify industries. However, the Statistical Classification of Economic Activities in the European Community (NACE Rev.1 or Rev.2), the North American Industry Classification System (US NAICS 2012). The Australian and New Zealand Standard Industrial Classification (ANZSIC 2006) and the Korean Standard Industrial Classification (6th to 9th KISC) include a classification which broadly conforms either with industries C-K in ISIC Rev. 3 or industries B-N in ISIC Rev.4.

² Non-tax compulsory payments are required and unrequited compulsory payments to privately-managed funds, welfare agencies or social insurance schemes outside general governments and to public enterprises (<https://www.oecd.org/content/dam/oecd/en/topics/policy-issues/tax-policy/non-tax-compulsory-payments.pdf>).

³ In Colombia, the general social security system for healthcare is financed by public and private funds. The pension system is a hybrid of two different systems: a defined contribution, fully-funded pension system; and a pay-as-you-go system. Each of those contributions are mandatory and more than 50% of total contributions are made to privately managed funds. Therefore, they are considered to be non-tax compulsory payments (NTCPs) (further information is available in the country details in Part II of the report). In addition, in Colombia, all payments for employment risk are made to privately managed funds and are considered to be NTCPs. Other OECD countries also have NTCPs (please see <https://www.oecd.org/content/dam/oecd/en/topics/policy-issues/tax-policy/non-tax-compulsory-payments.pdf>).

⁴ In Estonia, there is a unique personal income tax rate of 22%, regardless of the taxable income.

⁵ See note 3.

⁶ The impact of tax reliefs and cash transfers on the tax wedge for different household types and the statutory progressivity of labour taxation systems in OECD countries is discussed in the Special Feature of this Report as well as the Special Feature of the 2025 edition of *Taxing Wages* (OECD, 2025^[5]).

⁷ The fiscal advantage for a couple with children may disincentivise the non-working spouse from taking-up employment. The tax wedge for a second earner in a married couple may be significantly higher than for a single worker at the same income level and with the same number of children, which may reduce women's labour participation and thus contribute to persistent gender inequality across many OECD countries in terms of labour outcomes. This topic is discussed in detail in Chapter 2 of the *Taxing Wages 2024* report (OECD, 2024^[4]).

⁸ See note 3.

⁹ Most OECD countries have calculated average wage earnings on the basis of sectors B-N in the ISIC Rev. 4 Industry Classification since 2008 or earlier. Some countries have revised the average wage values for prior years as well. Average wage values based on the ISIC Rev. 4 Classification or any variant are available for years back to 2000 for Australia, Czechia, Estonia, Finland, Greece, Hungary, Iceland, Italy, Japan, Latvia, Lithuania, Portugal, the Slovak Republic, Slovenia, Spain and Switzerland.

Australia (for all years) and New Zealand (from 2004 onwards) have provided values based on the 2006 ANZSIC industry classification, divisions B to N, which substantially overlaps with the ISIC Rev.4, sectors B to N. For New Zealand, the years prior to 2004 are based on sectors C-K in ANZSIC. Türkiye has provided values based on the NACE Rev.2 classification sectors B-N from 2007 onwards. Values for the years prior to 2007 are based on the average production worker wage (ISIC rev.3.1, sector D). The average wage values are not based on the sectors B-N in the ISIC Rev. 4 Industry Classification for Costa Rica (all years), the Netherlands (from 2012 onwards) or Mexico (all years).

2 Progressivity of labour taxation in OECD countries

Introduction

Labour taxation is central to the interaction between tax, inequality and economic growth in OECD countries. Labour taxes directly influence distributional outcomes, especially when used in conjunction with cash transfers; they also indirectly affect other economic variables, including labour market participation, through their impact on the decisions of firms and workers. Based on the detailed and harmonised information that *Taxing Wages* provides about the design and parameters of personal income tax, social security contributions and benefits, this Special Feature examines the progressivity of labour taxation in OECD countries, where a tax system is considered progressive if average tax rates increase with income.

To do so, the Special Feature adopts and builds upon the statutory progressivity indicator introduced in the 2013 edition of *Taxing Wages* to examine the extent to which the tax wedge on labour income varies according to the earnings and composition of working households in OECD countries. Moreover, it explores which components of each country's labour taxation system account for its statutory progressivity (or lack thereof) and how statutory progressivity evolved across the OECD between 2000 and 2025.

In the absence of information on the distribution of earnings, the special feature does not analyse the actual progressivity of labour taxation. Moreover, *Taxing Wages* does not include all the instruments that a government may implement to supplement workers' disposable income. Nonetheless, the chapter uses the granular and comparable information provided by *Taxing Wages* to give unique insights to policy makers, academics and civil society about how the different components of labour taxation systems may affect distributional outcomes. In particular, it examines at what income levels labour taxation is most progressive in OECD countries and which instruments account for this progressivity.

The analysis reveals that the progressivity of labour taxation (inclusive of cash transfers to working families) varies across the OECD. Nonetheless, certain characteristics are shared by a majority of countries. For instance, progressivity tends to be higher for households with children and at lower earnings intervals, as tax reliefs and cash transfers reduce the average tax burden more for low earners than they do for workers higher up the earnings distribution. Meanwhile, progressivity has increased on average across OECD countries between 2000 and 2025, largely due to increases in the progressivity of the tax wedge on earnings below the average wage.

The chapter is structured as follows. It begins by explaining the rationale for using *Taxing Wages* to examine the statutory progressivity of labour taxation, explaining how this analysis links to the tax, inequality and growth agenda, and summarising previous findings from *Taxing Wages* analysis of progressivity. It then sets out the methodology behind the OECD progressivity indicator and its application for this Special Feature. The third section examines how the level of the progressivity indicator varies within and between OECD countries based on different components of the tax wedge, taking into account households' different earnings levels and composition. The fourth section analyses how statutory progressivity has changed over time across OECD countries, while a fifth section concludes.

The progressivity of labour taxation is at the heart of the tax, inequality and growth agenda

Taxing Wages provides comparable data on working households' personal income tax liability, social security contributions (paid by employers and employees) and any cash benefits for which they may be eligible, in particular households with children. These policy instruments have different impacts on the distribution of incomes across the working population, the direction and extent of which vary according to the rules and parameters that govern their design and implementation. The same policies may also influence how much an individual chooses to work or employers' hiring decisions; in this way, policies that influence distributional outcomes may also affect broader macroeconomic outcomes which in turn may impact economic growth.

The design of personal income tax and social security contributions, which generate almost half of total tax revenue on average across OECD countries, is thus a key consideration for managing countries' public finances and the overall functioning of the economy (OECD, 2025^[1]). Labour taxation also lies at the nexus of discussions around tax, inequality and economic growth that are currently of major concern to policy makers and society more broadly amidst persistent cost-of-living challenges, slow growth in many countries and major pressures (short- and long-term) on public finances.

The standard *Taxing Wages* indicators show how tax rates on labour income vary across earnings levels for different household types but do not show the overall progressivity of labour taxation, as Box 2.1 explains with reference to marginal tax rates. This Special Feature uses an indicator developed in previous editions of this Report to examine the statutory progressivity of labour tax systems as a whole in OECD countries and to show how this progressivity has evolved over time.

This indicator shows the distributive implications of how labour taxation systems in OECD countries are designed rather than the actual impact of labour taxation on the distribution of incomes across the working population. *Taxing Wages* lacks the demographic data required to analyse the latter phenomenon, which in any case would benefit from taking into account the redistributive impact of other tax types as well.¹

By analysing statutory progressivity, the Special Feature aims to inform both the policy response to the challenging context and broader deliberations across society. Although beyond the scope of this chapter, the results shown here can inform analysis of how the progressivity (or otherwise) of labour taxation interacts with other key economic variables across countries.

Of particular interest to this chapter is evidence from some countries suggesting that the impact of tax progressivity on other parts of the economy is sensitive to the parts of the income distribution where the progressivity is concentrated. For example, studies of high earners in the United States and Norway indicate that greater progressivity at higher tax levels reduces job mobility among this cohort, as the net financial gain from changing jobs declines (Gentry and Hubbard, 2004^[2]; Bryson and Dale-Olsen, 2025^[3]). Meanwhile, tax reductions in the United States targeted at low- and middle-income households have been shown to generate substantially larger employment responses than equivalent tax cuts for high earners, reflecting higher labour supply elasticity and marginal propensity to consume at the lower end of the income distribution (Zidar, 2019^[4]).²

Moreover, progressive income tax systems are commonly viewed as a key instrument for influencing distributional outcomes. Cross-country studies suggest that statutory progressivity tends to reduce inequality in terms of disposable incomes (Eydam and Qualo, 2024^[5]) but the impact on consumption inequality is significantly smaller and, in some cases, may even be positive in countries with weaker institutions (Duncan and Sabirianova Peter, 2016^[6]).

Consistent with evidence from Voitchovsky (2005^[7]) that the impact of inequality on growth depends on where disparities arise in the income distribution, Biswas et al. (2017^[8]) find that the effect of tax progressivity on economic growth similarly depends on where the redistribution occurs.³ They show that

tax policies that reduce the disparities in households' income at the bottom of the income distribution may support economic growth while greater compression of income disparities higher up in the distribution may hinder growth by reducing incentives to work, invest and innovate among higher earners.

In general, empirical findings on the effects of tax progressivity on economic growth are mixed. While some studies find no evidence of a significant and permanent negative impact on economic growth (Gerber et al., 2020^[9]), others identify negative effects in the short run (Tovar Jalles and Karras, 2025^[10]).

Finally, by shaping how tax burdens are distributed across income groups, labour tax progressivity influences governments' ability to raise revenues and finance public goods and services. Evidence on the effects of progressivity on tax revenue remains mixed. Some cross-country studies suggest that greater personal income tax progressivity is associated with higher tax revenues, particularly in higher income countries with stronger enforcement capacity (Peter, Buttrick and Duncan, 2010^[11]). Other literature, however, highlights that behavioural responses may offset part of the expected gains.

For example, Holter, Krueger and Stepanchuk (2019^[12]) estimate that increasing the progressivity of the United States' tax system to the level of Denmark would lower the maximum level of revenues the United States can raise by 8%. Similarly, Guner et al. (2016^[13]) show that higher top marginal tax rates do not necessarily translate into proportionately higher overall tax revenues, as effective average tax rates may respond only modestly due to behavioural adjustments and income shifting.⁴ Likewise, Sanz Sanz (2025^[14]) suggests that increases in progressivity may generate limited and, in some cases, temporary gains in personal income tax revenues, which may be offset over time by changes in labour supply, savings and consumption that affect other tax bases.

Re-introducing the OECD's tax progressivity indicator

To analyse the progressivity of labour taxation in OECD countries, this Special Feature adopts and extends an indicator that was introduced in the *Taxing Wages 2013* Special Feature to examine the statutory progressivity of labour taxation systems (OECD, 2013^[15]; Paturot, Mellbye and Brys, 2013^[16]). That Special Feature used *Taxing Wages* data for 2011 to analyse the progressivity indicator for personal income tax and the overall tax wedge for four different household types across earnings between 50% and 200% of the average wage for 34 OECD countries. While the analysis found significant differences in the level of the progressivity indicator across countries, it showed that progressivity in OECD countries tended to be concentrated at the lowest income levels.

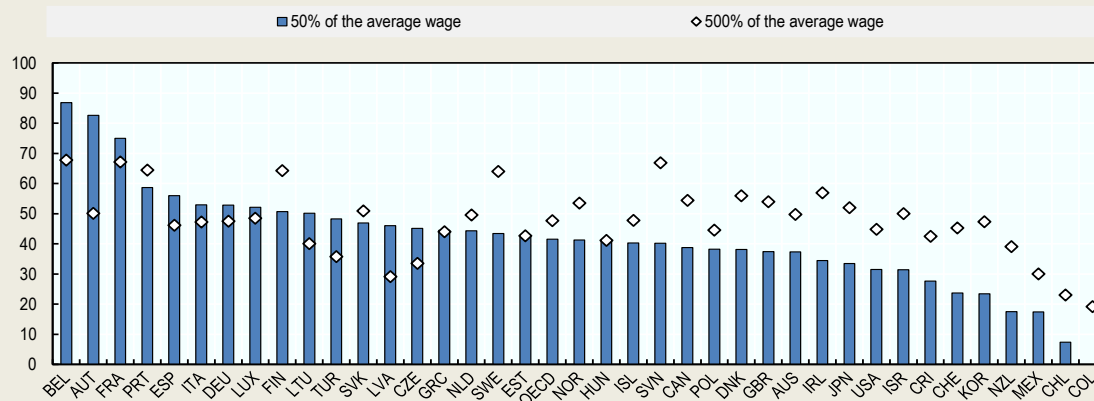
The Special Feature of the 2014 edition (OECD, 2014^[17]) extended the analysis to six household types and to up to 500% of the average wage. It also tracked the evolution of the indicator between 2000 and 2012, with a particular focus on changes following the onset of the Global Financial Crisis in 2007. The analysis found that personal income tax and the tax wedge became more progressive on average across OECD countries between 2000 and 2012, albeit with significant variation between countries.

Box 2.1. The limitations to using marginal tax rates to analyse progressivity

Marginal tax rates shown in *Taxing Wages* for households at different earnings levels and with different compositions show the proportion of one percentage point of the average gross salary in additional labour income that is paid in taxes. According to one definition, a tax is progressive if the marginal tax rate exceeds the average tax rate at a given income level.¹ However, at certain points in the income distribution this may not hold. In general, when focusing on personal income tax alone, under a progressive (regressive) system, marginal tax rates increase (decrease) with earnings across the income distribution. However, for social security contributions, marginal tax rates may decrease along the income distribution if a contribution ceiling is in place.²

Figure 2.1 shows the marginal tax wedge at 50% and 500% of the average wage for a single worker without children across OECD countries in 2025. The indicator at both earnings levels was highest in Belgium, with a marginal tax wedge of 86.9% for a worker earning 50% of the average wage and 67.7% for a worker earning 500% of the average wage. In contrast, Colombia had the lowest marginal tax wedge at these earnings levels, at 0% and 19.1% respectively. On average across OECD countries, the marginal tax wedge was 41.6% at 50% of the average wage and 47.6% at 500% of the average wage. The average tax wedge at these income levels was 27.4% and 45.1% respectively, below the marginal rates and thus indicating progressivity according to the definition above.

Figure 2.1. Marginal tax wedge for a single worker at 50% and 500% of the average wage, 2025



Note: The marginal tax wedge indicators are computed for an increase in earnings of 1 percentage point of the national gross average wage.
Source: Authors' calculations based on *Taxing Wages* 2026.

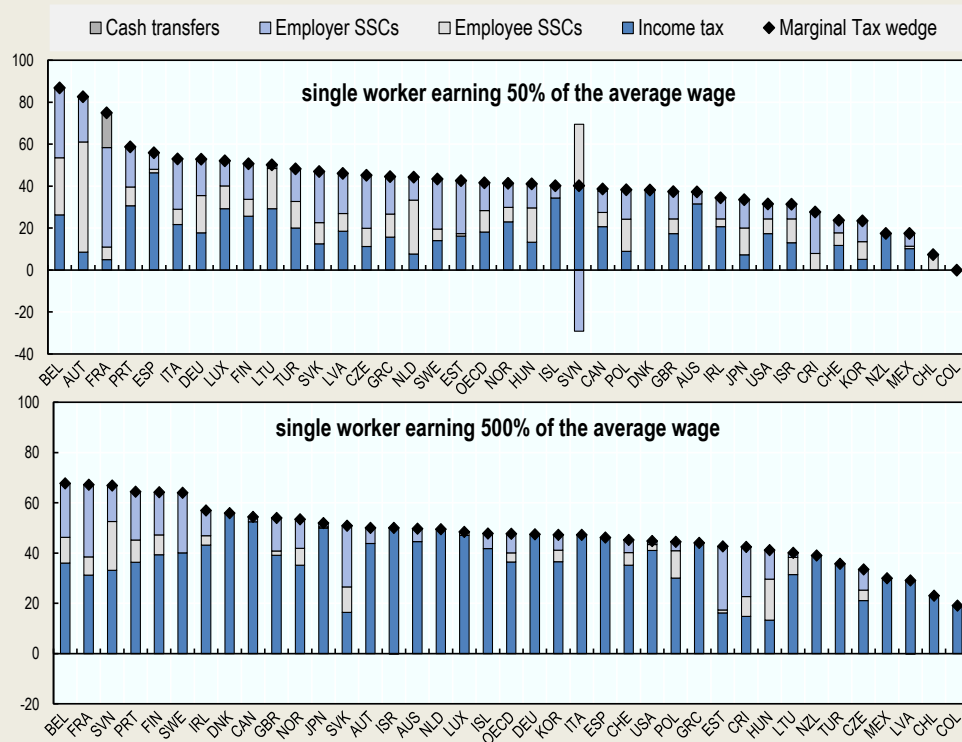
StatLink  <https://stat.link/0s9xhf>

As Figure 2.1 shows, OECD countries can be divided into two groups: in 25 countries, the marginal tax wedge at 50% of the average wage was lower than the marginal tax wedge at 500% of the average wage in 2025, while in the remaining 13 countries the opposite was true.

Labour taxation systems in the second group of countries (mostly found towards the left of the x axis) include means-tested reliefs and benefits, which diminish and eventually disappear as earnings increase, resulting in a relatively high marginal tax wedge on lower-earners. In Belgium, Austria and France, for example, the marginal tax wedge on an additional percentage point of the average wage earned by a high earner was significantly lower than the corresponding indicator for a low earner (by 19.2 p.p., 32.6 p.p. and 7.9 p.p. for Belgium, Austria and France, respectively).

For the first, larger group of countries, the marginal tax wedge for the lower-earning worker is below that of higher-earners. In these cases, the progressive effect of the tax brackets is more significant than the eventual loss of benefits experienced by the low-earning worker, and the tax burden on an additional percentage point of the average wage earned is much higher for high earners. Moreover, in this group of countries, the difference in the marginal tax wedge at the respective earnings levels appears to be larger than in the second group.

Figure 2.2. Decomposition of the marginal tax wedge for a single worker in 2025



Source: Authors' calculations based on *Taxing Wages* 2026.

StatLink  <https://stat.link/5rxay8>

Figure 2.2 shows the decomposition of the marginal tax wedge at both earnings levels for a single worker without children. At 50% of the average wage, the marginal tax wedge on the additional percentage point earned is mostly driven by higher social security contributions (levied on both employees and employers). Meanwhile, at 500% of the average wage, the main driver of the marginal tax burden is personal income tax, as social security contributions are capped in many countries, meaning that they do not increase with additional earnings.

Amongst the countries that display a higher marginal tax wedge at 50% of the average wage than at 500% of the average wage, social security contributions (employer and employee) are particularly prominent in the marginal tax wedge at 50% of the average wage.

While the marginal tax wedge as calculated for *Taxing Wages* quantifies the household's tax burden for small increments of earnings, it does not show the degree of change in the tax burden across a given earnings interval. This can lead to misleading assessments of a tax system's progressivity. For example, zero-rate tax brackets or targeted tax reliefs for low-earning workers are likely to enhance the progressivity of a country's labour taxation system. However, they may increase the marginal tax wedge of workers who are "means-tested out" of these benefits to a level above the marginal tax wedge of a higher-earning worker, thereby indicating a system that is regressive.

Note 1: A tax is progressive when the relative increase of the tax amount (T) is larger than the relative increase of income (Y), hence, $p > 1$ where $p = (dT/T)/(dY/Y)$. This can be written as: $p = (dT/dY)/(T/Y)$ = marginal rate / average rate. Thus, when $p > 1$, then marginal rate > average rate.

Note 2: Detailed information on the average and marginal tax rates for all earnings levels between 50% and 250% of the average wage are shown in Chapter 4 of this report.

The analysis in this Special Feature uses the same progressivity indicator and key parameters as the 2014 edition of *Taxing Wages*: six household types and an income range of 50% to 500% of the average wage, albeit for 38 OECD countries. However, this chapter extends the time horizon to analyse how statutory progressivity evolved in OECD countries between 2000 and 2025, a period that included two major shocks: the Global Financial Crisis and the COVID-19 pandemic.

This Special Feature also analyses the progressivity indicator for each component of the tax wedge (personal income tax, employee social security contributions, employer social security contributions and cash benefits), thereby fulfilling a suggestion for future analysis proposed by the Special Feature in the 2014 edition. The following section recalls how the progressivity indicator is calculated and explains in greater detail how it has been adopted for this edition of *Taxing Wages*.

Calculating the OECD tax progressivity indicator

The analysis carried out in this Special Feature is based on the OECD progressivity indicator of the tax wedge. The OECD progressivity indicator measures *statutory* tax progressivity and is calculated with reference to the policies and rules of each country's tax and social security system. As mentioned above, it is not possible to compute an *effective* progressivity indicator based on the information contained in *Taxing Wages* without additional information on distribution of pre- and post-tax incomes.

The OECD progressivity indicator⁵ takes into account all the policies that are included in the *Taxing Wages* models and is thus comparable across OECD countries.⁶ However, the results need to be treated with caution as the *Taxing Wages* methodology does not include all policies for which workers might be eligible. For example, only standard tax reliefs are modelled (such as work-related tax allowances or child-related credits), while non-standard allowances and credits directly linked to consumption are excluded from the calculations (for example, allowances for purchases of fuel or other energy supplies fall within this group). The Methodology and Limitations section and the country chapters in Part II of the report provide an overview of the policies included in the *Taxing Wages* models for all OECD countries.⁷

Following the same approach adopted in the 2013 and 2014 Special Features (OECD, 2013^[15]; OECD, 2014^[17]; Paturot, Mellbye and Brys, 2013^[16]), the progressivity indicator used in this chapter is applied to the tax wedge, and is computed as follows:

$$\text{Progressivity indicator} = \frac{(AETR_{X2\% AW} - AETR_{X1\% AW})}{(X2\% AW - X1\% AW)}$$

Where, $AETR_{X1\% AW}$ and $AETR_{X2\% AW}$ are the average tax wedge at two different income levels X1 and X2. Income levels are expressed as a multiple of the national average wage for a given year in each country. As explained in Chapter 1 of the report, the tax wedge is the share of total labour costs that the household pays in personal income taxes, social security contributions and payroll taxes paid by both the employee and the employer, net of the cash transfers received.

The indicator measures the change in the average tax wedge for each percentage point increase in income, measured as a multiple of the average wage, over the income range X2% AW – X1% AW (Paturot, Mellbye and Brys, 2013^[16]). In other words, a progressivity indicator of 0.5 for the income range from 50% to 67% of the average wage means that, for each percentage point (p.p.) of the average wage in additional income a given household type earns, the average tax wedge increases by 0.5 p.p. The overall increase

in the average tax wedge from a gross salary of 50% of the average wage to 67% of the average wage is equal to 0.5 multiplied by the increase of 17 p.p. in gross earnings, or 8.5 p.p.

The progressivity indicator does not show the level of the average tax wedge at either extreme of the income range considered. It only demonstrates the change in the tax wedge between the two limits by showing how much the tax wedge changes for each unit increase in the earned income of the household (expressed as percentage points of the average wage).

In this chapter, the progressivity indicator of the tax wedge for each country is calculated between earnings of 50% and 500% of the average wage. This range is also broken down into seven intervals that demonstrate how the progressivity of the tax wedge changes depending on earnings levels calculated as a proportion of the average wage:

- First interval: 50% to 67%
- Second interval: 67% to 100%
- Third interval: 100% to 133%
- Fourth interval: 133% to 167%
- Fifth interval: 167% to 200%
- Sixth interval: 200% to 300%
- Seventh interval: 300% to 500%

While two countries may show a similar progressivity indicator for the earnings range as a whole, this might hide different dynamics across income intervals. For instance, the progressivity indicator may be consistent across all intervals for one country, indicating a fiscal system with continuous increases in the average tax wedge with earnings, while another country might have a very steep increase in the tax wedge over a single income interval and no further changes beyond that point (or even decreases in the tax burden for certain intervals).⁸

The average standard deviation of the progressivity indicator across the seven income intervals shows the degree of variation in the progressivity of the tax wedge across the overall earnings range. A higher standard deviation indicates a greater variation in the progressivity indicator across earnings intervals with respect to a country with a similar value for the progressivity indicator but a lower standard deviation. In this analysis, for simplicity, all seven earnings intervals have been given the same weight when computing the standard deviation, regardless of the size of the intervals.

The Special Feature does not examine the progressivity of taxation of incomes above 500% of the average wage for several reasons. First, above a certain earnings level, individuals tend to receive additional earnings through non-salary income, such as capital income, which is taxed at preferential rates in most OECD countries (Hourani and Perret, 2025^[18]). Second, the tax schedules of most countries reach the top bracket by that earnings level: only 11 countries implement brackets targeted specifically at earnings above five times the average wage. Moreover, social security contributions and cash transfers only marginally affect the progressivity of fiscal systems above 500% of the average wage.

Applying the tax progressivity indicator across OECD countries in 2025

This Special Feature begins by using data for 2025 to update and expand upon the main results on the progressivity of the tax wedge from previous *Taxing Wages* Special Features on this topic. First, it compares the progressivity indicator for each OECD country across the whole earnings range (50%-500% of the average wage). Then it examines the progressivity of the OECD average tax wedge at different wage intervals and the relative weight of each component of the tax wedge in determining the progressivity at different earnings levels for six different household types. This analysis is then mirrored for all OECD countries for the single worker without children and the one-earner married couple with two children.

Finally, it examines in more detail the difference in progressivity between households with and without children.

Average progressivity varies across OECD countries

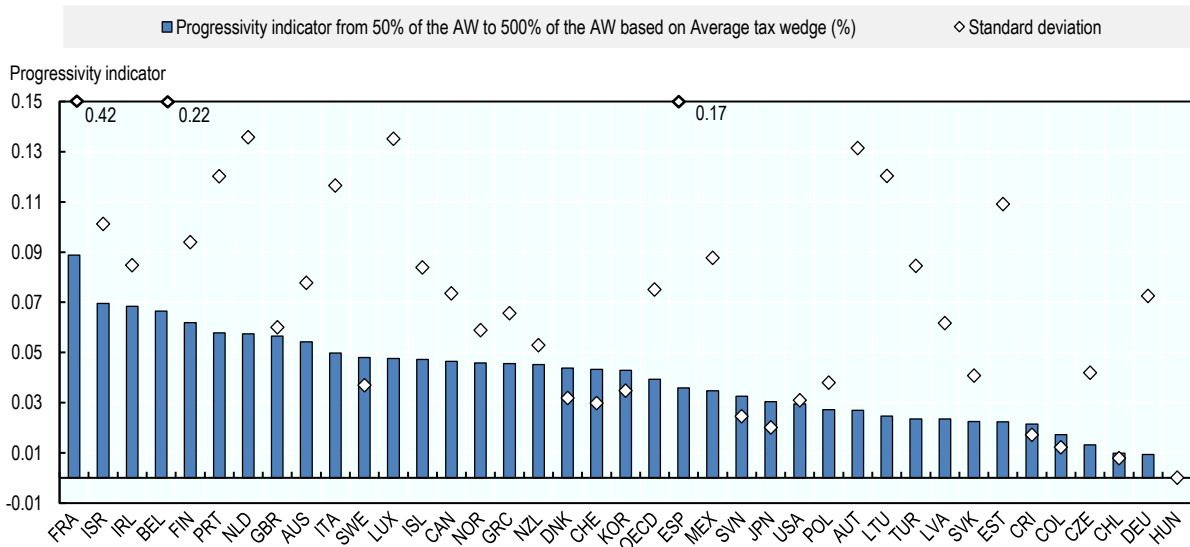
Figure 2.3 displays the progressivity indicator across OECD countries in 2025 for a single worker without children earning between 50% and 500% of the average wage. In France, where the progressivity indicator was highest, each percentage point of the average wage in additional earnings resulted in an increase in the tax wedge of almost 0.1 p.p.; in Hungary, where the progressivity indicator was lowest, the tax wedge was constant across the whole earnings range. On average in OECD countries, an increase in gross earnings of 1 p.p. of the average wage led to a 0.04 p.p. increase in the tax wedge.

While the standard deviation of the progressivity indicator was relatively small for some countries (such as Chile, Colombia, Costa Rica, Japan, Slovenia, Switzerland, Denmark, Sweden and Korea), the progressivity indicator for most countries shows significant differences between the value for the overall earnings range and those for the specific earnings intervals, resulting in a higher standard deviation. This was particularly true for Spain, Belgium and France, which had the highest standard deviations, at 0.17, 0.22 and 0.42 respectively.

In general, the high standard deviations are driven by the concentration of progressivity within the lowest earnings interval (50%-67% of the average wage), with 25 OECD countries showing a progressivity indicator for this interval at least three times larger than the value for the overall earnings range.

Figure 2.3. Progressivity indicator with standard deviation across earnings intervals, 2025

Single worker without children



Note: The standard deviation shown for each country is computed across the progressivity indicators for each of the seven smaller earnings intervals. No weight is applied to the indicator for each of the intervals.

Source: Authors' calculations based on *Taxing Wages 2026*.

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On average, progressivity is higher in lower earnings intervals

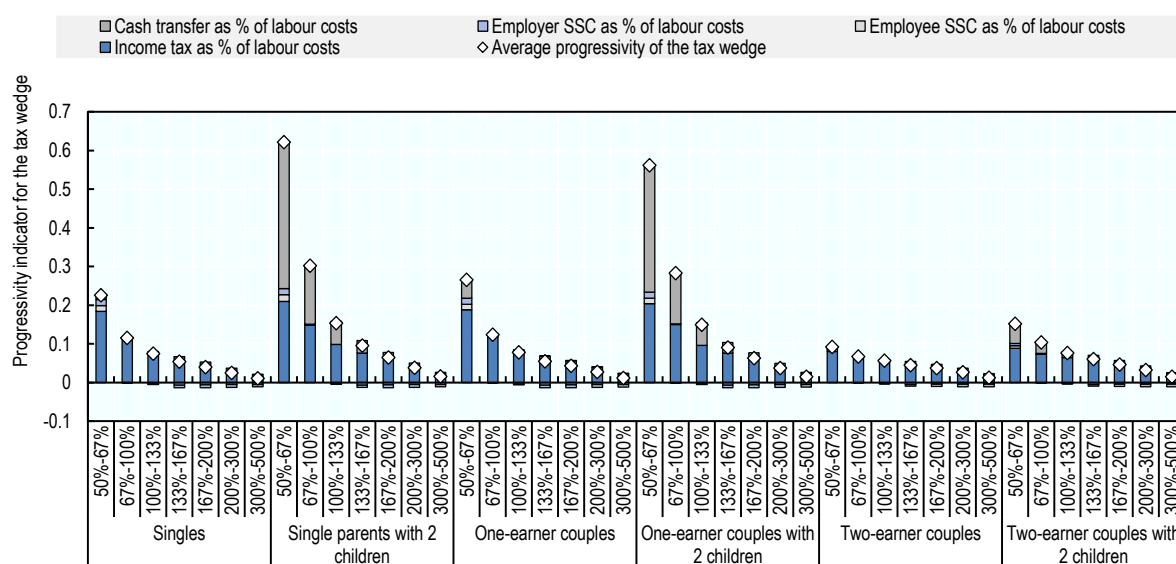
Figure 2.4 shows the average progressivity indicator for OECD countries in 2025 and its decomposition between the main policy components for six household types: a single worker, a single parent of two

children, a one-earner married couple, a one-earner married couple with two children, a two-earner married couple and a two-earner married couple with two children. For each household, the indicator is calculated for each earnings interval to show the variation across the range from 50% to 500% of the average wage.

Across all household types, the progressivity indicator declines with income on average across the OECD. This finding, which is consistent with results shown previously in *Taxing Wages*, suggests that low-earning workers benefit more from tax allowances and tax credits than higher earners as these reliefs tend not to increase with earnings. Moreover, workers in the lowest-earnings interval are more likely to benefit from zero-rate tax brackets or means-tested reliefs (and cash transfers for households with children) than higher earners.⁹ In other words, between the start and end points of these lower earnings intervals, the tax wedge tends to increase by a substantial amount, contributing to a higher progressivity indicator.

In contrast, the progressivity indicator for a worker whose gross wage rises from 300% to 500% of the average wage is typically small, between 0.010 and 0.015 on average across the OECD depending on the characteristics of the household. This reflects the fact that, in 21 of 38 OECD countries, the tax schedule reaches the highest marginal rate before 300% of the average wage. At that point, the reliefs and benefits usually available for lower-earning workers have either been fully phased out or represent only a small share of gross wages due to means-testing.

Figure 2.4. Decomposition of the OECD average progressivity indicator, 2025



Note: In the one-earner married couples, the spouse is assumed to be inactive. In the two-earner married couples, the spouse is assumed to be gainfully employed at 67% of the average wage, regardless of the earnings level of the principal.

Source: Authors' calculations based on *Taxing Wages* 2026.

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The progressivity indicator is particularly high for single parents and one-earner couples with two children, especially at lower earnings intervals on average across the OECD. This is due to the relative weight of universal and means-tested cash transfers in the total post-tax net income of these household types. As these benefits generally do not increase with earnings, their importance relative to the overall tax wedge decreases as earned income increases, which explains why their impact on progressivity is mostly visible within the 50%-67% and the 67%-100% intervals. The use of means-testing to determine the amount of the benefit further contributes to increasing the progressivity of this component of the tax wedge. Progressivity appears to be relatively low for two-earner couples, with or without children, across all earnings intervals, as the earnings of the spouse (fixed at 67% of the average wage) tend to render the households ineligible for targeted reliefs and benefits.

Personal income tax consistently contributes to the progressivity of labour taxation in OECD countries as it is usually based on progressive tax schedules. Moreover, tax credits and (mostly but not always) tax allowances contribute further to labour tax progressivity by providing reliefs to lower earners that either remain unchanged or are withdrawn as their gross earnings increase.¹⁰

Social security contributions, paid by both the employer and the employee, contribute positively to the progressivity indicator for the lowest earnings interval on average due to the existence in some countries of reductions to the contributions for low-earners (in Belgium and France) or progressive contribution schedules (in Israel), while they have a negative impact on the indicator from the third earnings interval and above due to the existence of contribution ceilings in the majority of OECD countries.

The latter dynamic should be interpreted in light of the expenditure side of social insurance systems. In countries where social security contributions are linked to defined pension benefits or earnings-related unemployment insurance, contribution ceilings reflect the insurance nature of the system. In such cases, the regressive effect observed in the progressivity indicator does not necessarily imply a regressive outcome for households, as the corresponding future benefit entitlements are also capped.

Annex Figure 2.A.1 provides a different perspective on the distribution of the progressivity indicators by showing boxplots of the progressivity of the tax wedge by earnings interval and household composition. The figure shows the large degree of variation in the indicator across countries at lower earnings intervals, while progressivity is more similar at higher earnings intervals.

Progressivity patterns differ widely across OECD countries

Figure 2.5 shows in greater detail the extent to which the progressivity indicator for a single earner without children varied across OECD countries in 2025. There are 14 countries where the progressivity indicator for three or more income intervals was at least 50% above the OECD average for that income interval: Australia, Belgium, Denmark, Finland, France, Greece, Ireland, Israel, Luxembourg, Netherlands, New Zealand, Portugal, Sweden and the United Kingdom.

While for the majority of countries progressivity for this household type is driven principally by personal income taxes across the different intervals, this is not always the case. In Chile, Colombia and Costa Rica, only relatively high-earning individuals pay personal income tax, with the higher tax brackets taking effect on earnings significantly above the average wage.¹¹ Meanwhile, Estonia¹² and Hungary have a flat-tax system, which accounts for the absence of progressivity in labour taxation.

The impact of social security contributions on the overall progressivity indicator varies by country. For example, social security contributions paid by employees make a significant positive contribution to progressivity at low earnings intervals in Austria, Belgium, Israel and the Netherlands, mainly due to reduced contribution rates for low earners (in Austria, Belgium and Israel) or the presence of a reduction for employee social security contributions which decreases with earnings (in the Netherlands).¹³ In France,

the indicator for the 50%-67% earnings interval is mostly driven by social security contributions paid by employers due to a means-tested reduction in the contribution that decreases sharply within this interval.

Conversely, in many countries, social security contributions contribute negatively to the progressivity indicator, especially at higher earnings intervals due to the presence of contribution ceilings. This is particularly visible in the results for Austria, Canada, Germany, Greece, Israel, Italy, Japan, Korea, Luxembourg, the Netherlands, Poland, Spain¹⁴, Sweden and Türkiye. In Canada, the Netherlands and Sweden, there are specific tax credits that deduct the employee social security contributions paid (partly in Canada and the Netherlands and completely in the case of Sweden) from the final tax liability. These credits allow the personal income tax to mitigate the regressivity of the employee social security contributions. In Slovenia, the employer social security contribution completely offsets the progressivity of personal income taxes for the earnings interval of 50% to 67% of the average wage.¹⁵

Figure 2.6 shows the progressivity of the tax wedge for all the earnings intervals for a one-earner married couple with two children. The figure displays a similar degree of variation as Figure 2.5, albeit with a tendency for the progressivity indicator to be higher for this household type than for a single worker in most countries. This is particularly the case for workers in lowest earnings interval, as the means-testing mechanisms of the benefits they receive contribute to very high progressivity indicators.

In contrast, the higher progressivity in the United States is due to personal income taxes, as the Earned Income Tax Credit is considerably larger for workers with children and an unemployed spouse.

Figure 2.5. Progressivity by earnings interval for a single worker without children, 2025

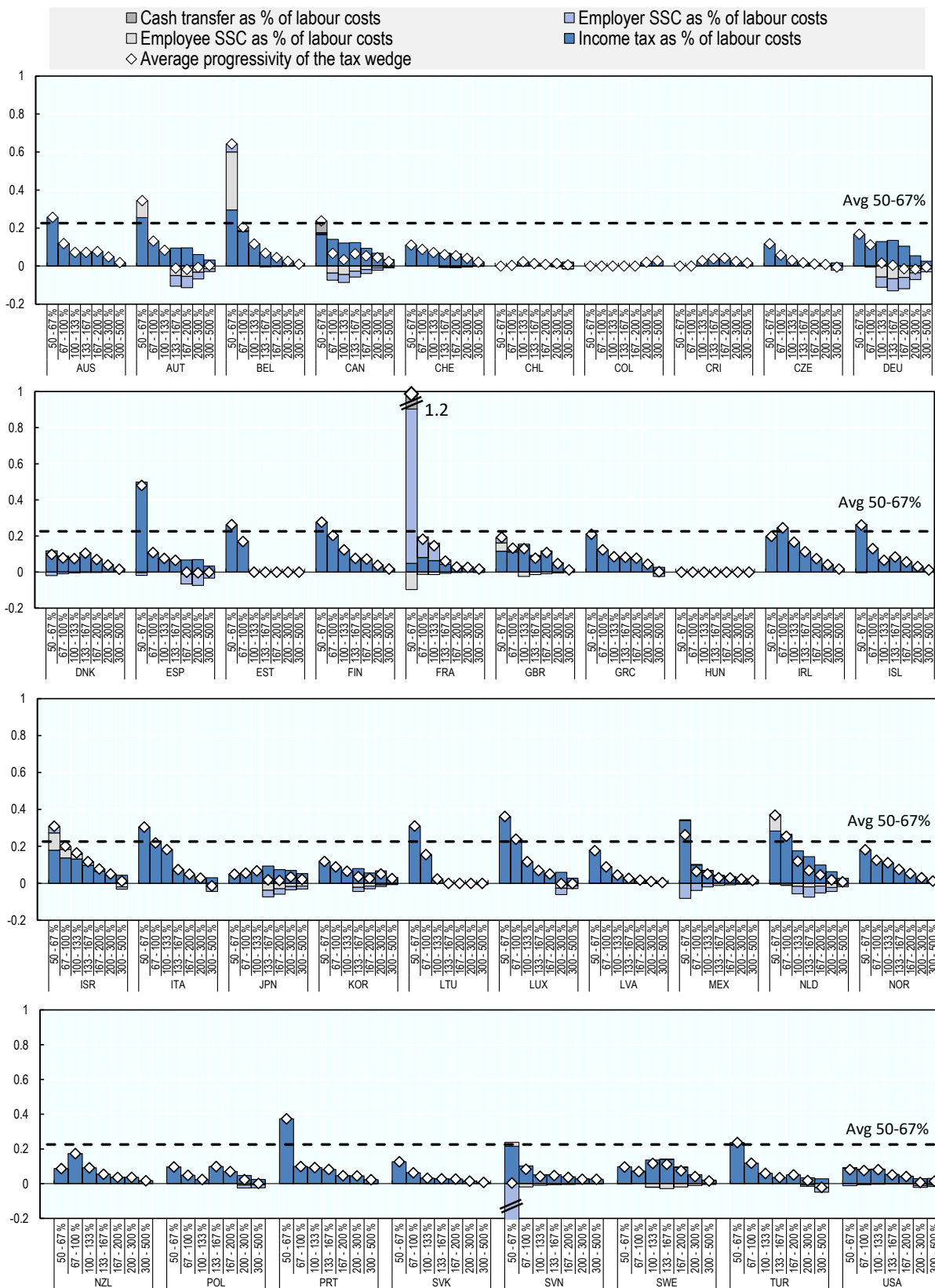
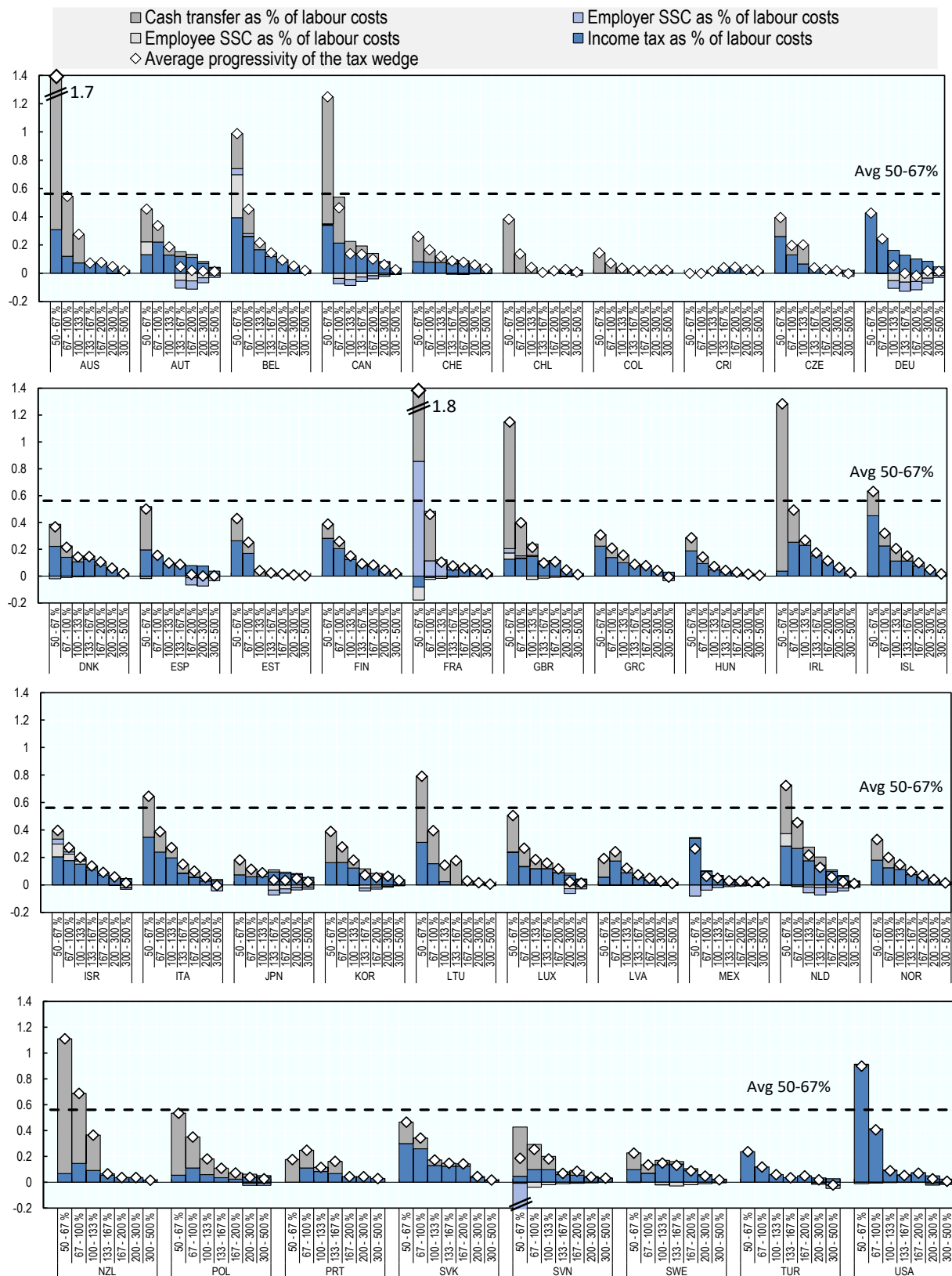
Source: Authors' calculations based on *Taxing Wages 2026*.StatLink  <https://stat.link/wtuds2>

Figure 2.6. Progressivity by earnings interval for a one-earner married couple with children, 2025



Source: Authors' calculations based on *Taxing Wages 2026*.

StatLink  <https://stat.link/y43vji>

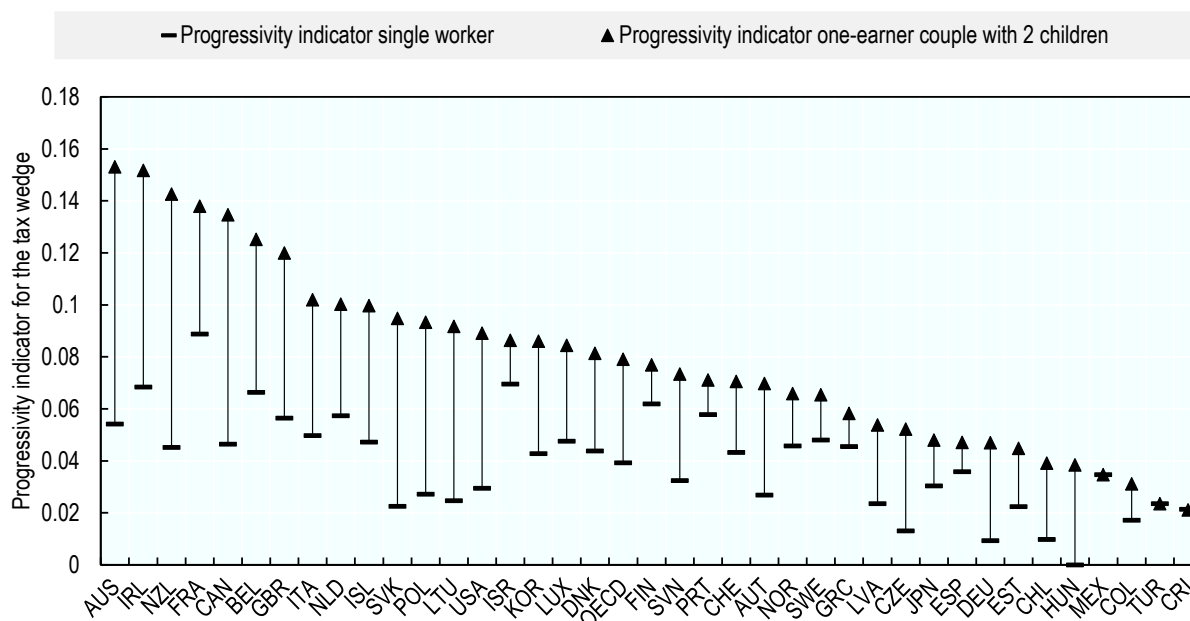
Cash transfers and other reliefs for families with children increase progressivity

Figure 2.7 expands on the results shown in Figure 2.4 by demonstrating in greater detail the difference in the progressivity indicator between a single worker and a one-earner married couple with two children for all OECD countries in 2025. In general, the tax wedge of married couples with children exhibits greater progressivity: on average across OECD countries, the progressivity indicator for the single worker is 0.39 while for the household with children it is almost double, at 0.79.

The largest differences between the two household types occur in Australia, Canada and New Zealand (around 0.10 p.p.), while countries whose *Taxing Wages* models do not contain means-tested cash transfers (such as Colombia, Costa Rica and Türkiye) display no differences in the progressivity of the tax wedge across the two household types.

As mentioned in the analysis of Figure 2.4, tax reliefs and cash transfers targeted at families with children contribute positively to the progressivity indicator as they generally do not increase with earnings. The impact of a lump-sum amount in reducing the tax wedge is larger at 50% of the average wage than at 500% of the average wage. Moreover, these policies might also be explicitly targeted at lower-earning households through means-testing, further enhancing their impact on the progressivity indicator.

Figure 2.7. Tax wedge progressivity for a single worker earning the average wage and a one-earner married couple with two children, 2025



Note: The earnings interval considered is 50%-500% of the average wage. The non-working spouse in the one-earner couple is assumed to be inactive.

Source: Authors' calculations based on *Taxing Wages* 2026.

StatLink  <https://stat.link/fhnlzg>

Tracking the progressivity indicator over time

This section examines changes in the progressivity indicator between 2000 and 2025 for different households across OECD countries, with the aim of identifying which policies have driven the changes in the indicator, and over which years these changes occurred. The overall time period, which spans the Global Financial Crisis, the COVID-19 pandemic and other economic shocks, is broken into intervals that provide a clearer indication of whether the progressivity indicator changed gradually or whether the

changes were concentrated in specific periods. Finally, it provides detailed information on the changes for a single worker and a one-earner married couple with two children across all earnings intervals for all OECD countries.

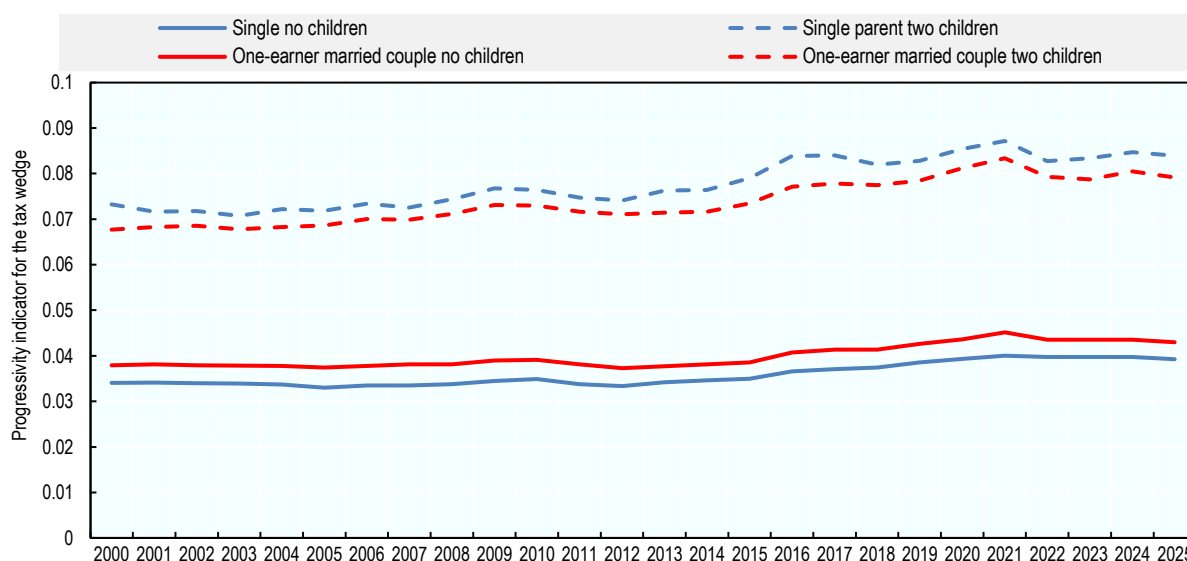
Labour taxation has become more progressive since 2000, especially for households with children

Figure 2.8 shows how the progressivity indicator evolved on average across OECD countries between 2000 and 2025 for four household types: a single parent and one-earner married couple (both with two children) as well as a single earner and one-earner married couple (both without children).

On average across OECD countries, the progressivity of the tax wedge for all the household types rose slightly over the period considered when focusing on the entire income range between 50% and 500% of the average wage. The increase in the indicator for the households with children was more than twice as large (0.011 p.p.) as for households without (0.005 p.p.).

For all four households, an upwards trend in the progressivity indicator is visible between 2011 and 2021, while the indicator remained steady or slightly declined from 2022 to 2025. Over the same periods, the tax wedge for the four households declined for the workers earning 50% of the average wage while remaining stable for those earnings 500% of the average wage.

Figure 2.8. Change in the progressivity indicator for different household types, OECD average, 2000-25



Source: Authors' calculations based on *Taxing Wages 2026*.

StatLink  <https://stat.link/t9ijf6>

Figure 2.9 breaks down the change observed in the progressivity indicator for the one-earner married couple with two children by different time periods on average across OECD countries. Looking across all five intervals, the largest increase in the progressivity of the tax wedge occurred between 2014 and 2019. Between 2022 and 2025, the progressivity indicator slightly declined on average across OECD countries, reversing an increase of similar magnitude between 2019 and 2022, a period which captured the policies enacted by OECD countries to support workers in response to the COVID-19 pandemic.¹⁶

Some of the countries where the progressivity indicator for one-earner married couple with two children increased the most during the COVID-19 pandemic (Australia, Chile, New Zealand and the United States), also demonstrated a marked decrease in progressivity in the years immediately after, with Chile and the United States being the clearest examples of this phenomenon.

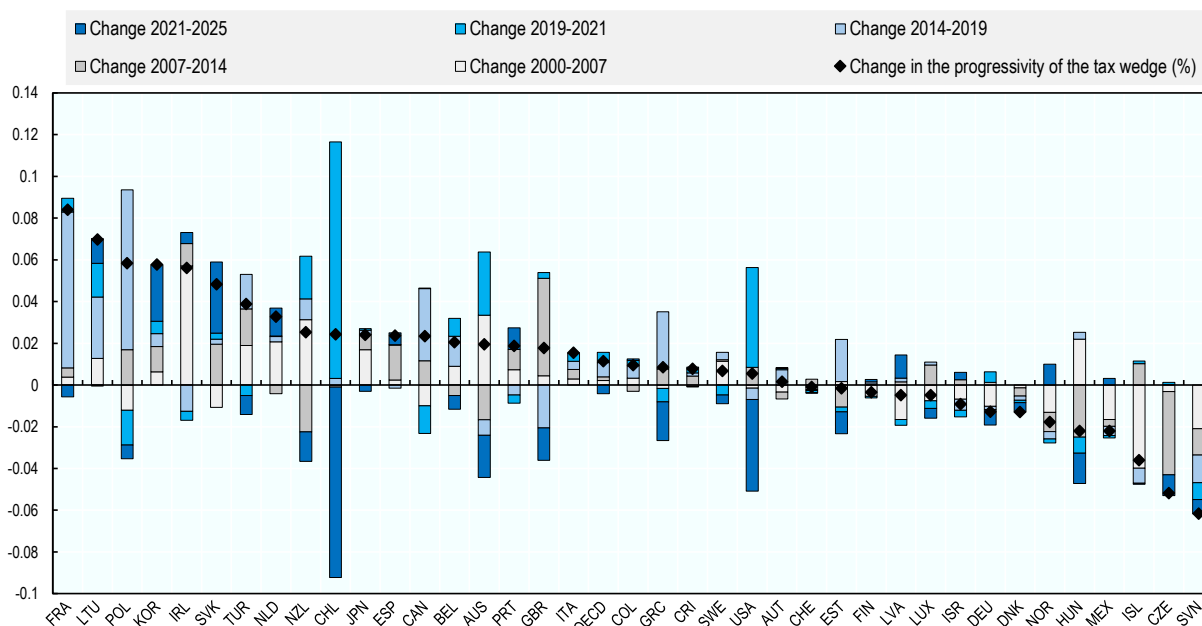
Italy and Korea were the only two OECD countries where the progressivity indicator for this household type rose during all five intervals. Meanwhile Denmark and Slovenia were the only countries where the indicator declined in all periods. However, in Italy and Denmark the magnitude of the cumulative variation was very small.

Fiscal drag can also explain part of the change in the progressivity indicator, as variations in the average wage relative to fixed tax schedules and eligibility thresholds for cash benefits can influence progressivity. For example, periods of increases or rapid growth in nominal wages (such as was observed in 2022 and 2023) mechanically reduce progressivity without any significant change in policy due to fiscal drag (OECD, 2023^[19]; OECD, 2014^[17]). This is because lower-earning workers might be pushed into higher tax brackets or lose eligibility to means-tested benefits or reliefs even though their earnings have not risen in real terms.

Annex Figure 2.A.2 shows the same analysis for a single worker without children. While changes between 2000 and 2025 are smaller overall for this household type, the trends highlighted are similar.

Figure 2.9. Decomposition of the change in the progressivity indicator by period

One-earner married couple earning between 50% and 500% of the average wage with two children



Note: The non-working spouse in the household is assumed to be inactive.

Source: Authors' calculations based on *Taxing Wages 2026*.

StatLink  <https://stat.link/f7p2x5>

The lowest earnings intervals account for most of the change in average progressivity across the OECD

Figure 2.10 shows the evolution of the progressivity indicator on average across the OECD between 2000 and 2025 for different household types and earnings levels. Panel A compares the average progressivity

across earnings intervals in 2000 (grey line) with the same indicator in 2025 (blue line) while Panel B shows the decomposition of the change over this period across the various policy components.

Although the average progressivity in 2025 appears higher than in 2000, the two lines principally diverge in the first two earnings intervals (50%-67% and 67%-100% of the average wage), while they overlap almost perfectly for higher earnings. The more visible increase in the progressivity for workers in the lowest earnings intervals might not be due solely to the introduction of benefits (either tax reliefs or transfers) specifically targeted at them, but could also reflect increases in the amount of flat allowances, credits and child-related cash transfers available to all workers. In the latter case, as these benefits do not increase with earnings, they still contribute to a rise in the progressivity indicator.

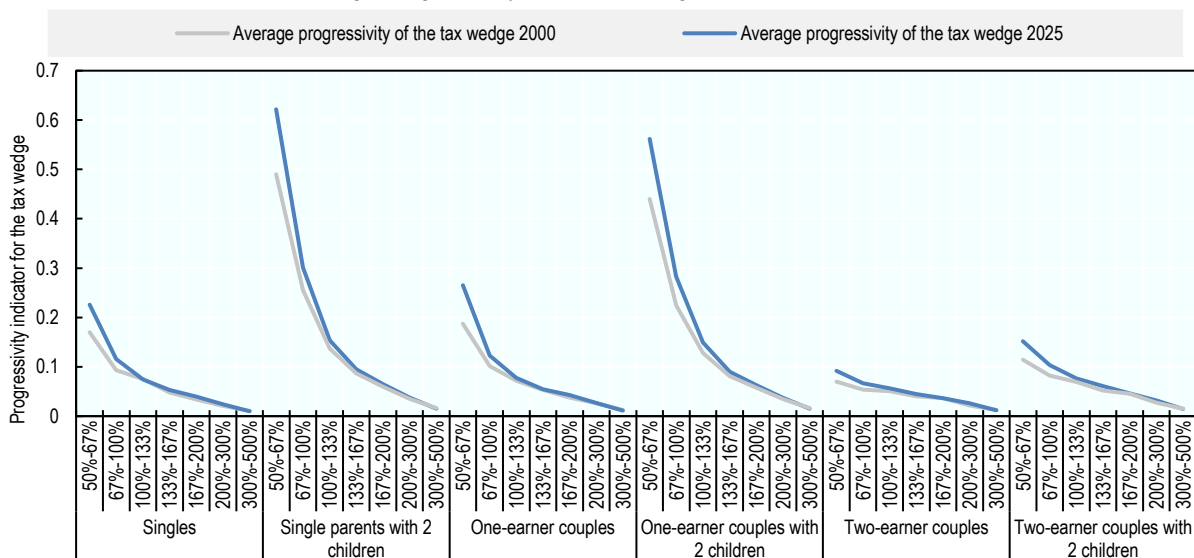
The increases observed in the first two earnings intervals (50%-67% and 67%-100% of the average wage) were particularly large for one-earner married couples with and without children and, in particular, the single parent with two children. For all three of these household types, cash transfers were the main driver of the increase, the impact of which mostly disappears above the second earnings interval. In 2025, cash transfers contributed to a larger decrease in the tax wedge for one-earner couples earning 50% of the average wage with two children (from -11.7 p.p. in 2000 to -15.1 p.p. in 2025), suggesting an increase in the amount of such benefits, which contributed to higher progressivity as they do not increase with earnings (on the contrary, they might decrease when means-testing is present).

The progressivity indicator changed very little from the earnings interval of 100%-133% of the average wage upwards between 2000 and 2025, while slightly decreasing for the top range (300%-500% of the average wage). The change in overall progressivity between 50% and 500% of the average wage thus appears to be almost entirely explained by significant increases in the progressivity at low-earnings intervals (50%-67% and 67%-100% of the average wage), regardless of household composition.

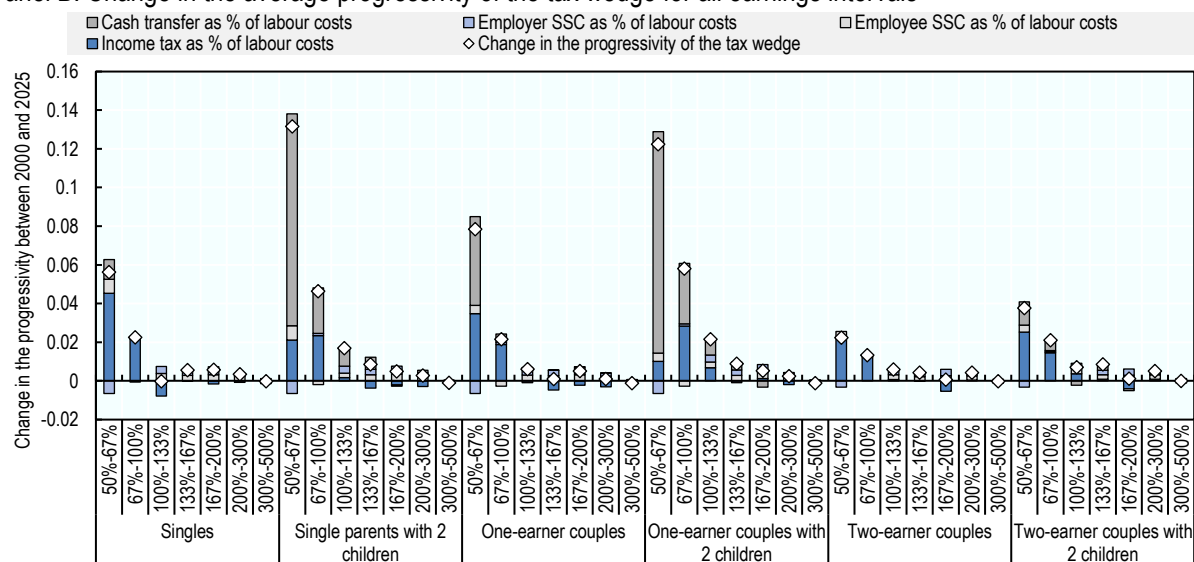
In addition to the significant impact of cash transfers, personal income taxes consistently contributed to increasing progressivity across earnings intervals between 2000 and 2025. Over the same period, employee and employer social security contributions did not have a consistently positive or negative impact on the change in the progressivity indicator across all the earnings intervals.

Figure 2.10. Changes in the progressivity indicator by earnings interval, OECD average, 2000-25

Panel A: Comparison of the average progressivity of the tax wedge between 2000 and 2025



Panel B: Change in the average progressivity of the tax wedge for all earnings intervals



Note: In the one-earner married couples, the spouse is assumed to be inactive. In the two-earner married couples, the spouse is assumed to be gainfully employed at 67% of the average wage, regardless of the earnings level of the principal.

Source: Authors' calculations based on *Taxing Wages 2026*.

StatLink  <https://stat.link/d2fh4n>

Figure 2.11 and Figure 2.12 provide country-by-country results for the changes in the progressivity of the tax wedge for all earnings intervals between 2000 and 2025, for the single worker without children and for the one-earner married couple with two children respectively. Consistent with the results shown by Figure 2.10, the largest and most significant changes in the progressivity indicator affect the first two earnings intervals, and they are, generally, larger for the one-earner married couple with two children due to the effect of cash transfers.

Figure 2.11 demonstrates a great degree of variance across OECD countries in how the progressivity of labour taxation for the single worker without children changed throughout the period considered. The largest overall increase occurred in France, and it was almost completely driven by an increase in progressivity for the first earnings interval (50%-67% of the average wage) that is attributable to a combination of employer social security contributions and cash transfers (the latter associated with the introduction of the *Prime d'activité* in 2016). Belgium and Spain¹⁷ are two other notable examples of countries where the rise in the progressivity indicator was driven by a large increase for the first earnings interval.

In Finland, Italy, Latvia, the Netherlands and Türkiye, the increase in the progressivity indicator is more consistent across the earnings intervals, albeit with smaller increases at higher earnings levels. Nevertheless, most countries display both increases and decreases in the progressivity indicator depending on the earnings level considered. The changes are usually larger at lower earnings intervals and smaller at higher intervals, with the exceptions of Chile, Colombia, Poland, Sweden and the United Kingdom, where the overall change is driven by earnings intervals above the average wage.

Figure 2.12 focuses on the changes in the progressivity indicator for the one-earner married couple with two children. It shows the strong and usually progressive impact of targeted cash transfers, in particular for the lower earnings intervals. France is again the country with the highest increase in progressivity between 2000 and 2025, driven by the changes in the first and second earnings intervals.

While cash transfers seem to generally contribute to increases in progressivity between 2000 and 2025, they contributed negatively to the change in Austria, Czechia, Denmark, Finland, Hungary, Iceland, Israel, Italy, Luxembourg, Slovakia and Slovenia.

Some countries observed significant changes in the composition of their progressivity over the period in question in terms of the policy driver, even while the overall level of the progressivity indicator remained similar. This was the case of the United Kingdom (particularly for the first earnings interval), where the relatively large positive contribution of cash transfers to progressivity was completely offset by the negative contribution of personal income taxes. To a lesser extent, it also occurred in Ireland, where the positive effect of cash transfers on the progressivity indicator for the first earnings interval more than outweighed the negative impact of personal income taxes and social security contributions at the same earnings level.

Overall, the analysis indicates that labour taxation became more progressive in OECD countries between 2000 and 2025, particularly for families with children. It also shows that the increase in progressivity was concentrated at low earnings levels and was mostly the result of increases in tax reliefs and (sometimes means-tested) cash transfers, resulting in lower tax wedges for workers in the lowest earnings interval. While these policies supported the disposable incomes of low-earning workers, they also increased the marginal tax rates on potential salary increases in many countries, as discussed in Box 2.1.

Figure 2.11. Change in the progressivity indicator for a single worker, 2000-25

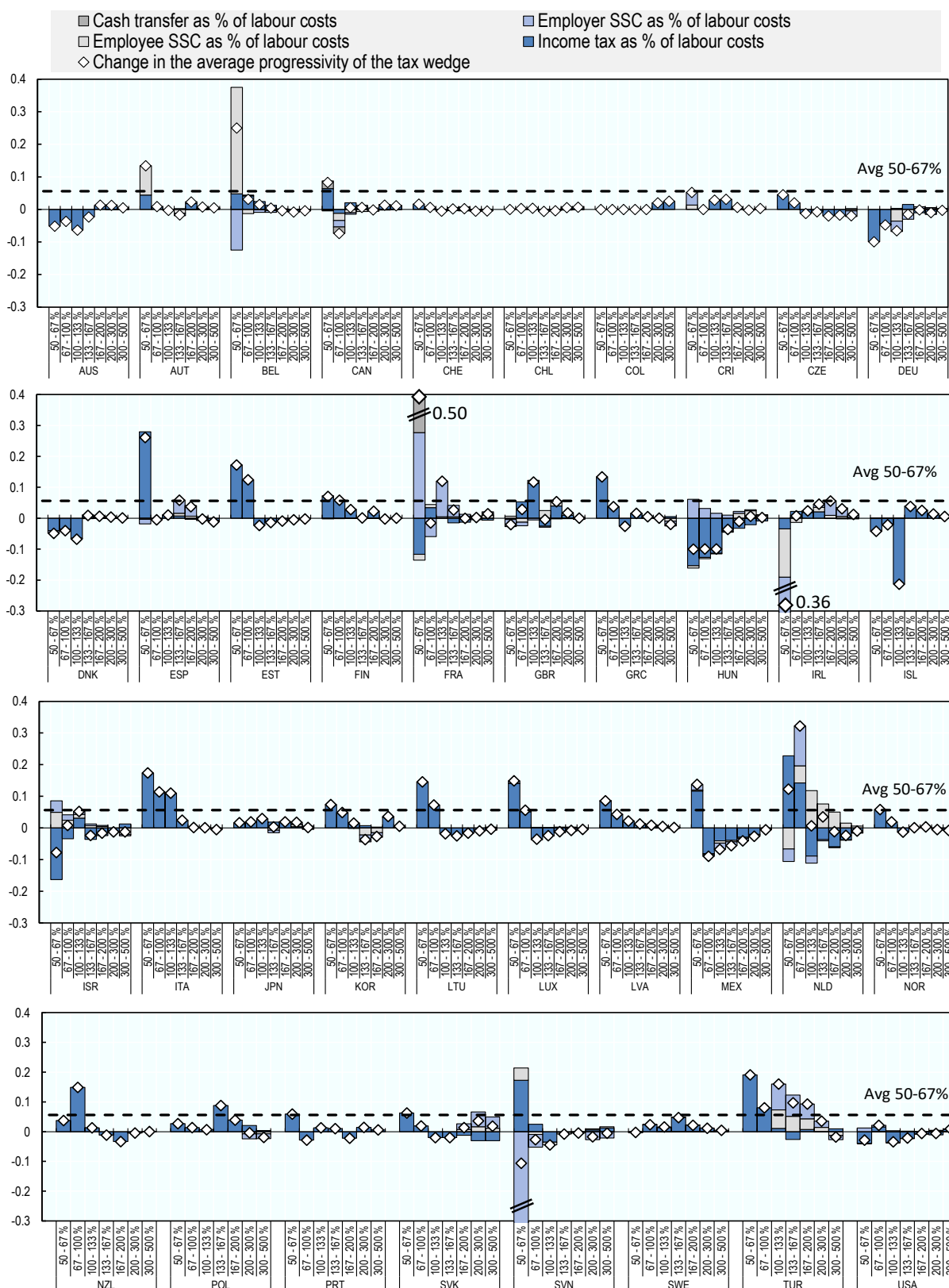
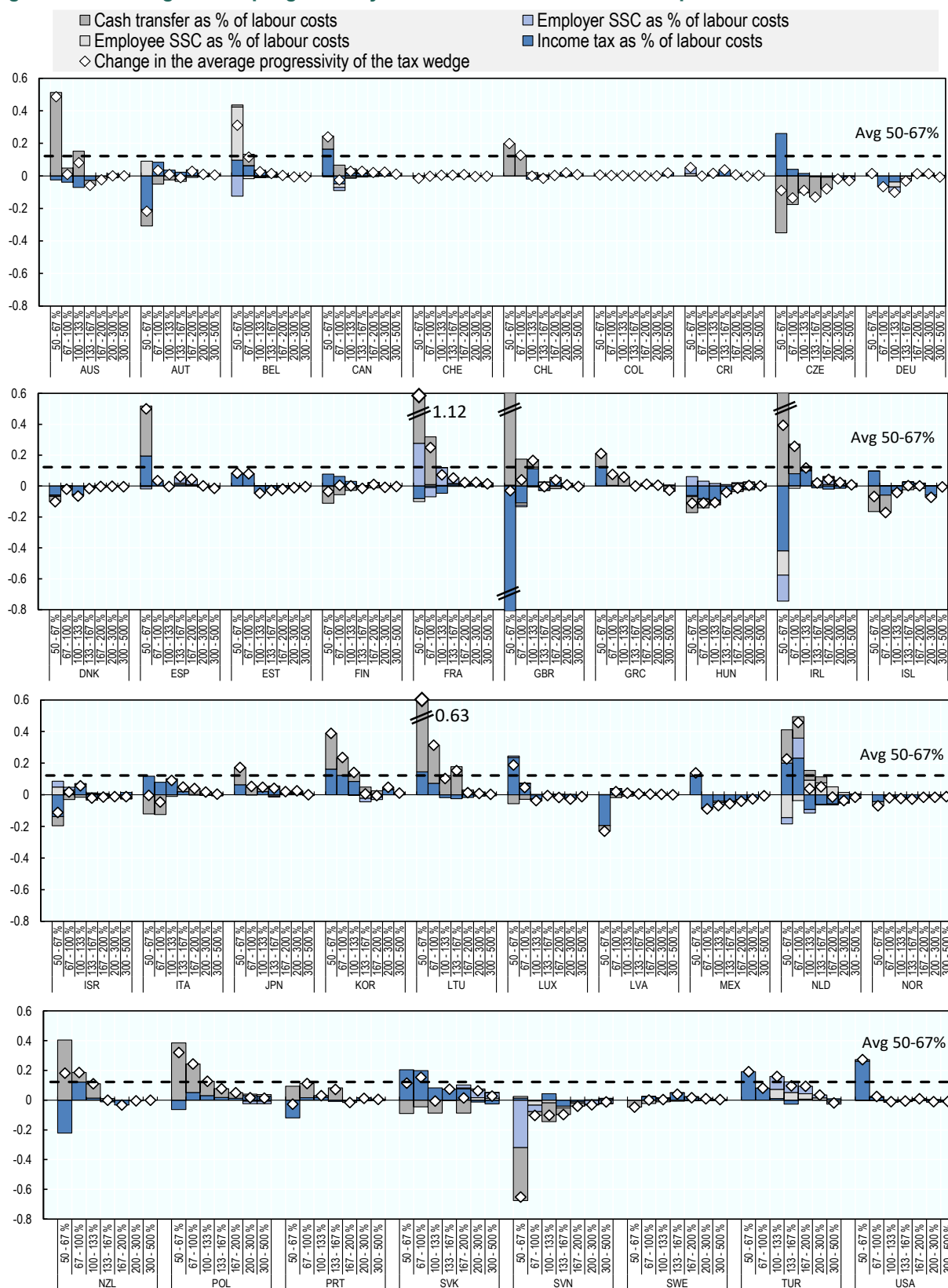
Source: Authors' calculations based on *Taxing Wages 2026*.StatLink <https://stat.link/0x2h4n>

Figure 2.12. Change in the progressivity indicator for a one-earner couple with children, 2000-25

Source: Authors' calculations based on *Taxing Wages 2026*.StatLink <https://stat.link/gu1iwc>

Conclusion

Labour taxation lies at the heart of the interaction between fiscal policy, economic growth and inequality, directly through its redistributive impact and indirectly through its influence on the behaviour of firms and workers. This Special Feature uses the detailed information provided by countries to *Taxing Wages* and an indicator developed for previous editions of the report to analyse the statutory progressivity of labour taxation in OECD countries, where a tax system is considered progressive if average tax rates increase with income.

In particular, the chapter examines the progressivity of the tax wedge with reference to earnings between 50% and 500% of the average wage in each OECD country and on average across the OECD. It carries out this analysis for six household types, including those with and without children, and breaks down the progressivity indicator to show the relative weight of the different components of the tax wedge. It also examines the progressivity of the tax wedge across seven earnings intervals within the overall range, and it shows how progressivity evolved between 2000 and 2025.

Consistent with previous editions of *Taxing Wages*, the chapter finds that OECD labour tax systems are progressive on average albeit with significant variation between countries. Tax wedge progressivity among OECD countries is driven by different factors. Progressive tax schedules clearly contribute to progressivity, while tax reliefs (allowances and credits) and transfers have very strong progressive impacts due to their amounts being generally fixed regardless of earnings. Means-testing that reduces the amount of reliefs or transfers received by higher earners further increases progressivity.

On average across OECD countries, most of the progressivity is found in the lowest two earnings intervals and in particular the lowest one (between 50% and 67% of the average wage). In most countries, workers whose earnings increase from 50% to 67% of the average wage experience the largest rise in their tax wedge as the tax reliefs from which they benefit tend to diminish sharply as a proportion of their tax liability.

The tax treatment of households with children tends to be more progressive than the treatment of those without. As highlighted above, for most household types with children, cash benefits are the main driver of the progressivity, while for those without children, personal income tax is the primary factor. Social security contributions are progressive at lower earnings levels and regressive for higher earners in many OECD countries, a consequence of the contribution floors and ceilings. Nonetheless, country-specific dynamics vary and average results need to be interpreted carefully.

This analysis finds that labour taxation has become more progressive on average since 2000, especially at lower earnings intervals and for households with children, due to the introduction or the increase in the value of reliefs and transfers. The largest increase in the progressivity of the tax wedge occurred between 2014 and 2019. Between 2022 and 2025, progressivity slightly decreased on average across OECD countries, reversing an increase of similar magnitude between 2019 and 2022 during the COVID-19 pandemic.

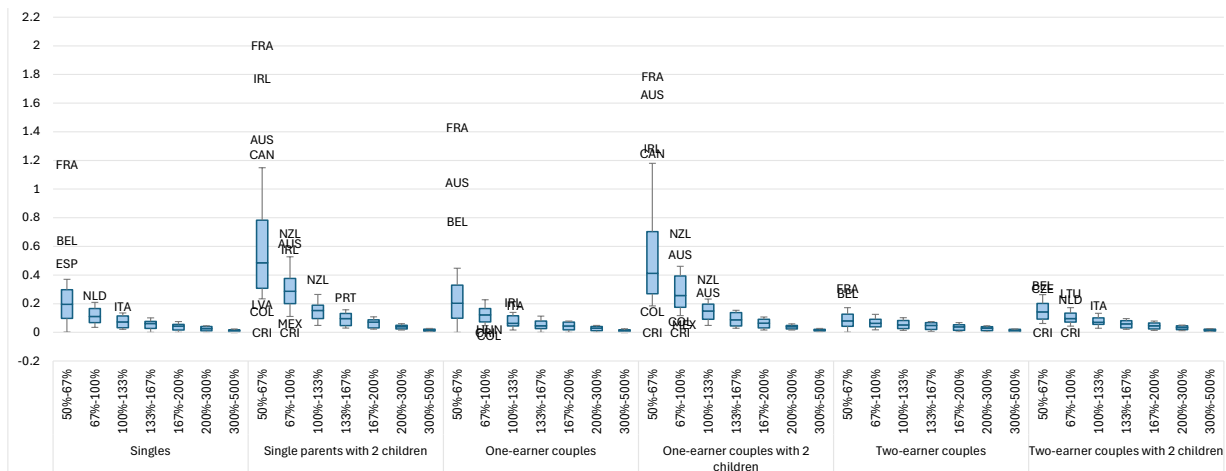
Over the entire period under consideration, labour taxation progressivity remained almost unchanged for workers earnings above the average wage on average, with the tax wedge becoming slightly less progressive (i.e., more regressive) for households earning between 300% and 500% of the average wage. This reinforces the finding that, within the earnings range analysed, fiscal policy reforms in OECD countries have generally reduced the tax burden for lower earners while the average tax wedge for medium and high earners remained more consistent across time.

Caution should be taken when using the results shown in this chapter to make conclusions about the progressivity of fiscal systems in OECD countries. This analysis focuses exclusively on the taxes due on labour income and it does not take into account the redistributive impact of other taxes paid by households,

such as value-added tax or capital taxes. Moreover, *Taxing Wages* does not contain information on all the measures in place to support households' consumption. As a possible avenue of future research, the analysis in this chapter could be combined with information on the impact of other policies as well as data on pre- and post-tax incomes to show the extent to which the statutory progressivity of labour taxation is reflected in de facto redistributive outcomes.

Annex 2.A. Additional figures

Annex Figure 2.A.1. Boxplot of the progressivity indicators for all countries, by earnings interval and household type, 2025



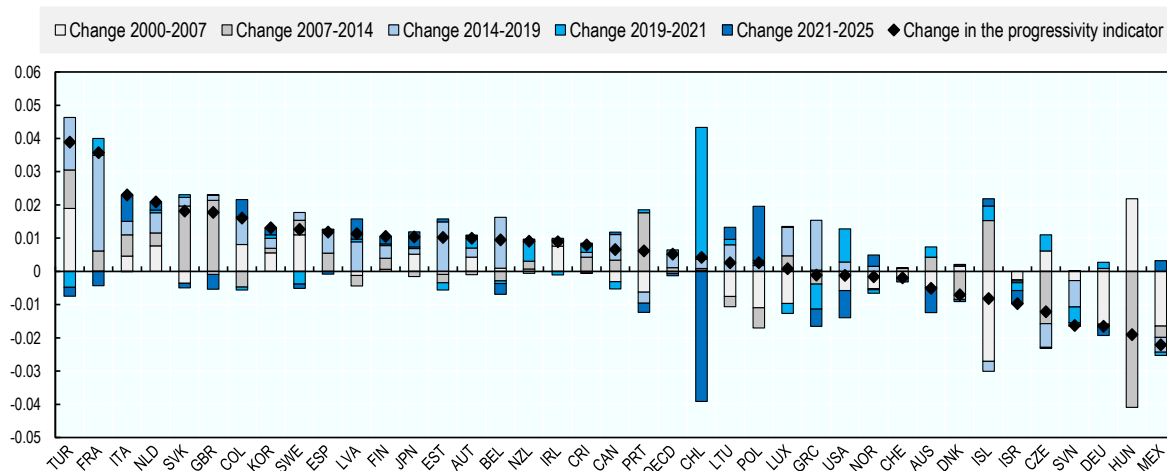
Note: In the one-earner married couples, the spouse is assumed to be inactive. In the two-earner married couples, the spouse is assumed to be gainfully employed at 67% of the average wage, regardless of the earnings level of the principal. The boxes span over the observation from the 25th to the 75th percentile, while the limits of the top and bottom whiskers refer to the bottom 10th percentile and the top 90th percentile, respectively. The countries marked on the figure represent the datapoint above and below these thresholds.

Source: Authors' calculations based on *Taxing Wages 2026*.

StatLink  <https://stat.link/yxgiqu>

Annex Figure 2.A.2. Decomposition of the change in the progressivity indicator by period, single worker

Single worker earning between 50% and 500% of the average wage without children



Source: Authors' calculations based on *Taxing Wages 2026*.

StatLink  <https://stat.link/ljccay7>

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Notes

¹ While the focus of this review is labour taxation, other parts of the tax system can significantly influence the post-tax distribution of incomes. Value-added taxes, for example, tend to be slightly regressive when assessed relative to current income but are broadly proportional or even mildly progressive when measured relative to current expenditure, with substantial variation across OECD countries depending on rate structures and the range of goods and services subject to reduced rates or exemptions (Thomas, 2022^[26]). Evidence suggests that accounting for consumption taxes raises measured income inequality, offsetting up to a third of the redistributive impact of direct taxes and transfers on the Gini coefficient (Blasco et al., 2023^[25]). Other taxes, including corporate income taxes, property taxes and taxes on capital income, have also been shown to affect distributional outcomes (OECD, 2024^[24]).

² Tax and transfer policies have been widely found to affect primarily the extensive margin, i.e., the decision to take up work (OECD, 2024^[31]). Effects on the intensive margin, such as hours worked or work effort, are more nuanced (Chetty, Friedman and Saez, 2013^[22]; Villamaina and Acciari, 2025^[23]). While low-income single workers tend to have higher labour supply elasticities, increases in the marginal tax rates of individuals at the top of the income distribution appear to have limited impact on their labour supply (Bargain, Orsini and Peichl, 2014^[21]) (Saez, Slemrod and Giertz, 2012^[27]).

³ Broader growth effects of redistribution depend not only on how revenues are raised but also on the impact of the public spending that they finance (Ostry, Berg and Tsangarides, 2014^[30]).

⁴ This result also partly reflects the importance of taxable income among high-income households, which limits the pass-through from statutory to average tax rates.

⁵ The chapter refers the ‘progressivity indicator’ throughout. This is analogous to the terms ‘progressivity indicator for the tax wedge’ and ‘tax wedge progression’ used in previous *Taxing Wages* analysis.

⁶ The authors acknowledge that the design of the tax system in OECD countries is likely to be endogenous with respect to their respective income distributions. As these distributions are not necessarily aligned, this could introduce biases into the comparison of statutory progressivity indicators.

⁷ Similarly to the approach adopted with non-standard tax reliefs, indirect taxes such as value-added tax are not included in the progressivity indicator used throughout this chapter, as they are not covered by the *Taxing Wages* calculations. While these methodological choices limit the applicability of the results, the comparability across OECD countries is ensured by the use of a common and long-standing approach to modelling fiscal policies.

⁸ Due to how it is computed, the progressivity indicator is not as sensitive as the marginal tax wedge to changes in statutory rates that occur in a given country’s tax schedule. While the marginal tax wedge is

usually computed for very small earnings increments, the progressivity indicator compares the change in the overall tax wedge across an earnings range. Nevertheless, discontinuous changes in the rate applied might still influence the progressivity indicator if either end of an earnings interval happens to coincide with the thresholds in the tax schedule. Estévez-Schwarz and Sommer (2018^[32]) provide a comparative analysis of the effects of applying a smooth tax function on the personal income tax rate among four OECD countries.

⁹ The Special Feature analysis in *Taxing Wages 2025* (OECD, 2025^[20]) on the impact of tax allowances and tax credits on the personal income tax rate across OECD countries discusses the effect of these policies on the progressivity of personal income taxes between 67% and 300% of the average wage. The results show that, on average across OECD countries, both tax credits and tax allowances contribute to increasing progressivity, while tax allowances are sometimes regressive, depending on their characteristics.

¹⁰ See note 9.

¹¹ Workers in Chile and Colombia are also required to pay social security contributions to non-governmentally owned funds, which are categorised as “non-tax compulsory payments” in *Taxing Wages* and thus not included in the standard results (<https://www.oecd.org/content/dam/oecd/en/topics/policy-issues/tax-policy/non-tax-compulsory-payments.pdf>).

¹² The progressivity in the first two earnings intervals is positive in Estonia due to the presence of a means-tested tax allowance.

¹³ More precisely, in the Netherlands the (means-tested) tax credits are applied partly on the final tax liability and partly to the employee social security contributions. The share of the tax credits applied to reducing the latter contributes to increasing progressivity for low-earnings workers.

¹⁴ In Spain, social security contributions include the “*Mecanismo de Equidad Intergeneracional*”, an additional contribution that varies with earnings introduced to reinforce the long-term sustainability of the pension system. While the *Taxing Wages* calculations consider the base rate of this contribution (for both employees and employers), they do not consider the increased contribution rates for higher earnings intervals. These additional rates would contribute to increase the progressivity of employee and employer social security contributions for workers earning more than 167% of the average wage, partially countering the regressive dynamic highlighted in Figure 2.5 and Figure 2.6.

¹⁵ The observed impact of social security contributions on the progressivity indicator is due to the fact that, for workers earnings below a minimum threshold, employers are required to cover the difference between the social security contributions paid by employees and the contribution floor. As earnings increase, the proportion of this amount covered by the employer decreases, resulting in a reduction in the progressivity of the tax burden.

¹⁶ Please see the 2021 and 2022 editions of *Taxing Wages* for more information about how labour taxation in OECD countries responded to the COVID-19 pandemic (OECD, 2021^[28]; OECD, 2022^[29]).

¹⁷ In Spain, the sharp increase in the progressivity indicator for the first earnings interval reflects the introduction of the work-related deduction targeted at low to moderate earned income, which contributed to reducing the tax liability of eligible workers. This policy increased measured statutory progressivity primarily at the lower end of the earnings distribution through the reduction of the average tax wedge on low earners, with the goal of supporting labour market participation.

3

Effective tax rates on labour income in 2025

The effective tax rates on labour income in 2025 calculated for the eight model household types are presented in Tables 3.1 to 3.13 and Figures 3.1 to 3.7. The household types vary by marital status, number of children and earnings level. For each household type, the chapter presents different indicators for the average rates (tax wedge, personal tax rate, net personal tax rate, personal income tax rate and employee social security contribution rate) and marginal rates (tax wedge and net personal tax rate). The results for two measures of tax progressivity are also considered: tax elasticity on gross earnings and labour costs.

Average tax rates

Table 3.1¹ and Figure 3.1 show the average tax wedge for 2025, which combines personal income tax, employee social security contributions (SSCs) and employer SSCs while also taking into account the cash benefits to which each household type was entitled. Total taxes due minus transfers received are expressed as a percentage of labour costs, defined as the gross wage *plus* employer SSCs (including payroll taxes).

In the case of a single worker earning the average wage, the tax wedge ranged from zero in Colombia and 7.5% in Chile to 49.3% in Germany and 52.5% in Belgium. For a one-earner married couple with two children, at the average wage level, the tax wedge was lowest in Colombia (-4.8%) and highest in France (39.1%) and Türkiye (40.3%). As explained in Chapter 1, the tax wedge tends to be lower for a married couple with two children at this wage level than for a single individual without children due to receipt of cash benefits and/or more advantageous tax treatment. The tax wedge for a single parent with two children, earning 67% of the average wage, was negative in New Zealand (-11.3%) and Colombia (-7.2%). A negative tax wedge occurs when the cash benefits received by families, plus any applicable non-wastable tax credits, exceed the sum of the total tax and SSCs that are due.

Table 3.2 and Figure 3.2 combine personal income tax and employee SSCs in 2025, expressed as a percentage of gross wage earnings (the corresponding measures for income tax and employee SSCs separately are shown in Tables 3.4 and 3.5). For single workers at the average wage level without children, the highest levels of tax plus SSCs were seen in Belgium (39.5%) and Germany and Lithuania (both 38.7%). The lowest average rates were in Colombia (0.0%), Chile (7.1%), Costa Rica (9.8%), Mexico (13.2%), Korea (16.5%), Switzerland (18.1%), New Zealand (20.8%), Czechia (21.3%) and Israel (21.4%).

Table 3.3 shows personal income tax and employee SSCs, reduced by the entitlement to cash benefits, for each household type in 2025. Figure 3.3 illustrates this for single individuals without children and one-earner married couples with two children, with both household types on average earnings. Comparing Table 3.2 and Table 3.3, the average tax rates for families with children (columns 4-7) are lower in Table 3.3 because most countries support families with children through cash benefits.

Comparing Table 3.2 and Table 3.3 for single parents earning 67% of the average wage shows that 32 countries provided cash benefits for this household in 2025. In Poland, France and New Zealand, cash benefits amounted to over 25% of gross earnings (27.9%, 27.8% and 27.4%, respectively). Thirty-two countries provided cash benefits for a one-earner married couple with two children earning the average wage, although these were less generous relative to income, ranging up to 18.7% in Poland. The lower level for the married couple may be attributable to three factors: single parents may be eligible for more generous treatment; benefits may be fixed in absolute amount; or benefits may be subject to means testing.

Table 3.4 shows personal income tax due as a percentage of gross wage earnings in 2025. For single persons without children earning the average wage (column 2), the income tax burden ranged from 0.0% (Colombia and Costa Rica) to 35.3% (Denmark). In most countries, at the average wage level, the income tax burden for one-earner married couples with two children was lower than that for single persons (compare columns 2 and 5). These differences are illustrated in Figure 3.4. In eleven countries, the income tax burden of a one-earner married couple with two children was less than half that faced by a single individual (Austria, Chile, Czechia, Germany, Luxembourg, Poland, Portugal, the Slovak Republic, Slovenia, Switzerland and the United States). There was no difference in a further twelve countries: Australia, Colombia, Costa Rica, Estonia, Lithuania, Mexico, the Netherlands, New Zealand, Norway, Sweden, Türkiye and the United Kingdom. In Colombia and Costa Rica, neither a single worker nor a one-earner married couple at the average wage paid personal income taxes.

In the Slovak Republic, the personal income tax rate for a married worker at the average wage with two children was negative in 2025 (at -6.5%). This was due to the presence of non-wastable tax credits, whereby credits were paid in excess of the taxes due. Single parents with two children earning 67% of the

average wage showed a negative tax burden in eight countries: Austria, Czechia, Germany, Korea, Luxembourg, Poland, the Slovak Republic and the United States. In four other countries (Chile, Colombia, Costa Rica and Israel), this household type paid no income tax.

Comparison of columns 5 and 6 in Table 3.4 demonstrates that if the second spouse was employed at 67% of the average wage, the income tax burden of the household (now expressed as 167% of the average wage) would be slightly higher in 21 countries, the largest differences being in Germany (9.2 percentage points [p.p.]) and the Slovak Republic (8.9 p.p.). The income tax burden was lower for the two-earner household where the principal earns the average wage and the spouse earns 67% of the average wage in fourteen countries, the largest difference being in the Netherlands (4.6 p.p.), Israel (4.0 p.p.) and Finland (3.3 p.p.). There was no impact on the tax burden in Chile, Colombia or Costa Rica.

An important consideration in the design of an income tax is the rate at which the income tax burden increases with income.² A comparison of columns 1 to 3 in Table 3.4 provides an insight into the progressivity of countries' income tax systems. Comparing the income tax burden of single individuals at the average wage level with their counterpart at 167% of the average wage (columns 2 and 3), the lower-paid worker faced a lower tax burden in all countries except in Colombia, Estonia and Hungary in 2025. In Colombia, neither the average single worker nor their counterpart at 167% of the average wage paid personal income tax. In Estonia and Hungary, a flat tax rate was applied on labour income. While in Hungary, all households without children paid the same percentage of income tax, in Estonia an income-dependent basic tax allowance reduced the tax rate for lower earners. Comparing single individuals earning 67% of the average wage with their counterparts at the average wage level (columns 1 and 2), the lower-paid worker also faced a lower tax burden across all countries except Colombia, Costa Rica and Hungary.

The addition of SSCs to the average tax rate reduces this progressivity in many countries as well as the proportional tax savings (i.e. tax savings of the low-income workers relative to higher-income workers). When comparing Table 3.2 with Table 3.4, the OECD personal average tax rate including SSCs for single individuals earning 67% of the average wage was only 31.6% lower than their counterparts at 167%, compared to the OECD average tax savings of 47.6% for personal income taxes alone in 2025. The OECD average tax savings observed for one-earner married couples with two children at the average wage level, relative to the average single worker, amounted to 29.2% when measured under the personal income tax and 18.0% for the personal average tax rate including SSCs. These lower figures reflect that there is little variation in SSC rates across household types within the same country, as shown in Table 3.5.

Table 3.5 shows employee SSCs as a percentage of gross wage earnings in 2025. For a single worker without children at the average wage (column 2), the contribution rate varied between zero (Australia, Colombia, Denmark and New Zealand) and 24.1% (Slovenia). Australia, Denmark and New Zealand did not levy any employee SSCs paid to general government. In Colombia, most of the SSCs are paid to funds outside the general government and are considered to be non-tax compulsory payments (NTCPs); they are therefore not counted as SSCs in the *Taxing Wages* calculations.³ There were three other countries with very low rates: Iceland (0.1%), Mexico (1.4%) and Estonia (1.6%).

SSCs are usually levied on all earnings without a minimum earnings threshold. Although a number of OECD Member countries apply a ceiling to SSCs, this usually applies to wage levels above 167% of the average wage. As a result, the contribution on earnings tends to be flat between 67% and 167% of the average wage for most countries. A constant proportional burden for employee SSCs for the eight household types was observed in Lithuania (19.5%), Hungary (18.5%), Poland (17.8%), Türkiye (15.0%), Greece (13.4%), the Slovak Republic (13.4%), Czechia (11.6%), Portugal (11.0%), Latvia (10.5%), Costa Rica (9.8%), Norway, the United States (both 7.7%), Chile (7.0%), Spain (6.5%), Ireland (4.1%) and Estonia (1.6%). In addition, at the average wage level, Belgium, Germany and Slovenia imposed different levels of SSCs on employees according to their family status (Figure 3.5).

Marginal tax rates

Table 3.6 and Figure 3.6 show the percentage of the marginal increase in labour costs that was deducted through the combined effect of increasing personal income tax, employee and employer SSCs (including payroll taxes) and decreasing cash transfers in 2025. It is assumed that the gross earnings of the principal earner rise by 1 currency unit. This is the marginal tax wedge. In most cases, the marginal tax wedge absorbed 25% to 55% of an increase in labour costs for a single individual without children earning the average wage in 2025. However, in six countries, these individuals faced marginal wedges above 55%: Finland (56.4%), Luxembourg (57.4%), France (58.2%), Austria (58.3%), Belgium (65.0%) and Italy (72.8%). By contrast, Chile (10.6%) had the lowest marginal tax wedge. For Colombia, no income tax was paid at the average wage level in 2025 while SSCs are considered as NTCPs.

In 27 OECD countries, the **marginal tax wedge** for a one-earner married couple at average earnings with two children was either the same as that for a single worker earning the average wage with no children or within 5 p.p. thereof. The marginal tax wedge was more than 5 p.p. points lower for one-earner married couples in seven countries: France (16.2 p.p.), Luxembourg (14.2 p.p.), the United States (9.3 p.p.), Germany (7.5 p.p.), Portugal (6.8 p.p.), Slovenia (6.6 p.p.) and Switzerland (6.2 p.p.). In contrast, the marginal rate for one-earner married couples with two children was more than 5 p.p. higher than for single workers with no children in Canada (5.5 p.p.), the Netherlands (5.9 p.p.), Iceland (7.2 p.p.) and New Zealand (27.0 p.p.). These higher marginal rates arise because of the phase-out of income-tested tax reliefs and/or cash benefits. When an income-tested measure is phased out, the reduction in the relief or benefit compounds the increase in the tax payable. These programmes are set out in greater detail in the relevant country chapters in Part II of the Report.

Table 3.7 and Figure 3.7 show the incremental change to personal income tax and employee SSCs less cash benefits when gross wage earnings increased at the margin in 2025. As with the marginal tax wedge (Table 3.6), personal income tax and employee SSCs absorb between 25% and 55% of a worker's pay rise for single individuals without children at the average wage level in most countries. The marginal tax rate for the average worker was higher than 55% in Italy (64.2%) and Belgium (55.5%) and lower than 25% in Costa Rica (9.8%), Chile (10.2%), Mexico (23.0%), Estonia (23.2%) and Korea (23.5%). As previously mentioned, no income tax was paid in Colombia at the average wage while SSCs are considered NTCPs.

In 27 OECD countries, the **net personal marginal tax rate** for one-earner married couples with two children at the average wage level was either the same as or within 5 p.p. of that for single persons with no children. The marginal rate was more than 5 p.p. lower for the one-earner married couple in seven countries: France (22.1 p.p.), Luxembourg (16.2 p.p.), the United States (10.0 p.p.), Portugal (8.4 p.p.), Germany (8.3 p.p.), Slovenia (7.7 p.p.) and Switzerland (6.6 p.p.). In contrast, the marginal rate for one-earner married couples with two children was more than 5 p.p. higher than it was for single persons with no children in Canada (5.7 p.p.), the Netherlands (6.7 p.p.), Iceland (7.7 p.p.) and New Zealand (27.0 p.p.). Similar to the marginal tax wedges, these higher net personal marginal rates arise because of the phase-out of income-tested tax reliefs and/or cash transfers.

Table 3.8 shows the percentage increase in net income relative to the percentage increase in gross wages when the latter increased by 1 currency unit in 2025, i.e. the elasticity of after-tax income.⁴ Under a proportional tax system, net income would increase by the same percentage as the increase in gross earnings, in which case the elasticity is equal to 1. The more progressive the system is – at the income level considered – the lower this elasticity will be. In the case of the one-earner married couple with two children at the average wage (column 5 of Table 3.8), the most progressive systems of income tax plus employee SSCs in 2025 were found in Italy (0.41), New Zealand (0.45), Belgium (0.55), the Netherlands (0.57) and Ireland (0.59). In contrast, Chile (0.97), France (0.95), Estonia (0.91) and Mexico (0.89) either implemented or were close to a proportional system of income tax plus employee SSCs for this household type. For Colombia (0.95) and Costa Rica (1.0), no income tax was paid at that level of earnings. In Colombia, SSCs are considered NTCPs and not included in the *Taxing Wages* calculations. However, the

household's cash benefit remained fixed while the gross wage increased. As a result, the percentage increase in net income was slightly less than the percentage increase in the gross wage.

Table 3.9 provides a different elasticity measure: the percentage increase in net income relative to the percentage increase in labour costs (i.e. gross wage earnings plus employer SSCs and payroll taxes) when the latter rose by 1 currency unit in 2025.⁵ In this case, taxes and employer SSCs are also part of the analysis. In 21 countries, elasticity values lay between 0.50 and 0.97 for the eight household types. The elasticity was below 0.50 for single parents earning 67% of the average wage in the United States (0.49), Belgium (0.44), the Netherlands (0.42), New Zealand (0.39), the United Kingdom (0.36), France (0.30), Ireland (0.27) and Canada (0.25) and for one-earner married couples at the average wage with two children in New Zealand (0.45). In Italy, the elasticity was below 0.5 for all married household types.

In contrast, the elasticity was between 0.97 and 1.0 for most household types in Costa Rica and Chile as well as some household types in Canada, Colombia, Estonia, Germany and Hungary, and for one household type in Austria and Lithuania. Using this elasticity measure, the income tax system was regressive for a single individual at 167% of the average wage in Austria (1.08) and for the single workers without children earning 100% and 167% of the average wage (1.01 and 1.06, respectively) and the married couple without children earning 100%-67% of the average wage (1.02) in Germany.

Table 3.10 and Table 3.11 set out gross wage earnings and net income for the eight household types in 2025 after all amounts have been converted into U.S. dollars (USD) with the same purchasing power. Single workers earning the average wage had a net income above USD 60 000 in nine countries: Switzerland (USD 87 303), the Netherlands (USD 67 017), Luxembourg (USD 63 385), the United Kingdom (USD 63 277), Norway (USD 63 052), Iceland (USD 60 863), Canada (USD 60 811), Ireland (USD 60 643) and Australia (USD 60 275) (Table 3.10 column 4). The lowest levels (below USD 25 000) were in Mexico (USD 18 441) and Colombia (USD 20 534). In the case of a one-earner married couple with two children at the average wage level, families had net incomes above USD 60 000 in Australia, Austria, Belgium, Canada, Denmark, Germany, Iceland, Ireland, Korea, Luxembourg, the Netherlands, Norway, Switzerland, the United Kingdom and the United States, with the lowest levels again observed in Colombia and Mexico (Table 3.11). With the exceptions of Costa Rica, Mexico and Türkiye, the net income for the one-earner married couple in OECD countries was higher than for the single individual (with both household types at the average wage level) due to the favourable tax treatment of this household and/or the cash transfers to which they were entitled.

Table 3.12 and Table 3.13 show the corresponding figures to Table 3.10 and Table 3.11 for labour costs and net income in 2025. Thus, the 'net' columns in Table 3.10 and Table 3.11 are identical to those in Table 3.12 and Table 3.13, respectively. Usually, labour costs are significantly higher than gross wages, because any employer SSCs (including payroll taxes) are taken into account. If measured in USD with equal purchasing power, labour costs for single workers earning the average wage level (see column 3 of Table 3.12) were highest (above USD 100 000) in the Netherlands (USD 104 614), Luxembourg (USD 105 925), Austria (USD 110 216), Belgium (USD 111 355), Switzerland (USD 113 350) and Germany (USD 113 595), and lowest (less than USD 30 000) in Colombia (USD 20 534) and Mexico (USD 23 537). Annual labour costs are equal to the annual gross wage in Colombia and New Zealand. In those countries, neither compulsory employer SSCs nor payroll taxes paid to general government are levied on wages. However, employers in Colombia are subject to NTCs.

Table 3.1. Income tax plus employee and employer contributions less cash benefits, 2025

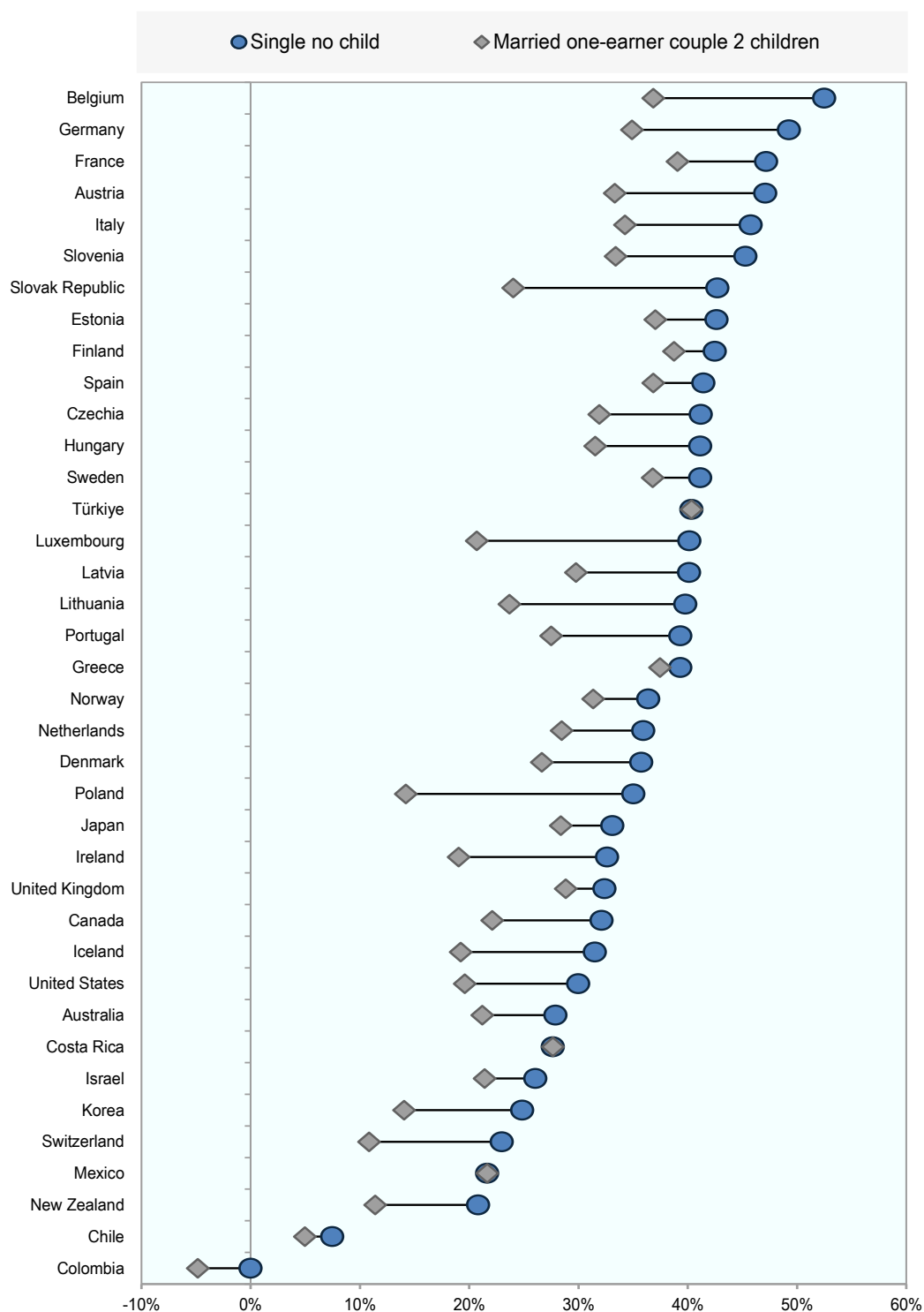
As % of labour costs, by household type and wage level

	Single no children 67 (% AW)	Single no children 100 (% AW)	Single no children 167 (% AW)	Single 2 children 67 (% AW)	Married 2 children 100-0 (% AW)	Married 2 children 100-67 (% AW) ¹	Married 2 children 100-100 (% AW) ¹	Married no children 100-67 (% AW) ¹
Australia	24.0	27.9	32.8	0.9	21.2	26.3	27.9	26.3
Austria	42.7	47.1	49.5	22.2	33.3	37.7	40.7	45.3
Belgium	45.7	52.5	58.6	28.6	36.9	44.8	48.1	49.7
Canada	29.9	32.1	35.5	7.3	22.1	29.0	31.1	31.2
Chile	7.3	7.5	8.7	2.7	4.9	5.5	6.5	7.4
Colombia	0.0	0.0	0.0	-7.2	-4.8	-5.8	-4.8	0.0
Costa Rica	27.7	27.7	29.9	27.7	27.7	27.7	27.7	27.7
Czechia	39.3	41.2	42.8	25.4	31.9	37.5	38.8	40.4
Denmark	33.2	35.8	41.8	15.9	26.6	31.4	33.0	34.7
Estonia	37.0	42.6	42.6	20.3	37.0	37.0	39.8	40.4
Finland	35.8	42.5	49.2	26.0	38.7	37.5	40.5	39.8
France	41.2	47.2	54.1	17.6	39.1	41.0	44.3	44.4
Germany	45.5	49.3	50.0	31.3	34.9	42.6	44.7	47.6
Greece	35.3	39.3	44.9	29.0	37.5	37.5	39.4	38.7
Hungary	41.2	41.2	41.2	26.2	31.5	35.4	36.3	41.2
Iceland	27.2	31.5	36.5	16.1	19.2	28.2	30.7	29.8
Ireland	24.5	32.6	41.9	4.6	19.0	25.7	30.1	28.7
Israel	19.4	26.1	35.5	7.4	21.4	17.7	20.8	23.0
Italy	38.5	45.8	54.3	23.6	34.3	36.1	40.7	42.9
Japan	31.3	33.1	36.0	19.1	28.4	30.2	31.3	32.4
Korea	21.9	24.8	28.2	5.1	14.0	18.6	20.6	23.7
Latvia	37.2	40.1	42.5	21.8	29.8	32.8	35.0	39.0
Lithuania	34.7	39.8	40.6	10.6	23.7	31.7	34.7	37.7
Luxembourg	32.3	40.2	46.4	8.9	20.7	30.2	34.6	35.5
Mexico	19.6	21.7	24.3	19.6	21.7	20.8	21.7	20.8
Netherlands	27.5	35.9	42.2	2.5	28.5	28.1	32.2	32.6
New Zealand	15.1	20.8	25.7	-11.3	11.4	18.5	20.8	18.5
Norway	32.3	36.4	42.6	19.8	31.4	31.7	33.9	34.7
Poland	33.4	35.0	39.2	2.6	14.2	23.7	26.1	34.4
Portugal	36.1	39.3	45.2	15.4	27.5	34.8	36.8	37.8
Slovak Republic	40.6	42.7	44.7	18.5	24.0	33.0	35.3	41.9
Slovenia	42.5	45.3	48.3	25.1	33.4	39.8	41.6	44.2
Spain	37.9	41.4	46.2	28.5	36.8	38.7	40.3	40.0
Sweden	38.8	41.1	48.8	32.3	36.8	37.6	39.0	40.2
Switzerland	20.1	23.0	27.4	5.7	10.8	17.1	19.6	22.7
Türkiye	36.4	40.3	43.5	36.4	40.3	38.8	40.3	38.8
United Kingdom	28.0	32.4	39.3	22.4	28.8	28.5	30.6	30.6
United States	27.5	30.0	34.4	12.2	19.6	24.6	26.9	28.3
OECD-Average	31.3	35.1	39.4	16.3	26.2	29.8	32.0	33.5
OECD-EU 22	37.3	41.7	46.1	19.9	30.7	35.2	37.8	39.9

1. Two-earner couple.

Figure 3.1. Income tax plus employee and employer contributions less cash benefits, 2025

As % of labour costs, by household type



Note: The household type 'single no child' corresponds to a wage level of 100% of average wage and 'married one-earner couple 2 children' corresponds to a combined wage level of 100%-0% of average wage.

Sources: OECD calculations based on country submissions and OECD Economic Outlook, Volume 2025 Issue 2.

StatLink  <https://stat.link/5gicor>

Table 3.2. Income tax plus employee contributions, 2025

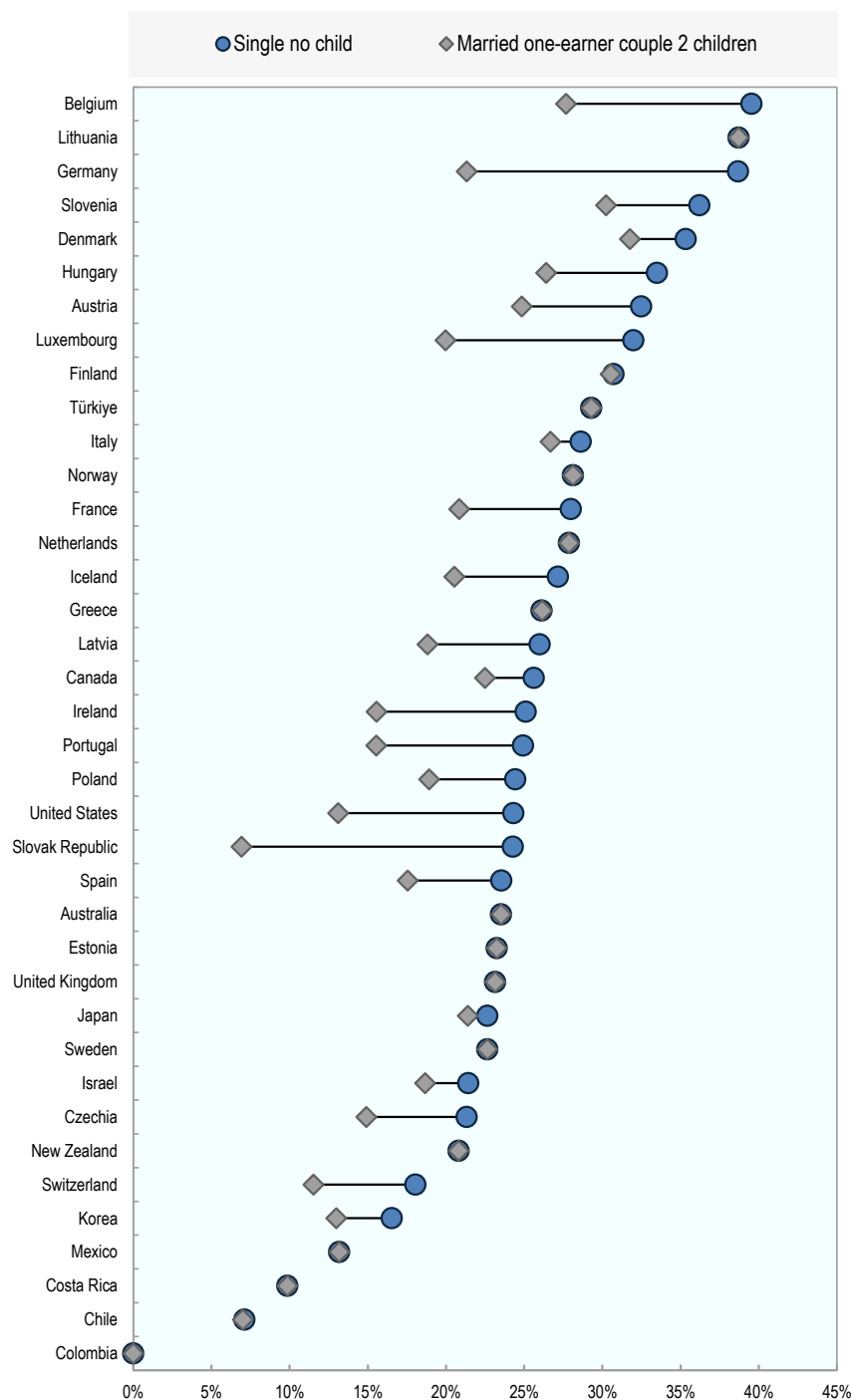
As % of gross wage earnings, by household type and wage level

	Single no children 67 (% AW)	Single no children 100 (% AW)	Single no children 167 (% AW)	Single 2 children 67 (% AW)	Married 2 children 100-0 (% AW)	Married 2 children 100-67 (% AW) ¹	Married 2 children 100-100 (% AW) ¹	Married no children 100-67 (% AW) ¹
Australia	19.3	23.5	28.7	19.3	23.5	21.8	23.5	21.8
Austria	26.9	32.5	37.1	15.5	24.8	26.4	29.3	30.2
Belgium	31.5	39.5	47.4	25.7	27.7	34.7	37.9	36.2
Canada	22.1	25.6	31.1	16.3	22.5	24.2	25.6	24.2
Chile	7.0	7.1	8.4	7.0	7.0	7.0	7.0	7.1
Colombia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costa Rica	9.8	9.8	12.7	9.8	9.8	9.8	9.8	9.8
Czechia	18.7	21.3	23.4	9.2	14.9	16.4	18.1	20.3
Denmark	32.5	35.3	41.6	29.1	31.8	34.2	35.3	34.2
Estonia	15.7	23.2	23.2	15.7	23.2	20.2	23.2	20.2
Finland	22.6	30.7	38.8	22.1	30.5	27.3	30.5	27.5
France	23.7	28.0	33.8	20.8	20.8	23.5	26.0	25.6
Germany	34.1	38.7	42.3	16.9	21.3	30.5	33.1	36.6
Greece	21.1	26.1	33.0	19.2	26.1	23.9	26.1	25.3
Hungary	33.5	33.5	33.5	22.9	26.4	29.3	30.0	33.5
Iceland	22.6	27.2	32.5	22.6	20.5	25.3	27.2	25.3
Ireland	16.1	25.1	35.4	11.4	15.6	20.8	25.1	20.8
Israel	14.9	21.4	31.1	7.1	18.7	14.0	16.9	18.4
Italy	19.1	28.6	39.9	19.1	26.7	24.8	28.6	24.8
Japan	20.6	22.6	27.0	20.6	21.4	21.8	22.6	21.8
Korea	13.3	16.5	20.9	7.2	13.0	14.7	16.1	15.2
Latvia	22.4	26.0	28.9	11.7	18.8	20.3	22.4	24.6
Lithuania	33.5	38.7	39.5	33.5	38.7	36.6	38.7	36.6
Luxembourg	23.1	32.0	39.1	11.5	20.0	26.7	30.8	26.7
Mexico	9.6	13.2	17.1	9.6	13.2	11.7	13.2	11.7
Netherlands	18.3	27.9	37.2	11.9	27.9	21.5	25.7	24.0
New Zealand	15.1	20.8	25.7	16.0	20.8	18.5	20.8	18.5
Norway	23.5	28.1	35.1	23.5	28.1	26.3	28.1	26.3
Poland	22.6	24.4	29.3	14.7	18.9	22.4	23.4	23.7
Portugal	20.9	24.9	32.2	11.6	15.5	19.4	21.8	23.1
Slovak Republic	21.5	24.3	26.9	3.2	6.9	15.8	18.1	23.2
Slovenia	33.0	36.2	39.7	28.0	30.2	31.9	33.7	34.9
Spain	18.9	23.5	29.7	6.7	17.5	19.9	22.1	21.7
Sweden	19.6	22.6	32.7	19.6	22.6	21.4	22.6	21.4
Switzerland	15.0	18.1	22.9	9.2	11.5	15.6	17.6	17.8
Türkiye	24.6	29.3	33.1	24.6	29.3	27.4	29.3	27.4
United Kingdom	18.6	23.1	30.7	18.6	23.1	21.3	23.1	21.3
United States	21.4	24.3	29.2	4.9	13.1	18.4	21.0	22.4
OECD-Average	20.7	25.1	30.3	15.7	20.6	21.7	23.8	23.3
OECD-EU 22	24.1	29.2	34.8	17.3	23.1	24.9	27.4	27.0

1. Two-earner couple.

Figure 3.2. Income tax plus employee contributions, 2025

As % of gross wage earnings, by household type



Note: The household type 'single no child' corresponds to a wage level of 100% of average wage and 'married one-earner couple 2 children' corresponds to a combined wage level of 100%-0% of average wage.

Sources: OECD calculations based on country submissions and OECD Economic Outlook, Volume 2025 Issue 2.

Table 3.3. Income tax plus employee contributions less cash benefits, 2025

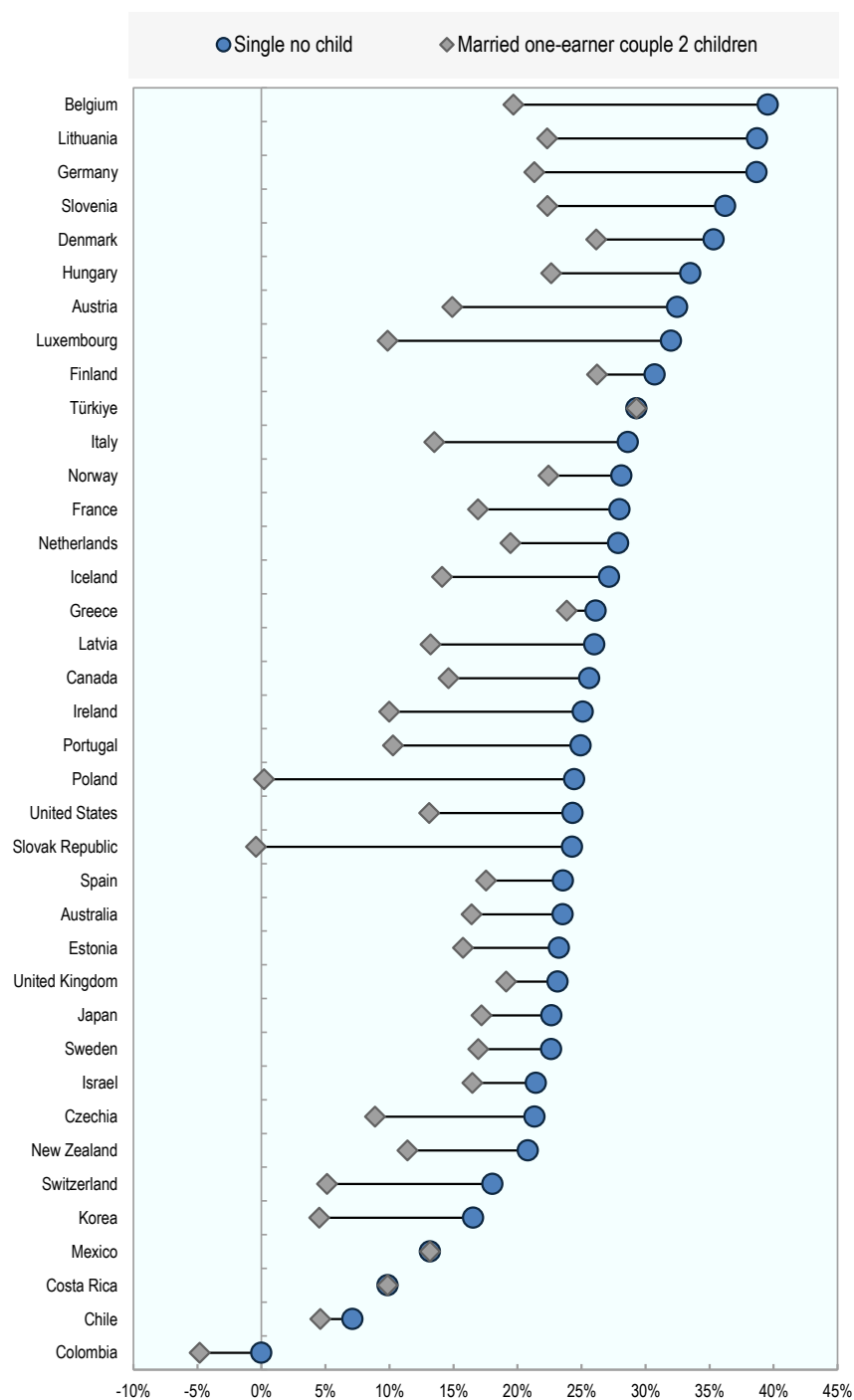
As % of gross wage earnings, by household type and wage level

	Single no children 67 (% AW)	Single no children 100 (% AW)	Single no children 167 (% AW)	Single 2 children 67 (% AW)	Married 2 children 100-0 (% AW)	Married 2 children 100-67 (% AW) ¹	Married 2 children 100-100 (% AW) ¹	Married no children 100-67 (% AW) ¹
Australia	19.3	23.5	28.7	-5.2	16.4	21.8	23.5	21.8
Austria	26.9	32.5	37.1	0.7	14.9	20.5	24.3	30.2
Belgium	31.5	39.5	47.4	9.9	19.7	30.0	34.0	36.2
Canada	22.1	25.6	31.1	-2.9	14.6	21.8	24.5	24.2
Chile	7.0	7.1	8.4	2.4	4.6	5.1	6.2	7.1
Colombia	0.0	0.0	0.0	-7.2	-4.8	-5.8	-4.8	0.0
Costa Rica	9.8	9.8	12.7	9.8	9.8	9.8	9.8	9.8
Czechia	18.7	21.3	23.4	0.1	8.9	16.4	18.1	20.3
Denmark	32.5	35.3	41.6	15.1	26.1	30.8	32.5	34.2
Estonia	15.7	23.2	23.2	-6.6	15.7	15.7	19.5	20.2
Finland	22.6	30.7	38.8	10.9	26.2	24.7	28.4	27.5
France	23.7	28.0	33.8	-6.9	16.9	21.1	24.1	25.6
Germany	34.1	38.7	42.3	16.9	21.3	30.5	33.1	36.6
Greece	21.1	26.1	33.0	13.6	23.8	23.9	26.1	25.3
Hungary	33.5	33.5	33.5	16.6	22.6	27.0	28.1	33.5
Iceland	22.6	27.2	32.5	10.7	14.1	23.6	26.4	25.3
Ireland	16.1	25.1	35.4	-6.1	10.0	17.4	22.3	20.8
Israel	14.9	21.4	31.1	2.2	16.5	12.7	15.8	18.4
Italy	19.1	28.6	39.9	-0.6	13.5	15.9	22.0	24.8
Japan	20.6	22.6	27.0	6.5	17.2	19.3	20.5	21.8
Korea	13.3	16.5	20.9	-5.4	4.5	9.6	11.9	15.2
Latvia	22.4	26.0	28.9	3.3	13.2	16.9	19.6	24.6
Lithuania	33.5	38.7	39.5	9.0	22.3	30.4	33.6	36.6
Luxembourg	23.1	32.0	39.1	-3.6	9.9	20.6	25.7	26.7
Mexico	9.6	13.2	17.1	9.6	13.2	11.7	13.2	11.7
Netherlands	18.3	27.9	37.2	-9.9	19.4	19.0	23.7	24.0
New Zealand	15.1	20.8	25.7	-11.3	11.4	18.5	20.8	18.5
Norway	23.5	28.1	35.1	9.4	22.4	22.9	25.3	26.3
Poland	22.6	24.4	29.3	-13.3	0.2	11.2	14.0	23.7
Portugal	20.9	24.9	32.2	-4.6	10.3	19.4	21.8	23.1
Slovak Republic	21.5	24.3	26.9	-7.7	-0.4	11.4	14.5	23.2
Slovenia	33.0	36.2	39.7	12.6	22.3	29.8	31.9	34.9
Spain	18.9	23.5	29.7	6.7	17.5	19.9	22.1	21.7
Sweden	19.6	22.6	32.7	11.1	16.9	18.0	19.8	21.4
Switzerland	15.0	18.1	22.9	-0.3	5.1	11.8	14.4	17.8
Türkiye	24.6	29.3	33.1	24.6	29.3	27.4	29.3	27.4
United Kingdom	18.6	23.1	30.7	12.3	19.1	18.9	21.1	21.3
United States	21.4	24.3	29.2	4.9	13.1	18.4	21.0	22.4
OECD-Average	20.7	25.1	30.3	3.3	14.7	18.9	21.5	23.3
OECD-EU 22	24.1	29.2	34.8	3.1	16.0	21.4	24.5	27.0

1. Two-earner couple.

Figure 3.3. Income tax plus employee contributions less cash benefits, 2025

As % of gross wage earnings, by household type



Note: The household type 'single no child' corresponds to a wage level of 100% of average wage and 'married one-earner couple 2 children' corresponds to a combined wage level of 100%-0% of average wage.

Sources: OECD calculations based on country submissions and OECD Economic Outlook, Volume 2025 Issue 2.

StatLink  <https://stat.link/h9saxy>

Table 3.4. Income tax, 2025

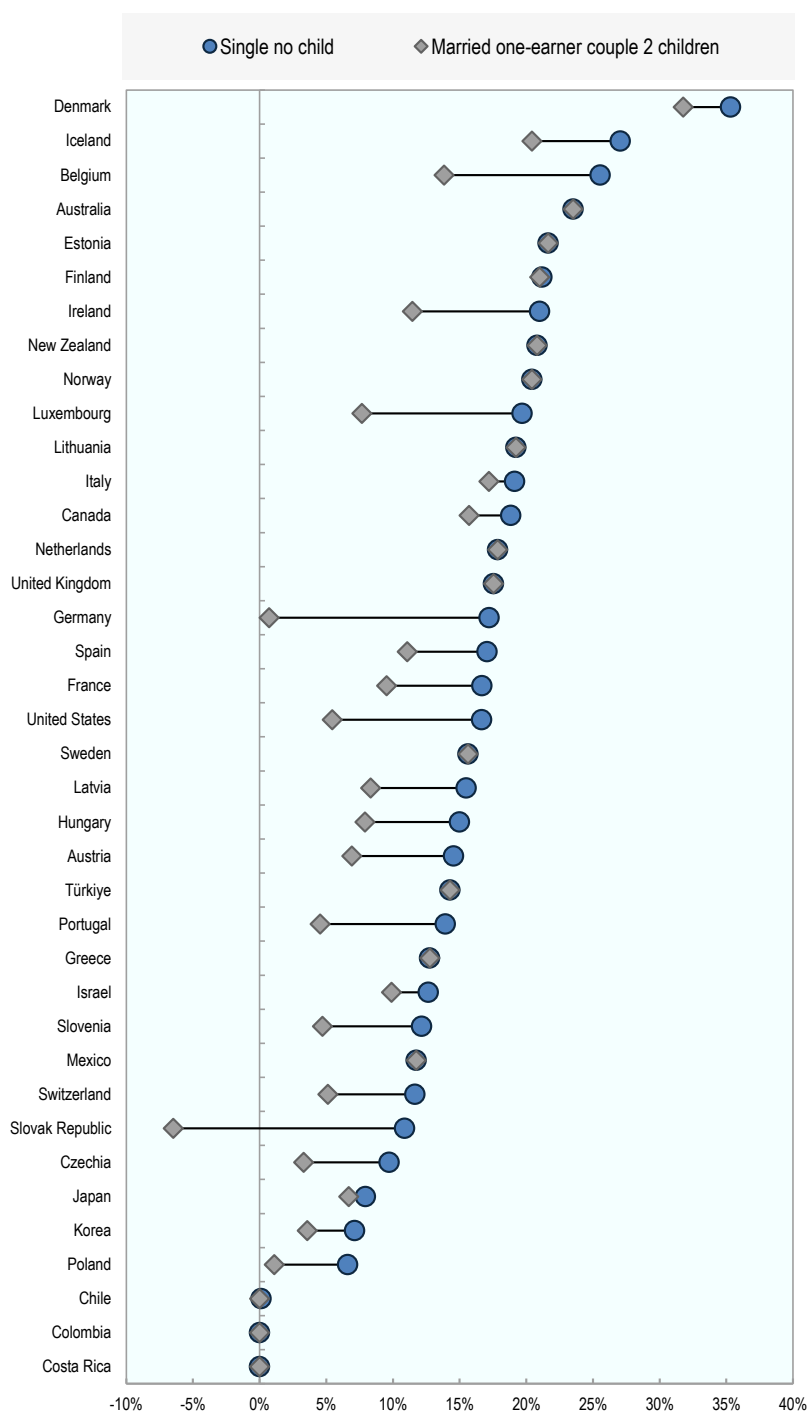
As % of gross wage earnings, by household type and wage level

	Single no children 67 (% AW)	Single no children 100 (% AW)	Single no children 167 (% AW)	Single 2 children 67 (% AW)	Married 2 children 100-0 (% AW)	Married 2 children 100-67 (% AW) ¹	Married 2 children 100-100 (% AW) ¹	Married no children 100-67 (% AW) ¹
Australia	19.3	23.5	28.7	19.3	23.5	21.8	23.5	21.8
Austria	9.0	14.6	21.7	-2.4	6.9	8.5	11.4	12.3
Belgium	17.8	25.6	33.6	12.1	13.8	20.9	24.3	22.4
Canada	13.9	18.8	27.1	8.1	15.7	16.9	18.8	16.9
Chile	0.0	0.1	1.4	0.0	0.0	0.0	0.0	0.1
Colombia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costa Rica	0.0	0.0	2.8	0.0	0.0	0.0	0.0	0.0
Czechia	7.1	9.7	11.8	-2.4	3.3	4.8	6.5	8.7
Denmark	32.5	35.3	41.6	29.1	31.8	34.2	35.3	34.2
Estonia	14.1	21.6	21.6	14.1	21.6	18.6	21.6	18.6
Finland	13.1	21.2	29.2	12.6	21.0	17.7	21.0	17.9
France	12.4	16.7	22.8	9.5	9.5	12.1	14.7	14.3
Germany	12.6	17.2	26.6	-3.8	0.7	9.9	12.5	15.1
Greece	7.8	12.7	19.6	5.8	12.8	10.5	12.8	11.9
Hungary	15.0	15.0	15.0	4.4	7.9	10.8	11.5	15.0
Iceland	22.4	27.1	32.4	22.4	20.4	25.2	27.1	25.2
Ireland	12.0	21.0	31.3	7.3	11.5	16.7	21.0	16.7
Israel	7.8	12.7	20.9	0.0	9.9	5.9	8.2	10.3
Italy	9.6	19.1	30.3	9.6	17.2	15.3	19.1	15.3
Japan	5.9	7.9	14.0	5.9	6.7	7.1	7.9	7.1
Korea	3.9	7.1	12.4	-2.2	3.6	5.3	6.7	5.8
Latvia	11.9	15.5	18.4	1.2	8.3	9.8	11.9	14.1
Lithuania	14.0	19.2	20.0	14.0	19.2	17.1	19.2	17.1
Luxembourg	10.8	19.7	26.7	-0.7	7.7	14.4	18.5	14.4
Mexico	8.3	11.8	15.6	8.3	11.8	10.4	11.8	10.4
Netherlands	8.0	17.8	28.9	6.5	17.8	13.3	17.4	13.9
New Zealand	15.1	20.8	25.7	16.0	20.8	18.5	20.8	18.5
Norway	15.8	20.4	27.4	15.8	20.4	18.6	20.4	18.6
Poland	4.8	6.6	11.4	-3.1	1.1	4.6	5.6	5.9
Portugal	9.9	13.9	21.2	0.6	4.5	8.4	10.8	12.1
Slovak Republic	8.1	10.9	13.5	-10.2	-6.5	2.4	4.7	9.8
Slovenia	8.2	12.1	16.2	3.2	4.7	7.5	9.6	10.6
Spain	12.4	17.1	23.2	0.2	11.1	13.4	15.6	15.2
Sweden	12.6	15.6	27.8	12.6	15.6	14.4	15.6	14.4
Switzerland	8.6	11.7	16.6	2.8	5.1	9.2	11.2	11.4
Türkiye	9.6	14.3	18.1	9.6	14.3	12.4	14.3	12.4
United Kingdom	13.3	17.6	26.6	13.3	17.6	15.8	17.6	15.8
United States	13.8	16.7	21.5	-2.8	5.5	10.7	13.3	14.8
OECD-Average	11.1	15.5	21.2	6.2	11.0	12.2	14.3	13.7
OECD-EU 22	12.0	17.2	23.3	5.5	11.0	13.0	15.5	15.0

1. Two-earner couple.

Figure 3.4. Income tax, by household type, 2025

As % of gross wage earnings



Note: The household type 'single no child' corresponds to a wage level of 100% of average wage and 'married one-earner couple 2 children' corresponds to a combined wage level of 100%-0% of average wage.

Sources: OECD calculations based on country submissions and OECD Economic Outlook, Volume 2025 Issue 2.

StatLink  <https://stat.link/hcasxn>

Table 3.5. Employee contributions, 2025

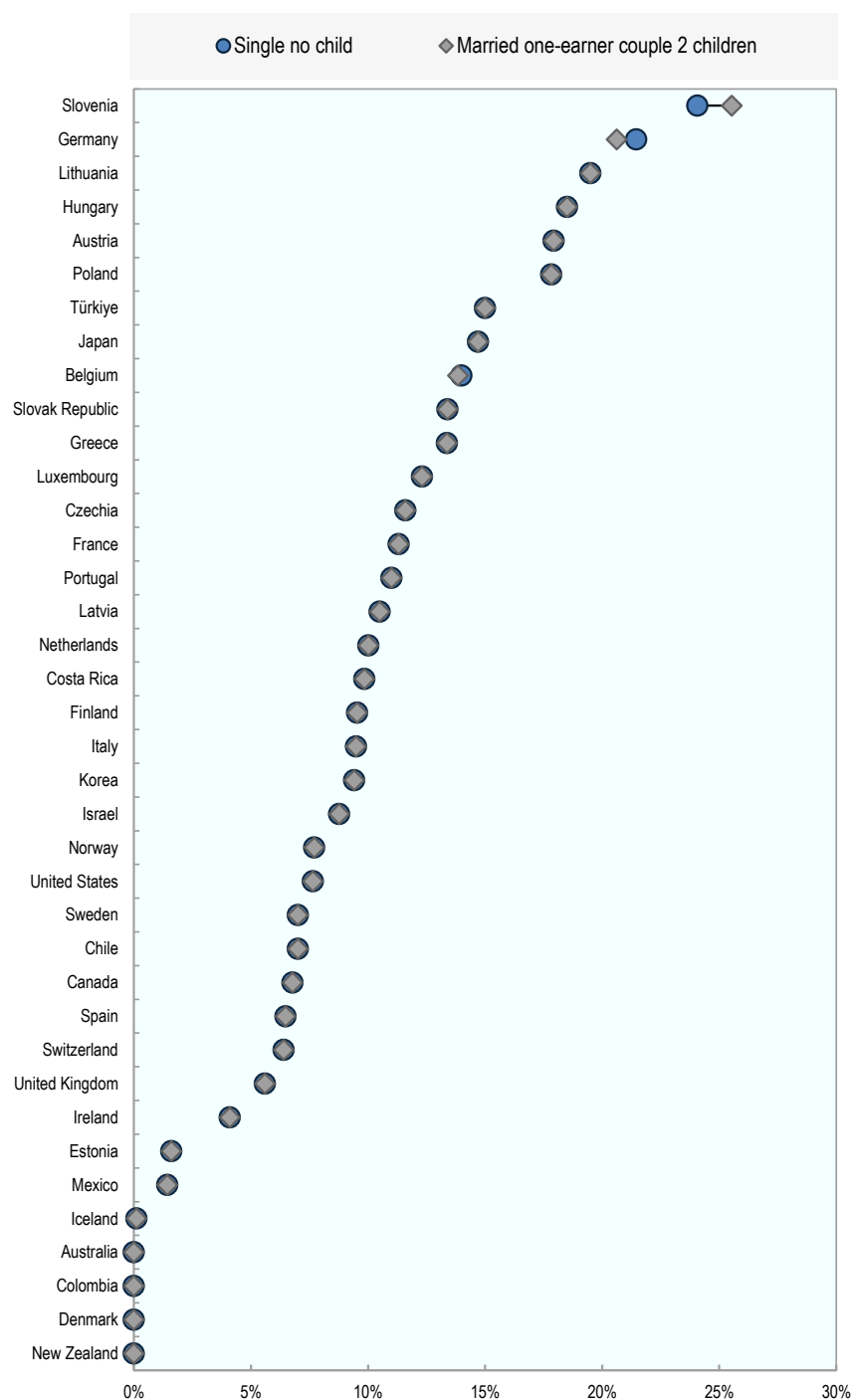
As % of gross wage earnings, by household type and wage level

	Single no children 67 (% AW)	Single no children 100 (% AW)	Single no children 167 (% AW)	Single 2 children 67 (% AW)	Married 2 children 100-0 (% AW)	Married 2 children 100-67 (% AW) ¹	Married 2 children 100-100 (% AW) ¹	Married no children 100-67 (% AW) ¹
Australia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Austria	17.9	17.9	15.4	17.9	17.9	17.9	17.9	17.9
Belgium	13.7	14.0	13.8	13.7	13.8	13.7	13.7	13.7
Canada	8.2	6.8	4.1	8.2	6.8	7.4	6.8	7.4
Chile	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Colombia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costa Rica	9.8	9.8	9.8	9.8	9.8	9.8	9.8	9.8
Czechia	11.6	11.6	11.6	11.6	11.6	11.6	11.6	11.6
Denmark	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Estonia	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6
Finland	9.5	9.5	9.5	9.5	9.5	9.5	9.5	9.5
France	11.3	11.3	11.0	11.3	11.3	11.3	11.3	11.3
Germany	21.6	21.5	15.7	20.7	20.6	20.7	20.6	21.5
Greece	13.4	13.4	13.4	13.4	13.4	13.4	13.4	13.4
Hungary	18.5	18.5	18.5	18.5	18.5	18.5	18.5	18.5
Iceland	0.2	0.1	0.1	0.2	0.1	0.1	0.1	0.1
Ireland	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1
Israel	7.1	8.8	10.1	7.1	8.8	8.1	8.8	8.1
Italy	9.5	9.5	9.6	9.5	9.5	9.5	9.5	9.5
Japan	14.7	14.7	13.0	14.7	14.7	14.7	14.7	14.7
Korea	9.4	9.4	8.5	9.4	9.4	9.4	9.4	9.4
Latvia	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5
Lithuania	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5
Luxembourg	12.2	12.3	12.4	12.2	12.3	12.3	12.3	12.3
Mexico	1.3	1.4	1.5	1.3	1.4	1.4	1.4	1.4
Netherlands	10.4	10.0	8.4	5.4	10.0	8.2	8.3	10.2
New Zealand	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Norway	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7
Poland	17.8	17.8	17.8	17.8	17.8	17.8	17.8	17.8
Portugal	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0
Slovak Republic	13.4	13.4	13.4	13.4	13.4	13.4	13.4	13.4
Slovenia	24.8	24.1	23.5	24.8	25.5	24.4	24.1	24.4
Spain	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5
Sweden	7.0	7.0	4.9	7.0	7.0	7.0	7.0	7.0
Switzerland	6.4	6.4	6.3	6.4	6.4	6.4	6.4	6.4
Türkiye	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
United Kingdom	5.3	5.6	4.2	5.3	5.6	5.5	5.6	5.5
United States	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7
OECD-Average	9.6	9.6	9.1	9.5	9.6	9.5	9.5	9.6
OECD-EU 22	12.1	12.0	11.5	11.8	12.1	11.9	11.9	12.1

1. Two-earner couple.

Figure 3.5. Employee contributions, 2025

As % of gross wage earnings, by household type



Note: The household type 'single no child' corresponds to a wage level of 100% of average wage and 'married one-earner couple 2 children' corresponds to a combined wage level of 100%-0% of average wage.

Sources: OECD calculations based on country submissions and OECD Economic Outlook, Volume 2025 Issue 2.

StatLink  <https://stat.link/q5ylf2>

Table 3.6. Marginal rate of income tax plus employee and employer contributions less cash benefits, 2025

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

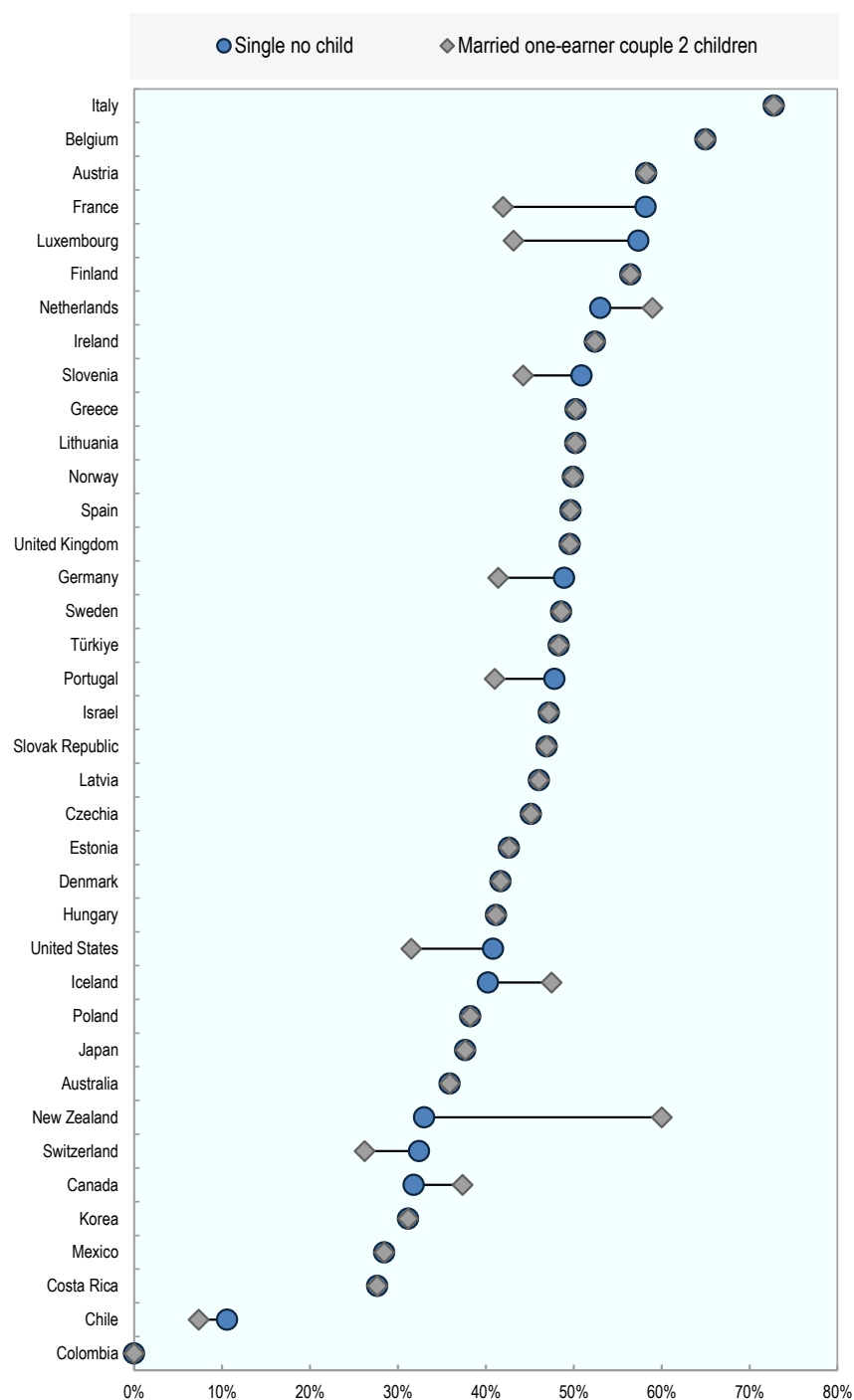
	Single no children 67 (% AW)	Single no children 100 (% AW)	Single no children 167 (% AW)	Single 2 children 67 (% AW)	Married 2 children 100-0 (% AW)	Married 2 children 100-67 (% AW) ¹	Married 2 children 100-100 (% AW) ¹	Married no children 100-67 (% AW) ¹
Australia	35.9	35.9	42.5	35.9	35.9	35.9	35.9	35.9
Austria	57.0	58.3	45.6	57.0	58.3	58.3	58.3	58.3
Belgium	68.5	65.0	67.7	68.5	65.0	65.0	64.1	65.0
Canada	42.2	31.8	46.0	77.2	37.3	37.3	37.3	31.8
Chile	7.3	10.6	10.6	7.3	7.3	7.3	7.3	10.6
Colombia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costa Rica	27.7	27.7	35.1	27.7	27.7	27.7	27.7	27.7
Czechia	45.1	45.1	45.1	45.1	45.1	45.1	45.1	45.1
Denmark	38.1	41.7	55.9	34.8	41.7	41.7	41.7	41.7
Estonia	54.6	42.6	42.6	54.6	42.6	42.6	42.6	42.6
Finland	55.4	56.4	59.3	55.4	56.4	56.4	56.4	56.4
France	64.6	58.2	60.0	75.0	41.9	50.6	58.2	47.9
Germany	55.0	48.9	47.0	53.5	41.4	46.5	46.3	46.3
Greece	45.9	50.2	55.9	45.9	50.2	50.2	50.2	50.2
Hungary	41.2	41.2	41.2	41.2	41.2	41.2	41.2	41.2
Iceland	40.3	40.3	47.8	47.5	47.5	43.9	43.9	40.3
Ireland	34.4	52.4	56.9	73.8	52.4	52.4	52.4	52.4
Israel	37.0	47.2	50.9	18.4	47.2	47.2	47.2	47.2
Italy	56.2	72.8	64.1	56.2	72.8	76.6	76.6	72.8
Japan	34.8	37.7	38.3	58.7	37.7	37.7	37.7	37.7
Korea	30.5	31.1	33.1	30.5	31.1	31.1	31.1	31.1
Latvia	46.0	46.0	46.0	46.0	46.0	46.0	46.0	46.0
Lithuania	50.2	50.2	40.6	50.2	50.2	50.2	50.2	50.2
Luxembourg	51.5	57.4	55.6	49.8	43.1	57.4	57.4	57.4
Mexico	23.3	28.5	28.5	23.3	28.5	28.5	28.5	28.5
Netherlands	53.0	53.0	52.5	59.0	59.0	53.0	53.0	53.0
New Zealand	30.0	33.0	33.0	57.0	60.0	33.0	33.0	33.0
Norway	41.3	49.9	52.6	41.3	49.9	49.9	49.9	49.9
Poland	38.2	38.2	53.1	29.3	38.2	38.2	38.2	38.2
Portugal	41.0	47.8	56.3	41.0	41.0	45.5	47.8	45.5
Slovak Republic	46.9	46.9	50.1	46.9	46.9	46.9	46.9	46.9
Slovenia	50.9	50.9	55.5	44.2	44.2	50.9	50.9	50.9
Spain	45.4	49.7	55.0	45.4	49.7	49.7	49.7	49.7
Sweden	43.7	48.6	63.8	43.7	48.6	48.6	48.6	48.6
Switzerland	26.4	32.4	35.2	20.8	26.2	30.2	34.3	32.7
Türkiye	48.3	48.3	48.3	48.3	48.3	48.3	48.3	48.3
United Kingdom	37.4	49.6	49.6	71.8	49.6	49.6	49.6	49.6
United States	31.5	40.8	42.7	57.0	31.5	31.5	40.8	31.5
OECD-Average	41.5	43.8	46.4	45.8	43.2	43.5	44.1	43.2
OECD-EU 22	49.2	51.0	53.2	50.8	48.9	50.6	51.0	50.3

Note: It is assumed that gross earnings of the principal earner in the household rise. The outcome may differ if the wage of the spouse goes up, especially if partners are taxed individually.

1. Two-earner couple.

Figure 3.6. Marginal rate of income tax plus employee and employer contributions less cash benefits, 2025

As % of labour costs, by household type



Note: The household type 'single no child' corresponds to a wage level of 100% of average wage and 'married one-earner couple 2 children' corresponds to a combined wage level of 100%-0% of average wage.

Sources: OECD calculations based on country submissions and OECD Economic Outlook, Volume 2025 Issue 2.

Table 3.7. Marginal rate of income tax plus employee contributions less cash benefits, 2025

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

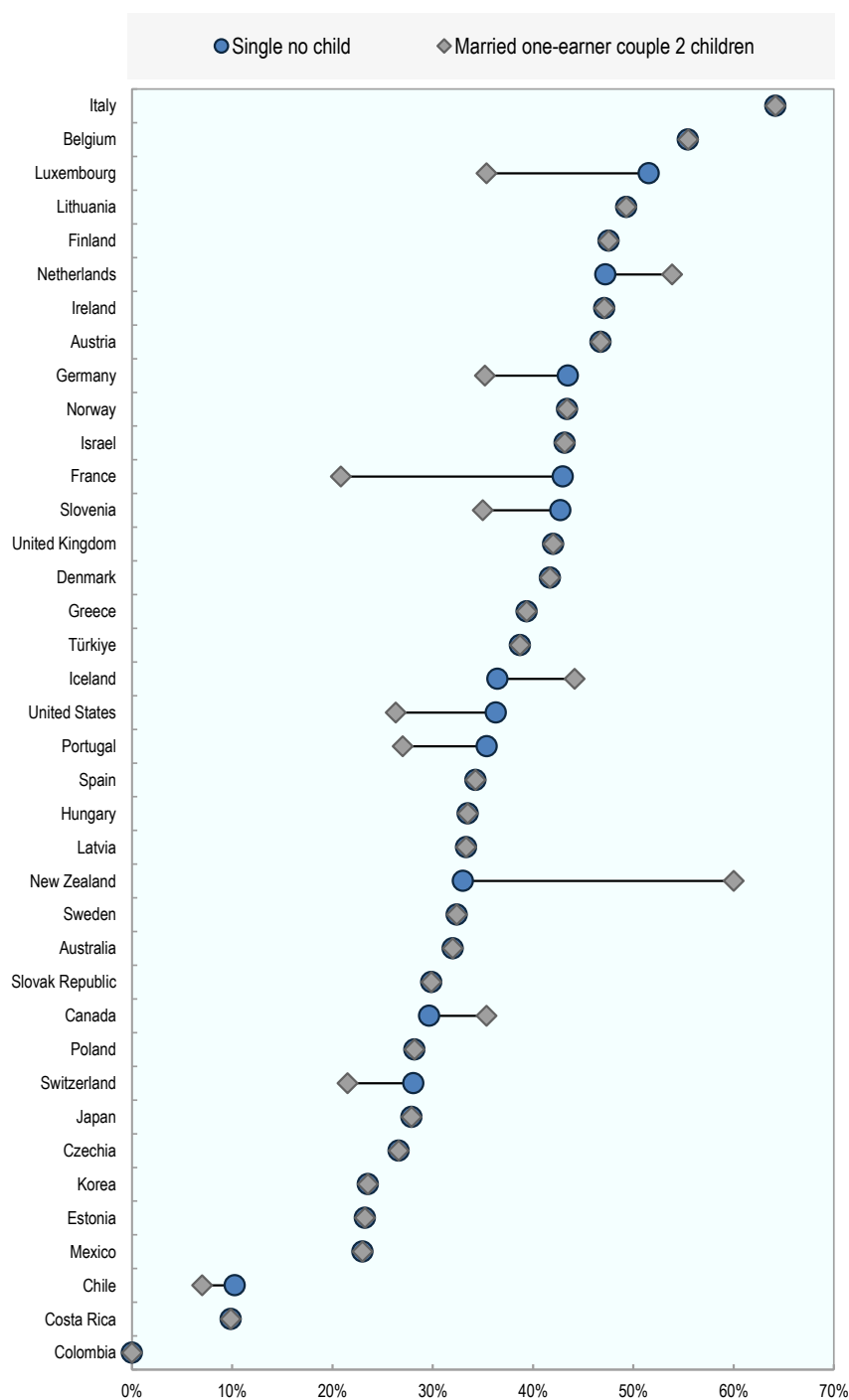
	Single no children 67 (% AW)	Single no children 100 (% AW)	Single no children 167 (% AW)	Single 2 children 67 (% AW)	Married 2 children 100-0 (% AW)	Married 2 children 100-67 (% AW) ¹	Married 2 children 100-100 (% AW) ¹	Married no children 100-67 (% AW) ¹
Australia	32.0	32.0	39.0	32.0	32.0	32.0	32.0	32.0
Austria	45.1	46.7	42.0	45.1	46.7	46.7	46.7	46.7
Belgium	55.5	55.5	58.9	55.5	55.5	55.5	54.3	55.5
Canada	35.7	29.6	45.0	74.6	35.3	35.3	35.3	29.6
Chile	7.0	10.2	10.3	7.0	7.0	7.0	7.0	10.3
Colombia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costa Rica	9.8	9.8	19.1	9.8	9.8	9.8	9.8	9.8
Czechia	26.6	26.6	26.6	26.6	26.6	26.6	26.6	26.6
Denmark	38.1	41.7	55.9	34.8	41.7	41.7	41.7	41.7
Estonia	39.2	23.2	23.2	39.2	23.2	23.2	23.2	23.2
Finland	46.3	47.5	51.0	46.3	47.5	47.5	47.5	47.5
France	32.6	43.0	42.2	52.5	20.8	32.6	43.0	29.0
Germany	45.6	43.5	47.0	43.8	35.2	40.8	40.6	40.6
Greece	34.2	39.4	46.3	34.2	39.4	39.4	39.4	39.4
Hungary	33.5	33.5	33.5	33.5	33.5	33.5	33.5	33.5
Iceland	36.5	36.5	44.4	44.2	44.2	40.3	40.3	36.5
Ireland	27.1	47.1	52.1	70.8	47.1	47.1	47.1	47.1
Israel	32.2	43.2	47.2	12.2	43.2	43.2	43.2	43.2
Italy	42.4	64.2	52.8	42.4	64.2	69.2	69.2	64.2
Japan	24.6	27.9	34.3	52.3	27.9	27.9	27.9	27.9
Korea	22.8	23.5	28.7	22.8	23.5	23.5	23.5	23.5
Latvia	33.3	33.3	33.3	33.3	33.3	33.3	33.3	33.3
Lithuania	49.3	49.3	39.5	49.3	49.3	49.3	49.3	49.3
Luxembourg	44.9	51.5	49.6	43.0	35.4	51.5	51.5	51.5
Mexico	17.5	23.0	23.0	17.5	23.0	23.0	23.0	23.0
Netherlands	47.2	47.2	52.5	53.9	53.9	47.2	47.2	47.2
New Zealand	30.0	33.0	33.0	57.0	60.0	33.0	33.0	33.0
Norway	33.7	43.4	46.4	33.7	43.4	43.4	43.4	43.4
Poland	28.2	28.2	45.4	17.8	28.2	28.2	28.2	28.2
Portugal	27.0	35.4	45.9	27.0	27.0	32.5	35.4	32.5
Slovak Republic	29.9	29.9	34.0	29.9	29.9	29.9	29.9	29.9
Slovenia	42.7	42.7	48.1	35.0	35.0	42.7	42.7	42.7
Spain	28.7	34.3	41.2	28.7	34.3	34.3	34.3	34.3
Sweden	26.0	32.4	52.4	26.0	32.4	32.4	32.4	32.4
Switzerland	21.7	28.1	31.8	15.7	21.5	25.8	30.1	28.4
Türkiye	38.7	38.7	38.7	38.7	38.7	38.7	38.7	38.7
United Kingdom	28.0	42.0	42.0	67.6	42.0	42.0	42.0	42.0
United States	26.3	36.3	38.3	53.7	26.3	26.3	36.3	26.3
OECD-Average	32.1	35.6	39.3	37.0	34.7	35.2	35.9	34.8
OECD-EU 22	37.4	40.7	44.2	39.5	38.2	40.2	40.8	39.8

Note: It is assumed that gross earnings of the principal earner in the household rise. The outcome may differ if the wage of the spouse goes up, especially if partners are taxed individually.

1. Two-earner couple.

Figure 3.7. Marginal rate of income tax plus employee contributions less cash benefits, 2025

As % of gross wage earnings, by household type



Note: The household type 'single no child' corresponds to a wage level of 100% of average wage and 'married one-earner couple 2 children' corresponds to a combined wage level of 100%-0% of average wage.

Sources: OECD calculations based on country submissions and OECD Economic Outlook, Volume 2025 Issue 2.

Table 3.8. Percentage increase in net income relative to percentage increase in gross wages, 2025
After an increase of 1 currency unit in gross wages, by household type and wage level

	Single no children 67 (% AW)	Single no children 100 (% AW)	Single no children 167 (% AW)	Single 2 children 67 (% AW)	Married 2 children 100-0 (% AW)	Married 2 children 100-67 (% AW) ¹	Married 2 children 100-100 (% AW) ¹	Married no children 100-67 (% AW) ¹
Australia	0.84	0.89	0.86	0.65	0.81	0.87	0.89	0.87
Austria	0.75	0.79	0.92	0.55	0.63	0.67	0.70	0.76
Belgium	0.65	0.74	0.78	0.49	0.55	0.64	0.69	0.70
Canada	0.83	0.95	0.80	0.25	0.76	0.83	0.86	0.93
Chile	1.00	0.97	0.98	0.95	0.97	0.98	0.99	0.97
Colombia	1.00	1.00	1.00	0.93	0.95	0.95	0.95	1.00
Costa Rica	1.00	1.00	0.93	1.00	1.00	1.00	1.00	1.00
Czechia	0.90	0.93	0.96	0.74	0.81	0.88	0.90	0.92
Denmark	0.92	0.90	0.76	0.77	0.79	0.84	0.86	0.89
Estonia	0.72	1.00	1.00	0.57	0.91	0.91	0.95	0.96
Finland	0.69	0.76	0.80	0.60	0.71	0.70	0.73	0.72
France	0.88	0.79	0.87	0.44	0.95	0.85	0.75	0.96
Germany	0.83	0.92	0.92	0.68	0.82	0.85	0.89	0.94
Greece	0.83	0.82	0.80	0.76	0.80	0.80	0.82	0.81
Hungary	1.00	1.00	1.00	0.80	0.86	0.91	0.92	1.00
Iceland	0.82	0.87	0.82	0.63	0.65	0.78	0.81	0.85
Ireland	0.87	0.71	0.74	0.27	0.59	0.64	0.68	0.67
Israel	0.80	0.72	0.77	0.90	0.68	0.65	0.68	0.70
Italy	0.71	0.50	0.79	0.57	0.41	0.37	0.39	0.48
Japan	0.95	0.93	0.90	0.51	0.87	0.89	0.91	0.92
Korea	0.89	0.92	0.90	0.73	0.80	0.85	0.87	0.90
Latvia	0.86	0.90	0.94	0.69	0.77	0.80	0.83	0.88
Lithuania	0.76	0.83	1.00	0.56	0.65	0.73	0.76	0.80
Luxembourg	0.72	0.71	0.83	0.55	0.72	0.61	0.65	0.66
Mexico	0.91	0.89	0.93	0.91	0.89	0.87	0.89	0.87
Netherlands	0.65	0.73	0.76	0.42	0.57	0.65	0.69	0.69
New Zealand	0.82	0.85	0.90	0.39	0.45	0.82	0.85	0.82
Norway	0.87	0.79	0.83	0.73	0.73	0.73	0.76	0.77
Poland	0.93	0.95	0.77	0.73	0.72	0.81	0.84	0.94
Portugal	0.92	0.86	0.80	0.70	0.81	0.84	0.83	0.88
Slovak Republic	0.89	0.93	0.90	0.65	0.70	0.79	0.82	0.91
Slovenia	0.85	0.90	0.86	0.74	0.84	0.82	0.84	0.88
Spain	0.88	0.86	0.84	0.76	0.80	0.82	0.84	0.84
Sweden	0.92	0.87	0.71	0.83	0.81	0.82	0.84	0.86
Switzerland	0.92	0.88	0.88	0.84	0.83	0.84	0.82	0.87
Türkiye	0.81	0.87	0.92	0.81	0.87	0.84	0.87	0.84
United Kingdom	0.88	0.75	0.84	0.37	0.72	0.72	0.74	0.74
United States	0.94	0.84	0.87	0.49	0.85	0.90	0.81	0.95
OECD-Average	0.85	0.86	0.86	0.66	0.76	0.80	0.81	0.85
OECD-EU 22	0.82	0.84	0.85	0.63	0.74	0.76	0.78	0.83

Note: Net income is calculated as gross earnings minus personal income tax and employee social security contributions plus family benefits. The increase reported in the Table represents a form of elasticity. In a proportional tax system, the elasticity would equal 1. The more progressive the system at these income levels, the lower is the elasticity. The reported elasticities in Table 3.8 are calculated as $(100 - \text{METR}) / (100 - \text{AETR})$, where METR is the marginal rate of income tax plus employee social security contributions less cash benefits reported in Table 3.7 and AETR is the average rate plus employee social security contributions less cash benefits reported in Table 3.3.

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

Table 3.9. Percentage increase in net income relative to percentage increase in gross labour costs, 2025

After an increase of 1 currency unit in gross labour costs, by household type and wage level

	Single no children 67 (% AW)	Single no children 100 (% AW)	Single no children 167 (% AW)	Single 2 children 67 (% AW)	Married 2 children 100-0 (% AW)	Married 2 children 100-67 (% AW) ¹	Married 2 children 100-100 (% AW) ¹	Married no children 100-67 (% AW) ¹
Australia	0.84	0.89	0.86	0.65	0.81	0.87	0.89	0.87
Austria	0.75	0.79	1.08	0.55	0.63	0.67	0.70	0.76
Belgium	0.58	0.74	0.78	0.44	0.55	0.63	0.69	0.69
Canada	0.82	1.00	0.84	0.25	0.80	0.88	0.91	0.99
Chile	1.00	0.97	0.98	0.95	0.97	0.98	0.99	0.97
Colombia	1.00	1.00	1.00	0.93	0.95	0.95	0.95	1.00
Costa Rica	1.00	1.00	0.93	1.00	1.00	1.00	1.00	1.00
Czechia	0.90	0.93	0.96	0.74	0.81	0.88	0.90	0.92
Denmark	0.93	0.91	0.76	0.78	0.79	0.85	0.87	0.89
Estonia	0.72	1.00	1.00	0.57	0.91	0.91	0.95	0.96
Finland	0.69	0.76	0.80	0.60	0.71	0.70	0.73	0.72
France	0.60	0.79	0.87	0.30	0.95	0.84	0.75	0.94
Germany	0.83	1.01	1.06	0.68	0.90	0.93	0.97	1.02
Greece	0.83	0.82	0.80	0.76	0.80	0.80	0.82	0.81
Hungary	1.00	1.00	1.00	0.80	0.86	0.91	0.92	1.00
Iceland	0.82	0.87	0.82	0.63	0.65	0.78	0.81	0.85
Ireland	0.87	0.71	0.74	0.27	0.59	0.64	0.68	0.67
Israel	0.78	0.71	0.76	0.88	0.67	0.64	0.67	0.69
Italy	0.71	0.50	0.79	0.57	0.41	0.37	0.39	0.48
Japan	0.95	0.93	0.96	0.51	0.87	0.89	0.91	0.92
Korea	0.89	0.92	0.93	0.73	0.80	0.85	0.87	0.90
Latvia	0.86	0.90	0.94	0.69	0.77	0.80	0.83	0.88
Lithuania	0.76	0.83	1.00	0.56	0.65	0.73	0.76	0.80
Luxembourg	0.72	0.71	0.83	0.55	0.72	0.61	0.65	0.66
Mexico	0.95	0.91	0.95	0.95	0.91	0.90	0.91	0.90
Netherlands	0.65	0.73	0.82	0.42	0.57	0.65	0.69	0.70
New Zealand	0.82	0.85	0.90	0.39	0.45	0.82	0.85	0.82
Norway	0.87	0.79	0.83	0.73	0.73	0.73	0.76	0.77
Poland	0.93	0.95	0.77	0.73	0.72	0.81	0.84	0.94
Portugal	0.92	0.86	0.80	0.70	0.81	0.84	0.83	0.88
Slovak Republic	0.89	0.93	0.90	0.65	0.70	0.79	0.82	0.91
Slovenia	0.85	0.90	0.86	0.74	0.84	0.82	0.84	0.88
Spain	0.88	0.86	0.84	0.76	0.80	0.82	0.84	0.84
Sweden	0.92	0.87	0.71	0.83	0.81	0.82	0.84	0.86
Switzerland	0.92	0.88	0.89	0.84	0.83	0.84	0.82	0.87
Türkiye	0.81	0.87	0.92	0.81	0.87	0.84	0.87	0.84
United Kingdom	0.87	0.75	0.83	0.36	0.71	0.71	0.73	0.73
United States	0.94	0.85	0.87	0.49	0.85	0.91	0.81	0.95
OECD-Average	0.84	0.86	0.88	0.65	0.77	0.80	0.82	0.85
OECD-EU 22	0.81	0.84	0.87	0.62	0.74	0.76	0.79	0.83

Note: Net income is calculated as gross earnings minus personal income tax and employee social security contributions plus family benefits. The increase reported in the Table represents a form of elasticity. In a proportional tax system, the elasticity would equal 1. The more progressive the system at these income levels, the lower is the elasticity. The reported elasticities in Table 3.9 are calculated as $(100 - \text{METR}) / (100 - \text{AETR})$, where METR is the marginal rate of income tax plus employee and employer social security contributions less cash benefits reported in Table 3.6 and AETR is the average rate plus employee and employer social security contributions less cash benefits reported in Table 3.1.

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

Table 3.10. Annual gross wage and net income, single person, 2025

In US dollars using PPP, by household type and wage level

	Single no children 67 (% AW)		Single no children 100 (% AW)		Single no children 167 (% AW)		Single 2 children 67 (% AW)	
	Total gross earnings before taxes	Net income after taxes	Total gross earnings before taxes	Net income after taxes	Total gross earnings before taxes	Net income after taxes	Total gross earnings before taxes	Net income after taxes
Australia	52 806	42 589	78 815	60 275	131 620	93 823	52 806	55 535
Austria	57 868	42 292	86 370	58 317	144 238	90 760	57 868	57 479
Belgium	58 645	40 187	87 530	52 914	146 175	76 908	58 645	52 851
Canada	54 769	42 647	81 745	60 811	136 515	94 003	54 769	56 375
Chile	20 436	19 005	30 501	28 332	50 936	46 673	20 436	19 954
Colombia	13 758	13 758	20 534	20 534	34 292	34 292	13 758	14 749
Costa Rica	22 433	20 224	33 482	30 184	55 915	48 829	22 433	20 224
Czechia	30 239	24 576	45 133	35 508	75 373	57 704	30 239	30 195
Denmark	59 264	40 011	88 454	57 205	147 718	86 274	59 264	50 320
Estonia	29 110	24 525	43 448	33 347	72 558	55 690	29 110	31 042
Finland	49 244	38 102	73 499	50 926	122 743	75 180	49 244	43 875
France	45 073	34 389	67 273	48 450	112 345	74 413	45 073	48 196
Germany	62 970	41 474	93 985	57 634	156 955	90 540	62 970	52 332
Greece	34 153	26 932	50 974	37 661	85 127	57 077	34 153	29 525
Hungary	30 798	20 481	45 967	30 568	76 765	51 049	30 798	25 673
Iceland	55 987	43 344	83 563	60 863	139 550	94 182	55 987	49 976
Ireland	54 250	45 533	80 970	60 643	135 220	87 286	54 250	57 540
Israel	39 649	33 743	59 178	46 495	98 828	68 114	39 649	38 797
Italy	40 537	32 786	60 503	43 182	101 039	60 775	40 537	40 762
Japan	40 019	31 791	59 729	46 203	99 748	72 814	40 019	37 430
Korea	45 288	39 274	67 594	56 417	112 882	89 268	45 288	47 748
Latvia	28 793	22 344	42 975	31 800	71 768	50 999	28 793	27 847
Lithuania	37 951	25 236	56 643	34 713	94 593	57 229	37 951	34 527
Luxembourg	62 446	48 052	93 203	63 385	155 648	94 822	62 446	64 688
Mexico	14 230	12 867	21 239	18 441	35 470	29 397	14 230	12 867
Netherlands	62 246	50 833	92 905	67 017	155 151	97 395	62 246	68 406
New Zealand	37 878	32 163	56 534	44 766	94 412	70 145	37 878	42 170
Norway	58 774	44 969	87 722	63 052	146 496	95 017	58 774	53 264
Poland	35 884	27 777	53 558	40 471	89 442	63 267	35 884	40 643
Portugal	30 741	24 325	45 882	34 444	76 624	51 978	30 741	32 169
Slovak Republic	25 539	20 042	38 118	28 865	63 657	46 511	25 539	27 513
Slovenia	35 977	24 102	53 697	34 251	89 675	54 089	35 977	31 434
Spain	38 537	31 269	57 517	43 976	96 054	67 503	38 537	35 957
Sweden	44 459	35 749	66 356	51 333	110 815	74 544	44 459	39 537
Switzerland	71 376	60 700	106 532	87 303	177 908	137 172	71 376	71 592
Türkiye	36 650	27 619	54 702	38 683	91 352	61 146	36 650	27 619
United Kingdom	55 160	44 892	82 329	63 277	137 490	95 270	55 160	48 372
United States	49 258	38 693	73 520	55 644	122 779	86 948	49 258	46 863
OECD-Average	42 716	33 403	63 755	46 787	106 470	72 081	42 716	41 212
OECD-EU 22	43 397	32 774	64 771	45 300	108 167	69 182	43 397	41 932

Table 3.11. Annual gross wage and net income, married couple, 2025

In US dollars using PPP, by household type and wage level

	Married 2 children 100-0 (% AW)		Married 2 children 100-67 (% AW) ¹		Married 2 children 100-100 (% AW) ¹		Married no children 100-67 (% AW) ¹	
	Total gross earnings before taxes	Net income after taxes	Total gross earnings before taxes	Net income after taxes	Total gross earnings before taxes	Net income after taxes	Total gross earnings before taxes	Net income after taxes
Australia	78 815	65 876	131 620	102 864	157 629	120 550	131 620	102 864
Austria	86 370	73 504	144 238	114 682	172 740	130 707	144 238	100 609
Belgium	87 530	70 312	146 175	102 380	175 059	115 508	146 175	93 290
Canada	81 745	69 797	136 515	106 798	163 491	123 450	136 515	103 458
Chile	30 501	29 100	50 936	48 320	61 002	57 221	50 936	47 337
Colombia	20 534	21 526	34 292	36 275	41 068	43 051	34 292	34 292
Costa Rica	33 482	30 184	55 915	50 408	66 964	60 369	55 915	50 408
Czechia	45 133	41 128	75 373	62 981	90 267	73 913	75 373	60 084
Denmark	88 454	65 329	147 718	102 189	176 907	119 343	147 718	97 217
Estonia	43 448	36 606	72 558	61 131	86 896	69 953	72 558	57 873
Finland	73 499	54 235	122 743	92 470	146 997	105 294	122 743	89 029
France	67 273	55 895	112 345	88 634	134 545	102 187	112 345	83 547
Germany	93 985	73 946	156 955	109 007	187 970	125 680	156 955	99 496
Greece	56 072	42 700	93 640	71 249	112 144	82 820	93 640	69 933
Hungary	45 967	35 565	76 765	56 046	91 934	66 133	76 765	51 049
Iceland	83 563	71 780	139 550	106 628	167 126	123 087	139 550	104 207
Ireland	80 970	72 884	135 220	111 666	161 940	125 801	135 220	107 151
Israel	59 178	49 430	98 828	86 266	118 356	99 612	98 828	80 647
Italy	60 503	52 331	101 039	84 989	121 005	94 374	101 039	75 969
Japan	59 729	49 468	99 748	80 507	119 459	94 919	99 748	77 993
Korea	67 594	64 539	112 882	101 998	135 187	119 141	112 882	95 692
Latvia	42 975	37 303	71 768	59 647	85 950	69 103	71 768	54 145
Lithuania	56 643	44 003	94 593	65 797	113 286	75 274	94 593	59 948
Luxembourg	93 203	84 014	155 648	123 544	186 405	138 446	155 648	114 116
Mexico	21 239	18 441	35 470	31 308	42 479	36 882	35 470	31 308
Netherlands	92 905	74 842	155 151	125 639	185 809	141 823	155 151	117 849
New Zealand	56 534	50 090	94 412	76 929	113 068	89 533	94 412	76 929
Norway	87 722	68 044	146 496	113 013	175 444	131 096	146 496	108 022
Poland	53 558	53 450	89 442	79 404	107 116	92 098	89 442	68 248
Portugal	45 882	41 164	76 624	61 786	91 765	71 725	76 624	58 948
Slovak Republic	38 118	38 282	63 657	56 379	76 236	65 202	63 657	48 907
Slovenia	53 697	41 705	89 675	62 941	107 395	73 091	89 675	58 353
Spain	57 517	47 428	96 054	76 920	115 035	89 626	96 054	75 245
Sweden	66 356	55 121	110 815	90 870	132 713	106 454	110 815	87 081
Switzerland	106 532	101 066	177 908	157 001	213 064	182 297	177 908	146 271
Türkiye	54 702	38 683	91 352	66 301	109 403	77 365	91 352	66 301
United Kingdom	82 329	66 597	137 490	111 489	164 658	129 874	137 490	108 168
United States	73 520	63 885	122 779	100 188	147 040	116 210	122 779	95 267
OECD-Average	63 889	53 954	106 694	85 175	127 778	98 400	106 694	80 454
OECD-EU 22	65 003	54 170	108 554	84 561	130 005	97 025	108 554	78 549

1. Two-earner couple.

Table 3.12. Annual labour costs and net income, single person, 2025

In US dollars using PPP, by household type and wage level

	Single no children 67 (% AW)		Single no children 100 (% AW)		Single no children 167 (% AW)		Single 2 children 67 (% AW)	
	Total gross labour costs before taxes	Net income after taxes	Total gross labour costs before taxes	Net income after taxes	Total gross labour costs before taxes	Net income after taxes	Total gross labour costs before taxes	Net income after taxes
Australia	56 015	42 589	83 604	60 275	139 619	93 823	56 015	55 535
Austria	73 844	42 292	110 216	58 317	179 764	90 760	73 844	57 479
Belgium	74 030	40 187	111 355	52 914	185 963	76 908	74 030	52 851
Canada	60 838	42 647	89 590	60 811	145 693	94 003	60 838	56 375
Chile	20 512	19 005	30 615	28 332	51 127	46 673	20 512	19 954
Colombia	13 758	13 758	20 534	20 534	34 292	34 292	13 758	14 749
Costa Rica	27 956	20 224	41 725	30 184	69 681	48 829	27 956	20 224
Czechia	40 460	24 576	60 388	35 508	100 849	57 704	40 460	30 195
Denmark	59 855	40 011	89 045	57 205	148 309	86 274	59 855	50 320
Estonia	38 950	24 525	58 134	33 347	97 083	55 690	38 950	31 042
Finland	59 319	38 102	88 536	50 926	147 856	75 180	59 319	43 875
France	58 459	34 389	91 724	48 450	162 182	74 413	58 459	48 196
Germany	76 162	41 474	113 595	57 634	181 031	90 540	76 162	52 332
Greece	41 595	26 932	62 082	37 661	103 677	57 077	41 595	29 525
Hungary	34 802	20 481	51 943	30 568	86 744	51 049	34 802	25 673
Iceland	59 542	43 344	88 869	60 863	148 411	94 182	59 542	49 976
Ireland	60 312	45 533	90 018	60 643	150 331	87 286	60 312	57 540
Israel	41 876	33 743	62 889	46 495	105 552	68 114	41 876	38 797
Italy	53 338	32 786	79 609	43 182	132 948	60 775	53 338	40 762
Japan	46 286	31 791	69 083	46 203	113 716	72 814	46 286	37 430
Korea	50 298	39 274	75 072	56 417	124 324	89 268	50 298	47 748
Latvia	35 594	22 344	53 122	31 800	88 707	50 999	35 594	27 847
Lithuania	38 630	25 236	57 657	34 713	96 287	57 229	38 630	34 527
Luxembourg	70 970	48 052	105 925	63 385	176 894	94 822	70 970	64 688
Mexico	15 995	12 867	23 537	18 441	38 850	29 397	15 995	12 867
Netherlands	70 156	50 833	104 614	67 017	168 640	97 395	70 156	68 406
New Zealand	37 878	32 163	56 534	44 766	94 412	70 145	37 878	42 170
Norway	66 414	44 969	99 126	63 052	165 540	95 017	66 414	53 264
Poland	41 733	27 777	62 288	40 471	104 021	63 267	41 733	40 643
Portugal	38 042	24 325	56 779	34 444	94 822	51 978	38 042	32 169
Slovak Republic	33 763	20 042	50 392	28 865	84 155	46 511	33 763	27 513
Slovenia	41 950	24 102	62 611	34 251	104 561	54 089	41 950	31 434
Spain	50 317	31 269	75 101	43 976	125 418	67 503	50 317	35 957
Sweden	58 428	35 749	87 206	51 333	145 633	74 544	58 428	39 537
Switzerland	75 945	60 700	113 350	87 303	189 062	137 172	75 945	71 592
Türkiye	43 438	27 619	64 832	38 683	108 270	61 146	43 438	27 619
United Kingdom	62 332	44 892	93 576	63 277	157 010	95 270	62 332	48 372
United States	53 348	38 693	79 466	55 644	132 492	86 948	53 348	46 863
OECD-Average	49 556	33 403	74 072	46 787	123 261	72 081	49 556	41 212
OECD-EU 22	52 305	32 774	78 288	45 300	130 267	69 182	52 305	41 932

Table 3.13. Annual labour costs and net income, married couple, 2025

In US dollars using PPP, by household type and wage level

	Married 2 children 100-0 (% AW)		Married 2 children 100-67 (% AW) ¹		Married 2 children 100-100 (% AW) ¹		Married no children 100-67 (% AW) ¹	
	Total gross labour costs before taxes	Net income after taxes	Total gross labour costs before taxes	Net income after taxes	Total gross labour costs before taxes	Net income after taxes	Total gross labour costs before taxes	Net income after taxes
Australia	83 604	65 876	139 619	102 864	167 208	120 550	139 619	102 864
Austria	110 216	73 504	184 060	114 682	220 431	130 707	184 060	100 609
Belgium	111 355	70 312	185 385	102 380	222 710	115 508	185 385	93 290
Canada	89 590	69 797	150 428	106 798	179 181	123 450	150 428	103 458
Chile	30 615	29 100	51 127	48 320	61 230	57 221	51 127	47 337
Colombia	20 534	21 526	34 292	36 275	41 068	43 051	34 292	34 292
Costa Rica	41 725	30 184	69 681	50 408	83 450	60 369	69 681	50 408
Czechia	60 388	41 128	100 849	62 981	120 777	73 913	100 849	60 084
Denmark	89 045	65 329	148 900	102 189	178 090	119 343	148 900	97 217
Estonia	58 134	36 606	97 083	61 131	116 267	69 953	97 083	57 873
Finland	88 536	54 235	147 856	92 470	177 073	105 294	147 856	89 029
France	91 724	55 895	150 183	88 634	183 447	102 187	150 183	83 547
Germany	113 595	73 946	189 757	109 007	227 190	125 680	189 757	99 496
Greece	68 290	42 700	114 044	71 249	136 580	82 820	114 044	69 933
Hungary	51 943	35 565	86 744	56 046	103 885	66 133	86 744	51 049
Iceland	88 869	71 780	148 411	106 628	177 738	123 087	148 411	104 207
Ireland	90 018	72 884	150 331	111 666	180 037	125 801	150 331	107 151
Israel	62 889	49 430	104 765	86 266	125 778	99 612	104 765	80 647
Italy	79 609	52 331	132 948	84 989	159 219	94 374	132 948	75 969
Japan	69 083	49 468	115 368	80 507	138 166	94 919	115 368	77 993
Korea	75 072	64 539	125 371	101 998	150 145	119 141	125 371	95 692
Latvia	53 122	37 303	88 716	59 647	106 243	69 103	88 716	54 145
Lithuania	57 657	44 003	96 287	65 797	115 313	75 274	96 287	59 948
Luxembourg	105 925	84 014	176 894	123 544	211 849	138 446	176 894	114 116
Mexico	23 537	18 441	39 532	31 308	47 074	36 882	39 532	31 308
Netherlands	104 614	74 842	174 771	125 639	209 229	141 823	174 771	117 849
New Zealand	56 534	50 090	94 412	76 929	113 068	89 533	94 412	76 929
Norway	99 126	68 044	165 540	113 013	198 252	131 096	165 540	108 022
Poland	62 288	53 450	104 021	79 404	124 576	92 098	104 021	68 248
Portugal	56 779	41 164	94 822	61 786	113 559	71 725	94 822	58 948
Slovak Republic	50 392	38 282	84 155	56 379	100 784	65 202	84 155	48 907
Slovenia	62 611	41 705	104 561	62 941	125 222	73 091	104 561	58 353
Spain	75 101	47 428	125 418	76 920	150 201	89 626	125 418	75 245
Sweden	87 206	55 121	145 633	90 870	174 411	106 454	145 633	87 081
Switzerland	113 350	101 066	189 295	157 001	226 700	182 297	189 295	146 271
Türkiye	64 832	38 683	108 270	66 301	129 664	77 365	108 270	66 301
United Kingdom	93 576	66 597	155 907	111 489	187 151	129 874	155 907	108 168
United States	79 466	63 885	132 814	100 188	158 931	116 210	132 814	95 267
OECD-Average	74 236	53 954	123 901	85 175	148 471	98 400	123 901	80 454
OECD-EU 22	78 570	54 170	131 064	84 561	157 141	97 025	131 064	78 549

1. Two-earner couple.

Notes

¹ Tables 3.1 to 3.7 show figures rounded to the first decimal. Due to rounding, changes in percentage points that are presented in the text may differ by one-tenth of a percentage point relative to those in the Tables.

² A detailed analysis of the statutory progressivity of the tax wedge for various earnings intervals is included in Chapter 2 of the Report.

³ In Colombia, the general social security system for healthcare is financed by public and private funds. The pension system is a hybrid of two different systems: a defined-contribution, fully-funded pension system; and a pay-as-you-go system. Each of those contributions are mandatory and more than 50% of total contributions are made to privately managed funds. Therefore, they are considered to be non-tax compulsory payments (NTCPs) (further information is available in the country details in Part II of the report). In addition, in Colombia, all payments for employment risk are made to privately managed funds and are considered to be NTCPs. Other countries also have NTCPs (please see www.oecd.org/content/dam/oecd/en/topics/policy-issues/tax-policy/non-tax-compulsory-payments.pdf).

⁴ The reported elasticities in Table 3.8 are calculated as $(100 - \text{METR}) / (100 - \text{AETR})$, where METR is the marginal rate of income tax plus employee social security contributions less cash benefits reported in Table 3.7 and AETR is the average rate of income tax plus employee social security contributions less cash benefits reported in Table 3.3.

⁵ The reported elasticities in Table 3.9 are calculated as $(100 - \text{METR}) / (100 - \text{AETR})$, where METR is the marginal rate of income tax plus employee and employer social security contributions less cash benefits reported in Table 3.6 and AETR is the average rate of income tax plus employee and employer social security contributions less cash benefits reported in Table 3.1.

4

Graphical exposition of effective tax rates in 2025

The chapter presents graphical expositions of effective tax rates on labour income in 2025 for gross wage earnings ranging from 50% to 250% of the average wage. These are illustrated in separate graphs for four household types and for each OECD Member country. The household types are single taxpayers without children; single parents with two children; one-earner married couples without children and one-earner married couples with two children. The graphs are divided into two sets showing the components of the average and marginal tax wedge as a percentage of total labour costs. The graphs also show the net personal average and marginal tax rates.

The graphs in this Chapter show effective tax rates on labour income in 2025 for gross wage earnings between 50% and 250% of the average wage (AW). For each OECD Member country, there are separate graphs for four household types: single taxpayers without children; single parents with two children; one-earner married couples without children; and one-earner married couples with two children. The net personal average and marginal tax rates ([the change in] personal income taxes and employee social security contributions [SSCs] net of cash benefits as a percentage of [the change in] gross wage earnings) are included in the graphs that show the average and the marginal tax wedge, respectively.¹

The graphs illustrate the relative importance of the different components of the tax wedge: central government income taxes, local government income taxes, employee SSCs, employer SSCs (including payroll taxes where applicable) and cash benefits as a percentage of total labour costs. It should be noted that a decreasing share in total labour costs at a specific point in the earnings range implies that the value of tax payments less benefits is not increasing as rapidly as the corresponding total labour costs. It does not necessarily imply that the value of payments less benefits is decreasing in cash terms.

Low-income households are treated favourably by the tax and benefit systems of many OECD countries. Negative central government income taxes are observed in Belgium for one-earner married couples because of the non-wastable tax credits for low-income workers and for dependent children; in Canada² because of the non-wastable working income tax benefit; in Austria, Czechia, Germany, Korea and the Slovak Republic because of non-wastable child tax credits; in Israel because of the non-wastable earned income tax credit (EITC) for families with children; in Italy because of the combined effect of the employee tax credit, the credit for the presence of dependent spouses and the bonus for low-earning dependent workers; in Luxembourg because of a tax credit for social minimum wage earners; in Poland because of a refundable conditional child tax credit; in Spain because of non-wastable tax credits for single parents; and in the United States because of the non-wastable EITC and the child tax credit. In Sweden, the charts show negative central government income taxes for the four household types due to an EITC; however, the tax credit is wastable in the sense that it cannot reduce the individual's total income tax payments to less than zero. The EITC is also deducted from the local government income tax.

In the majority OECD countries, the net personal average tax rate is negative for single parents or one-earner married couples at lower income levels, meaning that these household types do not pay income taxes or SSCs, or that these payments are fully offset by cash benefits. For example, the net personal average tax rate becomes positive at the level of the average wage in Poland for the single parent and the one-earner married couple with children and at 85% and 102% of the average wage, respectively, in the Slovak Republic. In Austria, Czechia, Israel, Korea, Poland, the Slovak Republic and Spain, negative net personal average tax rates result from the combined effect of refundable tax credits and cash benefits. There are large variations in cash benefit levels across OECD countries. They represent about a quarter or more of total labour costs for single parents and/or one-earner married couples with two children earning 50% of the average wage in Australia, Canada, France, Ireland, Lithuania, the Netherlands, New Zealand, Poland and the United Kingdom.

The marginal tax wedge is relatively flat across the earnings distribution in some countries because of flat SSCs and personal income tax rates. The marginal tax wedge for single taxpayers without children on incomes between 50% to 250% of AW is flat in Czechia (45.1%) and Hungary (41.2%). In Colombia, the marginal tax wedge for the single worker and the one-earner married couple without children is equal to zero across the earnings distribution, as no personal income tax is payable in the income range considered. For households with two children in Colombia, the marginal tax rate is zero across the whole income range with the exception of a spike at 216% of the AW, which is caused by the loss of eligibility for the child-related cash transfer. Moreover, contributions to pension, health and employment risk insurance are considered to be non-tax compulsory payments (NTCPs)³ and therefore are not counted as taxes in the *Taxing Wages* calculations. The marginal tax wedge is also relatively constant in Iceland, the Slovak Republic and Türkiye. In Iceland, the marginal tax wedge for households without children is 40.3% on

earnings below 133% of the AW, 46.1% on earnings at 133% of the AW and 47.8% on earnings up to 250% of the AW. In the Slovak Republic, the marginal tax wedge for the single worker is 46.9% on earnings below 149% of the AW, 47.3% on earnings at 149% and then 50.1% on earnings from 150% to 250% of the AW. In Türkiye, the marginal tax wedge for all household types is 48.3% on earnings up to 168% of the AW, 51.4% on earnings at 169% of the AW, and 54.0% on earnings from 170% to 250% of the AW.

SSCs are levied at flat rates in many OECD countries. Some countries have an earnings ceiling above which no additional SSCs have to be paid. The variations in the marginal SSCs are in general the same for the four family types, since the contribution rates or income ceilings do not vary depending on marital status or the number of dependent children. Within the income range of 50% to 250% of the AW, the marginal employer SSC rates fall to zero as a result of income ceilings in Germany (at 145% of the AW), Luxembourg (207%), the Netherlands (116%) and Spain (181%). Marginal employee SSC rates fall to zero in Austria (at 144% of the AW), Germany (145%), the Netherlands (198%), Spain (181%) and Sweden (117%). In Canada, the marginal employee SSC rate falls to zero at 88% of the AW. However, two spikes are observed at 78% and 218% of the AW. The Ontario Health premium is a fixed payment that is adjusted when a taxpayer moves to a higher income bracket.

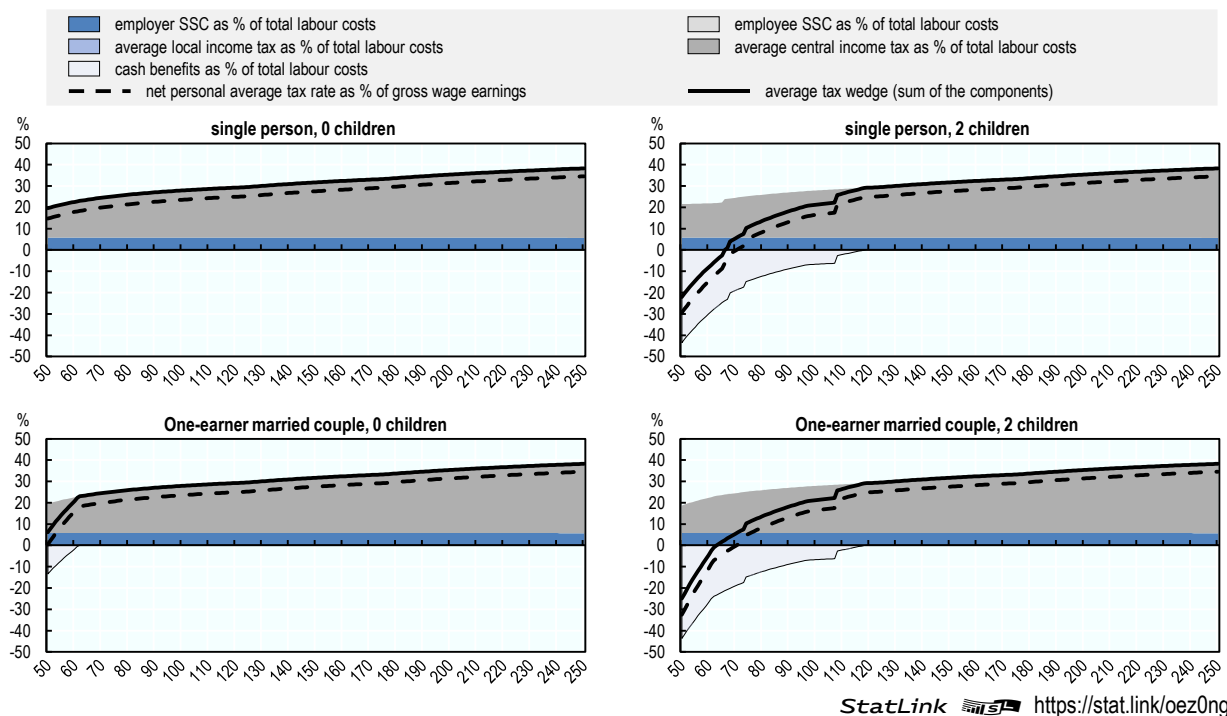
In addition, taxpayers may experience declining marginal employee and/or employer SSC rates as a percentage of total labour costs over some parts of the earnings range as their wage increases. This is observed in Austria, Belgium, Canada, France, Germany, Japan, Korea, Luxembourg, the Netherlands, Poland, Switzerland, the United Kingdom and the United States. Large decreases in marginal rates as a percentage of total labour costs are observed in Austria, where the employer SSC rate drops from 21.6% to 6.3% on earnings above 43% of the AW; in Japan, where the marginal employee and employer SSC rates drop from 12.7% to 5.2% and from 13.5% to 6.1% respectively on earnings above 135% of the AW; in Luxembourg, where the marginal employee SSC rate drops from 11.0% to 1.40% on earnings above 205% of the AW; in Poland, where the employee and employer SSCs rate drops from 15.3% to 10.8% and from 14.0% to 3.6% respectively on earnings above 245% of the AW; in the United Kingdom, where the marginal employee SSC rate drops from 7.0% to 1.7% of earnings above 88% of the AW; and in the United States, where the marginal employer and employee SSC rates drop from 7.1% to 1.4% on earnings above 238% of the AW.

In Slovenia, the marginal employer SSCs are negative up to 56% of the AW. This is because the employer pays additional contributions on earnings that are below the social security minimum income threshold. This additional contribution decreases as earnings increase and is completely exhausted once the employee's earnings reach the social security minimum income threshold. The negative marginal employer SSC rates derive from the decreasing additional contributions.

Workers face net personal marginal tax rates and wedges of 70% or more in several of OECD countries at specific earnings levels. This is the case for taxpayers without children in Australia, Austria, Belgium, Canada, Chile, France, Italy, Japan, Luxembourg, Mexico, Slovenia, Spain and the United Kingdom. They also apply to households with children in Australia, Austria, Belgium, Canada, Chile, Colombia, Czechia, France, Greece, Ireland, Italy, Japan, Korea, Lithuania, Luxembourg, Mexico, Portugal, Slovenia, Spain and the United Kingdom. In many countries, these high marginal tax rates are partly the result of reductions in benefits, allowances or tax credits that are targeted at low-income taxpayers as earnings rise.

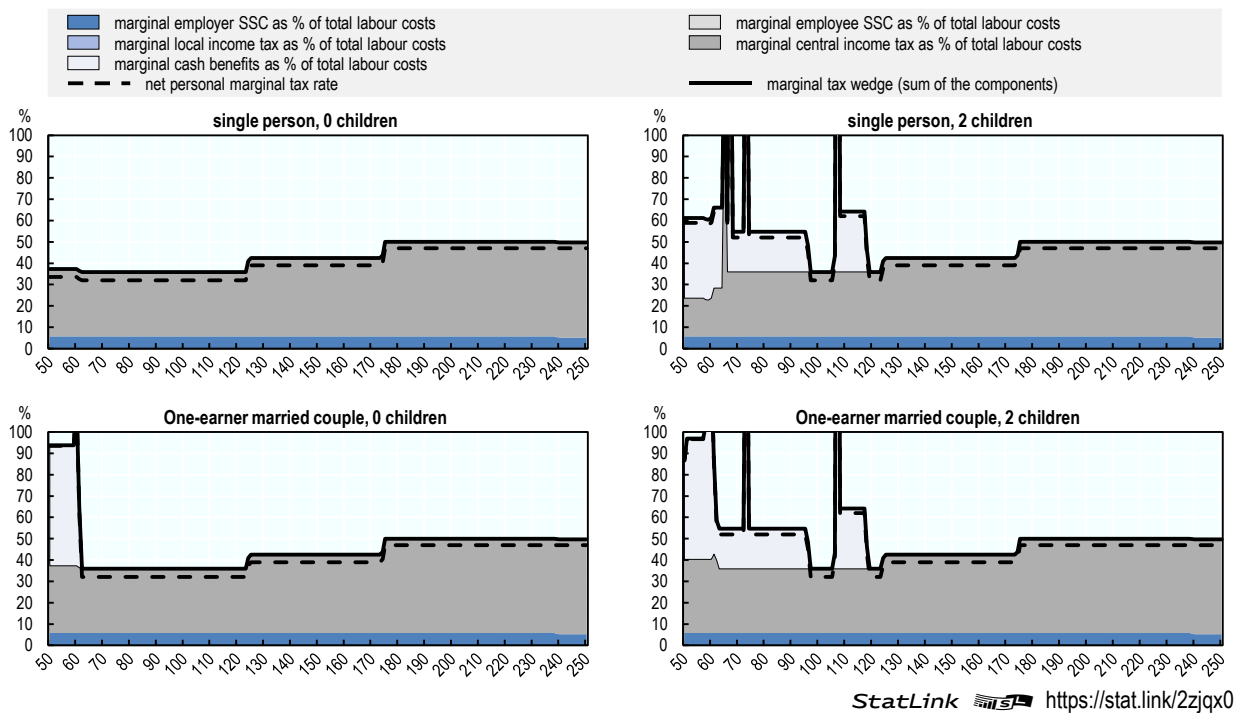
Australia 2025: average tax wedge decomposition

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



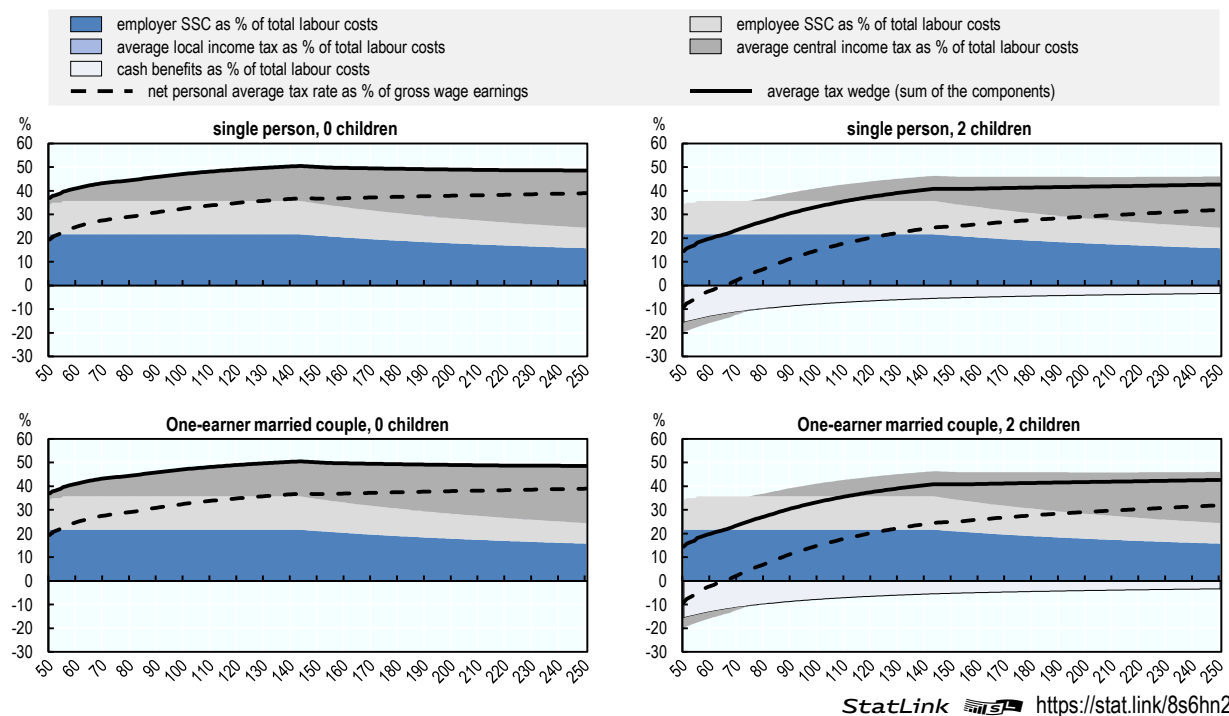
Australia 2025: marginal tax wedge decomposition

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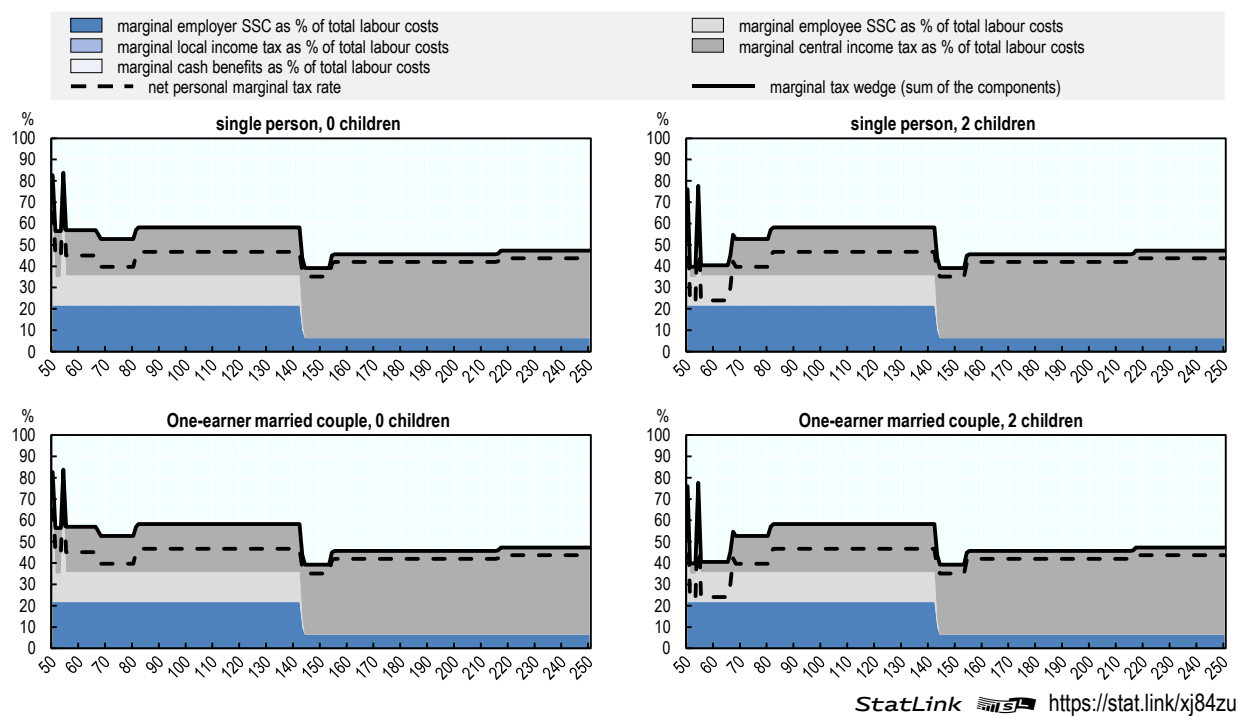
Austria 2025: average tax wedge decomposition

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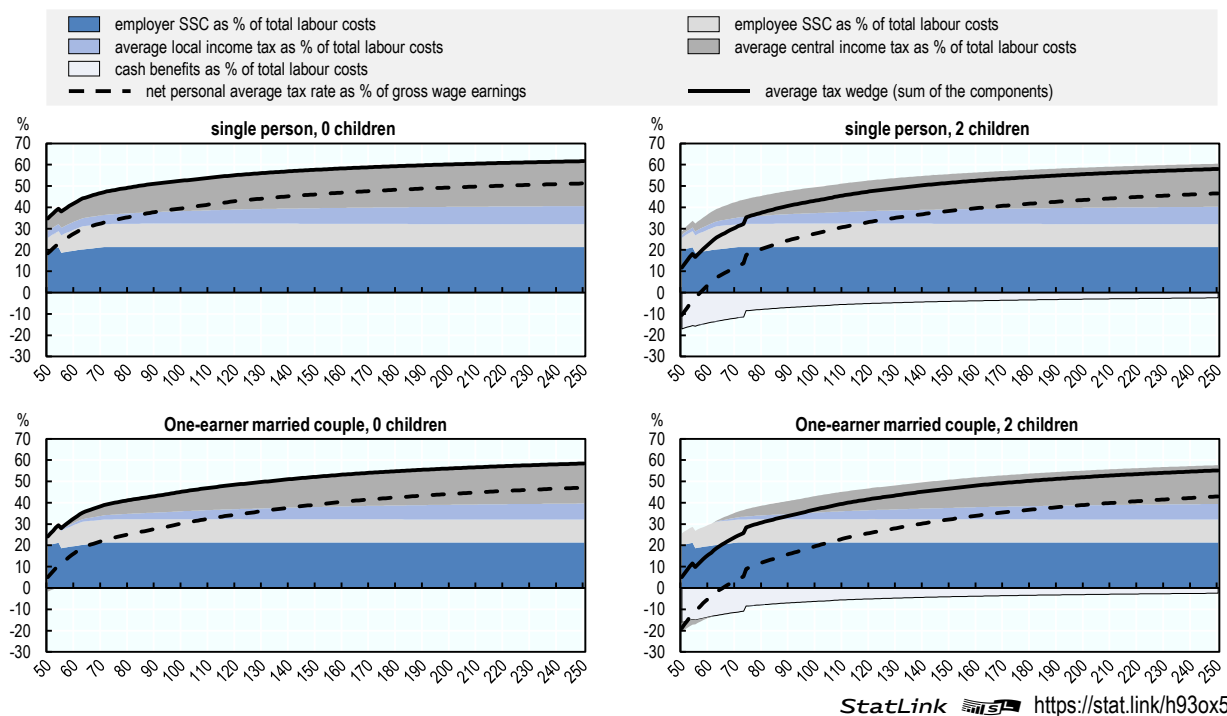
Austria 2025: marginal tax wedge decomposition

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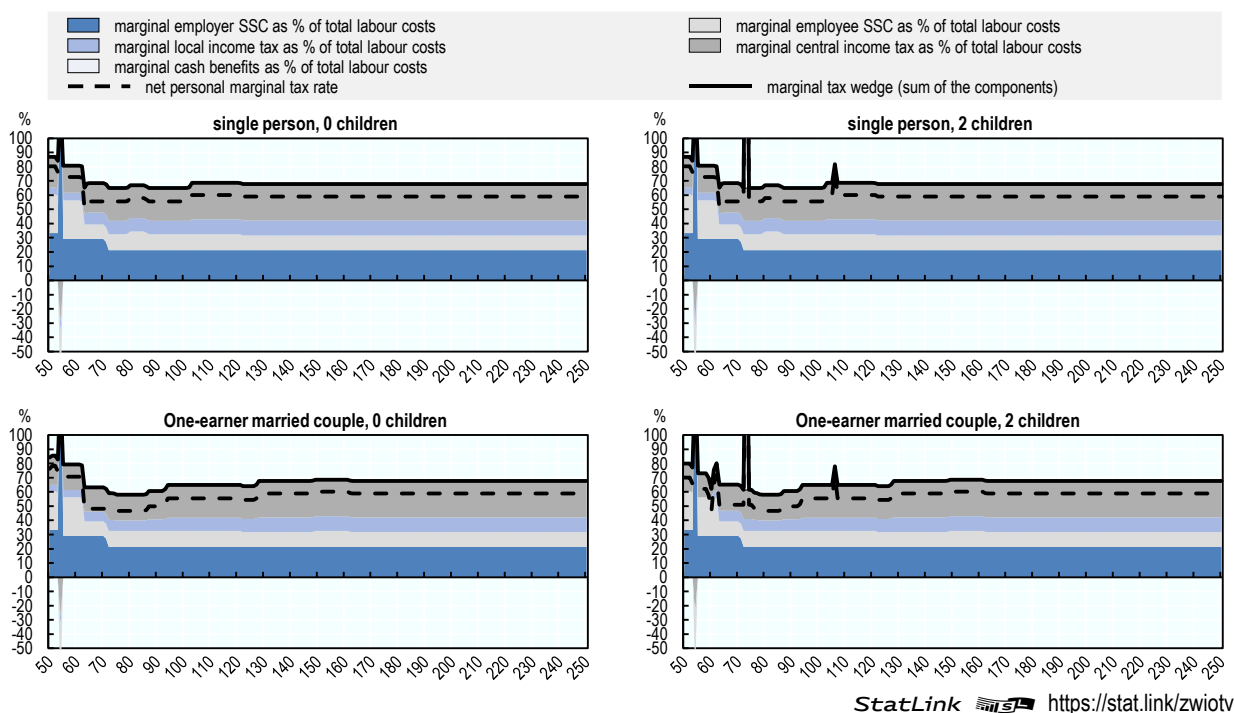
Belgium 2025: average tax wedge decomposition

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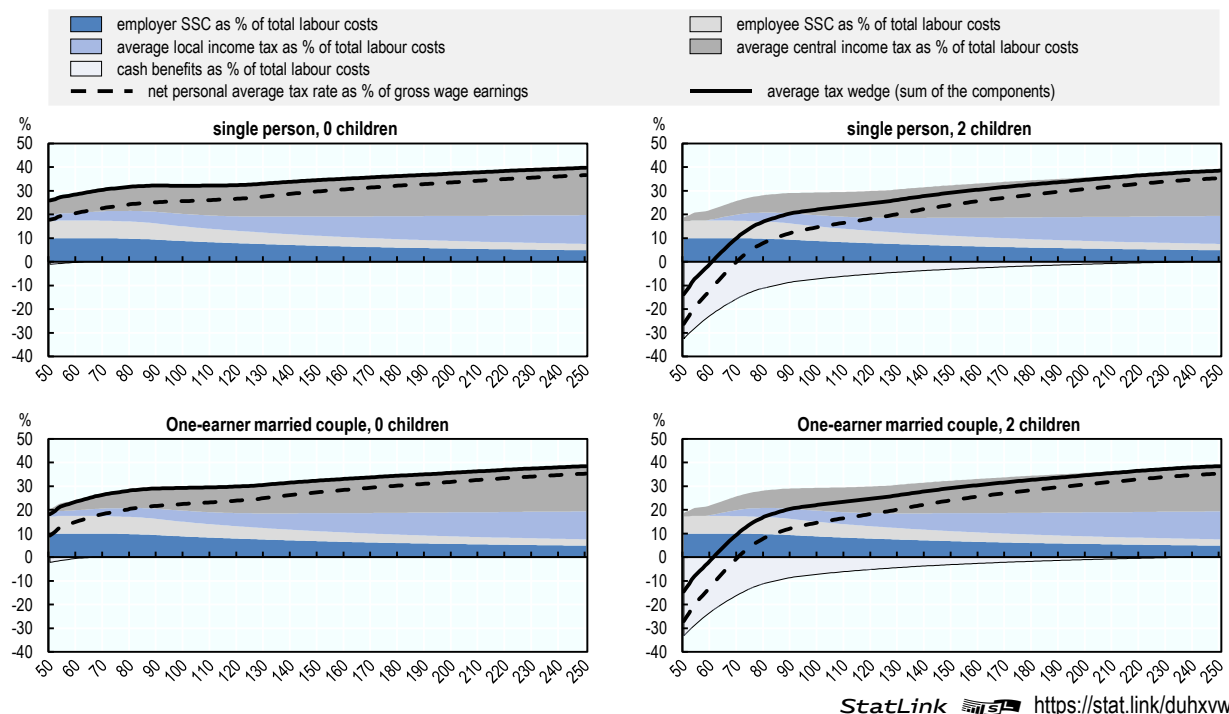
Belgium 2025: marginal tax wedge decomposition

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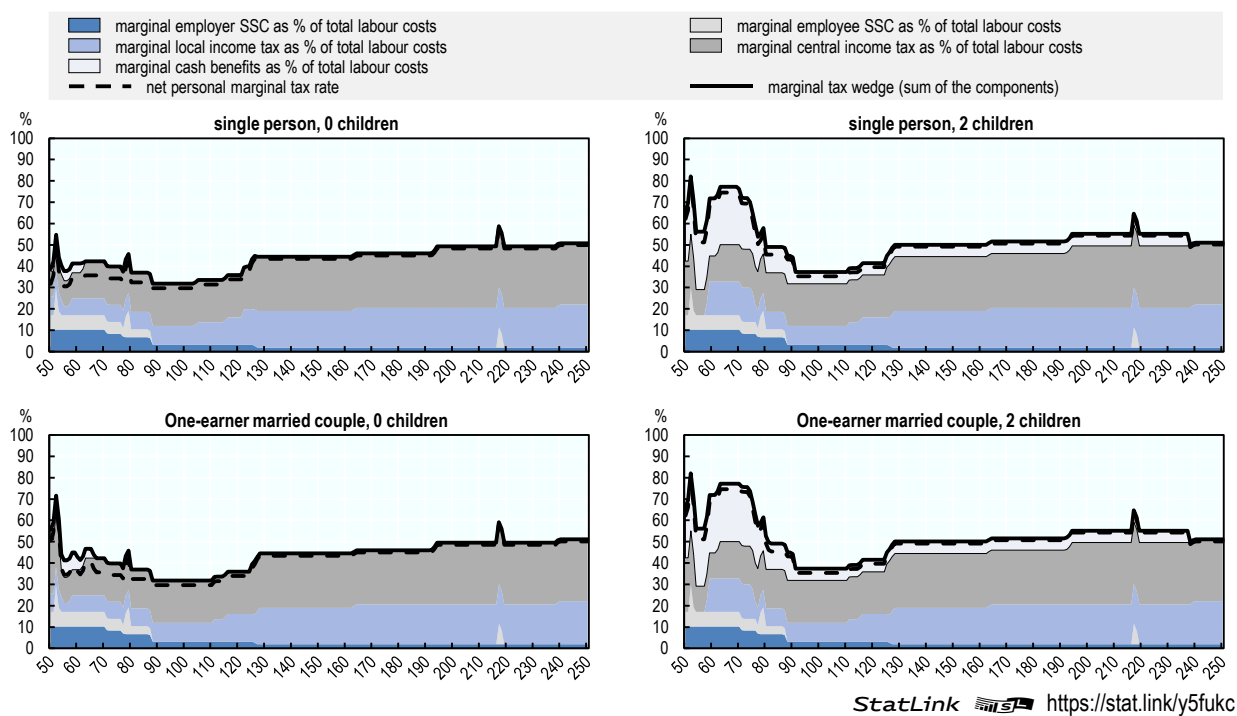
Canada 2025: average tax wedge decomposition

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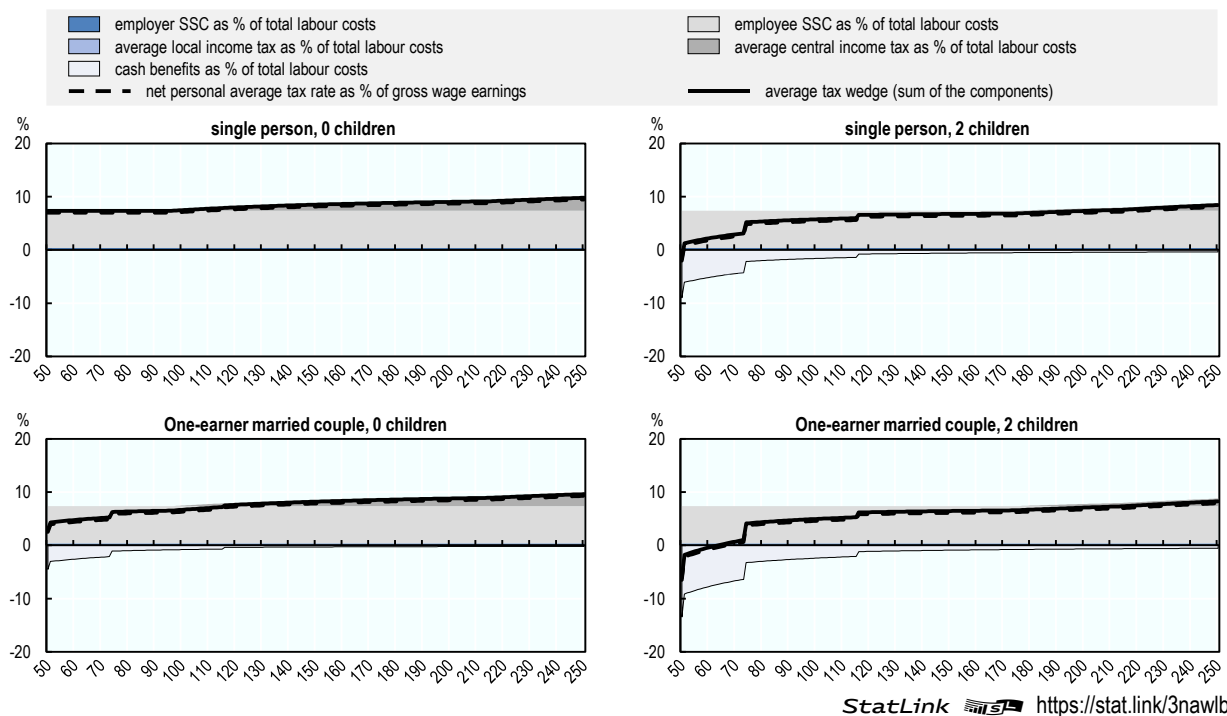
Canada 2025: marginal tax wedge decomposition

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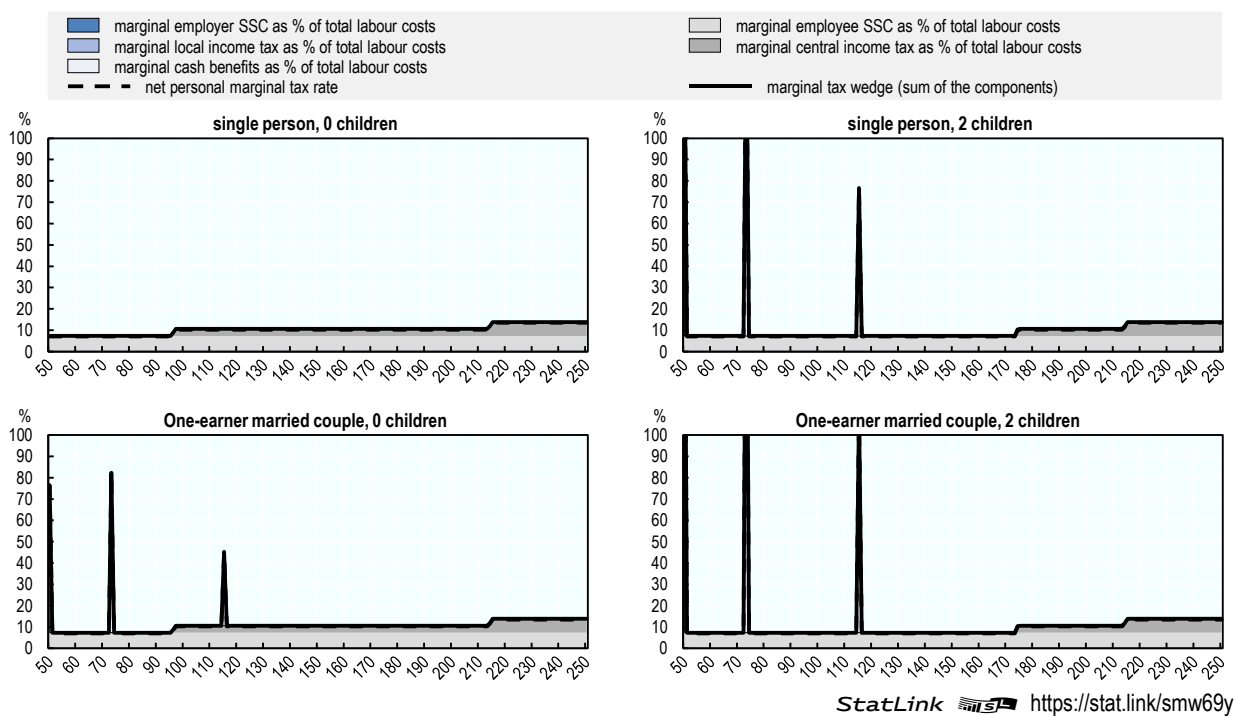
Chile 2025: average tax wedge decomposition

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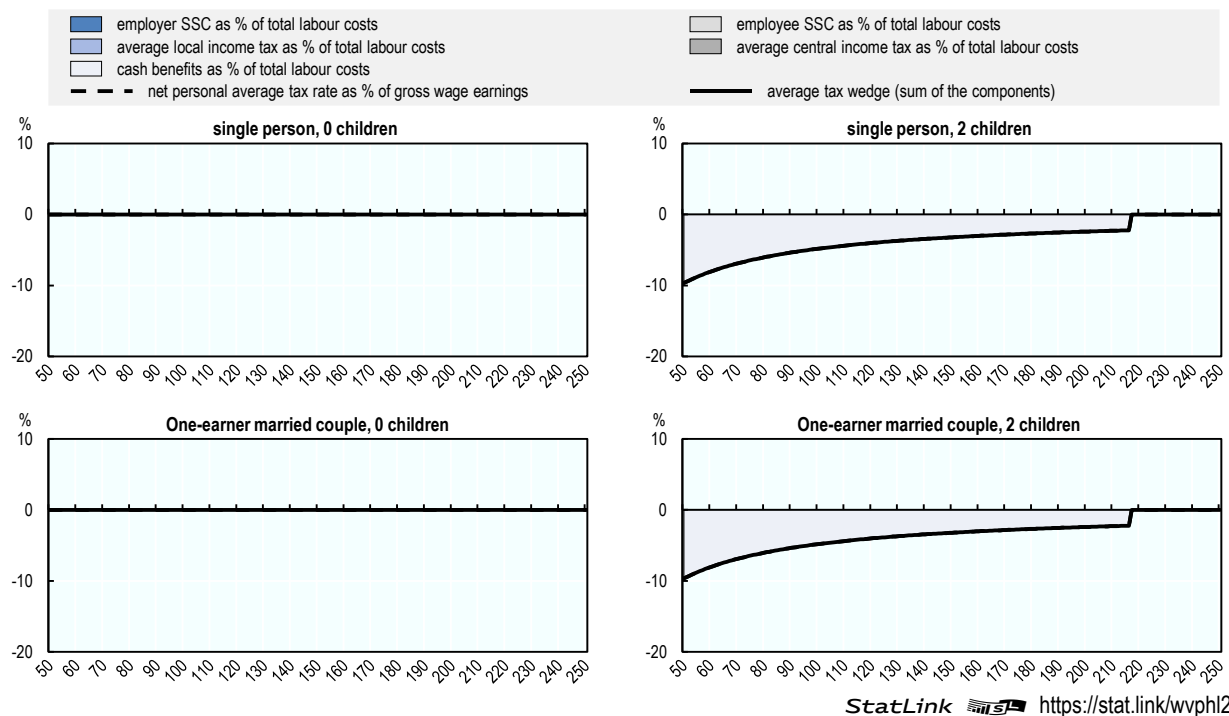
Chile 2025: marginal tax wedge decomposition

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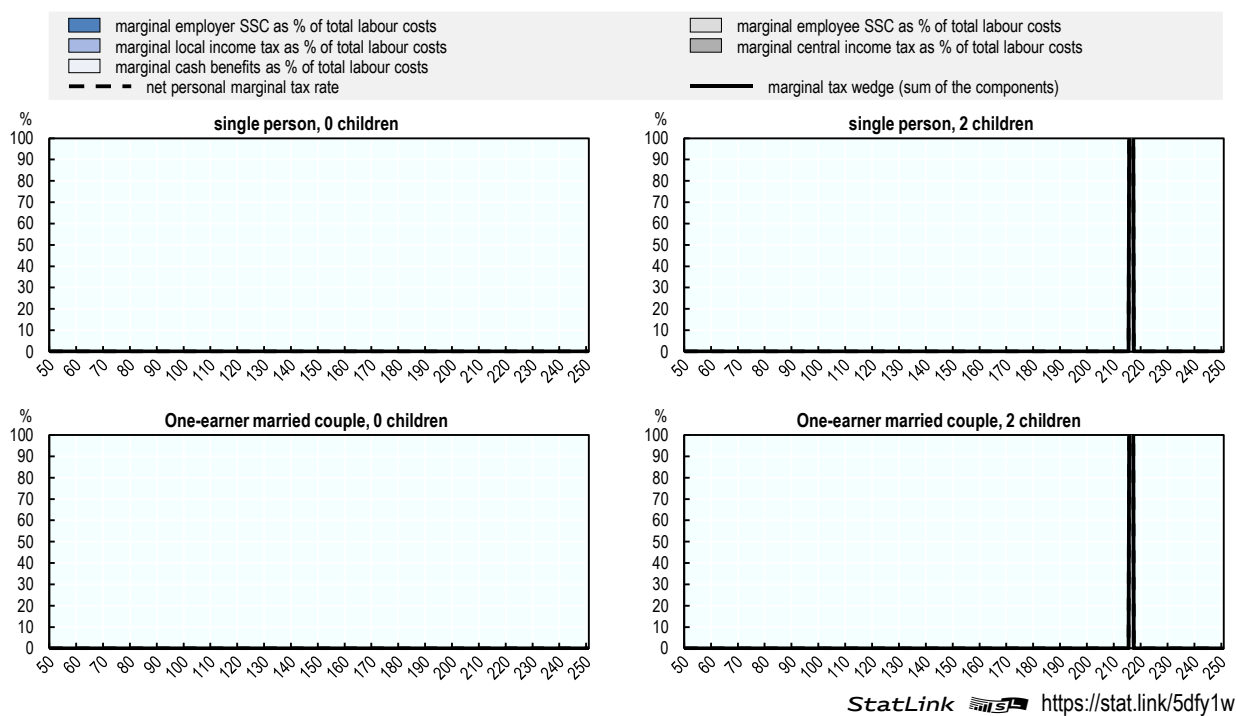
Colombia 2025: average tax wedge decomposition

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



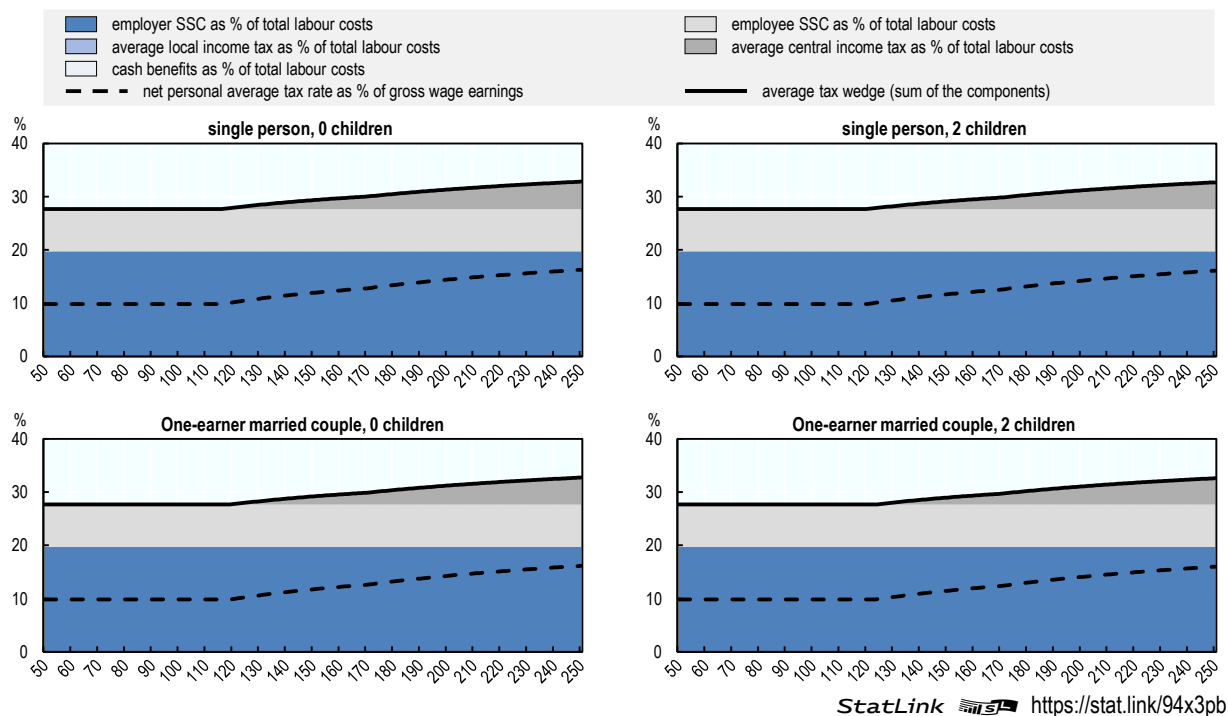
Colombia 2025: marginal tax wedge decomposition

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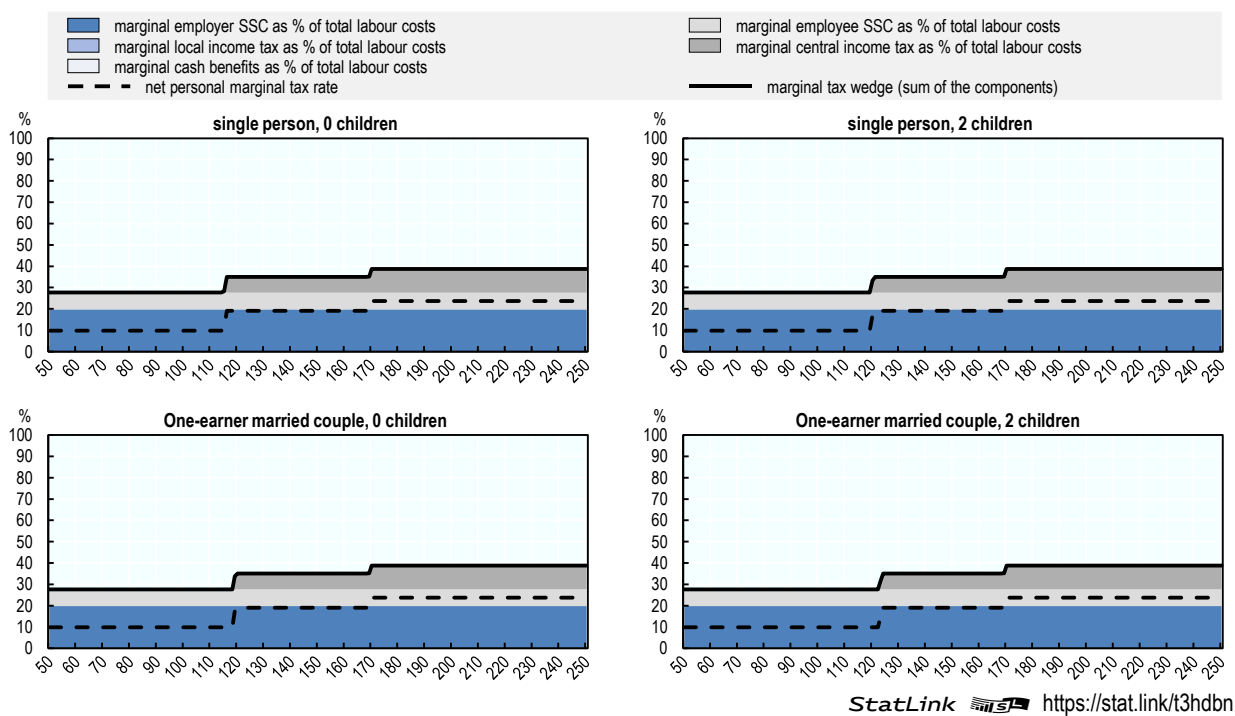
Costa Rica 2025: average tax wedge decomposition

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



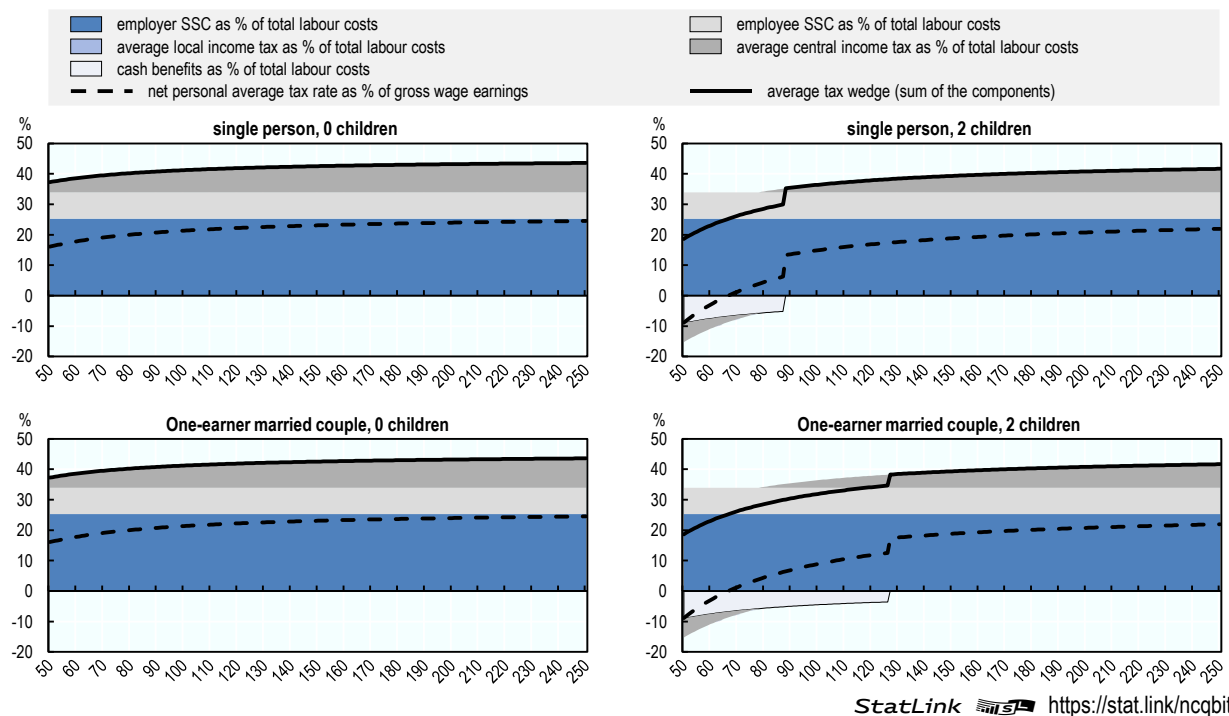
Costa Rica 2025: marginal tax wedge decomposition

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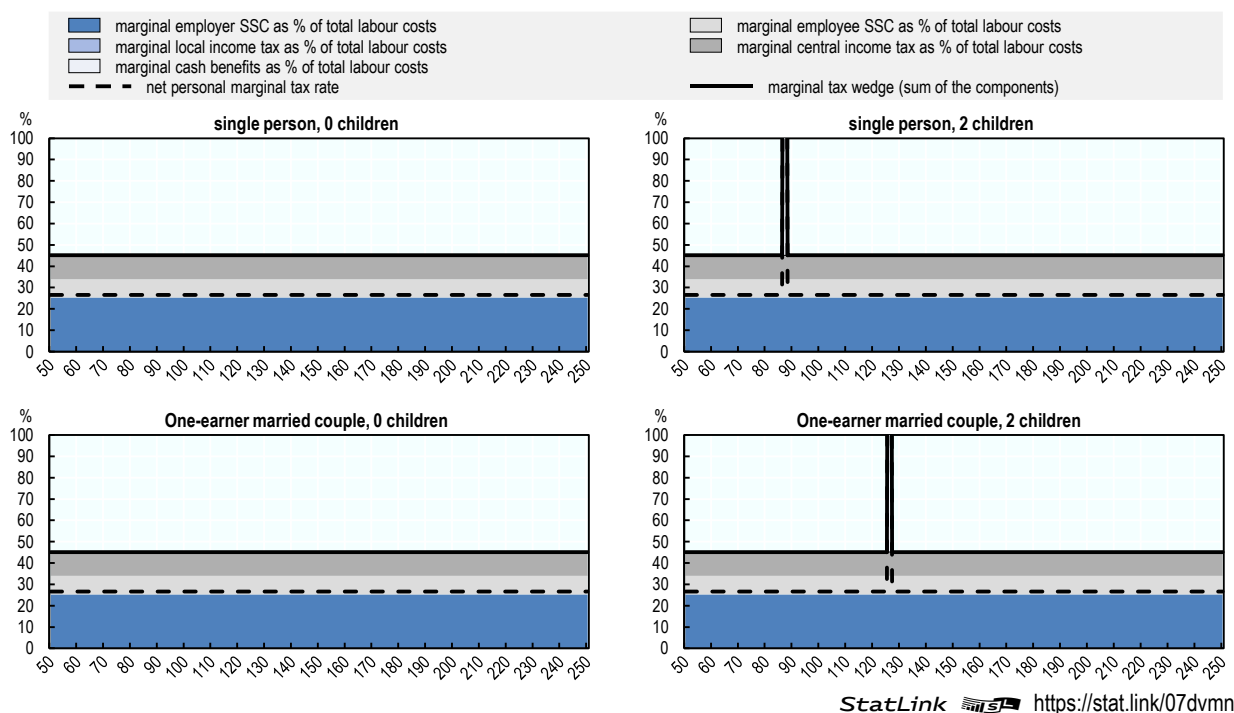
Czechia 2025: average tax wedge decomposition

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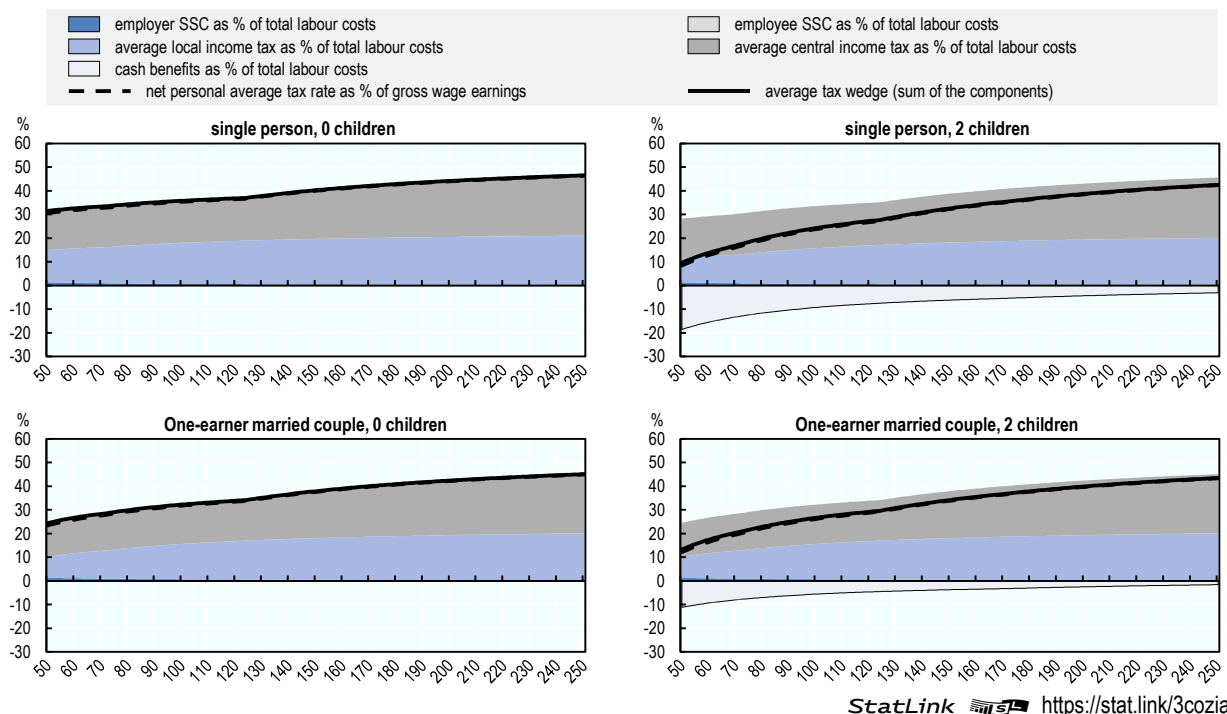
Czechia 2025: marginal tax wedge decomposition

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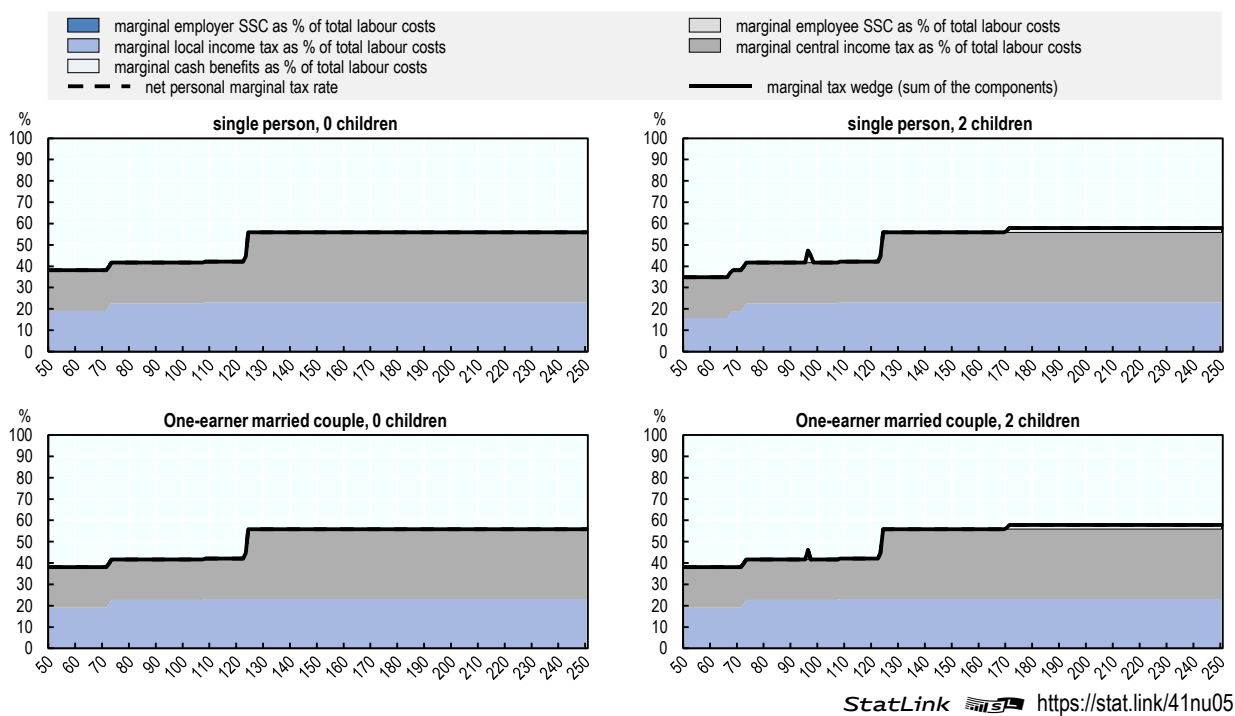
Denmark 2025: average tax wedge decomposition

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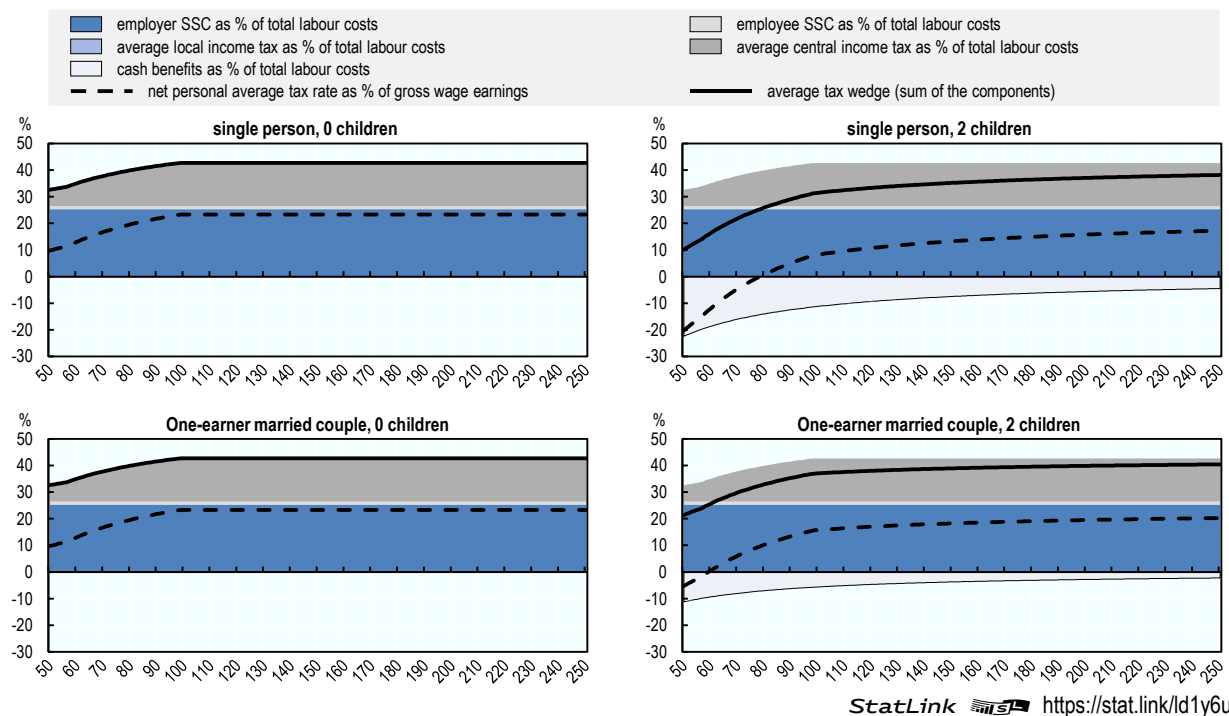
Denmark 2025: marginal tax wedge decomposition

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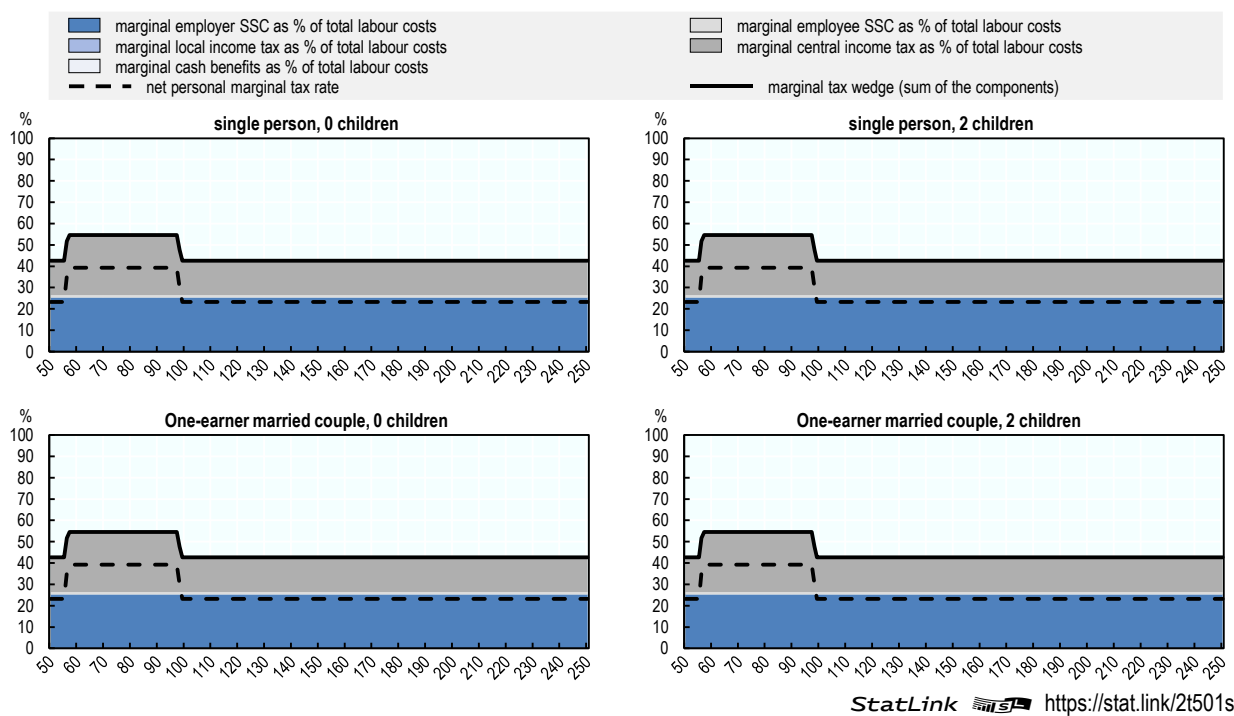
Estonia 2025: average tax wedge decomposition

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



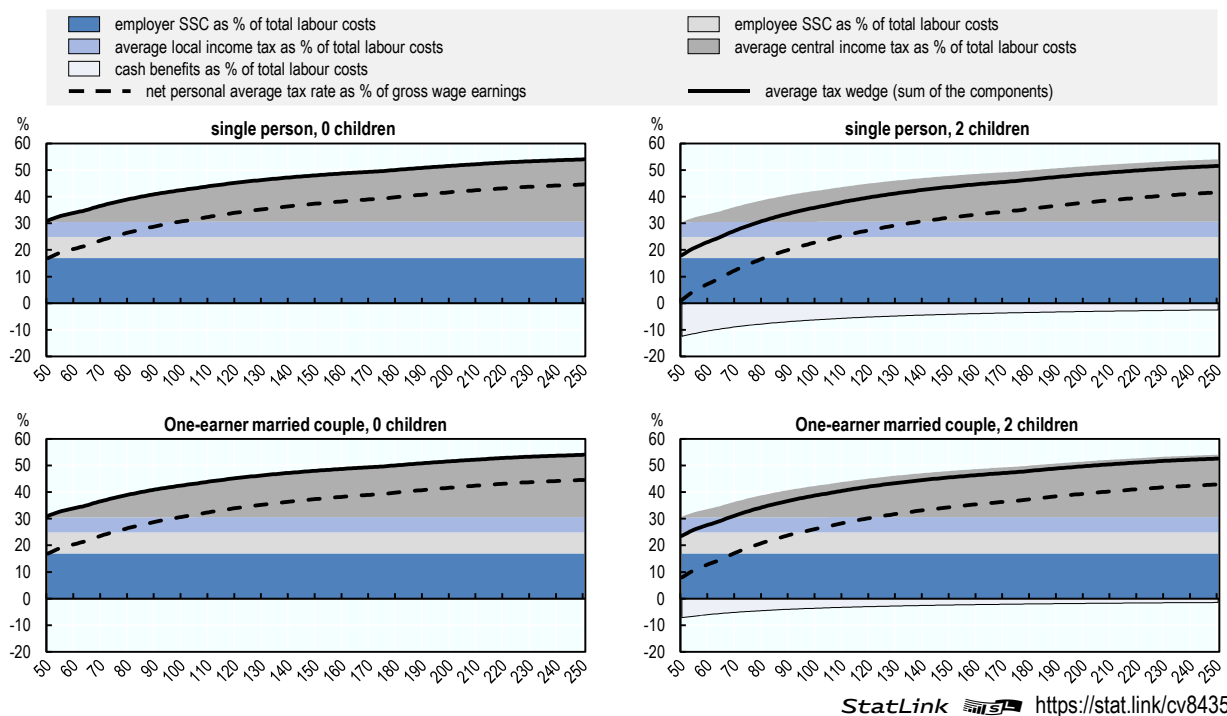
Estonia 2025: marginal tax wedge decomposition

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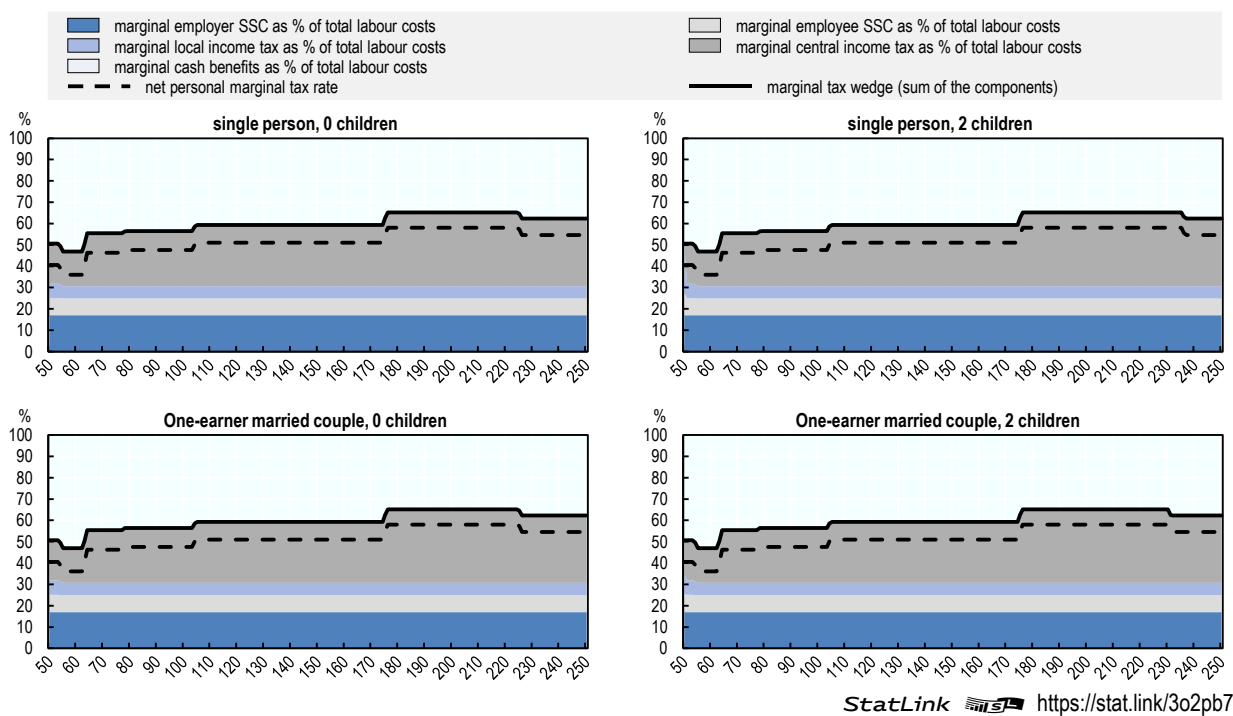
Finland 2025: average tax wedge decomposition

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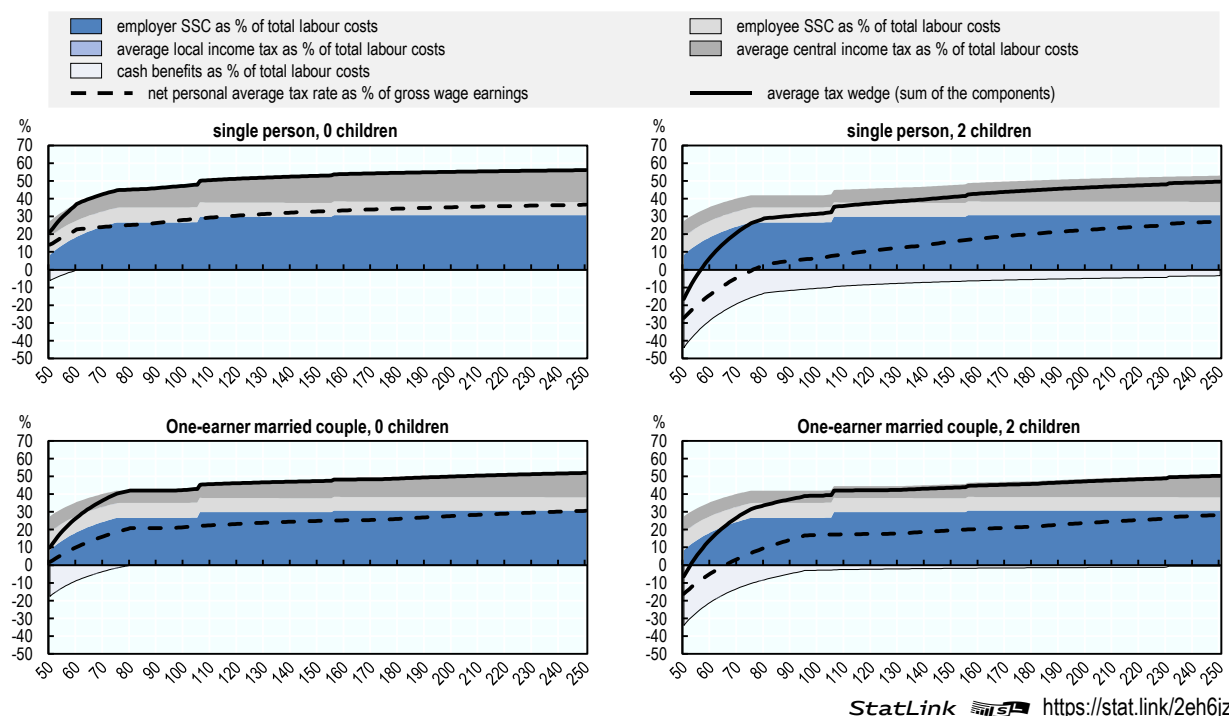
Finland 2025: marginal tax wedge decomposition

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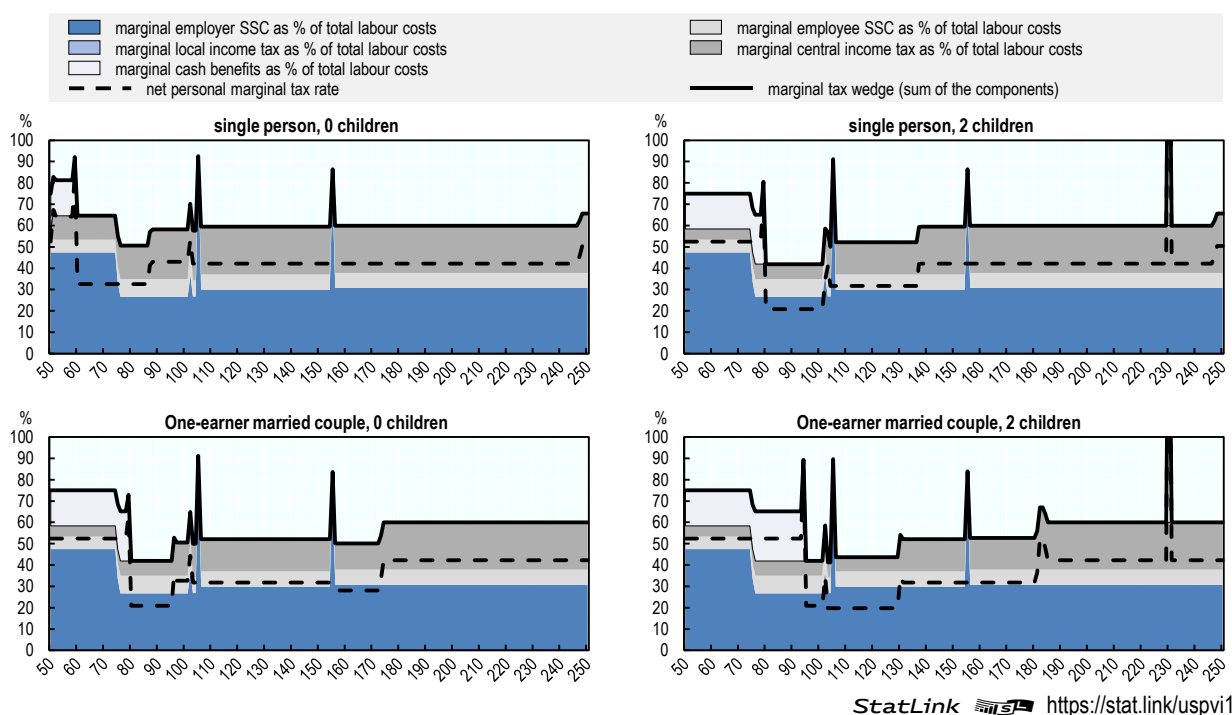
France 2025: average tax wedge decomposition

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



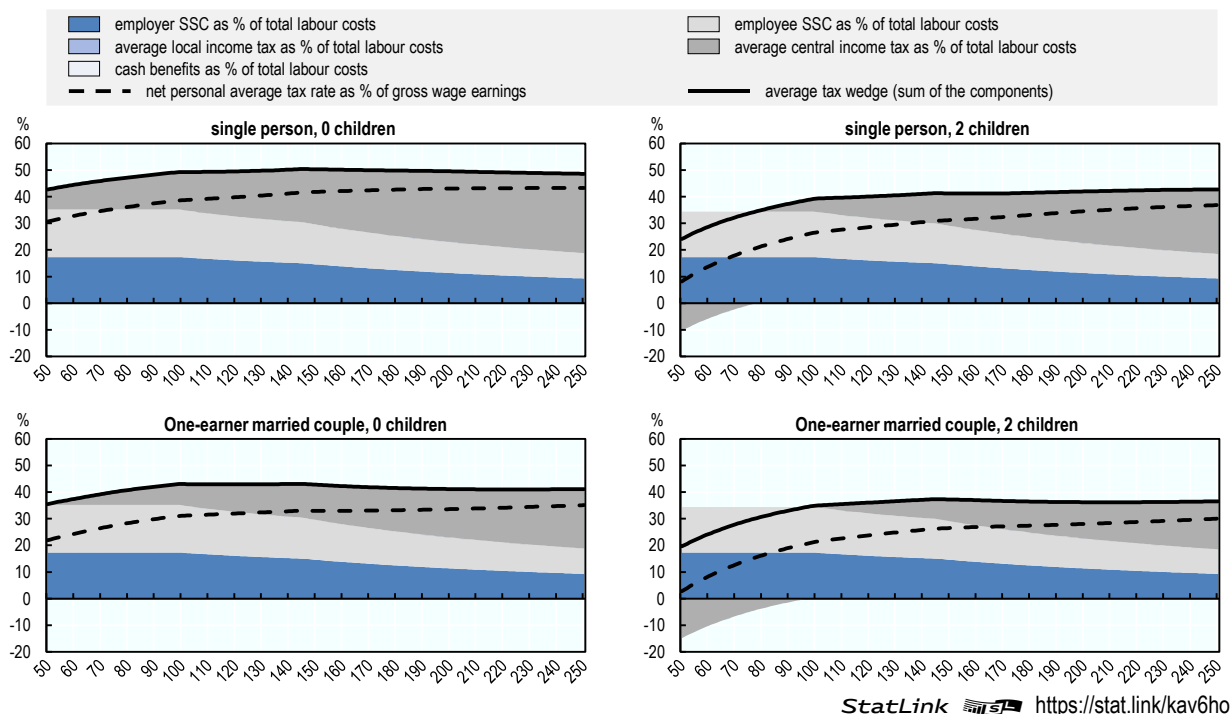
France 2025: marginal tax wedge decomposition

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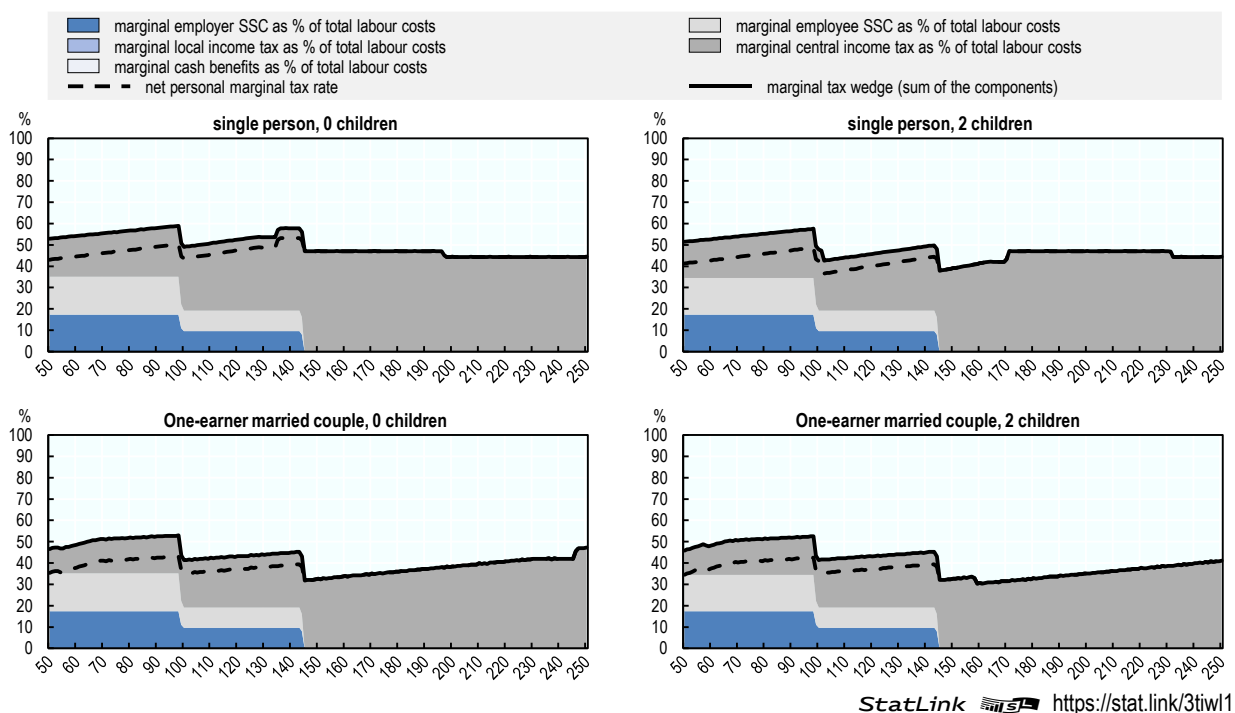
Germany 2025: average tax wedge decomposition

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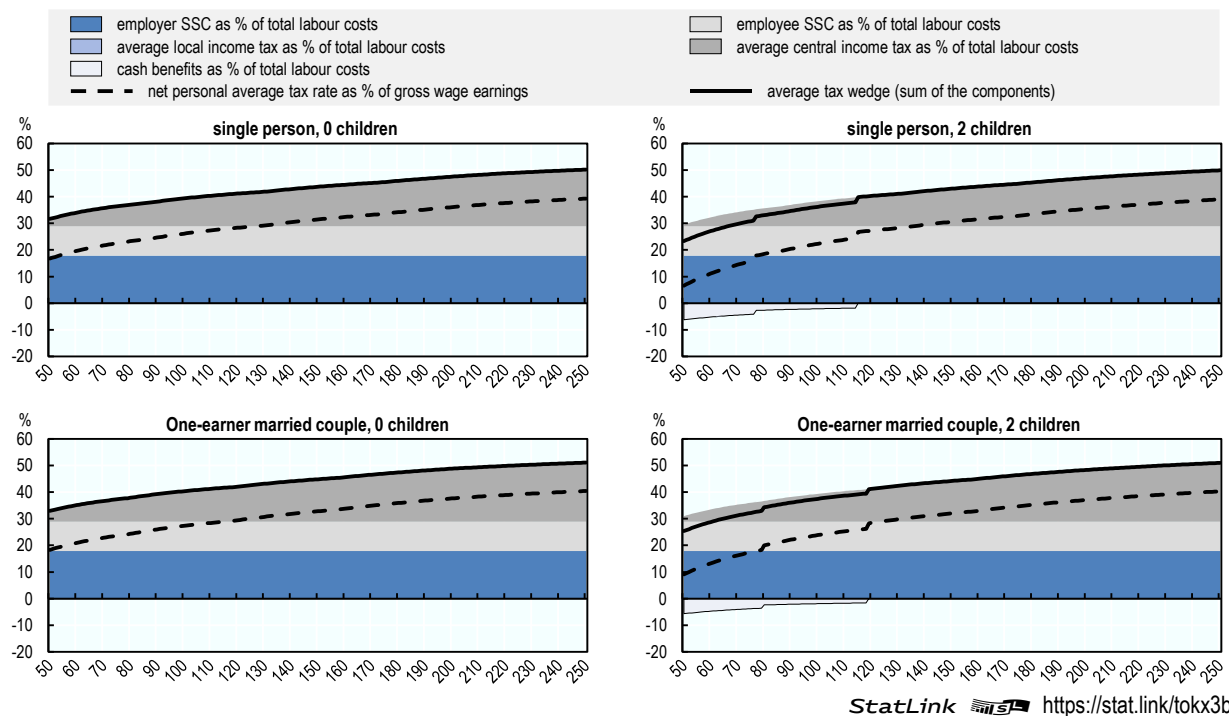
Germany 2025: marginal tax wedge decomposition

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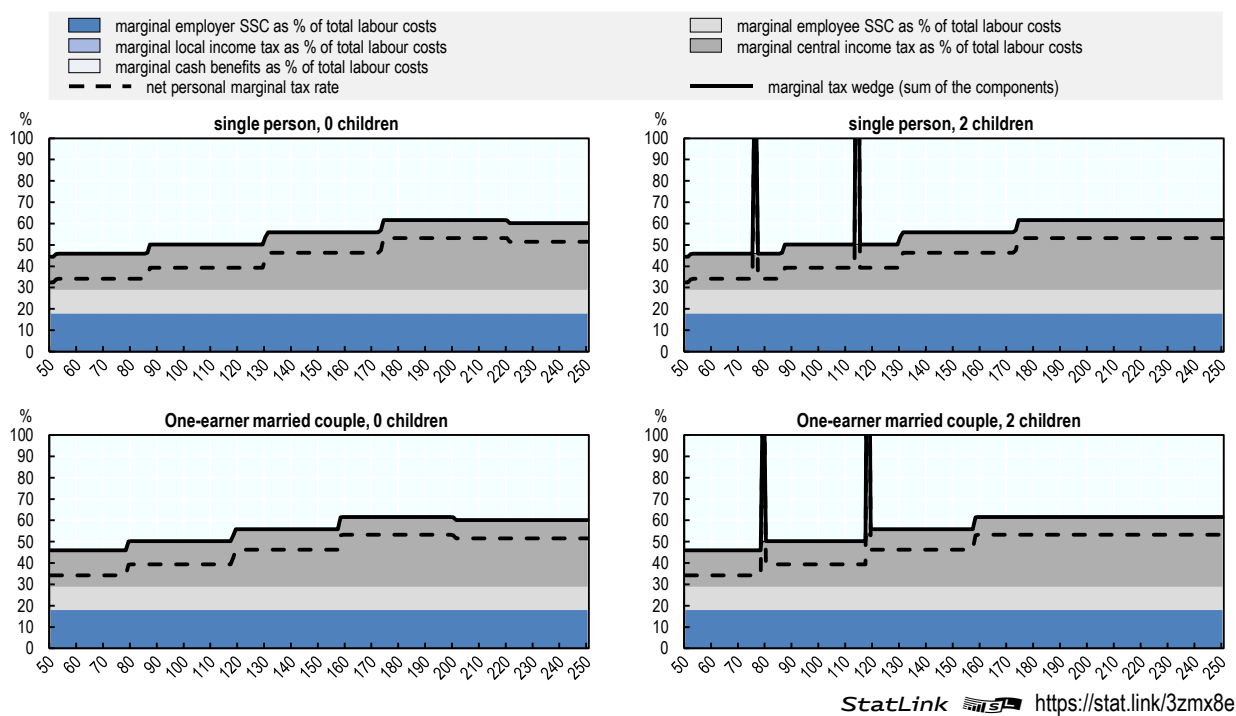
Greece 2025: average tax wedge decomposition

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



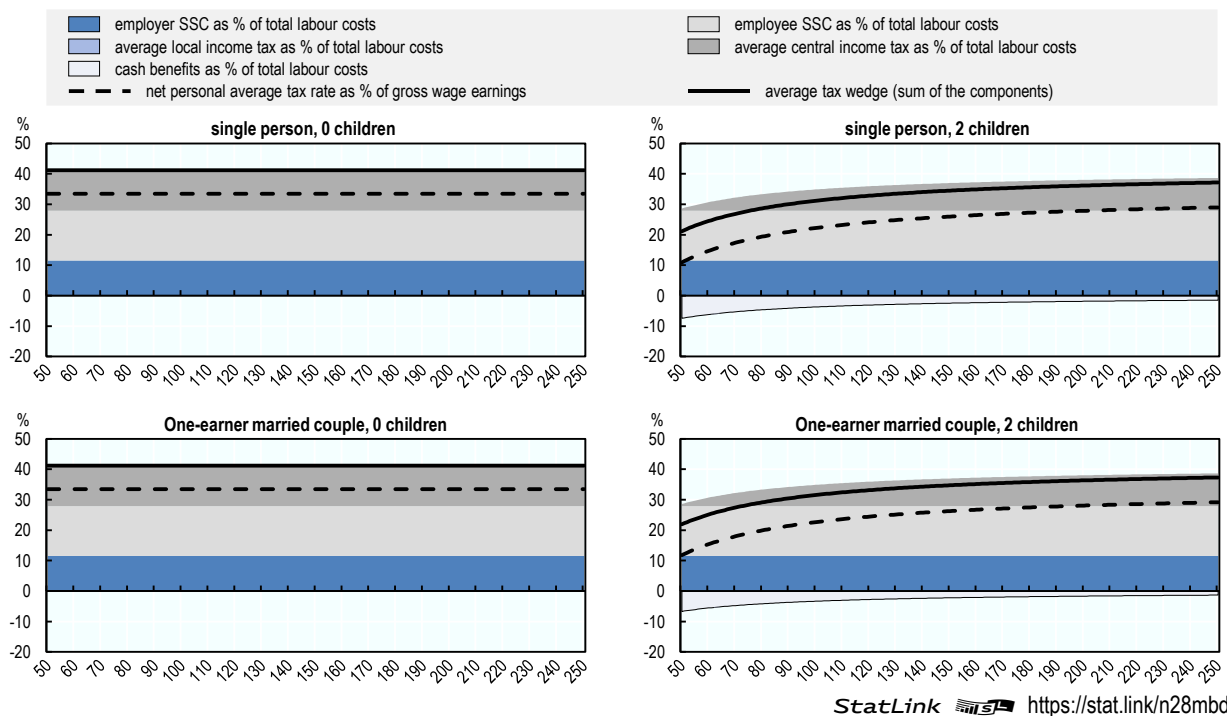
Greece 2025: marginal tax wedge decomposition

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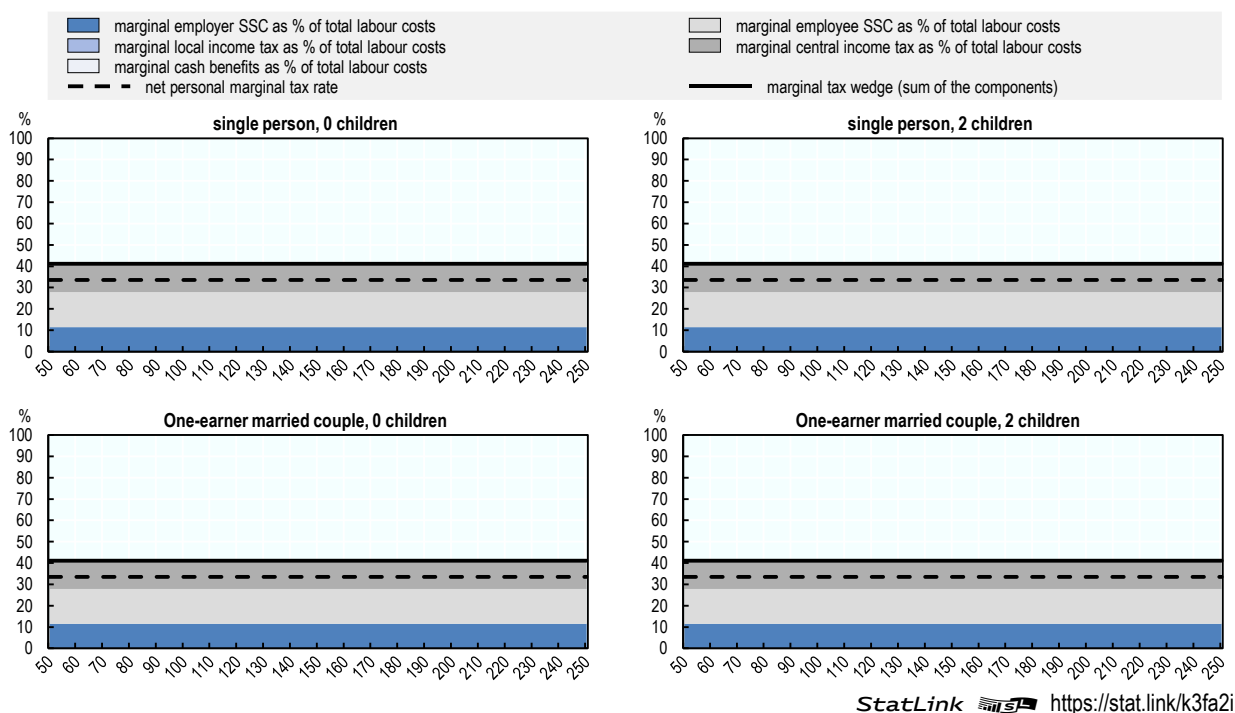
Hungary 2025: average tax wedge decomposition

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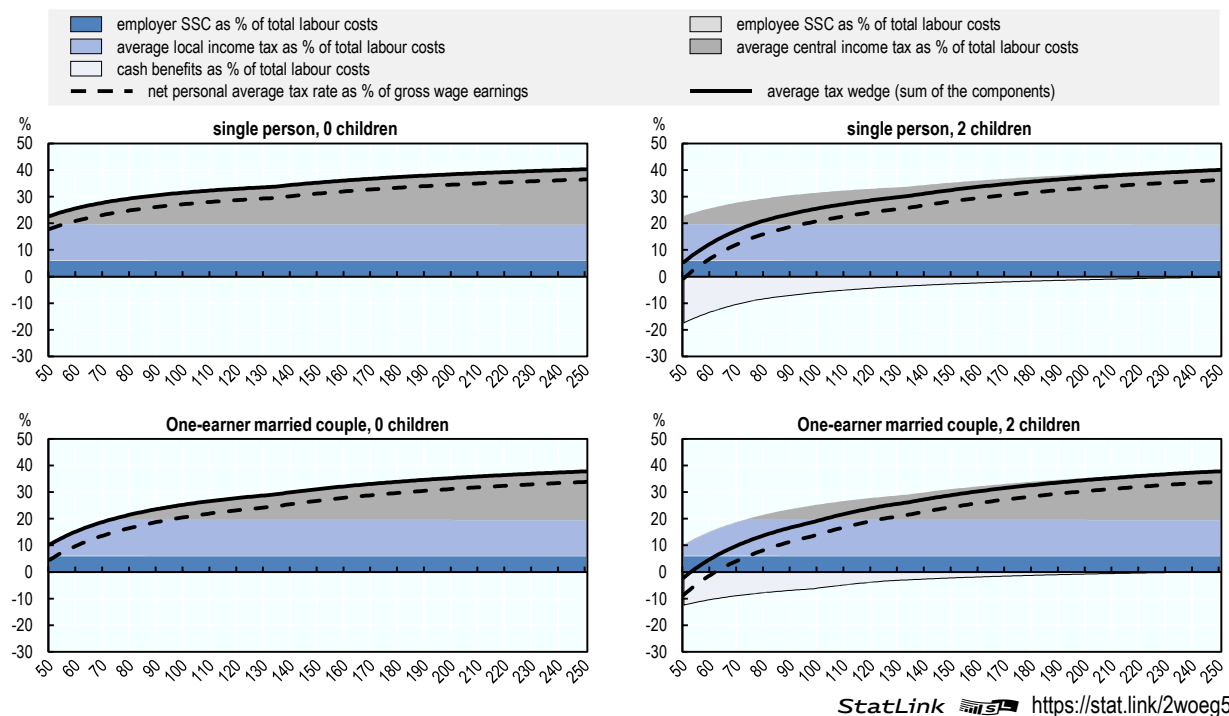
Hungary 2025: marginal tax wedge decomposition

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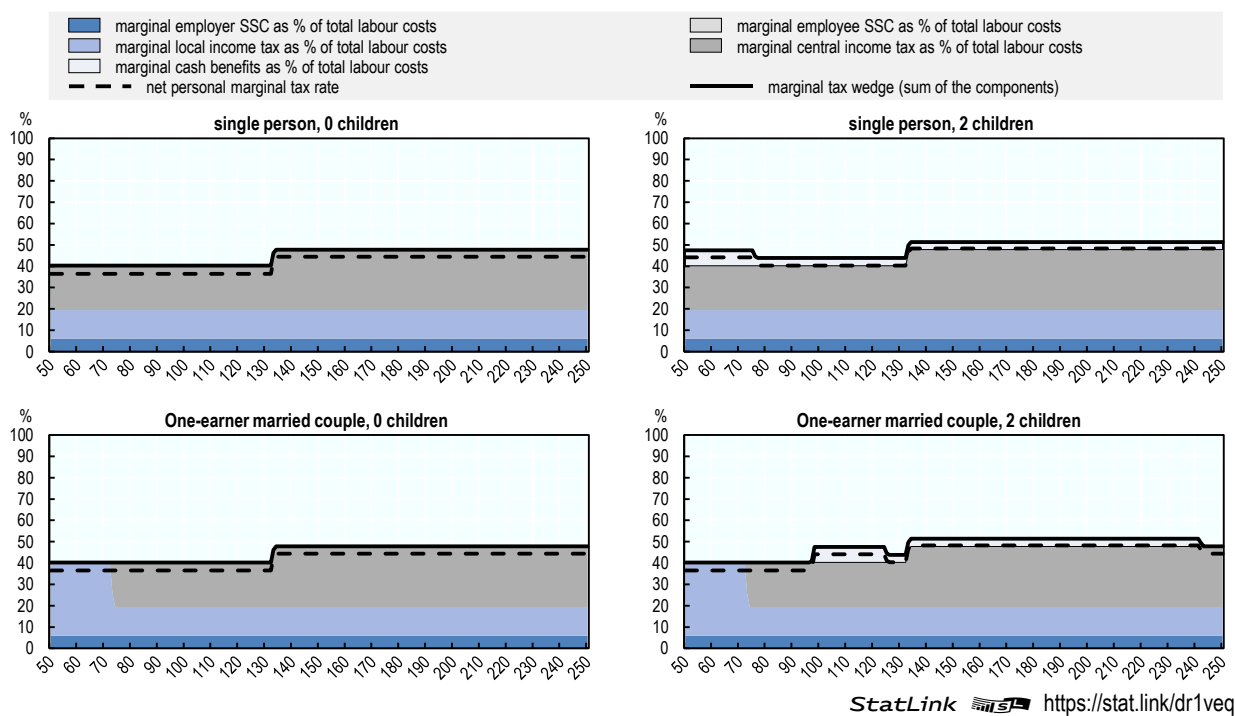
Iceland 2025: average tax wedge decomposition

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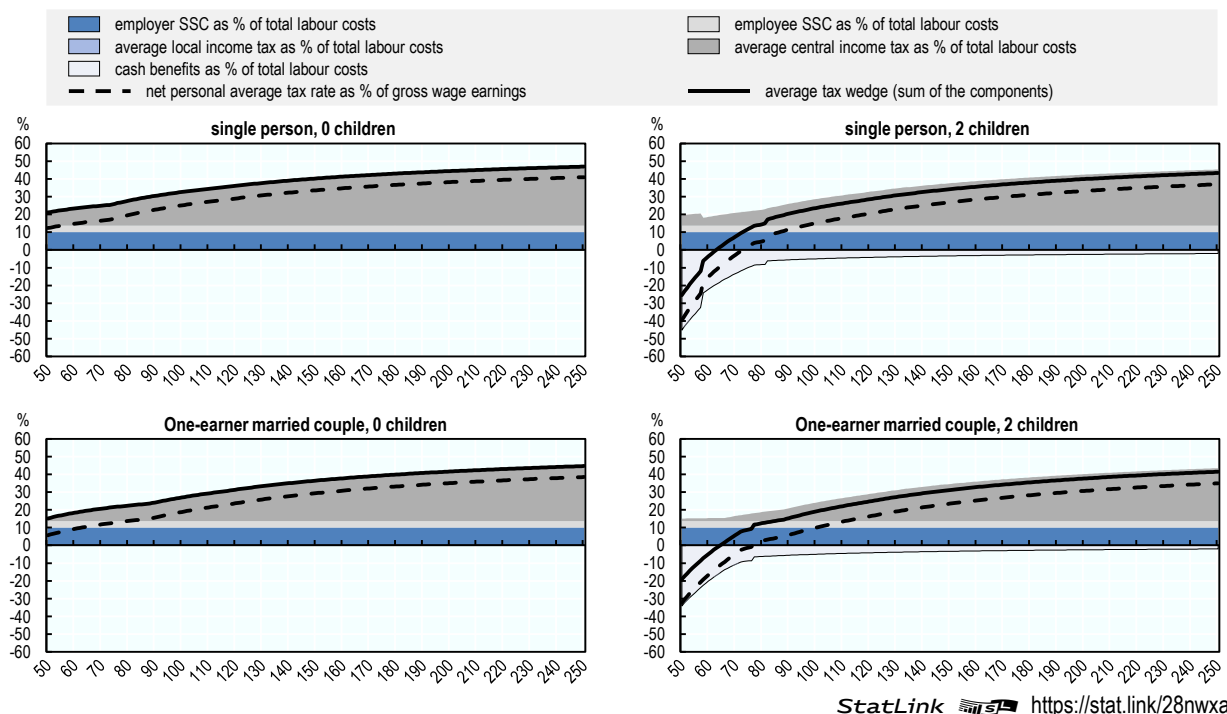
Iceland 2025: marginal tax wedge decomposition

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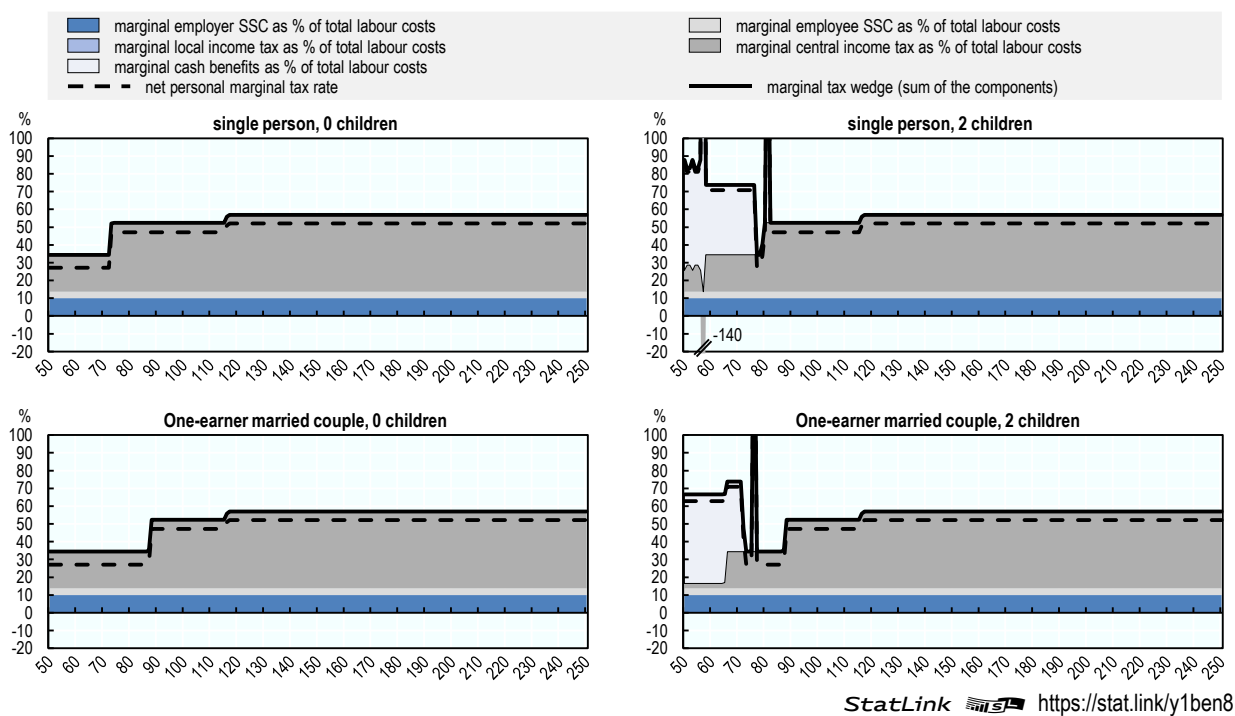
Ireland 2025: average tax wedge decomposition

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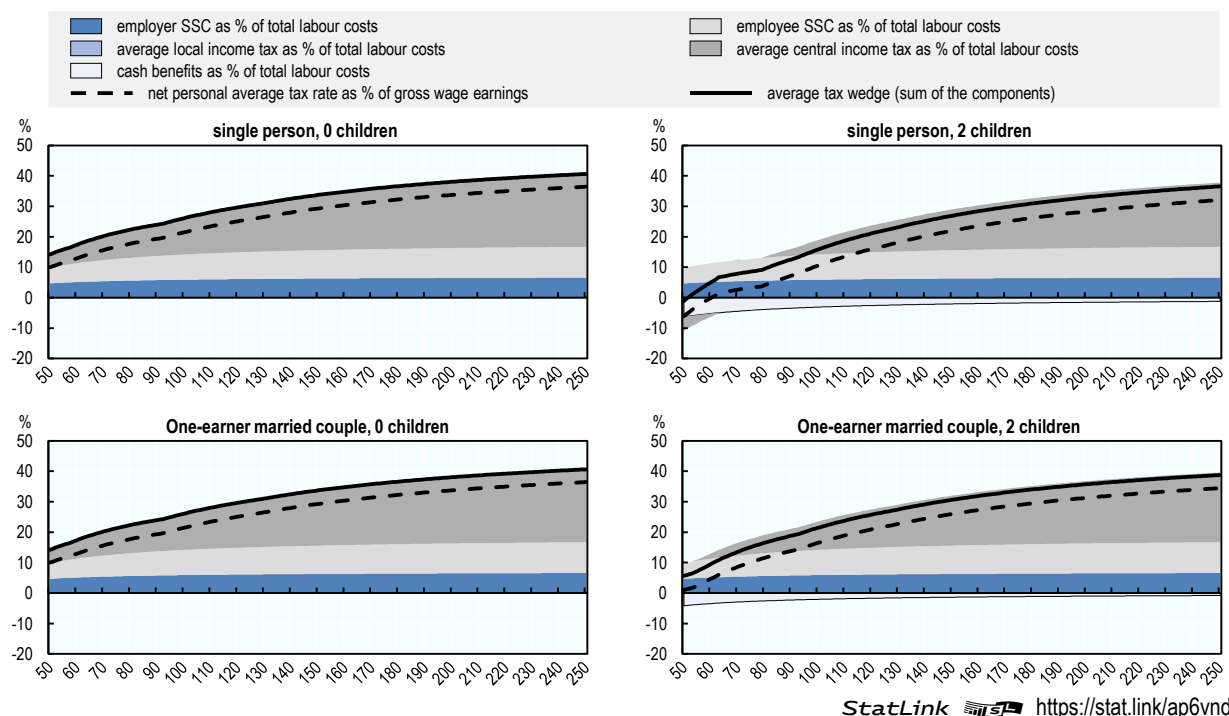
Ireland 2025: marginal tax wedge decomposition

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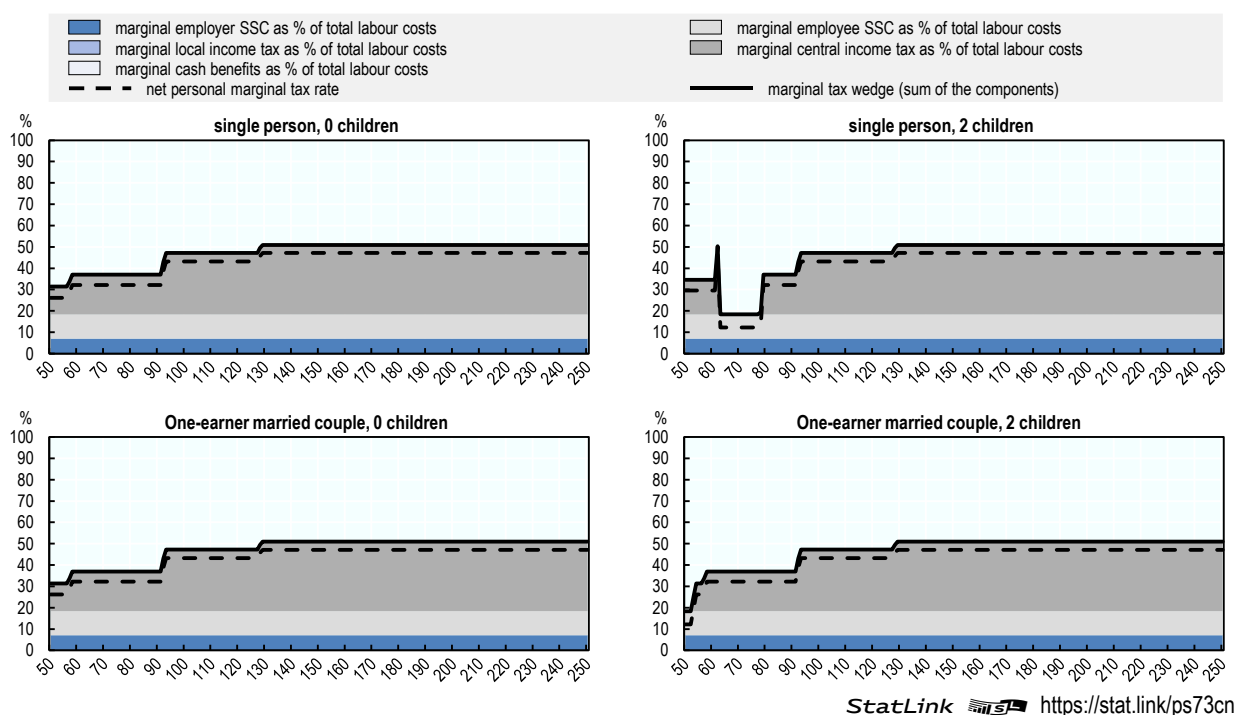
Israel 2025: average tax wedge decomposition

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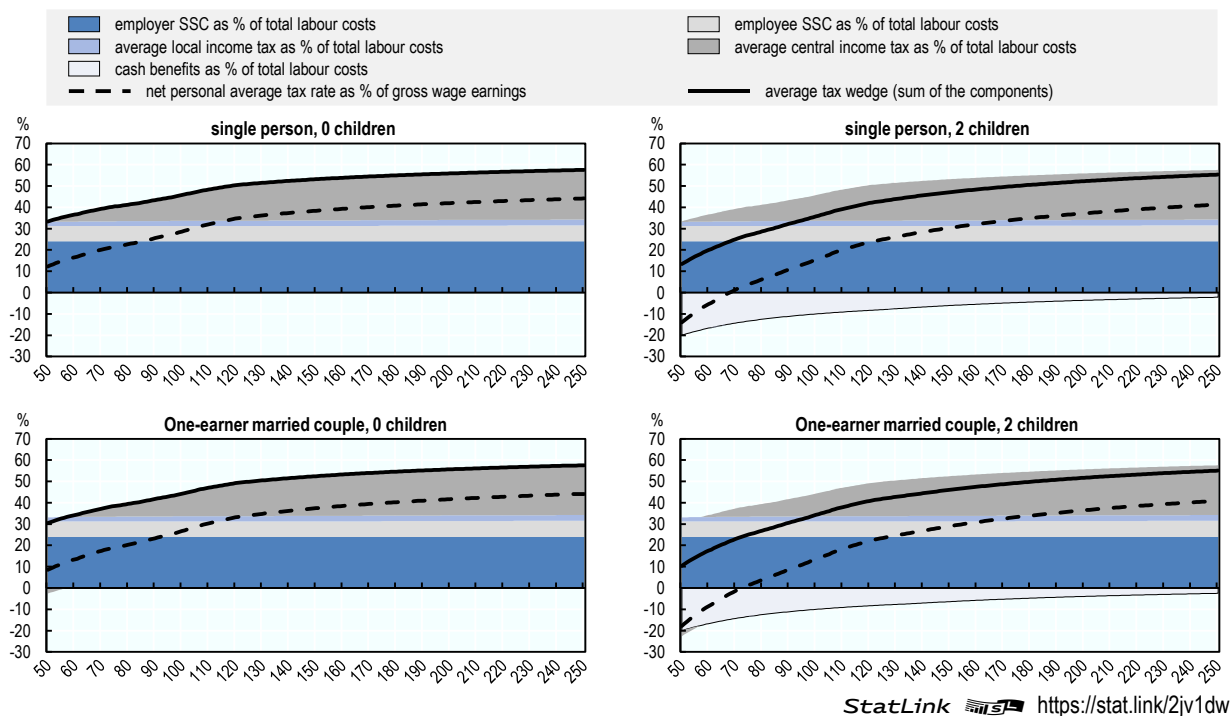
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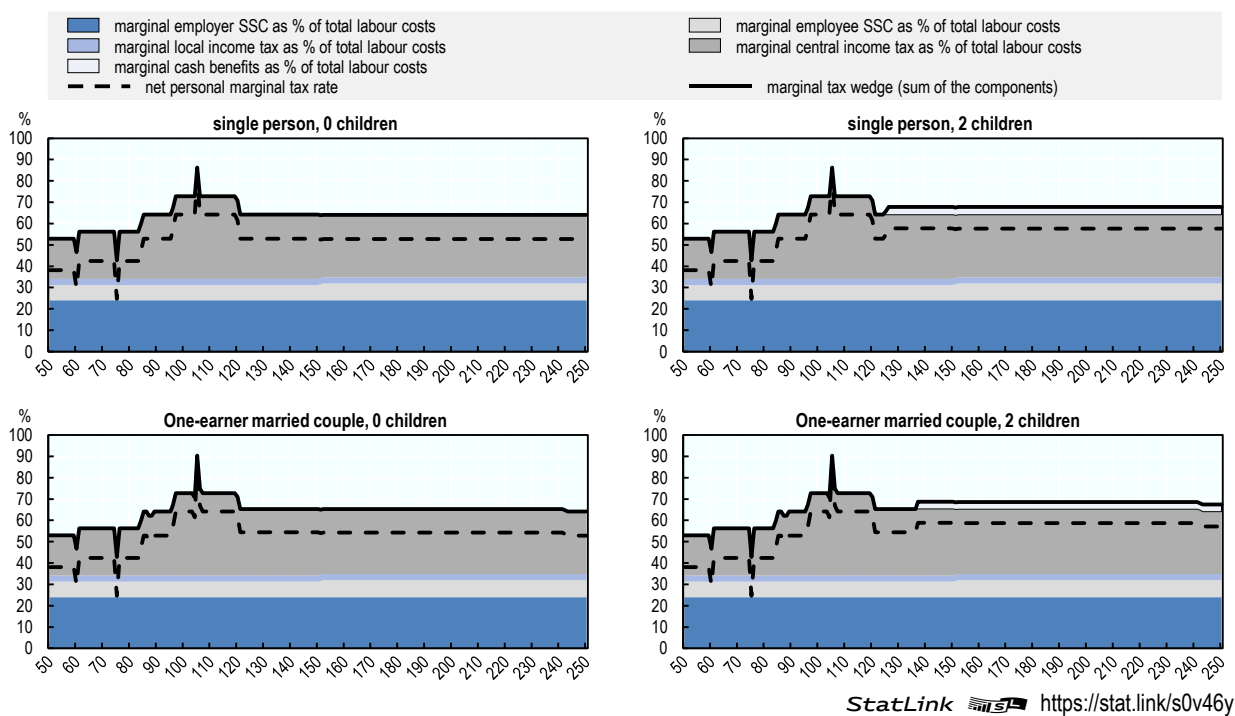
Italy 2025: average tax wedge decomposition

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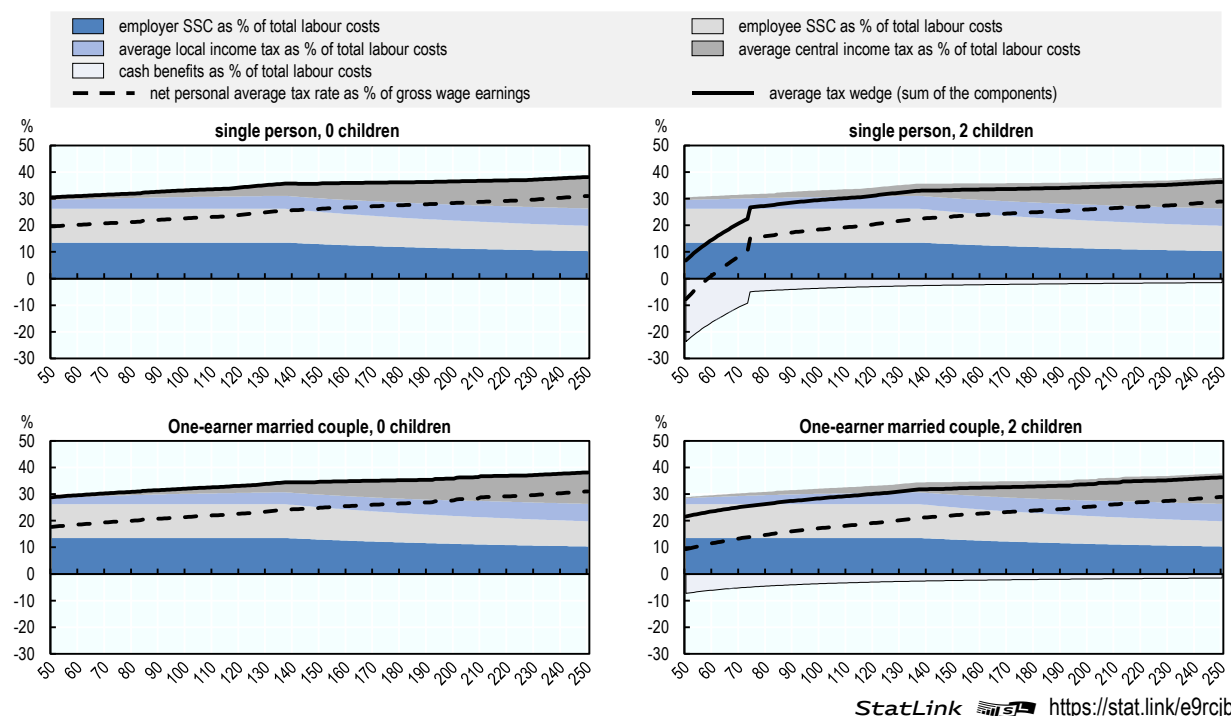
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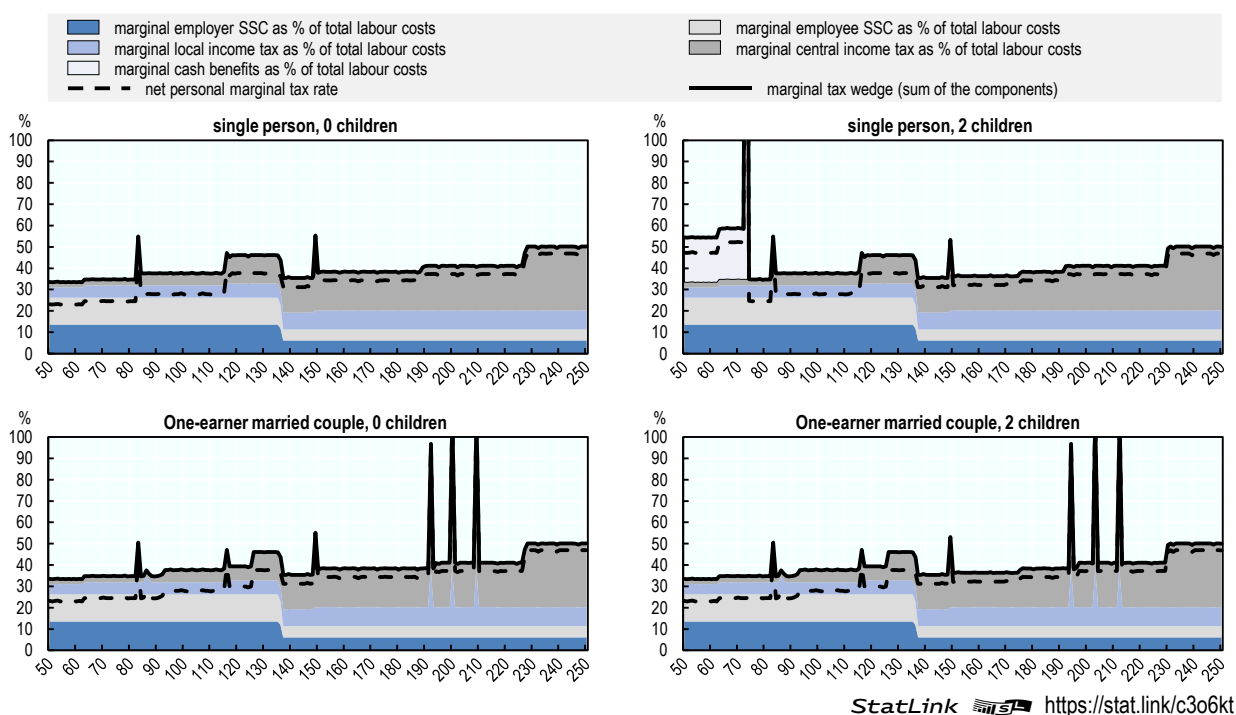
Japan 2025: average tax wedge decomposition

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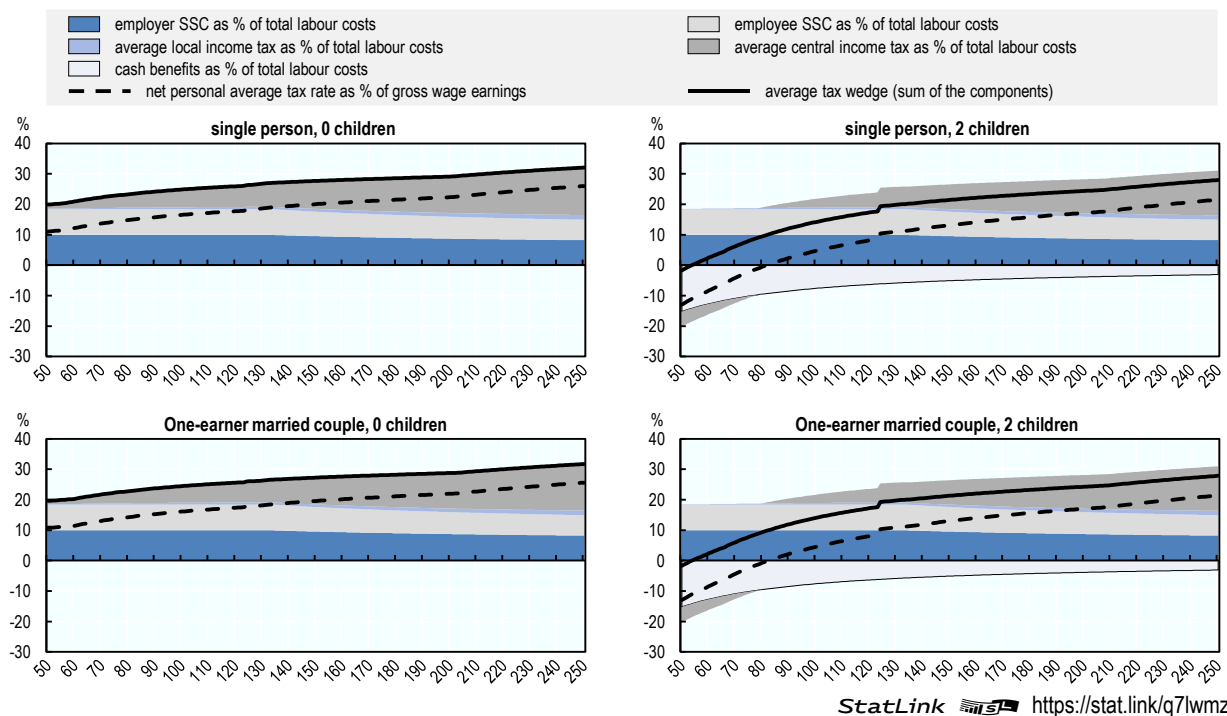
Japan 2025: marginal tax wedge decomposition

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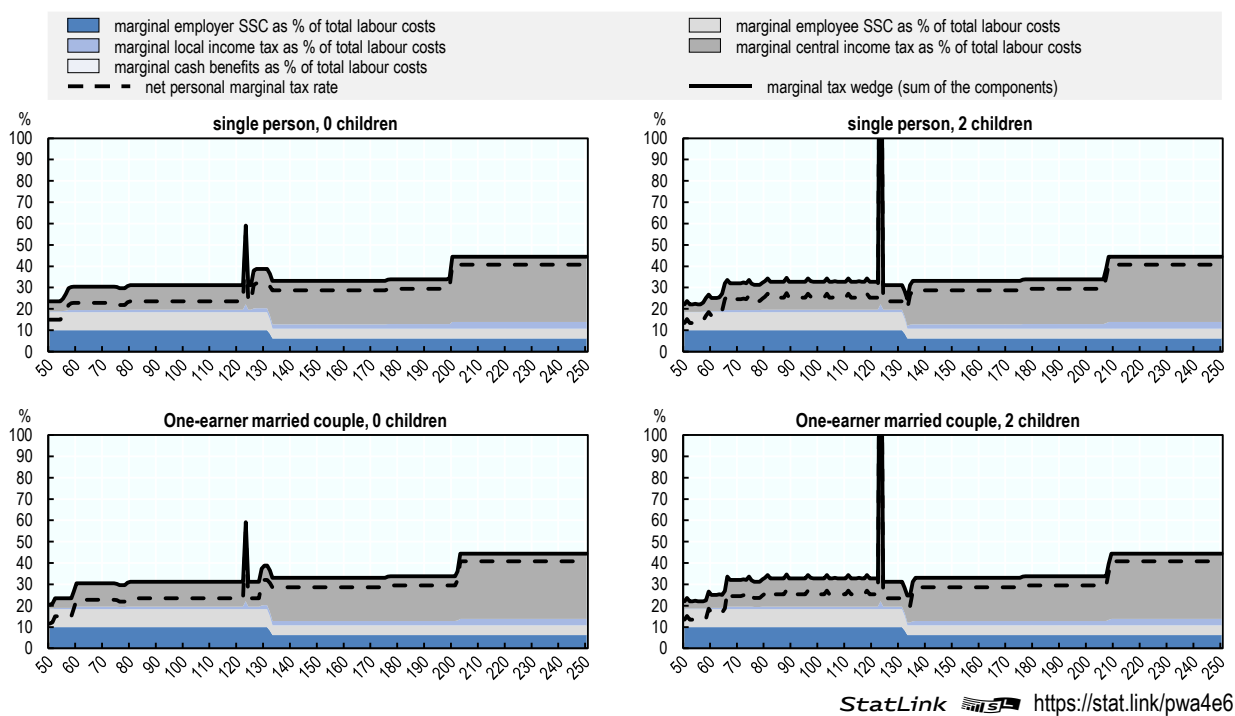
Korea 2025: average tax wedge decomposition

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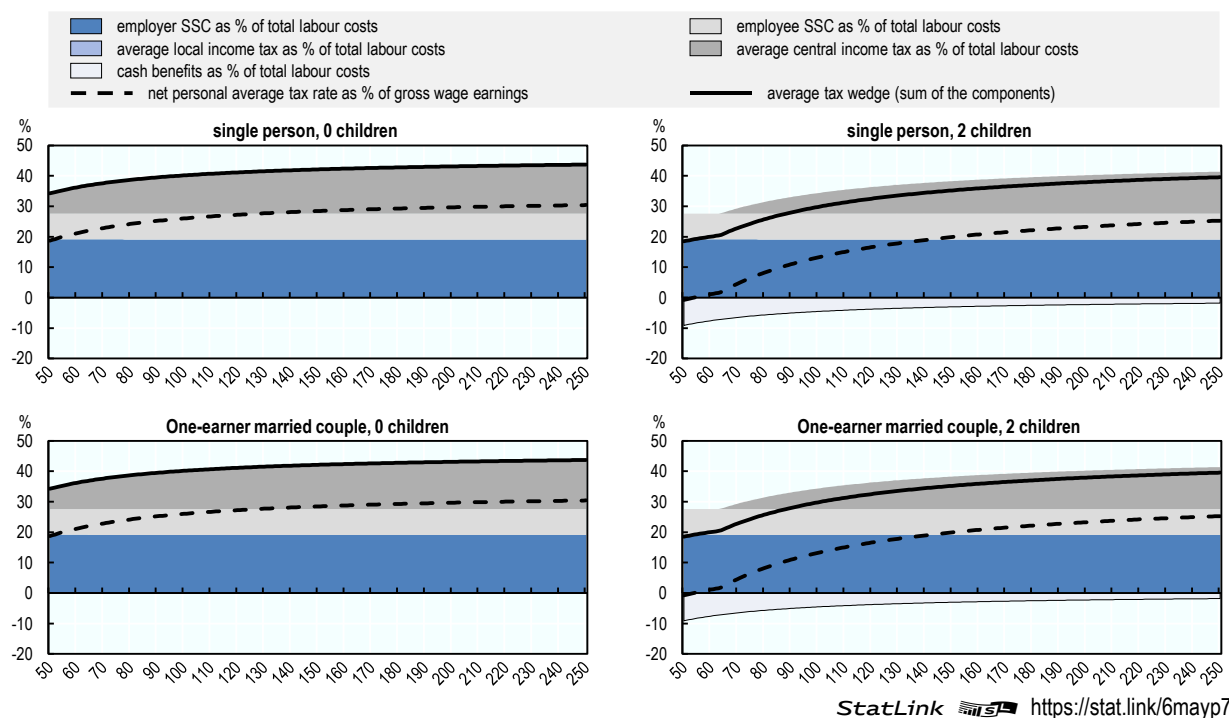
Korea 2025: marginal tax wedge decomposition

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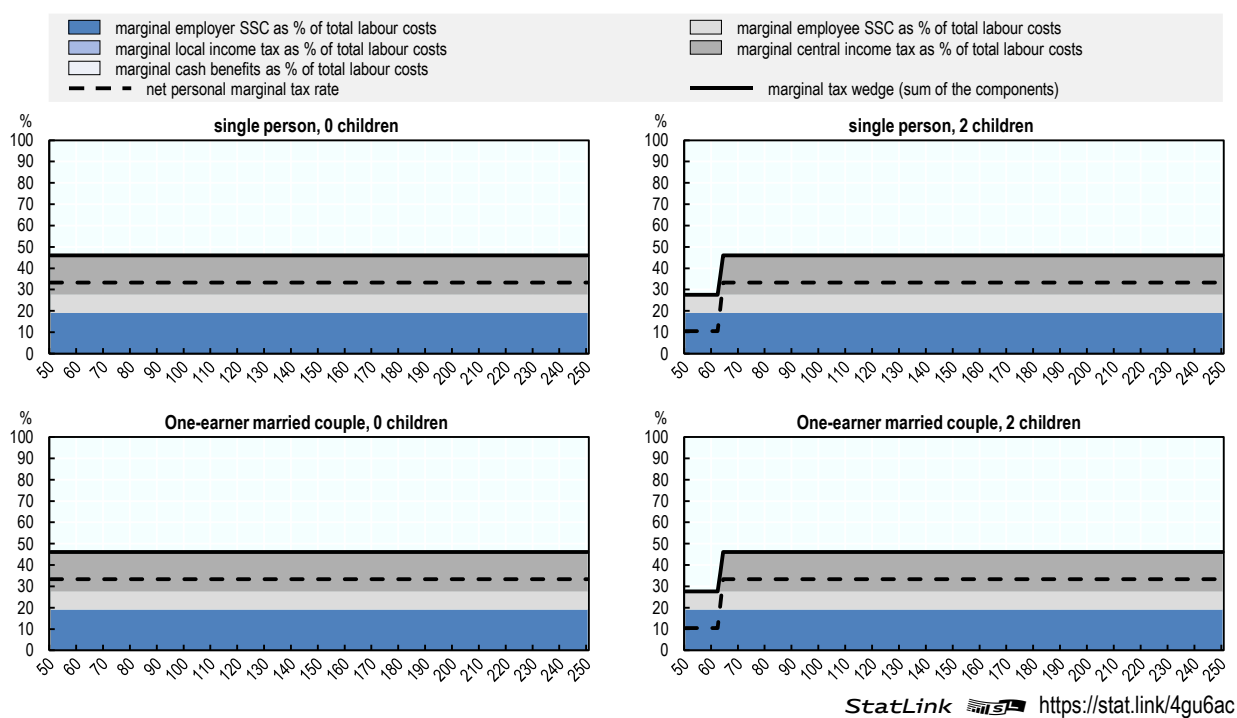
Latvia 2025: average tax wedge decomposition

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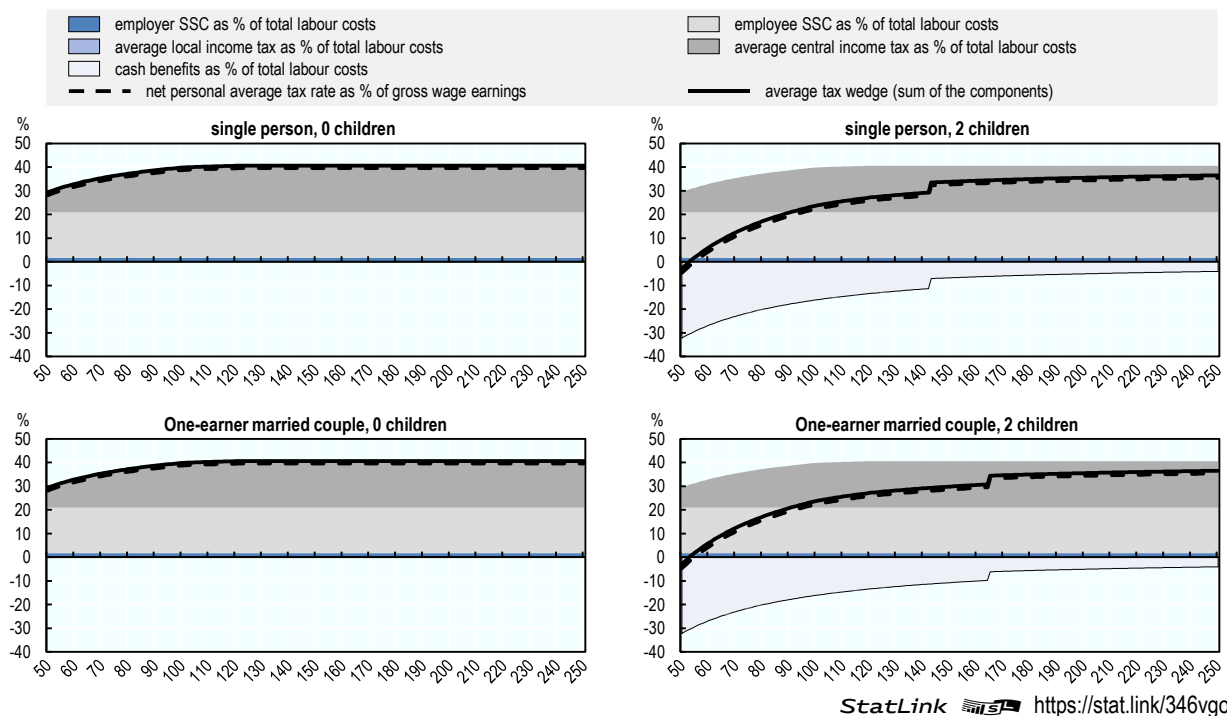
Latvia 2025: marginal tax wedge decomposition

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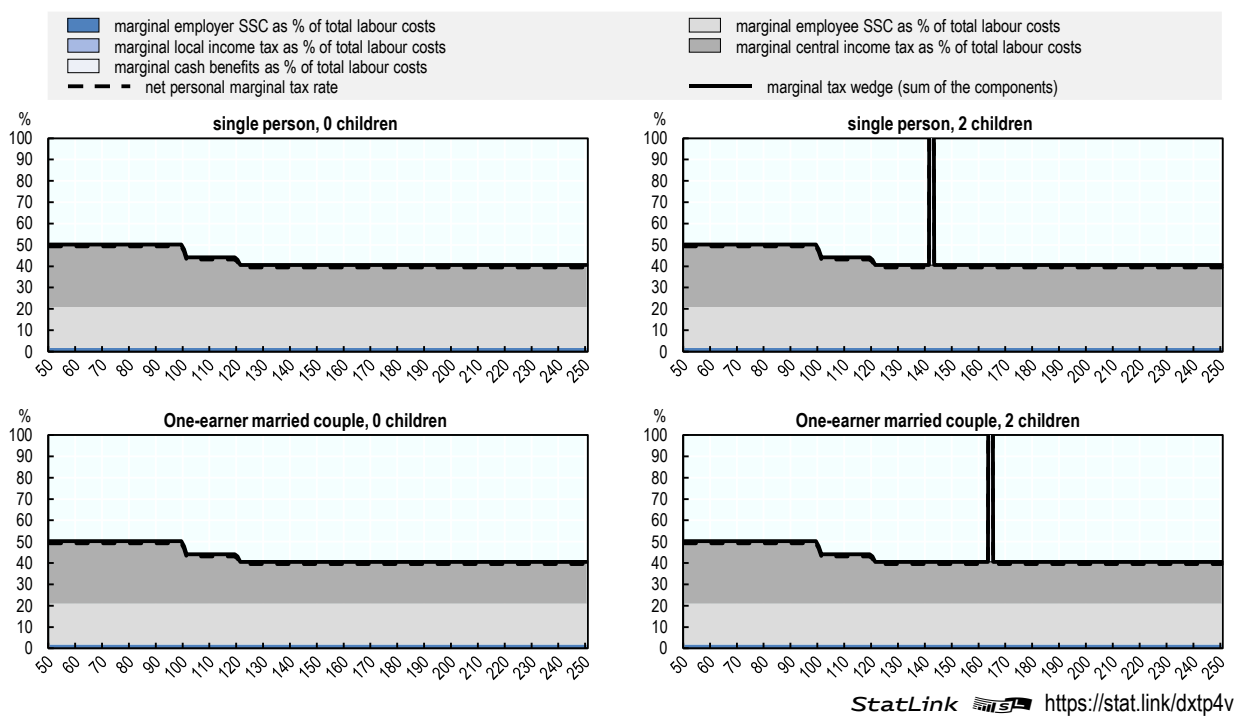
Lithuania 2025: average tax wedge decomposition

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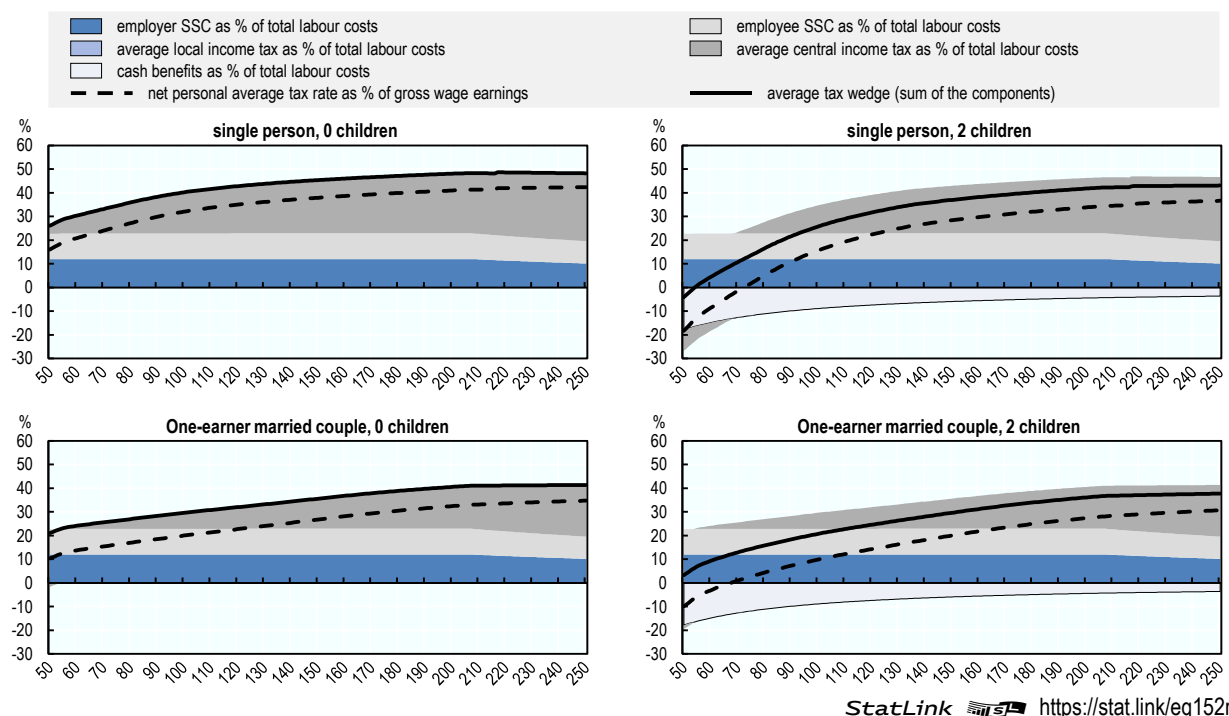
Lithuania 2025: marginal tax wedge decomposition

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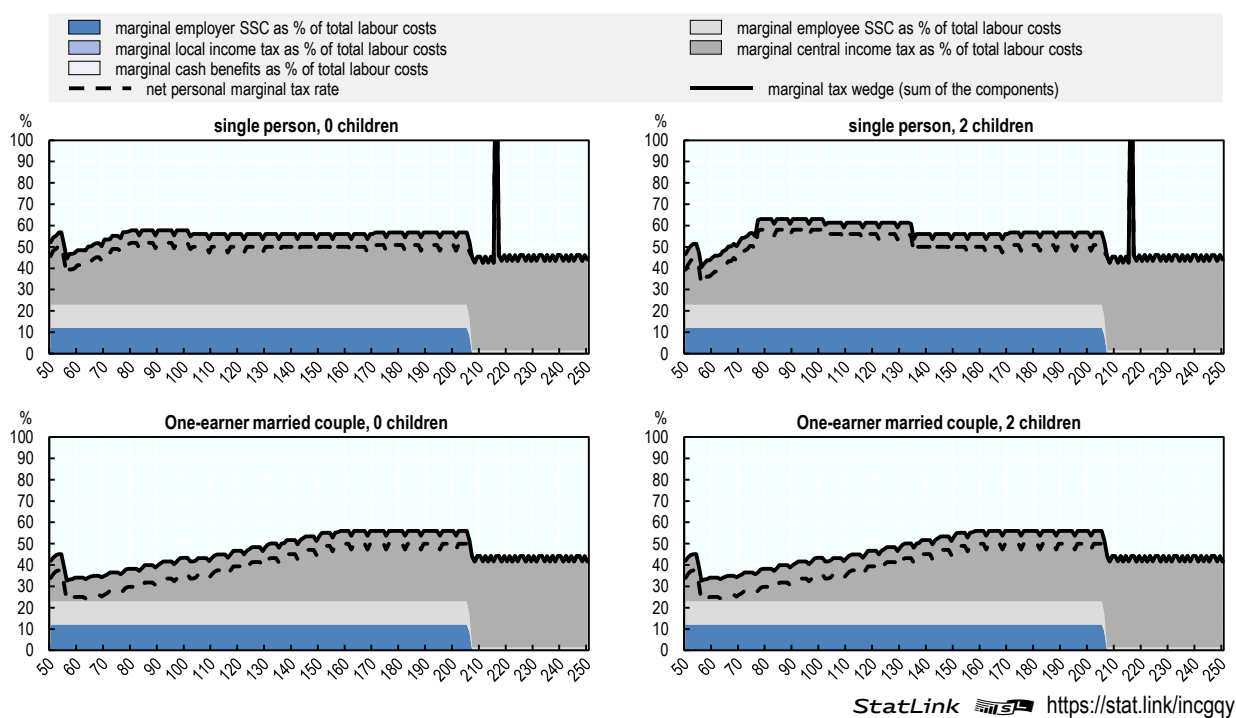
Luxembourg 2025: average tax wedge decomposition

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



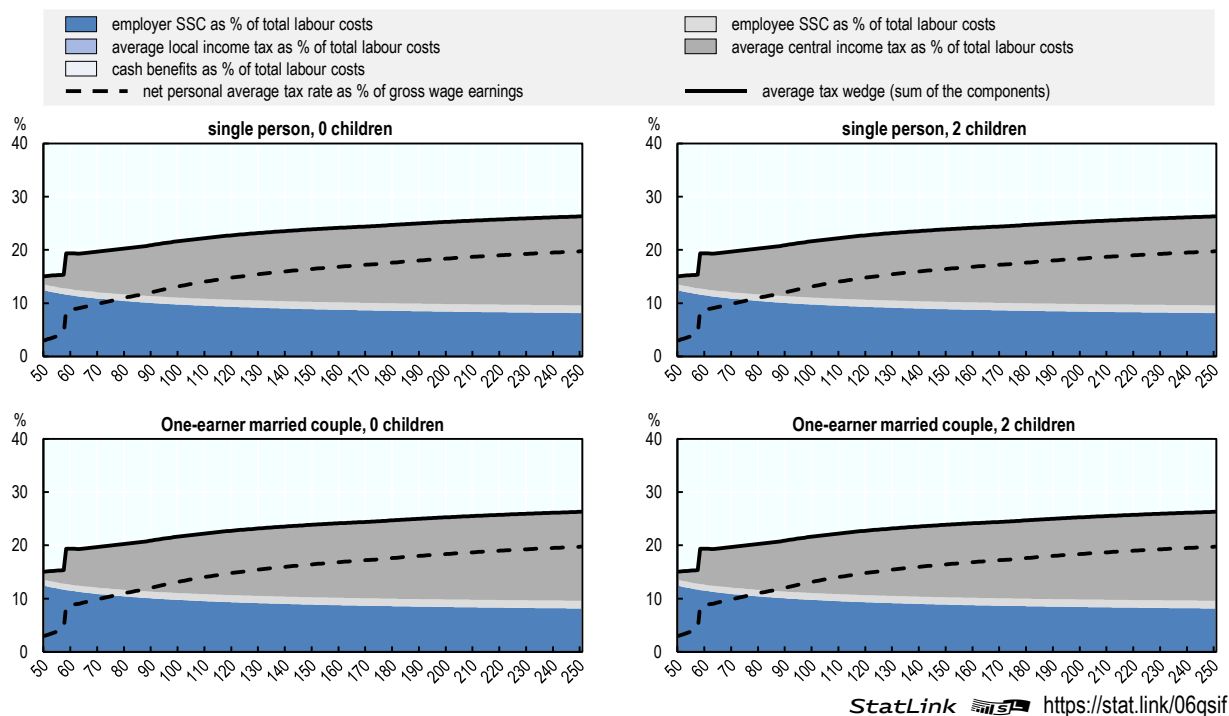
Luxembourg 2025: marginal tax wedge decomposition

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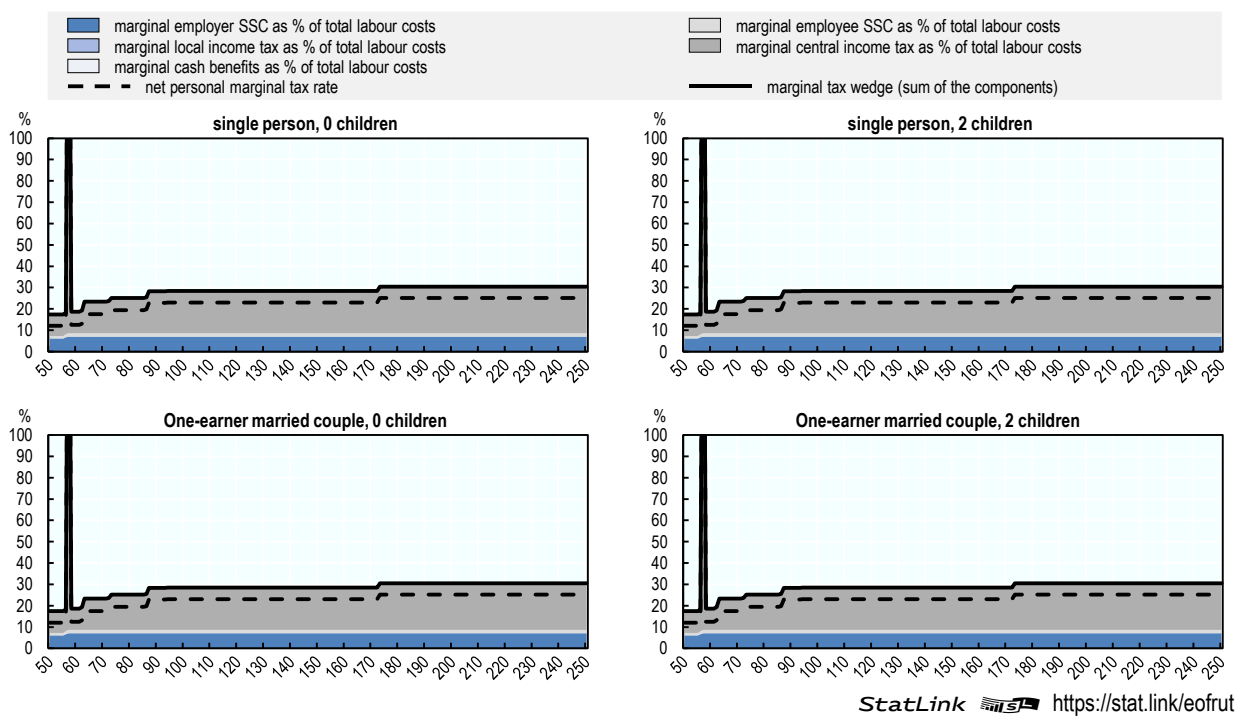
Mexico 2025: average tax wedge decomposition

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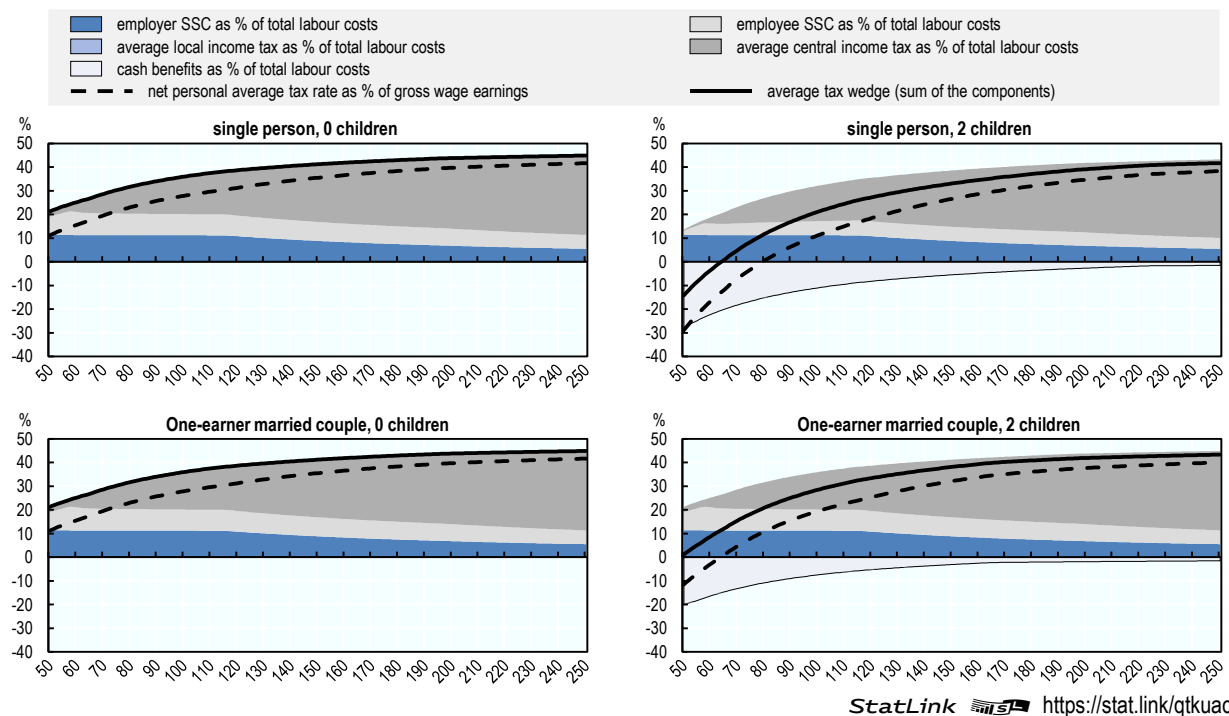
Mexico 2025: marginal tax wedge decomposition

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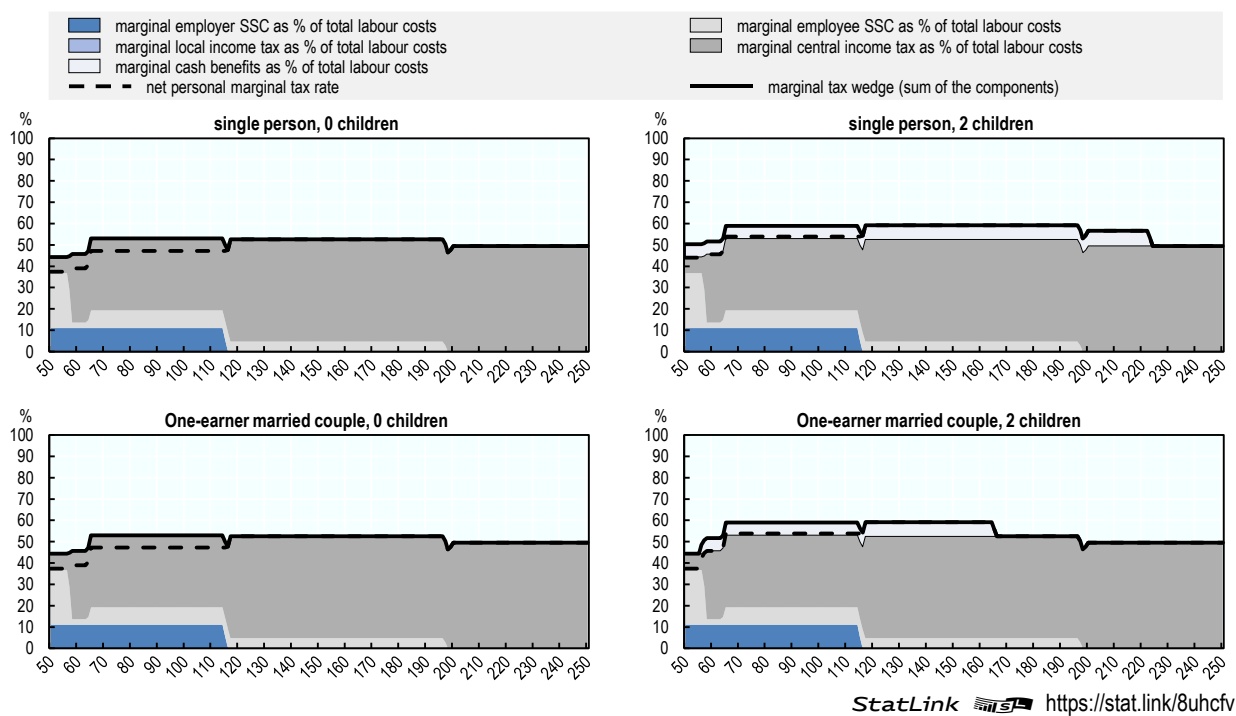
Netherlands 2025: average tax wedge decomposition

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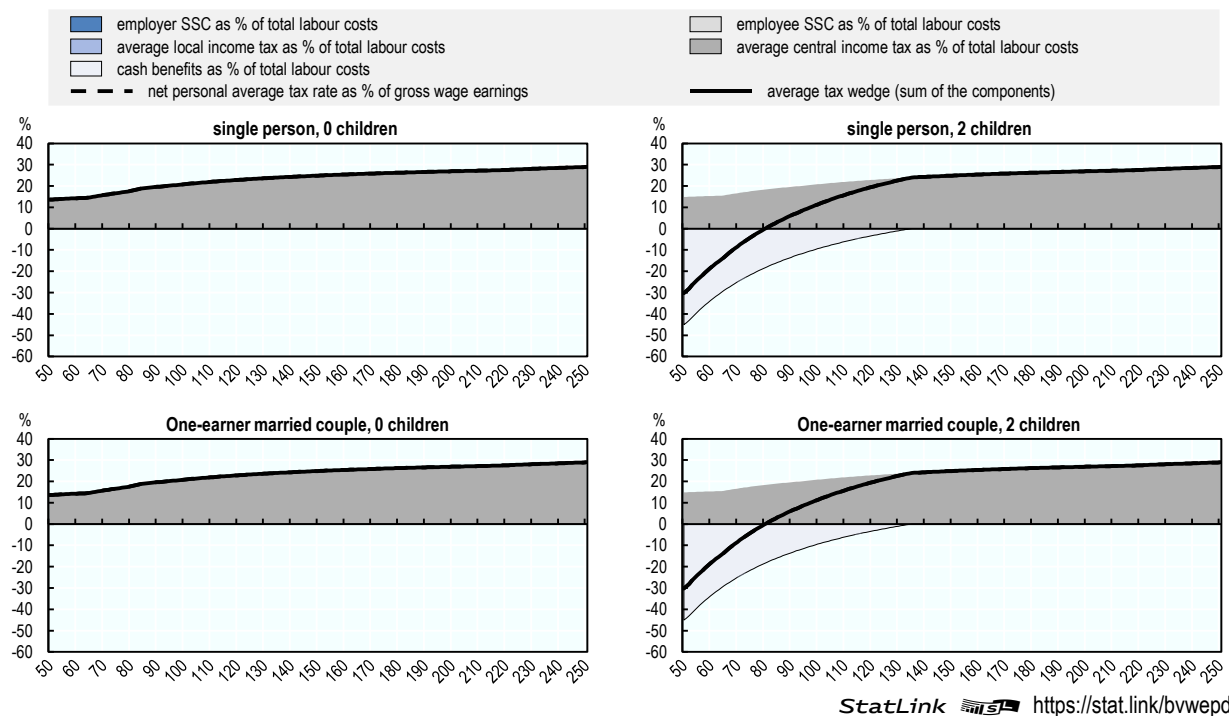
Netherlands 2025: marginal tax wedge decomposition

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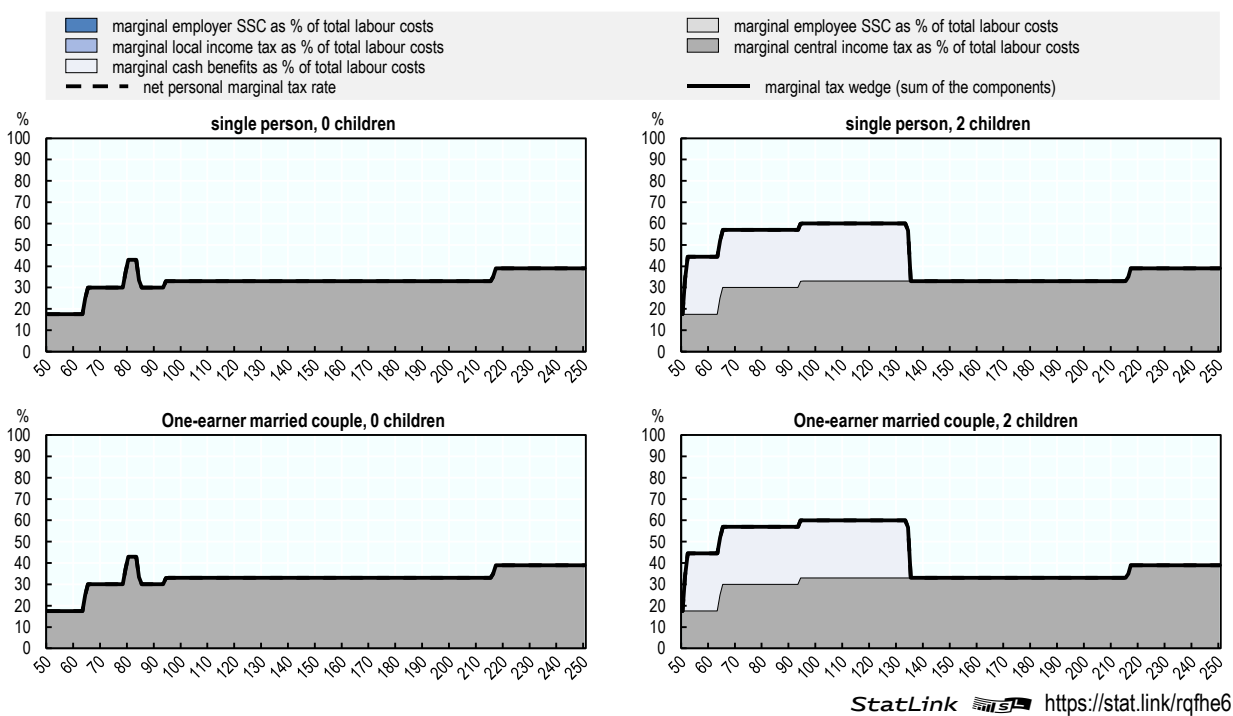
New Zealand 2025: average tax wedge decomposition

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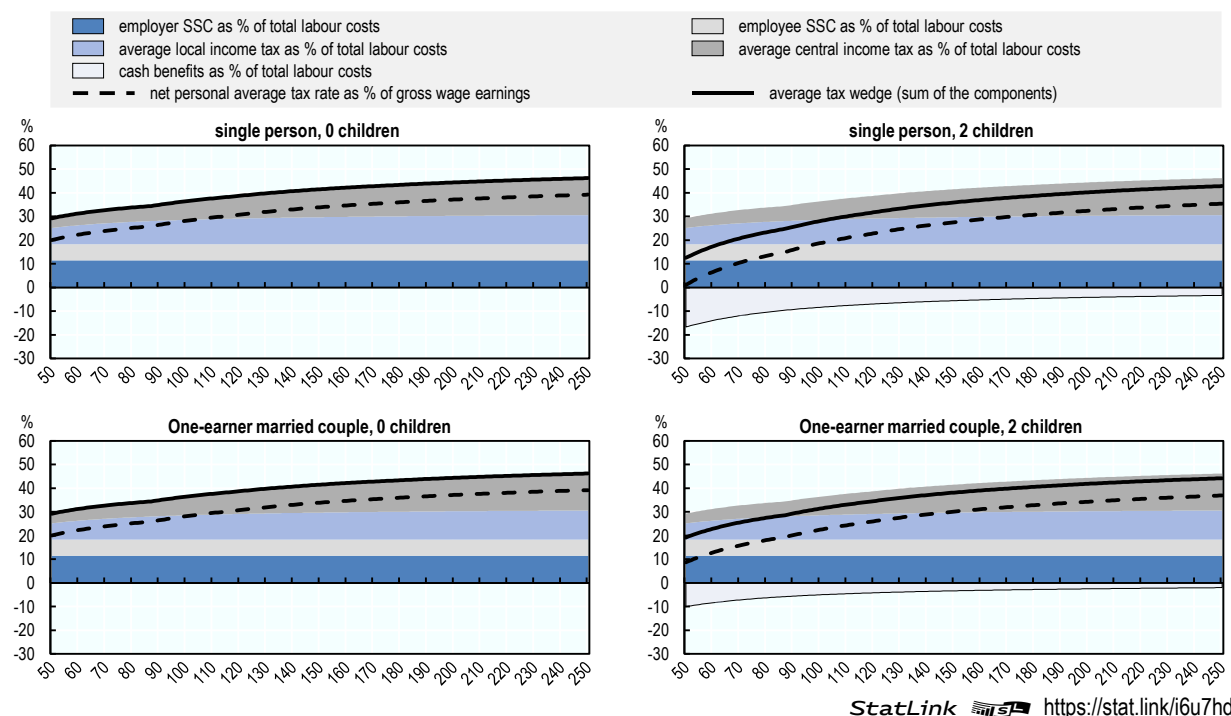
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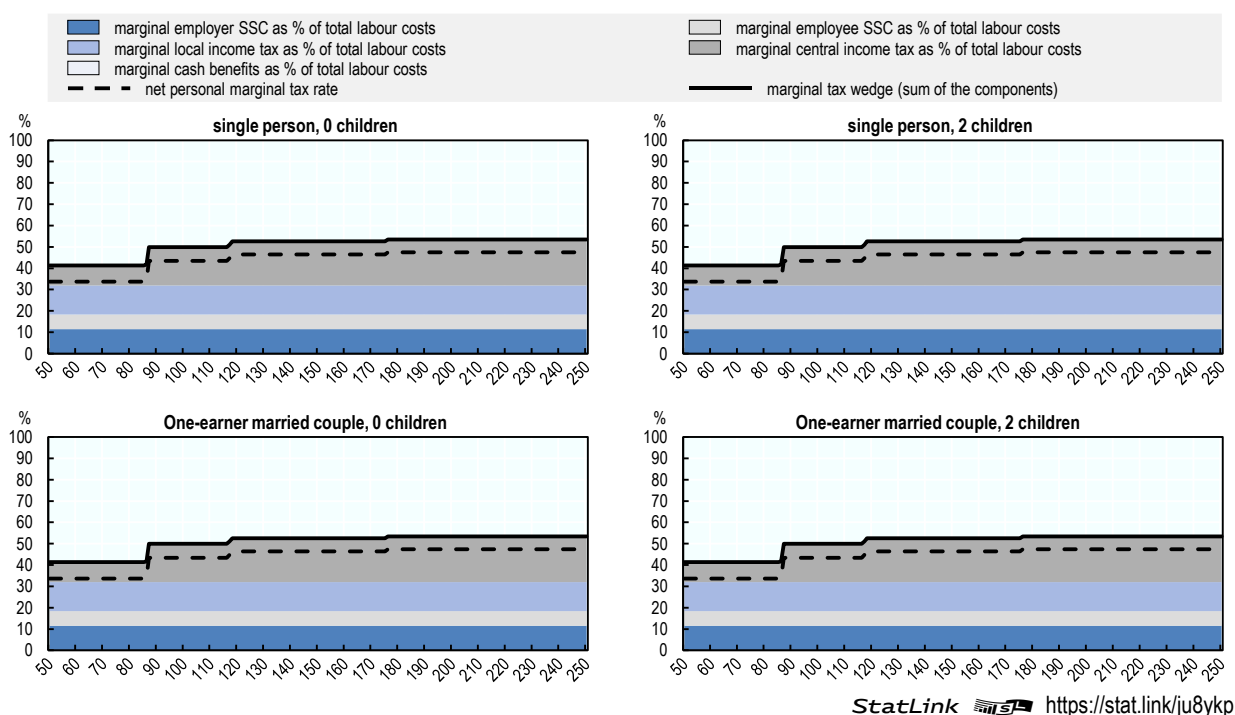
Norway 2025: average tax wedge decomposition

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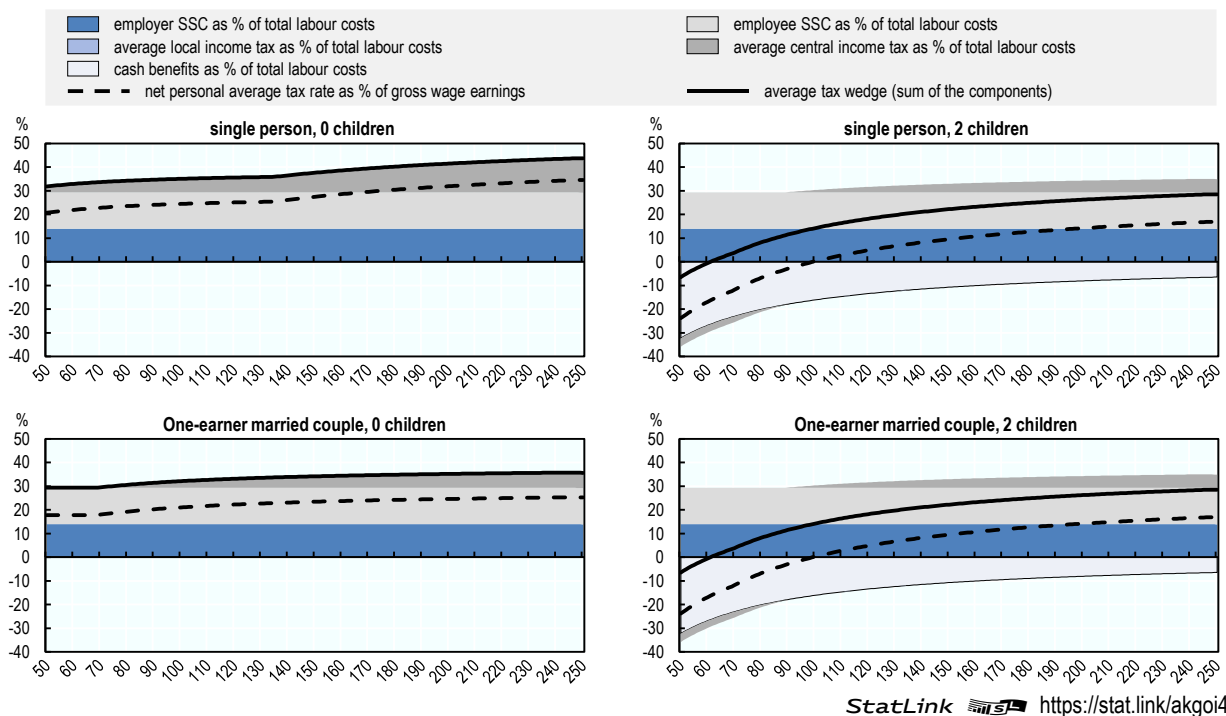
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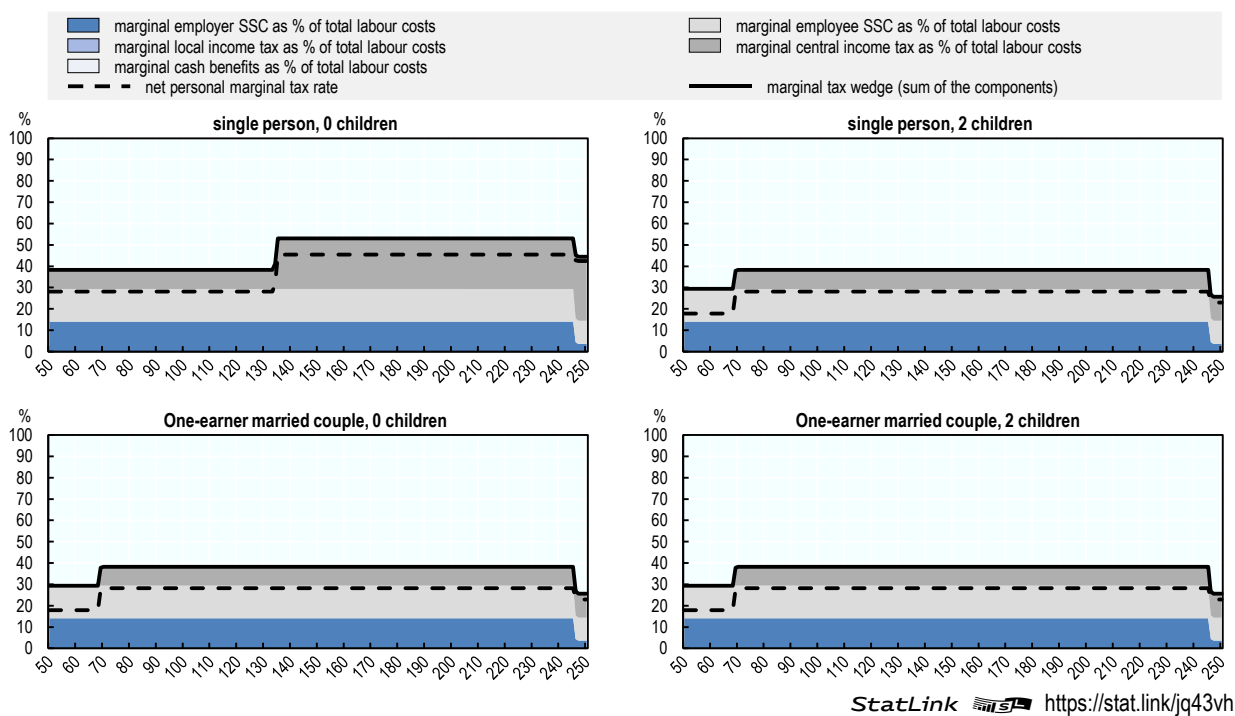
Poland 2025: average tax wedge decomposition

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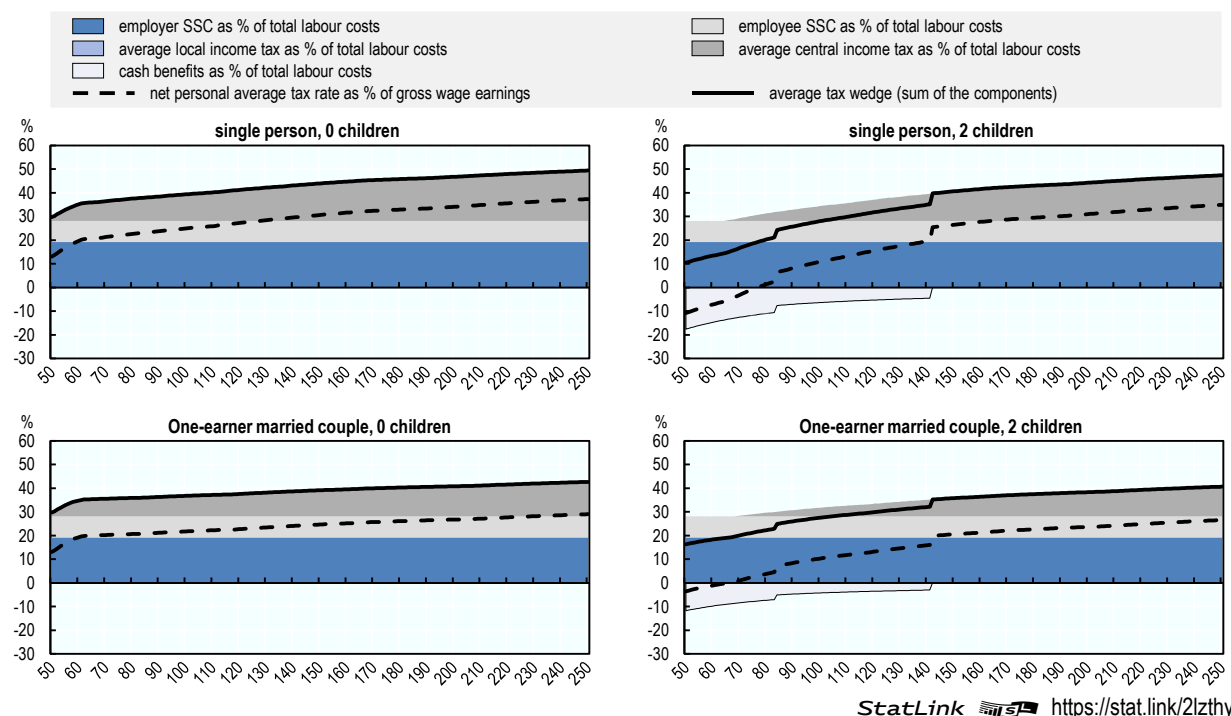
Poland 2025: marginal tax wedge decomposition

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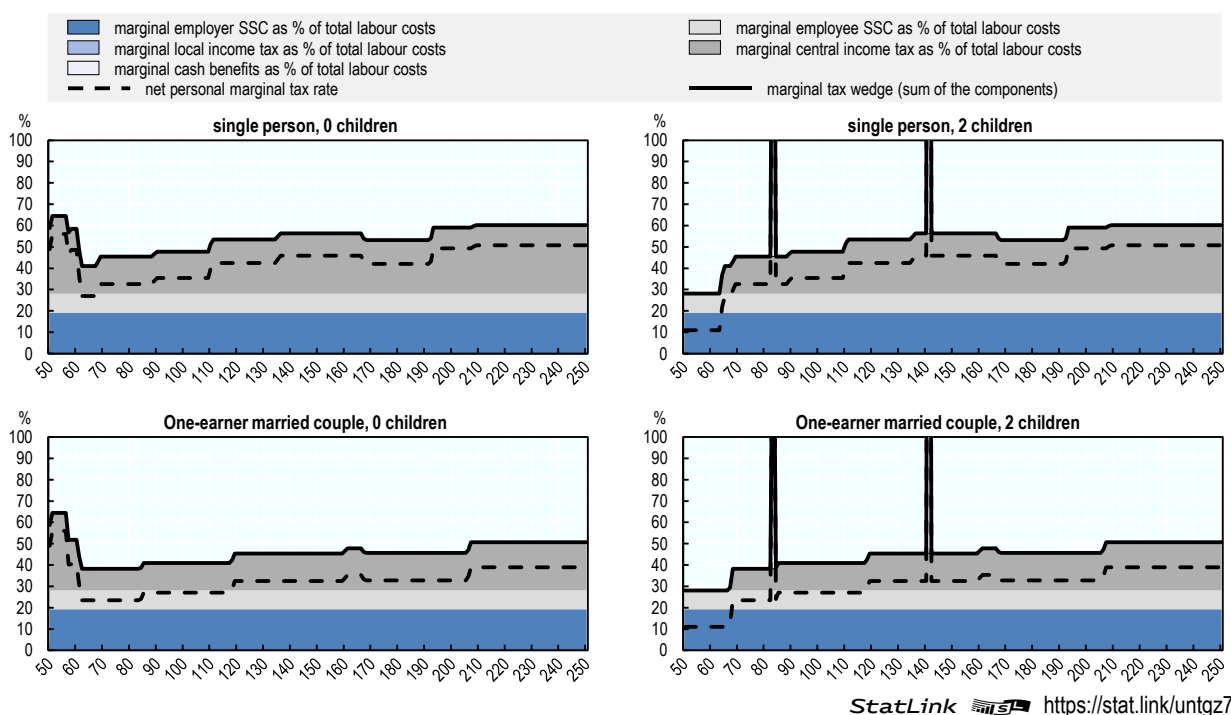
Portugal 2025: average tax wedge decomposition

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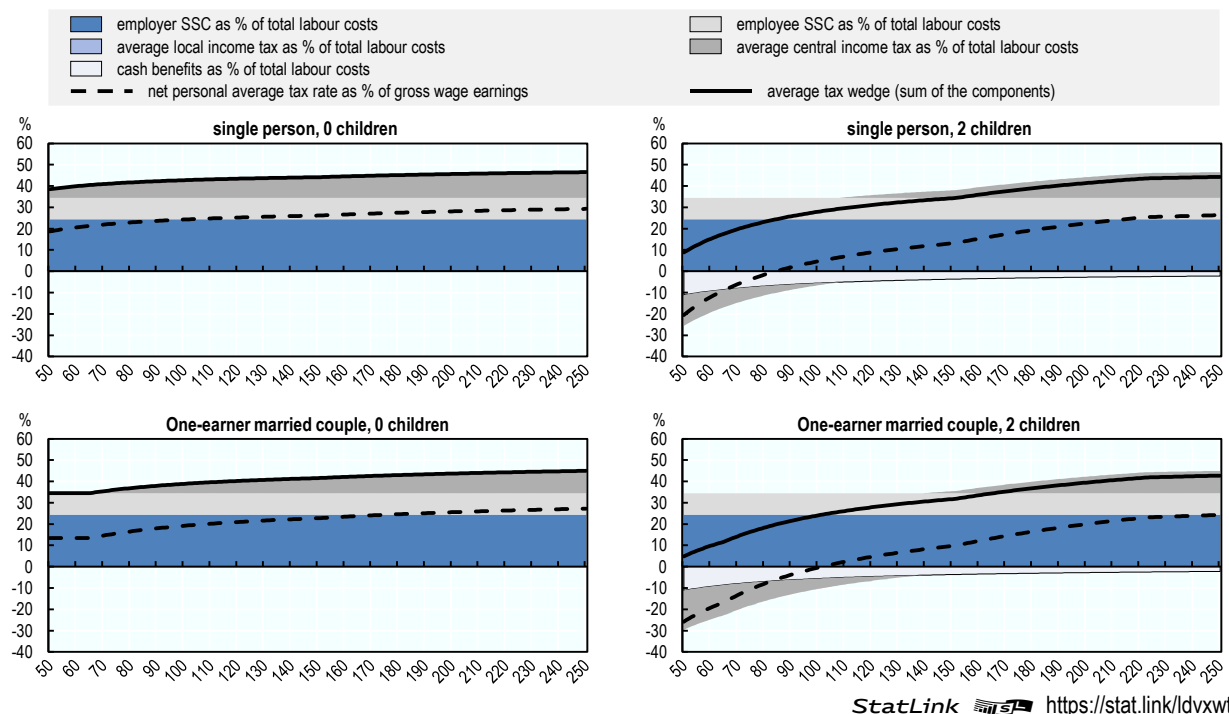
Portugal 2025: marginal tax wedge decomposition

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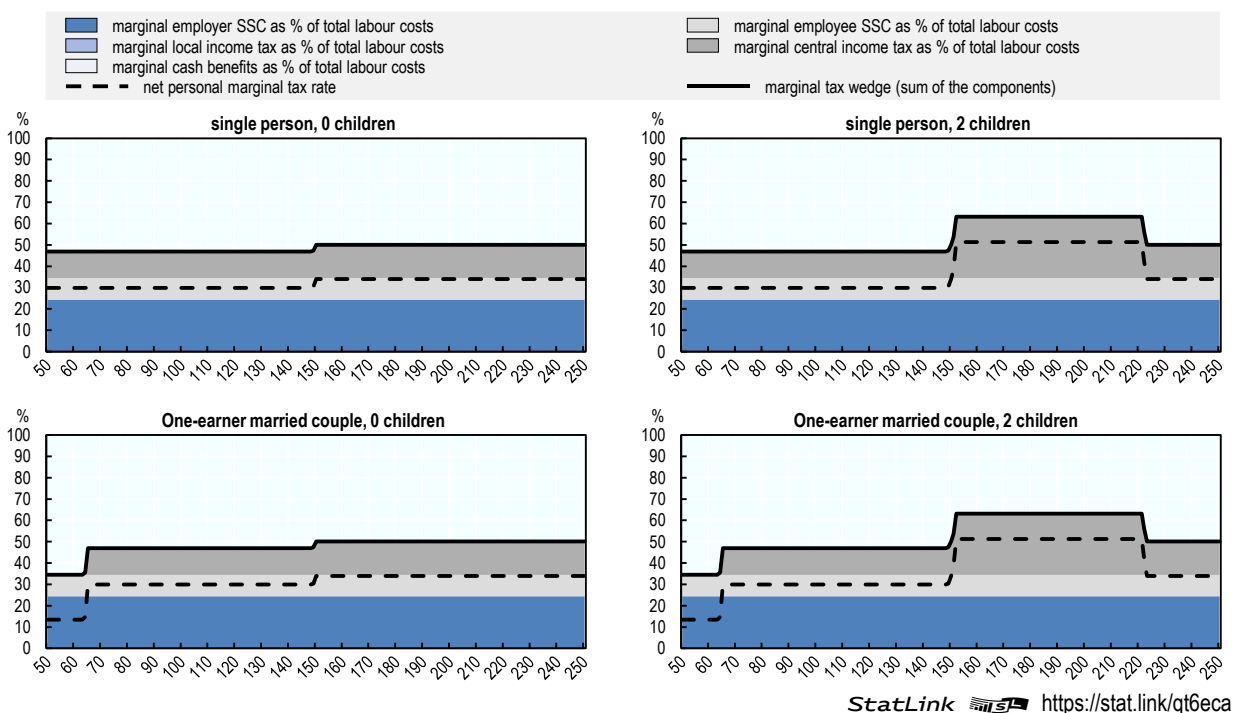
Slovak Republic 2025: average tax wedge decomposition

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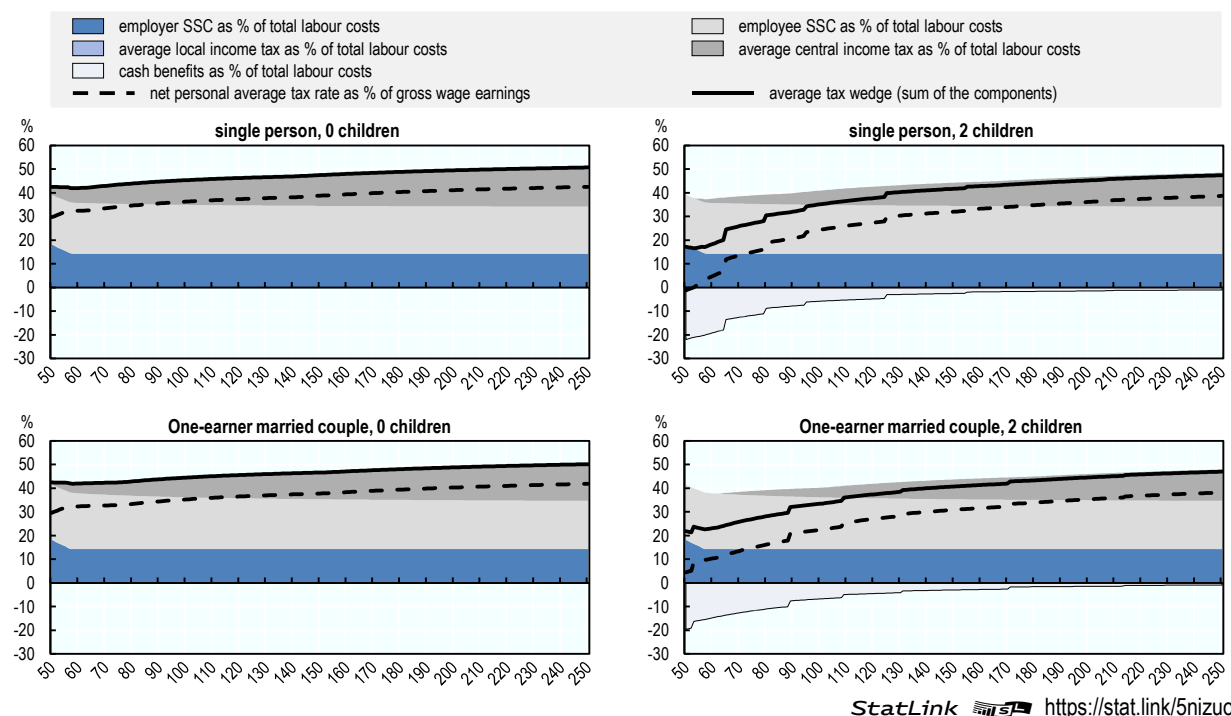
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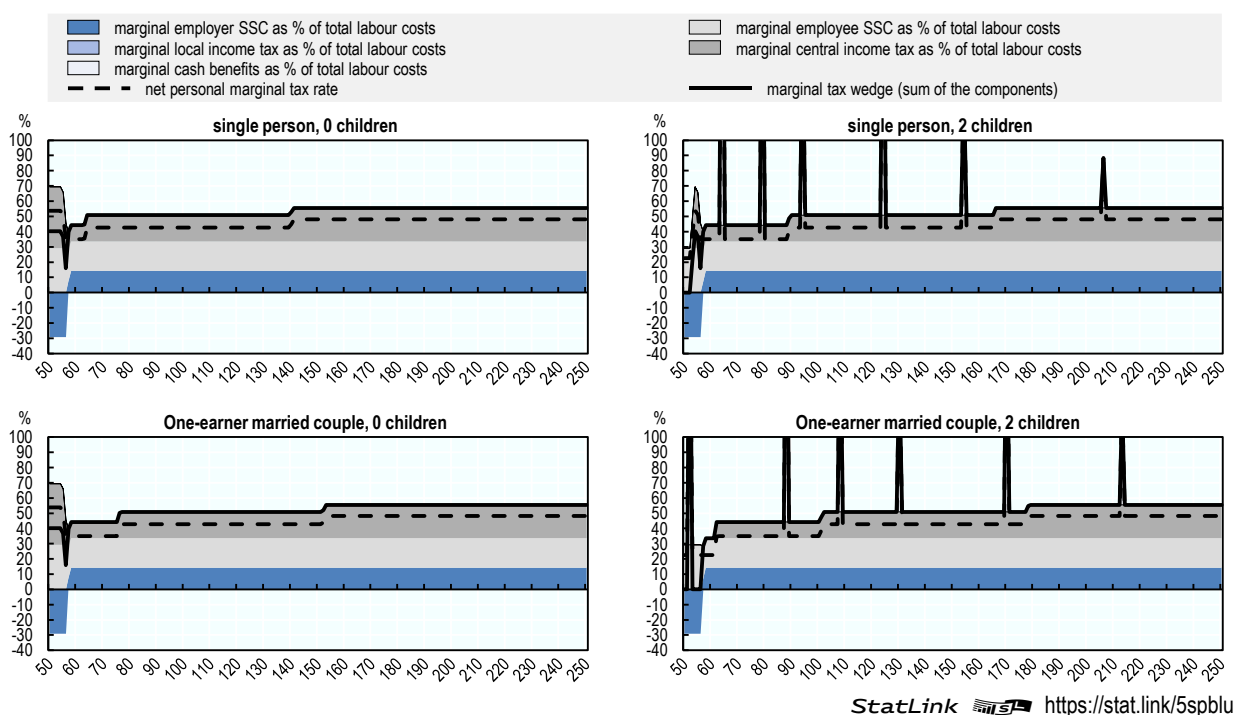
Slovenia 2025: average tax wedge decomposition

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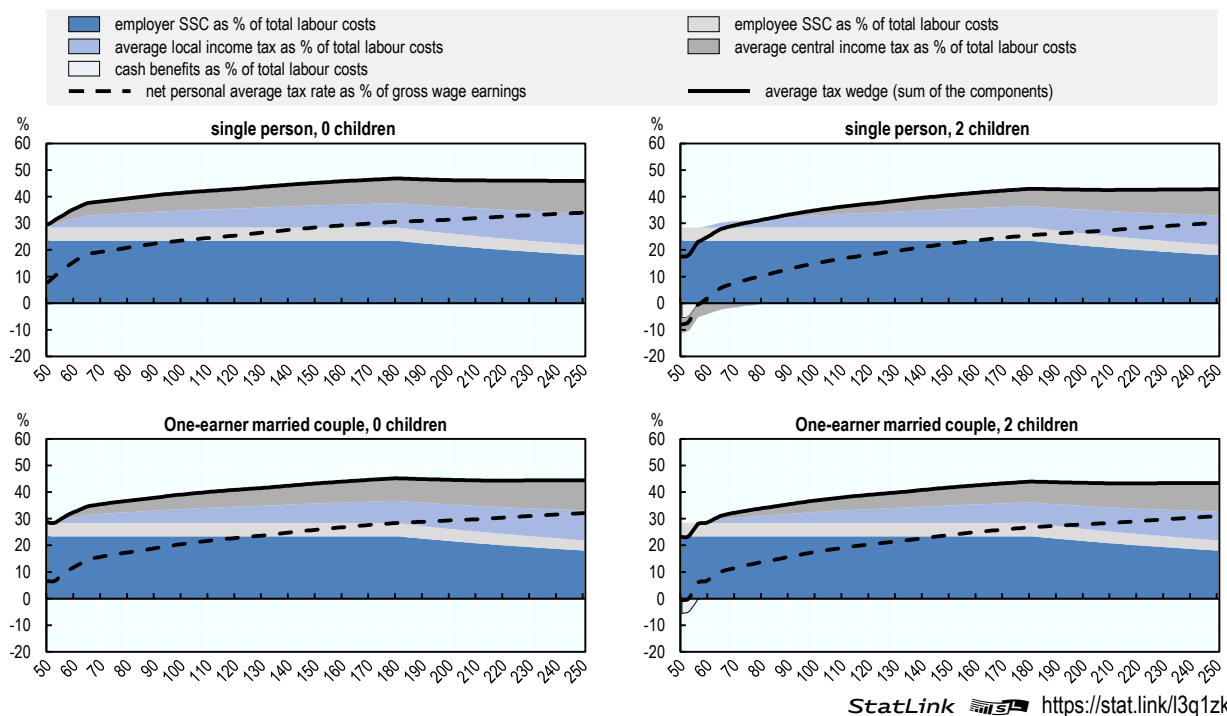
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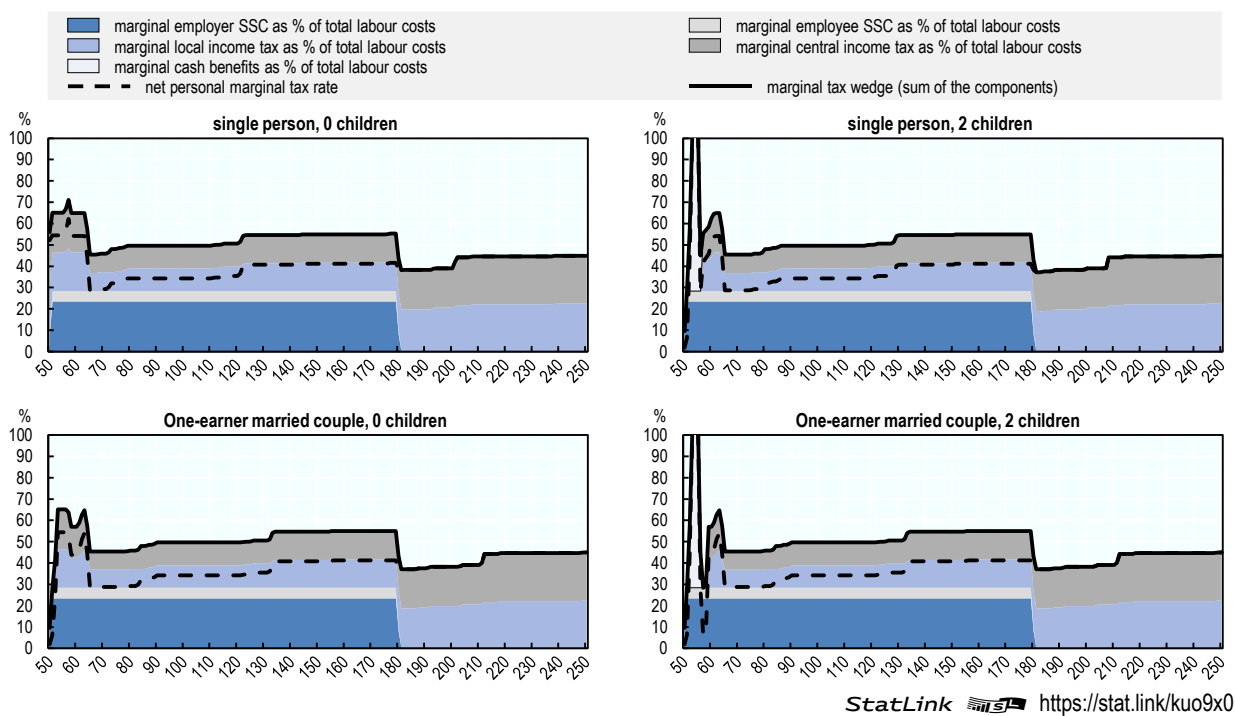
Spain 2025: average tax wedge decomposition

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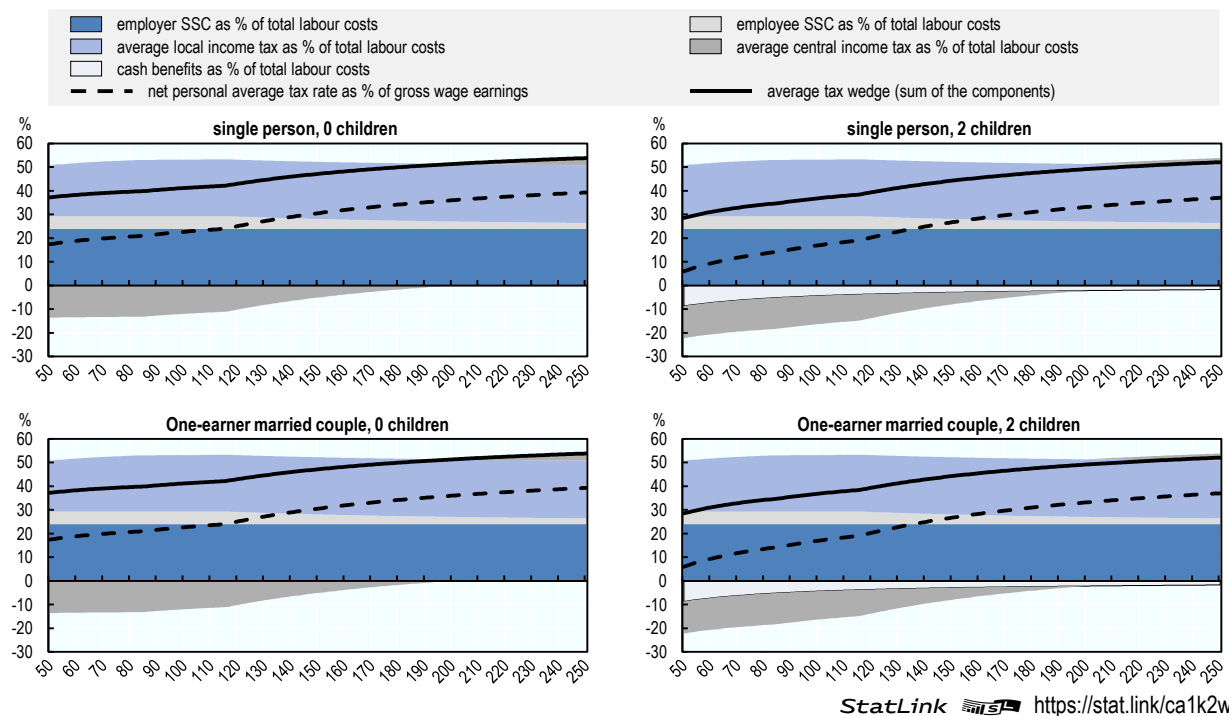
Spain 2025: marginal tax wedge decomposition

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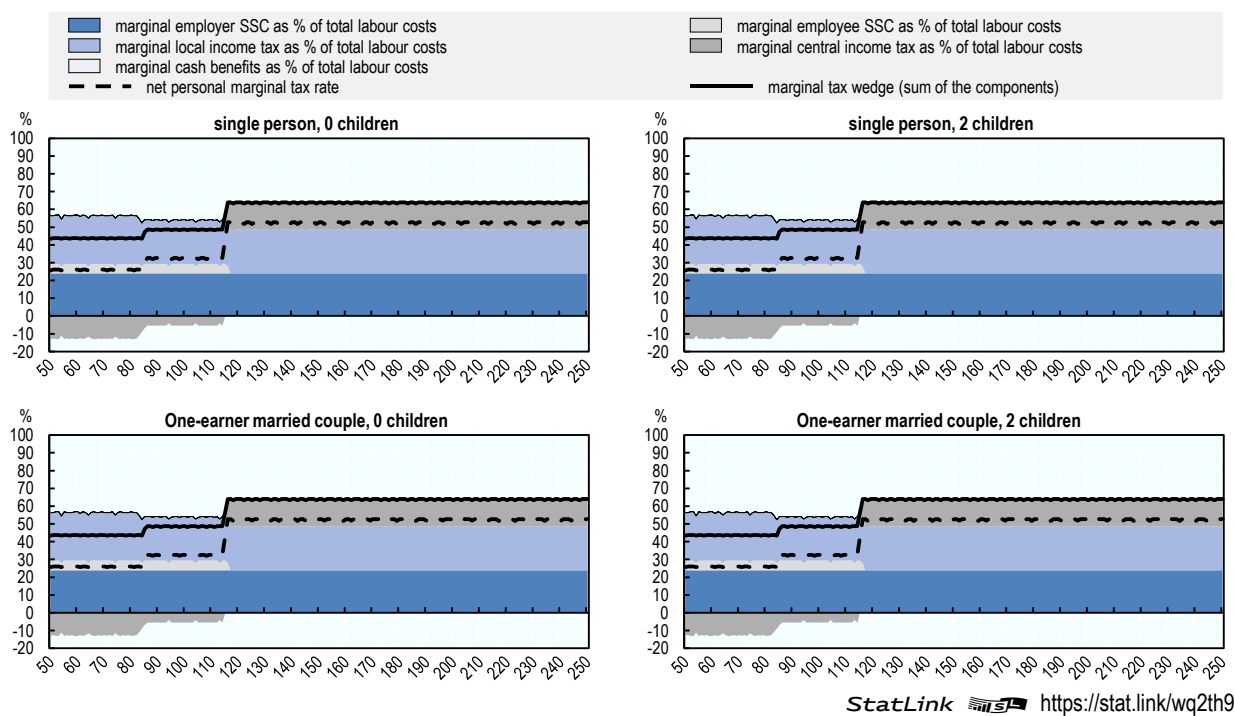
Sweden 2025: average tax wedge decomposition

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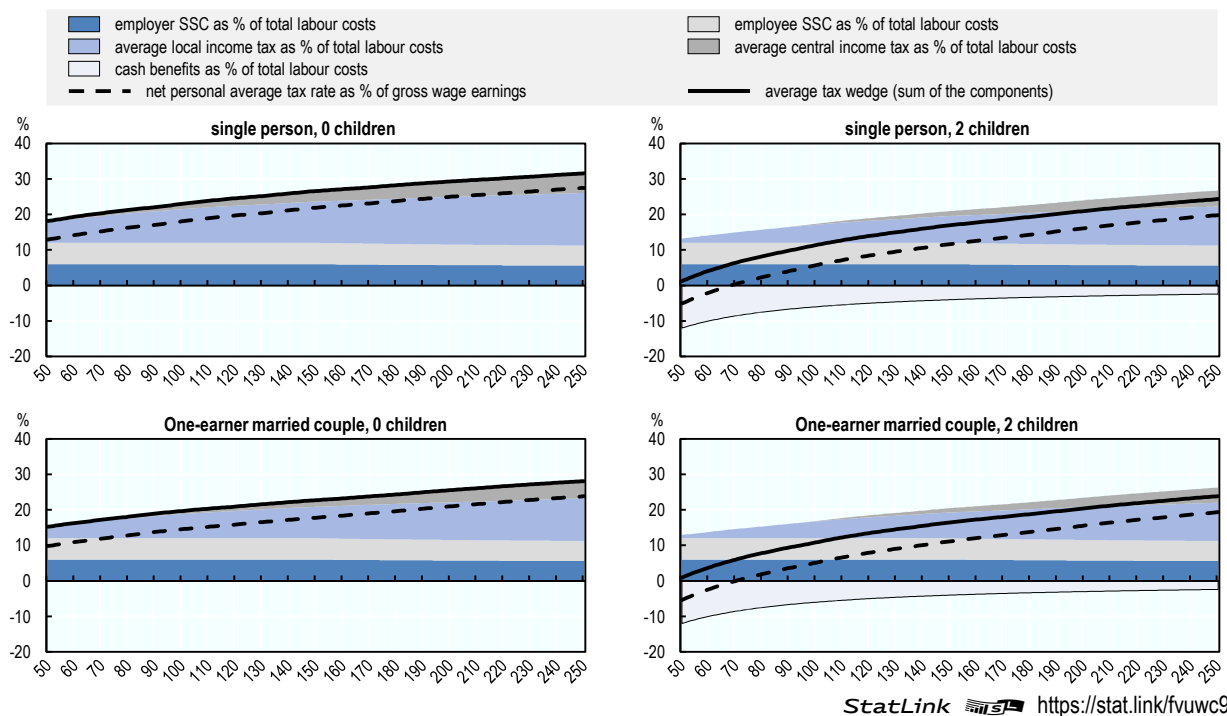
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by level of gross earnings expressed as % of the average wage



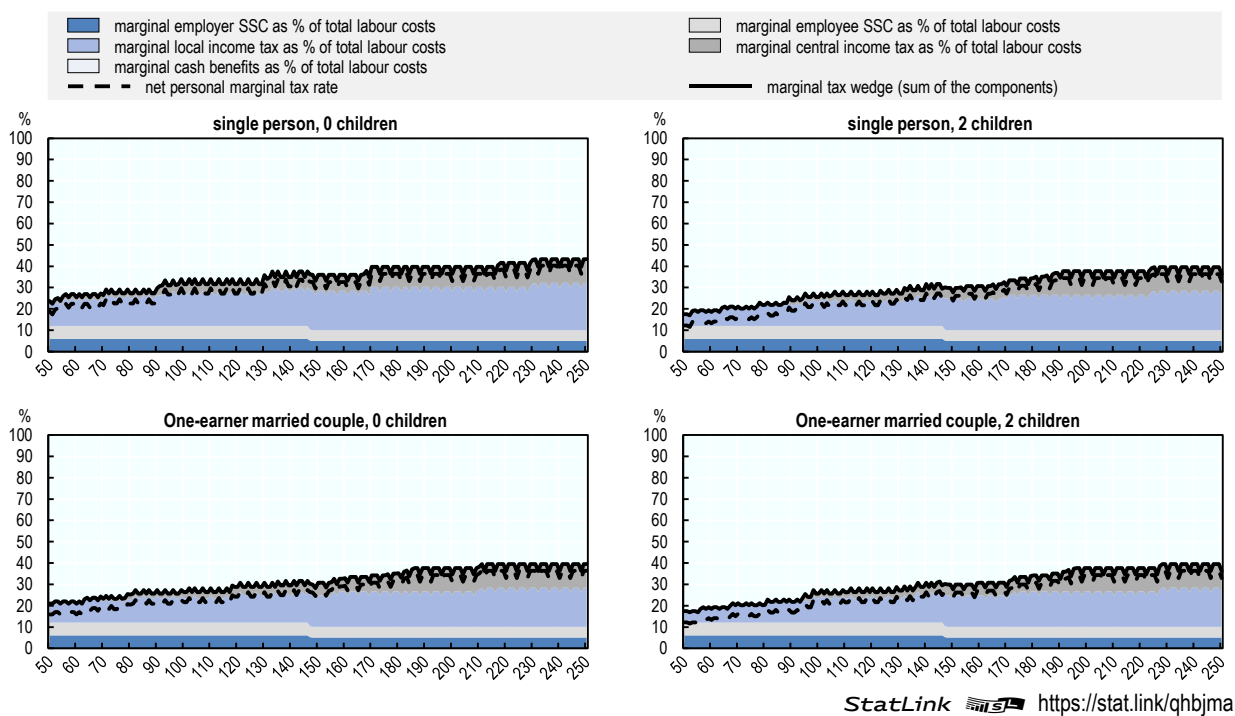
Switzerland 2025: average tax wedge decomposition

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



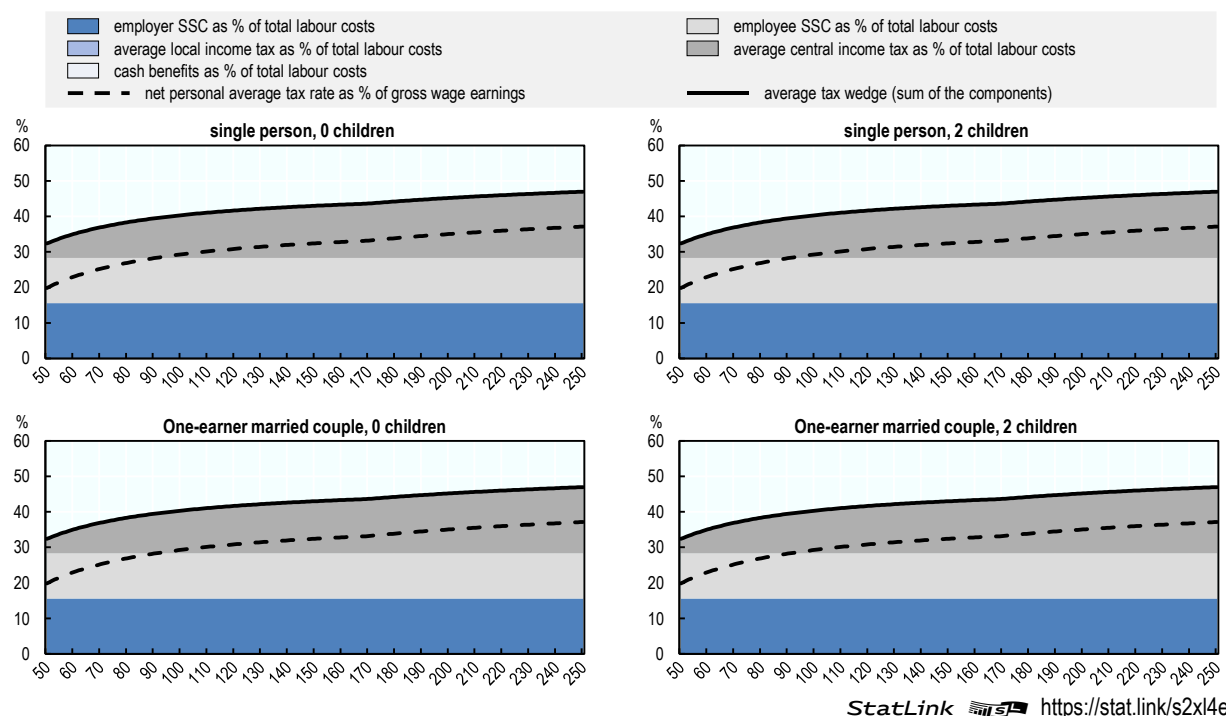
Switzerland 2025: marginal tax wedge decomposition

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



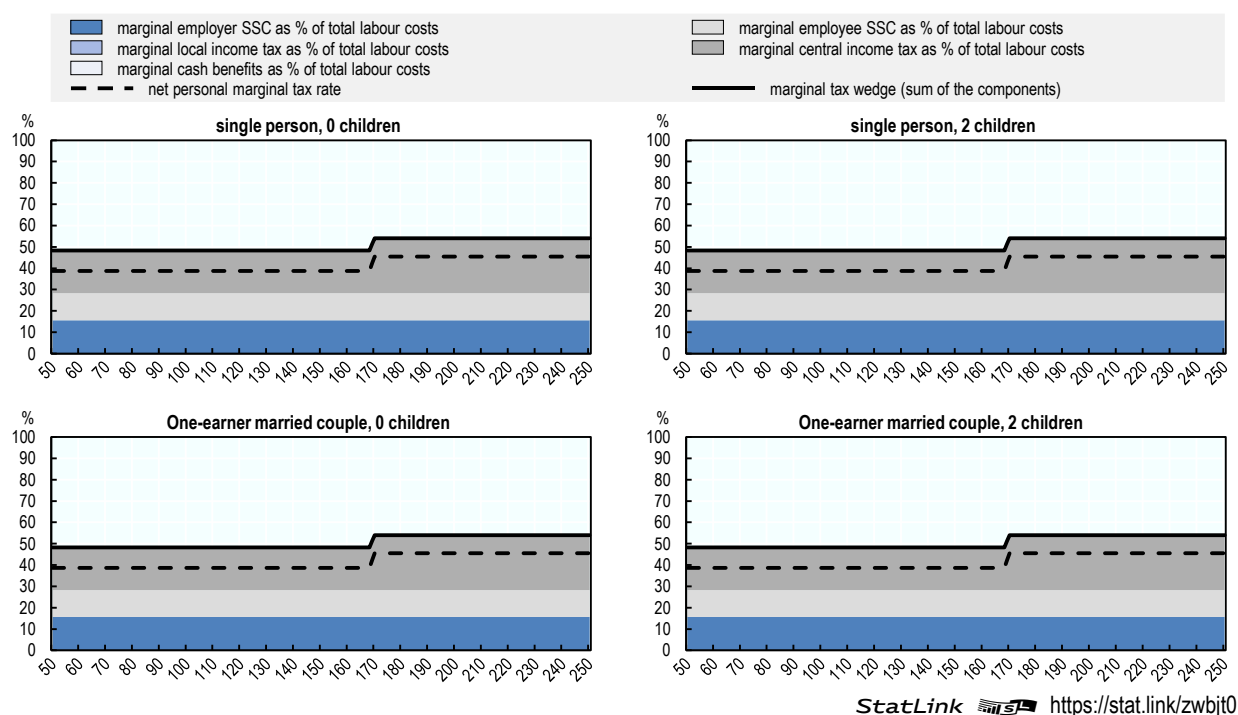
Türkiye 2025: average tax wedge decomposition

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



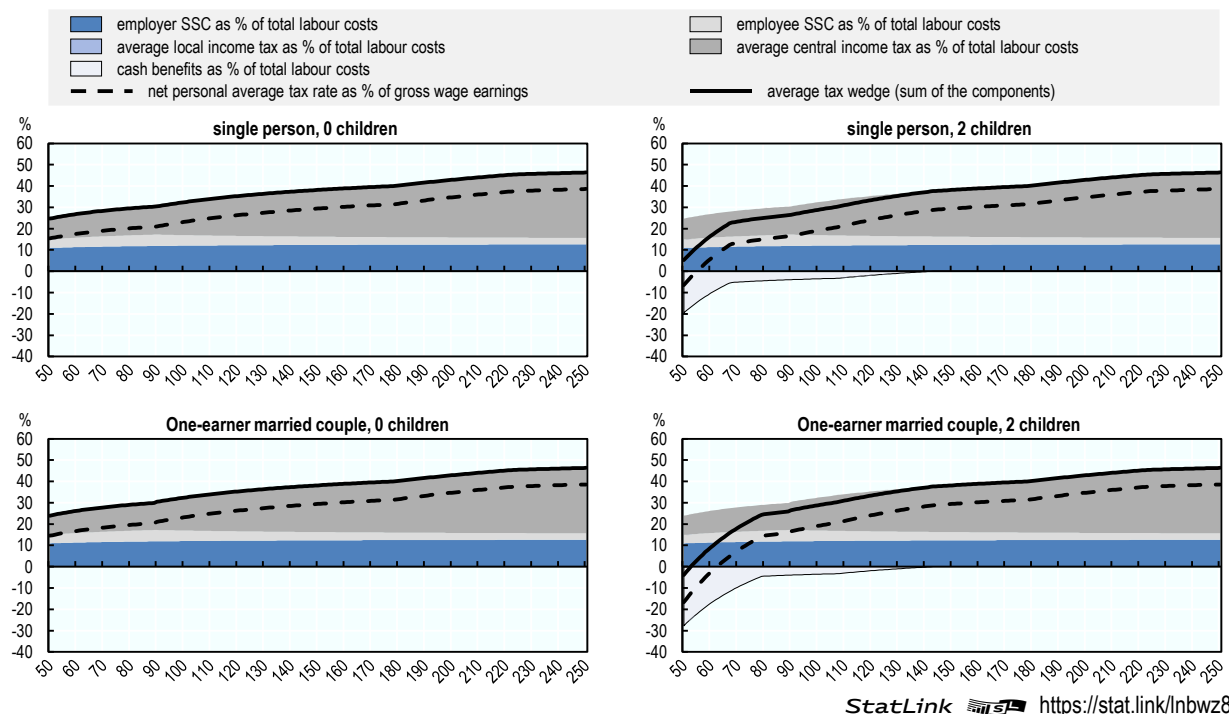
Türkiye 2025: marginal tax wedge decomposition

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



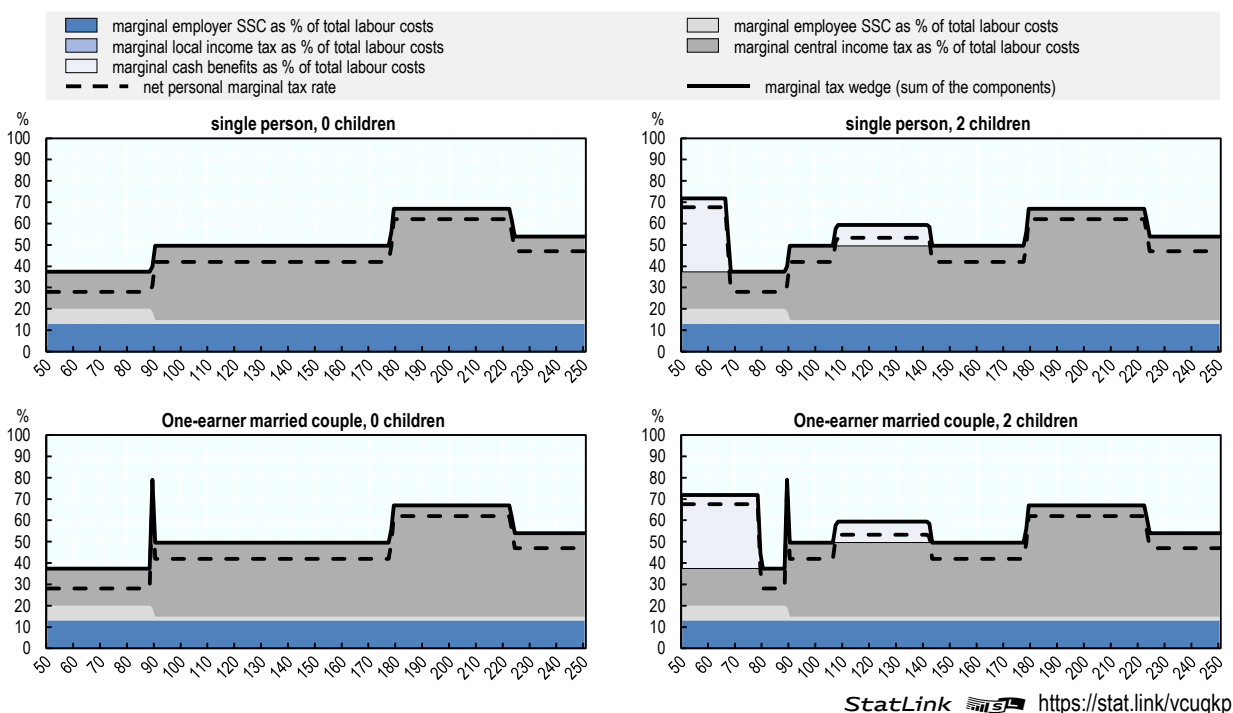
United Kingdom 2025: average tax wedge decomposition

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



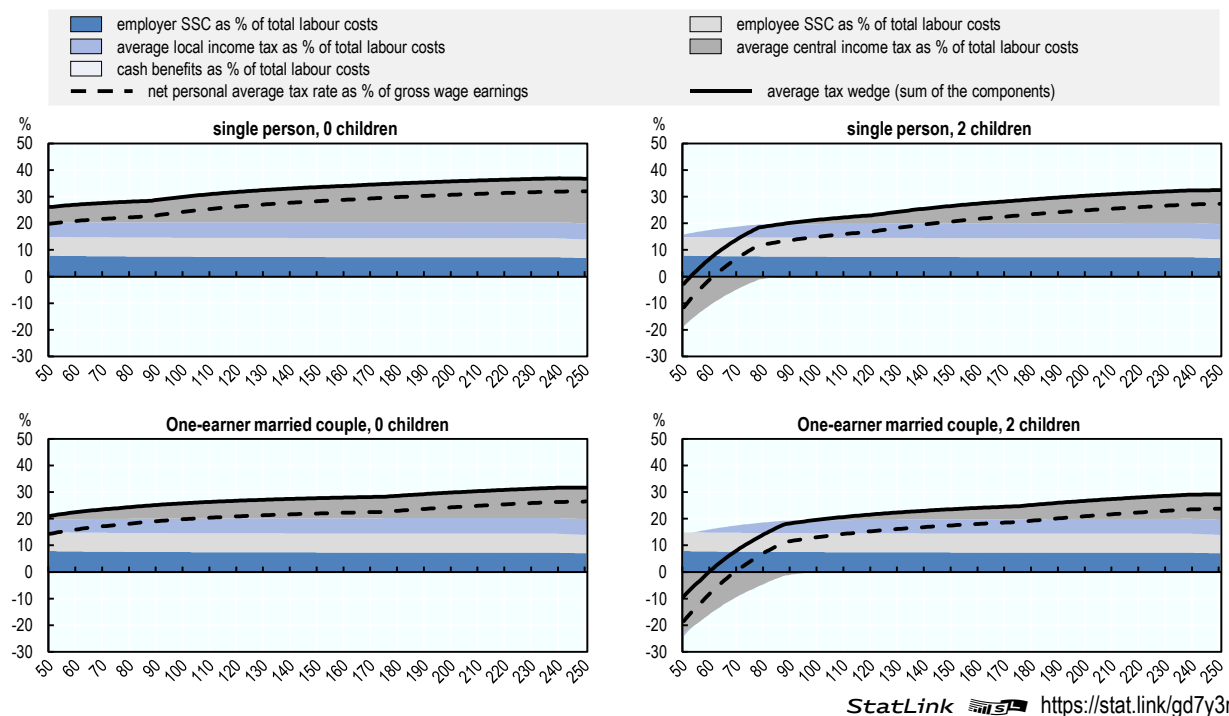
United Kingdom 2025: marginal tax wedge decomposition

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



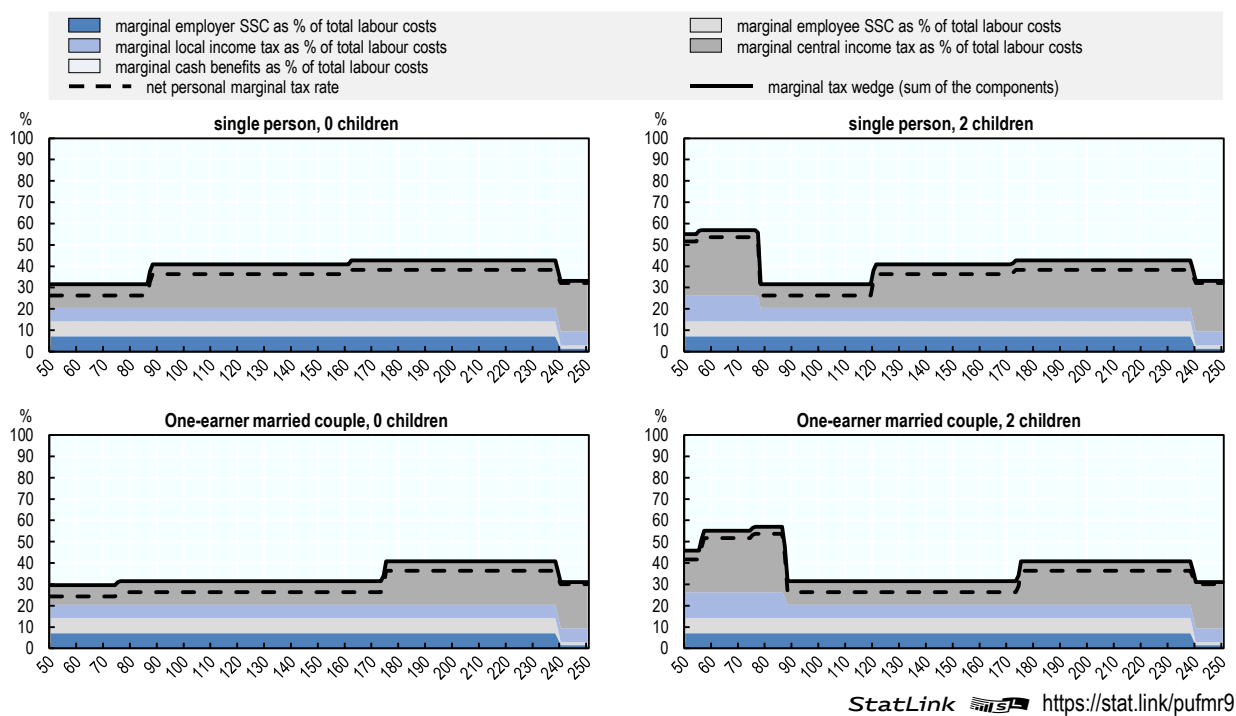
United States 2025: average tax wedge decomposition

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



United States 2025: marginal tax wedge decomposition

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



Notes

¹ The marginal tax wedge shown in the Figures is calculated in a slightly different manner than the marginal tax rates that are included in the rest of the *Taxing Wages* publication. In *Taxing Wages*, marginal rates are usually calculated by increasing gross earnings by one currency unit (except for the spouse in the one-earner married couple whose earnings increase by 67% of the average wage). However, the ‘+1 currency unit’ approach requires the calculation of marginal rates for every single currency unit within the income range included in the graphs. It otherwise would not be correct to draw a line through the different data points because the data for the income levels in between the different points would be missing. In order to reduce the required number of calculations, the marginal rates shown in this chapter are calculated by increasing gross earnings by 1% of the average wage – each line in the graph therefore consists of 200 data points – instead of 1 currency unit.

² Although it is not visible on the charts, the central government income tax was negative for income levels below 46% of the average wage for the single parent and the married couple with or without children.

³ In Colombia, the general social security system for healthcare is financed by public and private funds. The pension system is a hybrid of two different systems: a defined contribution, fully-funded pension system; and a pay-as-you-go system. Each of those contributions is mandatory and more than 50% of total contributions are made to privately managed funds. Therefore, they are considered to be non-tax compulsory payments (NTCPs) (further information is available in the country details in Part II of the report). In addition, in Colombia, all payments for employment risk are made to privately managed funds and are considered to be NTCPs. Other countries also have NTCPs (please see <https://www.oecd.org/content/dam/oecd/en/topics/policy-issues/tax-policy/non-tax-compulsory-payments.pdf>).

5

Effective tax rates on labour income in 2024

The chapter presents the effective tax rates on labour income for the eight model household types for 2024. Tables 5.1 to 5.13 show a number of measures of the average tax burdens (tax wedge, personal tax rate, net personal tax rate, personal income tax rate and employee social security contribution rate) and the marginal rates (tax wedge and net personal tax rate). The results for two measures of tax progressivity are also considered: tax elasticity on gross earnings and labour costs. The table formats are identical to Tables 3.1 to 3.13 in Chapter 3, which show the effective tax rates on labour income in 2025.

The following tables show the effective tax rates on labour income for the eight household types covered by the *Taxing Wages* models in 2024. Single employees, without children, earning the average wage are shown in column 2 of the tables while one-earner married couples, with two children, earning the average wage are shown in column 5. Columns 1, 3-4 and 6-8 of the tables give corresponding results for the six other household types. Indicators presented in the tables can be compared with the corresponding indicators in Chapter 3, which show the results for 2025.

- Table 5.1 presents the total tax wedge (calculated as personal income tax plus employee and employer's social security contributions [SSCs] less cash benefits) by household type as a percentage of labour costs (gross wage plus employers' SSCs [including payroll taxes]). In the majority of countries, changes in the gap between total labour costs and the corresponding net take-home pay in 2025 compared with 2024 were within plus or minus one percentage point.
- Table 5.2 shows the combined burden of personal income tax and employee SSCs in the form of personal average tax rates as a percentage of gross wage earnings.
- Table 5.3 shows the net personal average tax rate, calculated as the total of personal income tax and employee SSCs less the amount of cash benefits as a percentage of gross wage earnings.
- Table 5.4 presents personal income tax due as a percentage of gross wage earnings.
- Table 5.5 provides employee SSCs as a percentage of gross wage earnings.
- Table 5.6 shows the marginal tax wedge (rate of personal income tax plus employee and employer SSCs and payroll taxes where applicable minus cash benefits) as a percentage of labour costs, when the gross wage earnings of the principal earner rose by 1 currency unit.
- Table 5.7 presents the marginal rate of personal income tax plus employee SSCs minus cash benefits (the net personal marginal tax rate) by household type and wage level, when the gross wage earnings of the principal earner rose by 1 currency unit.
- Table 5.8 shows the percentage increase in net income relative to the percentage increase in gross wages when the latter increases by 1 currency unit.
- Table 5.9 shows the percentage increase in net income relative to the percentage increase in labour costs (i.e. gross wage earnings plus employer social security contributions and payroll taxes) when the latter rises by 1 currency unit. The results shown in Tables 5.8 and 5.9 depend on the marginal and average tax rates.
- Table 5.10 to Table 5.13 report background information on levels of labour costs plus gross and net wages.

Table 5.1. Income tax plus employee and employer contributions less cash benefits, 2024

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

	Single no children 67 (% AW)	Single no children 100 (% AW)	Single no children 167 (% AW)	Single 2 children 67 (% AW)	Married 2 children 100-0 (% AW)	Married 2 children 100-67 (% AW) ¹	Married 2 children 100-100 (% AW) ¹	Married no children 100-67 (% AW) ¹
Australia	25.3	29.6	34.4	1.8	22.8	27.9	29.6	27.9
Austria	42.3	46.8	49.1	21.4	32.3	37.1	40.2	45.0
Belgium	45.6	52.4	58.6	28.3	36.7	44.6	48.0	49.6
Canada	30.3	32.0	35.5	7.9	21.9	29.1	31.0	31.3
Chile	7.0	7.0	8.3	0.1	2.4	4.2	5.5	7.0
Colombia	0.0	0.0	0.0	-6.7	-4.5	-5.4	-4.5	0.0
Costa Rica	27.7	27.7	29.6	27.7	27.7	27.7	27.7	27.7
Czechia	38.9	41.0	42.6	24.2	31.1	37.1	38.4	40.1
Denmark	33.6	36.2	42.2	17.9	27.1	31.8	33.4	35.1
Estonia	35.1	40.7	41.2	17.4	34.7	34.9	37.7	38.4
Finland	35.5	42.1	48.7	25.8	38.4	37.2	40.3	39.5
France	41.2	47.1	54.1	17.4	39.1	41.0	44.2	44.4
Germany	44.0	47.9	49.1	29.2	33.3	41.0	43.2	46.1
Greece	35.5	39.5	45.1	29.0	37.6	37.7	39.5	38.9
Hungary	41.2	41.2	41.2	26.9	32.0	35.7	36.6	41.2
Iceland	27.3	31.6	36.6	16.1	19.3	28.2	30.8	29.8
Ireland	24.9	33.3	42.3	6.6	19.6	26.2	30.7	29.3
Israel	18.1	25.0	34.7	6.1	20.2	16.5	19.6	21.8
Italy	38.0	47.0	53.9	22.6	35.2	36.4	41.7	43.4
Japan	30.8	32.7	35.8	17.6	26.0	29.0	30.2	32.0
Korea	21.7	24.7	27.9	4.4	13.6	18.4	20.4	23.5
Latvia	38.3	41.6	43.0	23.8	31.9	34.4	36.7	40.2
Lithuania	34.0	39.4	40.6	13.3	25.5	32.0	35.1	37.2
Luxembourg	32.0	39.9	46.1	12.1	20.0	29.8	34.3	35.3
Mexico	19.3	21.3	24.1	19.3	21.3	20.5	21.3	20.5
Netherlands	27.6	35.9	42.0	1.6	28.2	27.9	32.1	32.6
New Zealand	15.3	20.8	25.7	-12.6	10.5	18.6	20.8	18.6
Norway	32.4	36.5	43.4	21.0	32.3	32.3	34.4	34.8
Poland	33.0	34.7	37.9	0.1	11.9	22.3	24.9	34.0
Portugal	36.3	39.6	45.5	14.9	27.4	34.9	37.0	38.0
Slovak Republic	40.3	42.5	44.5	13.8	18.7	29.8	32.6	41.6
Slovenia	41.9	44.7	47.7	19.5	32.4	38.0	40.9	43.5
Spain	37.6	41.1	45.8	27.8	36.3	38.3	40.0	39.7
Sweden	39.2	41.5	49.5	32.5	37.0	37.9	39.3	40.6
Switzerland	20.0	23.0	27.4	6.2	11.1	17.2	19.7	22.7
Türkiye	35.5	39.6	42.9	35.5	39.6	37.9	39.6	37.9
United Kingdom	25.6	29.9	37.7	18.1	26.1	25.9	28.0	28.2
United States	27.6	30.1	34.4	12.4	20.1	24.9	27.1	28.4
OECD-Average	31.0	34.9	39.2	15.8	25.7	29.4	31.8	33.3
OECD-EU 22	37.1	41.6	45.9	19.4	30.3	34.8	37.6	39.7

1. Two-earner couple.

Table 5.2. Income tax plus employee contributions, 2024

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

	Single no children 67 (% AW)	Single no children 100 (% AW)	Single no children 167 (% AW)	Single 2 children 67 (% AW)	Married 2 children 100-0 (% AW)	Married 2 children 100-67 (% AW) ¹	Married 2 children 100-100 (% AW) ¹	Married no children 100-67 (% AW) ¹
Australia	20.8	25.3	30.4	20.8	25.3	23.5	25.3	23.5
Austria	27.0	32.5	37.0	15.5	24.6	26.3	29.2	30.3
Belgium	31.4	39.5	47.4	25.7	27.6	34.6	37.9	36.1
Canada	22.6	25.7	31.3	16.8	22.5	24.4	25.7	24.4
Chile	7.0	7.0	8.3	7.0	7.0	7.0	7.0	7.0
Colombia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costa Rica	9.8	9.8	12.3	9.8	9.8	9.8	9.8	9.8
Czechia	18.2	21.0	23.2	8.1	14.2	15.8	17.6	19.9
Denmark	33.0	35.8	42.0	31.2	32.3	34.7	35.8	34.7
Estonia	13.2	20.6	21.3	13.2	20.6	17.6	20.6	17.6
Finland	22.6	30.6	38.5	22.6	30.6	27.4	30.6	27.4
France	23.7	27.9	33.7	20.8	20.8	23.4	25.9	25.6
Germany	32.7	37.5	41.5	15.0	19.9	29.1	31.8	35.3
Greece	21.1	26.0	32.8	19.1	26.0	23.8	26.0	25.3
Hungary	33.5	33.5	33.5	24.3	27.3	29.8	30.4	33.5
Iceland	22.7	27.2	32.6	22.7	20.6	25.4	27.2	25.4
Ireland	16.6	25.9	35.9	12.1	16.5	21.5	25.9	21.5
Israel	14.0	20.6	30.5	6.4	17.8	13.2	16.0	17.5
Italy	18.4	30.2	39.4	18.4	28.2	25.5	30.2	25.5
Japan	19.9	22.2	26.6	18.2	18.7	20.4	21.4	21.3
Korea	13.0	16.3	20.6	6.7	12.6	14.5	15.9	15.0
Latvia	23.7	27.8	29.6	14.7	21.8	22.5	24.8	26.1
Lithuania	32.8	38.3	39.5	32.8	38.3	36.1	38.3	36.1
Luxembourg	23.5	32.4	39.4	16.4	20.3	27.2	31.2	27.2
Mexico	9.3	12.8	16.9	9.3	12.8	11.4	12.8	11.4
Netherlands	18.6	28.0	37.2	12.0	28.0	21.6	25.8	24.2
New Zealand	15.3	20.8	25.7	16.0	20.8	18.6	20.8	18.6
Norway	23.6	28.2	35.1	23.6	28.2	26.3	28.2	26.3
Poland	22.0	24.1	27.7	14.4	18.0	21.9	22.9	23.3
Portugal	21.1	25.2	32.5	11.4	15.6	19.4	22.0	23.3
Slovak Republic	21.1	24.0	26.6	-2.3	0.3	11.9	14.8	22.8
Slovenia	32.5	35.8	39.2	27.4	29.7	31.3	33.2	34.4
Spain	18.5	23.2	29.3	5.8	16.9	19.5	21.7	21.3
Sweden	20.1	23.1	33.6	20.1	23.1	21.9	23.1	21.9
Switzerland	14.9	18.0	22.9	9.1	11.4	15.5	17.6	17.8
Türkiye	24.0	28.9	32.8	24.0	28.9	26.9	28.9	26.9
United Kingdom	18.0	21.9	30.0	18.0	21.9	20.4	21.9	20.4
United States	21.6	24.4	29.2	5.2	13.6	18.7	21.2	22.5
OECD-Average	20.6	25.1	30.2	15.6	20.3	21.6	23.7	23.2
OECD-EU 22	23.9	29.2	34.6	17.2	22.8	24.7	27.3	27.0

1. Two-earner couple.

Table 5.3. Income tax plus employee contributions less cash benefits, 2024

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

	Single no children 67 (% AW)	Single no children 100 (% AW)	Single no children 167 (% AW)	Single 2 children 67 (% AW)	Married 2 children 100-0 (% AW)	Married 2 children 100-67 (% AW) ¹	Married 2 children 100-100 (% AW) ¹	Married no children 100-67 (% AW) ¹
Australia	20.8	25.3	30.4	-4.2	18.2	23.5	25.3	23.5
Austria	26.4	32.1	36.7	-0.4	13.6	19.7	23.7	29.8
Belgium	31.4	39.5	47.4	9.7	19.6	29.9	34.0	36.1
Canada	22.6	25.7	31.3	-2.4	14.6	22.0	24.6	24.4
Chile	7.0	7.0	8.3	0.1	2.4	4.2	5.5	7.0
Colombia	0.0	0.0	0.0	-6.7	-4.5	-5.4	-4.5	0.0
Costa Rica	9.8	9.8	12.3	9.8	9.8	9.8	9.8	9.8
Czechia	18.2	21.0	23.2	-1.5	7.8	15.8	17.6	19.9
Denmark	33.0	35.8	42.0	17.2	26.6	31.3	33.0	34.7
Estonia	13.2	20.6	21.3	-10.6	12.7	12.9	16.7	17.6
Finland	22.6	30.6	38.5	11.1	26.1	24.7	28.4	27.4
France	23.7	27.9	33.7	-7.3	17.0	21.1	24.0	25.6
Germany	32.7	37.5	41.5	15.0	19.9	29.1	31.8	35.3
Greece	21.1	26.0	32.8	13.2	23.7	23.8	26.0	25.3
Hungary	33.5	33.5	33.5	17.4	23.2	27.3	28.3	33.5
Iceland	22.7	27.2	32.6	10.8	14.2	23.7	26.4	25.4
Ireland	16.6	25.9	35.9	-3.7	10.7	18.0	23.0	21.5
Israel	14.0	20.6	30.5	1.5	15.6	11.9	14.9	17.5
Italy	18.4	30.2	39.4	-1.8	14.7	16.3	23.3	25.5
Japan	19.9	22.2	26.6	4.6	14.3	17.8	19.3	21.3
Korea	13.0	16.3	20.6	-6.3	3.9	9.3	11.6	15.0
Latvia	23.7	27.8	29.6	5.8	15.8	19.0	21.8	26.1
Lithuania	32.8	38.3	39.5	11.8	24.2	30.8	33.9	36.1
Luxembourg	23.5	32.4	39.4	1.1	10.0	21.0	26.0	27.2
Mexico	9.3	12.8	16.9	9.3	12.8	11.4	12.8	11.4
Netherlands	18.6	28.0	37.2	-10.6	19.3	19.0	23.7	24.2
New Zealand	15.3	20.8	25.7	-12.6	10.5	18.6	20.8	18.6
Norway	23.6	28.2	35.1	10.7	23.5	23.5	25.8	26.3
Poland	22.0	24.1	27.7	-16.3	-2.5	9.6	12.6	23.3
Portugal	21.1	25.2	32.5	-5.3	10.2	19.4	22.0	23.3
Slovak Republic	21.1	24.0	26.6	-14.0	-7.5	7.2	10.9	22.8
Slovenia	32.5	35.8	39.2	6.5	21.5	28.1	31.4	34.4
Spain	18.5	23.2	29.3	5.8	16.9	19.5	21.7	21.3
Sweden	20.1	23.1	33.6	11.3	17.2	18.4	20.2	21.9
Switzerland	14.9	18.0	22.9	0.2	5.4	11.9	14.6	17.8
Türkiye	24.0	28.9	32.8	24.0	28.9	26.9	28.9	26.9
United Kingdom	18.0	21.9	30.0	9.7	17.7	17.8	19.8	20.4
United States	21.6	24.4	29.2	5.2	13.6	18.7	21.2	22.5
OECD-Average	20.6	25.0	30.1	2.8	14.2	18.6	21.3	23.2
OECD-EU 22	23.9	29.2	34.6	2.5	15.5	21.0	24.3	27.0

1. Two-earner couple.

Table 5.4. Income tax, 2024

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

	Single no children 67 (% AW)	Single no children 100 (% AW)	Single no children 167 (% AW)	Single 2 children 67 (% AW)	Married 2 children 100-0 (% AW)	Married 2 children 100-67 (% AW) ¹	Married 2 children 100-100 (% AW) ¹	Married no children 100-67 (% AW) ¹
Australia	20.8	25.3	30.4	20.8	25.3	23.5	25.3	23.5
Austria	9.0	14.6	22.0	-2.4	6.7	8.4	11.3	12.3
Belgium	17.8	25.5	33.6	12.1	13.8	20.9	24.3	22.4
Canada	14.3	19.2	27.4	8.5	16.0	17.2	19.2	17.2
Chile	0.0	0.0	1.3	0.0	0.0	0.0	0.0	0.0
Colombia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costa Rica	0.0	0.0	2.5	0.0	0.0	0.0	0.0	0.0
Czechia	6.6	9.4	11.6	-3.5	2.6	4.2	6.0	8.3
Denmark	33.0	35.8	42.0	31.2	32.3	34.7	35.8	34.7
Estonia	11.6	19.0	19.7	11.6	19.0	16.0	19.0	16.0
Finland	13.2	21.2	29.1	13.2	21.2	18.0	21.2	18.0
France	12.3	16.6	22.7	9.5	9.5	12.1	14.6	14.3
Germany	12.0	16.8	26.3	-4.9	0.0	9.2	11.9	14.6
Greece	7.2	12.1	18.9	5.2	12.2	9.9	12.2	11.4
Hungary	15.0	15.0	15.0	5.8	8.8	11.3	11.9	15.0
Iceland	22.5	27.1	32.5	22.5	20.5	25.2	27.1	25.2
Ireland	12.6	21.9	31.9	8.1	12.4	17.5	21.9	17.5
Israel	7.6	12.3	20.7	0.0	9.5	5.7	7.8	10.0
Italy	15.4	20.7	29.8	15.4	18.7	18.6	20.7	18.6
Japan	5.2	7.4	13.3	3.4	3.9	5.6	6.7	6.5
Korea	3.6	6.9	12.2	-2.7	3.2	5.1	6.5	5.6
Latvia	13.2	17.3	19.1	4.2	11.3	12.0	14.3	15.6
Lithuania	13.3	18.8	20.0	13.3	18.8	16.6	18.8	16.6
Luxembourg	11.3	20.1	27.0	4.2	8.0	14.9	18.9	14.9
Mexico	7.9	11.3	15.4	7.9	11.3	10.0	11.3	10.0
Netherlands	7.6	17.5	28.6	5.9	17.5	12.9	17.0	13.5
New Zealand	15.3	20.8	25.7	16.0	20.8	18.6	20.8	18.6
Norway	15.8	20.4	27.3	15.8	20.4	18.5	20.4	18.5
Poland	4.2	6.2	9.9	-3.4	0.2	4.1	5.1	5.4
Portugal	10.1	14.2	21.5	0.4	4.6	8.4	11.0	12.3
Slovak Republic	7.7	10.6	13.2	-15.7	-13.1	-1.5	1.4	9.4
Slovenia	8.2	12.2	16.2	3.1	4.7	7.5	9.6	10.6
Spain	12.0	16.7	22.8	-0.6	10.5	13.0	15.2	14.8
Sweden	13.1	16.1	28.8	13.1	16.1	14.9	16.1	14.9
Switzerland	8.5	11.6	16.6	2.7	5.0	9.1	11.2	11.4
Türkiye	9.0	13.9	17.8	9.0	13.9	11.9	13.9	11.9
United Kingdom	12.9	16.1	25.7	12.9	16.1	14.8	16.1	14.8
United States	13.9	16.8	21.6	-2.5	6.0	11.0	13.6	14.9
OECD-Average	11.2	15.5	21.1	6.3	10.7	12.1	14.2	13.7
OECD-EU 22	12.1	17.2	23.2	5.7	10.7	12.9	15.4	15.1

1. Two-earner couple.

Table 5.5. Employee contributions, 2024

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

	Single no children 67 (% AW)	Single no children 100 (% AW)	Single no children 167 (% AW)	Single 2 children 67 (% AW)	Married 2 children 100-0 (% AW)	Married 2 children 100-67 (% AW) ¹	Married 2 children 100-100 (% AW) ¹	Married no children 100-67 (% AW) ¹
Australia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Austria	17.9	17.9	15.0	17.9	17.9	17.9	17.9	17.9
Belgium	13.6	14.0	13.8	13.6	13.8	13.7	13.7	13.7
Canada	8.3	6.5	3.9	8.3	6.5	7.2	6.5	7.2
Chile	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Colombia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costa Rica	9.8	9.8	9.8	9.8	9.8	9.8	9.8	9.8
Czechia	11.6	11.6	11.6	11.6	11.6	11.6	11.6	11.6
Denmark	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Estonia	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6
Finland	9.4	9.4	9.4	9.4	9.4	9.4	9.4	9.4
France	11.3	11.3	11.0	11.3	11.3	11.3	11.3	11.3
Germany	20.7	20.7	15.2	19.8	19.9	19.9	19.9	20.7
Greece	13.9	13.9	13.9	13.9	13.9	13.9	13.9	13.9
Hungary	18.5	18.5	18.5	18.5	18.5	18.5	18.5	18.5
Iceland	0.2	0.1	0.1	0.2	0.1	0.1	0.1	0.1
Ireland	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Israel	6.4	8.3	9.8	6.4	8.3	7.5	8.3	7.5
Italy	3.0	9.5	9.6	3.0	9.5	6.9	9.5	6.9
Japan	14.8	14.8	13.3	14.8	14.8	14.8	14.8	14.8
Korea	9.4	9.4	8.4	9.4	9.4	9.4	9.4	9.4
Latvia	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5
Lithuania	19.5	19.5	19.5	19.5	19.5	19.5	19.5	19.5
Luxembourg	12.2	12.3	12.4	12.2	12.3	12.3	12.3	12.3
Mexico	1.3	1.4	1.5	1.3	1.4	1.4	1.4	1.4
Netherlands	11.1	10.5	8.6	6.1	10.5	8.7	8.8	10.7
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	17.8	17.8	17.8	17.8	17.8	17.8	17.8	17.8
Portugal	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0
Slovak Republic	13.4	13.4	13.4	13.4	13.4	13.4	13.4	13.4
Slovenia	24.3	23.6	23.0	24.3	25.1	23.9	23.6	23.9
Spain	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5
Sweden	7.0	7.0	4.8	7.0	7.0	7.0	7.0	7.0
Switzerland	6.4	6.4	6.3	6.4	6.4	6.4	6.4	6.4
Türkiye	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
United Kingdom	5.1	5.8	4.3	5.1	5.8	5.6	5.8	5.6
United States	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.7
OECD-Average	9.4	9.6	9.1	9.3	9.6	9.4	9.5	9.5
OECD-EU 22	11.8	12.0	11.4	11.5	12.0	11.8	11.9	11.9

1. Two-earner couple.

Table 5.6. Marginal rate of income tax plus employee and employer contributions less cash benefits, 2024

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

	Single no children 67 (% AW)	Single no children 100 (% AW)	Single no children 167 (% AW)	Single 2 children 67 (% AW)	Married 2 children 100-0 (% AW)	Married 2 children 100-67 (% AW) ¹	Married 2 children 100-100 (% AW) ¹	Married no children 100-67 (% AW) ¹
Australia	38.2	38.2	42.5	76.0	38.2	38.2	38.2	38.2
Austria	52.8	58.3	45.6	36.2	58.3	58.3	58.3	58.3
Belgium	68.4	64.9	67.7	68.4	64.9	65.0	64.0	65.0
Canada	42.3	31.9	46.0	77.2	37.4	37.4	37.4	31.9
Chile	7.0	7.0	10.2	7.0	7.0	7.0	7.0	7.0
Colombia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costa Rica	27.7	27.7	35.1	27.7	27.7	27.7	27.7	27.7
Czechia	45.1	45.1	45.1	45.1	45.1	45.1	45.1	45.1
Denmark	38.6	41.7	55.9	38.6	41.7	41.7	41.7	41.7
Estonia	52.0	52.0	41.2	52.0	52.0	52.0	52.0	52.0
Finland	47.3	56.2	58.5	47.3	56.2	56.2	56.2	56.2
France	64.6	58.2	60.0	74.5	41.9	50.6	58.2	47.9
Germany	54.2	48.4	47.0	52.7	41.2	46.1	45.8	45.9
Greece	46.5	50.7	56.3	46.5	50.7	50.7	50.7	50.7
Hungary	41.2	41.2	41.2	41.2	41.2	41.2	41.2	41.2
Iceland	40.3	40.3	47.7	47.5	47.5	43.9	43.9	40.3
Ireland	35.2	53.2	56.8	74.1	53.2	53.2	53.2	53.2
Israel	36.8	47.0	50.7	18.2	47.0	47.0	47.0	47.0
Italy	53.1	64.2	64.1	53.1	64.2	68.0	68.0	64.2
Japan	34.8	37.7	38.4	54.5	37.7	37.7	37.7	37.7
Korea	30.5	31.2	33.1	30.5	31.2	31.2	31.2	31.2
Latvia	48.3	48.3	44.5	48.3	48.3	48.3	48.3	48.3
Lithuania	50.4	50.4	40.6	50.4	50.4	50.4	50.4	50.4
Luxembourg	51.0	56.9	56.0	56.9	42.5	56.9	56.9	56.9
Mexico	23.3	28.5	28.5	23.3	28.5	28.5	28.5	28.5
Netherlands	52.8	52.8	52.6	58.4	58.4	58.4	52.8	52.8
New Zealand	30.0	33.0	33.0	57.0	60.0	33.0	33.0	33.0
Norway	41.4	49.9	54.6	41.4	49.9	49.9	49.9	49.9
Poland	38.3	38.3	53.1	29.4	38.3	38.3	38.3	38.3
Portugal	41.4	48.3	56.8	41.4	41.4	45.9	48.3	45.9
Slovak Republic	46.9	46.9	50.1	29.3	46.9	46.9	46.9	46.9
Slovenia	50.3	50.3	55.0	43.6	43.6	50.3	50.3	50.3
Spain	64.6	49.4	54.9	64.6	49.4	49.4	49.4	49.4
Sweden	44.5	48.5	66.0	44.5	48.5	48.5	48.5	48.5
Switzerland	26.4	32.4	37.1	20.8	26.2	30.3	34.3	32.7
Türkiye	47.9	47.9	47.9	47.9	47.9	47.9	47.9	47.9
United Kingdom	36.7	49.0	49.0	71.5	49.0	49.0	49.0	49.0
United States	31.5	40.8	42.7	57.0	31.5	31.5	40.8	31.5
OECD-Average	41.6	43.9	46.5	46.2	43.3	43.7	44.2	43.2
OECD-EU 22	49.4	51.1	53.1	49.8	49.0	51.0	51.1	50.4

Note: It is assumed that gross earnings of the principal earner in the household rise. The outcome may differ if the wage of the spouse goes up, especially if partners are taxed individually.

1. Two-earner couple.

Table 5.7. Marginal rate of income tax plus employee contributions less cash benefits, 2024

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

	Single no children 67 (% AW)	Single no children 100 (% AW)	Single no children 167 (% AW)	Single 2 children 67 (% AW)	Married 2 children 100-0 (% AW)	Married 2 children 100-67 (% AW) ¹	Married 2 children 100-100 (% AW) ¹	Married no children 100-67 (% AW) ¹
Australia	34.5	34.5	39.0	74.5	34.5	34.5	34.5	34.5
Austria	39.7	46.7	42.0	18.6	46.7	46.7	46.7	46.7
Belgium	55.5	55.5	58.9	55.5	55.5	55.5	54.3	55.5
Canada	35.6	29.7	45.0	74.6	35.4	35.3	35.4	29.6
Chile	7.0	7.0	10.2	7.0	7.0	7.0	7.0	7.0
Colombia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costa Rica	9.8	9.8	19.1	9.8	9.8	9.8	9.8	9.8
Czechia	26.6	26.6	26.6	26.6	26.6	26.6	26.6	26.6
Denmark	38.6	41.7	55.9	38.6	41.7	41.7	41.7	41.7
Estonia	35.8	35.8	21.3	35.8	35.8	35.8	35.8	35.8
Finland	36.7	47.5	50.3	36.7	47.5	47.5	47.5	47.5
France	32.6	43.0	42.2	51.6	20.8	32.6	43.0	29.0
Germany	44.9	43.0	47.0	43.0	34.9	40.3	40.0	40.2
Greece	34.5	39.7	46.6	34.5	39.7	39.7	39.7	39.7
Hungary	33.5	33.5	33.5	33.5	33.5	33.5	33.5	33.5
Iceland	36.5	36.5	44.4	44.1	44.1	40.3	40.3	36.5
Ireland	28.0	48.0	52.0	71.2	48.0	48.0	48.0	48.0
Israel	32.0	43.0	47.0	12.0	43.0	43.0	43.0	43.0
Italy	38.3	52.9	52.8	38.3	52.9	57.9	57.9	52.9
Japan	24.6	27.9	34.3	47.4	27.9	27.9	27.9	27.9
Korea	22.8	23.5	28.7	22.8	23.5	23.5	23.5	23.5
Latvia	36.1	36.1	31.4	36.1	36.1	36.1	36.1	36.1
Lithuania	49.5	49.5	39.5	49.5	49.5	49.5	49.5	49.5
Luxembourg	44.8	51.5	50.5	51.5	35.3	51.5	51.5	51.5
Mexico	17.5	23.0	23.0	17.5	23.0	23.0	23.0	23.0
Netherlands	47.0	47.0	52.6	53.4	53.4	53.4	47.0	47.0
New Zealand	30.0	33.0	33.0	57.0	60.0	33.0	33.0	33.0
Norway	33.8	43.4	46.4	33.8	43.4	43.4	43.4	43.4
Poland	28.2	28.2	45.4	17.8	28.2	28.2	28.2	28.2
Portugal	27.5	36.0	46.5	27.5	27.5	33.0	36.0	33.0
Slovak Republic	29.9	29.9	34.0	6.5	29.9	29.9	29.9	29.9
Slovenia	42.4	42.4	47.8	34.6	34.6	42.4	42.4	42.4
Spain	53.8	34.0	41.1	53.8	34.0	34.0	34.0	34.0
Sweden	27.1	32.4	55.4	27.1	32.4	32.4	32.4	32.4
Switzerland	21.7	28.1	33.7	15.7	21.5	25.8	30.1	28.4
Türkiye	38.7	38.7	38.7	38.7	38.7	38.7	38.7	38.7
United Kingdom	28.0	42.0	42.0	67.6	42.0	42.0	42.0	42.0
United States	26.3	36.3	38.3	53.7	26.3	26.3	36.3	26.3
OECD-Average	32.4	35.7	39.4	37.3	34.9	35.5	36.0	34.9
OECD-EU 22	37.8	40.9	44.2	38.3	38.4	40.7	41.0	40.0

Note: It is assumed that gross earnings of the principal earner in the household rise. The outcome may differ if the wage of the spouse goes up, especially if partners are taxed individually.

1. Two-earner couple.

Table 5.8. Percentage increase in net income relative to percentage increase in gross wages, 2024

After an increase of 1 currency unit in gross wages, by household type and wage level

	Single no children 67 (% AW)	Single no children 100 (% AW)	Single no children 167 (% AW)	Single 2 children 67 (% AW)	Married 2 children 100-0 (% AW)	Married 2 children 100-67 (% AW) ¹	Married 2 children 100-100 (% AW) ¹	Married no children 100-67 (% AW) ¹
Australia	0.83	0.88	0.88	0.24	0.80	0.86	0.88	0.86
Austria	0.82	0.78	0.92	0.81	0.62	0.66	0.70	0.76
Belgium	0.65	0.74	0.78	0.49	0.55	0.63	0.69	0.70
Canada	0.83	0.95	0.80	0.25	0.76	0.83	0.86	0.93
Chile	1.00	1.00	0.98	0.93	0.95	0.97	0.98	1.00
Colombia	1.00	1.00	1.00	0.94	0.96	0.95	0.96	1.00
Costa Rica	1.00	1.00	0.92	1.00	1.00	1.00	1.00	1.00
Czechia	0.90	0.93	0.96	0.72	0.80	0.87	0.89	0.92
Denmark	0.92	0.91	0.76	0.74	0.79	0.85	0.87	0.89
Estonia	0.74	0.81	1.00	0.58	0.74	0.74	0.77	0.78
Finland	0.82	0.76	0.81	0.71	0.71	0.70	0.73	0.72
France	0.88	0.79	0.87	0.45	0.95	0.85	0.75	0.96
Germany	0.82	0.91	0.91	0.67	0.81	0.84	0.88	0.92
Greece	0.83	0.81	0.79	0.75	0.79	0.79	0.82	0.81
Hungary	1.00	1.00	1.00	0.81	0.87	0.92	0.93	1.00
Iceland	0.82	0.87	0.82	0.63	0.65	0.78	0.81	0.85
Ireland	0.86	0.70	0.75	0.28	0.58	0.63	0.67	0.66
Israel	0.79	0.72	0.76	0.89	0.68	0.65	0.67	0.69
Italy	0.76	0.68	0.78	0.61	0.55	0.50	0.55	0.63
Japan	0.94	0.93	0.89	0.55	0.84	0.88	0.89	0.92
Korea	0.89	0.91	0.90	0.73	0.80	0.84	0.86	0.90
Latvia	0.84	0.88	0.97	0.68	0.76	0.79	0.82	0.87
Lithuania	0.75	0.82	1.00	0.57	0.67	0.73	0.76	0.79
Luxembourg	0.72	0.72	0.82	0.49	0.72	0.61	0.66	0.67
Mexico	0.91	0.88	0.93	0.91	0.88	0.87	0.88	0.87
Netherlands	0.65	0.74	0.76	0.42	0.58	0.58	0.69	0.70
New Zealand	0.83	0.85	0.90	0.38	0.45	0.82	0.85	0.82
Norway	0.87	0.79	0.83	0.74	0.74	0.74	0.76	0.77
Poland	0.92	0.95	0.75	0.71	0.70	0.79	0.82	0.94
Portugal	0.92	0.86	0.79	0.69	0.81	0.83	0.82	0.87
Slovak Republic	0.89	0.92	0.90	0.82	0.65	0.76	0.79	0.91
Slovenia	0.85	0.90	0.86	0.70	0.83	0.80	0.84	0.88
Spain	0.57	0.86	0.83	0.49	0.79	0.82	0.84	0.84
Sweden	0.91	0.88	0.67	0.82	0.82	0.83	0.85	0.87
Switzerland	0.92	0.88	0.86	0.84	0.83	0.84	0.82	0.87
Türkiye	0.81	0.86	0.91	0.81	0.86	0.84	0.86	0.84
United Kingdom	0.88	0.74	0.83	0.36	0.70	0.71	0.72	0.73
United States	0.94	0.84	0.87	0.49	0.85	0.91	0.81	0.95
OECD-Average	0.85	0.85	0.86	0.65	0.76	0.79	0.81	0.84
OECD-EU 22	0.82	0.83	0.85	0.64	0.73	0.75	0.78	0.82

Note: Net income is calculated as gross earnings minus personal income tax and employees' social security contributions plus family benefits. The increase reported in the Table represents a form of elasticity. In a proportional tax system, the elasticity would equal 1. The more progressive the system at these income levels, the lower is the elasticity. The reported elasticities in Table 5.8 are calculated as $(100 - \text{METR}) / (100 - \text{AETR})$, where METR is the marginal rate of income tax plus employee social security contributions less cash benefits reported in Table 5.7 and AETR is the average rate plus employee social security contributions less cash benefits reported in Table 5.3.

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

Table 5.9. Percentage increase in net income relative to percentage increase in gross labour cost, 2024

After an increase of 1 currency unit in gross labour cost, by household type and wage level

	Single no children 67 (% AW)	Single no children 100 (% AW)	Single no children 167 (% AW)	Single 2 children 67 (% AW)	Married 2 children 100-0 (% AW)	Married 2 children 100-67 (% AW) ¹	Married 2 children 100-100 (% AW) ¹	Married no children 100-67 (% AW) ¹
Australia	0.83	0.88	0.88	0.24	0.80	0.86	0.88	0.86
Austria	0.82	0.78	1.07	0.81	0.62	0.66	0.70	0.76
Belgium	0.58	0.74	0.78	0.44	0.55	0.63	0.69	0.69
Canada	0.83	1.00	0.84	0.25	0.80	0.88	0.91	0.99
Chile	1.00	1.00	0.98	0.93	0.95	0.97	0.98	1.00
Colombia	1.00	1.00	1.00	0.94	0.96	0.95	0.96	1.00
Costa Rica	1.00	1.00	0.92	1.00	1.00	1.00	1.00	1.00
Czechia	0.90	0.93	0.96	0.72	0.80	0.87	0.89	0.92
Denmark	0.92	0.91	0.76	0.75	0.80	0.86	0.88	0.90
Estonia	0.74	0.81	1.00	0.58	0.74	0.74	0.77	0.78
Finland	0.82	0.76	0.81	0.71	0.71	0.70	0.73	0.72
France	0.60	0.79	0.87	0.31	0.95	0.84	0.75	0.94
Germany	0.82	0.99	1.04	0.67	0.88	0.91	0.95	1.00
Greece	0.83	0.81	0.79	0.75	0.79	0.79	0.82	0.81
Hungary	1.00	1.00	1.00	0.81	0.87	0.92	0.93	1.00
Iceland	0.82	0.87	0.82	0.63	0.65	0.78	0.81	0.85
Ireland	0.86	0.70	0.75	0.28	0.58	0.63	0.67	0.66
Israel	0.77	0.71	0.75	0.87	0.66	0.63	0.66	0.68
Italy	0.76	0.68	0.78	0.61	0.55	0.50	0.55	0.63
Japan	0.94	0.93	0.96	0.55	0.84	0.88	0.89	0.92
Korea	0.89	0.91	0.93	0.73	0.80	0.84	0.86	0.90
Latvia	0.84	0.89	0.97	0.68	0.76	0.79	0.82	0.87
Lithuania	0.75	0.82	1.00	0.57	0.67	0.73	0.76	0.79
Luxembourg	0.72	0.72	0.82	0.49	0.72	0.61	0.66	0.67
Mexico	0.95	0.91	0.94	0.95	0.91	0.90	0.91	0.90
Netherlands	0.65	0.74	0.82	0.42	0.58	0.58	0.70	0.70
New Zealand	0.83	0.85	0.90	0.38	0.45	0.82	0.85	0.82
Norway	0.87	0.79	0.80	0.74	0.74	0.74	0.76	0.77
Poland	0.92	0.95	0.75	0.71	0.70	0.79	0.82	0.94
Portugal	0.92	0.86	0.79	0.69	0.81	0.83	0.82	0.87
Slovak Republic	0.89	0.92	0.90	0.82	0.65	0.76	0.79	0.91
Slovenia	0.85	0.90	0.86	0.70	0.83	0.80	0.84	0.88
Spain	0.57	0.86	0.83	0.49	0.79	0.82	0.84	0.84
Sweden	0.91	0.88	0.67	0.82	0.82	0.83	0.85	0.87
Switzerland	0.92	0.88	0.87	0.84	0.83	0.84	0.82	0.87
Türkiye	0.81	0.86	0.91	0.81	0.86	0.84	0.86	0.84
United Kingdom	0.85	0.73	0.82	0.35	0.69	0.69	0.71	0.71
United States	0.95	0.85	0.87	0.49	0.86	0.91	0.81	0.96
OECD-Average	0.84	0.86	0.87	0.65	0.76	0.79	0.81	0.85
OECD-EU 22	0.80	0.84	0.86	0.63	0.73	0.75	0.78	0.82

Note: Net income is calculated as gross earnings minus personal income tax and employees' social security contributions plus family benefits. The increase reported in the Table represents a form of elasticity. In a proportional tax system the elasticity would equal 1. The more progressive the system at these income levels, the lower is the elasticity. The reported elasticities in Table 5.9 are calculated as $(100 - \text{METR}) / (100 - \text{AETR})$, where METR is the marginal rate of income tax plus employee and employer social security contributions less cash benefits reported in Table 5.6 and AETR is the average rate plus employee and employer social security contributions less cash benefits reported in Table 5.1.

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

Table 5.10. Annual gross wage and net income, single person, 2024

In US dollars using PPP, by household type and wage level

	Single no children 67 (% AW)		Single no children 100 (% AW)		Single no children 167 (% AW)		Single 2 children 67 (% AW)	
	Total gross earnings before taxes	Net income after taxes	Total gross earnings before taxes	Net income after taxes	Total gross earnings before taxes	Net income after taxes	Total gross earnings before taxes	Net income after taxes
Australia	50 395	39 917	75 216	56 175	125 612	87 445	50 395	52 503
Austria	55 516	40 858	82 859	56 251	138 375	87 528	55 516	55 714
Belgium	56 433	38 692	84 228	50 934	140 661	73 994	56 433	50 946
Canada	53 546	41 457	79 919	59 419	133 465	91 756	53 546	54 806
Chile	19 649	18 273	29 326	27 274	48 975	44 913	19 649	19 633
Colombia	13 105	13 105	19 560	19 560	32 665	32 665	13 105	13 988
Costa Rica	20 760	18 716	30 985	27 934	51 746	45 373	20 760	18 716
Czechia	28 490	23 291	42 522	33 591	71 012	54 502	28 490	28 909
Denmark	56 062	37 553	83 675	53 731	139 737	81 110	56 062	46 419
Estonia	27 707	24 058	41 354	32 818	69 061	54 365	27 707	30 637
Finland	47 064	36 440	70 244	48 757	117 308	72 156	47 064	41 860
France	43 663	33 335	65 169	46 987	108 832	72 139	43 663	46 840
Germany	59 693	40 171	89 094	55 722	148 787	87 036	59 693	50 759
Greece	33 160	26 172	49 493	36 618	82 653	55 541	33 160	28 776
Hungary	29 032	19 306	43 332	28 816	72 364	48 122	29 032	23 974
Iceland	54 264	41 966	80 991	58 948	135 255	91 207	54 264	48 416
Ireland	51 435	42 902	76 769	56 896	128 205	82 208	51 435	53 326
Israel	38 360	32 979	57 254	45 452	95 614	66 486	38 360	37 797
Italy	38 788	31 645	57 893	40 401	96 681	58 585	38 788	39 479
Japan	39 027	31 246	58 249	45 339	97 275	71 393	39 027	37 225
Korea	44 117	38 373	65 846	55 085	109 963	87 305	44 117	46 877
Latvia	27 217	20 770	40 622	29 337	67 838	47 757	27 217	25 646
Lithuania	34 891	23 436	52 077	32 114	86 968	52 616	34 891	30 790
Luxembourg	59 904	45 832	89 408	60 438	149 312	90 537	59 904	59 259
Mexico	13 964	12 671	20 841	18 180	34 805	28 931	13 964	12 671
Netherlands	59 258	48 223	88 446	63 681	147 704	92 754	59 258	65 540
New Zealand	36 672	31 048	54 734	43 359	91 405	67 929	36 672	41 307
Norway	55 837	42 668	83 338	59 840	139 175	90 315	55 837	49 863
Poland	32 653	25 454	48 736	37 005	81 390	58 852	32 653	37 971
Portugal	29 420	23 205	43 910	32 833	73 330	49 469	29 420	30 977
Slovak Republic	23 994	18 926	35 812	27 216	59 805	43 901	23 994	27 349
Slovenia	33 964	22 926	50 692	32 569	84 656	51 448	33 964	31 757
Spain	36 809	29 993	54 939	42 196	91 748	64 889	36 809	34 661
Sweden	42 123	33 670	62 871	48 328	104 994	69 711	42 123	37 373
Switzerland	68 871	58 589	102 793	84 265	171 664	132 373	68 871	68 757
Türkiye	34 547	26 257	51 563	36 686	86 110	57 860	34 547	26 257
United Kingdom	51 889	42 541	77 447	60 459	129 336	90 555	51 889	46 870
United States	47 366	37 145	70 695	53 444	118 061	83 557	47 366	44 925
OECD-Average	40 780	31 942	60 866	44 701	101 646	68 928	40 780	39 462
OECD-EU 22	41 240	31 221	61 552	43 056	102 792	65 874	41 240	39 953

Table 5.11. Annual gross wage and net income, married couple, 2024

In US dollars using PPP, by household type and wage level

	Married 2 children 100-0 (% AW)		Married 2 children 100-67 (% AW) ¹		Married 2 children 100-100 (% AW) ¹		Married no children 100-67 (% AW) ¹	
	Total gross earnings before taxes	Net income after taxes	Total gross earnings before taxes	Net income after taxes	Total gross earnings before taxes	Net income after taxes	Total gross earnings before taxes	Net income after taxes
Australia	75 216	61 555	125 612	96 092	150 433	112 350	125 612	96 092
Austria	82 859	71 570	138 375	111 059	165 718	126 452	138 375	97 110
Belgium	84 228	67 739	140 661	98 648	168 456	111 231	140 661	89 817
Canada	79 919	68 211	133 465	104 102	159 839	120 573	133 465	100 876
Chile	29 326	28 622	48 975	46 906	58 653	55 446	48 975	45 547
Colombia	19 560	20 442	32 665	34 430	39 120	40 885	32 665	32 665
Costa Rica	30 985	27 934	51 746	46 649	61 971	55 867	51 746	46 649
Czechia	42 522	39 209	71 012	59 778	85 044	70 078	71 012	56 882
Denmark	83 675	61 381	139 737	95 976	167 349	112 116	139 737	91 284
Estonia	41 354	36 107	69 061	60 165	82 707	68 924	69 061	56 876
Finland	70 244	51 883	117 308	88 323	140 488	100 640	117 308	85 197
France	65 169	54 123	108 832	85 892	130 338	99 085	108 832	80 953
Germany	89 094	71 381	148 787	105 507	178 188	121 535	148 787	96 258
Greece	54 442	41 558	90 919	69 267	108 885	80 527	90 919	67 945
Hungary	43 332	33 282	72 364	52 588	86 664	62 097	72 364	48 122
Iceland	80 991	69 499	135 255	103 238	161 982	119 194	135 255	100 915
Ireland	76 769	68 584	128 205	105 069	153 539	118 236	128 205	100 624
Israel	57 254	48 343	95 614	84 232	114 507	97 426	95 614	78 835
Italy	57 893	49 398	96 681	80 902	115 785	88 831	96 681	72 046
Japan	58 249	49 899	97 275	79 962	116 497	94 055	97 275	76 585
Korea	65 846	63 251	109 963	99 770	131 692	116 481	109 963	93 458
Latvia	40 622	34 213	67 838	54 983	81 244	63 550	67 838	50 106
Lithuania	52 077	39 469	86 968	60 180	104 154	68 858	86 968	55 550
Luxembourg	89 408	80 470	149 312	117 946	178 817	132 267	149 312	108 760
Mexico	20 841	18 180	34 805	30 851	41 683	36 361	34 805	30 851
Netherlands	88 446	71 371	147 704	119 684	176 891	134 951	147 704	111 903
New Zealand	54 734	48 979	91 405	74 407	109 467	86 718	91 405	74 407
Norway	83 338	63 765	139 175	106 432	166 676	123 604	139 175	102 507
Poland	48 736	49 964	81 390	73 598	97 473	85 149	81 390	62 459
Portugal	43 910	39 446	73 330	59 068	87 820	68 515	73 330	56 219
Slovak Republic	35 812	38 506	59 805	55 516	71 623	63 806	59 805	46 142
Slovenia	50 692	39 806	84 656	60 890	101 384	69 588	84 656	55 495
Spain	54 939	45 628	91 748	73 874	109 878	86 077	91 748	72 189
Sweden	62 871	52 031	104 994	85 701	125 741	100 358	104 994	81 998
Switzerland	102 793	97 234	171 664	151 245	205 586	175 644	171 664	141 177
Türkiye	51 563	36 686	86 110	62 943	103 125	73 372	86 110	62 943
United Kingdom	77 447	63 725	129 336	106 266	154 893	124 184	129 336	103 000
United States	70 695	61 080	118 061	95 988	141 390	111 393	118 061	91 483
OECD-Average	60 996	51 698	101 863	81 530	121 992	94 116	101 863	76 893
OECD-EU 22	61 777	51 687	103 167	80 664	123 554	92 403	103 167	74 724

1. Two-earner couple.

Table 5.12. Annual labour costs and net income, single person, 2024

In US dollars using PPP, by household type and wage level

	Single no children 67 (% AW)		Single no children 100 (% AW)		Single no children 167 (% AW)		Single 2 children 67 (% AW)	
	Total gross labour costs before taxes	Net income after taxes	Total gross labour costs before taxes	Net income after taxes	Total gross labour costs before taxes	Net income after taxes	Total gross labour costs before taxes	Net income after taxes
Australia	53 444	39 917	79 767	56 175	133 210	87 445	53 444	52 503
Austria	70 843	40 858	105 735	56 251	171 841	87 528	70 843	55 714
Belgium	71 072	38 692	107 003	50 934	178 696	73 994	71 072	50 946
Canada	59 523	41 457	87 366	59 419	142 201	91 756	59 523	54 806
Chile	19 649	18 273	29 326	27 274	48 975	44 913	19 649	19 633
Colombia	13 105	13 105	19 560	19 560	32 665	32 665	13 105	13 988
Costa Rica	25 871	18 716	38 614	27 934	64 485	45 373	25 871	18 716
Czechia	38 119	23 291	56 894	33 591	95 014	54 502	38 119	28 909
Denmark	56 567	37 553	84 180	53 731	140 242	81 110	56 567	46 419
Estonia	37 072	24 058	55 331	32 818	92 403	54 365	37 072	30 637
Finland	56 453	36 440	84 258	48 757	140 711	72 156	56 453	41 860
France	56 683	33 335	88 855	46 987	157 110	72 139	56 683	46 840
Germany	71 685	40 171	107 005	55 722	170 834	87 036	71 685	50 759
Greece	40 552	26 172	60 525	36 618	101 077	55 541	40 552	28 776
Hungary	32 807	19 306	48 965	28 816	81 771	48 122	32 807	23 974
Iceland	57 710	41 966	86 134	58 948	143 844	91 207	57 710	48 416
Ireland	57 119	42 902	85 252	56 896	142 371	82 208	57 119	53 326
Israel	40 260	32 979	60 589	45 452	101 865	66 486	40 260	37 797
Italy	51 037	31 645	76 175	40 401	127 213	58 585	51 037	39 479
Japan	45 158	31 246	67 399	45 339	111 160	71 393	45 158	37 225
Korea	49 025	38 373	73 171	55 085	121 132	87 305	49 025	46 877
Latvia	33 646	20 770	50 213	29 337	83 850	47 757	33 646	25 646
Lithuania	35 516	23 436	53 009	32 114	88 525	52 616	35 516	30 790
Luxembourg	67 403	45 832	100 602	60 438	168 006	90 537	67 403	59 259
Mexico	15 697	12 671	23 098	18 180	38 123	28 931	15 697	12 671
Netherlands	66 620	48 223	99 342	63 681	160 052	92 754	66 620	65 540
New Zealand	36 672	31 048	54 734	43 359	91 405	67 929	36 672	41 307
Norway	63 095	42 668	94 172	59 840	159 623	90 315	63 095	49 863
Poland	37 994	25 454	56 707	37 005	94 701	58 852	37 994	37 971
Portugal	36 407	23 205	54 339	32 833	90 745	49 469	36 407	30 977
Slovak Republic	31 720	18 926	47 343	27 216	79 063	43 901	31 720	27 349
Slovenia	39 432	22 926	58 854	32 569	98 285	51 448	39 432	31 757
Spain	48 028	29 993	71 684	42 196	119 713	64 889	48 028	34 661
Sweden	55 358	33 670	82 625	48 328	137 983	69 711	55 358	37 373
Switzerland	73 279	58 589	109 372	84 265	182 438	132 373	73 279	68 757
Türkiye	40 679	26 257	60 715	36 686	101 394	57 860	40 679	26 257
United Kingdom	57 201	42 541	86 286	60 459	145 336	90 555	57 201	46 870
United States	51 310	37 145	76 424	53 444	127 414	83 557	51 310	44 925
OECD-Average	47 206	31 942	70 569	44 701	117 512	68 928	47 206	39 462
OECD-EU 22	49 642	31 221	74 314	43 056	123 646	65 874	49 642	39 953

Table 5.13. Annual labour costs and net income, married couple, 2024

In US dollars using PPP, by household type and wage level

	Married 2 children 100-0 (% AW)		Married 2 children 100-67 (% AW) ¹		Married 2 children 100-100 (% AW) ¹		Married no children 100-67 (% AW) ¹	
	Total gross labour costs before taxes	Net income after taxes	Total gross labour costs before taxes	Net income after taxes	Total gross labour costs before taxes	Net income after taxes	Total gross labour costs before taxes	Net income after taxes
Australia	79 767	61 555	133 210	96 092	159 533	112 350	133 210	96 092
Austria	105 735	71 570	176 578	111 059	211 471	126 452	176 578	97 110
Belgium	107 003	67 739	178 076	98 648	214 007	111 231	178 076	89 817
Canada	87 366	68 211	146 888	104 102	174 732	120 573	146 888	100 876
Chile	29 326	28 622	48 975	46 906	58 653	55 446	48 975	45 547
Colombia	19 560	20 442	32 665	34 430	39 120	40 885	32 665	32 665
Costa Rica	38 614	27 934	64 485	46 649	77 227	55 867	64 485	46 649
Czechia	56 894	39 209	95 014	59 778	113 789	70 078	95 014	56 882
Denmark	84 180	61 381	140 748	95 976	168 360	112 116	140 748	91 284
Estonia	55 331	36 107	92 403	60 165	110 662	68 924	92 403	56 876
Finland	84 258	51 883	140 711	88 323	168 516	100 640	140 711	85 197
France	88 855	54 123	145 538	85 892	177 710	99 085	145 538	80 953
Germany	107 005	71 381	178 690	105 507	214 010	121 535	178 690	96 258
Greece	66 578	41 558	111 185	69 267	133 155	80 527	111 185	67 945
Hungary	48 965	33 282	81 771	52 588	97 930	62 097	81 771	48 122
Iceland	86 134	69 499	143 844	103 238	172 268	119 194	143 844	100 915
Ireland	85 252	68 584	142 371	105 069	170 505	118 236	142 371	100 624
Israel	60 589	48 343	100 849	84 232	121 179	97 426	100 849	78 835
Italy	76 175	49 398	127 213	80 902	152 350	88 831	127 213	72 046
Japan	67 399	49 899	112 557	79 962	134 799	94 055	112 557	76 585
Korea	73 171	63 251	122 195	99 770	146 342	116 481	122 195	93 458
Latvia	50 213	34 213	83 859	54 983	100 427	63 550	83 859	50 106
Lithuania	53 009	39 469	88 525	60 180	106 018	68 858	88 525	55 550
Luxembourg	100 602	80 470	168 006	117 946	201 204	132 267	168 006	108 760
Mexico	23 098	18 180	38 795	30 851	46 195	36 361	38 795	30 851
Netherlands	99 342	71 371	165 962	119 684	198 684	134 951	165 962	111 903
New Zealand	54 734	48 979	91 405	74 407	109 467	86 718	91 405	74 407
Norway	94 172	63 765	157 267	106 432	188 344	123 604	157 267	102 507
Poland	56 707	49 964	94 701	73 598	113 414	85 149	94 701	62 459
Portugal	54 339	39 446	90 745	59 068	108 677	68 515	90 745	56 219
Slovak Republic	47 343	38 506	79 063	55 516	94 686	63 806	79 063	46 142
Slovenia	58 854	39 806	98 285	60 890	117 707	69 588	98 285	55 495
Spain	71 684	45 628	119 713	73 874	143 368	86 077	119 713	72 189
Sweden	82 625	52 031	137 983	85 701	165 249	100 358	137 983	81 998
Switzerland	109 372	97 234	182 650	151 245	218 743	175 644	182 650	141 177
Türkiye	60 715	36 686	101 394	62 943	121 430	73 372	101 394	62 943
United Kingdom	86 286	63 725	143 487	106 266	172 571	124 184	143 487	103 000
United States	76 424	61 080	127 735	95 988	152 849	111 393	127 735	91 483
OECD-Average	70 728	51 698	118 041	81 530	141 457	94 116	118 041	76 893
OECD-EU 22	74 589	51 687	124 415	80 664	149 177	92 403	124 415	74 724

1. Two-earner couple.

6 Evolution of effective tax rates on labour income (2000-25)

This chapter presents the evolution of effective tax rates on labour income between 2000 and 2025 for the eight household types. Tables 6.1 to 6.8 show the (average) tax wedge comprising income taxes plus employee and employer social security contributions (including any applicable payroll taxes) less cash benefits; Tables 6.9 to 6.16 provide the (average) burden of personal income taxes; and Tables 6.17 to 6.24 depict the (average) burden of income taxes plus employee social security contributions less cash benefits (net personal average tax rates).

Long-term trends in labour taxation since 2000

This chapter presents the evolution of the effective tax rates on labour income for the eight household types depicted by the *Taxing Wages* models over the period from 2000 to 2025.

Tables 6.1 to 6.24, titled “Tables showing income taxes, social security contributions and cash benefits”, correspond to a tax burden measure for a particular household type. The discussion focuses on the main observable trends over the period and highlights important year-on-year changes.¹ Effective tax rates on labour income shown in this chapter all declined between 2000 and 2025 for all the household types.

- The fall over the period in the OECD average tax wedge ranged from 1.3 percentage points for single workers earning 167% of the average wage (AW) to 3.0 percentage points for single parents earning 67% of the AW.
- The decrease in the OECD average personal income tax rate ranged from 0.8 percentage points for single workers earning 100% of AW to 1.6 percentage points for single parents earning 67% of the AW.
- The OECD net personal average tax rate also declined for all household types in the period considered. The reduction ranged from 0.5 percentage points for single workers earning 167% of the AW to 1.7 percentage points for single parents earning 67% of the AW.

Table 6.1. Income tax plus employee and employer contributions less cash benefits, single persons at 67% of average wage

Tax burden as % of labour costs, single persons without children

	2000	2010	2015	2019	2020	2021	2022	2023	2024	2025
Australia	25.9	21.0	23.1	22.7	23.3	21.5	21.4	24.7	25.3	24.0
Austria	43.2	43.5	45.1	43.6	42.9	43.2	42.0	42.7	42.3	42.7
Belgium	51.4	50.4	49.4	45.5	45.4	45.7	46.3	45.9	45.6	45.7
Canada	29.4	29.0	29.6	28.2	28.7	29.7	30.0	30.4	30.3	29.9
Chile	7.0	7.0	7.0	7.0	7.0	-6.5	7.0	7.0	7.0	7.3
Colombia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costa Rica	26.1	26.3	26.5	27.2	27.4	27.4	27.4	27.7	27.7	27.7
Czechia	41.3	39.0	40.0	41.7	41.9	37.7	37.5	38.1	38.9	39.3
Denmark	37.0	33.7	33.6	33.2	32.9	33.0	33.4	33.5	33.6	33.2
Estonia	39.8	38.7	38.0	33.2	33.4	33.9	34.5	33.9	35.1	37.0
Finland	42.7	36.8	37.9	35.9	35.4	36.7	36.8	37.0	35.5	35.8
France	43.9	46.8	43.6	41.9	39.5	40.8	40.9	40.6	41.2	41.2
Germany	47.6	44.9	45.3	45.2	44.7	44.3	44.1	43.5	44.0	45.5
Greece	35.9	35.8	34.6	36.3	33.8	32.7	33.8	34.7	35.5	35.3
Hungary	51.4	43.8	49.0	44.6	43.6	43.2	41.2	41.2	41.2	41.2
Iceland	23.8	28.4	30.2	29.4	29.0	28.0	28.1	27.7	27.3	27.2
Ireland	27.5	24.2	24.9	24.4	24.8	25.0	25.0	25.2	24.9	24.5
Israel	23.2	14.1	14.8	15.4	15.7	16.9	18.1	17.3	18.1	19.4
Italy	43.6	44.0	40.8	41.0	40.9	40.9	39.9	38.8	38.0	38.5
Japan	28.7	28.9	30.9	31.2	31.1	31.2	31.2	31.5	30.8	31.3
Korea	15.0	17.4	18.4	19.7	20.2	20.8	21.5	21.4	21.7	21.9
Latvia	41.7	43.2	41.7	39.6	38.7	37.9	37.0	37.4	38.3	37.2
Lithuania	43.0	38.8	39.3	34.8	33.5	34.3	34.2	34.4	34.0	34.7
Luxembourg	29.8	28.8	32.4	30.7	31.7	31.8	31.7	33.4	32.0	32.3
Mexico	7.6	12.9	15.0	16.8	19.4	19.1	19.3	19.1	19.3	19.6
Netherlands	42.3	33.6	32.0	29.8	29.1	27.6	29.1	27.9	27.6	27.5
New Zealand	18.6	14.3	13.5	14.0	14.1	14.2	14.7	16.3	15.3	15.1
Norway	35.1	34.1	33.7	32.6	32.7	32.9	32.7	32.4	32.4	32.3
Poland	37.0	33.3	35.0	35.0	34.2	34.3	31.6	32.4	33.0	33.4
Portugal	33.4	31.7	35.3	36.0	36.1	36.6	37.2	37.5	36.3	36.1
Slovak Republic	40.7	35.0	39.1	39.7	39.0	39.2	39.5	39.7	40.3	40.6
Slovenia	42.6	38.6	38.6	40.3	40.2	40.4	39.7	39.7	41.9	42.5
Spain	34.9	36.5	35.8	36.3	35.1	36.4	36.5	36.4	37.6	37.9
Sweden	48.6	40.7	40.6	40.4	40.5	39.8	39.5	39.8	39.2	38.8
Switzerland	20.2	19.3	19.1	19.5	19.9	20.2	20.1	20.1	20.0	20.1
Türkiye ¹	39.1	34.4	35.9	36.2	36.2	36.3	33.4	33.3	35.5	36.4
United Kingdom	29.1	29.4	26.0	26.1	25.3	26.2	26.8	26.7	25.6	28.0
United States	29.0	28.3	29.2	27.5	23.5	24.7	27.8	27.5	27.6	27.5
OECD-Average	33.1	31.2	31.7	31.1	30.8	30.5	30.8	31.0	31.0	31.3
OECD-EU 22	40.9	38.3	38.7	37.7	37.2	37.1	36.9	37.0	37.1	37.3

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

Table 6.2. Income tax plus employee and employer contributions less cash benefits, single persons at 100% of average wage

Tax burden as % of labour costs, single persons without children

	2000	2010	2015	2019	2020	2021	2022	2023	2024	2025
Australia	31.0	26.8	28.3	27.9	28.4	27.0	27.0	29.2	29.6	27.9
Austria	47.3	48.2	49.6	47.9	47.5	47.8	46.9	47.2	46.8	47.1
Belgium	57.1	55.9	55.3	52.3	52.2	52.4	53.0	52.7	52.4	52.5
Canada	34.1	31.8	32.5	31.0	31.1	31.5	31.9	31.9	32.0	32.1
Chile	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.5
Colombia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costa Rica	26.1	26.3	26.5	27.2	27.4	27.4	27.4	27.7	27.7	27.7
Czechia	42.6	42.1	42.8	44.0	44.1	40.0	39.9	40.2	41.0	41.2
Denmark	41.0	36.2	36.3	35.8	35.6	35.7	35.9	35.9	36.2	35.8
Estonia	41.3	40.1	39.0	37.0	37.3	38.2	39.1	39.9	40.7	42.6
Finland	47.5	42.3	43.5	42.2	41.8	43.1	43.1	43.4	42.1	42.5
France	50.4	49.9	48.5	47.2	46.5	46.9	47.1	46.9	47.1	47.2
Germany	52.9	49.0	49.4	49.3	48.8	48.1	48.3	47.7	47.9	49.3
Greece	38.7	40.0	38.8	40.4	38.8	37.3	38.0	38.7	39.5	39.3
Hungary	54.7	46.6	49.0	44.6	43.6	43.2	41.2	41.2	41.2	41.2
Iceland	28.8	33.4	34.3	32.7	32.5	32.0	32.1	31.8	31.6	31.5
Ireland	35.3	30.9	33.2	32.9	33.5	34.0	33.8	33.7	33.3	32.6
Israel	29.6	20.7	21.8	22.5	22.7	23.6	24.7	24.0	25.0	26.1
Italy	47.1	47.2	47.8	47.9	46.9	46.0	45.6	45.5	47.0	45.8
Japan	29.8	30.2	32.3	32.7	32.6	32.6	32.7	33.0	32.7	33.1
Korea	16.4	20.1	21.4	22.9	23.4	23.9	24.5	24.5	24.7	24.8
Latvia	43.2	44.0	42.5	42.5	42.3	40.5	40.4	41.0	41.6	40.1
Lithuania	45.7	40.6	41.2	37.7	37.1	37.6	38.4	39.0	39.4	39.8
Luxembourg	35.8	35.3	39.5	38.5	39.5	39.8	39.9	41.2	39.9	40.2
Mexico	12.7	16.0	19.8	20.2	20.4	20.2	21.0	20.5	21.3	21.7
Netherlands	40.0	38.1	36.9	37.1	36.6	35.4	36.6	36.0	35.9	35.9
New Zealand	19.4	17.0	17.6	19.0	19.3	19.4	20.1	21.1	20.8	20.8
Norway	38.6	37.3	36.8	35.7	35.8	35.9	36.2	36.4	36.5	36.4
Poland	38.2	34.2	35.7	35.6	34.9	34.9	33.8	34.3	34.7	35.0
Portugal	37.6	36.4	40.9	40.2	40.3	40.8	41.1	41.4	39.6	39.3
Slovak Republic	42.1	38.1	41.5	41.9	41.3	41.4	41.6	41.7	42.5	42.7
Slovenia	46.3	42.5	42.6	43.5	43.1	43.5	42.9	43.1	44.7	45.3
Spain	38.6	39.7	39.4	39.8	39.3	39.9	40.0	40.8	41.1	41.4
Sweden	50.1	42.8	42.6	42.6	42.7	42.5	42.4	42.2	41.5	41.1
Switzerland	22.9	22.1	21.8	22.3	22.7	23.1	23.0	23.0	23.0	23.0
Türkiye ¹	40.4	37.0	38.2	39.6	39.5	39.9	38.2	38.1	39.6	40.3
United Kingdom	32.6	32.6	30.8	30.9	30.4	30.9	31.7	31.1	29.9	32.4
United States	30.8	30.7	31.4	29.7	27.2	28.3	30.5	30.0	30.1	30.0
OECD-Average	36.1	34.5	35.2	34.8	34.6	34.5	34.7	34.8	34.9	35.1
OECD-EU 22	44.3	41.8	42.6	41.8	41.5	41.3	41.3	41.5	41.6	41.7

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

Table 6.3. Income tax plus employee and employer contributions less cash benefits, single persons at 167% of average wage

Tax burden as % of labour costs, single persons without children

	2000	2010	2015	2019	2020	2021	2022	2023	2024	2025
Australia	38.8	32.4	34.0	34.4	34.7	32.9	33.2	34.0	34.4	32.8
Austria	50.4	51.4	52.1	51.0	50.9	51.1	50.5	49.9	49.1	49.5
Belgium	62.6	61.0	60.7	58.7	58.6	58.7	59.1	58.8	58.6	58.6
Canada	37.0	35.0	35.5	34.0	34.7	35.2	35.5	35.5	35.5	35.5
Chile	8.3	8.0	8.2	8.3	8.3	8.3	8.2	8.3	8.3	8.7
Colombia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costa Rica	26.3	27.3	28.0	29.4	29.6	29.7	29.7	29.5	29.6	29.9
Czechia	44.8	44.7	45.1	45.8	45.9	41.9	41.8	42.0	42.6	42.8
Denmark	48.9	43.0	42.3	41.5	41.2	41.2	41.6	41.7	42.2	41.8
Estonia	42.5	41.2	39.9	41.2	41.2	41.2	41.2	41.2	41.2	42.6
Finland	53.2	48.2	49.4	48.4	48.3	49.4	49.4	49.9	48.7	49.2
France	52.5	53.6	54.3	54.1	53.2	54.0	54.0	53.3	54.1	54.1
Germany	56.2	51.5	51.3	51.0	51.3	50.7	49.9	49.1	49.1	50.0
Greece	44.7	45.5	45.1	46.0	44.7	42.4	43.4	44.3	45.1	44.9
Hungary	59.2	53.1	49.0	44.6	43.6	43.2	41.2	41.2	41.2	41.2
Iceland	39.6	37.8	38.6	37.4	37.4	37.2	37.3	36.9	36.6	36.5
Ireland	42.2	40.7	42.3	41.6	42.0	42.4	42.3	42.5	42.3	41.9
Israel	38.1	29.5	30.8	32.0	32.4	33.5	34.4	34.0	34.7	35.5
Italy	51.1	52.5	54.2	54.0	54.2	54.5	53.7	54.0	53.9	54.3
Japan	31.6	33.3	34.9	35.1	35.2	35.6	35.6	35.9	35.8	36.0
Korea	20.5	21.7	23.3	25.6	26.2	26.9	27.5	27.5	27.9	28.2
Latvia	44.4	44.7	43.2	42.8	42.9	42.6	42.7	42.9	43.0	42.5
Lithuania	47.9	42.0	42.1	40.0	40.0	40.2	40.6	40.6	40.6	40.6
Luxembourg	44.1	42.5	46.2	45.6	46.2	46.4	46.8	47.3	46.1	46.4
Mexico	19.5	21.4	22.8	23.2	23.4	23.3	23.9	23.6	24.1	24.3
Netherlands	44.9	41.8	42.2	42.3	41.8	40.9	41.9	41.9	42.0	42.2
New Zealand	24.2	23.3	23.4	24.4	24.6	24.8	25.3	25.8	25.7	25.7
Norway	45.2	43.0	42.4	41.5	41.5	41.7	42.1	43.4	43.4	42.6
Poland	39.1	35.0	36.3	36.1	36.4	36.5	35.6	36.0	37.9	39.2
Portugal	42.7	42.2	46.7	45.4	45.6	46.2	46.7	47.1	45.5	45.2
Slovak Republic	45.5	40.3	43.5	43.6	43.3	43.4	43.7	43.8	44.5	44.7
Slovenia	51.0	47.6	46.5	47.0	46.0	46.4	46.0	46.4	47.7	48.3
Spain	41.0	42.4	43.8	44.3	43.8	44.4	44.7	45.4	45.8	46.2
Sweden	55.7	51.0	50.7	50.7	50.3	50.3	50.3	49.5	49.5	48.8
Switzerland	27.4	26.6	26.3	27.0	27.3	27.7	27.5	27.5	27.4	27.4
Türkiye ¹	35.0	39.8	41.8	42.9	42.8	43.1	42.0	42.0	42.9	43.5
United Kingdom	35.8	37.2	37.3	37.1	36.7	37.3	38.6	38.3	37.7	39.3
United States	37.1	35.9	36.3	34.1	33.8	34.6	34.7	34.3	34.4	34.4
OECD-Average	40.2	38.6	39.2	39.0	38.9	38.9	39.0	39.1	39.2	39.4
OECD-EU 22	48.4	46.2	46.7	46.2	46.0	45.8	45.8	45.9	45.9	46.1

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

Table 6.4. Income tax plus employee and employer contributions less cash benefits, single parent at 67% of average wage

Tax burden as a of labour costs, single parent with two children

	2000	2010	2015	2019	2020	2021	2022	2023	2024	2025
Australia	4.0	-6.5	-1.4	1.1	1.2	-1.3	1.4	5.0	1.8	0.9
Austria	25.2	26.1	29.6	22.3	20.2	22.8	19.4	22.0	21.4	22.2
Belgium	36.4	36.8	35.6	31.4	27.9	28.0	29.3	28.8	28.3	28.6
Canada	10.4	11.1	2.4	-0.4	3.0	7.4	6.2	7.3	7.9	7.3
Chile	5.9	6.1	6.2	6.2	6.1	-24.3	4.8	-0.3	0.1	2.7
Colombia	-6.9	-5.6	-6.6	-6.5	-7.2	-7.5	-6.4	-6.3	-6.7	-7.2
Costa Rica	26.1	26.3	26.5	27.2	27.4	27.4	27.4	27.7	27.7	27.7
Czechia	12.7	15.9	24.7	22.8	23.2	16.9	17.9	18.7	24.2	25.4
Denmark	21.2	18.2	16.5	16.5	16.3	16.6	17.4	17.3	17.9	15.9
Estonia	18.5	24.1	21.7	18.1	18.7	20.2	22.0	13.1	17.4	20.3
Finland	28.3	25.5	27.2	26.1	25.2	26.9	26.5	27.6	25.8	26.0
France	34.5	38.8	36.0	20.2	16.1	19.7	20.8	17.0	17.4	17.6
Germany	31.8	29.8	30.9	31.4	27.6	28.1	29.4	28.2	29.2	31.3
Greece	35.2	34.4	30.8	29.8	22.2	25.9	27.6	29.0	29.0	29.0
Hungary	34.0	27.4	27.0	20.9	21.6	22.5	22.7	25.2	26.9	26.2
Iceland	5.9	16.7	20.5	18.1	17.0	15.7	16.5	18.1	16.1	16.1
Ireland	16.6	-4.5	0.1	4.3	5.3	6.4	6.3	12.0	6.6	4.6
Israel	3.3	1.6	2.9	2.8	2.7	4.7	6.4	5.7	6.1	7.4
Italy	29.5	28.1	25.3	25.8	24.8	25.4	25.6	23.7	22.6	23.6
Japan	15.9	9.5	17.0	16.9	16.7	16.7	17.2	18.3	17.6	19.1
Korea	14.4	16.7	12.9	13.5	10.6	12.5	7.5	7.9	4.4	5.1
Latvia	24.0	29.5	25.0	24.3	23.6	24.3	19.5	21.6	23.8	21.8
Lithuania	38.4	30.0	31.7	18.7	9.1	13.2	13.7	14.2	13.3	10.6
Luxembourg	4.4	2.0	9.0	8.3	10.9	11.6	12.7	13.6	12.1	8.9
Mexico	7.6	12.9	15.0	16.8	19.4	19.1	19.3	19.1	19.3	19.6
Netherlands	26.4	12.2	10.2	6.2	6.1	5.0	7.9	3.8	1.6	2.5
New Zealand	-3.0	-17.7	-14.1	-18.8	-17.3	-16.4	-16.1	-12.1	-12.6	-11.3
Norway	16.4	20.9	22.3	22.0	22.4	23.0	23.2	21.9	21.0	19.8
Poland	29.8	28.4	23.9	-4.7	4.7	4.9	4.4	7.2	0.1	2.6
Portugal	26.9	19.5	23.9	21.2	21.2	22.3	22.8	19.0	14.9	15.4
Slovak Republic	26.1	22.6	27.9	30.0	29.2	28.3	25.2	12.0	13.8	18.5
Slovenia	13.4	12.4	10.1	14.8	15.2	16.7	16.4	16.3	19.5	25.1
Spain	28.6	29.2	24.2	24.9	23.3	25.1	25.8	26.3	27.8	28.5
Sweden	39.9	32.3	33.2	32.5	32.7	32.2	32.2	32.8	32.5	32.3
Switzerland	6.5	4.7	4.1	4.9	5.4	6.1	5.8	6.0	6.2	5.7
Türkiye ¹	39.1	33.0	34.6	34.8	34.9	34.9	33.4	33.3	35.5	36.4
United Kingdom	15.3	9.3	5.3	12.6	6.0	18.1	18.7	18.1	18.1	22.4
United States	10.7	8.9	11.7	10.1	2.3	-0.8	13.7	12.3	12.4	12.2
OECD-Average	19.8	17.5	18.0	16.0	15.2	15.2	16.4	16.1	15.8	16.3
OECD-EU 22	26.5	23.6	23.8	20.3	19.3	20.1	20.3	19.5	19.4	19.9

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

Table 6.5. Income tax plus employee and employer contributions less cash benefits, married couple at 100% of average wage

Tax burden as % of labour costs, one-earner married couple with two children

	2000	2010	2015	2019	2020	2021	2022	2023	2024	2025
Australia	23.4	14.6	17.8	20.8	20.8	19.0	20.4	22.7	22.8	21.2
Austria	35.2	36.4	39.2	33.7	32.2	34.1	30.5	32.7	32.3	33.3
Belgium	42.6	41.2	40.3	36.6	36.4	36.5	37.6	37.1	36.7	36.9
Canada	27.1	24.7	19.2	19.4	20.0	21.4	21.5	21.7	21.9	22.1
Chile	6.3	7.0	7.0	7.0	7.0	-18.5	5.7	1.9	2.4	4.9
Colombia	-4.6	-3.8	-4.4	-4.3	-4.8	-5.0	-4.3	-4.2	-4.5	-4.8
Costa Rica	26.1	26.3	26.5	27.2	27.4	27.4	27.4	27.7	27.7	27.7
Czechia	22.0	21.2	26.8	26.7	27.2	22.1	22.9	23.7	31.1	31.9
Denmark	27.7	25.2	25.7	25.7	25.6	25.9	26.5	26.5	27.1	26.6
Estonia	32.8	31.0	28.6	27.1	27.6	29.1	30.8	30.9	34.7	37.0
Finland	40.3	37.0	38.9	37.9	37.6	39.1	38.9	39.7	38.4	38.7
France	41.3	42.9	40.5	38.6	37.5	39.0	39.2	39.1	39.1	39.1
Germany	35.3	32.6	34.0	34.2	32.5	32.8	33.7	32.9	33.3	34.9
Greece	40.3	40.3	37.3	37.2	35.4	34.0	36.4	37.4	37.6	37.5
Hungary	43.9	36.7	35.2	29.4	29.5	29.9	29.3	30.9	32.0	31.5
Iceland	13.1	19.2	23.2	19.9	19.4	19.4	19.8	20.8	19.3	19.2
Ireland	20.4	14.7	17.7	17.4	18.2	19.1	18.6	18.9	19.6	19.0
Israel	25.5	17.5	19.2	20.0	20.3	21.3	19.7	19.0	20.2	21.4
Italy	39.3	37.8	38.6	39.0	37.3	36.9	34.4	33.8	35.2	34.3
Japan	26.4	22.1	27.0	27.5	27.3	27.3	27.4	27.9	26.0	28.4
Korea	15.7	17.8	16.3	18.1	16.2	17.9	14.9	15.2	13.6	14.0
Latvia	31.4	34.8	31.4	32.2	32.1	31.4	28.7	30.4	31.9	29.8
Lithuania	45.7	34.7	36.1	26.9	20.7	23.4	24.7	25.5	25.5	23.7
Luxembourg	11.7	12.9	17.5	17.4	18.6	19.0	19.5	21.2	20.0	20.7
Mexico	12.7	16.0	19.8	20.2	20.4	20.2	21.0	20.5	21.3	21.7
Netherlands	29.9	30.8	31.4	32.1	30.2	29.3	31.0	29.3	28.2	28.5
New Zealand	13.6	-0.9	5.2	4.3	5.7	6.4	7.9	10.9	10.5	11.4
Norway	28.4	30.7	32.0	32.0	32.2	32.5	32.9	32.9	32.3	31.4
Poland	33.3	28.4	30.6	17.4	15.1	15.3	13.0	15.9	11.9	14.2
Portugal	30.5	25.4	29.8	28.1	28.2	29.2	29.6	29.8	27.4	27.5
Slovak Republic	31.3	23.5	29.0	31.0	30.4	29.9	27.0	16.4	18.7	24.0
Slovenia	25.0	22.9	23.6	25.8	28.5	29.3	29.1	29.1	32.4	33.4
Spain	32.3	34.0	33.7	34.2	33.6	34.3	34.8	35.8	36.3	36.8
Sweden	44.3	37.2	37.7	37.3	37.4	37.4	37.5	37.5	37.0	36.8
Switzerland	11.7	10.3	9.2	10.0	10.5	11.1	10.9	11.1	11.1	10.8
Türkiye ¹	40.4	35.4	36.7	38.0	37.9	38.3	38.2	38.1	39.6	40.3
United Kingdom	27.8	26.5	25.8	26.4	25.7	26.5	27.5	26.9	26.1	28.8
United States	21.2	18.5	20.4	18.6	10.1	8.2	19.8	19.8	20.1	19.6
OECD-Average	27.7	25.4	26.4	25.5	25.0	24.5	25.4	25.5	25.7	26.2
OECD-EU 22	33.5	31.0	32.0	30.3	29.6	29.9	29.7	29.8	30.3	30.7

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

Table 6.6. Income tax plus employee and employer contributions less cash benefits, married couple with two children, at 100% and 67% of average wage

Tax burden as % of labour costs, two-earner married couple with two children

	2000	2010	2015	2019	2020	2021	2022	2023	2024	2025
Australia	26.7	23.8	26.2	25.8	26.3	24.8	24.8	27.4	27.9	26.3
Austria	39.0	40.1	42.2	38.3	37.1	38.4	36.3	37.4	37.1	37.7
Belgium	50.9	48.9	48.1	44.6	44.5	44.8	45.3	44.9	44.6	44.8
Canada	31.9	29.7	28.4	26.9	27.6	28.6	28.8	29.0	29.1	29.0
Chile	6.6	6.6	6.7	6.7	6.6	-8.6	6.1	4.1	4.2	5.5
Colombia	-5.5	-4.5	-5.3	-5.2	-5.8	-6.0	-5.2	-5.1	-5.4	-5.8
Costa Rica	26.1	26.3	26.5	27.2	27.4	27.4	27.4	27.7	27.7	27.7
Czechia	36.3	34.4	35.6	35.5	35.7	33.8	33.9	34.6	37.1	37.5
Denmark	35.4	31.3	31.4	31.2	31.0	31.1	31.5	31.5	31.8	31.4
Estonia	37.4	35.8	33.7	30.7	31.0	32.1	33.3	33.0	34.9	37.0
Finland	41.3	37.0	38.4	37.1	36.7	38.1	38.1	38.6	37.2	37.5
France	43.3	45.3	43.2	41.6	39.9	40.7	40.9	40.6	41.0	41.0
Germany	45.4	41.4	42.3	42.4	41.2	41.0	41.5	40.5	41.0	42.6
Greece	39.1	39.2	37.3	37.8	35.8	34.4	36.9	37.8	37.7	37.5
Hungary	47.0	39.6	40.7	35.5	35.2	35.2	34.1	35.0	35.7	35.4
Iceland	25.4	30.4	32.7	31.1	30.4	29.5	29.4	29.8	28.2	28.2
Ireland	29.3	22.1	24.8	25.1	25.8	26.6	26.1	26.0	26.2	25.7
Israel	21.6	14.4	15.5	16.1	16.3	17.3	16.4	15.7	16.5	17.7
Italy	44.2	42.5	41.5	41.7	40.6	40.2	37.0	36.1	36.4	36.1
Japan	28.2	25.4	29.3	29.7	29.6	29.6	29.7	30.1	29.0	30.2
Korea	15.5	17.9	17.4	19.0	18.1	19.3	17.8	17.9	18.4	18.6
Latvia	35.5	38.2	35.5	35.2	34.7	34.0	32.0	33.2	34.4	32.8
Lithuania	44.6	38.8	39.3	31.9	29.8	30.9	31.5	32.1	32.0	31.7
Luxembourg	21.4	22.5	27.5	26.8	28.3	28.7	29.2	31.2	29.8	30.2
Mexico	10.6	14.7	17.9	18.8	20.0	19.8	20.3	19.9	20.5	20.8
Netherlands	38.1	31.9	30.6	29.1	28.7	27.5	29.2	28.2	27.9	28.1
New Zealand	19.0	13.9	16.0	16.9	17.2	17.3	18.0	19.1	18.6	18.5
Norway	33.0	33.4	33.3	32.2	32.4	32.7	32.8	32.7	32.3	31.7
Poland	35.8	30.7	33.0	24.9	23.2	23.3	22.9	24.7	22.3	23.7
Portugal	33.4	30.9	32.2	34.8	34.9	35.7	36.0	36.2	34.9	34.8
Slovak Republic	37.2	31.9	36.1	37.1	36.5	36.2	34.4	28.1	29.8	33.0
Slovenia	37.1	34.0	34.6	35.7	35.8	36.3	35.7	35.9	38.0	39.8
Spain	35.4	36.7	36.3	36.7	35.9	36.8	37.1	37.5	38.3	38.7
Sweden	46.0	38.6	38.8	38.5	38.7	38.3	38.3	38.4	37.9	37.6
Switzerland	17.7	16.4	15.4	16.2	16.7	17.3	17.1	17.2	17.2	17.1
Türkiye ¹	39.9	35.4	36.7	37.6	37.6	37.9	36.2	36.2	37.9	38.8
United Kingdom	28.4	28.4	26.2	26.6	25.9	26.7	27.5	27.1	25.9	28.5
United States	26.9	25.3	26.3	24.0	18.9	17.8	24.7	24.6	24.9	24.6
OECD-Average	31.7	29.7	30.3	29.5	29.1	28.8	29.3	29.3	29.4	29.8
OECD-EU 22	38.8	36.0	36.5	35.1	34.6	34.7	34.6	34.6	34.8	35.2

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

Table 6.7. Income tax plus employee and employer contributions less cash benefits, married couple, both at 100% of average wage

Tax burden as % of labour costs, two-earner married couple with two children

	2000	2010	2015	2019	2020	2021	2022	2023	2024	2025
Australia	29.6	26.8	28.3	27.9	28.4	27.0	27.0	29.2	29.6	27.9
Austria	41.7	42.9	45.0	41.3	40.4	41.5	39.7	40.6	40.2	40.7
Belgium	53.7	51.8	51.1	48.0	48.0	48.1	48.7	48.3	48.0	48.1
Canada	34.1	31.4	30.9	29.3	29.6	30.5	30.7	30.8	31.0	31.1
Chile	6.6	7.0	7.0	7.0	7.0	-5.7	6.6	5.3	5.5	6.5
Colombia	-4.6	-1.9	-4.4	-4.3	-4.8	-5.0	-4.3	-4.2	-4.5	-4.8
Costa Rica	26.1	26.3	26.5	27.2	27.4	27.4	27.4	27.7	27.7	27.7
Czechia	39.4	37.2	37.7	39.6	37.8	35.6	35.7	36.3	38.4	38.8
Denmark	37.6	33.0	33.1	32.8	32.6	32.8	33.1	33.1	33.4	33.0
Estonia	38.6	36.9	34.9	33.0	33.4	34.5	35.8	36.1	37.7	39.8
Finland	43.9	39.7	41.2	40.0	39.7	41.1	41.0	41.6	40.3	40.5
France	46.5	47.1	45.6	44.2	43.4	44.0	44.2	44.0	44.2	44.3
Germany	48.3	44.1	44.7	44.7	43.9	43.5	43.7	43.2	43.2	44.7
Greece	40.8	41.0	39.5	40.8	39.4	37.7	38.6	39.5	39.5	39.4
Hungary	49.3	41.7	42.1	37.0	36.6	36.5	35.2	36.0	36.6	36.3
Iceland	28.8	33.3	34.3	32.7	32.2	32.0	32.1	31.8	30.8	30.7
Ireland	33.7	27.0	29.9	29.8	30.4	31.0	30.6	30.6	30.7	30.1
Israel	25.0	16.7	18.2	19.2	19.6	20.6	19.1	18.4	19.6	20.8
Italy	45.9	44.7	45.3	45.5	44.1	43.3	41.0	40.6	41.7	40.7
Japan	28.9	26.6	30.2	30.7	30.5	30.5	30.6	31.1	30.2	31.3
Korea	16.1	19.1	19.1	20.7	20.0	21.1	19.9	20.1	20.4	20.6
Latvia	37.3	39.4	36.9	37.3	37.2	36.0	34.6	35.7	36.7	35.0
Lithuania	45.7	39.7	40.3	33.8	32.2	33.1	34.1	34.7	35.1	34.7
Luxembourg	25.9	27.0	32.1	31.6	33.0	33.4	33.9	35.5	34.3	34.6
Mexico	12.7	16.0	19.8	20.2	20.4	20.2	21.0	20.5	21.3	21.7
Netherlands	37.6	34.3	33.2	32.9	32.5	31.4	32.9	32.2	32.1	32.2
New Zealand	19.4	17.0	17.6	19.0	19.3	19.4	20.1	21.1	20.8	20.8
Norway	35.1	35.1	34.9	33.8	34.0	34.2	34.6	34.6	34.4	33.9
Poland	36.6	31.6	33.7	26.9	25.4	25.4	25.4	26.9	24.9	26.1
Portugal	35.9	34.1	36.9	37.4	37.5	38.2	38.3	38.5	37.0	36.8
Slovak Republic	41.3	33.9	37.8	38.6	38.1	37.8	36.3	31.0	32.6	35.3
Slovenia	41.1	37.8	37.2	39.0	38.9	39.4	38.8	39.1	40.9	41.6
Spain	37.2	38.3	38.0	38.4	37.9	38.5	38.8	39.5	40.0	40.3
Sweden	47.2	40.0	40.1	39.9	40.0	39.9	39.9	39.8	39.3	39.0
Switzerland	20.1	18.9	17.9	18.8	19.2	19.8	19.6	19.7	19.7	19.6
Türkiye ¹	40.4	36.5	37.7	39.1	39.0	39.4	38.2	38.1	39.6	40.3
United Kingdom	30.2	30.3	28.6	28.9	28.3	29.0	29.8	29.2	28.0	30.6
United States	28.8	26.8	27.6	26.1	22.1	21.4	27.3	27.0	27.1	26.9
OECD-Average	33.7	31.8	32.4	31.8	31.4	31.2	31.6	31.7	31.8	32.0
OECD-EU 22	41.1	38.3	38.9	37.8	37.4	37.4	37.3	37.4	37.6	37.8

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

Table 6.8. Income tax plus employee and employer contributions less cash benefits, married couple at 100% and 67% of average wage

Tax burden as % of labour costs, two-earner married couple without children

	2000	2010	2015	2019	2020	2021	2022	2023	2024	2025
Australia	29.0	24.5	26.2	25.8	26.3	24.8	24.8	27.4	27.9	26.3
Austria	45.7	46.3	47.8	46.2	45.6	46.0	45.1	45.4	45.0	45.3
Belgium	56.2	53.8	53.0	49.6	49.5	49.7	50.3	49.9	49.6	49.7
Canada	32.5	30.7	31.3	29.9	30.3	30.8	31.1	31.3	31.3	31.2
Chile	7.0	7.0	7.0	7.0	7.0	-1.8	7.0	7.0	7.0	7.4
Colombia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costa Rica	26.1	26.3	26.5	27.2	27.4	27.4	27.4	27.7	27.7	27.7
Czechia	42.1	40.9	41.7	43.1	43.2	39.1	38.9	39.4	40.1	40.4
Denmark	39.4	35.2	35.2	34.8	34.5	34.6	34.9	34.9	35.1	34.7
Estonia	40.7	39.5	38.6	35.5	35.7	36.5	37.3	37.5	38.4	40.4
Finland	45.6	40.1	41.3	39.7	39.3	40.5	40.6	40.8	39.5	39.8
France	47.7	48.7	46.7	45.4	43.7	44.2	44.4	44.1	44.4	44.4
Germany	50.5	47.2	47.6	47.4	47.0	46.4	46.4	45.8	46.1	47.6
Greece	38.7	39.2	38.0	39.6	37.9	36.5	37.4	38.2	38.9	38.7
Hungary	53.4	45.5	49.0	44.6	43.6	43.2	41.2	41.2	41.2	41.2
Iceland	26.8	31.4	32.7	31.4	31.1	30.4	30.5	30.2	29.8	29.8
Ireland	31.3	26.7	28.8	28.8	29.5	30.1	29.8	29.8	29.3	28.7
Israel	26.4	17.5	18.5	19.2	19.5	20.5	21.6	21.0	21.8	23.0
Italy	45.7	45.9	45.0	45.1	44.5	44.0	43.3	42.8	43.4	42.9
Japan	29.3	29.7	31.7	32.1	32.0	32.0	32.1	32.4	32.0	32.4
Korea	15.7	19.0	20.2	21.7	22.1	22.7	23.3	23.3	23.5	23.7
Latvia	42.6	43.7	42.2	41.3	40.8	39.5	39.1	39.6	40.2	39.0
Lithuania	44.6	39.9	40.4	36.5	35.7	36.3	36.7	37.1	37.2	37.7
Luxembourg	30.7	30.6	34.5	33.3	34.5	34.8	35.1	36.7	35.3	35.5
Mexico	10.6	14.7	17.9	18.8	20.0	19.8	20.3	19.9	20.5	20.8
Netherlands	41.0	36.3	34.9	34.2	33.6	32.3	33.6	32.7	32.6	32.6
New Zealand	19.0	15.9	16.0	16.9	17.2	17.3	18.0	19.1	18.6	18.5
Norway	37.2	36.0	35.5	34.4	34.5	34.7	34.8	34.8	34.8	34.7
Poland	37.7	33.8	35.4	35.3	34.6	34.7	32.9	33.5	34.0	34.4
Portugal	35.9	34.2	38.4	38.1	38.2	38.8	39.4	39.6	38.0	37.8
Slovak Republic	41.6	36.8	40.5	41.0	40.4	40.5	40.8	40.9	41.6	41.9
Slovenia	44.8	41.0	41.0	42.2	42.0	42.3	41.6	41.7	43.5	44.2
Spain	37.1	38.5	38.0	38.4	37.6	38.5	38.6	39.0	39.7	40.0
Sweden	49.5	41.9	41.8	41.7	41.8	41.4	41.2	41.2	40.6	40.2
Switzerland	22.9	21.8	21.6	22.1	22.5	22.9	22.7	22.8	22.7	22.7
Türkiye ¹	39.9	35.9	37.3	38.2	38.2	38.5	36.2	36.2	37.9	38.8
United Kingdom	31.2	31.3	28.9	29.0	28.4	29.0	29.8	29.4	28.2	30.6
United States	30.5	29.5	30.2	28.3	25.1	26.0	28.5	28.3	28.4	28.3
OECD-Average	34.9	33.1	33.7	33.3	33.0	32.8	33.1	33.2	33.3	33.5
OECD-EU 22	42.8	40.3	40.9	40.1	39.7	39.5	39.5	39.6	39.7	39.9

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

Table 6.9. Income tax, single persons at 67% of average wage

Tax burden as % of gross wage earnings, single persons without children

	2000	2010	2015	2019	2020	2021	2022	2023	2024	2025
Australia	21.1	16.0	18.5	18.1	18.7	17.3	17.2	20.2	20.8	19.3
Austria	7.6	9.0	11.1	9.7	8.8	9.3	9.7	9.3	9.0	9.0
Belgium	22.8	22.5	21.5	17.5	17.4	17.7	18.7	18.2	17.8	17.8
Canada	16.2	13.5	13.7	13.5	14.2	14.5	14.5	14.4	14.3	13.9
Chile	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Colombia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costa Rica	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Czechia	8.3	7.2	8.5	11.0	11.3	5.7	5.4	6.1	6.6	7.1
Denmark	28.7	33.6	33.3	32.7	32.4	32.5	32.8	32.9	33.0	32.5
Estonia	19.9	14.8	15.5	9.0	9.3	10.0	10.8	10.0	11.6	14.1
Finland	20.9	15.7	15.8	13.0	13.3	13.3	13.3	13.1	13.2	13.1
France	12.5	12.2	11.8	12.8	11.9	12.2	12.2	12.2	12.3	12.4
Germany	16.3	13.8	14.2	14.2	13.6	12.9	13.4	12.1	12.0	12.6
Greece	2.1	1.7	3.0	4.5	2.0	3.4	5.1	6.3	7.2	7.8
Hungary	17.6	10.8	16.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
Iceland	20.0	22.0	24.8	24.6	24.3	23.4	23.3	22.9	22.5	22.4
Ireland	15.8	13.0	12.8	12.2	12.4	12.8	12.7	13.0	12.6	12.0
Israel	12.1	4.4	5.0	5.5	5.7	6.5	7.2	7.0	7.6	7.8
Italy	15.2	16.6	12.3	12.8	12.7	12.7	12.2	14.8	15.4	9.6
Japan	5.1	6.1	6.2	6.2	6.1	6.1	6.2	6.2	5.2	5.9
Korea	0.8	1.4	1.5	2.5	2.6	3.1	3.6	3.3	3.6	3.9
Latvia	17.0	20.5	17.4	14.0	12.9	12.8	11.7	12.1	13.2	11.9
Lithuania	22.2	10.7	11.4	14.1	12.8	13.6	13.5	13.7	13.3	14.0
Luxembourg	10.3	7.3	10.0	8.9	10.0	10.1	10.1	11.9	11.3	10.8
Mexico	-5.7	-0.4	2.1	4.3	7.3	7.4	7.7	7.6	7.9	8.3
Netherlands	5.3	5.3	7.2	5.7	5.8	5.7	7.0	6.8	7.6	8.0
New Zealand	18.6	14.3	13.5	14.0	14.1	14.2	15.4	16.3	15.3	15.1
Norway	19.0	17.8	16.9	15.6	15.9	16.0	16.0	15.7	15.8	15.8
Poland	5.3	5.6	6.3	6.4	5.7	5.7	2.6	3.5	4.2	4.8
Portugal	6.6	4.5	8.9	9.8	9.9	10.6	11.3	11.6	10.1	9.9
Slovak Republic	6.2	4.6	6.6	8.0	7.1	7.6	8.2	8.4	7.7	8.1
Slovenia	10.2	6.6	6.6	8.6	8.5	8.7	7.9	7.9	8.2	8.2
Spain	8.6	11.2	10.3	10.9	9.3	11.0	11.2	10.6	12.0	12.4
Sweden	24.7	15.0	15.0	14.8	14.8	13.8	13.5	13.8	13.1	12.6
Switzerland	8.4	8.3	7.8	8.3	8.4	8.6	8.5	8.6	8.5	8.6
Türkiye ¹	13.2	8.6	9.7	10.0	10.1	10.2	6.7	6.7	9.0	9.6
United Kingdom	15.1	14.4	11.2	10.9	10.7	11.2	11.7	12.4	12.9	13.3
United States	15.0	13.8	15.2	13.7	13.9	14.0	14.1	13.8	13.9	13.8
OECD-Average	12.2	10.6	11.1	10.9	10.8	10.8	10.8	11.0	11.2	11.1
OECD-EU 22	13.8	11.9	12.5	12.1	11.7	11.7	11.7	12.0	12.1	12.0

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

Table 6.10. Income tax, single persons at 100% of average wage

Tax burden as % of gross wage earnings, single persons without children

	2000	2010	2015	2019	2020	2021	2022	2023	2024	2025
Australia	26.6	22.3	24.1	23.6	24.1	23.2	23.2	24.9	25.3	23.5
Austria	12.9	15.0	17.0	15.2	14.7	15.2	15.3	14.9	14.6	14.6
Belgium	29.0	28.7	28.0	25.4	25.3	25.5	26.3	25.9	25.5	25.6
Canada	21.7	19.0	19.2	18.5	19.2	19.3	19.3	19.3	19.2	18.8
Chile	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Colombia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costa Rica	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Czechia	10.0	11.5	12.4	14.0	14.2	8.8	8.6	9.1	9.4	9.7
Denmark	32.7	36.2	36.1	35.5	35.3	35.4	35.5	35.5	35.8	35.3
Estonia	21.9	16.7	16.8	14.1	14.5	15.6	16.9	18.0	19.0	21.6
Finland	26.9	22.3	22.6	20.5	20.8	20.8	20.9	20.9	21.2	21.2
France	15.7	14.2	14.8	16.7	15.8	16.3	16.3	16.3	16.6	16.7
Germany	22.7	18.7	19.2	19.1	18.5	17.6	18.2	16.8	16.8	17.2
Greece	5.7	7.1	8.2	9.7	8.3	9.1	10.2	11.2	12.1	12.7
Hungary	23.2	14.4	16.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
Iceland	25.3	27.4	29.2	28.2	28.1	27.7	27.7	27.4	27.1	27.1
Ireland	24.1	20.1	22.0	21.6	22.1	22.7	22.4	22.4	21.9	21.0
Israel	18.0	9.0	9.6	10.1	10.4	10.9	11.7	11.5	12.3	12.7
Italy	19.9	20.7	21.6	22.0	20.6	19.5	19.8	22.6	20.7	19.1
Japan	6.4	7.6	7.8	7.9	7.8	7.8	7.9	7.9	7.4	7.9
Korea	2.2	4.5	4.9	6.1	6.1	6.5	6.9	6.7	6.9	7.1
Latvia	18.9	21.5	18.4	17.6	17.3	16.0	15.9	16.6	17.3	15.5
Lithuania	25.8	13.1	13.9	17.0	16.5	16.9	17.8	18.4	18.8	19.2
Luxembourg	17.0	14.6	18.0	17.7	18.8	19.1	19.3	20.8	20.1	19.7
Mexico	1.0	4.8	9.1	9.6	9.9	9.9	10.8	10.4	11.3	11.8
Netherlands	9.6	16.2	17.0	16.4	16.4	16.2	17.1	17.0	17.5	17.8
New Zealand	19.4	17.0	17.6	19.0	19.3	19.4	20.1	21.1	20.8	20.8
Norway	22.9	21.5	20.3	19.1	19.3	19.4	19.9	20.2	20.4	20.4
Poland	6.6	6.7	7.1	7.2	6.4	6.4	5.1	5.7	6.2	6.6
Portugal	11.8	10.3	15.9	15.0	15.1	15.8	16.1	16.4	14.2	13.9
Slovak Republic	8.2	8.5	9.9	10.8	10.2	10.5	10.9	11.0	10.6	10.9
Slovenia	13.5	11.2	11.2	12.3	11.9	12.4	11.6	11.9	12.2	12.1
Spain	13.5	15.4	14.9	15.4	14.8	15.5	15.8	16.3	16.7	17.1
Sweden	26.7	17.8	17.6	17.6	17.6	17.4	17.2	17.0	16.1	15.6
Switzerland	11.3	11.3	10.7	11.3	11.4	11.8	11.6	11.7	11.6	11.7
Türkiye ¹	14.7	11.6	12.4	14.0	13.9	14.4	12.3	12.3	13.9	14.3
United Kingdom	17.4	16.2	14.1	13.9	13.7	14.1	14.4	14.9	16.1	17.6
United States	17.3	17.0	18.0	16.2	16.6	17.0	17.1	16.7	16.8	16.7
OECD-Average	15.8	14.5	15.1	15.1	15.0	15.0	15.1	15.4	15.5	15.5
OECD-EU 22	18.0	16.4	17.2	17.1	16.8	16.7	16.9	17.3	17.2	17.2

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

Table 6.11. Income tax, single persons at 167% of average wage

Tax burden as % of gross wage earnings, single persons without children

	2000	2010	2015	2019	2020	2021	2022	2023	2024	2025
Australia	34.9	28.2	30.1	30.5	30.8	29.4	29.7	30.0	30.4	28.7
Austria	20.4	22.2	23.4	21.9	21.5	21.8	22.2	22.1	22.0	21.7
Belgium	36.0	35.5	35.1	33.5	33.5	33.6	34.2	33.9	33.6	33.6
Canada	28.9	26.5	26.8	25.8	27.1	27.5	27.6	27.5	27.4	27.1
Chile	1.3	1.0	1.2	1.3	1.3	1.3	1.2	1.3	1.3	1.4
Colombia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costa Rica	0.3	1.3	1.9	2.7	2.6	2.9	2.8	2.3	2.5	2.8
Czechia	13.0	14.9	15.5	16.4	16.6	11.3	11.1	11.4	11.6	11.8
Denmark	40.8	42.8	42.0	41.3	41.0	41.0	41.3	41.5	42.0	41.6
Estonia	23.6	18.2	18.0	19.7	19.7	19.7	19.7	19.7	19.7	21.6
Finland	34.0	29.5	29.7	28.1	28.4	28.4	28.5	28.7	29.1	29.2
France	21.2	20.3	21.0	22.8	22.2	22.6	22.6	22.5	22.7	22.8
Germany	31.7	27.1	27.8	27.6	26.7	26.1	27.4	26.3	26.3	26.6
Greece	13.3	14.2	16.1	16.7	15.7	15.3	16.7	18.0	18.9	19.6
Hungary	30.3	22.8	16.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
Iceland	36.6	32.3	33.9	33.2	33.4	33.3	33.2	32.9	32.5	32.4
Ireland	32.9	30.9	32.1	31.2	31.6	32.1	32.0	32.1	31.9	31.3
Israel	26.3	16.4	17.0	18.0	18.4	19.4	20.2	20.0	20.7	20.9
Italy	25.3	27.7	29.9	29.9	30.2	30.4	29.5	29.9	29.8	30.3
Japan	10.6	12.0	12.6	13.0	12.6	12.5	12.7	13.0	13.3	14.0
Korea	6.7	8.6	8.9	11.1	11.1	11.7	12.3	11.9	12.2	12.4
Latvia	20.4	22.4	19.3	18.0	18.2	18.5	18.7	18.9	19.1	18.4
Lithuania	28.7	15.0	15.0	19.4	19.4	19.6	20.0	20.0	20.0	20.0
Luxembourg	26.2	22.6	25.7	25.7	26.4	26.6	27.0	27.7	27.0	26.7
Mexico	8.0	11.9	13.6	14.0	14.3	14.3	15.0	14.8	15.4	15.6
Netherlands	25.4	28.4	28.9	27.4	27.2	27.1	28.1	28.0	28.6	28.9
New Zealand	24.2	23.3	23.4	24.4	24.6	24.8	25.3	25.8	25.7	25.7
Norway	30.4	27.9	26.8	25.7	25.7	26.0	26.6	27.0	27.3	27.4
Poland	7.7	7.5	7.8	7.8	8.2	8.2	7.2	7.7	9.9	11.4
Portugal	18.1	17.4	23.1	21.5	21.6	22.4	23.1	23.6	21.5	21.2
Slovak Republic	12.8	11.7	12.5	13.0	12.7	13.1	13.6	13.7	13.2	13.5
Slovenia	19.1	17.0	15.8	16.3	15.2	15.6	15.2	15.7	16.2	16.2
Spain	18.5	20.6	21.1	21.4	20.7	21.5	21.8	22.3	22.8	23.2
Sweden	36.3	30.9	30.4	30.4	29.9	29.8	29.8	28.7	28.8	27.8
Switzerland	16.2	16.3	15.6	16.2	16.4	16.7	16.6	16.7	16.6	16.6
Türkiye ¹	18.0	14.9	16.6	17.9	17.8	18.1	16.9	16.9	17.8	18.1
United Kingdom	23.1	22.4	22.4	21.7	21.3	22.3	23.3	24.7	25.7	26.6
United States	24.3	22.9	23.5	21.2	21.5	21.8	21.9	21.5	21.6	21.5
OECD-Average	21.7	20.1	20.5	20.6	20.5	20.6	20.8	20.9	21.1	21.2
OECD-EU 22	24.3	22.7	23.0	23.0	22.8	22.7	22.9	23.1	23.2	23.3

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

Table 6.12. Income tax, single parent at 67% of average wage

Tax burden as % of gross wage earnings, single parent with two children

	2000	2010	2015	2019	2020	2021	2022	2023	2024	2025
Australia	15.5	14.3	18.5	18.1	18.7	17.3	17.2	20.2	20.8	19.3
Austria	5.8	5.8	8.3	-1.6	-2.3	-1.5	-2.4	-2.3	-2.4	-2.4
Belgium	16.7	17.2	16.0	11.6	11.5	11.9	13.2	12.5	12.1	12.1
Canada	8.9	4.9	6.9	6.4	8.0	8.7	8.8	8.7	8.5	8.1
Chile	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Colombia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costa Rica	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Czechia	2.3	-4.8	-5.0	-6.4	-6.0	-11.9	-11.3	-9.7	-3.5	-2.4
Denmark	28.7	33.6	31.5	30.9	30.6	30.7	31.0	31.0	31.2	29.1
Estonia	19.9	9.3	11.2	5.7	6.1	7.0	8.1	7.5	11.6	14.1
Finland	20.9	15.7	15.2	13.0	13.3	13.3	13.3	13.1	13.2	12.6
France	7.1	7.5	7.9	9.5	9.5	9.5	9.5	9.5	9.5	9.5
Germany	-2.6	-4.0	-2.7	-2.0	-6.7	-6.2	-3.9	-5.8	-4.9	-3.8
Greece	1.2	0.0	3.0	3.8	1.0	2.5	4.2	5.5	5.2	5.8
Hungary	10.3	10.8	4.6	0.0	0.0	1.1	3.0	4.7	5.8	4.4
Iceland	20.0	22.0	24.8	24.6	24.3	23.4	23.3	22.9	22.5	22.4
Ireland	9.0	6.5	7.2	7.1	7.5	7.9	8.0	8.5	8.1	7.3
Israel	1.1	0.0	0.0	-1.9	-2.2	-0.9	0.0	0.0	0.0	0.0
Italy	10.0	9.3	4.6	5.3	5.5	5.7	12.2	14.8	15.4	9.6
Japan	2.4	2.7	6.2	6.2	6.1	6.1	6.2	6.2	3.4	5.9
Korea	0.1	0.7	0.0	0.8	0.9	1.1	1.8	1.7	-2.7	-2.2
Latvia	5.4	9.0	3.2	1.2	0.0	1.1	0.8	2.4	4.2	1.2
Lithuania	16.2	7.3	7.6	14.1	12.8	13.6	13.5	13.7	13.3	14.0
Luxembourg	0.0	-0.3	3.3	2.1	4.0	4.4	5.0	5.1	4.2	-0.7
Mexico	-5.7	-0.4	2.1	4.3	7.3	7.4	7.7	7.6	7.9	8.3
Netherlands	3.0	3.5	5.7	3.7	3.7	3.8	5.3	5.1	5.9	6.5
New Zealand	18.6	15.9	14.9	15.2	15.2	15.3	15.4	16.3	16.0	16.0
Norway	13.3	14.1	13.4	12.8	13.2	13.4	13.5	15.3	15.8	15.8
Poland	2.5	0.0	-2.7	5.0	-0.5	-0.4	-4.4	-3.9	-3.4	-3.1
Portugal	3.7	0.0	2.7	0.0	0.0	0.9	1.1	1.2	0.4	0.6
Slovak Republic	3.6	-2.9	-0.3	1.9	1.1	-0.3	-2.6	-15.0	-15.7	-10.2
Slovenia	3.4	0.0	0.0	2.6	2.7	3.3	2.6	2.7	3.1	3.2
Spain	0.4	1.7	-4.8	-3.9	-6.0	-3.7	-2.7	-2.6	-0.6	0.2
Sweden	24.7	15.0	15.0	14.8	14.8	13.8	13.5	13.8	13.1	12.6
Switzerland	4.0	3.4	2.2	2.5	2.6	2.8	2.7	2.8	2.7	2.8
Türkiye ¹	13.2	7.0	8.2	8.4	8.5	8.5	6.7	6.7	9.0	9.6
United Kingdom	8.6	0.0	-3.9	2.6	-3.6	11.2	11.7	12.4	12.9	13.3
United States	-5.0	-7.4	-3.8	-5.2	-3.6	-6.8	-1.2	-2.6	-2.5	-2.8
OECD-Average	7.6	5.7	5.8	5.6	5.2	5.6	6.1	6.1	6.3	6.2
OECD-EU 22	8.7	6.4	6.0	5.4	4.7	4.8	5.3	5.1	5.7	5.5

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

Table 6.13. Income tax, married couple at 100% of average wage

Tax burden as % of gross wage earnings, one-earner married couple with two children

	2000	2010	2015	2019	2020	2021	2022	2023	2024	2025
Australia	25.6	21.1	24.1	23.6	24.1	23.2	23.2	24.9	25.3	23.5
Austria	11.7	12.8	15.0	7.7	7.3	7.9	6.6	6.7	6.7	6.9
Belgium	18.9	17.7	16.7	13.4	13.3	13.7	14.9	14.3	13.8	13.8
Canada	18.4	14.6	13.7	15.2	15.9	16.1	16.1	16.2	16.0	15.7
Chile	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Colombia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costa Rica	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Czechia	4.0	-5.2	-4.5	-3.7	-3.3	-8.4	-7.8	-6.3	2.6	3.3
Denmark	26.1	32.0	32.1	31.6	31.4	31.5	31.8	31.9	32.3	31.8
Estonia	17.9	9.2	11.2	9.4	9.9	11.3	13.0	14.4	19.0	21.6
Finland	26.9	22.3	22.5	20.5	20.8	20.8	20.9	20.9	21.2	21.0
France	7.3	8.3	7.9	9.5	9.5	9.5	9.5	9.5	9.5	9.5
Germany	1.5	-0.6	1.0	1.3	-0.8	-0.6	1.0	-0.4	0.0	0.7
Greece	7.7	7.6	9.2	10.2	9.0	9.6	10.9	12.1	12.2	12.8
Hungary	18.4	14.4	8.4	4.1	5.0	5.7	7.0	8.1	8.8	7.9
Iceland	16.1	17.3	21.3	20.7	21.2	21.5	21.5	21.0	20.5	20.4
Ireland	11.1	10.8	12.3	11.3	11.9	12.8	12.6	12.9	12.4	11.5
Israel	18.0	9.0	9.6	10.1	10.4	10.9	8.8	8.5	9.5	9.9
Italy	15.6	13.9	14.7	15.3	14.1	13.2	17.6	20.5	18.7	17.2
Japan	2.5	3.9	6.4	6.5	6.4	6.4	6.5	6.6	3.9	6.7
Korea	1.5	1.9	2.2	4.1	4.2	4.7	5.5	5.3	3.2	3.6
Latvia	11.1	13.9	8.9	9.0	8.5	8.1	8.6	10.0	11.3	8.3
Lithuania	25.8	10.8	11.4	17.0	16.5	16.9	17.8	18.4	18.8	19.2
Luxembourg	2.3	4.5	6.4	6.2	7.0	7.2	7.2	8.5	8.0	7.7
Mexico	1.0	4.8	9.1	9.6	9.9	9.9	10.8	10.4	11.3	11.8
Netherlands	4.8	15.9	16.5	16.1	16.1	16.0	17.1	17.0	17.5	17.8
New Zealand	19.4	17.0	17.6	19.0	19.3	19.4	20.1	21.1	20.8	20.8
Norway	18.1	19.0	19.2	19.1	19.3	19.4	19.9	20.2	20.4	20.4
Poland	4.8	0.0	1.1	2.4	2.3	2.3	-2.5	-1.0	0.2	1.1
Portugal	6.4	2.6	6.6	4.2	4.3	5.0	5.2	5.5	4.6	4.5
Slovak Republic	5.0	-4.5	-1.4	1.0	0.4	-0.2	-2.8	-13.4	-13.1	-6.5
Slovenia	4.8	2.9	2.9	3.9	4.1	4.5	4.2	4.2	4.7	4.7
Spain	5.2	7.9	7.6	8.1	7.4	8.3	8.9	9.8	10.5	11.1
Sweden	26.7	17.8	17.6	17.6	17.6	17.4	17.2	17.0	16.1	15.6
Switzerland	6.2	5.9	4.3	4.7	4.8	5.2	5.0	5.1	5.0	5.1
Türkiye ¹	14.7	9.8	10.6	12.1	12.1	12.5	12.3	12.3	13.9	14.3
United Kingdom	17.4	14.6	13.5	13.3	13.1	13.5	13.9	14.4	16.1	17.6
United States	6.8	3.6	6.1	4.3	4.8	2.1	5.7	5.6	6.0	5.5
OECD-Average	11.3	9.4	10.0	10.0	9.9	9.9	10.2	10.3	10.7	11.0
OECD-EU 22	12.0	9.8	10.2	9.8	9.7	9.7	9.9	10.0	10.7	11.0

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

Table 6.14. Income tax, married couple with two children, at 100% and 67% of average wage

Tax burden as % of gross wage earnings, two-earner married couple with two children

	2000	2010	2015	2019	2020	2021	2022	2023	2024	2025
Australia	23.8	19.1	21.8	21.4	21.9	20.8	20.8	23.0	23.5	21.8
Austria	10.8	12.3	14.3	9.3	8.7	9.3	8.6	8.5	8.4	8.5
Belgium	26.4	24.8	23.9	20.7	20.6	20.8	21.8	21.3	20.9	20.9
Canada	19.5	16.2	16.9	16.5	17.2	17.4	17.4	17.4	17.2	16.9
Chile	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Colombia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costa Rica	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Czechia	6.8	4.9	5.4	5.8	6.1	0.5	0.6	1.5	4.2	4.8
Denmark	31.1	35.2	34.9	34.4	34.2	34.2	34.4	34.5	34.7	34.2
Estonia	21.1	13.7	14.6	10.8	11.1	12.2	13.4	13.8	16.0	18.6
Finland	24.5	19.7	19.7	17.5	17.8	17.8	17.8	17.8	18.0	17.7
France	10.8	11.1	11.4	12.9	11.6	11.9	12.0	11.9	12.1	12.1
Germany	13.8	9.9	11.0	11.1	9.6	9.2	10.4	8.9	9.2	9.9
Greece	6.1	6.2	7.3	8.2	6.4	7.4	8.8	10.0	9.9	10.5
Hungary	18.0	13.0	11.4	8.4	9.0	9.4	10.2	10.8	11.3	10.8
Iceland	23.2	25.3	27.5	26.7	26.6	26.0	25.9	25.6	25.2	25.2
Ireland	19.7	15.6	17.1	17.1	17.7	18.4	18.1	18.0	17.5	16.7
Israel	12.5	5.4	5.7	6.0	6.2	6.9	5.3	5.1	5.7	5.9
Italy	16.8	16.3	14.9	15.5	14.7	14.1	16.7	19.5	18.6	15.3
Japan	4.5	5.5	7.1	7.2	7.1	7.1	7.2	7.2	5.6	7.1
Korea	1.3	2.0	2.3	3.8	3.9	4.3	5.0	4.8	5.1	5.3
Latvia	13.5	16.5	12.3	11.0	10.3	10.0	9.8	10.9	12.0	9.8
Lithuania	24.3	10.8	11.4	15.9	15.0	15.6	16.0	16.5	16.6	17.1
Luxembourg	8.2	9.3	12.4	11.9	13.2	13.5	13.8	15.6	14.9	14.4
Mexico	-1.7	2.7	6.3	7.5	8.9	8.9	9.6	9.2	10.0	10.4
Netherlands	7.9	11.7	12.5	11.3	11.3	11.2	12.4	12.2	12.9	13.3
New Zealand	19.0	16.5	16.0	16.9	17.2	17.3	18.2	19.1	18.6	18.5
Norway	20.6	20.0	19.0	17.7	17.9	18.0	18.3	18.4	18.5	18.6
Poland	6.1	2.6	3.9	4.6	4.1	4.2	2.4	3.3	4.1	4.6
Portugal	8.6	6.1	7.5	8.3	8.4	9.4	9.9	10.1	8.4	8.4
Slovak Republic	6.0	3.9	5.8	7.2	6.5	6.2	4.6	-1.7	-1.5	2.4
Slovenia	8.1	5.7	5.7	6.9	7.0	7.3	6.7	6.9	7.5	7.5
Spain	9.3	11.5	10.9	11.4	10.3	11.5	11.9	12.1	13.0	13.4
Sweden	25.9	16.7	16.5	16.4	16.5	16.0	15.7	15.7	14.9	14.4
Switzerland	9.8	9.5	8.0	8.7	8.9	9.3	9.1	9.2	9.1	9.2
Türkiye ¹	14.1	9.7	10.7	11.7	11.7	12.0	10.1	10.0	11.9	12.4
United Kingdom	16.5	15.4	12.9	12.7	12.5	12.9	13.3	13.9	14.8	15.8
United States	12.8	10.9	12.3	10.1	10.4	8.7	10.9	10.8	11.0	10.7
OECD-Average	13.2	11.5	11.9	11.7	11.6	11.6	11.8	11.9	12.1	12.2
OECD-EU 22	14.7	12.6	12.9	12.6	12.3	12.3	12.5	12.6	12.9	13.0

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

Table 6.15. Income tax, married couple, both at 100% of average wage

Tax burden as % of gross wage earnings, two-earner married couple with two children

	2000	2010	2015	2019	2020	2021	2022	2023	2024	2025
Australia	26.6	22.3	24.1	23.6	24.1	23.2	23.2	24.9	25.3	23.5
Austria	12.9	14.7	16.7	12.1	11.7	12.2	11.6	11.4	11.3	11.4
Belgium	29.0	27.5	26.8	24.1	24.0	24.2	25.0	24.6	24.3	24.3
Canada	21.7	18.5	19.2	18.5	19.2	19.3	19.3	19.3	19.2	18.8
Chile	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Colombia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costa Rica	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Czechia	7.9	7.4	7.8	8.2	8.4	2.9	3.0	3.8	6.0	6.5
Denmark	32.7	36.2	36.1	35.5	35.3	35.4	35.5	35.5	35.8	35.3
Estonia	21.9	14.8	15.4	13.0	13.5	14.6	16.0	17.2	19.0	21.6
Finland	26.9	22.3	22.5	20.5	20.8	20.8	20.9	20.9	21.2	21.0
France	12.5	12.2	12.8	14.7	13.7	14.3	14.3	14.3	14.6	14.7
Germany	17.2	13.1	13.8	13.9	12.9	12.3	13.0	12.0	11.9	12.5
Greece	8.3	8.5	9.2	10.2	9.0	9.6	10.9	12.1	12.2	12.8
Hungary	20.8	14.4	12.2	9.5	10.0	10.3	11.0	11.5	11.9	11.5
Iceland	25.3	27.4	29.2	28.2	28.1	27.7	27.7	27.4	27.1	27.1
Ireland	24.1	20.1	22.0	21.6	22.1	22.7	22.4	22.4	21.9	21.0
Israel	15.4	6.5	7.2	8.0	8.3	9.0	7.0	6.7	7.8	8.2
Italy	18.9	18.6	19.3	19.7	18.5	17.4	19.8	22.6	20.7	19.1
Japan	5.3	6.3	7.8	7.9	7.8	7.8	7.9	7.9	6.7	7.9
Korea	2.0	3.4	3.9	5.4	5.4	5.8	6.4	6.3	6.5	6.7
Latvia	15.0	17.7	13.7	13.3	12.9	12.1	12.2	13.3	14.3	11.9
Lithuania	25.8	12.0	12.6	17.0	16.5	16.9	17.8	18.4	18.8	19.2
Luxembourg	12.0	12.8	16.4	16.1	17.4	17.7	18.0	19.5	18.9	18.5
Mexico	1.0	4.8	9.1	9.6	9.9	9.9	10.8	10.4	11.3	11.8
Netherlands	9.6	16.1	16.5	15.7	15.7	15.6	16.6	16.4	17.0	17.4
New Zealand	19.4	17.0	17.6	19.0	19.3	19.4	20.1	21.1	20.8	20.8
Norway	22.3	21.5	20.3	19.1	19.3	19.4	19.9	20.2	20.4	20.4
Poland	6.6	3.6	4.7	5.3	4.8	4.8	3.7	4.5	5.1	5.6
Portugal	11.3	9.1	11.0	11.6	11.7	12.6	12.6	12.9	11.0	10.8
Slovak Republic	7.0	6.0	7.5	8.7	8.2	7.9	6.6	1.3	1.4	4.7
Slovenia	10.0	8.1	8.1	9.1	8.9	9.4	8.7	9.0	9.6	9.6
Spain	11.6	13.5	13.1	13.6	12.9	13.7	14.1	14.7	15.2	15.6
Sweden	26.7	17.8	17.6	17.6	17.6	17.4	17.2	17.0	16.1	15.6
Switzerland	11.7	11.5	10.0	10.7	10.9	11.4	11.2	11.3	11.2	11.2
Türkiye ¹	14.7	11.0	11.8	13.4	13.3	13.8	12.3	12.3	13.9	14.3
United Kingdom	17.4	16.2	14.1	13.9	13.7	14.1	14.4	14.9	16.1	17.6
United States	15.1	12.6	13.9	12.3	12.9	11.8	13.7	13.4	13.6	13.3
OECD-Average	14.9	13.3	13.8	13.7	13.6	13.6	13.8	14.0	14.2	14.3
OECD-EU 22	16.8	14.8	15.3	15.0	14.8	14.8	15.0	15.2	15.4	15.5

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

Table 6.16. Income tax, married couple at 100% and 67% of average wage

Tax burden as % of gross wage earnings, two-earner married couple without children

	2000	2010	2015	2019	2020	2021	2022	2023	2024	2025
Australia	24.4	19.8	21.8	21.4	21.9	20.8	20.8	23.0	23.5	21.8
Austria	10.8	12.6	14.6	13.0	12.4	12.8	13.1	12.7	12.3	12.3
Belgium	28.0	26.2	25.4	22.2	22.1	22.4	23.2	22.8	22.4	22.4
Canada	19.5	16.8	17.0	16.5	17.2	17.4	17.4	17.4	17.2	16.9
Chile	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Colombia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costa Rica	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Czechia	9.3	9.8	10.8	12.8	13.0	7.5	7.3	7.9	8.3	8.7
Denmark	31.1	35.2	34.9	34.4	34.2	34.2	34.4	34.5	34.7	34.2
Estonia	21.1	15.9	16.3	12.1	12.4	13.4	14.5	14.8	16.0	18.6
Finland	24.5	19.7	19.9	17.5	17.8	17.8	17.8	17.8	18.0	17.9
France	14.1	13.4	13.8	15.5	14.1	14.2	14.3	14.2	14.3	14.3
Germany	19.8	16.5	16.9	16.9	16.3	15.4	16.0	14.7	14.6	15.1
Greece	5.6	6.2	7.3	8.8	7.2	8.0	9.4	10.6	11.4	11.9
Hungary	21.0	13.0	16.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
Iceland	23.2	25.3	27.5	26.7	26.6	26.0	25.9	25.6	25.2	25.2
Ireland	19.7	15.6	17.1	17.1	17.7	18.4	18.1	18.0	17.5	16.7
Israel	15.0	6.6	7.2	7.7	8.0	8.7	9.5	9.2	10.0	10.3
Italy	18.0	19.1	17.9	18.3	17.5	16.8	16.7	19.5	18.6	15.3
Japan	5.8	7.0	7.1	7.2	7.1	7.1	7.2	7.2	6.5	7.1
Korea	1.6	3.2	3.5	4.7	4.7	5.1	5.6	5.4	5.6	5.8
Latvia	18.1	21.1	18.0	16.2	15.5	14.7	14.2	14.8	15.6	14.1
Lithuania	24.3	12.2	12.9	15.9	15.0	15.6	16.0	16.5	16.6	17.1
Luxembourg	11.3	9.3	12.4	11.9	13.2	13.5	13.8	15.6	14.9	14.4
Mexico	-1.7	2.7	6.3	7.5	8.9	8.9	9.6	9.2	10.0	10.4
Netherlands	7.9	11.8	13.1	12.1	12.1	12.0	13.1	12.9	13.5	13.9
New Zealand	19.0	15.9	16.0	16.9	17.2	17.3	18.2	19.1	18.6	18.5
Norway	21.3	20.0	19.0	17.7	17.9	18.0	18.3	18.4	18.5	18.6
Poland	6.1	6.2	6.8	6.9	6.1	6.1	4.1	4.8	5.4	5.9
Portugal	9.7	7.6	12.7	12.4	12.5	13.3	14.0	14.3	12.3	12.1
Slovak Republic	7.4	6.9	8.6	9.6	9.0	9.3	9.8	10.0	9.4	9.8
Slovenia	12.2	9.4	9.4	10.8	10.5	10.9	10.1	10.3	10.6	10.6
Spain	11.5	13.7	13.1	13.6	12.6	13.7	13.9	14.0	14.8	15.2
Sweden	25.9	16.7	16.5	16.4	16.5	16.0	15.7	15.7	14.9	14.4
Switzerland	11.3	11.0	10.5	11.0	11.1	11.5	11.4	11.5	11.4	11.4
Türkiye ¹	14.1	10.4	11.3	12.4	12.4	12.7	10.1	10.0	11.9	12.4
United Kingdom	16.5	15.5	12.9	12.7	12.5	12.9	13.3	13.9	14.8	15.8
United States	16.8	15.4	16.5	14.7	14.8	14.9	15.0	14.7	14.9	14.8
OECD-Average	14.3	12.8	13.4	13.3	13.2	13.2	13.3	13.6	13.7	13.7
OECD-EU 22	16.2	14.4	15.2	15.0	14.7	14.6	14.8	15.1	15.1	15.0

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

Table 6.17. Income tax plus employee contributions less cash benefits, single persons at 67% of average wage

Tax burden as % of gross wage earnings, single persons without children

	2000	2010	2015	2019	2020	2021	2022	2023	2024	2025
Australia	21.1	16.0	18.5	18.1	18.7	17.3	17.2	20.2	20.8	19.3
Austria	25.6	27.0	29.2	27.7	26.8	27.3	25.8	26.8	26.4	26.9
Belgium	35.8	36.4	35.4	31.4	31.3	31.6	32.4	31.8	31.4	31.5
Canada	21.3	20.8	21.1	20.6	21.2	22.3	22.5	22.7	22.6	22.1
Chile	7.0	7.0	7.0	7.0	7.0	-6.5	7.0	7.0	7.0	7.0
Colombia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costa Rica	8.3	8.5	8.6	9.5	9.7	9.7	9.7	9.8	9.8	9.8
Czechia	20.8	18.2	19.5	22.0	22.3	16.7	16.4	17.1	18.2	18.7
Denmark	36.7	33.1	32.9	32.5	32.3	32.4	32.7	32.9	33.0	32.5
Estonia	19.9	17.6	17.1	10.6	10.9	11.6	12.4	11.6	13.2	15.7
Finland	27.8	22.7	24.0	22.8	23.3	23.6	23.4	23.6	22.6	22.6
France	25.9	25.9	26.0	24.2	23.2	23.5	23.5	23.5	23.7	23.7
Germany	36.8	34.3	34.7	34.3	33.7	33.1	33.0	32.4	32.7	34.1
Greece	18.0	17.7	18.5	20.4	17.5	17.6	19.0	20.2	21.1	21.1
Hungary	30.1	27.8	34.5	33.5	33.5	33.5	33.5	33.5	33.5	33.5
Iceland	20.2	22.2	25.0	24.8	24.5	23.6	23.5	23.1	22.7	22.6
Ireland	18.8	16.0	16.8	16.2	16.4	16.8	16.7	17.0	16.6	16.1
Israel	19.4	10.4	11.0	11.4	11.7	12.8	13.9	13.3	14.0	14.9
Italy	24.4	26.1	21.8	22.3	22.2	22.2	20.9	19.4	18.4	19.1
Japan	18.4	19.1	20.4	20.6	20.6	20.6	20.6	20.8	19.9	20.6
Korea	7.5	9.2	9.9	11.2	11.6	12.2	12.9	12.7	13.0	13.3
Latvia	26.0	29.5	27.9	25.0	23.9	23.3	22.2	22.6	23.7	22.4
Lithuania	25.2	19.7	20.4	33.6	32.3	33.1	33.0	33.2	32.8	33.5
Luxembourg	21.8	19.4	22.7	21.1	22.3	22.4	22.3	24.2	23.5	23.1
Mexico	-4.4	0.8	3.4	5.5	8.6	8.6	9.0	8.9	9.3	9.6
Netherlands	32.9	27.1	24.7	21.3	20.5	19.4	20.4	19.0	18.6	18.3
New Zealand	18.6	14.3	13.5	14.0	14.1	14.2	14.7	16.3	15.3	15.1
Norway	26.8	25.6	25.1	23.8	24.1	24.2	24.0	23.6	23.6	23.5
Poland	26.5	23.4	24.1	24.3	23.5	23.5	20.4	21.3	22.0	22.6
Portugal	17.6	15.5	19.9	20.8	20.9	21.6	22.3	22.6	21.1	20.9
Slovak Republic	18.2	18.0	20.0	21.4	20.5	21.0	21.6	21.8	21.1	21.5
Slovenia	32.3	28.7	28.7	30.7	30.6	30.8	30.0	30.0	32.5	33.0
Spain	15.0	17.5	16.7	17.3	15.7	17.3	17.5	17.1	18.5	18.9
Sweden	31.7	22.0	22.0	21.7	21.8	20.8	20.5	20.8	20.1	19.6
Switzerland	14.9	14.4	14.1	14.5	14.8	15.0	14.9	15.0	14.9	15.0
Türkiye ¹	27.2	23.6	24.7	25.0	25.1	25.2	21.7	21.7	24.0	24.6
United Kingdom	22.8	22.6	19.2	19.1	18.4	19.1	19.4	19.4	18.0	18.6
United States	22.6	21.5	22.9	21.4	17.0	18.3	21.7	21.4	21.6	21.4
OECD-Average	21.6	20.0	20.6	20.6	20.3	20.0	20.3	20.5	20.6	20.7
OECD-EU 22	25.8	23.8	24.4	24.3	23.9	23.8	23.6	23.7	23.9	24.1

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

**Table 6.18. Income tax plus employee contributions less cash benefits,
single persons at 100% of average wage**

Tax burden as % of gross wage earnings, single persons without children

	2000	2010	2015	2019	2020	2021	2022	2023	2024	2025
Australia	26.6	22.3	24.1	23.6	24.1	23.2	23.2	24.9	25.3	23.5
Austria	31.0	33.1	35.0	33.2	32.7	33.2	32.1	32.6	32.1	32.5
Belgium	43.0	42.7	42.0	39.4	39.3	39.5	40.2	39.8	39.5	39.5
Canada	26.9	25.0	25.3	24.6	25.1	25.4	25.6	25.6	25.7	25.6
Chile	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.1
Colombia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costa Rica	8.3	8.5	8.6	9.5	9.7	9.7	9.7	9.8	9.8	9.8
Czechia	22.5	22.5	23.4	25.0	25.2	19.8	19.6	20.1	21.0	21.3
Denmark	40.7	35.8	35.8	35.4	35.2	35.3	35.5	35.5	35.8	35.3
Estonia	21.9	19.5	18.4	15.7	16.1	17.2	18.5	19.6	20.6	23.2
Finland	33.9	29.4	30.9	30.3	31.0	31.3	31.1	31.5	30.6	30.7
France	29.2	27.8	29.0	28.0	27.1	27.6	27.8	27.6	27.9	28.0
Germany	43.2	39.2	39.7	39.2	38.6	37.8	38.0	37.3	37.5	38.7
Greece	21.6	23.1	23.7	25.6	23.8	23.2	24.2	25.1	26.0	26.1
Hungary	35.7	31.4	34.5	33.5	33.5	33.5	33.5	33.5	33.5	33.5
Iceland	25.4	27.6	29.4	28.3	28.2	27.8	27.8	27.5	27.2	27.2
Ireland	27.5	23.4	26.0	25.6	26.1	26.7	26.4	26.4	25.9	25.1
Israel	26.1	17.0	17.5	18.1	18.3	19.1	20.2	19.7	20.6	21.4
Italy	29.0	30.2	31.1	31.5	30.1	29.0	28.4	28.3	30.2	28.6
Japan	19.7	20.6	22.1	22.4	22.2	22.2	22.3	22.6	22.2	22.6
Korea	8.9	12.3	13.3	14.8	15.1	15.6	16.2	16.1	16.3	16.5
Latvia	27.9	30.5	28.9	28.6	28.3	26.5	26.4	27.1	27.8	26.0
Lithuania	28.8	22.1	22.9	36.5	36.0	36.4	37.3	37.9	38.3	38.7
Luxembourg	28.7	26.8	30.8	30.0	31.1	31.4	31.6	33.1	32.4	32.0
Mexico	2.5	6.1	10.4	10.9	11.2	11.3	12.2	11.8	12.8	13.2
Netherlands	33.6	31.7	30.2	29.5	28.9	28.1	28.9	28.1	28.0	27.9
New Zealand	19.4	17.0	17.6	19.0	19.3	19.4	20.1	21.1	20.8	20.8
Norway	30.7	29.3	28.5	27.3	27.5	27.6	27.9	28.1	28.2	28.1
Poland	27.8	24.5	24.9	25.0	24.3	24.3	23.0	23.6	24.1	24.4
Portugal	22.8	21.3	26.9	26.0	26.1	26.8	27.1	27.4	25.2	24.9
Slovak Republic	20.2	21.9	23.3	24.2	23.6	23.9	24.3	24.4	24.0	24.3
Slovenia	35.6	33.3	33.3	34.4	34.0	34.5	33.7	34.0	35.8	36.2
Spain	19.8	21.7	21.3	21.8	21.2	21.9	22.1	22.7	23.2	23.5
Sweden	33.7	24.8	24.6	24.5	24.6	24.4	24.2	24.0	23.1	22.6
Switzerland	17.8	17.4	17.0	17.5	17.8	18.2	18.0	18.1	18.0	18.1
Türkiye ¹	28.7	26.6	27.4	29.0	28.9	29.4	27.3	27.3	28.9	29.3
United Kingdom	25.8	25.4	23.4	23.4	22.9	23.4	23.8	23.4	21.9	23.1
United States	24.9	24.6	25.6	23.9	21.3	22.4	24.8	24.3	24.4	24.3
OECD-Average	25.2	23.8	24.6	24.8	24.6	24.6	24.7	24.9	25.0	25.1
OECD-EU 22	29.9	28.0	28.9	29.2	29.0	28.7	28.8	29.1	29.2	29.2

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

Table 6.19. Income tax plus employee contributions less cash benefits, single persons at 167% of average wage

Tax burden as % of gross wage earnings, single persons without children

	2000	2010	2015	2019	2020	2021	2022	2023	2024	2025
Australia	34.9	28.2	30.1	30.5	30.8	29.4	29.7	30.0	30.4	28.7
Austria	36.3	38.3	39.4	38.1	38.0	38.2	37.8	37.5	36.7	37.1
Belgium	50.1	49.5	49.1	47.5	47.4	47.5	48.0	47.7	47.4	47.4
Canada	32.1	30.3	30.6	29.6	30.6	31.1	31.3	31.3	31.3	31.1
Chile	8.3	8.0	8.2	8.3	8.3	8.3	8.2	8.3	8.3	8.4
Colombia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costa Rica	8.6	9.8	10.6	12.2	12.3	12.5	12.5	12.1	12.3	12.7
Czechia	25.5	25.9	26.5	27.4	27.6	22.3	22.1	22.4	23.2	23.4
Denmark	48.8	42.8	42.0	41.3	41.0	41.0	41.3	41.5	42.0	41.6
Estonia	23.6	21.0	19.6	21.3	21.3	21.3	21.3	21.3	21.3	23.2
Finland	41.1	36.6	38.1	37.9	38.6	38.9	38.8	39.2	38.5	38.8
France	33.1	33.4	34.5	33.8	33.3	33.6	33.6	33.5	33.7	33.8
Germany	48.8	43.8	43.8	43.4	43.3	42.7	42.3	41.5	41.5	42.3
Greece	29.2	30.2	31.6	32.6	31.2	29.4	30.7	31.9	32.8	33.0
Hungary	42.8	39.8	34.5	33.5	33.5	33.5	33.5	33.5	33.5	33.5
Iceland	36.7	32.4	34.0	33.3	33.4	33.3	33.3	32.9	32.6	32.5
Ireland	35.6	34.4	36.1	35.2	35.6	36.1	36.0	36.1	35.9	35.4
Israel	35.0	26.0	26.5	27.6	28.0	29.2	30.1	29.7	30.5	31.1
Italy	34.5	37.3	39.5	39.5	39.8	40.1	39.1	39.5	39.4	39.9
Japan	22.6	24.5	25.9	26.1	25.9	26.2	26.3	26.6	26.6	27.0
Korea	13.4	15.0	16.2	18.6	19.0	19.7	20.4	20.2	20.6	20.9
Latvia	29.4	31.4	29.8	29.0	29.2	29.0	29.2	29.4	29.6	28.9
Lithuania	31.7	24.0	24.0	38.9	38.9	39.1	39.5	39.5	39.5	39.5
Luxembourg	37.9	34.9	38.6	38.1	38.7	38.9	39.4	40.0	39.4	39.1
Mexico	10.1	13.4	15.1	15.5	15.8	15.8	16.5	16.3	16.9	17.1
Netherlands	40.6	37.7	38.1	37.7	37.1	36.6	37.4	37.2	37.2	37.2
New Zealand	24.2	23.3	23.4	24.4	24.6	24.8	25.3	25.8	25.7	25.7
Norway	38.2	35.7	35.0	33.9	33.9	34.2	34.6	34.9	35.1	35.1
Poland	28.9	25.4	25.6	25.6	26.0	26.1	25.1	25.5	27.7	29.3
Portugal	29.1	28.4	34.1	32.5	32.6	33.4	34.1	34.6	32.5	32.2
Slovak Republic	24.8	24.9	25.9	26.4	26.1	26.5	27.0	27.1	26.6	26.9
Slovenia	41.2	39.1	37.9	38.4	37.3	37.7	37.3	37.8	39.2	39.7
Spain	24.4	26.5	27.3	27.7	27.0	27.8	28.1	28.8	29.3	29.7
Sweden	41.1	35.6	35.2	35.2	34.7	34.7	34.6	33.6	33.6	32.7
Switzerland	22.7	22.2	21.8	22.4	22.7	23.1	22.9	23.0	22.9	22.9
Türkiye ¹	26.9	29.9	31.6	32.9	32.8	33.1	31.9	31.9	32.8	33.1
United Kingdom	28.8	30.0	29.8	29.5	29.1	29.7	30.7	30.7	30.0	30.7
United States	31.9	30.6	31.1	28.9	28.5	29.4	29.5	29.1	29.2	29.2
OECD-Average	30.3	28.9	29.5	29.9	29.8	29.8	30.0	30.1	30.1	30.3
OECD-EU 22	35.4	33.7	34.1	34.6	34.5	34.3	34.4	34.5	34.6	34.8

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

**Table 6.20. Income tax plus employee contributions less cash benefits,
single parent at 67% of average wage**

Tax burden as % of gross wage earnings, single parent with two children

	2000	2010	2015	2019	2020	2021	2022	2023	2024	2025
Australia	-2.1	-13.2	-7.5	-4.8	-4.7	-6.6	-3.8	-0.7	-4.2	-5.2
Austria	2.0	4.6	9.3	0.4	-2.2	1.2	-3.2	0.4	-0.4	0.7
Belgium	16.1	18.9	17.8	13.6	9.3	9.3	10.9	10.3	9.7	9.9
Canada	0.0	0.8	-9.4	-10.9	-7.1	-2.4	-3.9	-3.0	-2.4	-2.9
Chile	5.9	6.1	6.2	6.2	6.1	-24.3	4.8	-0.3	0.1	2.4
Colombia	-6.9	-5.6	-6.6	-6.5	-7.2	-7.5	-6.4	-6.3	-6.7	-7.2
Costa Rica	8.3	8.5	8.6	9.5	9.7	9.7	9.7	9.8	9.8	9.8
Czechia	-17.9	-12.7	-0.8	-3.3	-2.7	-11.1	-9.8	-8.8	-1.5	0.1
Denmark	20.7	17.5	15.7	15.7	15.5	15.8	16.6	16.6	17.2	15.1
Estonia	-8.5	-2.1	-4.8	-9.5	-8.8	-6.7	-4.3	-16.3	-10.6	-6.6
Finland	9.7	8.9	10.9	10.9	11.2	11.7	11.0	12.2	11.1	10.9
France	13.5	14.8	16.0	-4.2	-6.5	-3.7	-2.5	-6.8	-7.3	-6.9
Germany	17.9	16.2	17.5	17.8	13.2	13.8	15.3	13.9	15.0	16.9
Greece	17.1	16.0	13.8	12.3	3.1	9.1	11.4	13.2	13.2	13.6
Hungary	5.0	6.7	6.2	5.1	7.5	9.3	12.6	15.5	17.4	16.6
Iceland	1.4	9.5	14.5	12.7	11.7	10.6	11.2	12.9	10.8	10.7
Ireland	6.6	-15.8	-10.7	-6.1	-5.1	-4.0	-4.0	2.2	-3.7	-6.1
Israel	-1.5	-2.6	-1.5	-1.8	-1.9	0.1	1.6	1.1	1.5	2.2
Italy	5.5	5.1	1.3	2.3	1.0	1.8	2.1	-0.3	-1.8	-0.6
Japan	3.8	-3.0	4.6	4.1	3.9	3.9	4.5	5.5	4.6	6.5
Korea	6.8	8.5	3.9	4.4	0.9	3.0	-2.7	-2.3	-6.3	-5.4
Latvia	3.5	12.4	7.3	6.0	5.2	6.4	0.5	3.1	5.8	3.3
Lithuania	19.2	8.2	10.3	17.3	7.5	11.7	12.2	12.7	11.8	9.0
Luxembourg	-6.4	-10.9	-4.1	-4.3	-1.4	-0.7	0.6	1.7	1.1	-3.6
Mexico	-4.4	0.8	3.4	5.5	8.6	8.6	9.0	8.9	9.3	9.6
Netherlands	14.5	3.6	0.6	-5.1	-5.4	-5.8	-3.4	-8.1	-10.6	-9.9
New Zealand	-3.0	-17.7	-14.1	-18.8	-17.3	-16.4	-16.1	-12.1	-12.6	-11.3
Norway	5.7	10.8	12.2	11.9	12.4	13.0	13.2	11.7	10.7	9.4
Poland	18.0	17.8	11.2	-21.9	-10.8	-10.6	-11.3	-7.9	-16.3	-13.3
Portugal	9.6	0.4	5.8	2.5	2.5	3.9	4.5	-0.3	-5.3	-4.6
Slovak Republic	-2.0	2.3	5.4	8.7	7.8	6.8	3.0	-14.1	-14.0	-7.7
Slovenia	-2.0	-1.7	-4.4	1.0	1.5	3.3	2.9	2.9	6.5	12.6
Spain	6.8	8.1	1.5	2.4	0.4	2.7	3.7	3.9	5.8	6.7
Sweden	20.1	11.1	12.2	11.3	11.6	10.9	10.9	11.7	11.3	11.1
Switzerland	0.3	-1.1	-1.9	-1.0	-0.6	0.0	-0.2	0.0	0.2	-0.3
Türkiye ¹	27.2	22.0	23.2	23.4	23.5	23.5	21.7	21.7	24.0	24.6
United Kingdom	7.7	0.6	-3.4	4.3	-2.7	10.3	10.4	9.9	9.7	12.3
United States	2.6	0.2	3.9	2.4	-5.9	-9.2	6.4	5.0	5.2	4.9
OECD-Average	5.8	4.1	4.6	3.0	2.2	2.4	3.7	3.1	2.8	3.3
OECD-EU 22	7.7	5.9	6.3	3.3	2.5	3.4	3.6	2.6	2.5	3.1

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

**Table 6.21. Income tax plus employee contributions less cash benefits,
married couple at 100% of average wage**

Tax burden as % of gross wage earnings, one-earner married couple with two children

	2000	2010	2015	2019	2020	2021	2022	2023	2024	2025
Australia	18.4	9.3	12.9	16.0	16.1	14.7	16.2	18.0	18.2	16.4
Austria	15.1	17.9	21.6	15.0	13.2	15.7	11.0	14.1	13.6	14.9
Belgium	23.7	23.6	22.6	19.4	19.2	19.2	20.7	20.1	19.6	19.7
Canada	19.3	17.1	10.6	12.0	13.0	14.4	14.3	14.5	14.6	14.6
Chile	6.3	7.0	7.0	7.0	7.0	-18.5	5.7	1.9	2.4	4.6
Colombia	-4.6	-3.8	-4.4	-4.3	-4.8	-5.0	-4.3	-4.2	-4.5	-4.8
Costa Rica	8.3	8.5	8.6	9.5	9.7	9.7	9.7	9.8	9.8	9.8
Czechia	-5.3	-5.6	2.0	2.0	2.6	-4.2	-3.2	-2.1	7.8	8.9
Denmark	27.4	24.8	25.2	25.2	25.1	25.4	26.0	26.1	26.6	26.1
Estonia	10.6	7.3	4.5	2.4	3.1	5.1	7.5	7.5	12.7	15.7
Finland	24.8	23.0	25.2	25.1	26.0	26.4	26.0	26.9	26.1	26.2
France	16.1	17.7	18.0	16.3	14.8	16.8	17.0	16.9	17.0	16.9
Germany	22.0	19.6	21.2	21.2	19.1	19.4	20.4	19.5	19.9	21.3
Greece	23.6	23.6	21.9	21.6	19.6	19.1	22.1	23.4	23.7	23.8
Hungary	20.5	18.7	16.7	15.3	16.8	18.0	20.1	22.0	23.2	22.6
Iceland	8.9	12.2	17.5	14.6	14.3	14.4	14.7	15.8	14.2	14.1
Ireland	10.9	5.6	8.9	8.3	9.1	10.2	9.6	10.0	10.7	10.0
Israel	21.8	13.6	14.8	15.4	15.8	16.7	15.0	14.4	15.6	16.5
Italy	18.6	17.8	19.0	19.7	17.5	17.0	13.7	12.9	14.7	13.5
Japan	15.8	11.3	16.0	16.4	16.1	16.1	16.3	16.7	14.3	17.2
Korea	8.2	9.7	7.6	9.4	7.2	8.9	5.5	5.8	3.9	4.5
Latvia	12.8	19.1	15.2	15.8	15.7	15.2	11.8	14.0	15.8	13.2
Lithuania	28.8	14.4	16.1	25.6	19.3	22.1	23.3	24.2	24.2	22.3
Luxembourg	1.9	1.5	5.7	6.0	7.4	7.8	8.4	10.3	10.0	9.9
Mexico	2.5	6.1	10.4	10.9	11.2	11.3	12.2	11.8	12.8	13.2
Netherlands	22.4	23.6	24.1	23.9	21.7	21.4	22.6	20.6	19.3	19.4
New Zealand	13.6	-0.9	5.2	4.3	5.7	6.4	7.9	10.9	10.5	11.4
Norway	19.3	21.8	23.2	23.2	23.5	23.8	24.2	24.2	23.5	22.4
Poland	22.1	17.8	18.9	3.9	1.3	1.4	-1.2	2.1	-2.5	0.2
Portugal	14.0	7.7	13.2	11.0	11.1	12.4	12.8	13.1	10.2	10.3
Slovak Republic	5.2	3.4	6.9	10.0	9.4	8.9	5.3	-8.4	-7.5	-0.4
Slovenia	10.1	10.4	11.3	13.8	17.0	17.9	17.7	17.7	21.5	22.3
Spain	11.5	14.2	13.9	14.5	13.7	14.7	15.3	16.2	16.9	17.5
Sweden	26.0	17.4	18.1	17.6	17.8	17.7	17.8	17.8	17.2	16.9
Switzerland	5.9	4.9	3.6	4.4	4.8	5.4	5.2	5.4	5.4	5.1
Türkiye ¹	28.7	24.8	25.6	27.1	27.1	27.5	27.3	27.3	28.9	29.3
United Kingdom	20.6	18.7	17.8	18.4	17.7	18.5	19.0	18.6	17.7	19.1
United States	14.4	11.2	13.7	11.9	2.7	0.7	13.3	13.3	13.6	13.1
OECD-Average	15.0	13.0	14.2	13.9	13.4	13.0	13.9	13.9	14.2	14.7
OECD-EU 22	16.5	14.7	15.9	15.2	14.6	14.9	14.8	14.8	15.5	16.0

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

**Table 6.22. Income tax plus employee contributions less cash benefits,
married couple with two children, at 100% and 67% of average wage**

Tax burden as % of gross wage earnings, two-earner married couple with two children

	2000	2010	2015	2019	2020	2021	2022	2023	2024	2025
Australia	22.0	19.0	21.8	21.4	21.9	20.8	20.8	23.0	23.5	21.8
Austria	20.1	22.6	25.5	20.9	19.5	21.1	18.4	20.1	19.7	20.5
Belgium	35.0	33.9	33.1	29.8	29.8	30.0	30.8	30.3	29.9	30.0
Canada	24.4	22.2	20.3	19.8	20.8	21.8	21.8	21.9	22.0	21.8
Chile	6.6	6.6	6.7	6.7	6.6	-8.6	6.1	4.1	4.2	5.1
Colombia	-5.5	-4.5	-5.3	-5.2	-5.8	-6.0	-5.2	-5.1	-5.4	-5.8
Costa Rica	8.3	8.5	8.6	9.5	9.7	9.7	9.7	9.8	9.8	9.8
Czechia	14.0	12.1	13.7	13.6	14.0	11.5	11.6	12.5	15.8	16.4
Denmark	35.1	30.8	30.9	30.6	30.4	30.6	30.9	31.0	31.3	30.8
Estonia	16.8	13.7	11.2	7.2	7.7	9.1	10.7	10.3	12.9	15.7
Finland	26.0	22.9	24.6	24.2	24.9	25.3	25.0	25.6	24.7	24.7
France	21.4	22.2	23.2	21.8	20.4	20.8	21.0	20.9	21.1	21.1
Germany	34.3	30.1	31.2	31.0	29.5	29.2	29.8	28.7	29.1	30.5
Greece	22.0	22.2	21.9	22.3	20.0	19.7	22.8	23.9	23.8	23.9
Hungary	24.3	22.3	23.8	22.6	23.5	24.2	25.5	26.6	27.3	27.0
Iceland	21.9	24.4	27.6	26.5	26.0	25.2	25.0	25.3	23.7	23.6
Ireland	20.8	13.7	16.7	16.9	17.6	18.5	17.9	17.9	18.0	17.4
Israel	17.7	10.5	11.2	11.6	11.8	12.9	11.7	11.1	11.9	12.7
Italy	25.1	24.0	22.8	23.3	21.9	21.4	17.1	15.9	16.3	15.9
Japan	17.9	15.1	18.6	18.9	18.7	18.7	18.8	19.2	17.8	19.3
Korea	8.0	9.8	8.9	10.4	9.3	10.5	8.8	8.9	9.3	9.6
Latvia	18.1	23.3	20.3	19.5	19.0	18.4	16.0	17.5	19.0	16.9
Lithuania	27.3	19.8	20.4	30.7	28.5	29.7	30.3	30.8	30.8	30.4
Luxembourg	12.6	12.3	17.1	16.7	18.4	18.8	19.4	21.6	21.0	20.6
Mexico	-0.3	4.0	7.6	8.8	10.2	10.2	10.9	10.6	11.4	11.7
Netherlands	30.1	24.9	23.2	20.6	20.0	19.3	20.6	19.4	19.0	19.0
New Zealand	19.0	13.9	16.0	16.9	17.2	17.3	18.0	19.1	18.6	18.5
Norway	24.4	24.8	24.7	23.4	23.7	23.9	24.1	23.9	23.5	22.9
Poland	25.0	20.4	21.7	12.6	10.6	10.7	10.3	12.3	9.6	11.2
Portugal	17.6	14.5	16.1	19.3	19.4	20.4	20.9	21.1	19.4	19.4
Slovak Republic	13.3	14.0	16.1	18.0	17.3	17.0	14.9	6.7	7.2	11.4
Slovenia	25.1	23.4	24.1	25.3	25.4	26.0	25.4	25.6	28.1	29.8
Spain	15.6	17.8	17.2	17.8	16.7	17.9	18.3	18.6	19.5	19.9
Sweden	28.3	19.3	19.6	19.2	19.4	19.0	18.9	19.0	18.4	18.0
Switzerland	12.3	11.3	10.1	11.0	11.4	12.0	11.8	11.9	11.9	11.8
Türkiye ¹	28.1	24.7	25.7	26.7	26.7	27.0	25.1	25.0	26.9	27.4
United Kingdom	21.5	21.1	18.7	19.0	18.4	19.1	19.5	19.3	17.8	18.9
United States	20.5	18.5	20.0	17.7	12.2	11.0	18.5	18.4	18.7	18.4
OECD-Average	19.9	18.2	18.8	18.6	18.2	18.0	18.5	18.5	18.6	18.9
OECD-EU 22	23.1	20.9	21.6	21.1	20.6	20.8	20.7	20.7	21.0	21.4

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

Table 6.23. Income tax plus employee contributions less cash benefits, married couple, both at 100% of average wage

Tax burden as % of gross wage earnings, two-earner married couple with two children

	2000	2010	2015	2019	2020	2021	2022	2023	2024	2025
Australia	25.1	22.3	24.1	23.6	24.1	23.2	23.2	24.9	25.3	23.5
Austria	23.7	26.3	29.1	24.8	23.7	25.1	22.8	24.1	23.7	24.3
Belgium	38.4	37.4	36.6	33.9	33.9	34.0	34.8	34.3	34.0	34.0
Canada	26.9	24.4	23.5	22.8	23.5	24.3	24.4	24.5	24.6	24.5
Chile	6.6	7.0	7.0	7.0	7.0	-5.7	6.6	5.3	5.5	6.2
Colombia	-4.6	-1.9	-4.4	-4.3	-4.8	-5.0	-4.3	-4.2	-4.5	-4.8
Costa Rica	8.3	8.5	8.6	9.5	9.7	9.7	9.7	9.8	9.8	9.8
Czechia	18.2	15.9	16.5	19.2	16.8	13.9	14.0	14.8	17.6	18.1
Denmark	37.4	32.6	32.6	32.4	32.2	32.3	32.6	32.6	33.0	32.5
Estonia	18.3	15.2	12.9	10.4	10.9	12.4	14.1	14.5	16.7	19.5
Finland	29.3	26.2	28.0	27.7	28.5	28.8	28.6	29.2	28.4	28.4
France	23.5	23.8	25.0	24.0	22.9	23.6	23.8	23.6	24.0	24.1
Germany	37.7	33.3	34.1	33.7	32.8	32.2	32.5	31.8	31.8	33.1
Greece	24.2	24.5	24.7	26.1	24.5	23.7	24.9	26.0	26.0	26.1
Hungary	28.1	25.0	25.6	24.4	25.2	25.7	26.8	27.7	28.3	28.1
Iceland	25.4	27.5	29.4	28.3	27.9	27.8	27.8	27.5	26.4	26.4
Ireland	25.7	19.2	22.3	22.1	22.7	23.4	22.9	22.9	23.0	22.3
Israel	21.3	12.8	13.8	14.7	15.0	16.0	14.3	13.7	14.9	15.8
Italy	27.4	27.0	27.8	28.2	26.4	25.4	22.3	21.8	23.3	22.0
Japan	18.6	16.5	19.7	20.1	19.9	19.9	20.0	20.3	19.3	20.5
Korea	8.7	11.2	10.8	12.3	11.4	12.5	11.1	11.2	11.6	11.9
Latvia	20.4	24.8	22.0	22.2	22.0	20.8	19.1	20.5	21.8	19.6
Lithuania	28.8	21.0	21.6	32.6	31.0	31.9	32.9	33.6	33.9	33.6
Luxembourg	17.6	17.4	22.4	22.2	23.8	24.2	24.7	26.6	26.0	25.7
Mexico	2.5	6.1	10.4	10.9	11.2	11.3	12.2	11.8	12.8	13.2
Netherlands	30.9	27.5	26.2	24.8	24.3	23.7	24.8	23.9	23.7	23.7
New Zealand	19.4	17.0	17.6	19.0	19.3	19.4	20.1	21.1	20.8	20.8
Norway	26.8	26.8	26.4	25.2	25.5	25.7	26.1	26.1	25.8	25.3
Poland	25.9	21.4	22.5	14.9	13.1	13.2	13.2	14.9	12.6	14.0
Portugal	20.6	18.5	22.0	22.6	22.7	23.6	23.6	23.9	22.0	21.8
Slovak Republic	19.0	16.6	18.4	19.9	19.3	19.1	17.4	10.5	10.9	14.5
Slovenia	29.4	27.8	27.1	29.1	29.0	29.6	29.0	29.3	31.4	31.9
Spain	18.0	19.9	19.4	19.9	19.3	20.1	20.4	21.1	21.7	22.1
Sweden	29.9	21.1	21.3	21.1	21.2	21.1	21.0	20.9	20.2	19.8
Switzerland	14.8	14.0	12.8	13.7	14.1	14.7	14.5	14.6	14.6	14.4
Türkiye ¹	28.7	26.0	26.8	28.4	28.3	28.8	27.3	27.3	28.9	29.3
United Kingdom	23.2	22.8	20.9	21.2	20.6	21.2	21.7	21.3	19.8	21.1
United States	22.7	20.3	21.5	20.0	15.7	15.0	21.4	21.0	21.2	21.0
OECD-Average	22.3	20.6	21.2	21.3	20.9	20.7	21.1	21.2	21.3	21.5
OECD-EU 22	26.0	23.7	24.5	24.4	23.9	24.0	23.9	24.0	24.3	24.5

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

Table 6.24. Income tax plus employee contributions less cash benefits, married couple at 100% and 67% of average wage

Tax burden as % of gross wage earnings, two-earner married couple without children

	2000	2010	2015	2019	2020	2021	2022	2023	2024	2025
Australia	24.4	19.8	21.8	21.4	21.9	20.8	20.8	23.0	23.5	21.8
Austria	28.8	30.7	32.7	31.0	30.3	30.8	29.7	30.3	29.8	30.2
Belgium	42.0	40.2	39.4	36.2	36.1	36.3	37.0	36.5	36.1	36.2
Canada	25.0	23.4	23.6	23.1	23.8	24.1	24.4	24.4	24.4	24.2
Chile	7.0	7.0	7.0	7.0	7.0	-1.8	7.0	7.0	7.0	7.1
Colombia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costa Rica	8.3	8.5	8.6	9.5	9.7	9.7	9.7	9.8	9.8	9.8
Czechia	21.8	20.8	21.8	23.8	24.0	18.5	18.3	18.9	19.9	20.3
Denmark	39.1	34.8	34.7	34.2	34.0	34.1	34.3	34.5	34.7	34.2
Estonia	21.1	18.7	17.9	13.7	14.0	15.0	16.1	16.4	17.6	20.2
Finland	31.5	26.7	28.1	27.3	27.9	28.2	28.0	28.3	27.4	27.5
France	27.5	27.1	28.0	26.9	25.4	25.6	25.6	25.5	25.6	25.6
Germany	40.3	37.0	37.4	37.0	36.4	35.7	35.7	35.0	35.3	36.6
Greece	21.5	22.2	22.8	24.6	22.7	22.2	23.4	24.4	25.3	25.3
Hungary	33.5	30.0	34.5	33.5	33.5	33.5	33.5	33.5	33.5	33.5
Iceland	23.3	25.4	27.6	26.9	26.7	26.1	26.1	25.7	25.4	25.3
Ireland	23.0	18.8	21.1	21.1	21.7	22.4	22.1	22.0	21.5	20.8
Israel	22.8	13.7	14.3	14.9	15.2	16.1	17.2	16.7	17.5	18.4
Italy	27.2	28.6	27.4	27.8	27.0	26.3	25.4	24.7	25.5	24.8
Japan	19.2	20.0	21.4	21.7	21.6	21.6	21.6	21.9	21.3	21.8
Korea	8.3	11.0	11.9	13.4	13.7	14.3	14.9	14.8	15.0	15.2
Latvia	27.1	30.1	28.5	27.2	26.5	25.2	24.7	25.3	26.1	24.6
Lithuania	27.3	21.2	21.9	35.4	34.5	35.1	35.5	36.0	36.1	36.6
Luxembourg	22.9	21.4	25.2	24.1	25.5	25.8	26.1	27.9	27.2	26.7
Mexico	-0.3	4.0	7.6	8.8	10.2	10.2	10.9	10.6	11.4	11.7
Netherlands	33.3	29.8	28.0	26.2	25.5	24.6	25.5	24.5	24.2	24.0
New Zealand	19.0	15.9	16.0	16.9	17.2	17.3	18.0	19.1	18.6	18.5
Norway	29.1	27.8	27.2	25.9	26.1	26.2	26.3	26.3	26.3	26.3
Poland	27.3	24.1	24.6	24.7	24.0	24.0	21.9	22.7	23.3	23.7
Portugal	20.7	18.6	23.7	23.4	23.5	24.3	25.0	25.3	23.3	23.1
Slovak Republic	19.4	20.3	22.0	23.0	22.4	22.7	23.2	23.4	22.8	23.2
Slovenia	34.3	31.5	31.5	32.9	32.6	33.0	32.2	32.4	34.4	34.9
Spain	17.9	20.1	19.4	20.0	19.0	20.1	20.3	20.5	21.3	21.7
Sweden	32.9	23.7	23.5	23.4	23.5	23.0	22.7	22.7	21.9	21.4
Switzerland	17.8	17.1	16.7	17.2	17.5	17.9	17.8	17.9	17.8	17.8
Türkiye ¹	28.1	25.4	26.3	27.4	27.4	27.7	25.1	25.0	26.9	27.4
United Kingdom	24.6	24.3	21.7	21.7	21.1	21.7	22.0	21.8	20.4	21.3
United States	24.4	23.1	24.2	22.4	18.9	19.9	22.6	22.4	22.5	22.4
OECD-Average	23.7	22.2	22.9	23.0	22.8	22.6	22.9	23.1	23.2	23.3
OECD-EU 22	28.2	26.2	27.0	27.2	26.8	26.6	26.7	26.8	27.0	27.0

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

Table 6.25. Annual average gross and net wage earnings, single individual no children, 2000-25
In US dollars using PPP

	2000		2010		2015		2020		2024		2025	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Australia	31 493	23 117	44 375	34 487	54 760	41 580	63 503	48 209	75 216	56 175	78 815	60 275
Austria	32 762	22 618	45 711	30 594	54 985	35 718	67 353	45 324	82 859	56 251	86 370	58 317
Belgium	35 160	20 039	51 897	29 727	58 114	33 701	70 252	42 644	84 228	50 934	87 530	52 914
Canada	35 272	25 773	48 125	36 104	52 564	39 275	63 328	47 450	79 919	59 419	81 745	60 811
Chile	12 708	11 818	17 179	15 977	21 672	20 155	25 088	23 324	29 326	27 274	30 501	28 332
Colombia	7 109	7 109	10 937	10 937	11 718	11 718	14 080	14 080	19 560	19 560	20 534	20 534
Costa Rica	11 989	10 993	17 209	15 752	22 052	20 150	27 392	24 737	30 985	27 934	33 482	30 184
Czechia	11 229	8 704	21 068	16 332	24 814	19 017	34 858	26 072	42 522	33 591	45 133	35 508
Denmark	32 491	19 255	49 534	31 779	55 262	35 470	69 127	44 808	83 675	53 731	88 454	57 205
Estonia	8 383	6 544	18 962	15 268	24 272	19 795	33 431	28 037	41 354	32 818	43 448	33 347
Finland	26 791	17 714	43 742	30 871	47 678	32 968	59 945	41 381	70 244	48 757	73 499	50 926
France	28 715	20 342	40 587	29 285	46 971	33 345	54 353	39 640	65 169	46 987	67 273	48 450
Germany	36 476	20 718	51 834	31 514	60 547	36 522	72 153	44 272	89 094	55 722	93 985	57 634
Greece	23 084	18 098	33 452	25 713	33 594	25 623	35 284	26 870	49 493	36 618	50 974	37 661
Hungary	9 868	6 343	19 868	13 632	23 719	15 536	33 770	22 457	43 332	28 816	45 967	30 568
Iceland	32 010	23 867	39 547	28 633	54 024	38 166	66 428	47 683	80 991	58 948	83 563	60 863
Ireland	30 645	22 203	49 409	37 826	54 027	39 958	63 721	47 069	76 769	56 896	80 970	60 643
Israel	27 869	20 594	30 466	25 285	35 607	29 372	42 876	35 013	57 254	45 452	59 178	46 495
Italy	26 762	18 989	36 524	25 483	41 368	28 506	50 951	35 597	57 893	40 401	60 503	43 182
Japan	32 239	25 874	42 728	33 913	49 144	38 280	50 453	39 240	58 249	45 339	59 729	46 203
Korea	26 546	24 171	43 848	38 465	46 299	40 130	56 373	47 857	65 846	55 085	67 594	56 417
Latvia	6 419	4 629	14 979	10 406	19 275	13 699	29 076	20 838	40 622	29 337	42 975	31 800
Lithuania	7 055	5 027	14 952	11 644	19 346	14 923	38 861	24 888	52 077	32 114	56 643	34 713
Luxembourg	37 537	26 776	53 345	39 066	63 401	43 848	76 863	52 942	89 408	60 438	93 203	63 385
Mexico	7 997	7 798	11 346	10 651	12 918	11 569	14 096	12 510	20 841	18 180	21 239	18 441
Netherlands	35 826	23 782	52 933	36 176	61 179	42 694	73 159	52 002	88 446	63 681	92 905	67 017
New Zealand	24 171	19 490	32 062	26 614	38 250	31 505	45 676	36 878	54 734	43 359	56 534	44 766
Norway	32 842	22 760	51 536	36 454	56 060	40 063	65 587	47 568	83 338	59 840	87 722	63 052
Poland	12 581	9 083	20 210	15 261	26 145	19 623	39 296	29 764	48 736	37 005	53 558	40 471
Portugal	17 011	13 126	24 861	19 558	26 986	19 727	32 542	24 044	43 910	32 833	45 882	34 444
Slovak Republic	10 179	8 127	19 102	14 923	22 358	17 154	27 447	20 968	35 812	27 216	38 118	28 865
Slovenia	16 892	10 886	26 512	17 686	30 400	20 268	39 556	26 109	50 692	32 569	53 697	34 251
Spain	23 411	18 765	34 091	26 683	39 839	31 366	42 931	33 832	54 939	42 196	57 517	43 976
Sweden	28 766	19 064	40 793	30 689	46 781	35 281	55 027	41 472	62 871	48 328	66 356	51 333
Switzerland	40 762	33 499	58 015	47 929	70 037	58 165	84 920	69 802	102 793	84 265	106 532	87 303
Türkiye ¹	19 692	14 033	19 584	14 378	26 839	19 494	34 574	24 591	51 563	36 686	54 702	38 683
United Kingdom	35 357	26 232	48 831	36 432	51 964	39 794	61 180	47 173	77 447	60 459	82 329	63 277
United States	33 129	24 877	45 665	34 429	50 963	37 900	59 517	46 867	70 695	53 444	73 520	55 644
OECD average	23 927	17 443	34 890	25 962	40 419	29 791	49 343	36 421	60 866	44 701	63 755	46 787

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

**Table 6.26. Annual average gross and net wage earnings, single individual no children, 2000-25
(national currency)**

		2000		2010		2015		2020		2024		2025	
		Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Australia	AUD	41 322	30 332	66 724	51 856	80 720	61 292	90 883	68 995	103 794	77 518	108 674	83 110
Austria	EUR	29 732	20 526	38 504	25 770	43 911	28 524	49 087	33 032	60 749	41 241	63 054	42 574
Belgium	EUR	31 644	18 035	43 423	24 873	46 479	26 954	50 312	30 540	60 370	36 507	62 348	37 691
Canada	CAD	43 300	31 639	58 800	44 113	65 600	49 015	76 100	57 020	90 747	67 469	92 401	68 738
Chile	CLP	3 690 623	3 432 280	6 181 738	5 749 016	8 481 551	7 887 842	10 282 188	9 559 014	13 349 540	12 415 072	14 201 852	13 191 889
Colombia	COP	5 283 845	5 283 845	12 382 986	12 382 986	15 107 886	15 107 886	17 892 648	17 892 648	29 342 796	29 342 796	31 542 293	31 542 293
Costa Rica	CRC	1 738 018	1 593 629	5 624 524	5 148 430	7 805 492	7 132 538	8 985 275	8 114 395	9 868 241	8 896 295	10 340 494	9 322 035
Czechia	CZK	160 922	124 729	288 088	223 333	320 960	245 981	423 535	316 783	551 030	435 296	584 744	460 042
Denmark	DKK	281 700	166 943	376 073	241 269	403 600	259 050	440 000	285 205	521 300	334 751	537 071	347 337
Estonia	EUR	3 931	3 068	9 712	7 820	13 045	10 638	17 224	14 445	24 139	19 157	25 603	19 651
Finland	EUR	26 362	17 431	39 395	27 804	43 268	29 918	48 083	33 192	53 858	37 383	55 462	38 429
France	EUR	26 712	18 923	34 693	25 032	37 975	26 959	37 669	27 472	45 313	32 671	45 964	33 104
Germany	EUR	34 400	19 539	41 736	25 374	47 100	28 411	51 000	31 293	63 528	39 732	66 700	40 902
Greece	EUR	15 459	12 120	24 156	18 567	20 455	15 602	18 709	14 248	25 680	19 000	26 563	19 625
Hungary	HUF	1 086 240	698 166	2 512 020	1 723 560	3 143 196	2 058 793	4 789 884	3 185 273	7 754 304	5 156 612	8 455 487	5 622 899
Iceland	ISK	2 712 000	2 022 102	5 256 000	3 805 407	7 668 000	5 417 104	9 516 000	6 830 688	11 808 000	8 594 314	12 433 527	9 055 929
Ireland	EUR	28 924	20 956	41 981	32 139	43 733	32 345	49 412	36 500	58 026	43 004	60 258	45 130
Israel	ILS	95 664	70 691	121 581	100 905	139 728	115 260	160 644	131 185	206 064	163 589	209 735	164 783
Italy	EUR	21 550	15 291	28 243	19 705	30 550	21 052	32 216	22 508	35 360	24 676	36 594	26 118
Japan	JPY	4 987 116	4 002 481	4 773 076	3 788 423	5 083 906	3 960 010	5 082 722	3 953 069	5 540 008	4 312 157	5 703 038	4 411 492
Korea	KRW	19 849 729	18 073 190	36 876 204	32 348 478	39 695 196	34 405 928	46 753 752	39 690 849	55 238 136	46 210 286	56 749 797	47 366 292
Latvia	EUR	2 316	1 670	7 296	5 069	9 588	6 815	13 656	9 787	19 992	14 438	21 321	15 777
Lithuania	EUR	3 187	2 270	6 735	5 245	8 623	6 652	16 844	10 788	25 984	16 023	28 474	17 450
Luxembourg	EUR	35 875	25 591	49 387	36 167	55 858	38 631	64 424	44 374	75 341	50 929	77 844	52 940
Mexico	MXN	48 607	47 400	87 672	82 301	107 551	96 320	138 349	122 787	210 262	183 416	219 608	190 675
Netherlands	EUR	31 901	21 176	45 215	30 901	49 540	34 572	54 710	38 888	66 190	47 657	69 028	49 794
New Zealand	NZD	34 923	28 159	48 007	39 850	56 436	46 485	64 994	52 476	80 019	63 390	83 073	65 781
Norway	NOK	298 385	206 788	471 696	333 655	556 670	397 823	628 871	456 093	769 476	552 510	801 695	576 239
Poland	PLN	23 061	16 649	36 482	27 548	46 136	34 628	66 732	50 545	96 364	73 168	105 738	79 900
Portugal	EUR	11 245	8 677	15 494	12 189	15 781	11 536	17 664	13 051	23 118	17 286	24 254	18 207
Slovak Republic	EUR	5 256	4 197	9 593	7 494	10 987	8 430	13 424	10 255	18 336	13 935	19 590	14 835
Slovenia	EUR	8 894	5 732	16 915	11 284	18 092	12 062	21 054	13 897	28 242	18 145	30 135	19 222
Spain	EUR	17 319	13 882	24 786	19 400	26 475	20 845	26 028	20 512	31 472	24 172	32 678	24 985
Sweden	EUR	263 581	174 686	368 208	277 001	414 105	312 312	464 186	349 843	539 923	415 030	557 053	430 932
Switzerland	CHF	72 910	59 918	85 068	70 280	86 528	71 861	93 816	77 114	100 006	81 981	100 715	82 536
Türkiye ¹	TRY	5 545	3 952	18 026	13 235	31 191	22 654	72 988	51 914	595 782	423 888	833 120	589 148
United Kingdom	GBP	24 910	18 481	34 297	25 589	35 978	27 552	39 978	30 825	52 615	41 074	55 983	43 027
United States	USD	33 129	24 877	45 665	34 429	50 963	37 900	59 517	46 867	70 695	53 444	73 520	55 644

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

Note

¹ Tables 6.1 to 6.24 show figures rounded to the first decimal. Due to rounding, changes in percentage points that are presented in the text may differ by one-tenth of a percentage point relative to those in the tables.

Part II Country details, 2025

Australia

(2024-2025 Income tax year)

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

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

Australia 2025

The tax/benefit position of single persons

		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1	Gross wage earnings		72 812	108 674	181 486	72 812
	Principal Gross wage earnings		72 812	108 674	181 486	72 812
	Spouse Gross wage earnings		0	0	0	0
2	Standard tax allowances					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other					
	Total		0	0	0	0
3	Tax credits or cash transfers included in taxable income		0	0	0	0
4	Central government taxable income (1 - 2 + 3)		72 812	108 674	181 486	72 812
5	Central government income tax liability (exclusive of tax credits)					
	Income tax		12 631	23 390	48 488	12 631
	Medicare Levy		1 456	2 173	3 630	1 456
	Total		14 088	25 564	52 117	14 088
6	Tax credits					
	Basic credit		0	0	0	0
	Married or head of family		0	0	0	0
	Children					
	Other					
	Total		0	0	0	0
7	Central government income tax finally paid (5-6)		14 088	25 564	52 117	14 088
8	State and local taxes		0	0	0	0
9	Employees' compulsory social security contributions		0	0	0	0
10	Total payments to general government (7 + 8 + 9)		14 088	25 564	52 117	14 088
11	Cash transfers from general government					
	For head of family		0	0	0	324
	For two children		0	0	0	17 527
	Total		0	0	0	17 851
12	Take-home pay (1-10+11)		58 724	83 110	129 368	76 575
13	Employers' payroll tax (assumes NSW-based employer with more than \$1,200,000 turnover)		4 425	6 604	11 028	4 425
14	Average rates					
	Income tax		19.3%	23.5%	28.7%	19.3%
	Employees' social security contributions		0.0%	0.0%	0.0%	0.0%
	Total payments less cash transfers		19.3%	23.5%	28.7%	-5.2%
	Total tax wedge including employer payroll taxes		24.0%	27.9%	32.8%	0.9%
15	Marginal rates					
	Total payments less cash transfers: Principal earner		32.0%	32.0%	39.0%	32.0%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		35.9%	35.9%	42.5%	35.9%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Australia 2025

The tax/benefit position of married couples

		Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
		Number of children	2	2	2	none
1	Gross wage earnings		108 674	181 486	217 348	181 486
	Principal Gross wage earnings		108 674	108 674	108 674	108 674
	Spouse Gross wage earnings		0	72 812	108 674	72 812
2	Standard tax allowances					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other					
	Total		0	0	0	0
3	Tax credits or cash transfers included in taxable income		0	0	0	0
4	Central government taxable income (1 - 2 + 3)		108 674	181 486	217 348	181 486
5	Central government income tax liability (exclusive of tax credits)					
	Income tax		23 390	36 022	46 780	36 022
	Medicare Levy		2 173	3 630	4 347	3 630
	Total		25 564	39 651	51 127	39 651
6	Tax credits					
	Basic credit		0	0	0	0
	Married or head of family					
	Children					
	Other		0	0	0	0
	Total		0	0	0	0
7	Central government income tax finally paid (5-6)		25 564	39 651	51 127	39 651
8	State and local taxes		0	0	0	0
9	Employees' compulsory social security contributions		0	0	0	0
10	Total payments to general government (7 + 8 + 9)		25 564	39 651	51 127	39 651
11	Cash transfers from general government					
	For head of family		0	0	0	0
	For two children		7 723	0	0	0
	Total		7 723	0	0	0
12	Take-home pay (1-10+11)		90 834	141 834	166 221	141 834
13	Employers' payroll tax (assumes NSW-based employer with more than \$1,200,000 turnover)		6 604	11 028	13 208	11 028
14	Average rates					
	Income tax		23.5%	21.8%	23.5%	21.8%
	Employees' social security contributions		0.0%	0.0%	0.0%	0.0%
	Total payments less cash transfers		16.4%	21.8%	23.5%	21.8%
	Total tax wedge including employer payroll taxes		21.2%	26.3%	27.9%	26.3%
15	Marginal rates					
	Total payments less cash transfers: Principal earner		32.0%	32.0%	32.0%	32.0%
	Total payments less cash transfers: Spouse		30.0%	32.0%	32.0%	32.0%
	Total tax wedge: Principal earner		35.9%	35.9%	35.9%	35.9%
	Total tax wedge: Spouse		34.0%	35.9%	35.9%	35.9%

The national currency is the Australian dollar (AUD). For the 2024-2025 income tax year AUD 1.55 was equal to USD 1. The average full-time worker earned AUD 108 674 in 2024-2025.

Personal income tax system

Federal income tax

Tax unit

Members of a family unit are taxed separately. However, individual eligibility for some tax offsets, as well as liability for some taxes, levies and surcharges, are at least partially dependent on the circumstances of other members of an individual's household.

Tax allowances and credits

Standard tax reliefs

- Basic reliefs: Income earned up to AUD 18 200 by resident taxpayers is subject to tax at a zero rate.
- Standard marital status reliefs: No relief available.
- Relief(s) for children: See Section 4.2 for more detail on transfers related to dependent children.
- Relief for social security contributions and other taxes: No such contributions are levied.
- Reliefs for low income earners: A tax offset worth a maximum of AUD 700 is available for low income earners called the Low Income Tax Offset. Taxpayers whose taxable income was less than or equal to AUD 37 500 in 2024-2025 are eligible to receive the full amount of the offset. Between taxable income ranges of AUD 37 501 and AUD 45 000, the offset is reduced by AUD 0.05 for every AUD 1 by which a taxpayer's taxable income exceeds AUD 37 500. When taxable income exceeds AUD 45 000, the offset is further reduced by 0.015 AUD for every AUD 1. The offset is no longer available once a taxpayer's taxable income exceeds AUD 66 667.
- Relief for mature age workers: No relief available.
- Relief for recipients of certain social security benefits: The Beneficiary Tax Offset is available for those who receive certain taxable social security benefits called 'rebatable benefits'. It ensures that a person who is wholly or mainly dependent on rebatable benefits, and does not have any other taxable income, is not liable for income tax. The amount of the Beneficiary Tax Offset available to an individual is determined by the total amount of the rebatable benefit(s) they receive in an income year.
- Relief for taxpayers who maintain a dependant who is genuinely unable to work: A taxpayer who maintains a dependant who is genuinely unable to work due to invalidity or carer obligations may be eligible for the Dependent (Invalid and Carer) Tax Offset. This tax offset is worth a maximum of AUD 3 300 in 2024-2025. To qualify for the offset in 2024-2025, the combined adjusted taxable income of the taxpayer and their spouse (where one exists, and they are not the person being cared for) should not exceed AUD 117 194. If the taxpayer is caring for their spouse, the threshold applies to their income only. The amount of offset that may be received is reduced by AUD 0.25 for every AUD 1 by which the dependant's adjusted taxable income exceeds AUD 282 and is no longer available once the dependant's adjusted taxable income exceeds AUD 13 482. This offset is not included in the Taxing Wages model.
- Relief for pensioners and seniors: The Seniors and Pensioners Tax Offset (SAPTO) is available to recipients of taxable Government Pensions, including the Age Pension. The SAPTO is also available to Australians who meet all of the Age Pension eligibility criteria except the income and/or

asset tests. The SAPTO is worth up to AUD 2 230 for a single taxpayer, up to AUD 1 602 for each member of a senior couple not separated by illness and AUD 2 040 for each member of a senior couple separated by illness. The offset is withdrawn at the rate of AUD 0.125 for every AUD 1 that a recipient's income exceeds their relevant shade out threshold dependent on their circumstances. For a single taxpayer, the offset is withdrawn from AUD 34 919 and is no longer available once income reaches AUD 52 759. For members of a couple not separated by illness, the offset is withdrawn from a combined income of AUD 61 988 and is no longer available once combined income reaches AUD 87 620.

- Other: No other standard relief available.

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

- Relief for superannuation: Contributions to a low income spouse's superannuation attract an 18% rebate up to a maximum rebate of AUD 540. The income limit for a low income spouse is AUD 40 000. In 2024-2025, the Low Income Superannuation Tax Offset matches AUD 0.15 for each AUD 1 of concessional contributions from at least AUD 10 up to AUD 500 a year for eligible individuals with annual incomes up to AUD 37 000. In addition in 2024-2025, eligible individuals with incomes not exceeding AUD 60 400 can make non-concessional contributions and receive a co-contribution of 50%, up to a maximum of AUD 500. The co-contribution rate progressively decreases for incomes between AUD 45 400 and AUD 60 400, at a rate of AUD 0.03 per AUD 1 of income above AUD 45 400.
- Relief for private health insurance: For the 2024-2025 income year, there are different rebate amounts depending on age and income. For individuals below 65 years without dependants and with annual income for surcharge purposes below AUD 97 000 the rebate is 24.608% of the cost of cover for eligible private health care for the 2024-2025 income year. The same rebate rates apply for families (couples and individuals with at least one dependent child) below 65 years with annual income for surcharge purposes below AUD 194 000. The threshold is increased by AUD 1 500 for each dependent child after the first. The rebate percentages are reduced for individuals and families with annual incomes above these amounts. The rebate percentages are also higher for individuals and families aged 65 years or more.
- Other non-standard reliefs provided as deductions are:
 - subscriptions paid in respect of membership of a trade, business or professional association or union;
 - charitable contributions of AUD 2 or more to specified funds, authorities and institutions, including public benevolent institutions, approved research institutes for scientific research, building funds for schools conducted by non-profit organisations etc.; and
 - work-related expenses including cost of replacement of tools of trade, cost of provision and of cleaning protective clothing and footwear, travelling between jobs or travelling in the course of employment, and certain expenses related to working from home.

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	18 200	NIL
18 201	45 000	AUD 0.16 for each AUD in excess of AUD 18 200
45 001	135 000	AUD 4 288 + AUD 0.30 for each AUD in excess of AUD 45 000
135 001	190 000	AUD 31 288 + AUD 0.370 for each AUD in excess of AUD 135 000
190 001 and over		AUD 51 638 + AUD 0.450 for each AUD in excess of AUD 190 000

To nominally contribute towards the cost of basic medical and hospital care, a Medicare levy is imposed on the taxable incomes of resident taxpayers. In 2024-2025 the levy is applied at the rate of 2.0% of the taxable income of an individual.

Certain thresholds are applied before the Medicare levy is imposed. For taxpayers aged under Age Pension age in 2024-2025, an individual was not liable for the levy where their taxable income did not exceed AUD 27 222. A taxpayer in a couple or sole parent family who is not receiving Parenting Payment (see section 4.2), does not pay the levy if the taxable family income does not exceed AUD 45 907. Individual senior Australians of Age Pension age were not liable to pay the levy where their taxable income did not exceed AUD 43 020. Pensioner families (including couples and sole parents on Parenting Payment) and senior Australian families of Age Pension age did not become liable to pay any Medicare levy until their combined income in 2024-2025 exceeded AUD 59 886. The thresholds are increased by AUD 4 216 for each dependent child.

Where an individual's or family's taxable income exceeds these thresholds, the Medicare levy shades in at a rate of 10% of the excess taxable income over the threshold, until the levy is equal to 2.0% of the individual's or family's total taxable income.

Individual taxpayers who had income for surcharge purposes greater than AUD 97 000 in 2024-2025 (or if a couple had a combined income greater than AUD 194 000 plus AUD 1 500 for each dependent child after the first child) but who did not have a complying private health insurance policy, were liable for the Medicare levy surcharge. The surcharge rates are 1%, 1.25% and 1.5% depending on the taxpayer's income for surcharge purposes above these thresholds. The surcharge rate is applied as a flat rate on their taxable income, reportable fringe benefits and any amount on which family trust distribution tax has been paid. However, the majority of taxpayers with income above the thresholds purchase a complying policy and avoid incurring the surcharge. The surcharge is therefore not included in the Taxing Wages calculations.

State and local income taxes

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

Social security contributions

Employees' contributions

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

Employers' contributions

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

Part of Australia's retirement income system is the provision of compulsory employer contributions (the Superannuation Guarantee system). In 2024-2025 the Superannuation Guarantee required employers to pay 11.5% on top of employees' gross ordinary time earnings to an approved superannuation fund. There is also a limit to the Superannuation Guarantee. In each quarter any earnings beyond a threshold are not covered by the Superannuation Guarantee. This threshold is indexed to a measure of average earnings. In the 2024-2025 tax year this threshold was AUD 65 070 per quarter. The Superannuation Guarantee rate will increase to 12% in 2025-26.

These contributions are not reflected in the Taxing Wages calculations because they are not a form of taxation (they are not an unrequited transfer to general government). While employers are legislatively required to make contributions to approved superannuation funds, superannuation funds are private,

although subject to regulation. Employers' contributions are generally made to individual accounts and form part of employees' personal superannuation assets. Some defined benefit schemes for public sector employees and private defined benefit schemes also exist. The employee may take superannuation benefits as either a lump sum payment or pension on retirement. Accordingly, superannuation contributions are reflected in the Non-Tax Compulsory Payment calculations.

Other taxes

Pay-roll tax

Australian State Governments levy pay-roll taxes on wages, cash or in kind, provided by larger employers to their employees. The rates of pay-roll tax, thresholds and deductions differ between States. In New South Wales, the State with the largest population, the pay-roll tax rate in 2024-2025 was 5.45% for employers with total Australian wages in excess of AUD 1 200 000. Employers are entitled to an exemption from tax, or a pro-rated pay-roll tax threshold, on wages paid in New South Wales up to a maximum of AUD 1 200 000. The exempt amount is reduced based on the proportion of the employer's New South Wales pay-roll to its total Australian pay-roll.

Universal cash transfers

Transfers related to marital status

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

Transfers related to dependent children

Family Tax Benefit Part A (FTB(A)) is paid to a parent, guardian or an approved care organisation to help families meet the costs of raising children. For 2024-2025, the maximum rate of FTB(A) is payable where the combined adjusted taxable income of the family does not exceed AUD 65 189 per year, after which it tapers at a rate of AUD 0.20 per AUD 1 of income until an income limit that is determined by the number and age of dependent children. The base rate of FTB(A) is payable where the combined adjusted taxable income of the family is between the income limit and AUD 115 997, after which the payment shades out at the rate of AUD 0.30 per AUD 1 of income over the ceiling until the payment is nil. The base rate of payment is AUD 1 857.85 per annum (excluding the end of year supplement) for dependent children aged under 18 and for dependent full time students aged 16 to 19. A higher FTB(A) benefit is available for lower income earners, and the value of this benefit is dependent on the age and number of children. For 2024-2025 families may receive a maximum payment (excluding the end of year supplement) of AUD 5 788.90 per annum for each child aged under 13 years and AUD 7 529.95 per annum for each child aged 13 to 15 years and for each child aged 16 to 19 in full time secondary school. For 2024-2025 an end of year supplement of AUD 916.15 per child is also available for families with a combined adjusted taxable income of less than AUD 80 000. However, people receiving any social security allowances or pensions automatically qualify for the maximum higher benefit. The attached calculations assume each dependant is between 5 and 12 years of age.

Family Tax Benefit Part B (FTB(B)) is targeted at couples with one main income and sole parent families. Eligibility for FTB(B) if you are a single parent or grandparent carer is contingent upon having a child under the age of 16 or a qualifying dependent full-time student up to of the end of the calendar year they turn 18. Eligibility for FTB(B) if you are a member of a couple with one main income is contingent upon having a dependent child aged under 13. There are two separate income tests applied to the parent(s). The parent earning the higher amount (or the sole parent, in the case of single parent families) must have an adjusted

taxable income less than AUD 117 194 for the financial year for the family to be eligible. A secondary earner income threshold is also applied to the parent earning the lower amount. For 2024-2025, this threshold is AUD 6 789, above which the entitlement is reduced by AUD 0.20 for each AUD 1 of income. There is no secondary earner income test applied to sole parents. For 2024-2025, the maximum payment is AUD 3 883.60 (including a one-off supplement of AUD 448.95 paid at the end of the financial year) if the youngest dependent child is aged between 5 and 15 (or up to the end of the calendar year they turn 18 years if the dependent child is a full-time student), and AUD 5 372.80 (including a one-off supplement of AUD 448.95 paid at the end of the financial year) if there is at least one child under 5 years. The attached calculations assume each dependant is between 5 and 12 years of age.

Recipients of the Family Tax Benefit may elect to receive the benefit in fortnightly instalments or as an end of year lump sum payment.

A Newborn Supplement and Newborn Upfront Payment may be paid to families for each baby born from 1 March 2014. To be eligible families will need to be eligible for FTB(A) and not be accessing Parental Leave Pay for that child. For multiple births, Parental Leave Pay may be payable for one child and Newborn Supplement for the other child or children. The total value of the Newborn Supplement and Newborn Upfront Payment in 2024-2025 is up to AUD 2 670.82 for the first child (and all multiple births) and up to AUD 1 335.85 for subsequent children.

Paid Parental Leave is provided through Parental Leave Pay (PLP) which can be shared with an eligible partner. Previously, Dad and Partner Pay (DAPP) could be claimed, however, it has been combined into PLP as of 1 July 2023. Eligible parents with a child born or adopted from 1 July 2024 will receive up to 22 weeks' pay at the national minimum wage (AUD 915.80 per week before tax) in 2024-2025. For partnered parents, generally the most PLP a person can take is 20 weeks as 2 weeks are reserved for each partner and a maximum of 2 weeks can be taken concurrently. Single parents are eligible for the full 22 weeks. The date of the child's birth or adoption will determine how many PLP weeks are available as the scheme undergoes an expansion to 26 weeks by 1 July 2026 and the weeks reserved for each partner increasing. The total number of PLP days do not have to be used in a continuous block but must be taken within 2 years of the child's birth or adoption. Claimants must be caring for a newborn or recently adopted child and must have worked for at least 10 of the 13 months prior to the birth or adoption, and for at least 330 hours in that 10 month period with no more than a twelve week gap between two working days. To be eligible an individual's adjusted taxable income must be equal to or less than an income test threshold in the financial year prior to the date of claim or date of birth or adoption, whichever is earlier. The individual income test threshold that applies for children born or adopted from 1 July 2024 is AUD 175,788 (for the assessed 2023-24 financial year). If an individual does not meet the individual income test then a family income test can be used which assesses family adjusted taxable income. The family income test threshold that applies for children born or adopted from 1 July 2024 is AUD 364,350 (for the assessed 2023-24 financial year). PLP and Newborn Supplement cannot be paid for the same child. A person cannot claim FTB(B) while they are receiving PLP.

Child Care Subsidy (CCS) is a means-tested payment which assists families with the cost of approved child care services. CCS is payable to eligible families with incomes up to AUD 533 280. A percentage of the cost of childcare is subsidised. For families with one child aged 5 or under, the applicable percentage is 90 per cent for families with income less than AUD 83 280 and reduces by 1 per cent for each AUD 5 000 of income above AUD 83 280, until it reaches 0 per cent for families earning AUD 533 280. Families with more than one child aged 5 or under received a higher subsidy for the second and subsequent children. They receive the maximum subsidy percentage of 95 per cent up to a maximum income threshold of AUD 141 321. In 2024-2025, there was no annual cap on the CCS. The attached calculations assume no childcare usage.

Other transfers

Income support payments in Australia are assessed on fortnightly income. The descriptions below present annualised estimates of fortnightly rates and thresholds by summing up applicable rates across the 2024-2025 year. The modelled results presented in *Taxing Wages 2024-2025* reflect people who have constant income over an entire year. In practice, it is common for fortnightly payment values to fluctuate as recipients' circumstances change.

JobSeeker Payment

JobSeeker Payment is the primary taxable payment payable to people aged from 22 years to Age Pension age (67 years in 2024-2025) who are unemployed or are regarded as unemployed. JobSeeker Payment is also payable to a member of a couple if their youngest child is aged 6 years or more and to single parents if their youngest child is aged 14 years or more. It is typically conditional on recipients fulfilling a personal Job Plan, which typically involves taking part in activities such as job seeking or training. In 2024-2025 the annual JobSeeker amount for singles without dependants (that are not eligible for the higher payment rate) was AUD 20 157.90 and for partnered individuals was AUD 18 455.40. Recipients are also eligible for an Energy Supplement, and potentially other supplementary payments. These payments typically taper out at a rate of AUD 0.50 per AUD 1 for incomes between AUD 3 900 and AUD 6 656, and reduce at a rate of AUD 0.60 per AUD 1 for incomes over AUD 6 656. Under the thresholds and taper rates that applied in 2024-2025, the JobSeeker payment may be available to some full-time workers under the OECD definition of 30 or more hours of work per week. The JobSeeker Payment for partnered individuals reduces by AUD 0.60 for each AUD 1 of their partner's income above AUD 35 698. For single principal carers with dependent child or children, it reduced at a rate of AUD 0.40 per AUD 1 for incomes over AUD 3 900.

Parenting Payment

Parenting Payment is a taxable payment payable to low income families with responsibility for the care of a young child. Partnered persons are eligible if they have a qualifying child under six years of age, and sole parents are eligible if they have a qualifying child under fourteen years of age.

In 2024-2025 the maximum annual amount of Parenting Payment (Partnered) (PP(P)) was AUD 18 789. Only one parent in a couple can be entitled to PP(P). The maximum annual amount of Parenting Payment (Single) (PP(S)) in 2024-2025 was AUD 26 104.20. Recipients are also eligible for an Energy Supplement, and potentially other supplementary payments. These payments are subject to income and assets tests. The PP(P) tapers out at a rate of AUD 0.50 per AUD 1 of income over AUD 3 900 up to AUD 6 656, and reduces at a rate of AUD 0.60 per AUD 1 for income over AUD 6 656. Under the PP(P) income test, a spouse typically receives a reduced Parenting Payment, tapering at a rate of AUD 0.60, when the higher earning partner's income exceeds AUD 35 472. If the spouse has little or no income (less than AUD 3 900 per annum), he or she would not receive any Parenting Payment when the higher earning partner's income exceeds AUD 66 573. PP(S) reduces by AUD 0.40 for each AUD 1 of income above AUD 5 735.60 plus AUD 639.60 for each child other than the first.

Pharmaceutical Allowance

Pharmaceutical Allowance (PA) is a non-taxable supplementary payment payable to eligible persons to help with medicine costs; for example, persons who receive the PP(S). PA is added to the maximum basic rate of PP(S) before a person's PP(S) entitlement is calculated. Anyone with a PP(S) entitlement, after PA has been added, receives the full amount of PA. For 2024-2025, the payment is AUD 176.80 for singles and AUD 88.40 for coupled individuals.

Telephone Allowance

A non-taxable Telephone Allowance is available on a quarterly basis to eligible individuals, including individuals who receive PP(S). The basic rate of the Telephone Allowance is AUD 146.71 for 2024-2025.

Energy Supplement

The Energy Supplement (ES) is an extra payment to help with energy costs, paid alongside certain income support payments. The ES is not indexed. The amount of the supplement varies depending on the main income support payment. FTB(A) and FTB(B) recipients are only eligible for the ES if they have been continuously eligible for their payment since 19 September 2016.

For eligible FTB(A) recipients, the maximum amount of ES is AUD 91.25 per year for each child under 13 years and AUD 116.80 for each child aged 13 to 15 years and for each child aged 16 to 19 in full time secondary school.

For eligible FTB(B) recipients, the amount of ES is AUD 73.00 per year where the youngest child is under 5 years, and AUD 51.10 per year where the youngest child is aged 5 to 18 years.

Recipients of PP(P) receive AUD 205.40 annually, and recipients of PP(S) receive AUD 312.

For JobSeeker Payment recipients, the ES is typically AUD 228.80 annually for singles without dependents, and AUD 205.40 for partnered individuals.

The calculations assume families and individuals are eligible for the energy supplement as a significant proportion of FTB(A) and FTB(B) recipients were eligible for the supplement in 2024-2025.

Recent changes in the tax/benefit system

Changes to Paid Parental Leave

Dad and Partner Pay and Parental Leave Pay combined into one payment for children born or adopted from 1 July 2023.

Increases to JobSeeker and Student Payments

On 20 September 2023, the base rates of working age and student payments, including JobSeeker Payment, Youth Allowance, Parenting Payment (Partnered), Austudy, ABSTUDY, Disability Support Pension (Youth), and Special Benefit, increased by \$40 per fortnight.

Eligibility for the existing higher rate of JobSeeker Payment was extended to single recipients aged 55 to 59, who are on payment for nine or more continuous months. Previously the qualifying age for this higher rate was 60.

From 20 September 2024, the higher rate of JobSeeker Payment was extended to persons with a partial capacity to work. Previously, persons with partial capacity to work less than 15 hours per week received the same base rate of JobSeeker Payment as other recipients who were able to work full-time, but did not face additional living costs due to impairment.

Increases to Parenting Payment (Single)

From 20 September 2023, eligibility for Parenting Payment (Single) was extended to single principal carers with a youngest dependent child under 14 years (up from 8 years).

Changes to Superannuation Guarantee

Before 1 July 2022, Superannuation Guarantee did not have to be paid for a worker earning less than AUD 450 a month. From 2022-23 onwards, this threshold was removed. Superannuation Guarantee must now be paid to all workers 18 and older regardless of their earnings.

Memorandum items

Identification of an average worker

The source of the information used in replying to the questionnaire was the Australian Bureau of Statistics (ABS) publication *Average Weekly Earnings — Australia*. The survey is now conducted on a biannual basis (it was previously conducted on a quarterly basis up to the June 2012 quarter) and is based on a representative sample of employers in each industry. As a result of this change in frequency, average weekly earnings for the 2024-2025 income tax year have been calculated as the average of the two biannual figures (November 2024 and May 2025 (released in August 2025)).

In August 2009, the ABS redesigned the survey and replaced the industry classification based on the 1993 edition of the Australian and New Zealand Standard Industrial Classification (ANZSIC), which had been in use since 1994, with the 2006 edition of ANZSIC. The 2006 edition of ANZSIC was developed to provide a more contemporary industrial classification system, taking into account issues such as changes in the structure and composition of the economy, changing user demands and compatibility with major international classification standards. Accordingly, the average wage figure for 2010 and later years is inconsistent with that provided for previous years.

All wage and salary earners who received pay for the reference period are represented in the Survey of Average Weekly Earnings (AWE), except:

- members of the Australian permanent defence forces;
- employees of enterprises primarily engaged in agriculture, forestry and fishing;
- employees of private households;
- employees of overseas embassies, consulates, etc.;
- employees based outside Australia; and
- employees on workers' compensation who are not paid through the payroll.

Also excluded are the following persons who are not regarded as employees for the purposes of this survey:

- casual employees who did not receive pay during the reference period;
- employees on leave without pay who did not receive pay during the reference period;
- employees on strike, or stood down, who did not receive pay during the reference period;
- directors who are not paid a salary;
- proprietors/partners of unincorporated businesses;
- self-employed persons such as subcontractors, owner/drivers, consultants;
- persons paid solely by commission without a retainer; and
- employees paid under the Paid Parental Leave Scheme.

The sample for the AWE survey, like most ABS business surveys, is selected from the ABS Business Register which is primarily based on registrations with the Australian Taxation Office's (ATO) Pay As You Go Withholding (PAYGW) scheme (and prior to 1 June 2000 the Group Employer (GE) scheme). The population is updated quarterly to take account of:

- new businesses;
- businesses which have ceased employing;
- changes in employment levels;
- changes in industry; and
- other general business changes.

Earnings comprise weekly ordinary time earnings and weekly overtime earnings.

Weekly ordinary time earnings refers to one week's earnings of employees for the reference period attributable to award, standard or agreed hours of work. It is calculated before taxation and any other deductions (e.g. board and lodging) have been made. Included in ordinary time earnings are award, workplace and enterprise bargaining payments, and other agreed base rates of pay, over award and over agreed payments, penalty payments, shift and other allowances; commissions and retainers; bonuses and similar payments related to the reference period; payments under incentive or piecework; payments under profit sharing schemes normally paid each pay period; payment for leave taken during the reference period; all workers' compensation payments made through the payroll; and salary payments made to directors. Excluded are overtime payments, retrospective pay, pay in advance, leave loadings, severance, termination and redundancy payments, and other payments not related to the reference period.

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

Employers' contribution to private health and pension scheme

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

Employer contributions to pension schemes are primarily through the superannuation system. This is described in section 2.2.

2024-25 Parameter values

Average earnings/yr	Ave_earn	108 674	
Low Income Tax Offset	low_inc_cr	700	
	low_inc_lim	37500	
	low_inc_redn	0.05	
	low_inc_lim_2	45000	
	low_inc_redn_2	0.015	
	low_inc_lim_3	66667	
Tax schedule	tax_sch	0.000	18200
		0.160	45000
		0.30	135000
		0.370	190000
		0.450	
Medicare levy	medic_rate	0.02	
exemption limits	sing_lim	27222	
married	m_lim	45907	
sing parent receiving PPS	SAPTO_lim	59886	
+ per child	ch_lim	4216	
shading-in rate	shade_rate	0.1	
Part A FTB max	FTB_A_max	5788.9	
Part A FTB basic	FTB_A_base	1857.85	
part A income limit 1	FTB_A_lim1	65189	
part A income limit 2	FTB_A_lim2	115997	
reduction rate 1	FTB_A_taper1	0.2	
reduction rate 2	FTB_A_taper2	0.3	
additional limit2 per extra child	FTB_A_child	0	
Large family supplement	FTB_A_large	0	

Part A FTB Energy Supplement (ES) max	FTB_A_CES_max	91.25	
Part A FTB ES basic	FTB_A_CES_basic	36.5	
Part A FTB max end of year supplement	FTB_A_supp	916.15	
Part A FTB max end of year supplement threshold	FTB_A_supp_lim	80000	
Part B FTB	FTB_B	3434.65	
part B partner income limit	FTB_B_lim	6789	
reduction rate	FTB_B_taper	0.2	
income limit (primary earner)	FTB_B_lim_p	117194	
Part B FTB ES no child <5 years old	FTB_B_CES_5	51.1	
Part B FTB max end of year supplement	FTB_B_supp	448.95	
Parenting payment single	PPS	26104.20	
reduction rate	PPS_taper	0.4	
income limit	PPS_lim	5735.60	
additional limit per child	PPS_ch_lim	639.6	
Parenting payment single Energy Supplement (ES)	PPS_CES	312	
Pharmaceutical allowance	PA	176.8	
State pay-roll tax rate (NSW)	Pay_roll_rate	0.0545	
Additional parameters			
JobSeeker Payment single rate	NSAS	20157.9	
JobSeeker Payment single ES	NSAS_CES	228.8	
JobSeeker Payment partnered rate	NSAP	18455.4	
JobSeeker Payment partnered ES	NSAP_CES	205.4	
reduction rate 1	NSA_taper1	0.5	
reduction rate 2	NSA_taper2	0.6	
income limit 1	NSA_lim1	3900	
income limit 2	NSA_lim2	6656	
Senior Australian and Pensioner Tax Offset	SAPTO	2230	
Senior Australian and Pensioner Tax Offset Maximum Section 159N rebate	SAPTO_Max_159N	445	
Senior Australian and Pensioner Tax Offset single threshold	SAPTO_thresh	34919	
Senior Australian and Pensioner Tax Offset taper rate	SAPTO_taper	0.125	
SchoolKids Bonus	SKB	0	
	SKB_lim		
Telephone allowance	Tele_A	146.71	

2024-25 Tax Equations

The equations for the Australian system in 2024-25 are mostly repeated for each individual of a married couple. However, the spouse credit is relevant only to the calculation for the principal earner and the calculation of the Medicare levy uses shading-in rules which depend on the levels of earnings of the spouses. The basis of calculation is shown by the Range indicator in the table below.

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

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings	earn		
2.	Allowances	tax_al	B	0
3.	Credits in taxable income:			
	Credits in taxable income of principal	taxbl_cr_princ	B	IF(AND(Children>0,Married=0),Taper(PPS,earn_princ,PPS_lim+PPS_ch_lim*(Children-1),PPS_taper),IF(AND(Children=0,Married=0),taper2(NSAS,earn_princ,NSA_lim1,NSA_lim2,NSA_taper1,NSA_taper2),IF(Married>0,taper3(NSAP,earn_princ,earn_spouse,NSA_lim1,NSA_lim2,NSA_taper1,NSA_taper2,NSAP_CES),0)))
	Credits in taxable income of spouse	taxbl_cr_spouse	B	IF(AND(Children>0,Married=0),0,IF(AND(Children=0,Married=0),0,IF(Married>0,taper3(NSAP,earn_spouse,earn_princ,NSA_lim1,NSA_lim2,NSA_taper1,NSA_taper2,NSAP_CES),0)))
4.	CG taxable income	tax_inc	B	earn+taxbl_cr
5.	CG tax before credits			
	Medicare Levy	med_levy	B	medicare(tax_inc,sing_lim,m_lim,SAPTO_lim,ch_lim,shade_rate,medic_rate,Married,tax_inc_oth,Children)
	Tax liability	liab	P	Tax(tax_inc, tax_sch)
6.	Tax credits :			
	Low Income Tax Offset	low_cr	B	LITO(Tax_Inc,low_inc_lim,low_inc_cr,low_inc_lim_2,low_inc_redn,low_inc_lim_3,low_inc_redn_2)
	Senior Australian and Pensioner Tax Offset	sap_cr	P	IF(AND(taxbl_cr_princ>0,NOT(AND(Children>0,Married=0))),Tax(taxbl_cr_princ,tax_sch),IF(taxbl_cr_princ>0,Taper(SAPTO,tax_inc,SAPTO_thresh,SAPTO_taper),0)
	Beneficiary tax offset	ben_cr	B	IF(AND(taxbl_cr>0, NOT(AND(Children>0, Married=0))), Tax(taxbl_cr, tax_sch), 0)
	Total	tax_cr	B	low_cr+sap_cr+ben_cr
7.	CG tax	CG_tax	B	Positive(liab-tax_cr) + med_levy
8.	State and local taxes	local_tax	B	0
9.	Employees' soc security	SSC	B	0
11.	Cash transfers:			
	Family Tax Benefit (Part A)	ftbA	J	IF(PA>0,((FTB_A_max+FTB_A_CES_max+IF(earn_princ+earn_spouse<FTB_A_supp_lim,FTB_A_supp,0))*Children+IF(Children>2,(Children-2)*FTB_A_large,0)),MAX(((FTB_A_max+FTB_A_CES_max+IF(earn_princ+earn_spous<FTB_A_supp_lim,FTB_A_supp,0))*Children-

				Positive((earn_princ+earn_spous+taxbl_cr_princ+taxbl_cr_spouse)-FTB_A_lim1)*FTB_A_taper1),Positive((FTB_A_base+FTB_A_CES_basic)*Children-Positive((earn_princ+earn_spous+taxbl_cr_princ+taxbl_cr_spouse)-(FTB_A_lim2+(Positive(Children-1))*FTB_A_child))*FTB_A_taper2)))
	Family Tax Benefit (Part B)	ftbB	J	IF(earn_princ<FTB_B_lim_p,IF(Children>0,Taper((FTB_B+FTB_B_CES_5+FTB_B_supp),earn_spouse+taxbl_cr_spouse,FTB_B_lim,FTB_B_taper),0),0)
	Pharmaceutical Allowance	PA	J	AND(Children>0,Married=0)*IF(Taper(PPS+PA+PPS_CES,earn_princ,PPS_lim+PPS_ch_lim*(Children-1),PPS_taper)>0,PA,0)
	Energy Supplement	CES	J	IF(AND(Children>0,Married=0,Taper(PPS+PPS_CES,earn_princ,PPS_lim+PPS_ch_lim*(Children-1),PPS_taper)>0),MAX(0,Taper(PPS+PPS_CES,earn_princ,PPS_lim+PPS_ch_lim*(Children-1),PPS_taper)-Taper(PPS,earn_princ,PPS_lim+PPS_ch_lim*(Children-1),PPS_taper)),IF(AND(Children>0,Married=0,Taper(PPS+PPS_CES,earn_princ,PPS_lim+PPS_ch_lim*(Children-1),PPS_taper)=0),0,IF(AND(Children=0,Married=0,taper2(NSAS+NSAS_CES,earn_princ,NSA_lim1,NSA_lim2,NSA_taper1,NSA_taper2)>0),taper2(NSAS+NSAS_CES,earn_princ,NSA_lim1,NSA_lim2,NSA_taper1,NSA_taper2)-taper2(NSAS,earn_princ,NSA_lim1,NSA_lim2,NSA_taper1,NSA_taper2),IF(AND(Married>0,taper3(NSAP,earn_spouse,earn_princ,NSA_lim1,NSA_lim2,NSA_taper1,NSA_taper2,NSAP_CES)>0),taper3(NSAP,earn_spouse,earn_princ,NSA_lim1,NSA_lim2,NSA_taper1,NSA_taper2,NSAP_CES)-taper3(NSAP,earn_spouse,earn_princ,NSA_lim1,NSA_lim2,NSA_taper1,NSA_taper2,NSAP_CES)))))+IF(AND(Married>0,taper2(NSAP+NSAP_CES,earn_princ,NSA_lim1,NSA_lim2,NSA_taper1,NSA_taper2)>0),max(0,taper2(NSAP+NSAP_CES,earn_princ,NSA_lim1,NSA_lim2,NSA_taper1,NSA_taper2)-taper2(NSAP,earn_princ,NSA_lim1,NSA_lim2,NSA_taper1,NSA_taper2)),0)
	SchoolKids Bonus	SKB	J	0
		cash_trans	J	ftbA+ftbB+taxbl_cr_princ+PA+taxbl_cr_spouse+Tele_A+CES+SKB+SIFS
	Telephone Allowance	TA	B	IF(Married=0,IF(Children>0,IF(Taper(PPS+PA+PPS_CES,earn_princ,PPS_lim+PPS_ch_lim*(Children-1),PPS_taper)>0,Tele_A,0),0),0)
	Employer's State pay-roll tax	tax_empr	B	(earn+SG_rate*min(earn,SG_ceil))*Pay_roll_rate

Key to range of equation B calculated separately for both principal earner and spouse P calculated for principal only (value taken as 0 for spouse calculation) J calculated once only on a joint basis. Key refers to an optimisation of benefits i.e. Parenting Payment for principal and JobSeeker Payment for spouse versus Parenting Payment for spouse and JobSeeker Payment for principal.

Austria

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

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

Austria 2025

The tax/benefit position of single persons

Wage level (per cent of average wage)		67	100	167	67
Number of children		none	none	none	2
1	Gross wage earnings	42 246	63 054	105 300	42 246
2	Standard tax allowances				
	Basic allowance	0	0	0	0
	Married or head of family				
	Dependent children	0	0	0	0
	Deduction for social security contributions and income taxes	7 574	11 304	16 188	7 574
	Work-related expenses	132	132	132	132
	Other	0	0	0	0
	Total	7 706	11 436	16 320	7 706
3	Tax credits or cash transfers included in taxable income	0	0	0	0
4	Central government taxable income (1 - 2 + 3)	34 541	51 618	88 980	34 541
5	Central government income tax liability (exclusive of tax credits)	4 300	9 663	23 340	4 300
6	Tax credits				
	Basic credit	0	0	0	0
	Married or head of family	0	0	0	813
	Children	0	0	0	4 000
	Other	503	487	487	503
	Total	503	487	487	5 316
7	Central government income tax finally paid (5-6)	3 798	9 176	22 853	- 1 016
8	State and local taxes	0	0	0	0
9	Employees' compulsory social security contributions				
	Gross earnings	7 574	11 304	16 188	7 574
	Taxable income				
	Total	7 574	11 304	16 188	7 574
10	Total payments to general government (7 + 8 + 9)	11 371	20 480	39 041	6 558
11	Cash transfers from general government				
	For head of family	0	0	0	0
	For two children	0	0	0	6 274
	Total	0	0	0	6 274
12	Take-home pay (1-10+11)	30 875	42 574	66 259	41 962
13	Employer's wage dependent contributions and taxes				
	Employer's compulsory social security contributions	8 833	13 184	18 880	8 833
	payroll taxes	2 830	4 225	7 055	2 830
	Total	11 664	17 408	25 936	11 664
14	Average rates				
	Income tax	9.0%	14.6%	21.7%	-2.4%
	Employees' social security contributions	17.9%	17.9%	15.4%	17.9%
	Total payments less cash transfers	26.9%	32.5%	37.1%	0.7%
	Total tax wedge including employer's social security contributions	42.7%	47.1%	49.5%	22.2%
15	Marginal rates				
	Total payments less cash transfers: Principal earner	45.1%	46.7%	42.0%	45.1%
	Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner	57.0%	58.3%	45.6%	57.0%
	Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.

Austria 2025

The tax/benefit position of married couples

Wage level (per cent of average wage)		100-0	100-67	100-100	100-67
Number of children		2	2	2	none
1	Gross wage earnings	63 054	105 300	126 108	105 300
2	Standard tax allowances				
	Basic allowance	0	0	0	0
	Married or head of family				
	Dependent children	0	0	0	0
	Deduction for social security contributions and income taxes	11 304	18 877	22 608	18 877
	Work-related expenses	132	264	264	264
	Other	0	0	0	0
	Total	11 436	19 141	22 872	19 141
3	Tax credits or cash transfers included in taxable income	0	0	0	0
4	Central government taxable income (1 - 2 + 3)	51 618	86 159	103 236	86 159
5	Central government income tax liability (exclusive of tax credits)	9 663	13 964	19 327	13 964
6	Tax credits				
	Basic credit	0	0	0	0
	Married or head of family	813	0	0	0
	Children	4 000	4 000	4 000	0
	Other	487	990	974	990
	Total	5 300	4 990	4 974	990
7	Central government income tax finally paid (5 - 6)	4 363	8 974	14 353	12 974
8	State and local taxes	0	0	0	0
9	Employees' compulsory social security contributions				
	Gross earnings	11 304	18 877	22 608	18 877
	Taxable income				
	Total	11 304	18 877	22 608	18 877
10	Total payments to general government (7 + 8 + 9)	15 667	27 851	36 960	31 851
11	Cash transfers from general government				
	For head of family	0	0	0	0
	For two children	6 274	6 274	6 274	0
	Total	6 274	6 274	6 274	0
12	Take-home pay (1-10+11)	53 661	83 723	95 422	73 449
13	Employer's wage dependent contributions and taxes				
	Employer's compulsory social security contributions	13 184	22 017	26 367	22 017
	Payroll taxes	4 225	7 055	8 449	7 055
	Total	17 408	29 072	34 817	29 072
14	Average rates				
	Income tax	6.9%	8.5%	11.4%	12.3%
	Employees' social security contributions	17.9%	17.9%	17.9%	17.9%
	Total payments less cash transfers	14.9%	20.5%	24.3%	30.2%
	Total tax wedge including employer's social security contributions	33.3%	37.7%	40.7%	45.3%
15	Marginal rates				
	Total payments less cash transfers: Principal earner	46.7%	46.7%	46.7%	46.7%
	Total payments less cash transfers: Spouse	28.8%	45.1%	46.7%	45.1%
	Total tax wedge: Principal earner	58.3%	58.3%	58.3%	58.3%
	Total tax wedge: Spouse	44.2%	57.0%	58.3%	57.0%

The Austrian currency is the Euro (EUR). In 2025, EUR 0.88 was equal to USD 1. In that year, the average worker in Austria earned EUR 63 054 (Secretariat estimate).

Personal Income Tax

Central government income tax

Tax unit

Each person is taxed separately. However, the Austrian taxation system follows the “ability-to-pay” principle. Several tax reliefs depend on non-personal characteristics but requirements related to special life circumstances, including such connected to the family situation given.

Tax allowances

Standard tax reliefs

- Work related expenses: a tax allowance of at least EUR 132 is available to all employees.
- Social security contributions and connected contributions (see the Section on Compulsory Social Security Contributions to Schemes Operated within the Government Sector).

Non-standard tax reliefs

- Mainly work related expenses (‘Werbungskosten’) are - if qualified - deductible in the amount effectively expended.
- Traffic relief depending on the distance between home and working place as well as the availability of public transport.

The following allowances are deductible from income (EUR per month):

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

- Tax-free wage supplements exist for dirty, hard, dangerous, night, weekend and holiday work and overtime. For 2024 and 2025 the tax exemption for overtime premiums have been expanded. The supplement for 18 hours of overtime up to EUR 200 per month is tax free, while other supplements remain tax free up to EUR 400 (EUR 600 for night work) per month:
- Special expenses (‘Sonderausgaben’): Tax allowances for contributions to state-approved churches up to EUR 600 per year and for donations up to 10% of income for research and humanitarian purposes, environmental protection, fire brigades, civil protection, etc.
- In response to the increased popularity of working from home two new specific legal regulations have been introduced in 2021. First, expenses for ergonomic office furniture (e.g. desks, swivel chairs or desk lamps) are tax-deductible in a sum of up to EUR 300 per year. Second, to compensate for additional expenses, a lump-sum allowance of EUR 3 per day worked from home can be deducted. This is possible for a maximum of 100 home office days per year. Thus, up to EUR 300 per year and employee can be left tax-free. One option is that the employer can pay out up to 3 euros per home office day tax-exempt. If the tax-free maximum amount of EUR 3 per day

is not used up or if the employer does not grant a lump sum at all, the employee can claim the difference as income-related expenses.

Rate Schedule

For 2025 the tax schedule is:

Income (EUR) up to	Marginal rate %
13,308	0
21,617	20
35,836	30
69,166	40
103,072	48
1 000 000	50
Above	55 (*)

* The top marginal tax rate of 55% applies only until 2025.

There is a special taxation other than the normal tax schedule for Christmas and leave bonus to the extent that their sum does not exceed two average monthly payments (1/6 of current income) or EUR 83 333. Otherwise the tax amount is calculated according to the following formula:

Income from Christmas and leave bonus (EUR) up to	Marginal rate %
2,447	0
2,903.75	30
25 000	6
50 000	27
83 333	35.75
Above	50/55

If income for Christmas and leave bonus exceeds EUR 83 333, the exceeding amount is added to current income and taxed accordingly using the regular rate schedule (MTR of 50% or 55%, see above).

Tax credits

Standard tax credits:

- Traffic (commuting) tax credit of up to EUR 1,277, composed by the basic traffic tax credit of EUR 487 and a supplement of EUR 790. In the case of a current income above EUR 19,424, the tax credit is faded out uniformly to EUR 487 for income above EUR 29,743. For commuters with a traffic allowance (see section on Main non-standard tax reliefs applicable to an average worker) the basic traffic tax credit is EUR 838. Thus, the deductible amount accumulates to a maximum of EUR 1,325.

If the overall income tax liability of current income is negative, a refund of social security contributions applies. The refund amounts to the absolute value of the negative result of the tax calculation for current income, limited to 55% of overall social security contributions paid. The refundable amount is capped at EUR 1,398 (the case for commuters with a traffic allowance earning below EUR 13,308). The standard case, however, allows a refund of up to EUR 1,277.

The following tax credits exist for taxpayers with children:

- Non-payable family tax credit of EUR 2,000.16 each child (EUR 700 if the child is older than 18 years). There exist several options for allocating the credit between the eligible parties. The parents can split up the tax credit one half each or one parent receives the full benefit. The allocation can be defined for each child separately.

- Child tax credit of EUR 850,8 (EUR 70,9 per month) per child. This tax credit is paid together with child allowances and is not connected with an income tax assessment. Therefore, it is treated as a transfer in this Report (similar treatment as in the OECD Revenue Statistics). Sole earner or single parent tax credit for families with children: The sole earner credit is not given when a spouse's yearly income exceeds EUR 7,274. The single parent credit is not granted if the parent lives more than 6 months per calendar year with a partner. This tax credit is EUR 601 for one child and increases by EUR 212 for the second child and by EUR 268 for the third and every additional child. This tax credit is non-wastable and can be paid as a negative income tax (in addition to the refund of social security contributions in respect of the traffic tax credit).
- Taxpayers with an income tax liability below EUR 700 receive an additional transfer, the so-called 'Kindermehrtrag'. If the income tax liability (exclusive of tax credits) is lower than EUR 700 (in the case of one child), the difference of EUR 700 and the correspondent tax liability is refunded. The maximum amount payable is EUR 700 for each child.

Non-standard tax credit

- Additional traffic tax credit in case of entitlement to traffic relief according to the distance between home address and working place (see Main non-standard tax reliefs applicable to an average worker). In this case employees are entitled to an additional yearly traffic tax credit of EUR 2 per km distance from home to working place.
- Tax payers who make legally required alimony payments to their child qualify for an alimony tax credit of EUR 444 (EUR 37 per month). For a second child, the credit is EUR 55 per month. For every other child the monthly deductible amount is EUR 73. The alimony tax credit is non-payable.
- A tax credit for retired persons which amounts to EUR 1,476 for sole earners with income up to EUR 24,196 if the spouse's income does not exceed EUR 2,673. Otherwise, the tax credit is EUR 1,002. The tax credit is linearly reduced to 0 for incomes between EUR 21,275 (EUR 24,196 for sole earners) and EUR 30,957. If the income tax liability is negative, a refund of social security contributions applies. The refund is limited to 80% of total social security contributions paid, respectively to EUR 669.

State and local income taxes

None.

Compulsory Social Security Contributions to Schemes Operated within the Government Sector

Employee and Employer Social Security Contributions

	Ceilings (EUR)		Rates (%)	
	Regular wage per month	Christmas and leave bonus	Employee ⁽²⁾	Employer ⁽³⁾
Health insurance	6,450	12,900	3.87	3.78
Unemployment insurance	6,450	12,900	⁽⁴⁾	2.95
Pension insurance	6,450	12,900	10.25	12.55
Accident insurance	6,450	12,900	--	1.10
Contribution to the labour chamber	6,450	⁽¹⁾	0.50	--
Contribution for the promotion of residential building	6,450	⁽¹⁾	0.50	0.50
Addition to secure wage payments in the case of bankruptcy	6,450	12,900	--	0.1

1. No contribution on Christmas and leave bonus. In Revenue Statistics, the contribution to the labour chamber is accounted under Taxes on Income of Individuals (1110). The total of contributions for the promotion of residential buildings is included in Taxes on payroll (3000).

2. There is an income threshold for employee contributions of EUR 551,1 per month.

3. A new program has been introduced on 1 January 2004 for severance payments. Employers are required to pay 1.53% of gross wages for employees whose employment started after 1 January 2003. of if the employer and employee opt to participate in the new program. This contribution is seen as a non-tax compulsory wage-related payment.

4. Employees' unemployment insurance rate is lower for small incomes. In 2025, it is zero for monthly earnings up to EUR 2,074, 1% up to EUR 2,262, 2% up to EUR 2,451 and 2.95% above.

Payroll taxes

There are two payroll taxes which are levied on employers for all private sector employees with a monthly gross wage total of more than EUR 1,095: the contribution to the Family Burden Equalisation Fund (3.7%) and the Community Tax (3%). If the assessment basis does not exceed 1,460 EUR per calendar month, it is reduced by 1,095 EUR. The wage-dependent part of the contribution to the Austrian Economic Chamber (listed under heading 1000, Taxes on profits, OECD Revenue Statistics), which is levied, together with the contributions to the Family Burden Equalisation Fund, at different rates depending upon the Länder Chamber (average rate is approximately 0.4%), is not taken into account. The contribution for the promotion of residential buildings (listed under heading 3000, Taxes on payroll, OECD Revenue Statistics) is included in the social security contributions shown above. It is levied by the Health Insurance Companies on monthly (current) income) along with the other social security contribution amounts.

Universal Cash Transfers

Transfers related to marital status

No recurrent payments.

Transfers for dependent children

A family allowance is granted for each child. The monthly payment is EUR 138.4 for the first child, EUR 155.7 for the second, EUR 201.5 for the third and is further increased for each additional child. It rises by EUR 9.6 for children above 3 years of age, EUR 33.4 for children above 10 years of age and by EUR 62 for students (above 19 years of age). The taxing wages calculations only consider households with 2 children aged between 6 and 11 inclusive.

Parents are entitled to a childcare transfer, introduced in 2002. The flexibility of the childcare transfer was again increased significantly. The entitled parent can choose the period of payments between 365 and 851 days (if they split up parental leave: 456 and 1,063 days) resulting in a transfer of EUR 17.65 (in case of 851/1,063 days) to EUR 41.74 per day (in case of 365/456 days). Also, instead of fixed amounts the parents can opt for 80% of the last net-earning, limited to EUR 80.12 per day (14 months; 12 plus 2). Additionally, parents receive a bonus of EUR 1,000 if the period of transfer payments is split at least at a ratio of 40:60 between parents.

The child tax credit (EUR 70.9 per month, see section on Tax Credits) is paid together with the family allowance and therefore treated as a transfer.

There is a supplement to the family allowance of EUR 24.4 per month for the third and every additional child if the family's taxable income (i.e. the sum of the tax base for the progressive income tax schedule) in the preceding year did not exceed EUR 55,000. This supplement is paid on application after a tax assessment of the very year.

An additional family allowance ("13th family allowance") of EUR 121.4 is given for children in the age between 6 and 15 years every September.

For 2023 and 2024, a special transfer was granted to sole earners or single parents with low income. As of July 2025 this transfer payment is reintroduced. The income threshold is EUR25,725. This special grant amounts to EUR 60 per month and child.

Other cash transfers

None.

Main Changes in Tax/Benefit Systems Since 2004

In 2004, the first step of a comprehensive tax reform came into force. The general tax credit was increased from EUR 887 to EUR 1 264 and the phasing-out rules were considerably simplified and harmonized for all groups of taxpayers.

The tax reform in 2005 brought a new income tax schedule. Apart from the top rate of 50% for incomes exceeding EUR 51 000, it shows the average tax rate for two amounts of income. The tax amounts for incomes between these values have to be calculated by linear interpolation. The formulas that have to be applied are defined in the tax law. The tax reform included some measures which were made retrospective for 2004. These measures are an increase of the sole earner and the single parent tax credit depending on the number of children (together with a higher income limit for the spouse of a sole earner) and an increase of traffic reliefs by about 15%. The maximum deductible amount for church contributions was increased as well. In 2006, the traffic reliefs were raised again by about 10%.

In 2007, the traffic allowance was increased by 10% (effective from 1st July). Additionally, the maximum negative tax for employees with traffic allowances was raised from EUR 110 to EUR 240 (for 2008 and 2009). In 2008, the family allowance for the third child and all subsequent children was increased. Furthermore, the unemployment insurance contribution of low-earning employees was reduced (effective from 1st July). Also in 2008, for monthly earnings up to EUR 1 100 the rate was set to zero, for earnings below EUR 1 200 the contribution was set to 1%, below EUR 1 350 2% and above it was set to the current rate of 3%. Since 2008, these income limits have been raised according to the increase of the ceiling levels of social security contributions every year.

In September 2008, the parliament decided some measures to compensate for the strong increase of food and energy prices: inter alia, the tax exemption of overtime supplements was increased and the 13th child allowance was introduced.

The tax reform 2009 (effective from the 1st of January) brought an increase of the zero bracket (from EUR 10 000 to EUR 11 000), a reduction of the marginal income tax rates (except the top rate), an upward shift of the top rate bracket (from EUR 51 000 to EUR 60 000) and several measures for families with children: child allowance (EUR 220 or EUR 132 each parent p.a.), deductibility of cost for child care (up to EUR 2 300 p.a. per child), tax-free payments (up to EUR 500 p.a.) from employers to their employees for child care and an increase of the child tax credit.

Starting in 2013 a progressive rate schedule is applied to Christmas and leave bonus instead of a flat rate regime of 6% (see 1.1.3.)

The tax reform 2016 decreased all marginal tax rates significantly, notably the marginal tax rate of the first tax bracket, which was reduced by 11.5 percentage points from 36.5% to 25%. Limited to the years 2016 to 2020 the top marginal tax rate is temporarily increased by 5% points to 55%. These 55% apply to those parts of income exceeding EUR 1 million a year.

The tax credit for employees was increased from EUR 345 to EUR 400. The non-wastable tax credit (reimbursement of social security contributions) for low earnings was extended. For employees the non-wastable tax credit was increased to a maximum of 50% of social security contributions up to a ceiling of EUR 400 a year. For commuters eligible for the commuter tax allowance the maximum amount of the non-wastable tax credit is EUR 500. This system of a non-wastable tax credit was extended to pensioners too, limited to EUR 110.

Besides the already existing broad financial support for families (payable tax credit and transfers as well as deductibility of cost for child care) the tax reform 2016 increased the tax allowance for children from EUR 220 to EUR 440 per child. If both parents claim for this tax allowance, it increases to EUR 600 (two times EUR 300).

Tax expenditures (tax allowances) for private insurances (e.g. health and pension insurances) and mortgages were abolished for new contracts beginning with 2016. For existing contracts these tax allowances are maintained for a transitional period of five years.

In 2019 a non-payable family tax credit of EUR 1 500 each child (EUR 500 if the child is older than 18 years) was introduced. The parents can split up the tax credit one half each. Sole-earner or single-parent with low income, who cannot fully participate on that non-payable family tax credit, can apply for a payable sole earner or single parent family tax credit up to EUR 250 each child.

In 2020 the positive entrance rate of the tax rate schedule was reduced to 20% and the refund of social security contributions for low earners was increased.

From 2021 on, the standard tax allowance for special expenses of EUR 60 was abolished.

From 2022 on, the supplement to the traffic tax credit is raised from EUR 400 to EUR 650. In case of a negative income tax liability, the refund is capped at 55% of overall social security contributions paid or a maximum of EUR 550.

The non-payable family tax credit is increased to EUR 2000 for each child (EUR 650 if the child is older than 18 years). From now on the maximum amount payable by child via the so-called 'Kindermehrtrag' is EUR 550. Also the definition of eligible recipients has been expanded and is not limited anymore to qualifiers for sole earner or single parent tax credits.

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

- An inflation tax credit of EUR 500 that is faded out uniformly to zero for current income between EUR 18,200 and EUR 24,500. In case of a negative income tax liability, the refund for 2022 is limited to 70% of overall social security contributions paid (max. refundable amount: EUR 1,550).
- The 'climate bonus': direct, tax-free lump-sum payment of EUR 250 per person. Children up to the age of 18 years receive half the amount. The stated amount applies only for 2022.

- A one-time supplement to the climate bonus (the anti-inflation bonus). Payment of EUR 250 that is tax-exempt up to a yearly taxable income of EUR 90,000. Again, for children only EUR 125 are paid.
- An energy cost credit worth EUR 150 (only for households with adjusted gross annual income of EUR 55,000 (single household) or EUR 110,000 (multiple earners)). This cash transfer is a one-time measure to counteract risen energy prices.
- An additional family allowance of EUR 180 is given in August 2022.

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

With the eco-social tax reform 2021 a national emissions certificate trading scheme covering non-ETS sectors has been introduced. The system comprises a regional climate bonus to compensate for the resulting additional burden on households. Every Austrian resident (primary residency for at least 6 months in the calendar year) was entitled to a direct payment consisting of a lump sum transfer and a regionally differentiated amount based on the municipality of residence. Children up to the age of 18 years receive half the amount. An innovation in 2024 was that the climate bonus is taxed for annual income above EUR 66,612. As of 2025 the transfer has been abolished.

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

For 2023 and 2024 a special grant of 60 EUR per month per child was automatically paid to single parents and sole earners with low income. As of July 2025 this transfer payment has been reintroduced.

In 2025 bonus payments to employees up to EUR 1,000 are tax-exempt. Requirements for this tax relief is that the bonus payment is not usually granted, not part of any kind of performance or payment agreements but paid due to objective, business-related reasons.

Memorandum Items

Calculation of Earnings Data

- Sector used: All private employees except apprentices employed full-time for the whole year
- Geographical coverage: Whole country
- Sex: Male and Female
- Earnings base:
 - Items excluded:
 - Unemployment compensation
 - Sickness compensation
 - Items included:
 - Vacation payments
 - Overtime payments
 - Recurring cash payments
 - Fringe benefits (taxable value)
- Basic method of calculation used: Average annual earnings
- Income tax year ends: 31 December

Period to which the earnings calculation refers to: one year.

2025 Parameter values

Average earnings/yr	Ave_earn	63 054	
Non-current income as %	non_cur_pc	14,29%	
Tax schedule for nci	nci_sch	0	2,447
		0,3	2,903,75
		0,06	25000
		0,27	50000
Maximum non-current income tax base	nci_base_max	0,3575	83333
Work related	work_rel	132	
Family tax credit	fam_cr	2000.16	
Sole-, single earner family tax credit	fam_cr_sole	700	
Max. neg. employee's tax credit	neg_wage_cr	1,277	
Max. neg. employee's tax credit rate	neg_wage_cr_rate	55%	
Traffic (commuting) tax credit	traffic_cr	487	
Supplement to traffic (commuting) tax credit	traffic_cr_sppl	790	
Lower Limit of traffic tax credit	traffic_cr_ll	19,424	
Upper Limit of traffic tax credit	traffic_cr_ul	29,743	
Children suppl.to SETC: 1st child	dsole1_cr	601	
2nd child	dsole2_cr	212	
3rd+ child	dsole3_cr	268	
Spouse with children	sole_lim1	7,274	
Income tax schedule	Tax_sch	0	13,308
		0.20	21,617
		0.30	35,836
		0.40	69,166
		0.48	103,072
		0.50	1,000,000
		0.55	
Ceiling f. soc. security contributions	SSC_ceil	6,450	
lower limit	SSC_low	551,1	
Employees' contr. rates	health_rate	3.87%	
	unemp_rate	0.00%	2,074
		1.00%	2,262
		2.00%	2,451
		2.95%	
	pension_rate	10.25%	
sum without unempl. and others	empl_14	14.12%	
	others_rate	1.00%	
Employers' contr.rates	health_empr	3.78%	
	unemp_empr	2.95%	
	pension_empr	12.55%	
	accident_empr	1.10%	
	payinsur_empr	0.1%	
sum without others	empr_14	20.48%	
	others_empr	0.5%	
Payroll taxes	payroll_rate	6.7%	
Child benefit: 1st child	CB_1	1,660,8	
2nd child	CB_2	1,867,2	
suppl.>=3years	CB03sppl	115,2	
suppl.>=10years	CB10sppl	400,8	
5<suppl<16	CB6to15	121,4	
Child tax credit	child_cr_1	850,8	
Special grant for single parents/sole earners with low income	special_grant	360	
Upper income limit for special grant	grant_ul	25,725	

2025 Tax equations

The equations for the Austrian system are, in principle, on an individual basis. The only variable which is dependent on the marital status is the head of family (sole earner) tax credit, which is also given to single parents. For the Christmas and leave bonus (both amounting to one monthly wage or salary) there are special rules for the calculation of social security contributions (separate ceilings and slightly lower rate) and wage tax (reduced flat rate). The income tax schedule and the tax credits are applied only for "current pays". The child tax credit is in principle given to the mother (as a negative tax together with "family allowances" = transfer for children). The sole earner and the employee tax credit are connected with negative income tax rules. Therefore, the tax finally paid may be different from tax liability minus tax credits.

Bn	Variable	code for docn equations	Excel-Function
3	earnings (%AW)	percent	0, 67%, 1 or 167% in Taxing Wages output tables (but model can be applied to all earnings levels)
4	number of children	child	0 or 2 in Taxing Wages output tables
5	Gross earnings	earn	=Ave_earn*percent
6	Current income	cearn	=(1-non_cur_pc)*earn
89	SSC on curr.inc.	SSCc	=IF(cearn/12>=1460;(empl_14+unemp(earn,unemp_rate)+others_rate)*MIN(12*SSC_ceil;cearn)*(cearn>12*SSC_low);(empl_14+unemp(earn,unemp_rate)+others_rate)*((cearn/12-1095)*12)*(cearn>12*SSC_low))
10	Work related expenses	work_rel	=(earn>14*SSC_low)*work_rel
12	Tax base for schedule	ctbase	(cearn-SSCc-work_rel-taxfrinc)+max(0;ncearn-SSCnc-nci_base_max) in case of the principal earner (cearn-SSCc-work_rel-taxfrinc)+max(0;ncearn-SSCnc-nci_base_max) in case of the spouse
13	Gross tax on current income	gtaxcur	=Tax(ctbase;tax_sch)
15	Married or head of family	headcr	IF(Married=0,(Children>0)*((Children>0)*dsole1_cr+(Children>1)*dsole2_cr+(Children>2)*(Children-2)*dsole3_cr),IF(cearn_s-SSCc_s-work_rel_s<=IF(Children>0,sole_lim1,0),((Children>0)*dsole1_cr+(Children>1)*dsole2_cr+(Children>2)*(Children-2)*dsole3_cr,0))+MAX(0,Children*fam_cr_sole-gtaxcur_p)
16	Children	fam_cr	=Max(gtaxcr;fam_cr*child) in the case of single person =MaxFABO(gtaxcur principal;gtaxcur spouse;1) in the case of parents
17	Other	othcr	=(B5>14*SSC_low)*(traffic_cr+MIN(1;MAX(0;(traffic_cr_ul-B12)/(traffic_cr_ul-traffic_cr_ll)))*traffic_cr_sppl)
18	Interm. tax on current income	itcur	=gtaxcur -headcr-othcr
19	Net tax on current income	ntaxcur	=max(gtaxcur-btaxcr-other;-neg_wage_cr_rate*SSC;-neg-wage_cr)-child>0)-headcr
20	Non current income	ncearn	=earn-cearn
21	SSC on non-curr. inc.	SSCnc	=(health_rate+unemp(earn,unemp_rate)+pension_rate)*MIN(2*SSC_ceil;ncearn)*(ncearn>2*SSC_low)
22	Tax base for non-current income	ncearn_adj1	=min(ncearn-SSCnc;nci_base_max)
23	Tax schedule	nci_sch	=min(ncearn-SSCnc;nci_base_max)
24	Taxable income	taxinc	=ctbase+ncearn_adj1
25	Tax liability excl. tax credits	inctax_ex	=gtaxcur+taxnc
26	Income tax finally paid	inctax	=ntaxcur+taxnc
27	Employee's SSC	SSC	=SSCc+SSCnc

Bn	Variable	code for docn equations	Excel-Function
28	Employer's SSC	SSCf	=IF(earn'/14>=SSC_low;((empr_14+others_empr)*MINA(12*SSC_ceil;cearn)+empr_14*MINA(2*SSC_ceil;ncearn));earn*accident_empr)
29	Pay-roll taxes	payroll	=payroll_rate*earn
30	Cash transfers	cash	
31	Cash transfers for dependent children	cash_child	=IF(B4=0;0;IF(B4=2;CB_1+CB_2+2*(CB10sppl+CB6to15+child_cr_1+IF(AND(taxinc<grant_ul;headcr>0);special_grant;0))))
34	Take-home pay		=earn-inctax-SSC+cash+cash_child
	Wage cost		=earn+SSCf+payroll

Unemp is a Visual Basic Function which chooses lower unemployment SSC rates for low earnings.

Key to range of equation B calculated separately for both principal earner and spouse P calculated for principal only (value taken as 0 for spouse calculation) J calculated once only on a joint basis.

Belgium

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

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

Belgium 2025

The tax/benefit position of single persons

		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1	Gross wage earnings		41 773	62 348	104 121	41 773
2	Standard tax allowances					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		5 460	8 149	13 609	5 460
	Work-related expenses		5 930	5 930	5 930	5 930
	Other					
	Total		11 390	14 079	19 539	11 390
3	Tax credits or cash transfers included in taxable income		0	0	0	0
4	Central government taxable income (1 - 2 + 3)		30 384	48 269	84 583	30 384
5	Central government income tax liability (exclusive of tax credits)		9 785	17 833	35 911	9 785
6	Tax credits					
	Basic credit		0	0	0	0
	Married or head of family		2 728	2 728	2 728	3 223
	Children		0	0	0	1 773
	Other					
	Total		2 728	2 728	2 728	4 995
7	Central government income tax finally paid (5-6)		5 296	11 336	24 902	3 594
8	State and local taxes		2 147	4 596	10 097	1 457
9	Employees' compulsory social security contributions					
	Gross earnings		5 460	8 149	13 609	5 460
	Taxable income		245	576	731	245
	Total		5 705	8 725	14 340	5 705
10	Total payments to general government (7 + 8 + 9)		13 148	24 657	49 339	10 756
11	Cash transfers from general government					
	For head of family					
	For two children		0	0	0	6 630
	Total		0	0	0	6 630
12	Take-home pay (1-10+11)		28 625	37 691	54 783	37 646
13	Employer's compulsory social security contributions		10 959	16 971	28 342	10 959
14	Average rates					
	Income tax		17.8%	25.6%	33.6%	12.1%
	Employees' social security contributions		13.7%	14.0%	13.8%	13.7%
	Total payments less cash transfers		31.5%	39.5%	47.4%	9.9%
	Total tax wedge including employer's social security contributions		45.7%	52.5%	58.6%	28.6%
15	Marginal rates					
	Total payments less cash transfers: Principal earner		55.5%	55.5%	58.9%	55.5%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		68.5%	65.0%	67.7%	68.5%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Belgium 2025

The tax/benefit position of married couples

Wage level (per cent of average wage)		100-0	100-67	100-100	100-67
Number of children		2	2	2	none
1	Gross wage earnings	62 348	104 121	124 696	104 121
2	Standard tax allowances				
	Basic allowance				
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes	8 149	13 609	16 298	13 609
	Work-related expenses	5 930	11 860	11 860	11 860
	Other				
	Total	14 079	25 469	28 158	25 469
3	Tax credits or cash transfers included in taxable income	0	0	0	0
4	Central government taxable income (1 - 2 + 3)	48 269	78 653	96 539	78 653
5	Central government income tax liability (exclusive of tax credits)	15 141	27 618	35 666	27 618
6	Tax credits				
	Basic credit	0	0	0	0
	Married or head of family	5 455	5 455	5 455	5 455
	Children	1 506	1 506	1 506	0
	Other				
	Total	6 961	6 961	6 961	5 455
7	Central government income tax finally paid (5-6)	6 139	15 502	21 542	16 632
8	State and local taxes	2 489	6 285	8 734	6 744
9	Employees' compulsory social security contributions				
	Gross earnings	8 149	13 609	16 298	13 609
	Taxable income	478	686	732	686
	Total	8 626	14 295	17 030	14 295
10	Total payments to general government (7 + 8 + 9)	17 255	36 082	47 306	37 670
11	Cash transfers from general government				
	For head of family				
	For two children	4 991	4 887	4 887	0
	Total	4 991	4 887	4 887	0
12	Take-home pay (1-10+11)	50 084	72 926	82 277	66 451
13	Employer's compulsory social security contributions	16 971	27 930	33 942	27 930
14	Average rates				
	Income tax	13.8%	20.9%	24.3%	22.4%
	Employees' social security contributions	13.8%	13.7%	13.7%	13.7%
	Total payments less cash transfers	19.7%	30.0%	34.0%	36.2%
	Total tax wedge including employer's social security contributions	36.9%	44.8%	48.1%	49.7%
15	Marginal rates				
	Total payments less cash transfers: Principal earner	55.5%	55.5%	54.3%	55.5%
	Total payments less cash transfers: Spouse	45.3%	55.5%	54.3%	55.5%
	Total tax wedge: Principal earner	65.0%	65.0%	64.1%	65.0%
	Total tax wedge: Spouse	56.7%	68.5%	64.1%	68.5%

The national currency is the Euro (EUR). In 2025, EUR 0.88 was equal to USD 1. The Secretariat has estimated that in that same year the average worker earned EUR 62 348 (Secretariat's estimate).

Personal income tax system

Federal government income tax

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.

Schedule

Taxable income (EUR)	Marginal rate (%)
0—16 320	25
16 320—28 800	40
28 800—49 840	45
49 840—and above	50

Tax allowances

Deduction of social security contributions

Unless stated otherwise, social insurance contributions are deductible from gross income.

Work-related expenses

Salaried employees are entitled to a standard deduction for work-related expenses; this is equal to 30% of gross income (less social insurance contributions) and may not exceed EUR 5 930 per spouse.

For self-employed professionals:

Self-employed professionals are entitled to a standard deduction for work-related expenses. This deduction may under no circumstances exceed EUR 5 210 per spouse.

Gross earnings less social insurance contributions (EUR)	Rate (%)
Below 7 540	28.70
Between 7 540 and 14 970	10
Between 14 970 and 24 920	5
Above 24 920	3

Paid company directors are also entitled to a standard deduction for work-related expenses; this is equal to 3% of gross income (less social insurance contributions) and may not exceed EUR 3 130 per spouse.

An additional allowance may be granted to wage-earners if their workplace is more than a certain distance from their home.

Actual expenses incurred in order to acquire or retain earned income are deductible if they exceed the standard deduction. The deductibility of certain categories of work-related expenses (cars, clothing, restaurant meals and business gifts) is limited, however. Taxpayers who report actual expenses may deduct a lump sum:

- If they are made using a personal vehicle, the deduction of these costs is limited to EUR 0.15 per kilometer.

- If these trips are made other than with a personal vehicle, then, in the absence of proof, the professional expenses are fixed at a flat rate of 0.15 euros per kilometer travelled, without the commuting distance taken into account being allowed to exceed 100 kilometers (single route). The taxpayer who can prove higher actual costs may deduct them. For the bicycle or speed pedelec, the flat rate is equal to 0.36 euros per kilometer.

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 13 460.

Exempt income

The base amount is: 10 910. These amounts vary with regards to the family situation. Additional exemptions for dependent children (a handicapped child counts as two children):

- 1 child: 1 980
- 2 children: 5 110
- 3 children: 11 440
- 4 children: 18 510
- > 4 children: 7 070 per additional child

Dependent child exemptions in excess of available income give rise to a reimbursable tax credit. This reimbursable tax credit is calculated at the marginal rate for the spouse with the highest income and capped at EUR 570 per dependent child.

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

- Other dependants: 1 980
- Handicapped / handicapped spouse: 1 980
- Other handicapped dependants: 1 980
- Widow(er) with dependent child(ren): 1 980
- Single father or mother: 1 980

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.

Schedule

Basic exemption plus any additional exemption (EUR)	Marginal rate (%)
0—11 460	25
11 460—16 320	30
16 320—27 190	40
27 190—49 840	45
49 840—and above	50

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

Regional and local government taxes

With the implementation of the sixth state reform, the Flemish Region, the Walloon Region and the Brussels-Capital Region have been delegated several important competences with regard to the individual income tax. As a result of this reform, as from 1 July 2014, the regional competences are:

- the possibility to levy surcharges on the federal PIT (the supplementary regional tax on the personal income tax). The surcharge may be proportional or vary with income but there are limits to ensure that the tax remains progressive);
- to grant (on the result of the surcharges) tax discounts;
- to grant tax reductions, tax increases and tax credits;
- to regulate exclusively some tax reductions.

Under the new tax model, the assumed federal income tax amount must first be calculated. The taxable base is reduced by the exempt income (see section on Exempt income), the tax credits for pensions, unemployment, sickness and other social benefits and the tax credit for income taxed abroad. Additionally, it is reduced by the tax due on passive income for which the Federal State remains exclusively competent.

The remaining PIT liability is then split between the federal government and Regions according to a ratio of 24.957% for the regional PIT and 75.043% for the Federal PIT. Expressed as % of the federal PIT, the basic rate of the regional surcharge equals 33.257%. ($0.24957/(1-0.24957)$). Regions may change the rate of the surcharge. This surcharge may vary per tax bracket, within certain limits.

The modelling relies on the parameters that apply in the Brussels-capital Region. The actual regional rate is set at 32.591% (Brussels-Capital rate).

The starting point for the calculation of the municipal (and agglomeration) surcharges is the individual income tax ("impôt total", i.e. the sum of federal PIT and regional PIT), before taking into account the surcharge resulting from insufficient prepayments, the foreign tax credit, federal and regional reimbursable tax credits (among others for children and for low-income workers), advanced payments and withholding taxes. The rate of this local surtax is set by each municipality, and there is no upper limit.

The calculation of the regional and local surtax for the average worker study assumes that the worker lives in the Region of Brussels-Capital. The weighted average local surtax of the 19 municipalities which form the Brussels-Capital Region is 6.0%. The additional surcharge of 1% levied in the Brussels-Capital Region, in addition to the municipal surcharge, is abolished as from income year 2016.

Tax credits

Refundable tax credit for low-income workers

A refundable tax credit is intended for low-income workers and company managers (subject to the employees' social security system) entitled to the "employment bonus". As of 1st April 2024, the social "employment bonus", which is actually granted on remunerations earned during the taxable period, is calculated in two stages: component A for low-wage workers and component B for very low-wage workers. The refundable tax credit is calculated as follows: 33,14% of component A and 52,54% of component B. It cannot exceed EUR 1 540 per taxable period.

Compulsory social security contributions to schemes operated within the government sector

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):

2025	Employee	Employer	Total
Unemployment	0.87	3.16	4.03
Health insurance indemnities	1.15	2.35	3.5
Health care	3.55	3.8	7.35
Placement services		0.05	0.05
Family allowances		7	7
Pensions	7.50	8.86	16.36
Child care		0.05	0.05
Work-related illnesses		1.00	1.00
Work-related accidents		0.32	0.32
Education leave		0.05	0.05
Business closures		0.38	0.38
Wage restraint		5.24	5.24
Tax shift 2017		-5.04	-5.04
Total	13.07	27.22	40.29

Vacation pay is not subject to the social security contributions applicable to salaries, but a social security levy of 13.07% is deducted when the money is attributed.

b) Reduction of employer contributions

The schedule applicable as from 01.01.2025 is as follows:

Gross annual earnings (S) in EUR	Fixed amount	Variable amount
0-27 773.28	0	0.140 (44 054,48-S) + 0.400 (27 773.28-S)
27 773.28-44 054,48	0	0.140 (44 054,48-S)
44 054,48 and up	0	0

The schedule applicable as from 01.04.2025 is as follows:

Gross annual earnings (S) in EUR	Fixed amount	Variable amount
0-33 600	0	0.140 (44 935,56-S) + 0.210 (33 600-S)
33 600-44 935,56	0	0.140 (43 190.68-S)
44 935,56 and up	0	0

The schedule applicable as from 01.07.2025 is as follows:

Gross annual earnings (S) in EUR	Fixed amount	Variable amount
0-37 440	0	0.140 (44 935,56-S) + 0.150 (37 440-S)
37 440-44 935,56	0	0.140 (44 935,56-S)
44 935,56 and up	0	0

c) Reduction of individual social security contributions

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

The schedule applicable as from 01.01.2025 is as follows:

	Component A	Component B
Gross annual salary (S) in EUR	Reduction in Euros	
0 < S < 25 591.08	1 418,64	1 913,16
25 591.08 < S < 32 680.32	1 418,64	1 913,16 – 0,2699 (S-25 591,08)
32 680.32 < S < 38 488.80	1 418,64 – 0.2442 (S-32 680,32)	0
S > 38 488.80	0	0

The schedule applicable as from 01.02.2025 is as follows:

	Component A	Component B
Gross annual salary (S) in EUR	Reduction in Euros	
0 < S < 26 103	1 447,08	1 951,44
26 103 < S < 33 333.96	1 447,08	1 951,44 – 0,2699 (S-26 103)
33 333.96 < S < 39 257.76	1 418,64 – 0.2442 (S-33 333.96)	0
S > 39 257.76	0	0

d) Special social security contribution

All persons totally or partially subject to the social security scheme for salaried workers are liable for this special contribution. In theory, the amount of the contribution is determined according to aggregate household income. Aggregate household income is equal to combined gross earnings less ordinary social security contributions and work-related expenses. The special social security contribution is not deductible for PIT purposes. Since 01.01.2022, two schedules are created, one for the single persons and one for couples. The amount of the contribution is as follows:

Single persons:

Taxable income (EUR)	Amount due on the lower limit	% above the lower limit
from 0 to 18 592.02	0	0
from 18 592.02 to 21 070.96	0	5
from 21 070.96 to 37 344.00	123.95	1.3
from 37 344.00 to 40 997.26	335.50	4.009
from 40 997.26 to 60 161.85	481.96	1.2996
60 161.85 and above	731.28	0

Couple :

Taxable income (EUR)	Amount due on the lower limit	% above the lower limit
from 0 to 18 592.02	0	0
from 18 592.02 to 21 070.96	0	5
from 21 070.96 to 60 161.85	123.95	1.3
from 60 161.85 to 74 688.00	623.39	0
from 74 688.00 to 81 994.00	623.39	1.3629
81 994.00 and above	731.28	0

e) Work accidents

All employers are required to insure their employees against accidents that occur in the workplace or while travelling to or from the workplace. The insurance is written by a private company. The premiums depend on the wage level as well as on sectoral risk indicators. A minimum (+/- 14% of AW in 2018) and maximum (89% of AW) wage applies. The usual premiums are approximately 1% of the capped gross pay for office

workers and 3.3% for labourers. Higher rates apply in certain industries in which risks are greater. The premium rate for construction workers, for example, varies between 7% and 8%.

Deductions according to family status or gender

None.

Universal cash transfers

With the implementation of the sixth state reform, the Flemish Region, the Walloon Region and the Brussels-Capital Region have been delegated family allowances. We only indicates the changes that have been implemented in the Brussels-capital region. Those apply from 1st January 2020

The previous system (hereafter “the old system”) is to a large extent grandfathered. For the children born before 31th December 2019, if the old family allowance system is most advantageous than the new system, the old system still applies if the composition of the family has not been changed. The comparison is made per family and not per child and only takes into account only the basic amounts and not the annual supplements.

The Taxing Wages calculations assume that one child is aged between seven and ten years and that the other child is aged between eleven and twelve years.

New regional system – Brussels-Capital region

Under the new system, family benefits consist in basic amount, age supplements, an income-related supplement and a single parent supplement.

The basic annual amount per child is set at EUR 2 234,46 (But if the child is born before 1st January 2020, the amount is reduced by EUR 148.92 until 31 December 2025).

Age supplement:

≥ 12 years	148.92
≥ 18 years and an enrolment in higher education	297,95

Number of children and income-related supplement, per child: (S = Gross income, net of deductible social security contributions)

Children under the age of 12	1 child	2 children	3 children or more
S ≤ 39 727.77	595.90	1042.77	1638.56
39 727.77 < S ≤ 57 669.34	0	372.47	1072.49
S > 57 669.34	0	0	0
Children over the age of 11	1 child	2 children	3 children or more
S ≤ 39 727.77	744.82	1191.69	1787.59
39 727.77 < S ≤ 57 669.34	0	372.47	1072.49
S > 57 669.34	0	0	0

Single parent supplement, per child:

	1 child	2 children	3 children or more
$S \leq 39\,727.77$	0	149.16	297.95
$S > 39\,727.77$	0	0	0

Annual supplement, per child

< 3 years	3 – 5 years	6 – 11 years	≥ 12 years
24.83	24.83	37.24	62.07
	:		But if an enrolment in higher education:
			99.31

Old system

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

	<5 years	5–6 years	7–10 years	11–12 years	13–16 years	17–18 years	>18 years
1 st child	1 451.94	1 464.35	1 712.95	1 737.78	1 867.76	1 867.76	1 925.51
2 nd child	2 665.43	2 677.84	3 173.59	3 198.42	3 460.19	3 460.19	3 665.89
3 rd child	3 967.35	3 979.76	4 475.51	4 500.34	4 762.11	4 762.11	4 967.81

Main changes in the tax/benefit system since 2016

The “tax shift” has been decided in 2015 and is shifting the taxation from labour to other bases, including mainly consumption and income from savings. The reform is phased over the 2015-2019 period. The main changes are the following

- Employers’ social security contributions will be reduced to 25%. Reductions will be abolished, apart from the reduction for low wage earners that will be gradually increased.
- On the side, the reform increases the standard deduction for work related expenses for wage earners and the zero-rate band. The tax schedule will also be modified: the 25% will be extended to the previous upper limit of the 30% bracket, so that the former 30% bracket will disappear. The tax credit for low wage earners will also be increased.

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

Although no specific covid-19 measures have a direct impact on labour taxation as modelled in the Taxing Wages publication, some have an impact on payment facilities:

- The covid-19 measures in Belgium include improved deferred social security contribution (SSC) payments plans (Amicable repayment plans). Such repayment plans already existed and are still on demand, but access is made easier and conditions smoother. In principle all companies with covid related financial problems can claim the deferral with respect to 2020 SSC-payments.
- Regarding PIT, no particular measures apply to PIT assessments of employees. However a covid measure provides for a lower rate of the earned income withholding tax (EIWT) for unemployment benefits of temporary unemployed employees. Since the PIT rate schedule itself remains unchanged, the total PIT due is not altered. But lower EIWT paid at source amounts to a partial postponement of payment.
- On top of several cases in which employers must not transmit all collected earned income withholding tax (EIWT) to the Treasury, a new covid measure supporting companies retaining

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

Memorandum Items

Identification of AW and valuation of earnings

The Average Wage is based on an annual survey conducted by the Statbel division of the Ministry of Economy. The survey is limited to enterprises with at least 10 employees. A two step approach is applied: first the participating employers are selected, then the surveyed employees (sampling ratio of 5% to 7%). All employees are covered by the survey but the estimate of the Average Wage is restricted to data of full time employees only. The reference period is October but survey data is combined with social insurance registers to obtain annual earnings. If applicable, the earnings of full time employees not employed during the entire year, are uplifted proportionally to obtain annual estimates. Annual earnings include bonuses, vacation and overtime pay, but no fringe benefits.

2025 Parameter values

	Ave_earn	62 348	Secretariat estimate			
Work-related expenses	work_rel_max	5 930				
	work_rel_sch	0	0			
		0	0			
		0.3				
Tax credits (exempt income)	single_cr	10 910				
	married_cr	10 910				
	supp_cr_base	0				
	supp_cr_thrsh1	0				
One child	child_cr1	1 980				
Two children	child_cr2	5 110				
Single parents	s_parent_cr	1 980				
Maximum Child Credit Payment	child_cr_max	570				
Basic Credit	basic_cr_base	0				
	basic_cr_thrsh1	6 550				
	basic_cr_thrsh2	8 740				
	basic_cr_thrsh3	21 860				
	basic_cr_thrsh4	28 420				
Basic exemption plus any additional exemption schedule		ex_rate1				
	Ex_sch	0.25	11 460.00			
		0.30	16 320.00			
		0.40	27 190.00			
		0.45	49 840.00			
		0.50				
Income tax schedule		tax_rate1				
	tax_sch	-	0			
		0.25	16 320			
		0.40	28 800			
		0.45	49 840			
		0.50				
	quote_max	13 460				
	quote_rate	0.3				
Regional tax	red_rate	0.24957				
	reg_tax_rate	0.32591				
Local tax	local_rate	0.06				
	add_local_rate	0				
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				
			Component A		Component B	
	SSC_redn	0	1 447.08		1 951.44	
	(annual)	26 103.00	1 447.08		1 951.44	0.2699
		33 333.96	1 447.08	0.2443		
		39 257.76	0.00			
Special annual contribution	SSC_special	0.000	0			

		0	0		
		0	0		
		0.000			
Employer contributions	SSC_empr_rt	0.27220	0.27220	0.0000	
	SSC_empr_red	0.00	0.00	0.2275	34 063.32
		34 063.32	0.00	0.14	44 715.29
		44 715.29	0.00	0.00	0.00
		9 999 999.00	0.00		0.00
Structural reduction on the withholding tax on wages	PrP_redn	0.000			
Low-income credit	LIC_rate_A	0.3314			
	LIC_rate_B	0.5254			
	LIC_max	1 540.00			
Child benefit (age 7-10) old system	CB_1	1 713.01			
second child (age 7-10) old system	CB_2	3 173.65			
third child (age 7-10) old system	CB_3	4 475.57			
Child benefit (age 6-12) (new sytem)	CB	2 122.84			
Social supplement (children < 12)	Number of children		0	1	2
	CS_social	0	0	595.9	1 042.77
		39 727.77	0	0	372.47
		57 669.34	0	0	0
		99 999 999	0	0	0
Single parent supplement	CS_Single	0	0	0	149.16
		39727.77	0	0	0
		99 999 999	0	0	0
New Special annual contribution : Single person	SSC_special_single				
		0.000000	18 592.02		
		0.050000	21 070.96		
		0.013000	37 344.00		
		0.040090	40 997.26		
		0.012996	60 161.85		
		0.000000			
New Special annual contribution : couple	SSC_special_couple				
		0.000000	18 592.02		
		0.050000	21 070.96		
		0.013000	60 161.85		
		0.000000	74 688.00		
		0.013629	81 994.00		
		0.000000			

2025 Tax equations

The equations for the Belgian system in 2022 are mostly calculated on an individual basis. But central government tax for a married couple is calculated on two bases and the lower value is used. One of the bases takes account of the combined income of the couple. Also, tax credits may be used against the tax liability of the secondary earner if the principal earner is unable to use them.

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

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings	earn		
2.	Allowances:	tax_al	B	MIN(work_rel_max, Tax(earn-SSC, work_rel_sch))+SSC
3.	Credits in taxable income	taxbl_cr	B	0
4.	CG taxable income	tax_inc_int	B	earn-tax_al
	Quote part	Q	J	IF(married, Positive(MIN(tax_inc_int_total*quote_rate, quote_max)-tax_inc_int_spouse), 0)
	CG adjusted taxable income - principal	tax_inc_adj_princ	P	Positive(tax_inc_int_princ - Q)
	CG adjusted taxable income - spouse	tax_inc_adj_spouse	S	Positive(tax_inc_int_spouse + Q)
5.	CG tax before credits	CG_tax_excl	J	Tax(tax_inc_adj, tax_sch)
6.	Calculation of credits			
	Child exemption amount	child_ex_inc	P	(children=1)*child_cr1+(children=2)*child_cr2
	Family exemption amount	fam_ex_inc	B	IF(Married,married_cr,single_cr+(Children>0)*s_parent_cr)+IF(tax_inc_adj<=0,0,IF(tax_inc_adj<=supp_cr_thrsh1,supp_cr_base,MAX(0,supp_cr_base+supp_cr_thrsh1-tax_inc_adj)))
	Initial exempt income - principal	ex_inc_int_princ	P	child_ex_inc+fam_ex_inc_princ
	Initial exempt income - spouse	ex_inc_int_spouse	S	fam_ex_inc_spouse
	Transferable amount	ex_inc_tran	J	married*IF(ex_inc_int_princ<tax_inc_adj_princ, MIN(MAX((ex_inc_int_spouse-tax_inc_adj_spouse), 0), tax_inc_adj_princ-ex_inc_int_princ), -(MIN(MAX((ex_inc_int_princ-tax_inc_adj_princ), 0), MAX(0, tax_inc_adj_spouse-ex_inc_int_spouse))))
	Final exempt income - principal	ex_inc_fin_princ	P	ex_inc_int_princ+ex_inc_tran
	Final exempt income - spouse	ex_inc_fin_spouse	S	ex_inc_int_spouse-ex_inc_tran
	Tax credits	tax_credits	J	Tax(ex_inc_fin, Ex_sch)
	Basic Credit	basic_cr	B	basic_cr_base*IF(tax_inc<='basic_cr_thrsh1,' 0, IF(tax_inc<='basic_cr_thrsh2,' (tax_inc-basic_cr_thrsh1)/(basic_cr_thrsh2-basic_cr_thrsh1), IF(tax_inc<='basic_cr_thrsh3,' 1, IF(tax_inc<='basic_cr_thrsh4,' (basic_cr_thrsh4-tax_inc)/(basic_cr_thrsh4-basic_cr_thrsh3), 0))))+IF(tax_inc=0;0;MIN(LIC_rate_A*(MIN(VLOOKUP('earn, SSC_redn,3), VLOOKUP(earn, SSC_redn, 3)-VLOOKUP(earn, SSC_redn, 4)*(earn-VLOOKUP(earn, SSC_redn, 2)))))+LIC_rate_B*(MIN(VLOOKUP('earn, SSC_redn,5), VLOOKUP(earn, SSC_redn, 5)-VLOOKUP(earn, SSC_redn, 6)*(earn-VLOOKUP(earn, SSC_redn, 2)))));LIC_max))
7.	CG tax			
	Tax prior to non-wasteable credits	CG_tax_init	B	Positive(CG_tax_incl-tax_credits) *(1-red_rate)

	Non-wasteable child credit	child_credit_nw	J	MIN(Tax(MIN((children=1)*child_cr1+(children=2)*child_cr2),'(positive(ex_inc_int-tax_inc_int), tax_sch), children*child_cr_max)
	Final CG tax	CG_tax_final	J	CG_tax_init-basic_cr_total-child_credit_nw
8.	State and local taxes			
	Regional tax	regional_tax	B	CG_tax_init*reg_tax_rate
	Local tax	local_tax	J	(local_rate+add_local_rate)*(CG_tax_init+regional_tax)
9.	Employees' soc security	SSC	B	Positive((earn)*SSC_rt-MIN(VLOOKUP(earn, SSC_redn, 3)+VLOOKUP(earn, SSC_redn, 5), VLOOKUP(earn, SSC_redn, 3)+VLOOKUP(earn, SSC_redn, 5)-VLOOKUP(earn, SSC_redn, 4)*(earn-VLOOKUP(earn, SSC_redn, 2))-VLOOKUP(earn, SSC_REDn, 6)*(earn-VLOOKUP(earn, SSC_redn, 2))))
		SSC_special	J	positive(Tax(tax_inc_total, IF(Married, SSC_special_couple, SSC_special_single)))
		SSC_total		SSC+SSC_special
11.	Cash transfers	cash_trans	J	MAX(((Children>0)*CB_1+(Children>1)*CB_2, Children*(CB+VLOOKUP(earn-SSC, CS_Social, Children+2)+IF(Married, 0, VLOOKUP(earn-SSC, CS_Single, Children+2))))
13.	Employer's soc security	empr_sch	B	Positive(earn*(SSC_empr_rt-PrP_redn)-(VLOOKUP(earn, SSC_empr_redn, 2)-VLOOKUP(earn, SSC_empr_redn, 3)*(earn-VLOOKUP(earn, SSC_empr_redn, 1))))

Key to range of equation B calculated separately for both principal earner and spouse P calculated for principal only (value taken as 0 for spouse calculation) J calculated once only on a joint basis.

Canada

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

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

Canada 2025

The tax/benefit position of single persons

		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1	Gross wage earnings		61 909	92 401	154 309	61 909
2	Standard tax allowances					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		584	1 074	1 074	584
	Work-related expenses					
	Other					
	Total		584	1 074	1 074	584
3	Tax credits or cash transfers included in taxable income		0	0	0	0
4	Central government taxable income (1 - 2 + 3)		61 324	91 327	153 235	61 324
5	Central government income tax liability (exclusive of tax credits)		9 129	15 279	30 087	9 129
6	Tax credits					
	Basic credit		2 552	2 552	2 552	2 552
	Married or head of family		0	0	0	2 339
	Other(CPP & EI)		566	643	643	566
	Total		3 118	3 195	3 195	5 457
7	Central government income tax finally paid (5-6)		6 011	12 085	26 893	3 672
8	State and local taxes		2 602	5 320	14 903	1 347
9	Employees' compulsory social security contributions					
	Gross earnings		4 491	5 508	5 508	4 491
	Taxable income (Provincial Health Care Levy)		600	750	750	600
	Total		5 091	6 258	6 258	5 091
10	Total payments to general government (7 + 8 + 9)		13 703	23 663	48 053	10 109
11	Cash transfers from general government					
	For head of family		0	0	0	0
	For two children		0	0	0	11 924
	Total		0	0	0	11 924
12	Take-home pay (1-10+11)		48 206	68 738	106 256	63 723
13	Employer's compulsory social security contributions		6 859	8 868	10 375	6 859
14	Average rates					
	Income tax		13.9%	18.8%	27.1%	8.1%
	Employees' social security contributions		8.2%	6.8%	4.1%	8.2%
	Total payments less cash transfers		22.1%	25.6%	31.1%	-2.9%
	Total tax wedge including employer's social security contributions		29.9%	32.1%	35.5%	7.3%
15	Marginal rates					
	Total payments less cash transfers: Principal earner		35.7%	29.6%	45.0%	74.6%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		42.2%	31.8%	46.0%	77.2%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Canada 2025

The tax/benefit position of married couples

		Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
		Number of children	2	2	2	none
1	Gross wage earnings		92 401	154 309	184 802	154 309
2	Standard tax allowances					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		1 074	1 658	2 148	1 658
	Work-related expenses					
	Other					
	Total		1 074	1 658	2 148	1 658
3	Tax credits or cash transfers included in taxable income		0	0	0	0
4	Central government taxable income (1 - 2 + 3)		91 327	152 651	182 654	152 651
5	Central government income tax liability (exclusive of tax credits)		15 279	24 409	30 559	24 409
6	Tax credits					
	Basic credit		2 552	5 104	5 104	5 104
	Married or head of family		2 339	0	0	0
	Other(CPP & EI)		643	1 209	1 286	1 209
	Total		5 534	6 313	6 390	6 313
7	Central government income tax finally paid (5-6)		9 746	18 095	24 169	18 095
8	State and local taxes		4 774	7 922	10 641	7 922
9	Employees' compulsory social security contributions					
	Gross earnings		5 508	9 998	11 015	9 998
	Taxable income (Provincial Health Care Levy)		750	1 350	1 500	1 350
	Total		6 258	11 348	12 515	11 348
10	Total payments to general government (7 + 8 + 9)		20 777	37 366	47 325	37 366
11	Cash transfers from general government					
	For head of family		0	0	0	0
	For two children		7 271	3 776	2 065	0
	Total		7 271	3 776	2 065	0
12	Take-home pay (1-10+11)		78 895	120 719	139 542	116 944
13	Employer's compulsory social security contributions		8 868	15 727	17 735	15 727
14	Average rates					
	Income tax		15.7%	16.9%	18.8%	16.9%
	Employees' social security contributions		6.8%	7.4%	6.8%	7.4%
	Total payments less cash transfers		14.6%	21.8%	24.5%	24.2%
	Total tax wedge including employer's social security contributions		22.1%	29.0%	31.1%	31.2%
15	Marginal rates					
	Total payments less cash transfers: Principal earner		35.3%	35.3%	35.3%	29.6%
	Total payments less cash transfers: Spouse		32.4%	41.3%	35.3%	35.7%
	Total tax wedge: Principal earner		37.3%	37.3%	37.3%	31.8%
	Total tax wedge: Spouse		39.2%	47.3%	37.3%	42.2%

The national currency is the Canadian dollar (CAD). In 2025, CAD 1.40 was equal to USD 1. In that year, the average worker earned CAD 92 401 (Secretariat estimate).

Personal Income Tax Systems

Central/federal government income taxes

Tax unit

Under the present system, tax is levied on individuals separately; certain tax reliefs depend on family circumstances.

Tax allowances and credits

Standard reliefs

- **Basic personal amount:** Individual taxpayers can claim a non-refundable credit in respect of the Basic Personal Amount (BPA). Starting in 2020, there are two portions to the BPA, the original portion and the increased portion. The increased portion of the BPA is subject to an income test beginning at a level of individual net income equivalent to the fourth federal tax bracket threshold (CAD 177 882 in 2025) and is fully phased out by the fifth federal bracket threshold (CAD 253 414 in 2025). Individuals with net income at or exceeding the fifth bracket threshold continue to receive the BPA, but do not benefit from the supplemental increase. The maximum value of the credit (no reductions) in 2025 is CAD 2 338.71, which is calculated by applying the lowest personal income tax rate (14.5% in 2025) to the sum of the original BPA (CAD 14 538 in 2025) and the full value of the increase (CAD 1 591 in 2025).
- **Credit for Spouse or Eligible Dependant:** A taxpayer supporting a spouse or other eligible dependant receives a tax credit, which is set equal to the BPA. Like the BPA, the credit for Spouse or Eligible Dependant has a new increased portion since 2020. The increased portion of these credits is subject to the same income-test as the BPA and continues to be reduced dollar-for-dollar by the net income of the spouse or eligible dependant. The maximum value of the Credit for Spouse or Eligible Dependant is CAD 2 338.71 in 2025.
- **Social security contributions:**
 - The Canada Pension Plan (CPP) and the Quebec Pension Plan (QPP) were reformed incrementally starting in 2019 (see “Main Changes” below). The original base contributions to the CPP or QPP continue to be eligible for a 14.5% wastable tax credit (to a maximum contribution of CAD 3 356.10 for the CPP and CAD 3 661.20 for the QPP). Taxpayers are also entitled to claim a deduction for the enhanced portions of CPP/QPP as a result of the reform to a maximum amount of CAD 1 074.00 in 2025. (See Section on Employees’ contributions/Pensions for more detail). Self-employed individuals can continue to claim a wastable tax credit at the rate of 14.5% on the employee share of contributions to the base portion of the CPP and QPP (same as employees). For the remaining amounts, the entire enhanced portion and the employer portion, self-employed individuals can claim a maximum deduction of CAD 5 504.1 (CAD 5 809.20 in Quebec).
 - They are also entitled to claim a 14.5% wastable tax credit for their Employment Insurance (EI) premiums to a maximum contribution of CAD 1 077.48 outside Quebec; the EI premium rate is lower for Quebec residents, who also pay into the Quebec Parental Insurance Plan; the maximum combined contribution for a Quebec resident is CAD 1 344.79.

- **Canada Workers Benefit¹ (CWB):** The CWB provides a non-wastable tax credit equal to 27% of each dollar of earned income in excess of CAD 3 000 to a maximum credit of CAD 1 633 for single individuals without dependents and CAD 2 813 for families (couples and single parents). The credit is reduced by 15% of net family income in excess of CAD 26 855 for single individuals and CAD 30 639 for families. This is the default national design; provinces may propose jurisdiction-specific changes to this design, subject to certain established principles. The secondary earner exemption allows the spouse or common-law partner with the lower working income to exclude up to CAD 16 386 of their working income in the computation of their adjusted net income, for the purpose of the CWB phase-out.
- **Canada Employment Tax Credit:** A tax credit of up to CAD 213.30 on employment income.

Main non-standard tax reliefs applicable to an average worker:

A number of non-standard tax reliefs are available to the average worker in Canada. The main ones are:

- **Medical expenses credit:** Taxpayers are entitled to a 14.5% tax credit for an amount of eligible medical expenses that exceeds the lesser of 3% of net income or CAD 2 834.
- **Charitable donations credit:** The credit is 14.5% on the first CAD 200 of eligible charitable donations and 29% on eligible donations in excess of CAD 200, with the exception of donors with taxable income exceeding CAD 253 414, who may claim a 33% tax credit on the portion of total annual donations over CAD 200 made from taxable income greater than CAD 253 414. Eligible donations are those made to registered charities, to a maximum of 75% of net income.
- **Registered pension plan contributions:** Employees who are members of a registered pension plan are entitled to deduct their contributions to the plan. Employee contributions required to fund the actuarial benefit liabilities under a defined benefit registered pension plan are permitted (annual benefit accruals are limited to a maximum of 2% of earnings up to a dollar amount of CAD 3 757). Employee contributions to a defined contribution registered pension plan are limited to 18% of earned income up to a maximum of CAD 33 810.
- **Registered retirement savings plan (RRSP) premiums:** Individuals can deduct their contributions to an RRSP up to a limit of 18% of the previous year's earned income, to a maximum of CAD 32 490 a year, unless they are also accruing benefits under a registered pension plan or a deferred profit-sharing plan. Members of those other plans are limited to RRSP contributions of 18% of the previous year's earned income to a maximum of CAD 32 490, minus a pension adjustment amount based on pension benefits accrued in the previous year.
- **Union and professional dues:** Individuals with annual dues paid to a trade union or an association of public servants or paying dues required to maintain a professional status recognised by statute are allowed to deduct such fees in computing taxable income.
- **Moving expenses:** Eligible moving expenses are deductible from income if the taxpayer moves at least 40 kilometres closer to a new place of employment.
- **Child care expenses:** A portion of child care expenses is deductible if incurred for the purpose of earning business or employment income, studying or taking an occupational training course or carrying on research for which a grant is received. The lower income spouse must generally claim the deduction. The amount of the deduction is limited to the least of:
 1. the expenses incurred for the care of a child;
 2. two thirds of the taxpayer's earned income; and
 3. CAD 8 000 for each child who is under age seven, and CAD 5 000 per child between seven and sixteen years of age (or older if has a mental or physical impairment, but not eligible for the Disability Tax Credit). The amount for a child who is eligible for Disability Tax Credit is CAD 11 000.

- The Canada Carbon Rebate (CCR): The CCR was part of the federal government's carbon pollution pricing program, and more specifically part of its fuel charge program. The fuel charge was a regulatory charge applied to fossil fuels in backstop jurisdictions, i.e. provinces or territories that decide not to price pollution or to propose a system that meets federal standards. All proceeds from the fuel charge were returned to the jurisdiction in which they are collected, and over 90% of these proceeds are returned to households through the CCR. CCR amounts were based on family composition and vary by jurisdiction, since fuel charge proceeds also vary by jurisdiction. The remainder of fuel charge proceeds from within a jurisdiction are returned to farmers, small- and medium-enterprises and Indigenous governments. The Government of Canada has made regulations that cease the application of the fuel charge, effective April 1, 2025. The last quarterly CCR payment was made starting in April 2025. The CCR is not included in the Taxing Wages estimates because:
 1. The fuel charge system, and hence the CCR, is not applied in all provinces and territories, since some provinces have their own systems (BC and QC); and
 2. The source amounts are derived from earmarked funds generated from another tax (not captured under Taxing Wages since the fuel charge is an indirect tax).

Tax schedule

2025 Federal Income Tax Rates

Taxable Income (CAD)	Rate (%)
0—57 375	14.5 ²
57 375—114 750	20.5
114 750—177 882	26
177 882—253 414	29
253 414 and over	33

State and local income taxes

General description

All provinces and territories levy their own personal income taxes. All, with the exception of Quebec, have a tax collection agreement with the federal government, and thus use the federal definition of taxable income. They are free to determine their own tax brackets, rates and credits. Quebec collects its own personal income tax and is free to determine all of the tax parameters, including taxable income. In practice, its definition of taxable income is broadly similar to the federal definition.

Tax regime selected for this study

The calculation of provincial tax for the average worker study assumes the worker lives in Ontario, the most populous of the 10 provinces and 3 territories. The main features of the Ontario tax system relevant to this report are summarised below:

Tax Schedule

Income Bracket (CAD)	Rate (%)
0—52 886	5.05
52 886—105 775	9.15
105 775—150 000	11.16
150 000—220 000	12.16
Over 220 000	13.16

Surtax

Provincial tax after accounting for wastable credits	Surtax Rate
Amounts Exceeding CAD 5 710	20% of the excess amount
Amounts Exceeding CAD 7 307	36% of the excess amount

Wastable tax credits

- A basic tax credit of CAD 643.72.
- A maximum credit of CAD 546.56 for a dependant spouse or eligible dependant that is withdrawn as the income of the spouse or eligible dependant exceeds CAD 1 082 and is completely withdrawn when the income of the spouse is at least CAD 11 905.
- 5.05% of contributions made to the Canada Pension Plan and of Employment Insurance premiums.
- A maximum credit³ of the lower of CAD 875 or 5.05% of earned income per filer with earned income that is reduced by 5% of the greater of:
 - Adjusted individual net income over CAD 32 500
 - Adjusted family net income over CAD 65 000.

Tax Reduction

An earner is entitled to claim a tax reduction where the initial entitlement is equal to CAD 294 plus CAD 544 for each dependent child under the age of 19. Where someone has a spouse, only the spouse with the higher net income can claim the dependent child tax reduction. If this amount is greater or equal to the liable provincial tax, then no tax is due. If the amount is less than the liable tax, then the actual tax reduction is equal to twice the initial entitlement amount less the liable tax (if this calculation is zero or negative, the reduction is equal to zero).

Compulsory Social Security Contributions to Schemes Operated Within the Government Sector

Employees' contributions

Pensions

Generally, all employees are eligible for coverage under the CPP or QPP. As part of the CPP and QPP enhancements announced in 2016 and 2017 respectively, these programs were incrementally reformed from 2019 to 2025 (see “Main Changes” below). Employees contribute up to the year’s maximum pensionable earnings (YMPE) (CAD 71 300 in 2025) at a rate of 5.95% of income (6.40% for the QPP) and between the YMPE and the year’s additional maximum pensionable earnings (YAMPE) (CAD 81 200 in 2025) at a rate of 4%. One percentage point of both the 5.95% and 6.4% rates are considered part of the “enhanced portion” and have separate tax treatment as stated above. Employers are also required to contribute to the CPP or QPP on behalf of their employees at the same rate and can deduct their contributions from taxable income (refer to Section on Employers’ contributions/Pensions).

Self-employed persons must also contribute to the CPP or QPP on their own behalf. However, the self-employed are required to contribute at the combined employer/employee rate on their earnings. Self-employed individuals pay both the employee and employer portion at a rate of 11.9% and 12.8% per cent respectively, plus the additional 8.00% over the YMPE (CAD 71 300 in 2025) up to the YAMPE (CAD 81 200 in 2025).

Sickness

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

In the case of Ontario, the premium is determined based on taxable income. Individuals who earn up to CAD 20 000 are exempt. The premium is phased-in with a number of different rates to a maximum of CAD 900 for taxable income levels greater than CAD 200 600. The following table provides further details on the structure that is applicable in 2025.

The Ontario Health Premium		
Taxable Income	Fixed Component (CAD)	Variable Component
0—CAD 20 000	0	
CAD 20 000—CAD 25 000	0	6% of the taxable income in excess of CAD 20 000
CAD 25 000—CAD 36 000	300	
CAD 36 000—CAD 38 500	300	6% of the taxable income in excess of CAD 36 000
CAD 38 500—CAD 48 000	450	
CAD 48 000—CAD 48 600	450	25% of the taxable income in excess of CAD 48 000
CAD 48 600—CAD 72 000	600	
CAD 72 000—CAD 72 600	600	25% of the amount of taxable income in excess of CAD 72 600
CAD 72 600—CAD 200 000	750	
CAD 200 000—CAD 200 600	750	25% of the amount of taxable income in excess of CAD 200 000
Over CAD 200 600	900	

Unemployment

In general, all employees are eligible for Employment Insurance (EI). Eligibility to receive benefits is determined by insurable hours worked (with a minimum entry threshold of 420 to 700 hours, depending on region and the unemployment rate at the time the claim for benefits starts). For 2025, employees outside Quebec are required to contribute at the rate of 1.64% of insurable earnings. Insurable earnings are earnings (wages and salaries) up to a maximum of CAD 65 700 per year. The maximum employee contribution is therefore CAD 1 077.48 per year. EI contributions give rise to a tax credit equal to 14.5% of the amount contributed. Employers are also required to contribute to the plan. (See the Section Employer's contributions/Pensions)

Quebec residents contribute to EI at a rate of 1.31%; the same earnings ceiling applies. They also contribute to the Quebec Parental Insurance Plan at a rate of 0.494% of insurable earnings; maximum insurance earnings for 2025 are CAD 98 000. For a Quebec resident, the maximum employee contribution (EI plus Quebec Parental Insurance Plan) is CAD 1 344.79.

Work injury

See the Section on Employers' contributions/Work injury.

Employers' contributions

Pensions

Employers are required to contribute to the CPP on behalf of their employees an amount equal to their employees' contributions. Thus, employers also contribute at the rate of 5.95% on earnings up to CAD

71 300 (less the CAD 3 500 earnings exemption) and 4.00% on earnings between CAD 71 300 and CAD 81 200 to a maximum of CAD 4 430.10. For the QPP, the contribution rate is 6.40% of earnings in the first range. Combined with the 4.00% on the second range, employers in Quebec contribute up to a maximum of CAD 4 735.20.⁴

Sickness

There is no national sickness benefit plan administered by the federal government. However, all provinces have provincially administered health care insurance plans. Three provinces levy a special tax on employer payrolls to finance health services (Québec and Ontario) or health services and education (Manitoba). These payroll taxes are deductible from the employer's income subject to tax. In the case of the province of Ontario, employers pay an Employer Health Tax on the value of their payroll, tax rates varying from 0.98% on Ontario payroll less than CAD 200 000, up to 1.95% for payroll that exceeds CAD 400 000. Certain employers are eligible for a higher exemption of CAD 1 000 000.

Unemployment

Employers are required to contribute to the employment insurance scheme. The general employer contribution is 1.4 times the employee contribution, that is, 2.30% of insurable earnings (outside Quebec). Premiums are adjusted for employers who provide sick pay superior to payments provided under the employment insurance regime. All employment insurance contributions are deductible from the employer's income subject to tax.

Work injury

There is no national work injury benefit plan administered by the federal government. However, employers are required to contribute to a provincial workers' compensation plan which pays benefits to workers (or their families in case of death) for work related illness or injury. The employer contribution rates, which vary by industry and province, are related to industry experience of work-related illness and injury. Premiums are deductible from the employer's income subject to tax. In the case of Ontario, employers broadly corresponding to industry Sectors B-N inclusive pay, on average, 1.22% of the wages paid to each employee to a maximum of CAD 117 000 in 2025.

Universal Cash Transfers

Transfers related to marital status

None.

Transfers for dependent children

Federal

Children's benefits are provided through the Canada Child Benefit (CCB). In the autumn of 2017, the Government announced that the CCB amounts and income thresholds will be indexed to inflation starting with payments in July 2018. Entitlement to the CCB for the July 2026 to June 2027 benefit year is based on 2025 adjusted family net income. The CCB provides a maximum benefit of CAD 8 165 per child under age six and CAD 6 889 per child for those aged six through seventeen. On the portion of adjusted family net income between CAD 38 275 and CAD 82 928, the benefit is phased out at a rate of 7% for a one-child family, 13.5% for a two-child family, 19% for a three-child family and 23% for larger families. Where adjusted family net income exceeds CAD 82 928, remaining benefits are phased out at rates of 3.2% for

a one-child family, 5.7% for a two-child family, 8% for a three-child family and 9.5% for larger families, on the portion of income above CAD 82 928. The Goods and Services Tax Credit provides a relief of CAD 357 for each adult 19 years of age or older and CAD 188 for each dependent child under the age of 19. Single tax filers without children and with an employment income higher than CAD 11 575 receive an additional CAD 188 that is phased in at a rate of 2%. Single tax filers with children receive an additional CAD 188 that is not subject to phase-in. The credit received for the first dependent child of a single parent is also increased from CAD 188 to CAD 357. The total amount is reduced at a rate of 5% of net family income over CAD 46 477. The amount is paid directly to families.⁵

Provincial

For each child under eighteen, qualifying families can receive up to CAD 1 763 from the Ontario Child Benefit. The benefit is withdrawn at a rate of 8% of family income that exceeds CAD 26 918.

Ontario has a Sales Tax Credit that provides a relief of up to CAD 378 for each adult and each child. It is reduced by 4% of adjusted family net income over CAD 29 104 for single people and over CAD 36 380 for families. The amount is paid directly to families.

Main changes in the Tax/Benefit system since 2009

Tax Reform of 2016 “Middle Class Tax Cut” (MCTC)

In 2016, the Government of Canada introduced a significant tax reform benefiting middle-income individuals and increasing taxes on high-income individuals. The reform included:

1. Lowering the federal tax rate on taxable income (second bracket) from 22% to 20.5%,
2. Introducing a new top bracket with a rate of 33%,
3. Returning the Tax-Free Savings Account TFSA annual contribution limit to CAD 5 500 (from CAD 10 000) and resumed indexation,
4. Repealed several credits, including income-splitting for families with children, the children's fitness/art/textbook credits, and the public-transit credit.

Child Benefit Reform 2016 – Canada Child Benefit (CCB)

The Canada Child Benefit (CCB) was introduced in 2016 and replaced the previous system of child benefits, which consisted of the Canada Child Tax Benefit (CCTB), Universal Child Care Benefit (UCCB) and the National Child Benefit Supplement (NCBs). Monthly payments of the CCB began July 2016. Unlike the predecessor UCCB, the CCB is non-taxable. The benefit amount depends on the number and ages of children and the adjusted family net income (AFNI) of the previous tax year. There are two maximum annual amounts: one for children under age 6 and one for children aged 6 through 17. These amounts are reduced for families according to the phase-outs described above based on AFNI. These amounts and phase-outs are described in more detail above.

Canada Pension Plan Reform 2019

The Canada Pension Plan (CPP) is a mandatory federal social insurance program that provides retirement, disability, and survivor benefits to Canadians, funded by contributions from employees and employers. The province of Quebec has its own separate but similar program.

Starting in 2019, the Canada Pension Plan (CPP) was incrementally enhanced over 7 years. Up until 2019, the CPP retirement pension replaced 25% (i.e. replacement rate) of average work earnings up to the year's maximum pensionable earnings (YMPE). Under the enhancement, the CPP replacement rate will increase gradually to 33.33%. In addition, the CPP enhancement increased the maximum pensionable earnings by 14%. As a result, the maximum CPP retirement pension will increase by up to 50% over time (i.e., in 2065). The CPP enhancement only affects those who work and contribute to the CPP in 2019 or after.

To fund the increase in benefits, the enhancement added two additional components to CPP contributions. The CPP now consists of:

- the base (or original CPP)
- the first enhanced portion, which was phased in between 2019 and 2023, and
- the second enhanced portion, which was phased in over 2024 and 2025

Under the base CPP, employees contribute 4.95% of earnings over CAD 3 500 and up to the YMPE (CAD 71 300 in 2025), with employers contributing an equal amount. A self-employed individual contributes both the employee and employer portions, or 9.9%.

The first enhanced portion covers the same range of earnings as the base CPP. The contribution rate for the first enhanced portion on earnings between CAD 3 500 and the YMPE is 1.0% (for a total contribution rate of 5.95%).

The second enhanced portion covers earnings above the original CPP's limit, up to a new, higher limit (CAD 81 200 in 2025). This new limit, known as the year's additional maximum pensionable earnings (YAMPE), does not replace the original limit (YMPE). Rather, it creates a new range of earnings between these two limits (between CAD 71 300 and CAD 81 200 in 2025), that are now covered under the CPP enhancement. Contributions on this range of earnings are 4.0% for employers and employees (with self-employed paying both halves).

The employee portion of the base CPP contributions is eligible for a wastable tax credit at 14.5% while the employer portion is eligible for a tax deduction for the employer. This treatment is unchanged. However, all additional amounts resulting from the enhanced CPP are eligible for a tax deduction for both employees and employers on their respective additional contributions.

Canada Workers Benefit (CWB) 2021

The Canada Workers Benefit (CWB) is a non-taxable non-wastable tax credit that supplements the earnings of low- and modest-income workers, improving work incentives.

In 2021, the Canada Workers Benefit was enhanced by:

1. increasing the phase-in rate from 26% to 27% for single individuals without dependants as well as families;
2. Increasing the phase-out thresholds for single individuals without dependants by roughly three quarters and for families by roughly half;

3. Increasing the phase-out rate from 12 per cent to 15 per cent;
4. making similar changes to the disability supplement component of CWB; and,
5. adding a "secondary earner exemption" that allows the spouse or common-law partner with the lower working income to exclude up to \$16,386 of their working income in the computation of their adjusted net income, for the purpose of the CWB phase-out in 2025.

Identification of an Average Worker

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

Employer contributions to private health and pension schemes

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

2025 Parameter values

Average earnings/yr	Ave_earn	92 401	Secretariat estimate	
Tax credit rate	pctor	0.145		
Tax credits BPA - original	BPA_org	14 538		
Tax credits BPA - increased	BPA_ins	1 591		
First threshold	BPA_ins_thrsh1	177 882		
Second threshold	BPA_ins_thrsh2	253 414		
Reduction rate	BPA_ins_redn	0.0211		
withdrawal rate	Sp_crd_wth	0.145		
Threshold	Sp_crd_thrsh	0		
Canada Employment Tax Credit	Empl_crd	213.30		
Canada Child Benefit amount per child under 6	ccb_credit1	8 165		
Canada Child Benefit amount per child aged 6-17	ccb_credit2	6 889		
First threshold	ccb_crd_thrsh1	38 275		
Second threshold	ccb_crd_thrsh2	82 928		
Frist reduction rate – 1 child	ccb_1st_redn1	0.070		
Frist reduction rate – 2 children	ccb_1st_redn2	0.135		
Frist reduction rate – 3 children	ccb_1st_redn3	0.190		
Frist reduction rate – 4+ children	ccb_1st_redn4	0.230		
Second reduction rate – 1 child	ccb_2nd_redn1	0.032		
Second reduction rate – 2 children	ccb_2nd_redn2	0.057		
Second reduction rate – 3 children	ccb_2nd_redn3	0.080		
Second reduction rate – 4+ children	ccb_2nd_redn4	0.095		
Canada Workers Benefit (CWB)				
CWB–Phase-in Threshold	CWB_phzin_thrsh	3 000		
CWB–Phase-in Rate	CWB_phzn_rt	0.27		
CWB–Maximum Credit (per Adult/Equiv.)	CWB_max	1 633		
CWB–Addl. Maximum Credit (Fam.)	CWB_max_fam	1 180		
CWB–Reduction Rate	CWB_phzout_rt	0.15		
CWB–Threshold	CWB_phzout_thrsh	26 855		
CWB–Addl. Threshold (Fam.)	CWB_phzn_thrsh_fam	3 784		
CWB–Secondary Earner Exemption	CWB_see	16 386		
Federal tax schedule	Fed_sch	0.145	57 375	
		0.205	114 750	
		0.26	177 882	
		0.29	253 414	
		0.33		

Canada pension plan rate (creditable)	CPP_rate	0.0495		
Canada pension plan rate – enhanced (deductible)	CPP_ratededuc	0.0100		
Canada pension plan rate – enhanced 2024 (deductible)	CPP_2ndratededuc	0.0400		
exemption	CPP_ex	3 500		
Upper bound	CPP_up	71 300		
2 nd Upper bound	CPP_2ndup	81 200		
max contrib.(creditable portion)	CPP_max	3 356.10		
Unemployment ins.rate	Unemp_rate	0.0164		
max contrib.	Unemp_max	1077.48		
tax credit rate	Unemp_crd_rate	0.145		
Social security tax credit rate	ssc_crd_rate	0.145		
employer contrib. mult.	Unemp_emplr	1.4		
GST adult credit	GST_crd_ad	357		
child credit	GST_crd_ch	188		
threshold	GST_crd_thrsh	46 477		
reduction rate	GST_crd_redn	0.05		
single supplement	GST_crd_sgsp	188		
single supplement eligibility threshold	GST_sgsp_thrsh	11 575		
single supplement phase-in rate	GST_sgsp_rate	0.02		
Province: Ontario				
Tax Credits	P_basic_crd	643.72		
Spouse	P_spouse_crd	546.56		
withdrawal rate	P_sp_crd_wd	0.0505		
threshold	P_sp_crd_thr	1082		
Social security tax credit rate	P_ssc_tc_rt	0.0505		
Surtax rate 1	P_sur_rt1	0.20		
threshold	P_sur_thr1	5 710		
rate 2	P_sur_rt2	0.36		
threshold	P_sur_thr2	7 307		
Tax reduction	P_tax_red	294		
amount per dependent	P_tr_chld	544		
Low-income Individuals and Families Tax Credit (LIFT)				
amount	P_LIFT_crd	875		
threshold for singles	P_LIFT_sg_thr	32500		
threshold for couples	P_LIFT_cp_thr	65000		
phase-in rate	P_LIFT_phzn_rt	0.0505		
phase-out rate	P_LIFT_phzout_rt	0.05		
Provincial tax schedule	Prov_sch	0.0505	52 886	
		0.0915	105 775	
		0.1116	150 000	
		0.1216	220 000	
		0.1316		
Ontario Child Benefit				
amount per child	P_ch_amt	1 763		
threshold	P_ch_thresh	26 918		
reduction rate	P_ch_redn_rate	0.08		
Sales tax credits				
sales tax credit adult	P_sales_cred	378		
sales tax credit child	P_salcr_chd	378		
threshold	P_ps_thresh	29 104		
threshold seniors/families	P_ps_thr_sen	36 380		
reduction rate	P_ps_red_rt	0.04		
Ontario Health Premium	P_hlth_sch	20 000	0	0

		25 000	0.06	0
		36 000	0	300
		38 500	0.06	300
		48 000	0	450
		48 600	0.25	450
		72 000	0	600
		72 600	0.25	600
		200 000	0	750
		200 600	0.25	750
maximum	P_hlth_max	900		
Employer Health Tax	emp_healthtax	0.0195		
Employer Workers Compensation Levy	emp_workcomp	0.0122		
Employer Workers Compensation Levy Ceiling	emp_workcomp_ceil	117 000		

2025 Tax equations

The equations for the Canadian system are mostly repeated for each individual of a married couple. But the spouse credit is relevant only to the calculation for the principal earner and the non-wastable credits are calculated only once. This is shown by the Range indicator in the table below.

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

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings	earn		
2.	Allowances	tax_al	B	CPP_deduc
	Enhanced CPP contribution (deductible portion)	CPP_deduc	B	CPP_ratededuc*MINA(Positive(earn-CPP_ex),(CPP_up-CPP_ex))+ CPP_2ndratededuc*MINA(Positive(earn-CPP_up),(CPP_2ndup-CPP_up))
	Net income	Net_inc	B	Earn - tax_al
3.	Credits in taxable income	taxbl_cr		0
4.	CG taxable income	tax_inc	B	Net_inc - taxbl_cr
5.	CG tax before credits	CG_tax_bc	B	Tax(tax_inc, Fed_sch)
6.	Tax credits :			
	Basic credit	basic_cr	P	BPA_org*pctcr + pctcr *Taper(BPA_ins, MINA(earn,BPA_ins_thrsh2),BPA_ins_thrsh1,BPA_ins_redn) + Empl_crd
			S	IF(AND(Married=1, earn_spouse >0),BPA_org* pctcr + pctcr *Taper(BPA_ins, MINA(earn_spouse,BPA_ins_thrsh2),BPA_ins_thrsh1,BPA_ins_redn),0) +IF(AND(Married=0, tax_inc_spouse >0),BPA_org* pctcr - Taper(BPA_org* pctcr, tax_inc_spouse,Sp_crd_thrsh,Sp_crd_wth) + pctcr *Taper(BPA_ins, MINA(earn_spouse,BPA_ins_thrsh2),BPA_ins_thrsh1,BPA_ins_redn),0) +(earn_spouse>0)*Empl_crd
	Spouse credit	spouse_cr	P	IF(OR(Married=1,Children>0),Taper(BPA_org* pctcr + pctcr *Taper(BPA_ins,

				$\text{MINA}(\text{tax\_inc\_spouse}, \text{BPA\_ins\_thrsh2}, \text{BPA\_ins\_thrsh1}, \text{BPA\_ins\_redn}, \text{earn\_spouse}, \text{Sp\_crd\_thrsh}, \text{Sp\_crd\_wth}, 0)$
	Social security	ssc_cr	B	$\text{ssc\_crd\_rate} * \text{SSC}$
	Total (wastable) tax credits	tax_cr	B	$\text{basic\_cr} + \text{spouse\_cr} + \text{ssc\_cr}$
	Canada Workers Benefit	CWB	J	$\text{MAX}(0, \text{MIN}((\text{CWB\_max} + \text{CWB\_max\_fam} * \text{OR}(\text{Married}=1, \text{Children}>0)), (\text{CWB\_phzn\_rt} * \text{MAX}(0, \text{F\_EARN} - \text{CWB\_phzn\_thrsh}))) - \text{MAX}(0, \text{CWB\_phzout\_rt} * \text{MAX}(0, (\text{F\_NETINC} - \text{MIN}(\text{CWB\_see}, \text{S\_EARN}, \text{S\_NETINC} - (\text{CWB\_phzout\_thrsh} + \text{CWB\_phzn\_thrsh\_fam} * \text{OR}(\text{Married}=1, \text{Children}>0))))))$
7.	CG tax	CG_tax	B	$\text{Positive}(\text{CG\_tax\_bc} - \text{tax\_cr}) - \text{CWB}$
8.	State and local taxes			
	Liabe provincial tax	Prov_tax_sch	B	$\text{Tax}(\text{tax\_inc}, \text{Prov\_sch})$
	Provincial tax credits	Prov_tax_cred	P	$\text{P\_basic\_crd} + \text{P\_ssc\_tc\_rt} * \text{SSC\_princ} + \text{IF}(\text{AND}(\text{Married}=0, \text{Children}>0), \text{P\_spouse\_crd}, \text{Married} * \text{Taper}(\text{P\_spouse\_crd}, \text{net\_inc\_spouse}, \text{P\_sp\_crd\_thr}, \text{P\_sp\_crd\_wd}))$
			S	$(\text{net\_inc\_spouse}>0) * (\text{P\_ssc\_tc\_rt} * \text{SSC\_spouse}) + \text{OR}(\text{Married}=1, \text{Children}>0) * \text{P\_basic\_crd}$
	Provincial surtax	Prov_surtax	B	$\text{P\_sur\_rt1} * \text{Positive}(\text{Prov\_tax\_sch} - \text{Prov\_tax\_cred} - \text{P\_sur\_thr1}) + \text{P\_sur\_rt2} * \text{Positive}(\text{Prov\_tax\_sch} - \text{Prov\_tax\_cred} - \text{P\_sur\_thr2})$
	Provincial tax reduction	Prov_tax_redn	B	$\text{MAX}(2 * (\text{P\_tax\_red} + \text{Children} * \text{P\_tr\_chld}) - (\text{Prov\_tax\_sch} - \text{Prov\_tax\_cred} + \text{Prov\_surtax}), 0)$
	Low-income Individuals and Families Tax Credit (LIFT)	Prov_LIFT_crd	J	$\text{IF}(\text{Married}=1, \text{MIN}(\text{Taper}(\text{MIN}(\text{P\_LIFT\_crd}, \text{earn} * \text{P\_LIFT\_phzn\_rt}, \text{net\_inc\_total}, \text{P\_LIFT\_cp\_thr}, \text{P\_LIFT\_phzout\_rt}), \text{Taper}(\text{MIN}(\text{P\_LIFT\_crd}, \text{earn} * \text{P\_LIFT\_phzn\_rt}, \text{net\_inc}, \text{P\_LIFT\_sg\_thr}, \text{P\_LIFT\_phzout\_rt}), \text{Taper}(\text{MIN}(\text{P\_LIFT\_crd}, \text{net\_inc} * \text{P\_LIFT\_phzn\_rt}, \text{net\_inc}, \text{P\_LIFT\_sg\_thr}, \text{P\_LIFT\_phzout\_rt})))$
	Liabe provincial tax	Prov_tax	B	$\text{Positive}(\text{Prov\_tax\_sch} - \text{Prov\_tax\_cred} + \text{Prov\_surtax} - \text{Prov\_tax\_redn} - \text{Prov\_LIFT\_crd})$
9.	Employees' soc security:			
	Canada Pension Plan contribution (creditable portion)	CPP_cred	B	$\text{CPP\_rate} * \text{MINA}(\text{Positive}(\text{earn} - \text{CPP\_ex}), (\text{CPP\_up} - \text{CPP\_ex}))$
	Canada Pension Plan (total)	CPP	B	$\text{CPP\_deduc} + \text{CPP\_cred}$
	Unemployment insurance	Unemp	B	$\text{MIN}(\text{Unemp\_rate} * \text{earn}, \text{Unemp\_max})$
	State health premium	Prov_health	B	$\text{MIN}(\text{Hstep}(\text{tax\_inc}, \text{P\_hlth\_sch}), \text{P\_hlth\_max})$
	Total Employees' soc security	SSC	B	$\text{CPP} + \text{Unemp} + \text{Prov\_health}$
11.	Cash transfers (nonwastable)			
	Canada Child Benefit	CCB	P	$\text{Taper}(\text{Taper}(\text{Children} * \text{ccb\_credit2}, \text{MINA}(\text{net\_inc\_total}, \text{ccb\_crd\_thrsh2}, \text{ccb\_crd\_thrsh1}, \text{IF}(\text{children}=1, \text{ccb\_1st\_redn1}, \text{IF}(\text{children}=2, \text{ccb\_1st\_redn2}, \text{IF}(\text{children}=3, \text{ccb\_1st\_redn3}, \text{IF}(\text{children}>3, \text{ccb\_1st\_redn4}, 0))))), \text{net\_inc\_total}, \text{ccb\_crd\_thrsh2}, \text{IF}(\text{children}=1, \text{ccb\_2nd\_redn1}, \text{IF}(\text{children}=2, \text{ccb\_2nd\_redn2}, \text{IF}(\text{children}=3, \text{ccb\_2nd\_redn3}, \text{IF}(\text{children}>3, \text{ccb\_2nd\_redn4}, 0))))))$
	GST Credit - Total	GST_cr	P	$\text{Taper}((\text{GST\_crd\_ad} + (\text{Married}=1) * (\text{GST\_crd\_ad} + \text{Children} * \text{GST\_crd\_ch}) + (\text{Married}=0) * (\text{Children}>0) * (\text{GST\_crd\_ad} + \text{GST\_crd\_sgsp} + \text{Positive}(\text{Children} - 1) * \text{GST\_crd\_ch}) + (\text{Married}=0) * (\text{Children}=0) * \text{Positive}(\text{MIN}(\text{GST\_crd\_sgsp}, (\text{net\_inc\_total} - \text{GST\_sgsp\_thrsh}) * \text{GST\_sgsp\_rate}))), \text{net\_inc\_total}, \text{GST\_crd\_thrsh}, \text{GST\_crd\_redn})$
	GST Credit - Adult	GST_cr_adult	P	$\text{Taper}((\text{GST\_crd\_ad} + (\text{Married}=1) * (\text{GST\_crd\_ad}) + (\text{Married}=0) * \text{Positive}(\text{MIN}(\text{GST\_crd\_sgsp}, (\text{net\_inc\_total} - \text{GST\_sgsp\_thrsh}) * \text{GST\_sgsp\_rate}))), \text{net\_inc\_total}, \text{GST\_crd\_thrsh}, \text{GST\_crd\_redn})$
	GST Credit - Child	GST_cr_child	P	$\text{GST\_cr} - \text{GST\_cr\_adult}$
	Ontario Child Benefit	Prov_child_ben	P	$\text{Taper}(\text{Children} * \text{P\_ch\_amt}, \text{net\_inc\_total}, \text{P\_ch\_thresh}, \text{P\_ch\_redn\_rate})$

	Ontario sales tax credit	Prov_sales_cr	P	$\text{Taper}(\text{IF}(\text{Married}=1,2,1)*\text{P\_sales\_cred}+\text{Children}*\text{P\_salcr\_chd},\text{net\_inc\_to\_tal},\text{IF}(\text{Married}+\text{Children}=0, \text{P\_ps\_thresh},\text{P\_ps\_thr\_sen}), \text{P\_ps\_red\_rt})$
	Total Cash Transfers	Cash_tran	P	$\text{CCB} + \text{GST\_cr\_child} + \text{Prov\_child\_ben} + \text{Prov\_sales\_cr}$
13.	Employer's soc security			
	Canada Pension Plan	CPP_empr	B	CPP
	Unemployment insurance	Unemp_empr	B	$\text{Unemp}*\text{Unemp\_emplr}$
	Ontario Employers Health Tax	Health_empr	B	$\text{earn}*\text{emp\_healthtax}$
	Ontario Workers Compensation	Comp_empr	B	$\text{MIN}(\text{earn}, \text{emp\_workcomp\_ceil})*\text{emp\_workcomp}$
	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.

Notes

¹ The Canada Workers Benefit (CWB) represents a rebranding and enhancement to the previous Working Income Tax Benefit (WITB) effective for the 2019 tax year. In 2021, it was again enhanced with increases to the phase-in rate from 26 per cent to 27 per cent, the phase-out thresholds from CAD 13 194 to CAD 22 944 for single individuals without dependants and from CAD 17 522 to CAD 26 177 for families, and the phase-out rate from 12 per cent to 15 per cent. In addition, a secondary earner exemption was added to allow the spouse or common-law partner with the lower working income to exclude up to CAD14,000 of their working income in the computation of their adjusted net income, for the purpose of the CWB phase-out.

² The lowest marginal personal income tax rate will be reduced from 15 per cent to 14 per cent, effective July 1, 2025, which will make the full-year effective tax rate for 2025 14.5 per cent. The full-year rate for 2026 and future tax years will be 14 per cent.

³ Ontario implemented a new low-income credit in 2019 named the Low-income Individuals and Families Tax (LIFT) credit.

⁴ Contributions rates continue to gradually increase until the 2023 tax year as the 1-percentage-point increase is phased-in as part of the enhancements to CPP and QPP.

⁵ The payments that relate to income from the 2025 tax year and shown in the 2025 model are payable between July 2026 and June 2027. The amounts shown in this Report assume indexation of 2.7% for the 2025 tax year (and 2025-27 benefit year); the actual indexation parameter will be announced in December 2025.

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

Chile

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

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

Chile 2025

The tax/benefit position of single persons

		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1	Gross wage earnings		9 515 241	14 201 852	23 717 093	9 515 241
2	Standard tax allowances					
	Basic allowance		0	0	0	0
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		666 067	994 130	1 660 196	666 067
	Work-related expenses					
	Other		1 118 041	1 668 718	2 786 758	1 118 041
	Total		1 784 108	2 662 847	4 446 955	1 784 108
3	Tax credits or cash transfers included in taxable income		0	0	0	0
4	Central government taxable income (1 - 2 + 3)		7 731 133	11 539 005	19 270 138	7 731 133
5	Central government income tax liability (exclusive of tax credits)		0	15 833	325 079	0
6	Tax credits					
	Basic credit					
	Married or head of family					
	Children		0	0	0	357 627
	Other					
	Total		0	0	0	357 627
7	Central government income tax finally paid (5-6)		0	15 833	325 079	0
8	State and local taxes		0	0	0	0
9	Employees' compulsory social security contributions					
	Gross earnings		666 067	994 130	1 660 196	666 067
	Taxable income					
	Total		666 067	994 130	1 660 196	666 067
10	Total payments to general government (7 + 8 + 9)		666 067	1 009 963	1 985 275	666 067
11	Cash transfers from general government					
	For head of family					
	For two children		0	0	0	442 012
	Total		0	0	0	442 012
12	Take-home pay (1-10+11)		8 849 174	13 191 889	21 731 818	9 291 186
13	Employer's compulsory social security contributions		35 682	53 257	88 939	35 682
14	Average rates					
	Income tax		0.0%	0.1%	1.4%	0.0%
	Employees' social security contributions		7.0%	7.0%	7.0%	7.0%
	Total payments less cash transfers		7.0%	7.1%	8.4%	2.4%
	Total tax wedge including employer's social security contributions		7.3%	7.5%	8.7%	2.7%
15	Marginal rates					
	Total payments less cash transfers: Principal earner		7.0%	10.2%	10.3%	7.0%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		7.3%	10.6%	10.6%	7.3%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Chile 2025

The tax/benefit position of married couples

		Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
		Number of children	2	2	2	none
1	Gross wage earnings		14 201 852	23 717 093	28 403 704	23 717 093
2	Standard tax allowances					
	Basic allowance		0	0	0	0
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		994 130	1 660 196	1 988 259	1 660 196
	Work-related expenses					
	Other		1 668 718	2 786 758	3 337 435	2 786 758
	Total		2 662 847	4 446 955	5 325 695	4 446 955
3	Tax credits or cash transfers included in taxable income		0	0	0	0
4	Central government taxable income (1 - 2 + 3)		11 539 005	19 270 138	23 078 010	19 270 138
5	Central government income tax liability (exclusive of tax credits)		15 833	15 833	31 667	15 833
6	Tax credits					
	Basic credit					
	Married or head of family					
	Children		357 627	357 627	357 627	0
	Other					
	Total		357 627	357 627	357 627	0
7	Central government income tax finally paid (5-6)		0	0	0	15 833
8	State and local taxes		0	0	0	0
9	Employees' compulsory social security contributions					
	Gross earnings		994 130	1 660 196	1 988 259	1 660 196
	Taxable income					
	Total		994 130	1 660 196	1 988 259	1 660 196
10	Total payments to general government (7 + 8 + 9)		994 130	1 660 196	1 988 259	1 676 030
11	Cash transfers from general government					
	For head of family					
	For two children		342 006	442 012	228 004	0
	Total		342 006	442 012	228 004	0
12	Take-home pay (1-10+11)		13 549 728	22 498 908	26 643 449	22 041 063
13	Employer's compulsory social security contributions		53 257	88 939	106 514	88 939
14	Average rates					
	Income tax		0.0%	0.0%	0.0%	0.1%
	Employees' social security contributions		7.0%	7.0%	7.0%	7.0%
	Total payments less cash transfers		4.6%	5.1%	6.2%	7.1%
	Total tax wedge including employer's social security contributions		4.9%	5.5%	6.5%	7.4%
15	Marginal rates					
	Total payments less cash transfers: Principal earner		7.0%	7.0%	7.0%	10.3%
	Total payments less cash transfers: Spouse		5.9%	7.0%	7.0%	7.0%
	Total tax wedge: Principal earner		7.3%	7.3%	7.3%	10.6%
	Total tax wedge: Spouse		6.3%	7.3%	7.3%	7.3%

Chile's national currency is the peso (CLP). For 2025, the average exchange rate was CLP 951.33 to USD 1. That same year, the average worker in Chile earned CLP 14 201 852 (country estimate¹).

Taxes allowances and tax thresholds for the personal income tax system and upper earnings limits for social security contributions are determined using and expressed in CPI-indexed units. As of June 16, 2025, the following are the provisional² yearly currency values applied to these units:

Major revenue items	Unit	CLP	USD
Social security contributions	Unidad de Fomento ^{1, 2} (UF)	39 523,95	41.30
Monthly tax thresholds	Unidad Tributaria Mensual ^{1, 3} (UTM)	68 785	71.87
Annual tax thresholds	Unidad Tributaria Anual ^{1, 3} (UTA)	825 420	862.47

1. These amounts are subject to adjustments in line with the CPI and is compared with monthly earnings in the assessment of social security contributions

2. Average end of month value for the year, country estimate.

3. Value for June

Personal income tax system

Central/federal government income taxes

Tax unit

Each family member declares and pays taxes separately.

Tax allowances and credits

Standard tax reliefs

- Education tax credit: Parents with children attending preschool, primary, special or secondary education, with a total annual taxable income (both parents) of up to CLP 32 186 444 (UF 792), are entitled to a tax credit of CLP 178 814 (UF 4.4) per child, for expenses related to education. Children shall have a minimal school attendance of 85% and the school must be recognized by the State. This tax credit can be claimed by both parents, or only by one of them.
- Relief for social security contributions: Employee's compulsory social insurance contributions are deductible for income tax purposes regardless of whether they are paid to government or private health insurers. (See section on employees' contributions below).

Main non-standard tax reliefs

- Voluntary contributions and APV (Voluntary Pension Fund Savings): Voluntary contributions to pension funds and voluntary pension savings (APV) may be deducted from taxable income, with an annual upper limit of CLP 24 383 670 (UF 600).
- Mortgage Interest: Taxpayers whose annual income falls below CLP 74 287 800 (UTA 90) may deduct from their taxable income 100% of interest paid within a year for mortgage loans. This percentage is reduced in the case of taxpayers with higher incomes up to CLP 123 813 000 (UTA 150). This relief cannot be granted along-side the DFL2 Housing Mortgage Loan Payments benefit and cannot exceed CLP 6 603 360 (UTA 8) per annum.
- From tax year 2024 to 2029 individuals may access a tax credit for mortgage-backed loan payments (capital and interest) made on new residential housing, with a maximum annual credit of 1 100 128 (16 UTM). The credit can reduce the income tax owed and grant a refund, if applicable. It may be applied to only one property by taxpayer, registered in the Real State Registry up to September 2024 and eligibility must be stated in the property's purchase agreement.

Tax schedule

Tax rates are applied on monthly income and these taxes are retained and paid by employers. In order to estimate taxes, tax rates are applied on an annual basis, on the annual average income:

Taxable income (UTA)	Taxable income (CLP thousands)	Tax rates
0 -13.5	0 – 11 143	EXEMPT
13.5 - 30	11 143 – 24 763	4.0%
30 - 50	24 763 – 41 271	8.0%
50 - 70	41 271 – 57 779	13.5%
70 - 90	57 779 – 74 288	23.0%
90 - 120	74 288 – 99 050	30.4%
120 - 310	99 050 – 255 880	35.0%
310 and over	255 880 -	40.0%

The President of the Republic, Ministers, Undersecretaries, Senators and Deputies have tax thresholds and rates applicable specifically to their income, if it is higher than 150 UTA:

Taxable income (UTA)	Taxable income (CLP thousands)	Tax rates
0–13.5	0 – 11 143	exempt
13.5–30	11 143 – 24 763	4%
30–50	24 763 – 41 271	8%
50–70	41 271 – 57 779	13.5%
70–90	57 779 – 74 288	23%
90–120	74 288 – 99 050	30.4%
120 – 150	99 050 – 123 813	35%
150 and over	123 813 -	40%

State and local income taxes

No taxes apply to income at state or local government level.

Compulsory social security contributions

Employees' contributions

Employees have mandatorily to contribute 7% of their income to a health insurance plan subject to an upper earnings limit of CLP 41 642 434 (UF 1053.6). They are free to choose whether to pay into a government-managed plan or alternatively to a private insurer³ (Isapres). The public insurance is based on a joint system that, in general, operates on an equal basis for all its beneficiaries, irrespective of the risk and the amount of the individual contribution. Its financing is partly covered by the contributions and partly by way of a government subsidy. Contributions paid to the plans offered by Isapres are based on the contributors' individual risk and these plans are exclusively financed with the employees' contributions. Public insurance contributions are included in the modelling as most of the employees are enrolled in the government-managed system.

Employee social security contributions in respect of pensions and unemployment are not classified as taxes in this report; though they are included in modelling as deductions for income tax.

- The mandatory contributions to pension funds and unemployment insurance plans are not classified as taxes, since the payments are made to private institutions. In 1980, the public social security system was replaced with a privately managed individual capitalisation system. This system is obligatory to all employees who have joined the labour force since 1983 and free-lance

workers since 2012, and of a voluntary nature to all contributing to the former system. The contributions to the old government operated pension fund system are not included in the modelling because they relate to a minority of employees and the system will eventually disappear once the contributions and related benefit payments to those individuals remaining in it have ceased.

- In the case of their pension funds, these payments amount to 10% of their gross income, with an upper earnings limit of CLP 41 642 434 (UF 1053.6). Added to that there is an amount that varies depending on the managing company that covers the management of each pension fund account.⁴ The monthly unemployment insurance premium is 0.6% of the employee's gross income, with an upper earnings limit of CLP 62 554 668 (UF 1582.7). Employees do not pay the monthly unemployment insurance premium when they have a fixed-term contract or after 11 years of labour relationship.
- There are also mandatory contributions to managed funds by members of the police force and the army which are classified as taxes but are not included in the modelling as they relate to a minority of the overall workforce.
- If the employee has a high-risk job, that person has to make an additional contribution of 2% (heavy work) or 1% (less heavy work) of the gross income with an upper earnings limit of CLP 41 642 434 (UF 1053.6) to the pension fund account.

The pension and unemployment contributions are not included in the Taxing Wages calculations, as they are not considered as taxes in the report. However, information on “non-tax compulsory payments” as well as “compulsory payment indicators” is included in the OECD Tax Database, which is accessible at www.oecd.org/ctp/tax-database.htm.

Employers' contributions

There are six categories of employer social security contribution, none of which are classified as tax revenues in this report, except for the last component which may be partially considered as one.

- Employers make mandatory payments of 0.90% of their employees' gross income for an occupational accident and disease insurance policy subject to an upper earnings limit. For the majority of employees, the payments are made to employers' associations of labour security which are private non-profit institutions. Those remaining are made to the Social Security Regularisation Unit (ISL). Although this latter organisation is controlled by the government, the funds are invested on the private institutions market. The employers also pay an additional contribution which depends on the activity and risk associated to the enterprise (it cannot exceed 3.4% of the employees' gross earnings). This additional contribution could be reduced, down to 0%, depending on the safety measures the employer implements in the enterprise. If health and safety conditions at work are not satisfactory, this additional contribution could be applied with a surcharge of up to 100%.
- Employers shall make a mandatory contribution of 0.03% of the employee' gross income to a fund which finances insurance coverage for working parents of children aged 1 to 15, or ages 1-18, whichever applies, that have a serious health condition, so that the parents can take a leave of absence from their work in order to accompany and take care of them; therefore, during this period the parents shall have the right to assistance financed by said fund (in Spanish, “Fondo SANNA”) that will replace, in total or partially, their monthly earnings. The collection of this contribution is initially delegated to the ISL and to the employers' association of labour security.
- Employers make payments of 2.4% of each employee's income (0.8% after 11 years of labour relationship and 3% for fixed-term contracts) with an upper yearly income limit of CLP 62 554 668 (UF 1582.7) to finance unemployment insurance. These funds are managed privately.

- Employers are required to pay a disability insurance of 1.58% (estimated average for 2025) of the employees' gross income, with an upper earnings limit of CLP 41 642 434 (UF 1053.6), collected by the pension fund manager, and managed by an insurance company.
- If the employee has a high-risk job, the employer has to pay 2% (heavy work) or 1% (less heavy work) of the employee's gross income, with an upper earnings limit of CLP 41 642 434 (UF 1053.6) to the pension fund account.
- Starting in 2025, the Pension Reform in Chile introduces an additional employer-paid contribution. This contribution will gradually increase until 2033 to 7% of a worker's gross income, with 4.5% allocated to individual pension funds and 2.5% to a public social security fund managed by an autonomous public entity. These funds will support benefits to enhance current and future pensions and reduce the gender pension gap. In 2025, the additional employer contribution to the employee individual account is set at 0.1% for and 0.9% for the autonomous public social security fund. Since it fulfils the requirements and definitions set by the OECD, this last component is modelled as a new and solely employer SSC in the model.

Universal cash transfers

Since 2020, a minimum wage bonus has been established to ensure an income floor for every employee working under a Labour Code regulated contract, with a standard weekly schedule between 30 and 45 hours of work and a gross wage under a specific threshold. In addition, the beneficiary must rank within the 90th percentile of the Social Household Registry⁵ (in Spanish, Registro Social de Hogares). Since the gradual increase in the minimum legal gross wage has reached the level this benefit was intended to ensure, the benefit is no longer active in 2025.

On the same note, another important change in government benefits for employees is the elimination of the Family Wallet, which consisted of a fixed monthly payment per dependent household member. Along with the Minimum Guaranteed Income, both benefits are removed from the Taxing Wages 2025 model.

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

The following table contains an annual estimation of the different payments by dependant house member and the corresponding income bracket of the beneficiary, applicable in 2025.

2025 Transfer by Dependant	
Annual Income Range (CLP)	Annual Payment (CLP)
0 – 7 184 376	254 916
7 184 376 – 10 493 520	156 432
10 493 520 – 16 366 596	49 428
16 366 596 -	0

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

Formerly known as "March Bonus", the Permanent Family Contribution is an additional payment received by low-income families already participating in other social programs, among them, the Family Allowance. For this segment of beneficiaries, the Permanent Family Contribution consist of a yearly payment for each dependent household member equivalent to CLP 64 574.

Marital status-related transfers

As described in the previous section, the “Family Allowance” is a social benefit paid in accordance with the income and the dependant family members of the beneficiary of each household. This definition for dependant family member can include spouses when their income is below 50% of the minimum legal wage (for 2025, this threshold is estimated to be around CLP 3 137 272 yearly).

Transfers related to dependent children

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

- Adopted children as well as those born to the parents
- Children up to the age of 18 or 24 years provided they are single and regular students in an elementary, secondary, technical, specialised or higher education establishment
- Minors under the care of an individual as a result of an official court order

Recent changes in the tax/benefit system

Changes to labour taxation associated to the 2024 Pension Reform Act

The year 2025 marks the starting point for Chile’s Pension Reform which aims to enhance current and future retirement pensions, expand the coverage of the contribution gap insurance, promote a more competitive pension fund management market, and address the gender gap in social security to ensure greater equity.

The primary source of funding for this reform is an increase in employer contributions. These additional funds will be allocated between the individual retirement accounts of each worker and a public social security fund designed to strengthen the pension system.

The implementation of these additional employer contributions will be phased in gradually over a period of 9 years. Starting in 2025 through 2033, with wages corresponding to August, the reform establishes an additional contribution of 0.1% directed to the individual retirement fund and 0.9% allocated to the Autonomous Social Security Protection Fund (FAPP), ensuring a balanced approach to improving pension benefits.

As for modifications related to cash transfers and other benefits additional changes in the labour system include the repeal of the Minimum Guaranteed Income and the Electronic Family Wallet. Both benefits are no longer included in the model.

Memorandum items

Identification of an average worker

- The source of information is a survey conducted by the National Statistics Institute (INE) to determine the Salary and Labour Cost Index. This nationwide survey is carried out on a monthly sample and gathers information on salaries and labour costs. It applies to companies with at least 5-worker payrolls grouped in accordance with ISIC4.CL 2012⁶, covering workers in industry sectors B to R⁷.
- The average gross earning was obtained by multiplying the average hourly wage by the average number of hours worked. It covers both full and part-time workers.

Employers' contribution to private health and pension schemes

- Employers in Chile have a mechanism called Collective Voluntary Pension Savings (*Ahorro Previsional Voluntario Colectivo*, APVC), through which they may complement the mandatory retirement savings paid by the employees.

2025 Parameter values

	Year	2025	
Average earnings/yr	Ave_earn	14 201 852	Country estimate, based on information of wages up to March 2025
Allowances	Basic_al	0	
Income tax	Tax_sch	0,0%	11.143.170
		4,0%	24.762.600
		8,0%	41.271.000
		13,5%	57.779.400
		23,0%	74.287.800
		30,4%	99.050.400
		35,0%	255.880.200
		40,0%	
Education tax credit	edu_tax_cre	178.814	
	edu_tax_cre_lim	32.186.444	
Employees SSC			
Upper threshold	SSC_sch	7,00%	41.642.434
		0	
Employer SSC	SSC_pens_er	0,4%	41.642.434
		0	
Permanent Family Contribution	CTR_permanent	64.574	
Family Allowance			
Child element	CTR_child	-	254.916
		7.184.376	156.432
		10.493.520	49.428
		16.366.296	-
Non-tax compulsory payments			
	DummyNTC	0	
pensions	NTC_pens	11,15%	41.642.434
		0,00%	
	NTC_pens_er	1,62%	41.642.434
		0,00%	
unemployment	NTC_un	0,60%	62.554.668
		0,00%	
	NTC_un_er	2,40%	62.554.668
		0,00%	
Work Accidents & SANNA	NTC_mutual_er	0,93%	41.642.434
		0,00%	
Minimum Gross Wage	min_gwage	6.274.544	

2025 Tax equations

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

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings	earn		
2.	Allowances:	Tax_al	B	Min(Basic_al,earn)
3.	Credits in taxable income	taxbl_cr	B	0
4.	CG taxable income	tax_inc	B	Positive(earn-tax_al)
5.	CG tax before credits	CG_tax_excl	B	Tax(tax_inc, tax_sch)
6.	Tax credits	tax_cr	J	IF(taxinc_princ+taxinc_spouse<='edu_tax_cre_lim,IF(taxinc_spouse'=0,edu_tax_cre*Children,edu_tax_cre*Children*0.5),0)
			S	IF(AND(taxinc_princ+taxinc_spouse<=edu_tax_cre_lim,taxinc_spouse>0),edu_tax_cre*Children*0.5,0)
7.	CG tax	CG_tax	B	Positive(CG_tax_excl-tax_cr)
8.	State and local taxes	local_tax	B	0
9.	Employees' soc security	SSC	B	Tax(earn, SSC_sch)
11.	Family allowance	cash_trans	P/S	VLOOKUP(earn_spouse,CTR_child)*(children+married*IF(earn_principal<=(min_gwage/2);1;0)
12.	Permanent Family Contribution	cash_trans	P/S	CTR_permanent*(children+married*IF(earn_principal<=(min_gwage/2);1;0)
13.	Employer's SSC	SSC_empr	B	Tax(earn;SSC_pens_er)
134.	Employer's NTC	NTCP_empr	B	DummyNTCP*(Tax(earn;NTC_un_er)+Tax(earn;NTC_pens_er)+Tax(earn;NTC_mutual_er))

Key to range of equation B calculated separately for both principal earner and spouse P calculated for principal only (value taken as 0 for spouse calculation) J calculated once only on a joint basis.

Notes

¹ Estimated using information of monthly earnings and working hours available up to March 2025.

² As for the UTM and the UTA, the values correspond directly to the actual figure for both units as of July. For the UF, an estimate of the average annual value is used. This figure is obtained by assuming a monthly growth from July to December equivalent to its effective average monthly growth between February and June 2025.

³ By the end of 2023, the government-managed system reported to serve roughly 81% of the national population.

⁴ Average cost in 2025 was 1.15% of gross income.

⁵ The Social Household Registry is a national information system designed to support the selection process of beneficiaries for a wide base of social programs and cash transfers. This ranking is constructed from data available within government and additional input provided by individuals.

⁶ ISIC4.CL 2012 is a Chilean classifier of economic activities, based on ISIC Rev.4.

⁷ O (8422) "Defense Activities" and O (8423) "Public order and safety activities" are not included.

Colombia

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

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

Colombia 2025

The tax/benefit position of single persons

		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1	Gross wage earnings		21 133 336	31 542 293	52 675 629	21 133 336
2	Standard tax allowances					
	Basic allowance		4 860 667	7 254 727	12 115 395	4 332 334
	Married or head of family					
	Dependent children		0	0	0	9 284 390
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other		1 690 667	2 523 383	4 214 050	1 690 667
	Total		6 551 334	9 778 111	16 329 445	15 307 390
3	Tax credits or cash transfers included in taxable income		0	0	0	0
4	Central government taxable income (1 - 2 + 3)		14 582 002	21 764 182	36 346 184	5 825 946
5	Central government income tax liability (exclusive of tax credits)		0	0	0	0
6	Tax credits					
	Basic credit					
	Married or head of family					
	Children		0	0	0	0
	Other					
	Total		0	0	0	0
7	Central government income tax finally paid (5-6)		0	0	0	0
8	State and local taxes		0	0	0	0
9	Employees' compulsory social security contributions					
	Gross earnings		0	0	0	0
	Taxable income					
	Total		0	0	0	0
10	Total payments to general government (7 + 8 + 9)		0	0	0	0
11	Cash transfers from general government					
	For head of family					
	For two children		0	0	0	1 523 453
	Total		0	0	0	1 523 453
12	Take-home pay (1-10+11)		21 133 336	31 542 293	52 675 629	22 656 790
13	Employer's compulsory social security contributions		0	0	0	0
14	Average rates					
	Income tax		0.0%	0.0%	0.0%	0.0%
	Employees' social security contributions		0.0%	0.0%	0.0%	0.0%
	Total payments less cash transfers		0.0%	0.0%	0.0%	-7.2%
	Total tax wedge including employer's social security contributions		0.0%	0.0%	0.0%	-7.2%
15	Marginal rates					
	Total payments less cash transfers: Principal earner		0.0%	0.0%	0.0%	0.0%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		0.0%	0.0%	0.0%	0.0%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Colombia 2025

The tax/benefit position of married couples

		Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
		Number of children	2	2	2	none
1	Gross wage earnings		31 542 293	52 675 629	63 084 586	52 675 629
2	Standard tax allowances					
	Basic allowance		6 466 170	11 326 837	13 720 897	12 115 395
	Married or head of family					
	Dependent children		10 325 285	10 325 285	10 325 285	0
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other		2 523 383	4 214 050	5 046 767	4 214 050
	Total		19 314 839	25 866 173	29 092 950	16 329 445
3	Tax credits or cash transfers included in taxable income		0	0	0	0
4	Central government taxable income (1 - 2 + 3)		12 227 454	26 809 456	33 991 636	36 346 184
5	Central government income tax liability (exclusive of tax credits)		0	0	0	0
6	Tax credits					
	Basic credit					
	Married or head of family					
	Children		0	0	0	0
	Other					
	Total		0	0	0	0
7	Central government income tax finally paid (5-6)		0	0	0	0
8	State and local taxes		0	0	0	0
9	Employees' compulsory social security contributions					
	Gross earnings		0	0	0	0
	Taxable income					
	Total		0	0	0	0
10	Total payments to general government (7 + 8 + 9)		0	0	0	0
11	Cash transfers from general government					
	For head of family					
	For two children		1 523 453	3 046 907	3 046 907	0
	Total		1 523 453	3 046 907	3 046 907	0
12	Take-home pay (1-10+11)		33 065 746	55 722 536	66 131 493	52 675 629
13	Employer's compulsory social security contributions		0	0	0	0
14	Average rates					
	Income tax		0.0%	0.0%	0.0%	0.0%
	Employees' social security contributions		0.0%	0.0%	0.0%	0.0%
	Total payments less cash transfers		-4.8%	-5.8%	-4.8%	0.0%
	Total tax wedge including employer's social security contributions		-4.8%	-5.8%	-4.8%	0.0%
15	Marginal rates					
	Total payments less cash transfers: Principal earner		0.0%	0.0%	0.0%	0.0%
	Total payments less cash transfers: Spouse		-7.2%	0.0%	0.0%	0.0%
	Total tax wedge: Principal earner		0.0%	0.0%	0.0%	0.0%
	Total tax wedge: Spouse		-7.2%	0.0%	0.0%	0.0%

Colombia's national currency is the peso (COP). For 2025, the average exchange rate was COP 4053.14 to USD 1. That same year, the average worker in Colombia earned COP 31 542 293 (country estimate).

Taxes allowances and tax thresholds for the personal income tax system and upper earnings limits for social security contributions are expressed in SMLMV and UVT units. These indicators consider the inflation rate. On December 31 of 2025, the following currency values applied to these units are:

Major revenue items	Unit	COP	USD
Social security contributions	Salario mínimo legal mensual vigente (SMLMV)	1 423 500	333.79
Annual tax thresholds	Unidad de Valor Tributario (UVT)	49 799	11.68

Personal income tax system

Central/federal government income taxes

Tax unit

Each family member declares and pays taxes separately.

Tax allowances and credits

Standard tax reliefs

- *Relief for social security contributions:* Employee's compulsory social insurance contributions are non-taxable or excluded income for income tax purposes regardless of whether they are paid to government or private sector (See section 2.1 below).
- 25% of total employment payments, up to an annual maximum exemption of 790 UVT (COP 39 341 210). Law 2277 of 2022 (tax reform) reduced this limit, from a monthly maximum exemption of 240 UVT to an annual one of 790 UVT. Pursuant to the 2012 tax reform act, in determining the 25% exempt income, the taxpayer must consider its employment income, less the amount of excluded items, allowed deductions, and other exempt items of income.
- Dependent deduction, up to a limit that cannot exceed 10% of the employees' monthly income, nor the equivalent to 32 UVT (annual limit of COP 19 122 816), which does not depend on the number of dependents.
- A new annual dependent deduction of 72 UVT (COP 3 585 528) with a maximum of four dependents. This deduction is not limited to 40% of the taxable income and it can be used at the same time as the current dependent deduction, even if you have only one dependent.

Main non-standard tax reliefs.

- Voluntary contributions to pension funds and deposits in the so-called "AFC" bank accounts¹, made on behalf of employees by their employers up to a limit that cannot exceed 30% of the employees' annual income (taking into account the mandatory payments to the general system on pensions), nor the equivalent to 3 800 UVT (COP 189 236 000). According to tax code, non-compulsory employee's contributions to voluntary pension funds are considered exempted items.
- The Act 1607 of 2012 (tax reform) allows taxpayers to deduct of their taxable income each one of the next items:
 - Interest paid within a year for mortgage loans, with a monthly limit of 100 UVT (annual limit of COP 59 759 000).
 - Payments made for voluntary health insurance that cover to the employee, spouse and two children or dependent people, up to a monthly limit of 16 UVT (annual limit of COP 9 561 000).

Tax schedule

Because Law 1943 of 2018 was deemed unconstitutional by the Constitutional Court at October 2019, at the end of that year the Congress approved Law 2010, which kept the income tax regime to individuals in the same way as it was established in the previous tax reform. This tax regime split the individual's income in three “baskets”: a general basket, that covers labor, capital, and non-labor income; a pension basket, and a dividends basket.

The income received by employees is reported in the general “basket”. The taxable income assessed under this basket is the result of summing all earnings realized during the taxable year, minus: (a) all excluded items (refunds, reductions, discounts, and earnings not considered taxable items of income), (b) all allowed deductions (costs, expenses, and other deductions), and (c) all exempt items.

This system kept the top introduced by Law 1819 of 2016, but in the general basket, in which the sum of allowed deductions and exempt items must be equal to or less than 40% of the taxable income (earnings minus excluded items), or in any event, up to a cap of COP 66 730 660 (limit adjusted by Law 2277 of 2022, from 5 040 UVT to 1 340 UVT) . However, the legislation allows the recognition of costs and expenses related to capital and non-labor income that comply with the requirements for their use into the assessment of the taxable base.

Regarding on the income tax rate, individuals must sum the taxable income that comes from the general basket and the one comes from the pension basket, as well as from dividends basket since 2023, following the adjustment introduced by Law 2277 of 2022 with respect to dividends. The income tax rate that applies to this final amount is as provided in the table below:

Taxable income (UVT)		Taxable income (COP)		Marginal rate	Fixed quota	
Lower limit	Upper limit	Lower limit	Upper limit		UVT	COP
0	1 090	0	54 281 000	0%	0	0
> 1 090	1 700	54 281 000	84 658 000	19%	0	0
> 1 700	4 100	84 658 000	204 176 000	28%	116	5 777 000
> 4 100	8 670	204 176 000	431 757 000	33%	788	39 242 000
> 8 670	18 970	431 757 000	944 687 000	35%	2 296	114 339 000
> 18 970	31 000	944 687 000	1 543 769 000	37%	5 901	293 864 000
> 31 000	and over	1 543 769 000	and over	39%	10 352	515 519 000

State and local income taxes

No taxes apply to income at state or local government level.

Compulsory social security contributions to schemes operated within the government sector

The social security system in Colombia comprises three regimes: the general system on pensions (“sistema general de pensiones”), the general social security system on healthcare (“sistema general de seguridad social en salud”), and the general system on employment risks (“sistema general de riesgos laborales”). The first two operate within the government sector.

The general social security system on healthcare, is financed by public and private funds. The private funds belong essentially to the resources of contributions- contributive regime, which are paid by employers and employees, as well as independent workers, retired persons, and copayments of affiliates at the time of receiving healthcare services. The tax reform of 2016 eliminates the Pro Equity Income Tax – CREE, that had a specific destination for healthcare and was another source of resources². However, 9 points of the CIT rate will have a specific destination that replaced both two payroll contributions and the portion of the mandatory contribution made by the employer to the healthcare system, regarding their

employees whose individual earnings up to 10 SMLMV. For the rest of the companies, and for all the employees, the total contributions are 12.5% of the monthly wage, of which 8.5% is paid by employers on behalf of their employees whose monthly earnings above 10 SMLMV and 4% by employees. In the case of independent workers, the contribution is also 12.5% but the contribution base is 40% of the monthly income. Although the contributions to the contributive regime are mandatory, they are not classified as taxes but as NTCP since more than 50% goes to private sector.

The Colombian pension system is a hybrid of two different systems, a defined-contribution and fully-funded pension system and a pay-as-you-go system. The contribution rate is mandatory and the same for both systems. The contributions are 16% of the monthly wage, which are paid 12% by employers and 4% by employees. When the monthly wage is over 4 SMMLV the employee pays an additional rate that goes from 1% up to 2% to Solidarity Fund. Workers can choose between both systems and can switch every 5 years until 10 years before mandatory retirement age. Although these contributions are mandatory, they are not classified as taxes but as NTCP since more than 50% goes to private sector.

The minimum and maximum base for compulsory contributions is 1 and 25 SMLMV (COP 1 423 500 and COP 35 587 500) respectively. Voluntary contributions can be made to the general system on pensions, and individuals are free to make contributions to a public or to a private pension fund of their choice.

Social security contributions	Base of contribution	Rate
Pensions	Earnings or employment income	16.0%
Solidarity Fund	Earnings or employment income	1.0 – 2.0%
Health	Earnings or employment income	4.0% or 12.5%
Employment Risks	Employment income	0.348% - 8.7%

Employees' contributions

- For pensions, 4.0% of the employee's monthly earnings, plus a certain percentage between 1.0% and 2.0% of the amount over 4 SMLMV (over COP 5 694 000). The last is named "contributions to the Solidarity Fund".
- For health, 4.0% of the employee's monthly earnings.
- After the Act 1819 of 2016, both, the employee's contributions to pensions and health are included in the model as non-taxable income for income tax in the Colombian legislation.

Employers' contributions

- For pensions, 12.0% of the employee's monthly earnings.
- For health, 8.5% of the employee's monthly earnings if individual earnings above 10 SMLMV. Otherwise, 0% of the employee's monthly earnings.
- Payments for employment risks are mandatory only in respect of employment and are the sole responsibility of the employer; the rate of this contribution ranges between 0.348% and 8.7%, depending on the activity. A representative rate of 0.522% is used in the Taxing Wages calculations.

Universal cash transfers

Marital status-related transfers

None.

Transfers related to dependent children

The “Family Subsidy” is paid on a monthly basis to an employee that works monthly at least 96 hours and receives monthly employment payments that don’t exceed COP 5 694 000 (4 SMLMV). It is assessed on both principal and spouse when they are working at the same time and one of the requirements to receive this subsidy is that the sum of their gross earnings does not exceed COP 8 541 000 (6 SMLMV). The definition of dependents includes children, stepchildren, orphaned brothers and sisters, and parents over 60 years old, all of them economically dependent on the worker.

The amount of the payment is a constant value during the year; it does not have limit related with the number of beneficiaries and it differs between the regions of the country. The annual average Family Allowance or Subsidy to 2025 was COP 761 727 for one beneficiary.

Main Changes in Tax/Benefit Systems Since 2019

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

Through Decree 558 of 2020, the Government reduced the pension contribution rate, from 16% to 3%, decreasing the payment of both employers and employees for the contributions in April and May 2020, but this Decree was deemed unconstitutional by the Constitutional Court in July 2020. This decision means the full payment of the pension contribution at the normal rate for those months later.

Memorandum items

Identification of an average worker and calculation of earnings

- The source of information is The Great Integrated Household Survey conducted by the National Administrative Department of Statistics (DANE) with the intention of gathering information about employment conditions of people as well as about the general characteristics of the population. This nationwide survey is carried out on a monthly sample.
- The average gross earnings were obtained by multiplying the average hourly wage by the average number of hours worked, according to the quarterly reports and expresses in a monthly frequency. It covers full time workers (considering a person who works 40 hours or more in her/his main job in a week).

2025 Parameter values

Average earnings/yr	Ave_earn	31 542 293		
Allowances	Basic_al	0		
	Depend_child	19 122 816		
	Exempt_labor_income_limit	39 341 210		
	Upper_limit_Ex_and_ded	66 730 660		
	Dependent_child_new	0	0	
		1	3 585 528	
		2	7 171 056	
		3	10 756 584	
		4	14 342 112	
Income tax	Tax_sch	0	54 281 000	
		0.19	84 658 000	
		0.28	204 176 000	5 777 000
		0.33	431 757 000	39 242 000
		0.35	944 687 000	114 339 000
		0.37	1 543 769 000	293 864 000
		0.39	And more	515 519 000
Family allowance				
Child element	CTR_child	761 727		
	CTR_child_limit1	68 328 000		
	CTR_child_limit2	102 492 000		
Non-tax compulsory payments				
Health-pensions Employee	NTC_hlth_pens	0.08	427 050 000	
		0.00		
	Low_limit_Income_NTC_hlth_pens	17 082 000		
	NTC_solid_fund	0.00	68 328 000	
		0.01	273 311 999	
		0.012	290 394 000	
		0.014	307 476 000	
		0.016	324 558 000	
		0.018	341 640 000	
		0.02		
	Upper_limit_Income_NTC_solid_fund	427 050 000		

2025 Tax equations

The equations for the Colombian system are mostly on an individual basis. But the Family Allowance is assessed on both principal and spouse when they are working at the same time and the sum of their gross earnings does not exceed the limit to receive this subsidy, and otherwise on the principal's earnings. This is shown by the Range indicator in the table below.

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

Line in country table and intermediate steps	Variable name	Range	Equation
1. Earnings	earn		
2. Total reliefs:	total_rel	B	tax_allow + non_taxable_income
Dependent Children	dependent_children	P/S	IF(earn_princ>=earn_spouse;IF((earn_princ*0,1)>depend_child;depend_child;earn_princ*0,1)*(IF(children>0;1;0);0))
New Dependent Children	Dependent_child_new	P/S	IF(earn_princ>=earn_spouse;VLOOKUP(Children;Dependent_child_new;2;0)
Final Dependent Children	final_dependent_children	P/S	SI(MAX((tax_allow+Dependent_child_new);tax_allow_new_depch)=(tax_allow+Dependent_child_new);(dependent_children+Dependent_child_new);Dependent_child_new)
Exempt Labor Income	exempt_labor_income	B	IF((positive(earn_princ-(non taxable income ntcp+dependent children))*0,25)>exempt_labor_income_limit;exempt_labor_income_limit;(positive(earn_princ-(non taxable income ntcp+dependent children))*0,25))
Exempt Labor Income without current dependent children	exempt_labor_income_without_current_depch	B	IF((SIMPLE(Positive(earn_princ-non taxable income ntcp)*0,25)>Exempt_labor_income_limit;Exempt_labor_income_limit;(SIMPLE(Positive(earn_princ-non taxable income ntcp))*0,25))
Final Exempt Labor Income	final_exempt_labor_income	B	SI(MAX((tax_allow+Dependent_child_new);tax_allow_new_depch)=(tax_allow+Dependent_child_new);exempt_labor_income;exempt_labor_income_without_current_depch)
Allowed Allowances	tax_allow	B	IF((40%*(earn_princ-non taxable income ntcp))>='upper_limit_ex_and_ded;' IF((dependent children+exempt labor income)>='upper_limit_ex_and_ded;upper_limit_ex_and_ded;' (dependent children+exempt labor income)); IF((dependent children+exempt labor income)>(40%*(earn_princ-non taxable income ntcp));40%*(earn_princ-non taxable income ntcp);(dependent children+exempt labor income)))
Allowed Allowances with new dependent children	tax_allow_new_depch	B	IF((40%*(earn_princ-non taxable income ntcp))>=Upper_limit_Ex_and_ded; IF(exempt labor income_without_current_depch>=Upper_limit_Ex_and_ded;Upper_limit_Ex_and_ded; exempt labor income_without_current_depch); IF(exempt labor income_without_current_depch>(40%*(earn_princ-non taxable income ntcp));40%*(earn_princ-non taxable income ntcp);exempt labor income_without_current_depch))+Dependent_child_new
Final Allowed Allowances	final_tax_allow	B	MAX((tax_allow+Dependent_child_new);tax_allow_new_depch)
Non taxable income NTCP	non_taxable_income	B	IF(earn_princ<low_limit_income_ntc_hlth_pens;0;tax(earn_princ;ntc_hlth_pens))+((IF(earn_princ>upper_limit_income_ntc_solid_fund;(upper_limit_income_ntc_solid_fund*ntc_solid_fund_r6);IF(earn_princ>ntc_solid_fund_w5;(earn_princ*ntc_solid_fund_r6);IF(earn_princ>ntc_solid_fund_w4;(earn_princ*ntc_solid_fund_r5);IF(earn_princ>ntc_solid_fund_w3;(earn_princ*ntc_solid_fund_r4);IF(earn_princ>

			ntc_solid_fund_w2;(earn_princ*ntc_solid_fund_r3);IF(earn_princ>ntc_solid_fund_w1;(earn_princ*ntc_solid_fund_r2);IF(earn_princ>ntc_solid_fund_w0;(earn_princ*ntc_solid_fund_r1);(earn_princ*ntc_solid_fund_r0)))))))))
3. Credits in taxable income	taxbl_cr	B	0
4. CG taxable income	tax_inc	B	Positive(earn_princ- Total reliefs+ cred_tx_inc)
5. CG tax before credits	CG_tax_excl	B	Tax(tax_inc, tax_sch)
6. Tax credits	tax_cr	B	0
7. CG tax	CG_tax	B	Positive(CG tax before credits- tax_cr)
8. State and local taxes	local_tax	B	0
9. Employees' soc security	SSC	B	n.a.
11. Cash transfer	cash_trans	J	IF(children=0;0;IF(earn_spouse>0;IF((earn_princ+earn_spouse)>ctr_child_limit2;0;IF((earn_princ+earn_spouse)>=ctr_child_limit1;ctr_child*children;IF((earn_princ+earn_spouse)>0;ctr_child*children*2));IF(earn_princ>ctr_child_limit1;0;ctr_child*children)))
12. Employer's soc security	SSC_empr	B	n.a.

Key to range of equation B calculated separately for both principal earner and spouse; P/S calculated for principal or spouse only (value taken as 0 for the other earner calculation); J calculated once only on a joint basis. T calculated on a joint basis when both principal and spouse are workers, and otherwise on the principal's earnings.

Notes

¹ The so-called “AFC” bank accounts (“*cuentas de ahorro para el fomento a la construcción - AFC*”) are savings bank accounts specially provided for the acquisition of real estate property, so the funds deposited in such accounts can only be used for the acquisition of the aforementioned property.

² The 2012 tax reform act introduced this new tax to alleviate the costs of hiring formal labour incurred by private employers. These companies had to be taxpayers into the income tax to access to this benefit. Both the companies inside the free trade zones regime and the non-profit entities had to follow with the contribution to the healthcare system, regardless of the earnings of their employees.

Costa Rica

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

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

Costa Rica 2025

The tax/benefit position of single persons

		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1	Gross wage earnings		6 928 131	10 340 494	17 268 626	6 928 131
2	Standard tax allowances					
	Basic allowance		0	0	0	0
	Married or head of family		0	0	0	0
	Dependent children		0	0	0	0
	Deduction for social security contributions and income taxes		0	0	0	0
	Work-related expenses					
	Other		532 933	795 423	1 328 356	532 933
	Total		532 933	795 423	1 328 356	532 933
3	Tax credits or cash transfers included in taxable income		0	0	0	0
4	Central government taxable income (1 - 2 + 3)		6 395 198	9 545 072	15 940 270	6 395 198
5	Central government income tax liability (exclusive of tax credits)		0	0	487 627	0
6	Tax credits					
	Basic credit		0	0	0	0
	Married or head of family		0	0	0	0
	Children		0	0	0	41 280
	Other					
	Total		0	0	0	41 280
7	Central government income tax finally paid (5-6)		0	0	487 627	0
8	State and local taxes		0	0	0	0
9	Employees' compulsory social security contributions					
	Gross earnings		682 368	1 018 459	1 700 827	682 368
	Taxable income					
	Total		682 368	1 018 459	1 700 827	682 368
10	Total payments to general government (7 + 8 + 9)		682 368	1 018 459	2 188 454	682 368
11	Cash transfers from general government					
	For head of family					
	For two children		0	0	0	0
	Total		0	0	0	0
12	Take-home pay (1-10+11)		6 245 764	9 322 035	15 080 172	6 245 764
13	Employer's compulsory social security contributions		1 705 599	2 545 671	4 251 270	1 705 599
14	Average rates					
	Income tax		0.0%	0.0%	2.8%	0.0%
	Employees' social security contributions		9.8%	9.8%	9.8%	9.8%
	Total payments less cash transfers		9.8%	9.8%	12.7%	9.8%
	Total tax wedge including employer's social security contributions		27.7%	27.7%	29.9%	27.7%
15	Marginal rates					
	Total payments less cash transfers: Principal earner		9.8%	9.8%	19.1%	9.8%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		27.7%	27.7%	35.1%	27.7%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Costa Rica 2025

The tax/benefit position of married couples

		Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
		Number of children	2	2	2	none
1	Gross wage earnings		10 340 494	17 268 626	20 680 989	17 268 626
2	Standard tax allowances					
	Basic allowance		0	0	0	0
	Married or head of family		0	0	0	0
	Dependent children		0	0	0	0
	Deduction for social security contributions and income taxes		0	0	0	0
	Work-related expenses					
	Other		795 423	1 328 356	1 590 845	1 328 356
	Total		795 423	1 328 356	1 590 845	1 328 356
3	Tax credits or cash transfers included in taxable income		0	0	0	0
4	Central government taxable income (1 - 2 + 3)		9 545 072	15 940 270	19 090 144	15 940 270
5	Central government income tax liability (exclusive of tax credits)		0	0	0	0
6	Tax credits					
	Basic credit		0	0	0	0
	Married or head of family		31 200	31 200	31 200	31 200
	Children		41 280	41 280	41 280	0
	Other					
	Total		72 480	72 480	72 480	31 200
7	Central government income tax finally paid (5-6)		0	0	0	0
8	State and local taxes		0	0	0	0
9	Employees' compulsory social security contributions					
	Gross earnings		1 018 459	1 700 827	2 036 918	1 700 827
	Taxable income					
	Total		1 018 459	1 700 827	2 036 918	1 700 827
10	Total payments to general government (7 + 8 + 9)		1 018 459	1 700 827	2 036 918	1 700 827
11	Cash transfers from general government					
	For head of family					
	For two children		0	0	0	0
	Total		0	0	0	0
12	Take-home pay (1-10+11)		9 322 035	15 567 799	18 644 071	15 567 799
13	Employer's compulsory social security contributions		2 545 671	4 251 270	5 091 341	4 251 270
14	Average rates					
	Income tax		0.0%	0.0%	0.0%	0.0%
	Employees' social security contributions		9.8%	9.8%	9.8%	9.8%
	Total payments less cash transfers		9.8%	9.8%	9.8%	9.8%
	Total tax wedge including employer's social security contributions		27.7%	27.7%	27.7%	27.7%
15	Marginal rates					
	Total payments less cash transfers: Principal earner		9.8%	9.8%	9.8%	9.8%
	Total payments less cash transfers: Spouse		9.8%	9.8%	9.8%	9.8%
	Total tax wedge: Principal earner		27.7%	27.7%	27.7%	27.7%
	Total tax wedge: Spouse		27.7%	27.7%	27.7%	27.7%

The national currency is the Costa Rican colon. In 2025, on average the CRC 503.47 equalled a 1 US dollar. The average worker earned CRC 10 340 494 on an annual basis.

Personal income tax system

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

Central government income tax

The Costa Rica Income tax is applied to the income in cash or in kind, continuous or occasional, from any Costa Rican source perceived or accrued by individuals or legal entities domiciled in the country.

Costa Rica's labour legislation provides for payment of an additional salary or "bonus" paid in December of each year, the benefit is determined on the monthly average wage of the worker's other concepts be paid as overtime. This concept is not subject to social security contributions and is not taxed on the income tax.

Exempt income:

The most noteworthy types of exempt income include:

- Inheritances, bequests and other forms of inherited property.
- Lottery prizes
- The annual bonus paid up one twelfth of the annual income.

Tax unit

Domestic natural persons who receive income of Costa Rican source, whether or not they have resided in the country during the respective fiscal period. Resident individuals are also subject to social security contributions to the Costa Rican Social Security Fund (CCSS) and fees to the Popular Bank.

Tax allowances and tax credits

Standard tax allowances and tax credits

- CRC 20 640 for each child in the household.
- CRC 31 200 for the spouse, which can only be claimed by one of the spouses.

Those tax credits are wastable.

Main non-standard tax allowances and tax credits

None.

Tax schedule

The annual income tax schedule is determined on the taxable income according to the following schedule for 2025:

From	Up to	Rate
0	CRC 11 064 000	0%
CRC 11 064 000	CRC 16 224 000	10%
CRC 16 224 000	CRC 28 476 000	15%
CRC 28 476 000	CRC 56 940 000	20%
CRC 56 940 000	Onwards	25%

State and local taxes

No state or local taxes are levied on wages.

Compulsory social security contributions to schemes operated within the government sector

Employee contributions

Program	Rate (%)
Oldage, disability and death program (IVM)	4.17
Healthcare and Maternity Insurance (SEM)	5.50
Popular Bank Fee	1.00

Employer contributions

Employers are required to contribute to the following public programs.

Program	Rate %
Oldage, disability and death program (IVM)	5.42
Healthcare and Maternity Insurance (SEM)	9.25
Popular Bank Fee	0.50
Unemployment insurance	2.50
Family allowances	5.00
Complementary pensions	2.00
Learning National Institute (INA)	1.50
Joint Institute for Social Aid (IMAS)	0.50

Universal cash transfers

Marital status-related transfers

None.

Transfers related to dependent children

None.

Recent changes in the tax/benefit system

None.

Memorandum items

None.

2025 Parameter values

Average earnings/yr	Ave_earn	10 340 494	Country estimate
	Ave_earn_nobonus	9 545 072	
Allowances			
	Basic_al	0	
	Spouse_al	0	
	Child_al	0	
	T_days	365	
	Bonus	30	
Income tax	Tax_sch	0.00	11 064 000
		0.10	16 224 000
		0.15	28476 000
		0.20	56 940 000
		0.25	
Tax credits	Tax_cr_ch	20 760	
	Tax_cr_sp	31 440	
Employees SSC	SSC_IVM_ee	0.0417	
	SSC_SEM_ee	0.0550	
	SSC_PBF_ee	0.0100	
	SSC_total_ee	0.1067	
	Min_wage	4 405 303	
Employers SSC	SSC_IVM_er	0.0542	
	SSC_SEM_er	0.0925	
	SSC_PBF_er	0.0050	
	SSC_ump_er	0.0150	
	SSC_fam_er	0.0500	
	SSC_com_pen_er	0.0300	
	SSC_INA_er	0.0150	
	SSC_IMAS_er	0.0050	
	SSC_total_er	0.2667	

2025 Tax equations

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

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings	earn		
2.	Allowances:	Tax_al	B	MAX(earn/13,0)
3.	Credits in taxable income	taxbl_cr		-
4.	CG taxable income	tax_inc	B	Positive(earn-tax_al)
5.	CG tax before credits	CG_tax_excl	B	Tax(tax_inc,tax_sch)
6.	Tax credits :	tax_cr	P	IF(Married=1,Tax_cr_sp,0)+ Tax_cr_ch*Children
7.	CG tax	CG_tax	B	Positive(CG_tax_excl-tax_cr)
8.	State and local taxes	local_tax		-
9.	Employees' soc security	SSC	B	MAX(Min_wage,tax_inc)*SSC_total_ee
11.	Cash transfers	cash_trans		-
13.	Employer's soc security	SSC_empr	B	MAX(Min_wage,tax_inc)*SSC_total_er

Key to range of equation B calculated separately for both principal earner and spouse P calculated for principal only (value taken as 0 for spouse calculation) J calculated once only on a joint basis.

Czechia

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

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

Czechia 2025

The tax/benefit position of single persons

		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1	Gross wage earnings		391 778	584 744	976 522	391 778
2	Standard tax allowances					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other					
	Total		0	0	0	0
3	Tax credits or cash transfers included in taxable income		0	0	0	0
4	Central government taxable income (1 - 2 + 3 + 13)		391 778	584 744	976 522	391 778
5	Central government income tax liability (exclusive of tax credits)		58 767	87 712	146 478	58 767
6	Tax credits					
	Basic credit		30 840	30 840	30 840	30 840
	Married or head of family		0	0	0	0
	Children		0	0	0	37 524
	Other		0	0	0	0
	Unused wastable tax credits		0	0	0	0
	Total		30 840	30 840	30 840	68 364
7	Central government income tax finally paid (5-6)		27 927	56 872	115 638	- 9 597
8	State and local taxes		0	0	0	0
9	Employees' compulsory social security contributions					
	Gross earnings		45 446	67 830	113 277	45 446
	Taxable income					
	Total		45 446	67 830	113 277	45 446
10	Total payments to general government (7 + 8 + 9)		73 373	124 702	228 915	35 849
11	Cash transfers from general government					
	For head of family					
	For two children		0	0	0	35 280
	Total		0	0	0	35 280
12	Take-home pay (1-10+11)		318 405	460 042	747 607	391 209
13	Employer's compulsory social security contributions		132 421	197 643	330 064	132 421
14	Average rates					
	Income tax		7.1%	9.7%	11.8%	-2.4%
	Employees' social security contributions		11.6%	11.6%	11.6%	11.6%
	Total payments less cash transfers		18.7%	21.3%	23.4%	0.1%
	Total tax wedge including employer's social security contributions		39.3%	41.2%	42.8%	25.4%
15	Marginal rates					
	Total payments less cash transfers: Principal earner		26.6%	26.6%	26.6%	26.6%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		45.1%	45.1%	45.1%	45.1%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Czechia 2025

The tax/benefit position of married couples

		Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
		Number of children	2	2	2	none
1	Gross wage earnings		584 744	976 522	1 169 487	976 522
2	Standard tax allowances					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other					
	Total		0	0	0	0
3	Tax credits or cash transfers included in taxable income		0	0	0	0
4	Central government taxable income (1 - 2 + 3 + 13)		584 744	976 522	1 169 487	976 522
5	Central government income tax liability (exclusive of tax credits)		87 712	146 478	175 423	146 478
6	Tax credits					
	Basic credit		30 840	61 680	61 680	61 680
	Married or head of family		0	0	0	0
	Children		37 524	37 524	37 524	0
	Other		0	0	0	0
	Unused wastable tax credits		0	0	0	0
	Total		68 364	99 204	99 204	61 680
7	Central government income tax finally paid (5-6)		19 348	47 274	76 219	84 798
8	State and local taxes		0	0	0	0
9	Employees' compulsory social security contributions					
	Gross earnings		67 830	113 277	135 661	113 277
	Taxable income					
	Total		67 830	113 277	135 661	113 277
10	Total payments to general government (7 + 8 + 9)		87 178	160 551	211 880	198 075
11	Cash transfers from general government					
	For head of family					
	For two children		35 280	0	0	0
	Total		35 280	0	0	0
12	Take-home pay (1-10+11)		532 846	815 971	957 608	778 447
13	Employer's compulsory social security contributions		197 643	330 064	395 287	330 064
14	Average rates					
	Income tax		3.3%	4.8%	6.5%	8.7%
	Employees' social security contributions		11.6%	11.6%	11.6%	11.6%
	Total payments less cash transfers		8.9%	16.4%	18.1%	20.3%
	Total tax wedge including employer's social security contributions		31.9%	37.5%	38.8%	40.4%
15	Marginal rates					
	Total payments less cash transfers: Principal earner		26.6%	26.6%	26.6%	26.6%
	Total payments less cash transfers: Spouse		27.7%	26.6%	26.6%	26.6%
	Total tax wedge: Principal earner		45.1%	45.1%	45.1%	45.1%
	Total tax wedge: Spouse		46.0%	45.1%	45.1%	45.1%

The national currency is the Czechia koruna (CZK). In May 2025, CZK 21.882 were equal to USD 1. In that year, the average worker earned CZK 584 744 (Secretariat's estimate).

Personal Income Tax System

Central government income taxes

Tax unit

- The tax unit is the individual.

Tax allowances and tax credits

Standard reliefs

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

Main non-standard tax reliefs applicable to an AW

- Charitable donations allowance: It is possible to deduct from the tax base the value of gratuitous performance provided to municipalities, regions, government branches, and legal entities defined in Income Tax Law that organise public collections for science and education, research and development purposes, culture, schools, healthcare, environmental, humanitarian or charitable purposes (more information in Income Tax Law). The provision of allowances is provided if the total value of gratuitous performance in the period of taxation exceeds 2 % of the tax base or amounts to at least CZK 1 000. A similar procedure shall apply for gratuitous performance to finance removing the consequences of a natural disaster occurring in the territory of the EU Member State or a State of the European Economic Area. In total, a maximum of 15% can be deducted from the tax base. For the tax periods of calendar years 2020 – 2026, the maximum amount was increased to 30 % of the tax base. As gratuitous performance for healthcare purposes, the value of one donation of blood or blood components from a donor who was not provided with financial compensation for the expenses connected with, shall be valued at a sum of CZK 3 000, the value of donation of an organ from a living donor shall be valued at a sum of CZK 20 000, and the value of one donation of hematopoietic cells, shall be valued at a sum of CZK 20 000.
- Interest payments: The tax base shall be reduced by the sum equal to the interest paid in the period of taxation on building society credit, interest on mortgage credit loaned by a bank, reduced by the State contribution granted under special legal regulations that is used to finance housing needs (more information in Income Tax Law). The total sum of interest by which the tax base is reduced on all credits of taxpayers in the same jointly managed household must not exceed CZK 150 000 (For mortgage loans originated before January 1, 2021 the total sum of interest which can be reduced is CZK 300 000 per a household.) When interest is only paid for part of the year, the deducted sum must not exceed one twelfth of such maximum amount for each month of paying interest.
- Supplementary pension scheme contributions: the tax base may be reduced by a contribution, in the maximum total amount of CZK 48 000, paid by a taxpayer to his/her tax-supported old-age savings products and tax-supported long-term care insurance of which he/she is a policyholder. Contributions to an old-age savings product include insurance premiums for private life insurance and assets credited to a long-term investment product.

Tax schedule

Since 2021, the tax base is determined on gross income. The tax is calculated from the tax base reduced by the non-taxable part of the tax base and by items deductible from the tax base (see the section on Main non-standard tax reliefs), rounded down to whole hundreds of CZK.

As of 2021, the Czechia returns to progressive taxation, the tax rate amounts to

- 15% for the tax base up to 36-fold of an average salary (the threshold for 2025 is CZK 1 676 052)
- 23% for the part of the tax base exceeding 36-fold of an average salary.

Tax credits

The calculated tax liability (see the Tax schedule section) shall be further reduced by tax credits.

- Basic tax credit of CZK 30 840 per taxpayer.
- Tax credit of CZK 24 840 for spouse living with a taxpayer in a jointly managed household, provided that such a spouse does not have their own income exceeding CZK 68 000 for the period of taxation and at the same time taking care of a child who is no older than three years.
- Credit of CZK 15 204 for first child, credit of CZK 22 320 for second child, credit of CZK 27 840 for third and each additional child (irrespective of the child's own income) living with a taxpayer in a common household on the territory of a Member State of the EU, Norway or Iceland, if the child satisfies one or more of the following criteria:
 - age below 18 year of age,
 - age below 26 year of age and receiving full-time education,
 - age below 26 year of age and physically or mentally disabled provided that the child is not in receipt of a state disability payment

If the child is a “ZTP-P” card holder (the child with a certain type of disabilities), the tax credit is doubled. The taxpayer can claim the tax credit in the form of tax reliefs or tax bonuses or their combination.

- Basic disability tax credit of CZK 2 520, if the taxpayer is granted a disability pension for a first or second degree disability under a special law.
- Extended disability tax credit of CZK 5 040 if the taxpayer is granted a disability pension for a third degree disability under a special law.
- Tax credit of CZK 16 140 for the holder of a card identifying them as a person with a particularly severe disability requiring a guide (ZTP/P).

State and local income tax

There are no regional or local income taxes.

Compulsory Social Security Contributions to Schemes Operated within the Government Sector

The maximum annual earnings used to calculate social security contributions are 48 times the national average monthly wage. The maximum ceiling for social security contributions is CZK 2 234 736 for the year 2025. The maximum ceiling for health insurance has not existed since 2013.

Employees' contributions

Compulsory contributions of 11,6% of gross wages and salaries are paid by all employees into government operated schemes. The total is made up as follows (in %):

Health insurance	4.5
Social insurance	6.5
Sickness insurance	0.6

Employers' contributions

The total contribution for employers is 33.8% of gross earnings.

The contribution consists of the health insurance contribution (9% of gross wages and salaries) and social insurance (24.8 %).

Universal Cash Transfers

Transfers related to marital status

None.

Transfers for dependent children

Non-taxable child allowances are the basic income-tested benefit provided to a dependent child with the objective to contribute to the coverage of costs incurred in his upbringing and sustenance. Entitlement to the child allowance is bound with certain income criteria. The central government pays this allowance in respect of each dependent child based on the family income level and provided that family's income does not exceed 3.4 times the relevant family's living minimum (LM) and simultaneously fulfils the minimum income condition of CZK 4 860/monthly/one of parents since 1 January 2023. Family income includes the earnings of both parents net of income tax and the employees' social security and health insurance contributions. Child allowances are provided at three levels depending on the age of the child and are paid as follows:

Family Income	up to 3.4 LM
Age of child	Total payment CZK per month
below 6 year of age	1 330
6–15 years	1 470
15–26 years	1 580

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

Living minimum	
Basic personal requirement	
Single	4 860
First person in household	4 470
Second and other persons who are not a dependent child	4 040
Child aged below 6	2 480
Child aged between 6 and 15	3 050
Child aged between 15 and 26	3 490
Household expenses	
One person household	4 860

Two person household	8 510
Three person household	10 000
Four person household	14 040
Five person household	17 530

The LM is required by law. In case that family income (income of persons assessed together) is not achieved, the amount of family's LM can be put in a request for state social support (housing benefit, family benefits, social assistance and other). The system applies the solidarity principle between the high-income families and low-income families, as well as between the childless families and those with children.

Additional transfers

Additional allowances (means-tested benefits in material need) are paid by the central government to low income families in adverse social and financial situation. The amount transferred is derived from the LM and varies according to total family income including family allowances and own efforts, opportunities and needs are taken into account. This allowance is not included in the computation.

Main Changes in Tax/Benefit Systems since 2025

Effective from October 1, 2025, existing social benefits - child allowance, housing allowance, living allowance and housing supplement will be transformed into one unified state social assistance benefit, the so-called super benefit. The super benefit will consist of four components according to the specific needs of the household. The change aims to simplify the state social support system, increase its efficiency, better target assistance, and evaluate the work activity of recipients. With regard to the effectiveness of the change, it will be included in the computation of Taxing wages 2026 edition.

Memorandum Items

Identification of AW and valuation of earnings

The Ministry of Finance estimates the average earnings of the AW based on the data supplied by the Czechia Statistical Office. The calculation of the average earnings is made by CZ-NACE division, which is compatible with ISIC classifications Ver. 4.

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.

2025 Parameter values

	Ave_earn	584 744	Secretariat's estimate
Income tax rate - base	tax_rate_base	0.15	
Income tax rate – second bracket	Tax_rate_secbracket	0.23	
Social security – social insurance	SSs_rate	0.071	
Social security – health insurance	SSh_rate	0.045	
Employers - social insurance	SSs_empr_rate	0.248	
Employers - health insurance	SSh_empr_rate	0.09	
Child Tax credit - first child	child_cr_1	15 204	
- second child	child_cr_2	22 320	
- third child	child_cr_3	27 840	
Tax credit for individuals	tax_cr_base	30 840	
Tax credit for spouse	tax_cr_spo	24 840	
Tax credit for spouse income ceiling	Tax_cr_spo_inc_ceil	68 000	
Living minimum (LM)			
	basic_adult	4 860	
	basic_household	8 510	
	basic_child	3 050	
	house_exp	1	4 860
		2	8 510
		3	10 000
		4	14 040
		5	17 530
Cash transfers	transf_1	1 470	
Social security, social insurance - ceiling	soc_sec_si_ceil	2 234 736	
Income tax second bracket	tax_sec_bracket	1 676 052	
Age of latest child	age_late_child	6	

2025 Tax equations

The equations for the Czechia system are on an individual basis. But the spouse tax credit is relevant only to the calculation for the principal earner and cash transfers are calculated only once. This is shown by the Range indicator in the table below.

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

		Variable name	Range	Equation
1.	Earnings	earn	B	
2 a	CG taxable income base	tax_inc_princ_base	B	IF(earn<tax_sec_bracket;earn;IF(earn>tax_sec_bracket;tax_sec_bracket))
2b	CG taxable income second bracket	Tax_inc_princ_sec	B	IF(earn>tax_sec_bracket;earn-tax_sec_bracket;0)
	CG tax before credits			
	CG tax before credits principal	CG_tax_excl_princ	B	Tax(tax_inc_princ_base, tax_rate_base)+Tax(tax_inc_princ_se, tax_rate_sec)
4.	Tax credits:			
	Tax credit for children	tax_cr_ch	P	If (number of children>3; (number of children - 3)*child_cr_3+child_cr_1+child_cr_2+child_cr_3; If (number of children>2;child_cr_1 +child_cr_2 + child_cr_3; If (number of children>1;child_cr_1+child_cr_2; If (number of children>0;child_cr_1; If (number of children=0;0))))
	Basic tax credit	tax_cr_bas	B	tax_cr_bas
	Tax credit for spouse	tax_cr_spouse	P	Married*if(earn<tax_cr_spo_inc_ceil;age_late_child<3);tax_cr_spo;0)
5.	CG tax			
	CG tax principal	CG_tax_princ	B	Max(CG_tax_excl_princ - tax_cr_bas_princ - tax_cr_spo-tax_cr-preschool , 0) - tax_cr_ch
6.	State and local taxes	local_tax	B	0
7.	Employees' social security	SSs SSh	B B	MIN(earn,soc_sec_si__ceil)*SSs_rate earn*SSh_rate
8.	Cash transfers			
	Net family income	net_inc	J	earn_total-CG_tax_total-SSC_total
9.	Living minimum (monthly)	LM	J	VLOOKUP((1+Married+Children);house_exp;2;FALSE)
10.	Total cash transfers	cash_trans	J	Children*IF((net_inc-tax_cr_ch)<=(3,4)*LM*12;transf_1*12)
11.	Employer's social security	SSs_empr SSh_empr	B B	MIN(earn,soc_sec_sir_ceil)*SSs_empr_rate earn*SSh_empr_rate

Key to range of equation: B calculated separately for both principal earner and spouse; P calculated for principal only (value taken as 0 for spouse calculation); J calculated once only on a joint basis.

Denmark

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

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

Denmark 2025

The tax/benefit position of single persons

		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1	Gross wage earnings		359 838	537 071	896 909	359 838
2	Standard tax allowances					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		29 975	44 154	72 941	29 975
	Work-related expenses		0	0	0	0
	Earnings tax credit deduction		54 276	58 500	58 500	102 310
	Other		0	0	0	0
	Total		84 251	102 654	131 441	132 285
3	Tax credits or cash transfers included in taxable income		0	0	0	0
4	Central government taxable income (1-2+3)		269 200	425 079	755 412	221 166
5	Central government income tax liability (exclusive of tax credits)		39 759	59 342	131 088	39 759
6	Tax credits					
	Basic credit		6 197	6 197	6 197	6 197
	Married or head of family					
	Children					
	Other					
	Total		6 197	6 197	6 197	6 197
7	Central government income tax finally paid (5-6)		62 349	96 111	196 643	62 349
8	State and local taxes		54 548	93 624	176 432	42 507
9	Employees' compulsory social security contributions					
	Gross earnings		0	0	0	0
	Taxable income					
	Total		0	0	0	0
10	Total payments to general government (7+8+9)		116 897	189 734	373 075	104 856
11	Cash transfers from general government					
	For head of family					
	For two children		0	0	0	50 072
	Green check		0	0	0	480
	Total		0	0	0	50 552
12	Take-home pay (1-10+11)		242 941	347 337	523 834	305 534
13	Employer's compulsory social security contributions		3 590	3 590	3 590	3 590
14	Average rates					
	Income tax		32.5%	35.3%	41.6%	29.1%
	Employees' social security contributions		0.0%	0.0%	0.0%	0.0%
	Total payments less cash transfers		32.5%	35.3%	41.6%	15.1%
	Total tax wedge including employer's social security contributions		33.2%	35.8%	41.8%	15.9%
15	Marginal rates					
	Total payments less cash transfers: Principal earner		38.1%	41.7%	55.9%	34.8%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		38.1%	41.7%	55.9%	34.8%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Denmark 2025

The tax/benefit position of married couples

Wage level (per cent of average wage)		100-0	100-67	100-100	100-67
Number of children		2	2	2	none
1	Gross wage earnings	537 071	896 909	1 074 142	896 909
2	Standard tax allowances				
	Basic allowance				
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes	44 154	74 129	88 307	74 129
	Work-related expenses	0	0	0	0
	Earnings tax credit deduction	58 500	112 776	117 000	112 776
	Other				
	Total	102 654	186 904	205 307	186 904
3	Tax credits or cash transfers included in taxable income	0	0	0	0
4	Central government taxable income (1-2+3)	425 079	694 279	850 158	694 279
5	Central government income tax liability (exclusive of tax credits)	59 342	99 101	118 684	99 101
6	Tax credits				
	Basic credit	18 591	12 394	12 394	12 394
	Married or head of family				
	Children				
	Other				
	Total	18 591	12 394	12 394	12 394
7	Central government income tax finally paid (5-6)	89 913	158 460	192 221	158 460
8	State and local taxes	80 689	148 172	187 247	148 172
9	Employees' compulsory social security contributions				
	Gross earnings	0	0	0	0
	Taxable income				
	Total	0	0	0	0
10	Total payments to general government (7+8+9)	170 602	306 631	379 469	306 631
11	Cash transfers from general government				
	For head of family				
	For two children	29 952	29 952	29 952	0
	Green check	240	240	0	0
	Total	30 192	30 192	29 952	0
12	Take-home pay (1-10+11)	396 661	620 469	724 626	590 277
13	Employer's compulsory social security contributions	3 590	7 180	7 180	7 180
14	Average rates				
	Income tax	31.8%	34.2%	35.3%	34.2%
	Employees' social security contributions	0.0%	0.0%	0.0%	0.0%
	Total payments less cash transfers	26.1%	30.8%	32.5%	34.2%
	Total tax wedge including employer's social security contributions	26.6%	31.4%	33.0%	34.7%
15	Marginal rates				
	Total payments less cash transfers: Principal earner	41.7%	41.7%	41.7%	41.7%
	Total payments less cash transfers: Spouse	37.8%	38.1%	41.7%	38.1%
	Total tax wedge: Principal earner	41.7%	41.7%	41.7%	41.7%
	Total tax wedge: Spouse	38.4%	38.1%	41.7%	38.1%

The national currency in Denmark is the Danish krone (DKK). In 2025, the exchange rate was USD 1 to DKK 6.62. In that year, the average worker earned DKK 537 071 (Secretariat estimate).

Personal income tax system

In the Danish personal income tax system, the income of the individual taxpayer is split into three categories:

- Personal income, which consists of employment income, business income, pensions, unemployment benefits etc. and with fully deductibility of labour market contributions and pension contributions (except lump sum savings).
- Capital income (e.g., interest income and some capital gains) is calculated as a net amount (the sum of positive and negative capital income net of interest expenses). Dividend income and the property value of owner-occupied dwellings are taxed at different tax rates.
- Taxable income is 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 the Tax schedule Section.

Regarding the tax unit, the earned income of each spouse is taxed separately. However, as is mentioned in the Tax schedule Section, some unutilised personal allowances can be transferred between them.

Tax allowances and tax credits

Standard reliefs

Wage or salary earners can deduct certain expenses with some relation to earning their income (e.g., transport expenses, trade union membership dues, unemployment premiums) from taxable income.

Tax allowances based on earned income are automatically issued through the tax system. The tax allowances and credits related to earnings are calculated based on gross earnings including contributions to pensions from both employer and employee.

The standard earned income tax credit is an employment allowance of 12.30% of earned income including pension contributions to a maximum of DKK 55 600 when calculating taxable income. Single parents get an extra employment allowance of 11.50% in 2025 with a maximum allowance of DKK 48 300. The effective value of the credit is equal to the average municipality tax (25.068%) multiplied by the value of the allowance.

There is an additional allowance awarded to working taxpayers. Taxpayers with a total labour income (including pension contributions) of at least DKK 224 500 receives a job allowance of 4.5% on taxable income. The effective value of the credit is equal to about DKK 727.0 ($25.068\% \times \text{DKK } 2\,900 = \text{DKK } 727.0$).

In addition, contributions to pension funds by both employers and employees are awarded with an allowance of 12% of contributions for employees with more than 15 years until official retirement age and 32% for employees with less than 15 years until retirement. The allowance applies only to pension contributions up to DKK 83 800. Pensions contributions from both employer and employee amount to around 13.1% of total wages (including pension contributions) on average when including payments to a supplementary pension scheme. On average, one third of the pension contributions are contributions from the employee, while the remaining two thirds are from the employer. Even though all types of pension contributions are considered as NTCP, the related allowance is considered as a standard tax relief.

Main non-standard tax reliefs applicable to an AW

- Interest payments are fully deductible from capital income. Negative net capital income grants a deduction in taxable income of 33.068% (25.068% + 8%) until a fixed threshold of DKK 50 000 per person (DKK 100 000 for married couples) and then 25.068% for the remaining amount.
- The non-standard deduction for wage and salary earners: The work-related expenses are deductible from taxable income, however case law is quite strict in requiring that the expense is necessary for employees' earning of income in the third category ("other costs"). The main items are:
 - The actual costs to contributions to unemployment insurance and trade unions (limit for the latter DKK 7 000);
 - Expenses to transportation to the workplace are deductible at standardised rates: Up to 24 km. per day: no deduction. 25–120 km.: DKK 2.23 per km. Above 120 km.: DKK 1.12 per km. as a standard. Transport from municipalities placed in the outskirts of the country gives a credit of DKK 2.47 per km. for all distances exceeding 25 km. The deduction is only applicable for the days, where the transport is actually performed.
 - Other costs above DKK 7 300, if the costs are necessary to earn income.
- Contributions/premiums paid to private pension saving plans except lump sum savings are deductible from personal income. From 1999 onwards, contributions/premiums paid to private pension saving plans with sum payments are no longer deductible from income subject to the top tax bracket rate. From 2013 onwards, contributions/premiums paid to private pension saving plans with sum payments are no longer deductible.
- Other reliefs:
 - Alimonies, if according to contract, are deductible from taxable income.
 - Contributions to certain non-profit institutions are deductible from taxable income (limit DKK 19 000).
 - Losses incurred from unincorporated business in earlier years are, in principle, deductible from personal income.

Tax credits

Each individual is granted a personal allowance, which is converted into a wastable tax credit by applying the marginal tax rate of the first bracket of the income tax schedule. The tax credit for all taxpayers amounts to:

For central government income tax	12.01% of DKK 51 600 = DKK 6 197
For municipal income tax	25.068% of DKK 51 600 = DKK 12 935

If a married person cannot utilise the personal allowance, the unutilised part is transferred to the spouse.

Central government income taxes

Tax schedule

Individuals pay an 8% labour market contribution levied on the gross wage or other income from work before the deduction of any allowance.

Before 2008, the revenue was earmarked for certain social security expenditures through the Labour market Fund, but this system was abolished from 2008, and the tax enters the budget in the same way as any other income taxes. From 2011 the last links regarding social security of the tax were removed making

all taxpayers working in Denmark pay the labour market contribution. The labour market contribution is thus treated as a PIT in Taxing Wages from 2008.

Low tax bracket to the central government is assessed on the aggregate of personal income and positive net capital income at the rate of 12.01%.

From 2010 and onwards the medium tax bracket was abolished.

Top tax bracket to the central government is assessed on the excess of DKK 611 800 of the aggregate of personal income and positive net capital income in excess of DKK 52 400 at the rate of 15%. If a married individual cannot utilise the total allowance of DKK 611 800, the unutilised part is not transferred to the spouse.

If the marginal tax rate including central government tax, municipality tax and top bracket tax exceeds 52.07%, the top tax bracket rate is reduced by the difference between the marginal tax rate and 52.07%.

State and local income taxes

General description

Local income taxes are levied only by the municipalities. The rates vary across jurisdictions.

Tax base

The tax base is taxable income (see the Personal income tax system Section). Tax credit varies with tax rates. The average amount is given below.

Tax rates

- Lowest rate: 23.40% (municipalities).
- Highest rate: 26.30% (municipalities).
- Average rate: 25.068% (municipalities).

The average rate is used in this study. It is applied to the tax base after deduction of personal allowances (see Section on Tax allowances and tax credits).

Compulsory Social Security Contributions to Schemes Operated Within the Government Sector

Employees' contributions

In 2022 employees on average paid DKK 12 311 for unemployment insurance. From 1999 onwards, the contribution for unemployment insurance is split into two: one part consists of the contribution for unemployment insurance (DKK 4 416) while the other part consists of a voluntary contribution to an early retirement scheme (DKK 6 372). In addition, an administration fee of DKK 1 524 on average is added.

Contributions to unemployment funds are not mandatory. Nevertheless, these payments have up until the implementation of ESA 2010 and the major revision of the Danish national accounts in the autumn 2014 been defined as social security contributions and classified as taxes in the Danish national accounts because there is no direct link between what members pay to the schemes and what they receive, and the funds are subsidized by the state. The contributions to the unemployment funds and the church tax are no longer classified as taxes in the Danish national accounts.

Universal Cash Transfers

The transfers for each dependent child are as follows:

Age group	Yearly amount (DKK) for each child
0–2	21 168
3–6	16 764
7–17	13 188

The transfer is reduced when the tax base of the top-bracket tax of a parent exceeds DKK 917 000. As of January 1, 2022, the child and youth benefit are split in half among the two partners of a married couple, with any deduction determined individually based on each parent's income. There are additional special amounts for single parents: the transfer for each dependent child is DKK 6 664 per year and another yearly transfer of DKK 6 792 regardless of the number of children.

Individuals with children younger than the age of 18 receive a 'supplementary green check' of DKK 240 per child for up to two children. The 'green check' is split in half among the two partners of a married couple. The 'green check' is nominally fixed and is phased out at a rate of 7.5% for income after labour market contribution above DKK 475 300.

Main Changes in Tax/Benefit Systems

From 2000 to 2002, the low tax bracket rate has been reduced from 7% to 5.5%. The low tax bracket is assessed on the aggregate of personal income and positive net capital income.

After the parliamentary elections in 2001, the Conservative/Liberal government adopted a tax freeze policy, which implied that tax rates could not be increased, either in nominal or relative terms, during that government term. Taxes were therefore not increased during the period 2002–2005. After the parliamentary elections in February 2005, the Conservative/Liberal government and the tax freeze policy were confirmed.

In order to respect the "tax freeze", the low tax bracket has been reduced by 0.36% from 2004 to 2010 as a compensation for increases in local income taxes from 33.31% in 2004 to 33.66% in 2011.

In the spring of 2003, the government agreed with one of the opposition parties to implement a tax package. The aim of this package was to decrease the level of labour taxation in Denmark, and thereby to reduce the distortions in the labour market and to improve the incentives to work. The package contained two main elements: an increase of the threshold for the medium tax bracket of nearly DKK 50 000 and the introduction of a tax credit scheme whereby the taxpayer can deduct 2.5% of earned income to a maximum of DKK 7 500 (in 2007) in the calculation of taxable income.

Before 2004, a compulsory contribution of 1% of employees' gross earnings was paid to an individual Labour Market Supplementary Pension Scheme established for the employee – this contribution is not considered as a social security contribution but rather as savings being made by the individual. However, from 2004 to 2010, this contribution was suspended and finally abolished, and the deposits paid out as of April 2010.

In September 2007, the tax cuts from the 2003-package were extended. The threshold for the medium tax bracket was to be raised with DKK 57 900 in 2009 to meet with the top tax bracket threshold. The deductible tax credit was increased to 4.0% of earned income in 2008 and to 4.25% in 2009; thus, raising the maximum to DKK 12 300 in 2008 and to DKK 13 600 in 2009. The effective value of the credit and of the personal income allowance is equal to the local income tax rate, the church tax plus the health care tax rate (31.63% on average in 2013) multiplied by the value of the deduction.

From the 1st of January 2007 a Local Government Reform has come into force, which changes the structure of labour taxation. The reform however had only a minimal impact on the overall level of taxation. The number of municipalities has been cut from 270 to 98 and five regions have replaced the 14 counties. The regions will not impose taxes but will be financed through state subsidies and by contributions from the municipalities. The reform implied an increase in the average municipal tax rate from 22.1% in 2006 to 24.577% in 2007. Since then, there has been a further increase in the average municipal tax to 24.907% in 2013. The county tax has been replaced by a new health care tax of 8% which is levied by central government. The health care tax rate is decreased to 6% in 2013. The levels of taxation have thus been reduced from three to two: only the central and local governments now levy taxes.

In the spring of 2009, the government and one of the opposition parties agreed upon a major tax reform to be phased in from 2010 to 2019. The reform aims at reducing the high marginal tax rates on personal income and thus to stimulate labour supply in the medium to long-term. The reform decreases income taxes by DKK 29 billion in 2010. The tax reform is planned to be revenue neutral as a whole but was underfinanced in the short run (2010-12) in order to stimulate the economy. The main measures taken in 2010 include the reduction of the rate of the bottom tax bracket from 5.26% to 3.67%, abolition of the medium tax bracket with the 6% rate altogether and increase the top tax bracket threshold by DKK 28 800 to DKK 389 000. The reform will decrease the lowest marginal tax rate from 42.4% to 41.0% and the highest marginal tax rate on labour income from 63.0% to 56.1%. The marginal tax rate on positive net capital income (up to 51.5% after abolition of the middle tax bracket) is further reduced for the vast majority by introduction of an extra allowance of DKK 40 000 (DKK 80 000 for married couples) for positive net capital income in the top bracket tax.

The reform is partly financed by higher energy, transport and environmental taxes to support the energy and climate policy objectives of the government, and also by increases of excise rates on health-related goods (fat, candy, sugary drinks, tobacco). These increases are partly compensated by giving a 'green check' to households (see Section on Universal Cash Transfers). The tax reform is also partly financed by base broadening measures. The measures include a gradual reduction from 2012 to 2019 of the tax value (from 33.5% to 25.5%) of assessment oriented deductions and limitations of the tax deductibility of net interest payments over a nominal threshold of DKK 50 000 (DKK 100 000 for married couples). Also, the deductibility of payments above DKK 100 000 a year to individual pension insurance schemes with less than life-long coverage has been limited, as well as tightening of the tax treatment of company cars and other fringe benefits. Furthermore, a 6% tax is imposed from 2011 on pension payments exceeding DKK 362 800.

To consolidate the budget, a *Fiscal Consolidation Agreement* was reached in May 2010, somewhat modifying the prescriptions of the Spring Package of 2009.

The specific provisions of the *Fiscal Consolidation Agreement* include:

- The suspension from 2011 until 2013 of automatic adjustments in various tax thresholds (including personal allowances).
- Postponing from 2011 to 2014 the increase of the threshold for the top income tax rate (15%) from DKK 389 900 to DKK 409 100 (EUR 52 316 to EUR 54 892). The increase was an element of the 2009 tax reform.
- The labour union membership fees' tax deductibility is limited to DKK 3 000 (EUR 403) from the year 2011. The threshold is not adjusted.
- From 2011, the annual amount of child allowance is limited to DKK 35 000 (EUR 4 696), irrespective of the number of children. This was abolished by the new government by 2012. Child allowances will be gradually reduced by 5% until 2013.

As part of the Finance Act 2012 it was decided to introduce an 'additional green check' to people beyond 18 years with low income (less than DKK 212 000). The 'additional green check' is DKK 280.

In June 2012 a tax reform was reached. Included in the reform were changes in the earned income tax credit and the top tax bracket. The earned income tax credit is gradually raised from 4.40% in 2012 to 10.65% in 2022 (6.95% in 2013) where the maximum limit of earned income tax credit is raised from DKK 14 100 in 2012 to DKK 34 100 in 2022 (DKK 22 300 in 2013). Furthermore, a special earned income tax credit for single parents was decided from 2014. This will be gradually introduced to the amount of 6.25% in 2022 with a maximum limit of DKK 20 000. In The Tax Reform 2012 it was also decided to gradually raise the top tax bracket from DKK 389 900 in 2012 to DKK 467 000 in 2022 (DKK 421 000 in 2013).

As part of the Finance Act 2013 an agreement, The Excise Duty and Competition Package, was reached. This agreement includes a decrease in the excise duty on electricity, an abolition of the fat tax and a planned expansion in the excise duty on sugar, which will reduce expenses of both consumers and companies. This was financed by an increase in the bottom tax rate of 0.19 percentage points and a reduction in the personal allowance by DKK 900 for all persons (under and over 18 years) introduced from the income year 2013. As a consequence, the marginal tax ceiling was increased from 51.5% to 51.7%. It is estimated that the abolished excise duties and the increased income taxes will have similar effects on distribution and labour supply.

Certain elements of the tax reform from 2012 were accelerated in the 2014 Budget. The employment allowance is adjusted upwards to 7.65% (2014), 8.05% (2015), 8.3% (2016) and 8.75% (2017), with a simultaneous increase of the maximum allowance from DKK 25 000 in 2014 to DKK 28 600 in 2018. The extra employment allowance for single parents is increased to 5.40% in 2014 (instead of 2.60%) with a maximum allowance of DKK 17 700.

Growth Plan 2014 contained measures to reduce the public service obligation on electricity and roll back an increase in excise duty on fossil fuel. As part of the financing of Growth Plan 2014 the low tax bracket rate is increased by 0.28 percentage point over the next five years, including 0.25 percentage point in 2015, with a parallel increase in the tax ceiling. Also, the green check and the supplementary green check are reduced over the next five years, starting in 2015.

In the autumn 2014, the new ESA 2010 guidelines (European System of National and Regional Accounts) and a major revision of the Danish national accounts were implemented which changed the classification of a few taxes. For example, the church tax and contributions to the unemployment fund are no longer classified as taxes, but as volunteer contributions (see Section on Employees' contributions).

As part of the Finance Act 2015 the tax deductibility of labour union membership fees is increased from DKK 3 000 to DKK 6 000 in 2015.

The Finance Act of 2016 included an abolishment of the so-called PSO-excise duty. To finance the abolishment the tax rate for the bottom tax bracket will be increased with 0.05 percentage point from 2018 increasing to 0.09 percentage point in 2022. Fully phased-in the tax rate for the bottom tax bracket will be 12.20% in 2022. Additionally, the tax ceiling will be increased from 51.95% in 2017 to 52.07% in 2022. The 'green check' will be reduced with DKK 190 from 2018 increasing to DKK 380 in 2022. The 'additional green check' will be lowered proportionally. Low-income earners such as senior citizens and early retirees are exempt from the decrease in the 'green check'.

In February 2018, an agreement on lower tax on labour income and larger deductions for pension payments was made. The agreement will gradually be introduced from 2018 to 2020 and consists of the following elements: 1) Additional tax deductions for pension payments. The deduction will be 12% for persons with more than 15 years until they reach state pension age and 32% if they have 15 years or less - up to DKK 70,000. 2) A new job allowance of 4.5% of labour on income over DKK 187 500 to a maximum of DKK 2 500. 3) Expansion of the basis of the employment allowance to also cover pension payments. 4) Increase of the ceiling for the employment allowance from DKK 37 400 to DKK 38 400. 5) Lowering of the bottom-bracket tax rate with 0.02 percentage points.

In March 2018 it was agreed to gradually abolish the media license towards 2022. The agreement was financed by reducing personal allowance for persons over the age of 18 by DKK 2 900.

The Finance Act of 2019 and 2020 included a reduction of the bottom tax of 0.03 percentage points each as compensation for an increase in the municipal tax.

The Finance Act of 2021 included a reduction of the bottom tax from of 0.02 percentages points relative to baseline in 2021 and 2022 – so the bottom tax went from expected 12.11% and 12.12% respectively to 12.09% and 12.10% respectively – as compensation for an increase in the municipal tax.

The Finance Act of 2022 included a reduction in the bottom-bracket tax of 0.01 percentage points as a compensation for an increase in the municipal tax. Thereby the bottom-bracket tax in 2022 and 2023 is at 12.09%.

In January 2022 it was agreed to increase the maximum employment allowance with DKK 700 from 2023 and with another DKK 1 200 from 2025. With the increase, the maximum employment allowance is going to be DKK 43 500 from 2025. With the agreement the tax deduction on trade union membership dues is increased from DKK 6 000 to DKK 7 000 yearly from 2024.

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

The Finance Act of 2023 included an increase in the personal allowance for taxpayers under the age of 18 to the same level as adults from 2023. With the increase, the personal allowance for persons under the age of 18 is going from DKK 38 400 to DKK 48 000 from 2023.

In December 2023 it was agreed to increase the rate and maximum of the employment allowance from 2025. The rate has increased from 10.65% in 2024 to 12.30% in 2025 and the maximum has increased by DKK 10 500 to DKK 55 600 in 2025. With the agreement the additional employment allowance for single parents increased as well. The maximum increased by DKK 23 000 to DKK 48 300 in 2025 and the rate increased by 5.25 percentage points to 11.5% in 2025.

Memorandum Items

Identification of an AW

The AW is identified as an average worker employed at firms which are members of the Danish Employers' Confederation.

Employer and employee's contribution to private schemes

Employees typically participate in a private occupational (labour market) pension scheme to which both the employee and the employer contribute. The employee's contribution is deductible for income tax purposes until payment. The employer's contribution is not included in the gross wage income of the employee. The average pension payment is currently about 12.5% on average of the gross earnings.

2025 Parameter values

	Ave_earn	537 071	Secretariat estimate
	Ave_pens	81 056	
Pension contributions	Pension_base_adjust	0.8689	
	Pension_rate_ee	0.0437	
	Pension_rate_er	0.0874	
	Pens_deduc_rate_o_15	0.12	
	Pens_deduc_rate_u_15	0.32	
	Pens_deduc_max	83 800	
Central taxes			
	Low_rate	0.1201	
	Medium_thrsh	0	
	Medium_rate	0	
	Top_thrsh	611 800	
	Top_rate	0.15	
	Marg_rate_ceil	0.5207	
	Adj_top_rate	0.1500	
	Personal_al	51 600	
Labour market contribution	Labour_market_rate	0.08	
Local taxes	Local_rates	0.25068	
The green check			
	1 child	240	
	child max	480	
	Green_check_thrsh	475 300	
	Green_check_taper_rate	0.075	
	Extra_green_check	0	
	Extra_green_check_thrsh	0	
Earned income tax credit scheme	earncredit_rate	0.1230	
	earncredit_max	55 600	
for single parents	Sing_par_earncredit_rate	0.1150	
	Sing_par_earncredit_max	48 300	
Job deductible	Job_deduc_min	224 500	
	Job_deduc_rate	0.045	
	Job_deduc_max	2 900	
SSC	SSC	3 590	
	AUB	3 590	
Child transfers	Child_3to6	16 764	
	Child_7to14	13 188	
	Child_limit	917 000	
	Child_red	0.02	
for single parents	Sing_par_basic	6 664	
	Sing_par_ch	6 792	
Supplementary Pension Scheme (ATP)	ATP_own	1 188	
	ATP_employer	2 376	
Non-tax compulsory payments	Samlet_betaling	3 390	
	AES_arbejdsskadeafgift	1 421.38	
	Barsel.dk	1 550	
	FIB	397	
	AFU	0	
	Lønmodt. Feriemidler - adm. bidrag	22	

2025 Tax equations

The equations for the Danish system in 2025 are mostly on an individual basis but there is an interaction in the calculation of Central Government tax between spouses and the child benefit is calculated only once. This is shown by the Range indicator in the table below.

The functions which are used in the equations (Taper, MIN, Positive, 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_pens_contr	B	earn/Pension_base_adjust+(earn>0)*(ATP_employer+ATP_own)
2.	Allowances:	tax_al	B	Labour_market_contr+(earn>0)*ATP_own
		earncredit	B	MIN(earncredit_rate*earn_pens_contr,earncredit_max)+(Children>0)*(Married=0)*MIN(earn_pens_contr*Sing_par_earncredit_rate,Sing_par_earncredit_max)+MIN(Positive(earn_pens_contr-Job_deduc_min)*Job_deduc_rate,Job_deduc_max)
3.	Credits in taxable income	taxbl_cr	B	0
4.	CG taxable income	tax_inc	B	Positive(earn-tax_al+taxbl_cr-earncredit)-Pens_deduc_rate_o_15*MIN((earn_pens_contr-earn)*(1-Labour_market_rate),Pens_deduc_max)
	Personal income	pers_inc	B	Positive(earn-Labour_market_rate*earn)
5.	CG tax before credits	CG_tax	B	Low_rate*(pers_inc-SSC_own)+Medium_rate*Positive(pers_inc-SSC_own-Medium_thrsh)+Adj_top_rate*Positive((pers_inc-SSC_own-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	Married*Personal_al*Low_rate
	Labour market contribution	Labour_market_contr	B	Labour_market_rate*earn
7.	CG tax	CG_tax	B	Positive(CG_tax-tax_cr)+Labour_market_contr
8.	State and local taxes:	local_tax_princ	P	Positive(Local_rates*(tax_inc_princ-Personal_al-Married*Positive(Personal_al-tax_inc_spouse)))
		local_tax_spouse	S	Local_rates*Positive(tax_inc_spouse-Personal_al)
9.	Employees' soc security contributions	SSC_own	B	(earn>0)*DummyNTCP*ATP_own
10.	Total payments	tot_payments	J	Positive(CG_tax_total+local_tax_total+SSC_total)
11.	Cash transfers	cash_trans	J	(Married=0)*(Taper(Positive((Children>0)*Child_3to6+(Children>1)*(Children-1)*Child_7to17+Children*Sing_par_basic+(Children>0)*Sing_par_ch,earn_princ,Child_limit,Child_red)))+(Married=1)*(Taper(Positive((Children>0)*Child_3to6/2+(Children>1)*(Children-1)*Child_7to17/2),Child_limit,Child_red))+Taper(Positive((Children>0)*Child_3to6/2+(Children>1)*(Children-1)*Child_7to17/2),earn_spouse,Child_limit,Child_red)))+(Married=0)*Taper(MIN(Children*_1_child;child_max),pers_inc_princ,Green_check_thrsh,Green_check_taper_rate)+(Married>0)*(Taper(MIN(Children*_1_child/2,child_max/2),pers_inc_spouse,Green_check_thrsh,Green_check_taper_rate))+Taper(MIN(Children*_1_child/2,child_max/2),pers_inc_princ,Green_check_thrsh,Green_check_taper_rate))

	Line in country table and intermediate steps	Variable name	Range	Equation
13.	Employer's soc security	SSC_empr	B	$(earn > 0) * (SSC + DummyNTCP * (Samlet\_betaling + ATP\_employer))$

Key to range of equation B calculated separately for both principal earner and spouse P calculated for principal only (value taken as 0 for spouse calculation) J calculated once only on a joint basis.

Estonia

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

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

Estonia 2025

The tax/benefit position of single persons

		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1	Gross wage earnings		17 154	25 603	42 757	17 154
2	Standard tax allowances					
	Basic allowance		5 847	0	0	5 847
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		274	410	684	274
	Work-related expenses					
	Other					
	Total		6 121	410	684	6 121
3	Tax credits or cash transfers included in taxable income		0	0	0	0
4	Central government taxable income (1 - 2 + 3)		11 033	25 194	42 073	11 033
5	Central government income tax liability (exclusive of tax credits)		2 427	5 543	9 256	2 427
6	Tax credits					
	Basic credit					
	Married or head of family					
	Children		0	0	0	0
	Other					
	Total		0	0	0	0
7	Central government income tax finally paid (5-6)		2 427	5 543	9 256	2 427
8	State and local taxes		0	0	0	0
9	Employees' compulsory social security contributions					
	Gross earnings		274	410	684	274
	Taxable income					
	Total		274	410	684	274
10	Total payments to general government (7 + 8 + 9)		2 702	5 952	9 940	2 702
11	Cash transfers from general government					
	For head of family					
	For two children		0	0	0	3 840
	Total		0	0	0	3 840
12	Take-home pay (1-10+11)		14 452	19 651	32 817	18 292
13	Employer's compulsory social security contributions		5 798	8 654	14 452	5 798
14	Average rates					
	Income tax		14.1%	21.6%	21.6%	14.1%
	Employees' social security contributions		1.6%	1.6%	1.6%	1.6%
	Total payments less cash transfers		15.7%	23.2%	23.2%	-6.6%
	Total tax wedge including employer's social security contributions		37.0%	42.6%	42.6%	20.3%
15	Marginal rates					
	Total payments less cash transfers: Principal earner		39.2%	23.2%	23.2%	39.2%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		54.6%	42.6%	42.6%	54.6%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Estonia 2025

The tax/benefit position of married couples

		Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
		Number of children	2	2	2	none
1	Gross wage earnings		25 603	42 757	51 206	42 757
2	Standard tax allowances					
	Basic allowance		0	5 847	0	5 847
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		410	684	819	684
	Work-related expenses					
	Other					
	Total		410	6 531	819	6 531
3	Tax credits or cash transfers included in taxable income		0	0	0	0
4	Central government taxable income (1 - 2 + 3)		25 194	36 226	50 387	36 226
5	Central government income tax liability (exclusive of tax credits)		5 543	7 970	11 085	7 970
6	Tax credits					
	Basic credit					
	Married or head of family					
	Children		0	0	0	0
	Other					
	Total		0	0	0	0
7	Central government income tax finally paid (5-6)		5 543	7 970	11 085	7 970
8	State and local taxes		0	0	0	0
9	Employees' compulsory social security contributions					
	Gross earnings		410	684	819	684
	Taxable income					
	Total		410	684	819	684
10	Total payments to general government (7 + 8 + 9)		5 952	8 654	11 904	8 654
11	Cash transfers from general government					
	For head of family					
	For two children		1 920	1 920	1 920	0
	Total		1 920	1 920	1 920	0
12	Take-home pay (1-10+11)		21 571	36 023	41 222	34 103
13	Employer's compulsory social security contributions		8 654	14 452	17 308	14 452
14	Average rates					
	Income tax		21.6%	18.6%	21.6%	18.6%
	Employees' social security contributions		1.6%	1.6%	1.6%	1.6%
	Total payments less cash transfers		15.7%	15.7%	19.5%	20.2%
	Total tax wedge including employer's social security contributions		37.0%	37.0%	39.8%	40.4%
15	Marginal rates					
	Total payments less cash transfers: Principal earner		23.2%	23.2%	23.2%	23.2%
	Total payments less cash transfers: Spouse		15.7%	39.2%	23.2%	39.2%
	Total tax wedge: Principal earner		42.6%	42.6%	42.6%	42.6%
	Total tax wedge: Spouse		37.0%	54.6%	42.6%	54.6%

The Estonian currency is the Euro (EUR). In 2025, EUR 0.88 was equal to USD 1. In 2025, the average worker in Estonia earned EUR 25 603 (Secretariat estimate).

Personal income tax system

Central government income tax

Tax unit

The tax unit is the individual since January 1st, 2017.

Tax allowances

Standard tax reliefs

- A general (basic) allowance of EUR 7 848 is deductible from individual income in 2023. It starts declining from income of 14 400 and reaches EUR 0 at EUR 25 200. From 1 January 2017, the supplementary basic allowance for the spouse came into force. The spouse's yearly income must be below EUR 2 160 and the family's total yearly income must be below EUR 50 400. The spouse supplementary basic allowance was abolished from 1 January 2024.
- In 2023 a basic allowance at pensionable age was introduced, EUR 8448 per year. It applies to people who have reached or will reach pensionable age during the calendar year, regardless of the amount of the person's income. It increased to EUR 9312 in 2024 and was fixed at that level from 2025.
- A child allowance of EUR 1 848 is also deductible from income for each of the second and EUR 3 048 for third any subsequent children up to and including the age of 16. It was abolished from 1 January 2024.
- Relief for social security contributions: Employee's compulsory contributions for unemployment insurance are deductible for income tax purposes.
- Tax credits: was abolished from 2017.

Non – standard tax reliefs applicable to income from employment

- II pillar pension contributions: In 2021, these represent compulsory payments to private funds for employees born in 1983 or after and are paid at a rate of 2% of earnings. In December 2020, these payments became wholly voluntary and will remain so until August 31, 2021. Only about 10 thousand employees stopped their payments. In 2021, different opt-out options were introduced, making the II pillar, in effect, voluntary. People have four basic options: 1. Continue as is; 2. The accumulated pension assets will be transferred to a special private investment account, the 2% and 4% payments will continue to that account, people will basically become their own second pillar pension fund investment manager; 3. Stop the payments into the pillar, existing assets remain invested in the fund, the person can opt in with their payments again after 10 years; 4. Stop the payments and take out assets (pay income tax), the person can opt in again after 10 years. New entrants to the labour market are automatically added to the second pillar but have the same opt-out options. About 149 000 persons younger than pension age chose to leave the scheme in 2021 and about 52 000 in 2022. Also pension age people, are leaving the scheme. In 2022 55% of resident employees made II pillar payments compared to 71% in 2021. In 2024, it had declined to 52%. From 2025 people can increase their II pillar payment rate to 4% or 6%, state contribution will stay at 4%. By the beginning of 2025 about 74 000 persons chose to increase their contribution.

- Housing loan interest, educational costs, gifts and donations are deductible from taxable income within upper limits of EUR 1 200 and 50% of taxable income per year. Housing loan interest deductions upper limit is EUR 300 within that EUR 1 200 from 2017. It was abolished from 1 January 2024.
- Voluntary pension contributions (III pillar): Contributions paid by a resident to the provider of a pension plan based in Estonia or in another EU Member State according to a pension plan that is approved and entered into a special register in accordance with the pension legislation are deductible from taxable income. In 2025 such deductions are subject to an annual limit of a sum equal to 15% and maximum of EUR 6 000 of the employee's, public servant's or members of legal person management or control body income in a calendar year.

Tax schedule

The rate of 22% applies for all levels of taxable income.

Regional and local income tax

There are no regional or local income taxes.

Compulsory social security insurance system

The compulsory social security insurance system consists of three schemes as follows:

- pension insurance;
- health insurance;
- unemployment insurance.

Employees' contributions

Employees pay 1.6% of their earnings in contributions for unemployment insurance. The taxable base is the total amount of the gross wage or salary including vacation payments, fringe benefits and remuneration of expenses related to work above a certain threshold. The assessment period is the calendar month.

Employers' contributions

Social security insurance contributions are also paid by employers on behalf of their employees. The taxable base and the assessment period are the same as for employees' contributions. The employers' contribution rates are applied in two parts:

- Unemployment insurance – 0.8% of employee earnings.
- Pension and health insurance – as follows for monthly earnings above EUR 820.

Scheme name	Rate of contribution (%)
Pension insurance	20.00
Health insurance	13.00
Total	33.00

In addition there is a lump sum payment for each employee of EUR 270,60 per month (split between pensions and health insurance on a 20:13 basis).

Payroll tax

None.

Universal cash transfers

Transfers related to marital status

None.

Transfers for dependent children

Estonia's family benefits are designed to provide partial coverage of the costs families incur in caring for, raising and educating their children.

The state pays family benefits to all children until they reach the age of 16. Children enrolled in basic or secondary schools or vocational education institutions operating on the basis of basic education have the right to receive family benefits until the age of 19. Applications for the allowance are made on an annual basis and the payments are not taxable. The values of these benefits in 2025 are shown in the table below. The single parent child allowance is paid for each child. From 1st of July 2017 the parents allowance for families with three to six children was introduced, EUR 300 per month, in 2023 it was increased to EUR 650 per month and decreased to EUR 450 in 2024. Parents allowance for families with seven or more children was increased from EUR 168.74 per month to EUR 400 per month from 1st of July 2017, in 2023 it was increased to EUR 850 per month and decreased to EUR 650 in 2024.

In addition, there are nine other types of family benefits for which payment depends on either the age of the child(ren) and/ or the status of the person(s) looking of them: parental benefit; additional parental benefit for fathers and 30 days of paternity leave, childbirth allowance and allowance for multiple birth of three or more children; maintenance allowance, conscript's child allowance; adoption allowance (single payment), guardianship allowance, child care allowance. These are not included in the modelling.

Type of benefit	Annual amount of benefit (in EUR)
Child allowance (paid until children turn 16 or until the end of the academic year in which they turn 19 if they continue studying).	
- For the first and second child	960.00
- For the third and any subsequent children	1 200.00
- Single parent's child allowance	960
- Parents allowance for families with three to six children	5 400.00
- Parents allowance for families with seven or more children	7 800.00

In addition to existing benefits, from 1st of July, 2013 the need-based child benefits were introduced. Need-based family benefit income threshold was based on Statistical Office relative poverty threshold published by the 1st of March in a year before current budget year. In 2017 the need based threshold was EUR 394 in a month for the first household member. For every other at least 14-years old member the threshold was EUR 197 and for the younger members EUR 118.2 in a month. Need-based family benefit was in 2017 EUR 45 in a month for single child family and EUR 90 for families with two or more children. These need-based benefits were abolished from 2018.

Main changes in tax/benefit system since 2005

- The personal income tax rate was steadily reduced from 24% in 2005 to 21% in 2008. In 2015 it was reduced to 20%.

- The child tax allowance applied for the third and subsequent children for 2005 and the second and subsequent children in 2006 and 2007. It applied to all children in 2008 and then returned to the 2007 position in 2009.
- The employee unemployment contribution rate was reduced from 1% to 0.6% in 2006 and then raised in 2 stages to 2.8% at the end of 2009. The corresponding rates for employers were a reduction from 0.5 % to 0.3% in 2006 increasing to 1.4%. In 2013 the employee unemployment contribution rate was reduced from 2.8% to 2.0% and the corresponding rate for employers from 1.4% to 1.0%. In 2015 the employee unemployment contribution rate was reduced from 2.0% to 1.6% and the corresponding rate for employers from 1.0% to 0.8%.
- In addition to existing benefits, from 1st of July 2013, the need-based child benefits were introduced. Further details in the section on cash transfers. These were abolished from 2018.
- From 2016, a non-payable tax credit for low-income earners (“madalapalgaliste tagasimakse”) was introduced. Further details in the Tax allowances section. It was abolished from 2017.
- From 2017 the possibility to use spouse’s basic tax-free allowance was reformed. From 1st of January 2017, the supplementary basic allowance for the spouse came into force. The spouse’s yearly income must be below EUR 2 160 and the family’s total yearly income must be below EUR 50 400.
- From 2020 the additional child allowance for third any subsequent children up to and including the age of 16 was increased to EUR 3 048 per year.
- From 2023 the single parent’s child allowance and child allowance for the first and second child was increased to EUR 960 per year, parents allowance for families with three to six children to EUR 7 800 and parents allowance for families with seven or more children to EUR 12 200 per year.
- From 2024 parents allowance for families with three to six children was decreased to EUR 5 400 and parents allowance for families with seven or more children to EUR 7 800 per year.
- In 2025 the personal income tax rate was increased to 22%.

Memorandum items

Average gross annual wage earnings calculation

In Estonia the gross earnings figures cover wages and salaries paid to individuals in formal employment including payment for overtime. They also include bonus payments and other payments such as pay for annual leave, paid leave up to seven days, public holidays, absences due to sickness for up to 30 days, job training, and slowdown through no fault of the person in formal employment. Since the first quarter of 2023, Statistics Estonia uses the data from the employment register of the Tax and Customs Board and the income and social tax declarations to publish the average wages and salaries. People working under employment contracts, the Civil Service Act (*excluding employees in the areas of governance of the Ministry of Defence and the Ministry of the Interior*), and service contracts are included.

The average gross wage earnings figures of all adult workers covering industry sectors B–N by NACE Rev.2 are estimated with average wage growth rate forecast of OECD.

Employer contributions to private pension and health schemes

Some employer contributions are made to private health and pension schemes but there is no relevant information available on the amounts that are paid.

2025 Parameter values

Average earnings/yr	Ave_earn	25 603	Secretary estimate
Allowances	Basic_al	7 848	
	Basic_al_thrs_1	14400	
	Basic_al_thrs_2	25200	
	Suppl_al	0	
	Income_lim	0	
	Child_al	0	
Income tax	Tax_rate	0.22	
Employers SSC	SSC_rate1	0.33	
	Threshold	9 840	
	lump_sum	3 247.2	
	SSC_rate2	0.008	
Employees SSC	SSC_rate3	0.016	
Child allowances			
First & second child	CA_first&second	960	
Other children	CA_others	1 200	
Additional for children of lone parents	CA_onepar	960	
Days in tax year	numdays	365	

2025 Tax equations

The equations for the Estonian system are mostly on an individual basis.

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

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings	earn		
2.	Allowances:	tax_al	P	MINA(Positive(Basic_al-(Positive(earn-Basic_al_thrs_1)*(Basic_al/(Basic_al_thrs_2-Basic_al_thrs_1)))))+IF(spouse_earn<Suppl_al,IF(AND(household_earn<income_lim,Married>0),Positive(Suppl_al-spouse_earn),0),0)+SSC_empee+(Children>1)*(Child_al*(Children-1)),earn)
			S	MINA(IF(earn>0,Positive(Basic_al-(Positive(earn-Basic_al_thrs_1)*(Basic_al/(Basic_al_thrs_2-Basic_al_thrs_1))))),0)+SSC_empee,earn)
3.	Credits in taxable income	taxbl_cr	B	0
4.	CG taxable income	tax_inc	B	Positive(earn-tax_al)
5.	CG tax before credits	CG_tax_excl	B	Tax_inc*tax_rate
6.	Tax credits :	tax_cr	B	0
7.	CG tax	CG_tax	B	CG_tax_excl
8.	State and local taxes	local_tax	B	0
9.	Employees' soc security	SSC_empee	B	earn*SSC_rate3
11.	Cash transfers	cash_trans	J	IF(Children<3,CA_firstsecond*Children,(2*CA_firstsecond)+(CA_other*(Children-2)))+(Married=0)*Children*CA_onepar
13.	Employer's soc security	SSC_empr	B	IF(earn>0,IF(earn>threshold,earn*SSC_rate1,lump_sum),0)+earn*SSC_rate2

Key to range of equation B calculated separately for both principal earner and spouse P calculated for principal only (value taken as 0 for spouse calculation) J calculated once only on a joint basis.

Finland

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

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

Finland 2025

The tax/benefit position of single persons

Wage level (per cent of average wage)		67	100	167	67
Number of children		none	none	none	2
1	Gross wage earnings	37 160	55 462	92 622	37 160
2	Standard tax allowances				
	Basic allowance				
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes	3 188	4 759	7 947	3 188
	Work-related expenses	750	750	750	750
	Other				
	Total	3 938	5 509	8 697	3 938
3	Tax credits or cash transfers included in taxable income	0	0	0	0
4	Central government taxable income (1 - 2 + 3)	33 221	49 953	83 925	33 221
5	Central government income tax liability (exclusive of tax credits)	5 157	10 219	21 689	5 157
6	Tax credits				
	Basic credit	2 955	2 400	1 122	3 155
	Married or head of family				
	Children	0	0	0	0
	Other				
	Total	2 955	2 400	1 122	3 155
7	Central government income tax finally paid (5-6)	2 362	7 978	20 727	2 162
8	State and local taxes	2 505	3 766	6 328	2 505
9	Employees' compulsory social security contributions				
	Gross earnings	3 188	4 759	7 947	3 188
	Taxable income	352	530	890	352
	Total	3 540	5 288	8 837	3 540
10	Total payments to general government (7 + 8 + 9)	8 408	17 033	35 891	8 208
11	Cash transfers from general government				
	For head of family				
	For two children	0	0	0	4 156
	Total	0	0	0	4 156
12	Take-home pay (1-10+11)	28 752	38 429	56 731	33 108
13	Employer's compulsory social security contributions	7 603	11 348	18 950	7 603
14	Average rates				
	Income tax	13.1%	21.2%	29.2%	12.6%
	Employees' social security contributions	9.5%	9.5%	9.5%	9.5%
	Total payments less cash transfers	22.6%	30.7%	38.8%	10.9%
	Total tax wedge including employer's social security contributions	35.8%	42.5%	49.2%	26.0%
15	Marginal rates				
	Total payments less cash transfers: Principal earner	46.3%	47.5%	51.0%	46.3%
	Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner	55.4%	56.4%	59.3%	55.4%
	Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.

Finland 2025

The tax/benefit position of married couples

Wage level (per cent of average wage)		100-0	100-67	100-100	100-67
Number of children		2	2	2	none
1	Gross wage earnings	55 462	92 622	110 924	92 622
2	Standard tax allowances				
	Basic allowance				
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes	4 759	7 947	9 517	7 947
	Work-related expenses	750	1 500	1 500	1 500
	Other				
	Total	5 509	9 447	11 017	9 447
3	Tax credits or cash transfers included in taxable income	0	0	0	0
4	Central government taxable income (1 - 2 + 3)	49 953	83 175	99 907	83 175
5	Central government income tax liability (exclusive of tax credits)	10 219	15 376	20 438	15 376
6	Tax credits				
	Basic credit	2 500	5 555	5 001	5 355
	Married or head of family				
	Children	0	0	0	0
	Other				
	Total	2 500	5 555	5 001	5 355
7	Central government income tax finally paid (5-6)	7 878	10 141	15 757	10 341
8	State and local taxes	3 766	6 271	7 533	6 271
9	Employees' compulsory social security contributions				
	Gross earnings	4 759	7 947	9 517	7 947
	Taxable income	530	882	1 059	882
	Total	5 288	8 829	10 576	8 829
10	Total payments to general government (7 + 8 + 9)	16 933	25 241	33 866	25 441
11	Cash transfers from general government				
	For head of family				
	For two children	2 397	2 397	2 397	0
	Total	2 397	2 397	2 397	0
12	Take-home pay (1-10+11)	40 926	69 778	79 455	67 181
13	Employer's compulsory social security contributions	11 348	18 950	22 695	18 950
14	Average rates				
	Income tax	21.0%	17.7%	21.0%	17.9%
	Employees' social security contributions	9.5%	9.5%	9.5%	9.5%
	Total payments less cash transfers	26.2%	24.7%	28.4%	27.5%
	Total tax wedge including employer's social security contributions	38.7%	37.5%	40.5%	39.8%
15	Marginal rates				
	Total payments less cash transfers: Principal earner	47.5%	47.5%	47.5%	47.5%
	Total payments less cash transfers: Spouse	22.4%	46.3%	47.5%	46.3%
	Total tax wedge: Principal earner	56.4%	56.4%	56.4%	56.4%
	Total tax wedge: Spouse	35.5%	55.4%	56.4%	55.4%

The national currency is the Euro (EUR). In 2025, EUR 0.88 was equal to USD 1. In that year, the average worker earned EUR 55 462 (Secretariat estimate).

Personal Income Tax System

Central government and municipal income taxes

Tax unit

Spouses are taxed separately for earned income.

Standard tax allowances and tax credits

Standard reliefs

- **Work-related expenses:** A standard deduction for work related expenses equal to the amount of wage or salary, with a maximum amount of EUR 750 is granted.
- **Tax credit:** An earned income tax credit is granted against the central government income tax. If the credit exceeds the amount of central government income tax, the excess credit is deductible from the municipal income tax and the health insurance contribution for medical care. The credit is calculated on the basis of taxpayers' income from work. The credit is 18 percent of the amount of income in question. However, the maximum amount of the deduction is EUR 3 225. The amount of the credit is reduced by 2.22% for the portion of net earned income exceeding EUR 24 250. To the extent that the taxpayer's net earned income exceeds 42 550 euros, the amount of the credit is reduced by 3.44 percent for the exceeding amount. The credit is fully phased out when taxpayers' income is about EUR 125 000.
- **A basic tax allowance** is granted on the basis of taxable income remaining after the other allowances have been subtracted. The maximum amount, EUR 4 115, is reduced by 18% on income exceeding the aforementioned amount.

Main non-standard tax reliefs applicable to an AW

- **Membership fees:** Membership fees paid to employees' organisations or trade unions.
- **Travelling expenses:** Travelling expenses from the place of residence to the place of employment using the cheapest means in excess of EUR 900 up to a maximum deduction of EUR 7 000.
- **Double housing expenses:** If the place of employment is located too far from home in order to commute (distance > 100km), the taxpayer can deduct the costs of hiring a second dwelling located near the place of work up to EUR 450 per month. This deduction can be claimed only by one person per household.
- **Other work-related outlays:** Outlays for tools, professional literature, research equipment and scientific literature, and expenses incurred in scientific or artistic work (unless compensated by scholarships).

Travelling expenses and other work related outlays are deductible only to the extent that their total amount exceeds the amount of the standard deduction for work related expenses.

Rate schedule

Central government income tax:

Taxable income (EUR)	Tax on lower limit (EUR)	Tax on excess income in bracket (%)
0-21 200	0	12.64
21 200-31 500	2 679.68	19
31 500-52 100	4 636.68	30.25
52 100-88 200	10 868.18	34
88 200-150 000	23 142.18	41.75
150 000-	48 943.68	44.25

Local income tax

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 2025 the tax rate varies between 4.7 and 10.9%, the average rate being approximately 7.54%.

Municipal tax is not deductible against central government taxes.

Compulsory Social Security Contributions to Schemes Operated within the Government Sector

Employee contributions

Rate and ceiling

In 2025, the rate of the health insurance contribution for medical care paid by an employee is 1.06%. The tax base for this contribution is net taxable income for municipal income tax purposes.

In addition, there is an employees' pension insurance contribution that amounts to 7.15% of gross salary, an employees' unemployment insurance contribution equal to 0.59% of gross salary and a health insurance contribution for daily allowance equal to 0.84% of gross salary exceeding € 16 862 (0.00 % on income less than € 16 862). For employees aged 53 to 62, the pension insurance contribution amounts to 8.65% of gross salary. These contributions are deductible for income tax purposes.

Distinction by marital status or sex

The rates do not differ.

Employers' contributions

The average rate of the employers' social security contribution in 2025 is 20.46% of gross wage.

	Contribution rates (%)
Health insurance	1.87
Unemployment insurance (avg)	0.61
Earnings-related pension insurance	17.38
Accident insurance (avg)	0.54
Group life insurance (avg)	0.06
Total	20.46

Universal Cash Transfers

Amount for marriage

None.

Amount for children

The central government pays in 2025 the following allowances (EUR):

For the first child	1 138.56
For the second child	1 258.08
For the third child	1 605.48
For the fourth child	2 078.88
Fifth and subsequent child	2 312.28

The child subsidy for a single parent is increased by an annual amount of EUR 879.60 for each child. The child subsidy is also increased by a monthly amount of EUR 26 for each child under 3 years of age.

Main Changes in the Tax/Benefit System since 2024

The income tax scale thresholds, excluding the two highest brackets, were increased by approximately 3.4% due to indexation adjustments reflecting inflation and rising earnings levels. No indexation was applied to the top two income brackets. As part of the indexation adjustment, the maximum amounts of both the basic allowance and the earned income tax credit were also increased.

The earned income allowance was abolished and replaced by an increase in the earned income tax credit. The Income Tax Act was amended to revise the deduction rate, maximum amount, phase-out thresholds, and phase-out rates of the earned income tax credit. Additionally, the maximum amount of the credit was increased by €50 for each minor child under the taxpayer's care. For single parents, this increase was doubled.

As part of the replacement of the earned income allowance with the earned income tax credit, the marginal tax rates for the two highest income brackets were also adjusted..

The maximum amount of the basic allowance was raised from EUR 3 980 to EUR 4 115. The maximum amount of the earned income tax credit was raised from EUR 2 140 to EUR 3 225.

Memorandum Items

Calculation of average gross annual wage

The Finnish figures are generally calculated as follows:

- Gross annual earnings are calculated at an individual level on the basis of the hour's usually worked, average hourly pay for the fourth quarter, and the share of annual periodic bonuses.
- The earnings exclude sickness and unemployment compensations, but include all normal overtime compensations, bonuses, holiday remunerations and remunerations for public holidays.

Employer contributions to private pension and health schemes

No information is available.

2025 Parameter values

Average earnings	Ave_earn	55 462	Secretariat estimate
Expenses	Work_exp_max	750	
	Work_exp_rate	1	
Allowances	al_SSC_rate	0.0858	
State tax	Tax_min	0	
Tax schedule	Tax_sch	0.1264	21 200
		0.19	31 500
		0.3025	52 100
		0.34	88 200
		0.4175	150 000
		0.4425	-
Broadcasting tax	brdcst_tax_rate	0.025	
	brdcst_tax_thres	15 150	
	brdcst_tax_max	160	
Earned income tax credit	eitc_thrsh	0	
	eitc_rate	0.18	
	eitc_redn_thrsh	24 250	
	eitc_redn_rate	0.0222	
	eitc_redn_thrsh2	42 550	
	eitc_redn_rate2	0.0344	
	eitc_max	3 225	
	eitc_max_child	50	
Child tax credit	child_cr	0	
	child_thres	0	
	child_red	0	
Earned income tax allowance	al_thrsh	0	
	al_thrsh2	0	
	al_rate	0	
	al_rate2	0	
	al_redn_thrsh	0	
	al_redn_rate	0	
	al_max	0	
low income	SL_max	4 115	
	SL_rate	0.18	
Local intax	Local_rate	0.0754	
	Church_rate	0	
	Local_tot	0.0754	
Soc sec taxpayer	SSC_rate	0,0106	
soc.sec empr	SSC_empr	0.2046	
Cash transfer	ch_1	1138.56	
	ch_2	1258.08	
	ch_3	1605.48	
	ch_4	2078.88	
	ch_5	2312.28	
	ch_small	312	
	ch_lone	879.6	

2025 Tax equations

The equations for the Finnish system are mostly on an individual basis except for the child benefit which is calculated only once. This is shown by the Range indicator in the table below. The functions which are used in the equations (Taper, MIN, Tax etc) are described in the technical note about tax equations. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables “married” and “children”. A reference to a variable with the affix “_total” indicates the sum of the relevant variable values for the principal and spouse. And the affixes “_princ” and “_spouse” indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with “_spouse” values taken as 0.

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings	earn		
	Work related expenses	work_rel	B	MIN(Work_exp_max, Work_exp_rate*earn)
	SSC deduction	SSC_al	B	earn*al_SSC_rate
	Earned income allowance	earninc_al	B	MIN(al_max, IF(earn>al_thrsh2, al_rate*(al_thrsh2-al_thrsh1)+al_rate2*(earn-al_thrsh2), Positive(earn-al_thrsh)))-MIN(al_max, al_redn_rate*Positive(earn-work_rel-al_redn_thrsh))
	Low income	low_inc	B	Positive(MIN(earn-work_rel-low_al-SSC_al, SL_max)-SL_rate*Positive(earn-work_rel-low_al-SSC_al-SL_max))
2.	Allowances:	tax_al	B	work_rel+SSC_al+earning_al+low_inc
3.	Credits in taxable income	taxbl_cr	B	0
4.	CG taxable income	tax_inc	B	Positive(earn-tax_al)
5.	CG tax before credits	CG_tax_excl	B	=Tax(tax_inc,' Tax_sch)
6.	Tax credits :	tax_cr	B	MINA(eitc_max + eitc_max_child * children * (1+(married = 0)),eitc_rate*Positive(earn-eitc_thrsh))-MINA(eitc_max + eitc_max_child * children * (1+(married = 0)),eitc_redn_rate*Positive(MIN(earn-work_rel,eitc_thrsh2)-eitc_redn_thrsh))+eitc_redn_rate2*Positive(earn-work_rel-eitc_thrsh2))
	Child tax credit	child_cr	P	taper(child_cr*(1+(married=0))*children,earn_p-work_rel,child_thres,child_red)
			S	If(tax_inc_s>0,taper(child_cr*children,earn_s-work_rel,child_thres,child_red),0)
		broadcasting_tax	B	IF((earn-(work_rel+brdcst_tax_thrsh))*brdcst_tax_rate<0,0,IF((earn-(work_rel+brdcst_tax_thrsh))*brdcst_tax_rate>brdcst_tax_max,brdcst_tax_max,(earn-(work_rel+brdcst_tax_thrsh))*brdcst_tax_rate))
7.	CG tax	CG_tax	B	Positive(CG_tax_excl - tax_cr-child_cr)+broadcasting_tax
	Taxable income (local)	tax_inc_l	B	tax_inc
8.	State and local taxes	local_tax	B	Positive(tax_inc_l*Local_tot-(local_tot/(local_tot+SSC_rate))*If((Tax_cr-CG-tax_excl)>0,(Tax_cr-CG-tax_excl)+child_cr,0))
9.	Employees' soc security	SSC	B	Positive(SSC_rate*tax_inc_l - (SSC_rate/(local_tot+SSC_rate))*If((Tax_cr-CG-tax_excl)>0,(Tax_cr-CG-tax_excl)+child_cr,0)) + SSC_prog_rate*Positive(tax_inc_l-SSC_prog_thrsh)+SSC_al
11.	Cash transfers	cash_trans	J	(Children>0)*ch_1+(Children>1)*ch_2+ (Children>2)*ch_3+(Children>3)*ch_4+ Positive(Children-4)*ch_4+(Married=0)*Children*ch_lone
13.	Employer's soc security	SSC_empr	B	earn*SSC_empr

Key to range of equation B calculated separately for both principal earner and spouse P calculated for principal only (value taken as 0 for spouse calculation) J calculated once only on a joint basis

France

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

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

France 2025

The tax/benefit position of single persons

		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1	Gross wage earnings		30 796	45 964	76 761	30 796
2	Standard tax allowances					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		5 540	8 269	13 563	5 540
	Work-related expenses		2 526	3 770	6 320	2 526
	Other					
	Total		8 066	12 039	19 883	8 066
3	Tax credits or cash transfers included in taxable income		0	0	0	0
4	Central government taxable income (1 - 2 + 3)		22 730	33 926	56 878	22 730
5	Central government income tax liability (exclusive of tax credits)		3 816	7 662	17 483	2 935
6	Tax credits					
	Basic credit					
	Married or head of family					
	Children					
	Other		0	0	0	0
	Total		0	0	0	0
7	Central government income tax finally paid (5-6)		3 816	7 662	17 483	2 935
8	State and local taxes		0	0	0	0
9	Employees' compulsory social security contributions					
	Gross earnings		3 483	5 198	8 435	3 483
	Taxable income					
	Total		3 483	5 198	8 435	3 483
10	Total payments to general government (7 + 8 + 9)		7 299	12 861	25 917	6 418
11	Cash transfers from general government					
	In-work benefit (Gross)		0	0	0	1 996
	For two children (Gross)		0	0	0	6 598
	CRDS Deducted		0	0	0	- 43
	Total		0	0	0	8 552
12	Take-home pay (1-10+11)		23 497	33 104	50 843	32 930
13	Employers' compulsory social security contributions		9 146	16 706	34 051	9 146
14	Average rates					
	Income tax		12.4%	16.7%	22.8%	9.5%
	Employees' social security contributions		11.3%	11.3%	11.0%	11.3%
	Total payments less cash transfers		23.7%	28.0%	33.8%	-6.9%
	Total tax wedge including employer's social security contributions		41.2%	47.2%	54.1%	17.6%
15	Marginal rates					
	Total payments less cash transfers: Principal earner		32.6%	43.0%	42.2%	52.5%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		64.6%	58.2%	60.0%	75.0%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

France 2025

The tax/benefit position of married couples

		Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
		Number of children	2	2	2	none
1	Gross wage earnings		45 964	76 761	91 929	76 761
2	Standard tax allowances					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		8 269	13 810	16 539	13 810
	Work-related expenses		3 770	6 295	7 539	6 295
	Other					
	Total		12 039	20 105	24 078	20 105
3	Tax credits or cash transfers included in taxable income		0	0	0	0
4	Central government taxable income (1 - 2 + 3)		33 926	56 656	67 851	56 656
5	Central government income tax liability (exclusive of tax credits)		4 381	9 324	13 517	10 995
6	Tax credits					
	Basic credit					
	Married or head of family					
	Children					
	Other		0	0	0	0
	Total		0	0	0	0
7	Central government income tax finally paid (5-6)		4 381	9 324	13 517	10 995
8	State and local taxes		0	0	0	0
9	Employees' compulsory social security contributions					
	Gross earnings		5 198	8 681	10 397	8 681
	Taxable income					
	Total		5 198	8 681	10 397	8 681
10	Total payments to general government (7 + 8 + 9)		9 579	18 006	23 914	19 677
11	Cash transfers from general government					
	In-work benefit (Gross)		0	0	0	0
	For two children (Gross)		1 814	1 814	1 814	0
	CRDS Deducted		- 9	- 9	- 9	0
	Total		1 805	1 805	1 805	0
12	Take-home pay (1-10+11)		38 190	60 560	69 820	57 084
13	Employers' compulsory social security contributions		16 706	25 853	33 412	25 853
14	Average rates					
	Income tax		9.5%	12.1%	14.7%	14.3%
	Employees' social security contributions		11.3%	11.3%	11.3%	11.3%
	Total payments less cash transfers		16.9%	21.1%	24.1%	25.6%
	Total tax wedge including employer's social security contributions		39.1%	41.0%	44.3%	44.4%
15	Marginal rates					
	Total payments less cash transfers: Principal earner		20.8%	32.6%	43.0%	29.0%
	Total payments less cash transfers: Spouse		27.4%	32.6%	43.0%	29.0%
	Total tax wedge: Principal earner		41.9%	50.6%	58.2%	47.9%
	Total tax wedge: Spouse		44.0%	64.6%	58.2%	62.7%

The national currency is the Euro (EUR). In 2025, EUR 0.88 equalled USD 1. In that year, the average worker earned EUR 45 964 (Secretariat estimate).

Personal income tax system

Tax levied by the central government on 2025 income

Tax unit

The tax unit is aggregate family income, but children over 18 are included only if their parents claim them as dependants. Other persons may be fiscally attached on certain conditions: unlike spouses, who are always taxed jointly, children over 18 and other members of the household may opt to be taxed separately. Beginning with the taxation of 2004 income, the law provides for joint taxation of partners in a French civil union (pacte civil de solidarité, or PACS), as soon as the PACS is signed. Reporting obligations for “PACSeD” partners are similar to those of married couples.

Earned income is reported net of compulsory employer and employee payroll deductions, except for 2.4 percentage points worth of CSG (contribution sociale généralisée) and the 0.5% CRDS (contribution pour le remboursement de la dette sociale), which are not deductible from the income tax base.

Tax reliefs and tax credits

Standard tax reliefs

- Work-related expenses, corresponding to actual amounts or a standard allowance of 10% of net pay (with a minimum of EUR 509 and a ceiling of EUR 14 556 per earner).
- Family status: The “family quotient” (quotient familial) system takes a taxpayer’s marital status and family responsibilities into account. It involves dividing net taxable income into a certain number of shares [two shares for a married (or “PACSeD”) couple, one share for a single person, one half-share for each dependent child, an additional share for the third and each subsequent dependent child, an additional half-share for single parent, and so on]: the total tax due is equal to the amount of tax corresponding to one share multiplied by the total number of shares. The tax benefit for a half-share is limited, however, to EUR 1 807 per half-share in excess of two shares for a couple, or one share for a single person, except for the first two half-shares granted for the first child of a single parent, in which case the maximum benefit is EUR 4 262.

Main non-standard reliefs available to the average worker

There are compensatory allowances in case of divorce if paid in a lump sum (25% reduction, capped at EUR 30 500); home employment costs (child care, home help, housekeeper...) (50% reduction up to annual expenditure of EUR 12 000 with additional EUR 1 500 per dependent), child care costs for children under six (50% reduction, up to annual expenditure of EUR 2 300); dependent children attending secondary school or in higher education; donations to charities or other organisations assisting those in needs; trade union dues, etc. The exemption of the employer’s participation to the collective contracts of supplementary health cover is abolished in the budget act for 2014 (i.e., income earned in 2013).

Tax schedule

	Fraction of taxable income (1 share, in Euros)	Rate (in %)
1 st bracket	Up to 11 600	0
2 nd bracket	From 11 600 to 29 579	11
3 rd bracket	From 29 579 to 84 577	30
4 th bracket	From 84 577 to 181 917	41
5 th bracket	From 181 917	45

A special rebate for taxpayers with a low tax liability is applied to the amount of tax resulting from the above schedule before reductions and tax credits. To be eligible, the tax on the household's income must be less than EUR 1 982 for single households and less than 3 277 for couples. The rebate is equal to 45.25 % of the difference between this ceiling and the amount of tax before the rebate.

Exceptional contribution on high revenues

An exceptional contribution on high revenues is based on the reference taxable income ("revenu fiscal de référence"). The tax rates are 3% from EUR 250 000 to EUR 500 000 (single person), 4% over EUR 500 000 (single person), 3% from EUR 500 000 to EUR 1 000 000 (married couple or civil union) and 4% over EUR 1 000 000 (married couple or civil unions).

Differential tax on high incomes

In 2025, a temporary differential tax on high incomes (over 250,000 euros) was introduced, raising the minimum income tax rate to 20% after deduction of PIT and exceptional contribution on high income. This tax has been extended until the deficit falls below 3%, in the finance law for 2026.

Taxes levied by decentralised authorities

Local taxes levied on working households are:

- Residency tax ("taxe d'habitation") on secondary homes apply at rates set by local authorities.
- Property taxes on developed and undeveloped land.
- There are common rules for each type of tax, to which certain municipalities make certain adjustments.

These local taxes, the rates of which vary widely, depending on the municipality, are not assessed here.

Universal social contribution (contribution sociale généralisée, or CSG)

The universal social contribution (CSG) was introduced on 1 February 1991. Since 1 January 2018, the rate of CSG has been 9.2%. This rate has been applied to a base of 98.25% as of 1st January 2012. The CSG is deductible against taxable income, but at a lower rate of 6.8%.

Contribution to the reimbursement of social debt (contribution au remboursement de la dette sociale, or CRDS)

The contribution to the reimbursement of social debt has been in effect since 1 February 1997. Like the universal social contribution, its base has passed to 98.25% of gross pay as of 1st January 2012. The rate

is set at 0.5%. Unlike social security contributions, CRDS payments are not deductible from taxable income.

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. After remaining stable between 2020 and 2022 at EUR 3 428 (or EUR 41 136 per year), the ceiling increased in January 2023 to EUR 3 666 (+6,9%), rose again in January 2024 to EUR 3,864 (+5,4%), and further increased in 2025 to EUR 3 925 (or EUR 47 100 per year) (+1,6%).

Employee contributions

Pension

- 6.9% on earnings up to the ceiling (unchanged compared to 2023).
- 0.4% on total earnings (unchanged compared to 2023).

Illness, pregnancy, disability, death

- 0.0% on total earnings (0.0% in 2021)

Unemployment

- 0.0% on earnings since 1st October 2018.

Others

- Supplemental pension¹ for non-managers and managers: minimum 3.15% up to the ceiling and 8.64% between one and eight times the ceiling.
- The CEG (“Contribution d’Équilibre Général”) replaced AGFF and GMP in 2019. The rate of this contribution is, for non-managerial workers and managers, 0.86% of earnings up to the social security ceiling and 1.08% between one and eight times the ceiling.
- The CET (“Contribution d’Équilibre Technique”): a contribution of 0.14% on total earnings up to eight times the ceiling, for employees whose earnings exceed one time the ceiling.

Employer contributions

Some employer contributions and reductions vary based on company size thresholds. The rates applied refer to companies with more than 50 employees.

Pensions

8.55% (unchanged compared to 2024) of gross pay, up to the ceiling, plus a 2.02% (unchanged compared to 2024) levy on total pay.

Illness, pregnancy, disability, death

13.0% of total earnings (unchanged compared to 2024). The rate has been reduced to 7.0% up to 2.5 times the minimum wage since 1st January 2019 with the conversion of the CICE into a permanent cut in social contributions. In 2025, the ceiling for the reduction is set at 2.25 times the minimum wage.

An additional contribution of 0.3% (contribution de solidarité autonomie – CSA) is levied on total salary.

Unemployment

4% of earnings since 1st May 2025 (4.05% in 2024 and until 30th April 2025) (4.5% for some temporary contracts and between 2.95% and 5% for some companies), up to four times the ceiling; in addition, 0.25% (0.20% until 30th June 2024, 0.25% since 1st July 2024) up to four times the ceiling to endow the salary guarantee fund (AGS).

Work-related accidents

Contribution rates for work-related accidents vary by line of business and are published annually in the official gazette (Journal officiel de la République française). In 2025, the average rate is 2.12% (unchanged compared to 2024).

Family allowances

5.25% of total pay. The rate has been reduced to 3.45% up to 1.6 times the minimum wage from 2015 with the responsibility pact, up to 3.5 times the minimum wage from April 2016. In 2025, the ceiling for the reduction is set at 3.3 times the minimum wage.

Others

- Supplemental pension: for non-managers and managers, 4.72% up to the ceiling and 12.95% between one and eight times the ceiling.
- The CEG (“Contribution d’Équilibre Général”) contribution is 1.29% up to the ceiling, 1.62% between one and eight times the ceiling for managers and non-managers. In the table, this is combined with the rates for supplemental pensions.
- The CET (“Contribution d’Équilibre Technique”), a contribution of 0.21% on total earnings up to eight times the ceiling for employees whose earnings exceed one time the ceiling.
- Others (construction, housing, apprenticeship, further training): 2.646% of pay (for enterprises with more than 50 employees). The transport tax is not included because it varies geographically. Contributions to finance a fund dedicated to workers exposed to distressing work conditions (“Fonds Pénibilité”) vary with the levels of exposure of each worker and are therefore not included.

Reduction of employer-paid social insurance contributions

The reduction of employer-paid social insurance contributions, introduced in 1993, has been gradually extended and strengthened. As of 2023, it includes two types of measures:

- (i) The general reduction of employer-paid social insurance (ex-“Fillon Act”, also called today “zero contributions URSSAF”) is a decreasing reduction in social security contributions, which eliminates all common law social contributions paid at the minimum wage and whose level decreases with wage to become zero for a gross annual wage equal to 1.6 times the gross annual minimum wage. It applies irrespective of the number of hours worked for workers with contracts of at least three

months. Since 1st of January 2025, the maximum reduction is 32.33% for companies with more than 50 employees and 31.93% for companies with less than 50 employees.

- (ii) A proportional reduction in health insurance and family allowance contributions, which allow for a reduction of 6 and 1.8 percentage points respectively for gross annual wage below 2.25 and 3.3 times the gross annual minimum wage. In 2025, the ceiling of the two reductions was reduced (in 2024, it was set, respectively, at 2.5 and 3.5 times the gross annual minimum wage applicable on 31 December 2023). The 6 percentage point's reduction replaces since 1st January 2019 the competitive tax credit (CICE – *crédit d'impôt pour la compétitivité et l'emploi*), whereas the 1.8 percentage point reduction was introduced in 2015 by the Responsibility Act (Phase 1).

The gross annual minimum wage (for 1 820 hours) is at EUR 21 622 since November 1st 2024.

Universal cash transfers

Main minimum social benefits

The RSA (“Revenu de Solidarité Active”) is the minimum income benefit. However, the eight family types studied here earn too high an income to benefit from this benefit.

Main family benefits (in respect of dependent children)

Family allowances: the monthly base for family allowances (BMAF) was equal to EUR 466.44 between January 1st and end of March 2025. It was automatically adjusted on 1 April 2025 to EUR 474,37. The family allowances, granted to families with two or more children, are subject to revenue conditions since 1 July 2015, and adjusted every year:

- Up to EUR 78 565 (+EUR 6 546 per child after the second child), the rate is 32% for two children and 41% per additional child. An extra amount of 16% of the BMAF is reversed if the child is over 14 years old (the extra amount is not incorporated into the model).
- Between EUR 78 565 (+EUR 6 546 per child after the second child) and EUR 104 719 (+EUR 6 246 per child after the second child), the above rates are divided by 2.
- Beyond EUR 104 719 (+EUR 6 546 per child after the second child), the above rates are divided by 4.
- ASF (Allocation de Soutien Familial): extra child benefit for isolated parent is at most 42.20 % of the BMAF per month, against 28.13% in 2022. It is reduced by the amount of child support paid by the other parent to the family.
- ARS (Allocation de Rentrée Scolaire): The amount payable depends on the age of the child to reflect needs. The allowance is payable to families or persons with children aged 6 to 18 attending school, and whose income is below a certain level (not incorporated into the model).

Age of the child	Percentage of the BMAF in 2025
6–10 years	89.72%
11–14 years	94.67%
15–18 years	97.95%

- Family supplement (Complément Familial): 41.65% of the BMAF. Subject to revenue ceilings, this is paid to families as of the third child aged between 3 and 21. An extra amount (20.83% of BMAF) is reversed for families whose incomes are below a given threshold. The family supplement is not incorporated into the model.

- Early childhood benefit (not incorporated in the model) known as PAJE (Prestation d'Accueil du Jeune Enfant): subject to revenue ceilings. It includes:
 - A birth grant of 229.75% of the BMAF received at the 2nd month following the birth.
 - A grant of 459.5% of the BMAF is received upon the adoption of a child.
 - A benefit ("allocation de base") of 41.65% (or 20.825% depending on the family income) of the BMAF a month from the birth of the child until three years of age.

Housing benefits

The housing benefits are not included in the model.

In-work benefit

The November 2014 Supplementary Budget Act eliminated the earned income tax credit (Prime pour l'emploi, PPE) so that it could be merged with the in-work income supplement (RSA Activité) and become a single in-work benefit. The in-work benefit was created by the Act of 17 August 2015 on Labour-Management Dialogue and Employment, and has been in place since 1 January 2016. The in-work benefit is better targeted to promote a return to full-time work for low-paid workers. The benefit is not paid if its monthly amount is less than EUR 15.

The amount of in-work benefit is equal to a targeted income, less the maximum between resources and a lump sum. The lump sum ("montant forfaitaire de la prime d'activité") was equal to EUR 595.25 from 1 January 2024 to 1 April 2024, it then increased to EUR 622.63.

The targeted income is determined as the sum of three elements:

- A lump sum (before CRDS) modulated according to the composition of the household. For instance, it is increased by 50% for couple, then 30% for each child until two and 40% for each additional child. The amount may be increased for a temporary period² for an isolated parent (128.412% of the basic lump sum for the adult and then 42.804% for each child).
- An individual bonus of 29.101% of the basic lump sum is planned for persons whose net income exceeds around 100% of the net minimum wage; this bonus grows linearly if the net income is between around 50% and 100% of the net minimum wage³.
- 61% of the net professional income of the household.

Then resources are assessed as the sum of the household income, plus the benefits (family benefits and others, except RSA and housing benefits)⁴. A lump sum depending on the composition of the household (12% of the basic lump sum for a single person, 16% for a couple, 16.5% for three persons or plus) is used to take into account the housing benefits⁵.

Main changes in the tax system and social benefits regime since the taxation of 2015 income

- Tax system (2020 income)
 - New tax schedule following the personal income tax reform (Budget Act 2020):
The Budget Act of 2020 (article 2) introduced a reform of the personal income system. The reform provides a significant lowering of income tax rate for an amount of around 5 billion euros. 16.9 million taxpayers are benefitting from this reduction from the 1st January, for an estimated average gain of around EUR 300. The changes are the following:
 - the marginal rate of 14% is reduced at 11%.
 - the tax rebate is reduced from three quarters to 45.25%.

- the special 20% tax reduction rate is removed.

If the final tax is less than EUR 61, no tax is payable.

- Increase of 1.7 points of CSG deductible (2018)
- Social benefits regime
 - Increased reduction of employer-paid contributions for family allowance: 3.45% instead of 5.25% for salary up to 3.5 times the minimum wage from April 2016 (1.6 times before).
 - Removal of sickness and unemployment employee contribution
 - Creation of a new cash transfer benefit for low-income workers (“prime d’activité”) which replace the PPE and the “RSA activité”⁶.

Changes to labour taxation in 2025

In August 2022, the French Parliament adopted the permanent raise of overtime pay exemption ceiling from EUR 5 000 to EUR 7 500 for income tax only, applicable from 2023 (tax on 2022 income).

The exceptional bonus scheme introduced in 2018 (“Prime Exceptionnelle de Pouvoir d’Achat”) was replaced in July 2022 by a permanent value-sharing bonus scheme (“Prime de Partage de la Valeur”) with new conditions valid until December 2023. In November 2023, the law transposing the national interprofessional agreement on value sharing within the company introduced new conditions, which apply between January 2024 and December 2026, before the permanent scheme comes into effect from January 2027 onwards. The scheme is thus implemented in three phases:

- From July 2022 to December 2023, value-sharing bonuses could be paid once a year with a limit of EUR 3 000 (EUR 6 000 in the case of the signature of a profit-sharing agreement). Under this phase of the scheme, tax exemptions varied depending on the employee’s salary. For employees earning less than 3 times the minimum wage, the payment of a value-sharing bonus was exempt from employers’ and employees’ social contributions – including “Contribution sociale généralisée” (CSG) and “Contribution pour le remboursement de la dette sociale” (CRDS), income tax and the additional employer social contribution (“forfait social”). For employees earning at least 3 times the minimum wage, the exemption from social contributions did not cover the CSG and CRDS, and an additional employer social contribution (“forfait social”) applied to companies with 250 employees or more (20 % of the bonus). If applicable, income tax must also be paid.
- From January 2024 to December 2026, value-sharing bonuses can be paid twice a year, with a total limit of EUR 3 000 (EUR 6 000 in the case of the signature of a profit-sharing agreement). The previous exemption was extended within firms employing less than 50 employees – in these firms, for employees earning less than three times the minimum wage, the payment of a value-sharing bonus is exempt from employers’ and employees’ social contributions – including CSG and CRDS – and from income tax. For all other employees (employees working in firms employing more than 50 workers or employees working in firms employing less than 50 workers and earning three times the minimum wage or more), the regime of the scheme is aligned with another value-sharing scheme (profit-sharing - “intéressement”). The bonus is exempt from employers’ and employees’ social contributions but not from CSG and CRDS. Moreover, companies employing 250 workers or more are liable to pay an additional employer social contribution (“forfait social”) on bonuses paid to all employees (20 % of the bonus). Bonuses are subject to income taxation, except if saved in an employee or retirement savings plan.
- A permanent scheme will be applicable from 2027 onwards for all employees. Value-sharing bonuses will be exempt from social security contributions – except CSG and CRDS – and liable to pay the “forfait social” (20 % of the bonus for firms employing 250 workers or more). Bonuses will be subject to income tax, except if saved in an employee or retirement savings plan.

The value-sharing bonus scheme is not taken into account in the model as it is not mandatory for employers to use it.

Moreover, the LFSS (loi de financement de la Sécurité sociale) for 2025 introduced a measure to include the value-sharing bonus (PPV) in the calculation of employers' general social contribution exemptions (AG), effective from January 1, 2025. This change means that gross remuneration for AG calculations now includes the PPV, unlike before when only the gross salary was considered. For example, an employee earning the minimum wage and receiving an annual PPV of €1,200 will have a gross remuneration of €1,901.80, impacting the amount of employer's AG benefits due to the tapering effect of AG.

Finally, the 2023 law transposing the national interprofessional agreement on value sharing within the company also made it mandatory for all firms employing between 11 workers and 50 workers⁷ to establish a profit-sharing scheme when making lasting profits. From 2025 onwards, firms achieving a net fiscal profit of at least 1 % of their turnover for three consecutive years will have to establish a profit-sharing scheme – employers may choose which one among the existing schemes, including the value-sharing bonus.

Memorandum items

To assess the degree of comparability between countries, the following additional information should be taken into account:

- Coverage is of the private and semi-public sectors of NACE sections C to K up to 2007 and NACE rev.2 sections B to N from 2008.
- The category “employees” encompasses all full-time dependent employees (excluding apprentices and interns).
- The figures presented are obtained by applying income tax and social contribution scales to gross salaries as listed in annual social data reports (DADS) in NACE.

There is a break in the average wage time-series starting with the year 2016. That year, the National Statistics Office (INSEE) changed their methodology for the calculations of the average wage.

Additionally, the 2020 annual average wage decreased compared to previous years due to the exceptional use of Covid STW schemes in 2020. Indeed, Covid STW schemes led to the substitution of unemployment benefits to wages for workers benefitting from such schemes while contract duration includes periods of STW during which the contract is only suspended. Therefore, the annualised average wage which is computed as the ratio of wages to contract length that year declined by 3.7 % between 2019 and 2020. The OECD series of compensation per employee used as a proxy to forecast the 2024 average wage (2024 forecast is obtained by applying to the latest level published by Insee, which refers to year 2022, the evolution rates published by OECD for years 2023 and 2024) decreased as well in 2020 for the same reason, although to a slightly lesser extent: compensation per employee declined by 3.5 % in 2020 followed by a rebound in 2021, 2022 and 2023 by 4.9 %, 4.9 % and 4.1 % respectively. The discrepancy between the variation in the INSEE series of average wage and the variation in the OECD series of compensation per employee in 2020 (i.e., 0.2 percentage point) can be regarded as standard compared to historical differences between these two times series⁸. Therefore, the usual methodology is kept unchanged: the 2024 average wage value is derived from the INSEE 2022 average wage level and evolutions in the OECD compensation per employee series in 2023 and 2024. No specific correction has been brought to forecast in order to take into account the difference between these two series for 2020 since this difference is not particularly important compared to what is observed in other years.

Summary table: the socio-fiscal regime of the value-sharing bonus (“PPV”)

	Affected employees	Subject to employers' and employees' social contributions	Subject to CSG ¹ and CRDS ²	Subject to the additional employer social contribution (“forfait social”)	Subject to income tax
July 2022 – December 2023	Employees earning less than 3 times the minimum wage	No	No	No	No
	Employees earning more than 3 times the minimum wage	No	Yes	Only in firms employing 250 workers or more (20 %)	Yes
January 2024 – December 2026	Employees earning less than 3 times the minimum wage within firms employing less than 50 workers	No	No	No	No
	Employees earning more than 3 times the minimum wage within firms employing less than 50 workers	No	Yes	No	Yes ³
	Employees within firms employing more than 50 workers	No	Yes	Only in firms employing 250 workers or more (20 %)	Yes ³
January 2027 onwards	All employees	No	Yes	Only in firms employing 250 workers or more (20 %)	Yes ³

¹ “Contribution sociale généralisée”² “Contribution pour le remboursement de la dette sociale”³ Value-sharing bonuses are exempt from income tax when saved in an employee or retirement savings plan

2025 Parameter values

APW earnings	Ave_earn	45 964	Secretariat estimate
Income tax			
Work expenses	work_rel_fl	509	
	work_rel_ceil	14 556	
	work_rel_rate	0.100	
Tax schedule	tax_sch	0.000	11 600
		0.110	29 579
		0.300	84 577
		0.410	181 917
		0.450	
	limit_demipart	1 807	
	limit_sp_demipart1	4 262	
Décote value	decote_sing	1 982	
	decote_mar	3 277	
	decote_pente	0.4525	
Tax reduction	red_taux	0.0000	
	red_seuil_1	0.0000	
	red_seuil_2	0.0000	
	red_seuil_dp	0.0000	
	tax_min	61	
CEHR	cehr_rate1	0.0300	
	cehr_rate2	0.0400	
	cehr_ceil1	250 000	
	cehr_ceil2	500 000	
CSG+CRDS	CSG_CRDS_abat	0.0175	
	CSG_rat_noded	0.0240	
	CRDS_rat_noded	0.0050	
	CSG_CRDS_rat_noded	0.0290	
	CSG_rat_ded	0.0680	
	CRDS_special	0.0050	
Employee contributions			
	pension_rate	0.0690	
	pension_rate2	0.0040	
Sickness	sickness_rate	0.0000	
Unemployment	unemp_rate	0.0000	
Extra pension (non-cadres) (incl. AGFF)	pens_rate_ex	0.0401	
	pens_rate_ex2	0.09716	
	pens_rate_ex3	0.0014	
Employer contributions			
	pens_empr1	0.0855	
	pens_empr2	0.0202	
Sickness	sickness_empr	0.0700	
	Sickness_emp2	0.1300	
Autonomous Solidarity Contribution	CSA	0.0030	

Unemployment (incl. "garantie de salaire")	unemp_empr	0.0425	
Accidents	accidents_empr	0.0212	
Family Allowance	fam_empr	0.0525	
	fam_empr_2	0.0345	
Extra pension (incl. AGFF)	pens_empr_ex	0.0601	
	pens_empr_ex2	0.1457	
	pens_empr_ex3	0.0021	
Others	others_empr	0.02646	
CS reduction & corporate tax credit			
Employer SSC reduction rate	SSC_empr_redrate2	0.6	
Employer SSC reduction maximum	SSC_empr_red_max	0.3233	
Employer SSC reduction SMIC reference	SSC_empr_SMIC_ref	1.6	
	SSC_empr_SMIC2	3.3	
	SSC_empr_SMIC3	2.25	
Social transfers			
Child benefit (second child)	CB_2	1 813.968	
third & subsequent before CRDS	CB_3	2 324	
First ceiling for CB	CB_c1	78 565	
Second ceiling for CB	CB_c2	104 719	
Increase of ceiling per child	CB_ceiling_extra_child	6 546	
Extra child benefit for isolated parent	CB_isol	2 392	
Prime d'activité	pa_forf	631	
	pa_maj1	0.50	
	pa_maj2	0.30	
	pa_maj3	0.40	
	pa_maj_isol1	0.28412	
	pa_maj_isol2	0.42804	
	pa_min	180	
	pa_pct	0.5985	
	pa_bonus	0.29101	
	pa_bonus1	0.29101	
	pa_bonus2	0.38901	
	pa_forf_logement1	0.12	
	pa_forf_logement2	0.16	
	pa_forf_logement3	0.165	
Others			
Social security contributions	SSC_ceil	47 100	
Derivation of minimum income	SMIC_horaire	11.88	
	SMIC_heures	1 820	
	SMIC	21 622	

2025 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	$\text{CSG\_rat\_ded} * ((1 - \text{CSG\_CRDS\_abat}) * \text{MIN}(\text{earn}; 4 * \text{SSC\_ceil}) + \text{Positive}(\text{earn} - 4 * \text{SSC\_ceil}))$
	Salary net	earn_dec	B	$\text{earn} - \text{SSC} - \text{CSG\_ded}$
	Work related	work_exp	B	$\text{MIN}(\text{work\_rel\_ceil}, \text{MAX}(\text{work\_rel\_rate} * \text{earn\_dec}, \text{MIN}(\text{work\_rel\_fl}, \text{earn\_dec})))$
	Basic	basic_al	B	0
3.	Credits in taxable income	taxbl_cr	B	0
4.	CG taxable income	tax_inc	J	$\text{Positive}(\text{earn\_dec\_total} - \text{work\_exp})$
5.	CG tax before credits			
	Calculation according to schedule	sch_tax	J	$\text{MAX}(\text{quotient} * \text{Tax}(\text{tax\_inc}/\text{quotient}, \text{tax\_sch}), \text{IF}(\text{Married}, 2 * \text{Tax}(\text{tax\_inc}/2, \text{tax\_sch}) - \text{limit\_demipart} * (\text{quotient} - 2), \text{Tax}(\text{tax\_inc}, \text{tax\_sch}) - (\text{Children} > 0) * (\text{limit\_sp\_demipart} + \text{limit\_demipart} * (\text{quotient} - 2)))) + \text{cehr\_rate1} * \text{MIN}((\text{cehr\_ceil2} - \text{cehr\_ceil1}) * (1 + \text{Married}); \text{MAX}(\text{tax\_inc} - \text{cehr\_ceil1} * (1 + \text{Married}); 0)) + \text{cehr\_rate2} * \text{MAX}(\text{tax\_inc} - \text{cehr\_ceil2} * (1 + \text{Married}); 0))$
	Adjusted for decote	adj_tax	J	$\text{SI}(\text{Married}; \text{Positive}(\text{MINA}(\text{tax\_sch}; (1 + \text{decote\_pente}) * \text{tax\_sch} - \text{decote\_pente} * \text{decote\_mar})); \text{Positive}(\text{MINA}(\text{tax\_sch}; (1 + \text{decote\_pente}) * \text{tax\_sch} - \text{decote\_pente} * \text{decote\_sing})))$
	Tax liable	inc_tax	J	$(\text{adj\_tax} > \text{tax\_min}) * \text{adj\_tax}$
	CSG+CRDS (non-deductible)	CSG_CRDS_no ded	B	$\text{CSG\_CRDS\_rat\_nod} * ((1 - \text{CSG\_CRDS\_abat}) * \text{MIN}(\text{earn}; 4 * \text{SSC\_ceil}) + \text{Positive}(\text{earn} - 4 * \text{SSC\_ceil}))$
	CSG deductible	CSG_ded	B	$\text{CSG\_rat\_ded} * ((1 - \text{CSG\_CRDS\_abat}) * \text{MIN}(\text{earn}; 4 * \text{SSC\_ceil}) + \text{Positive}(\text{earn} - 4 * \text{SSC\_ceil}))$
6.	Tax credits :	tax_cr	J	$\text{adj\_tax} * \text{SI}((\text{tax\_inc} \leq \text{red\_seuil\_1} * (1 + \text{Married}) + \text{red\_seuil\_dp} * \text{Children}); \text{red\_taux}; \text{SI}(\text{tax\_inc} \leq \text{red\_seuil\_2} * (1 + \text{Married}) + \text{red\_seuil\_dp} * \text{Children}); (\text{tax\_inc} * \text{red\_taux}) / (\text{red\_seuil\_1} * (1 + \text{Married}) + \text{red\_seuil\_dp} * \text{Children} - (\text{red\_seuil\_2} * (1 + \text{Married}) + \text{red\_seuil\_dp} * \text{Children}))) + (\text{red\_taux} * (\text{red\_seuil\_2} * (1 + \text{Married}) + \text{red\_seuil\_dp} * \text{Children})) / (\text{red\_seuil\_2} * (1 + \text{Married}) + \text{red\_seuil\_dp} * \text{Children} - (\text{red\_seuil\_1} * (1 + \text{Married}) + \text{red\_seuil\_dp} * \text{Children})); 0))$
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
9.	Employees' soc security	SSC	B	$((\text{sickness\_rate} + \text{pension\_rate2}) * \text{earn} + (\text{pension\_rate} + \text{pens\_rate\_ex}) * \text{MINA}(\text{earn}; \text{SSC\_ceil}) + \text{unemp\_rate} * \text{MINA}(\text{earn}; 4 * \text{SSC\_ceil}) + \text{pens\_rate\_ex2} * \text{MAX}(\text{MIN}(\text{earn}; 8 * \text{SSC\_ceil}) - \text{SSC\_ceil}; 0)) + \text{SI}(\text{earn} < \text{SSC\_ceil}; 0; \text{SI}(\text{earn} > 8 * \text{SSC\_ceil}; 8 * \text{SSC\_ceil} * \text{pens\_rate\_ex3}; \text{pens\_rate\_ex3} * \text{earn}))$
11.	Cash transfers	cash_transf_gross	J	$\text{SI}(\text{Children} < 2; 0; (\text{CB\_2} + (\text{Children} - 2) * \text{CB\_3}) * \text{SI}(\text{tax\_inc} \leq (\text{CB\_c1} + \text{CB\_ceiling\_extra\_child} * (\text{Children} -$

				2));1;SI(tax_inc<=(CB_c2+CB_ceiling_extra_child*(Children-2));0,5;0,25))+SI(Isolated=1;CB_isol*Children;0)
		calculated_in_work_benefit_gross	J	MAX(SI((Isolated='1');12*pa_for*(1+pa_maj_isol1+pa_maj_isol2*Children);12*pa_for*(1+SI(Married=1;pa_maj1;0)+pa_maj2*SI(Children<=2;Children;0)+pa_maj3*SI(Children>2;Children-2;0))+pa_pct*(earn_dec-CSG_CRDS_noded)+pa_bonus*pa_for/(pa_bonus2-pa_bonus1)*12*SI(ET(pa_bonus1*SMIC<(earn_dec_princ-CSG_CRDS_noded_princ);pa_bonus2*SMIC>(earn_dec_princ-CSG_CRDS_noded_princ));(earn_dec_princ-CSG_CRDS_noded_princ)/SMIC-pa_bonus1;0)+pa_bonus*pa_for/(pa_bonus2-pa_bonus1)*12*SI(ET(pa_bonus1*SMIC<(earn_dec_spouse-CSG_CRDS_noded_spouse);pa_bonus2*SMIC>(earn_dec_spouse-CSG_CRDS_noded_spouse));(earn_dec_spouse-CSG_CRDS_noded_spouse)/SMIC-pa_bonus1;0)+pa_bonus*pa_for*12*SI((earn_dec_princ-CSG_CRDS_noded_princ)>=pa_bonus2*SMIC;1;0)+pa_bonus*pa_for*12*SI((earn_dec_spouse-CSG_CRDS_noded_spouse)>=pa_bonus2*SMIC;1;0)-MAX(earn_dec-CSG_CRDS_noded+(family_benefit_gross-SI(Isolated='1;CB_isol*Children;0))*(1-(22,5%/42,2%)))+(Married+Children='0')*pa_for_logement1*pa_for*12+(Married+Children='1')*pa_for_logement2*pa_for*1,5*12+(Married+Children>='2')*pa_for_logement3*pa_for*1,8*12);SI(ET((Married=0);(Children>0));12*pa_for*(1+pa_maj_isol1+pa_maj_isol2*Children);pa_for*12*(1+SI(Married=1;pa_maj1;0)+pa_maj2*SI(Children<=2;Children;0)+pa_maj3*SI(Children>2;Children-2;0)))));0)
		final_gross_in_work_benefit_gross		SI(calculated_in_work_benefit_gross>pa_min;calculated_in_work_benefit_gross;0)
		crds_cash_transf	J	cash_transf_gross*-1*CRDS_special
		cash_transf_net	J	cash_transf_gross+crds_cash_transf
13.	Employer's soc security	SSC_empr_gross	B	(CSA + pens_empr2 + accidents_empr+others_empr)*earn + pens_empr1*MINA(earn;SSC_ceil) + pens_empr_ex*MINA(earn;SSC_ceil) + pens_empr_ex2* MAX(MIN(earn;8*SSC_ceil) - SSC_ceil;0) + unemp_empr*MIN(earn;4*SSC_ceil) +SI(earn<SSC_empr_SMIC2*SMIC; fam_empr_2*earn; fam_empr*earn)+SI(earn<SSC_ceil;0;SI(earn>8*SSC_ceil;8*SSC_ceil*pens_empr_ex3;pens_empr_ex3*earn))+SI(earn<SSC_empr_SMIC3*SMIC;sickness_empr*earn;sickness_empr2*earn)
		SSC_empr_reduction	B	IF(OR(earn>SSC_empr_SMIC_ref*SMIC,earn='0),0,-MIN'(SSC_empr_red_max*earn,(SSC_empr_red_max/SSC_empr_redrat e2)*(SSC_empr_SMIC_ref*SMIC/earn-1)*earn))
		SSC_empr_final	B	SSC_empr_gross+SSC_empr_reduction

Key to range of equation B calculated separately for both principal earner and spouse P calculated for principal only (value taken as 0 for spouse calculation) J calculated once only on a joint basis.

Notes

¹ The social protection scheme is named ARRCO for non-managers and AGIRC for managers. The two protection schemes have been merged since the 1st January 2019.

² During at most 12 months over a 18-months period; or, if there is a child under three in the family, until the child is three.

³ The boundaries are defined as: minimum of 59 hours paid at gross minimum wage per hour per month and maximum of 120 hours paid at gross minimum wage per hour per month.

⁴ Capital income, unemployment benefits, pensions or minimum old-age pensions are not taken into account in this model.

⁵ The complete formula uses the minimum of this lump sum tax and the amount of housing benefits, if the family is a tenant. As the model does not include housing benefits, we only use the lump sum in the formula. This method tends to minimize the amount of “prime d’activité” served.

⁶ In the previous model, for 2015 revenues, this reform only affects the income tax (no PPE in 2016) but not the benefits, since the “prime d’activité” will be served as from the beginning of 2016.

⁷ Firms with more than 50 employees were already required to set up a profit-sharing scheme called “participation”

⁸ Discrepancies can be explained by differences of coverage. For instance, the INSEE average wage series excludes public administration workers from its scope while the OECD series includes them.

Germany

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

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

Germany 2025

The tax/benefit position of single persons

		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2.00
1	Gross wage earnings		44 689	66 700	111 389	44 689
2	Standard tax allowances					
	Basic allowance					
	Married or head of family		0	0	0	4 500
	Dependent children		0	0	0	0
	Deduction for social security contributions and income taxes		8 897	13 221	16 001	8 517
	Work-related expenses		1 230	1 230	1 230	1 230
	Other		36	36	36	36
	Total		10 163	14 487	17 267	14 283
3	Tax credits or cash transfers included in taxable income		0	0	0	0
4	Central government taxable income (1 - 2 + 3)		34 526	52 213	94 122	30 406
5	Central government income tax liability (exclusive of tax credits)		5 625	11 484	29 651	4 419
6	Tax credits					
	Basic credit					
	Married or head of family					
	Children		0	0	0	6 120
	Other					
	Total		0	0	0	6 120
7	Central government income tax finally paid (5-6)		5 625	11 484	29 651	- 1 701
8	State and local taxes		0	0	0	0
9	Employees' compulsory social security contributions					
	Gross earnings		9 630	14 314	17 483	9 251
	Taxable income					
	Total		9 630	14 314	17 483	9 251
10	Total payments to general government (7 + 8 + 9)		15 255	25 798	47 134	7 550
11	Cash transfers from general government					
	For head of family		0	0	0	0
	For two children		0	0	0	0
	Total		0	0	0	0
12	Take-home pay (1-10+11)		29 434	40 902	64 255	37 139
13	Employers' compulsory social security contributions		9 362	13 917	17 086	9 362
14	Average rates					
	Income tax		12.59%	17.22%	26.62%	-3.81%
	Employees' social security contributions		21.55%	21.46%	15.70%	20.70%
	Total payments less cash transfers		34.14%	38.68%	42.31%	16.89%
	Total tax wedge including employer's social security contributions		45.55%	49.26%	49.99%	31.29%
15	Marginal rates					
	Total payments less cash transfers: Principal earner		45.58%	43.48%	47.00%	43.81%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		55.01%	48.90%	47.00%	53.54%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Germany 2025

The tax/benefit position of married couples

		Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
		Number of children	2	2	2	none
1	Gross wage earnings		66 700	111 389	133 400	111 389
2	Standard tax allowances					
	Basic allowance					
	Married or head of family		0	0	0	0
	Dependent children		0	0	19 200	0
	Deduction for social security contributions and income taxes		12 659	21 175	25 317	22 117
	Work-related expenses		1 230	2 460	2 460	2 460
	Other		72	72	72	72
	Total		13 961	23 707	47 049	24 649
3	Tax credits or cash transfers included in taxable income		0	0	0	0
4	Central government taxable income (1 - 2 + 3)		52 739	87 682	86 351	86 740
5	Central government income tax liability (exclusive of tax credits)		6 590	17 146	16 704	16 834
6	Tax credits					
	Basic credit					
	Married or head of family					
	Children		6 120	6 120	0	0
	Other					
	Total		6 120	6 120	0	0
7	Central government income tax finally paid (5-6)		470	11 026	16 704	16 834
8	State and local taxes		0	0	0	0
9	Employees' compulsory social security contributions					
	Gross earnings		13 751	23 002	27 503	23 944
	Taxable income					
	Total		13 751	23 002	27 503	23 944
10	Total payments to general government (7 + 8 + 9)		14 221	34 028	44 207	40 778
11	Cash transfers from general government					
	For head of family		0	0	0	0
	For two children		0	0	0	0
	Total		0	0	0	0
12	Take-home pay (1-10+11)		52 479	77 361	89 193	70 611
13	Employers' compulsory social security contributions		13 917	23 279	27 833	23 279
14	Average rates					
	Income tax		0.70%	9.90%	12.52%	15.11%
	Employees' social security contributions		20.62%	20.65%	20.62%	21.50%
	Total payments less cash transfers		21.32%	30.55%	33.14%	36.61%
	Total tax wedge including employer's social security contributions		34.90%	42.55%	44.68%	47.57%
15	Marginal rates					
	Total payments less cash transfers: Principal earner		35.20%	40.80%	40.59%	40.65%
	Total payments less cash transfers: Spouse		44.32%	47.65%	40.59%	48.08%
	Total tax wedge: Principal earner		41.41%	46.47%	46.28%	46.34%
	Total tax wedge: Spouse		53.97%	56.72%	46.28%	57.08%

The national currency is the Euro (EUR). In 2025, EUR 0.88 was equal to USD 1. The average worker earned EUR 66 700 (Secretariat estimate for 2025).

Personal Income Tax Systems

Central/federal government income taxes

Tax unit

Generally, the tax unit is the individual. Spouses may choose between two options: Joint assessment or individual assessment. In the case of joint assessment, the tax unit is the married couple. For the vast majority of couples joint assessment is beneficial compared to individual assessment. The income of dependent children is not assessable with that of the parents. Therefore, the calculations in this report are based on the assumption of joint taxation for spouses.

Tax allowances and tax credits:

Standard reliefs and work-related expenses

- Basic reliefs: None.
- Standard marital status reliefs: In the case of joint assessment the income tax liability for spouses is computed by the following splitting method:
 - First step: The taxable incomes of the spouses are calculated, summed up (specific allowances are doubled) and the resulting sum is divided by two.
 - Second step: The tax rate is applied to this averaged tax base.
 - Third step: The tax liability is calculated by doubling the result of step two.

Results: Given the progressive income taxation and different income levels the resulting tax liability for the couple is lower than with individual taxation. That is why the household as an economic unit benefits from the income splitting method. The highest splitting effect for couples is reached if one spouse earns zero taxable income and decreases with converging incomes of spouses. The splitting method results in identical average and marginal income tax rates for the principal and second earner, irrespective of the income distribution among them.

- Relief(s) for children: In 2025, there are equal tax credits of EUR 3 060 for the first and every subsequent child. There is an tax allowance per parent of EUR **3 336** for the subsistence of a child and an additional EUR 1 464 for minding and education or training needs (EUR 4 800). The amount of these allowances is doubled in case of jointly assessed parents and for lone parents if the other parent does not pay alimony. If the value of the tax credit is less than the relief calculated applying the tax allowances, the tax allowance is applied instead of the tax credit. In the calculations presented in this report we assume that a lone parent always receives the doubled child allowances.
- Relief for lone parents: As of 1 January 2015, taxpayers who live alone with at least one child that entitles them to the tax allowances or tax credits for children receive a standard additional allowance of EUR 1 908 (formerly EUR 1 308). This additional allowance is increased by EUR 240 for each additional child living in the household.

In 2020, the standard tax allowance for lone parents has been increased to EUR 4 008. Initially, this has been a temporary measure for the years 2020 and 2021 to mitigate the unique challenges faced by this family type due to the pandemic. The increase was made permanent from 2022

onwards to further support single parents. As of 1 January 2023, the standard tax allowance for lone parents adds up to EUR 4 260.

- Reliefs for social security contributions and life insurance contributions: Social security contributions and other expenses incurred in provision for the future (e.g., life insurance) are deductible up to specific ceilings. The calculation scheme that came into effect in 2005 has been modified as of 1 January 2023:
 - All contributions made to pension funds (i.e., both employee's and employer's contributions) are added up. The resulting amount is limited to the equivalent of the maximum contribution rate to miners' pension insurance scheme, rounded up to the nearest euro (in 2025: EUR 29 344). Within the aforementioned limit contributions to pension funds, diminished by the (tax-free) employers' share, are deductible from income.
 - The tax treatment of social security expenses (health, unemployment and care insurance) changed as of 1 January 2010. Employees' annual contributions to statutory health insurance excluding sickness benefit (assumed to amount to 96% of statutory health contributions) and employees' contributions to mandatory long-term care insurance are deductible from the tax base. In case these contributions do not exceed EUR 1 900/3 800 (single/married couples), contributions to unemployment insurance and other insurances premiums can be deducted in addition up to this ceiling.
- Work related expenses: Increased EUR 1 230 lump-sum deduction for work related expenses per employed person (until 2022: EUR 1 200). Work-related expenses that exceed the lump-sum are fully deductible (no ceiling). In December 2020, a "home office" deduction for the years 2020 and 2021 came into effect. It added up to EUR 5 per day spent exclusively working from home and was limited to a maximum amount of EUR 600 per year (corresponding to 120 working days) and was prolonged for the year 2022. As of 1 January 2023, the "home office" deduction is increased to EUR 6 per day and is now capped at the maximum amount of EUR 1 260 per year (corresponding to 210 working days). The "home office" deduction is counted against the general lump sum deduction for work-related expenses.
- Special expenses: Lump sum allowance (EUR 36/72 (singles/couples)) for special expenses, e.g., for tax accountancy. The actual expenses will be fully deductible from taxable income if the taxpayer proves that these expenses exceed the lump sum allowance.

Main non-standard tax reliefs applicable to an AW

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

Tax schedule

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

- The basic allowance in 2025 is EUR 12 096.
- X is the taxable income,
- T is the income tax liability,
- As of 1 January 2025, the following definitions are used in the income tax liability formulas:

$$Y = \frac{X - 12\,096}{10\,000}$$

$$Z = \frac{X - 17\,443}{10\,000}$$

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

1. $T = 0$ for $X \leq 12\,096$
2. $T = (932.30 Y + 1\,400)Y$ for $12\,097 \leq X \leq 17\,443$
3. $T = (176.64 Z + 2\,397)Z + 1\,015.13$ for $17\,444 \leq X \leq 68\,480$
4. $T = 0.42 X - 10\,911.92$ for $68\,481 \leq X \leq 277\,825$
5. $T = 0.45 X - 19\,246.67$ for $277\,826 \leq X$

These formulas are used to calculate the income tax for single individuals and married couples too.

If families choose the option of being assessed separately these formulas are applied to the individual taxable income of the principal earner and the spouse. In the case of jointly assessed families these rates are applied to half of the joint taxable income (see point 1.1.2.1. Splitting method).

Solidarity surcharge

As of 1 January 2025, the solidarity surcharge is levied at 5.5% of the income tax liability subject to an extended exemption limit of EUR 19 950/39 900 (singles/couples). The income tax liability is calculated applying the tax allowance for children. If the income tax liability exceeds the exemption limit, the solidarity surcharge will be phased in at a higher rate of 11.9% of the difference between the income tax liability and the exemption limit until it equals 5.5% of the total liability.

State and local income taxes

None.

Compulsory Social Security Contributions to Schemes Operated Within the Government Sector

The amount of social security contributions depends on the wage level and the insurance contribution rates. All contributions are subject to a contribution ceiling, i.e. the maximum income up to which statutory insurance contributions are calculated. The contribution rates for pension, health, care and unemployment insurances are fixed by the government.

Employees' contributions

In general, earnings up to EUR 4 800 per year were free of employee social security contributions until 31 December 2012. As of 1 January 2013, some essential changes came into effect concerning minimally paid employment. The earnings limit increased from EUR 400 to EUR 450 per month. As of 1 October 2022, the upper earnings limit rose to EUR 520 per month (now a dynamic limit linked to the general statutory minimum wage of EUR 12 per hour). As of 1 January 2025, the general statutory minimum wage adds up to Euro 12.82 per hour and an upper earnings limit of EUR 556, respectively. People who take up a new mini-job are generally subject to mandatory insurance coverage in the statutory pension scheme with the full pension contribution rate of 18.6% (in 2025). If the earnings are below the amount of EUR 175 (minimum contribution limit), a minimum contribution of EUR 32.55 has to be paid (18.6% of EUR 175). The employer's share amounts to 15% of the whole pay whereas the employee's part adds up to 3.6% (or the difference between minimum contribution and employer share). By applying for an exemption from obligatory insurance coverage the mini-job holder may reduce his/her share to EUR 0. Only if people

started their mini-job before 2013 and their earnings do not exceed the previous earning limit of EUR 400, they stay contribution-free in all classes of social insurance.

As of 1 April 2003, there was an additional concession for employees with monthly income between EUR 400.01 and EUR 800 per month (the so-called 'sliding pay scale', EUR 4 800.12 and EUR 9 600 per year). Due to the new regulations in 2013 mentioned above the earnings limits shifted to EUR 450.01 and EUR 850.00 per month (EUR 5 400.12 and EUR 10 200 per year). As of 1 July 2019, provisions for the newly-created so-called 'transition band' extend the upper earnings limit from EUR 850 per month to EUR 1 300 per month (EUR 15 600 per year). As of 1 October 2022, the earnings limits within the 'transition band' increased to EUR 520.01 and EUR 1 600 per month (EUR 6 240.12 and EUR 19 200 per year). As of 1 January 2023, the upper earnings limit increased from EUR 1 600 to EUR 2 000 per month (EUR 24 000 per year). In 2024, the earnings limits within the 'transition band' ranged between EUR 538.01 and EUR 2 000 per month (EUR 6 456.12 and EUR 24 000 per year). In 2025, the earnings limits within the 'transition band' fall between 556.01 and EUR 2 000 per month (EUR 6 672.12 and EUR 24 000 per year). If the employee's income falls within this range, part of the income is exempt from social insurance contributions. The employees' contributions to social insurance rise from zero on a straight-line basis over the income band reaching the full rate at EUR 2 000 per month. Until 30 September 2022, employers were required to pay the regular contributions of around 20 percent on the employee's earnings. Under the new regulations, the employer's share decreases from around 28 percent for a regular wage of EUR 556.01 to the standard employer's contribution amounting to around 20 percent for earnings at the upper 'transition band' limit. The arrangement is purely intended to relieve the financial burden on employees. Within the 'transition band', employees' reduced contribution rates to statutory pension insurance do not reduce their pension entitlements. Details on social security contributions for workers earning more than EUR 24 000 in 2025 are provided below.

Pensions

Employers and employees respectively pay half of the contribution rate of 18.6% in 2025, that is 9.3% of the employee's gross wage earnings, up to a contribution ceiling of EUR 96 600.

Sickness

As of 1 January 2015, the applicable contribution rate is 14.6% on principle (portion of 7.3% for employers and employees). Depending on the financial situation of each sickness fund, employees only were obliged to pay a supplementary contribution to the sickness fund until December 2018. Since January 2019, employees and employers have to pay one half each of this supplementary contribution which amounts to 2.5% on average in 2025 (portion of 1.25% for employers and employees). Therefore, the contribution rate averages 8.55% for employers and employees in 2025. The contribution ceiling in 2025 is EUR 66 150. While all calculations shown in this report assume membership in the public health insurance, workers with earnings above the contribution ceiling may opt out of the mandatory public health insurance system and may choose a private insurance provider instead (those opting for a private health insurance provider are required to obtain private long-term care insurance as well).

Unemployment

Employees pay half of the insurance contributions; the employer pays the other half. As of 1 January 2023, the contribution rate is 2.6% of assessable income. Employee and employer each pay 1.3%. The contribution ceiling in 2025 is EUR 96 600.

Care

A long-term care insurance (a 1% contribution rate) went into effect on 1 January 1995. The rate was raised to 1.7% of the gross wage when home nursing care benefits were added six months later. As of 1 July 2008, the rate was increased to 1.95%. In 2013 and 2014, the contribution rate amounted to 2.05%. In 2015 and 2016, the contribution rate added up to 2.35%. As of 1 January 2017, the contribution rate was augmented to 2.55%. As of 1 January 2019, the contribution rate amounted to 3.05% until 30 June 2023. Since 1 July 2023, the standard contribution rate has been increased to 3.4%. In 2025, the standard contribution rate adds up to 3.6%. The employers pay half of the contributions for long-term care insurance. In other words, employers and employees both pay a rate of 1.80%. The assessable income is scaled according to the gross wage earnings but there is a contribution ceiling of EUR 66 150 in 2025.

Due to the order of 7 April 2022 of the First Senate of the Federal Constitutional Court the legal framework for long-term care insurance was reformed in 2023. The new regulations provide different contribution rates for parents with two up to five children in order to reflect the costs associated with raising additional children. As of 1 July 2023, the contribution rate for parents of several children aged under twenty-five is reduced by 0.25% percentage points per child which means a reduction of 1.0% percentage points for parents with five or more children.

As from 1 January 2005, child-raising is given special recognition in the law relating to statutory long-term care insurance. People without children were required to pay a supplement of 0.25%, raising the contribution rate paid by a childless employee from 0.975% to 1.225% as of 1 July 2008. In 2013 and 2014, the contribution rate of a childless employee added up to 1.275%. In 2015 and 2016, the contribution rate amounted to 1.425% for a childless employee. As of 1 January 2017, the contribution rate was raised to 1.525% for a childless employee. Since January 2019, a childless employee has had to pay a contribution rate of 1.775%. As of 1 January 2022, the contribution rate added up to 1.875% for a childless employee until 30 June 2023. As of 1 July 2023, the contribution rate amounted to 2.3% for a childless employee. As of 1 January 2025, the contribution rate is increased to 2.4% for a childless employee. This regulation does not affect the employer's payment. Employer always have to pay half of the standard contribution rate.

Work injury

Employer only.

Family allowances

None.

Others

None.

Employers' contributions

See Section on Employees' contributions.

Pensions, sickness, unemployment, care:

See Section on Employees' contributions.

Work injury

Germany implemented a statutory occupational accident insurance. It is provided by industrial, agricultural and public-sector employers' liability insurance funds. This insurance protects employees and their families

against the consequences of accidents at work and occupational illnesses. It is funded by contributions paid by employers only. The amount of the employer's contributions depends on the sum of employee's annual pay and the employer's respective hazard level. As it is not possible to identify a representative contribution rate, these amounts are not considered in this report.

Family allowances

None.

Others

None.

Universal Cash Transfers

Transfers related to marital status

None.

Transfers for dependent children

None.

Main Changes in Tax/Benefit Systems Since 1997

The following table shows changes in the tax credit and the tax allowance for children since 1997:

Year	Child credit				Child allowance
	First child	Second child	Third child	Fourth and subsequent children	
1997	1 350	1 350	1 841	2 147	3 534
1999	1 534	1 534	1 841	2 147	3 534
2000	1 657	1 657	1 841	2 147	5 080
2002	1 848	1 848	1 848	2 148	5 808
2009*1	1 968	1 968	2 040	2 340	6 024
2010	2 208	2 208	2 280	2 580	7 008
2015	2 256	2 256	2 328	2 628	7 152
2016	2 280	2 280	2 352	2 652	7 248
2017	2 304	2 304	2 376	2 676	7 356
2018	2 328	2 328	2 400	2 700	7 428
2019	2 388	2 388	2 460	2 760	7 620
2020*2	2 448	2 448	2 520	2 820	7 812
2021*3	2 628	2 628	2 700	3 000	8 388
2022*4	2 628	2 628	2 700	3 000	8 548
2023	3 000	3 000	3 000	3 000	8 952
2024	3 000	3 000	3 000	3 000	9 540
2025	3 060	3 060	3 060	3 060	9 600

*1 plus EUR 100 one-off child credit payment for each child.

*2 plus EUR 300 one-time bonus benefit payment per child

*3 plus EUR 150 one-time bonus benefit payment per child

*4 plus EUR 100 one-time bonus benefit payment per child

Up to 2004, the calculation of the relief for social security contributions and other expenses proceeded in three steps. First, EUR 3 068/6 136 (singles/couples) were deducted. These amounts were, however, lowered by 16% of gross wages (serving as a proxy for employers' social security contributions). This deduction was provided as a partial compensation for the self-employed who do not receive tax-free employers' social security contributions. Second, the remaining expenses were deductible up to EUR 1 334/2 668 (singles/couples). Third, half of the remaining expenses were deductible up to EUR 667/1 334 (singles/couples).

In 2004, the tax rate was reduced and the formula for calculating the income tax was changed. The relief for lone parents was reduced to EUR 1 308, the lump sum allowance for work related expenses was reduced to EUR 920.

As from 1 January 2005, the final stage of the 2000-tax reform came into effect. The bottom and top income tax rates were further reduced to 15% and 42%. Since 1998, both the bottom and top income tax rate have been reduced by about 11 percentage points while the personal allowance has been raised from EUR 6 322 to EUR 7 664. The tax cuts reduce the tax burden for all income taxpayers, providing the greatest relief to employees and families with low and medium incomes as well as to small- and medium-sized unincorporated businesses.

On 1 January 2005, the law regulating the taxation of pensions and pension expenses entered into force. The law provides a gradual transition to ex-post taxation of pensions paid by the statutory pension insurance. In the long run, the tax treatment of capital-based employee pension schemes based on a contract between employer and employee will be reformed in the same way as the tax treatment in respect of the state pension scheme. In addition to the increased deductibility of contributions to the state and certain private pension schemes, the law contains rules which are intended to increase the attractiveness of private capital-based pension schemes and to encourage individuals to invest privately for their old-age pension.

Up to 30 June of 2005, employees paid half of the sickness insurance contributions; the employer paid the other half. As from 1 July 2005, members of the statutory health insurance scheme also paid an income-linked contribution of 0.9% to which employers do not contributed. In return from 1 July 2005, all statutory health insurance funds have reduced their contribution rates by 0.9 percentage points.

In 2007, a new top income tax rate of 45% was introduced for taxable income above EUR 250 000 (EUR 500 000 for jointly assessed spouses).

In 2009, the bottom income tax rate was reduced to 14%. The basic allowance was increased to EUR 7 834. All thresholds were increased by EUR 400.

Since 1 January 2010, the basic allowance has been augmented to EUR 8 004 and all thresholds have been increased by EUR 330. Furthermore, new legislation improves the tax treatment of expenditure on health insurance and long-term care insurance. As of 1 January 2013, the basic allowance rose to EUR 8 130. As of 1 January 2014, the basic allowance was increased to EUR 8 354. As of 1 January 2015, the basic allowance amounted to EUR 8 472. The standard relief for lone parents adds up to EUR 1 908. Lone parents are entitled to an extra allowance of EUR 240 for the second and each subsequent child.

In 2020, the standard tax allowance for lone parents was increased to EUR 4 008. Initially, this was a temporary measure for the years 2020 and 2021 to mitigate the particular challenges faced by this family type due to the pandemic. Later on, the increase was made permanent from 2022 onwards to further support single parents. As of 1 January 2023, the standard tax allowance for lone parents amounts to EUR 4 260.

Since 1 January 2016, the basic allowance was increased to EUR 8 652. As of 1 January 2017, the basic allowance was raised to EUR 8 820. Since 1 January 2018, the basic allowance was increased to EUR 9 000. As of 1 January 2019, the basic allowance was raised to EUR 9 168. In 2020, the basic

allowance amounted to EUR 9 408. In 2021, the basic allowance was increased to EUR 9 744 and the thresholds for tax rates were increased to account for the impact of inflation. The basic allowance was further increased from EUR 9 984 to EUR 10 347 with retroactive effect from 1 January 2022 (moving the thresholds for tax rates accordingly). Furthermore, all workers who are liable to income tax received a one-off energy price allowance of EUR 300. As of 1 January 2023, the basic allowance added up to EUR 10 908. The basic allowance was further increased from EUR 11 604 to EUR 11 784 with retroactive effect from 1 January 2024. In 2025, the basic allowance amounts to EUR 12 096 (see the Tax schedule section).

The steep increase of the thresholds for the solidarity surcharge (see Solidarity surcharge section) corresponds to an abolishment for around 90% of those who paid it in 2020. For a further 6.5% of taxpayers, the surcharge has been reduced. As of 1 January 2023, the exemption limit for raising solidarity surcharge was extended to an income tax liability of EUR 17 543/35 086 (singles/couples) and rose to EUR 18 130/36 260 (singles/couples) as of 1 January 2024. In 2025, the exemption limit for raising solidarity surcharge is increased to EUR 19 950/39 900 (singles/couples).

Memorandum Items

Average gross annual earnings calculation

- Source of calculation: Federal Statistical Office.
- Excluding sickness and unemployment, including normal overtime and bonuses.

Employer's contributions to private pension, etc. schemes

No information available, though such schemes do exist.

2025 Parameter values

Average earnings/yr	Ave_earn	66 700	Secretariat estimate
Tax allowances	Child_al	9 600	
Lone Parents, first child	Lone_al	4 260	
Lone parents, subsequent child	Lone_al_add	240	
Work related	Work_rel_al	1 230	
SSC allowance	SSC_dn	3068	
	SSC_dn_rt	0.16	
	SSC_dn_lim	1 334	
	SSC_dn_lump_rt	0.2	
Allow. for special expenses	SE_al	36	
Church tax rate	Ch_tax_rt	0	
Tax formula	Tax_rate2	0.42	
	Tax_rate3	0.45	
	Tax_thrsh1	12 096	
	Tax_thrsh2	17 443	
Top Rate Tax Reduction	Reduction	10 911.92	
	Reduction2	19 246.67	
Tax Equation Rates			
tax_eqn_rates	Squared	Single	Constant
Z	176.64	2 397	1 015.13
Y	932.30	1 400	0
Income tax rate stage	tax_first_stage	12 096	
	tax_second_stage	17 443	
	tax_third_stage	68 480	
	tax_fourth_stage	277 825	
Solidarity Surcharge	surcharge	0.055	
Solidarity Exemption Limit	surcharge_limit	19 950	
Alternative Surcharge Rate	surcharge_alt	0.119	
Child credit	Ch_cred		
	1. ch.	3 060	
	2. ch.	3 060	
	3.ch.	3 060	
	4.ch.	3 060	

2025 Parameter values

Social security	Sickness	Pension	Unemployment	Care	Alternative employer rate	SSC Factor F	SSC_floor	SSC_floor1
period_1	12	12	12	12	12	12	12	
period_2	0	0	0	0				
sum (Month's)	12	12	12	12	12	12	12	
employer_1	0.0855	0.093	0.013	0.018	0.3	0.6683	24 000	6 672.0
employer_2	0	0	0	0				
employee_1	0.0855	0.093	0.013	0.018	0.036	0.6683	24 000	6 672.0
employee_2	0	0	0	0				
childless_1	0.0855	0.093	0.013	0.024	0.036	0.6683	24 000	6 672.0
childless_2	0	0	0	0				
deduction_per_child2_5_1				0				
deduction_per_child2_5_2				0.0025				
ceil	66 150	96 600	96 600	66 150	2 100			
SSC miners' pension ceiling	SSC_pension_miners_ceil	118 800						
SSC miners' contribution rate	SSC_pension_miners_rate	0.247						

2025 Tax equations

The equations for the German system in 2025 are mostly calculated on a family basis.

The standard functions which are used in the equations are described in the technical note about tax equations. The function `acttax` carries out a rounded calculation for the tables but the unrounded version `purtax` is used in calculating the marginal rates.

For a taxpayer with children, either the child allowance or the cash transfer is included in the tax calculating depending on which option is more beneficial. In practice, therefore, it is necessary to calculate both the option with and without the child allowance. However, the calculation of solidarity surcharge is always based on the calculation which does assume that the child tax allowance is given.

Variable names are defined in the table of parameters above, within the equations table, or are the standard variables “married” and “children”. The affixes “_princ” and “_spouse” on Variable names in functions indicate that the values have to be calculated for the principal and spouse, respectively. The parameter year in function `SSC_Allowance` is the year for which you calculate the Allowance.

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings	earn		Ave_earn-Infl_payment
	Quotient for tax calculation	quotient	J	1+Married
2.	Allowances:			
	Children	children_al	J	Children*Child_al
	Lone parent	lone_allce	J	Children>0)*(Married=0)*Lone_al+(Children>0)*(Married=0)*(Children-1)*Lone_al_add
	Soc sec contributions	SSC_al	J	Function: SSC_Allowance(earn_princ, earn_spouse, SSC_princ + SSC_spouse, Quotient, SSC_dn, SSC_dn_rt, SSC_dn_lim, SSC_dn_lump_rt, If(Children>0; "employee"; "childless"), year, rounded)
	Work related	work_al	J	Work_rel_al+MIN(earn_spouse,Work_rel_al)
	Allow. for special expenses	SE_al	J	SE_al*quotient
	Total	tax_al	J	children_al+SSC_al+work_al+ lone_allce + SE_al
3.	Credits in taxable income	taxbl_cr	J	0
4.	CG taxable income	tax_inc	J	earn-tax_al
5.	CG tax before credits			
	adjusted taxable income	adj	J	tax_inc/quotient
	Formula based tax schedule	tax_formula	J	Function: acttax(taxinc, rate, reduction, threshold1, threshold2, threshold3, equationrate, tax_first_stage, tax_second_stage, tax_third_stage, tax_fourth_stage, rate2, reduction2)
	Adjust for the quotient	tax_adj	J	Quotient*tax_formula
	Include solidarity surcharge	sol_surch	J	MIN(tax_adj * surcharge, Positive(tax_adj - surcharge_limit*Quotient) * surcharge_alt)
	Tax paid	CG_tax_excl	J	tax_adj+sol_surch
6.	Tax credits :	tax_cr	J	0
7.	CG tax	CG_tax	J	CG_tax_excl
8.	State and local taxes	local_tax	J	0
9.	Employees' soc security	SSC	B	Function: SSC (earn_princ, If(Children>0; "employee"; "childless"), rounded) + SSC (earn_spouse, If(Children>0; "employee"; "childless"), rounded)
11.	Cash transfers	Cash_tran	J	Children*ch_cred
13.	Employer's soc security	SSC_empr	B	Function: SSC (earn_princ, "employer", rounded) + SSC (earn_spouse, "employer", rounded)

Key to range of equation

B calculated separately for both principal earner and spouse

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

J calculated once only on a joint basis

Greece

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

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

Greece 2025

The tax/benefit position of single persons

		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1	Gross wage earnings		17 797	26 563	44 360	17 797
2	Standard tax allowances					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		2 379	3 551	5 931	2 379
	Work-related expenses					
	Other					
	Total		2 379	3 551	5 931	2 379
3	Tax credits or cash transfers included in taxable income		0	0	0	0
4	Central government taxable income (1 - 2 + 3)		15 417	23 011	38 429	15 417
5	Central government income tax liability (exclusive of tax credits)		2 092	3 943	8 934	2 092
6	Tax credits					
	Basic credit		709	557	248	1 052
	Married or head of family					
	Children					
	Other					
	Total		709	557	248	1 052
7	Central government income tax finally paid (5-6)		1 383	3 386	8 686	1 040
8	State and local taxes		0	0	0	0
9	Employees' compulsory social security contributions					
	Gross earnings		2 379	3 551	5 931	2 379
	Taxable income					
	Total		2 379	3 551	5 931	2 379
10	Total payments to general government (7 + 8 + 9)		3 763	6 938	14 617	3 420
11	Cash transfers from general government					
	For head of family					
	For two children		0	0	0	1 008
	Total		0	0	0	1 008
12	Take-home pay (1-10+11)		14 034	19 625	29 743	15 385
13	Employer's compulsory social security contributions		3 878	5 788	9 666	3 878
14	Average rates					
	Income tax		7.8%	12.7%	19.6%	5.8%
	Employees' social security contributions		13.4%	13.4%	13.4%	13.4%
	Total payments less cash transfers		21.1%	26.1%	33.0%	13.6%
	Total tax wedge including employer's social security contributions		35.3%	39.3%	44.9%	29.0%
15	Marginal rates					
	Total payments less cash transfers: Principal earner		34.2%	39.4%	46.3%	34.2%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		45.9%	50.2%	55.9%	45.9%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Greece 2025

The tax/benefit position of married couples

Wage level (per cent of average wage)		100-0	100-67	100-100	100-67
Number of children		2	2	2	none
1	Gross wage earnings	29 219	48 795	58 438	48 795
2	Standard tax allowances				
	Basic allowance				
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes	3 907	6 524	7 813	6 524
	Work-related expenses				
	Other				
	Total	3 907	6 524	7 813	6 524
3	Tax credits or cash transfers included in taxable income	0	0	0	0
4	Central government taxable income (1 - 2 + 3)	25 312	42 272	50 625	42 272
5	Central government income tax liability (exclusive of tax credits)	4 587	7 018	9 175	7 018
6	Tax credits				
	Basic credit	854	1 875	1 708	1 189
	Married or head of family				
	Children				
	Other				
	Total	854	1 875	1 708	1 189
7	Central government income tax finally paid (5-6)	3 734	5 144	7 467	5 830
8	State and local taxes	0	0	0	0
9	Employees' compulsory social security contributions				
	Gross earnings	3 907	6 524	7 813	6 524
	Taxable income				
	Total	3 907	6 524	7 813	6 524
10	Total payments to general government (7 + 8 + 9)	7 640	11 668	15 280	12 354
11	Cash transfers from general government				
	For head of family				
	For two children	672	0	0	0
	Total	672	0	0	0
12	Take-home pay (1-10+11)	22 251	37 128	43 157	36 442
13	Employer's compulsory social security contributions	6 367	10 633	12 734	10 633
14	Average rates				
	Income tax	12.8%	10.5%	12.8%	11.9%
	Employees' social security contributions	13.4%	13.4%	13.4%	13.4%
	Total payments less cash transfers	23.8%	23.9%	26.1%	25.3%
	Total tax wedge including employer's social security contributions	37.5%	37.5%	39.4%	38.7%
15	Marginal rates				
	Total payments less cash transfers: Principal earner	39.4%	39.4%	39.4%	39.4%
	Total payments less cash transfers: Spouse	23.0%	34.2%	39.4%	34.2%
	Total tax wedge: Principal earner	50.2%	50.2%	50.2%	50.2%
	Total tax wedge: Spouse	36.8%	45.9%	50.2%	45.9%

The national currency is the Euro (EUR). In 2025, EUR 0.88 was equal to USD 1. In 2025, the estimated gross earnings of the average worker are EUR 26 563 (Secretariat estimate).

Personal income tax system

Central government income tax

Tax unit

Individuals are subject to national income tax.

Individuals who are Greek tax residents are subject to income tax in Greece on their worldwide income earned in a certain tax year, whereas non-residents are subject to tax in Greece only on income sourced in Greece irrespective of their nationality, or place of domicile. Moreover, an individual whose stay in Greece exceeds 183 days cumulatively in a twelve-month period is considered as a tax resident in Greece and is subject to tax of his/her worldwide income irrespective of the individual's nationality. This does not apply in the case of individuals who are in Greece exclusively for tourism or medical, therapeutic or similar purposes of private nature and their stay does not exceed 365 days, including short periods of stay abroad. Due consideration is given to bilateral conventions, for the elimination of double taxation, their provisions superseding domestic law.

Individuals who have completed 18 years of age are obliged to file an income tax return regardless of whether they have taxable income or not.

Spouses file a joint income tax return but each spouse is liable for the tax payable on his or her share of the joint income. Persons who have entered into a civil union – partnership can also file a joint income tax return. In this case, civil union partners have the same tax treatment as married couples. The tax return can be filed separately, if at least one of the spouses opts for it, with a declaration until 28 February of the year of submission of the return. The choice of separate return is binding on the other spouse as well, is irrevocable for the first year concerned and is valid for each subsequent tax year, if it is not revoked by February 28 of the respective year.

Regarding income derived by minor children, the parent who has the custody is liable for filing a tax return. The income of minor children is added to the income of the parent who has the custody and is taxed in the name of the parent who is in principle liable for tax filing. This provision does not apply to the following types of income, in respect of which the minor child has a personal tax obligation: a) employment income and b) pensions due to the death of his father or mother.

Losses incurred by a spouse or civil union partner cannot be set off against the income of the other spouse or partner. Spouses or civil union partners file a return separately if (a) they have been divorced or have terminated the civil partnership at the time of the tax filing or (b) one of the spouses or civil union partners is bankrupt or has been subject to guardianship. The taxpayer's spouse can be considered as a dependent member, provided that he/she does not have any taxable income.

As dependent members, related to the taxpayer, are regarded single children under the age of 18, single adult children up to the age of 25 years studying at the university or serving their military service or registered as unemployed to the Service of Employment (DYPA); taxpayers are deemed to be in charge for their ascendants and/or their spouses' relatives (up to the 3rd degree) who are orphans provided that they live with them and their annual taxable income does not exceed the amount of EUR 3 000 (alimony and disability benefits and similar allowances are not included). The taxpayer children and siblings of both spouses with a disability of at least 67% who are single or divorced or widowed: are also considered as dependent members, unless their annual income exceeds the amount of EUR 6 000 (not including alimony and disability benefits and similar allowances).

*Tax allowances and tax credits***Standard tax reliefs**

- Social security contributions: all compulsory social security contributions and optional contributions to legally constituted funds are fully deductible from taxable gross income.
- Tax is reduced for employees and pensioners, for each tax bracket, as follows:
 - by EUR 777 for annual income up to EUR 12 000, for taxpayers with no dependent children.
 - by EUR 900 for annual income up to EUR 12 000 for taxpayers with one dependent child.
 - by EUR 1120 for annual income up to EUR 12 000 for taxpayers with two dependent children.
 - by EUR 1340 for annual income up to EUR 12 000 for taxpayers with 3 dependent children.
 - by EUR 1580 for annual income up to EUR 12 000 for taxpayers with 4 dependent children.
 - by EUR 1780 for annual income up to EUR 12 000 for taxpayers with 5 dependent children
 - for taxpayers with more than 5 dependent children, the above-mentioned tax credit is increased by EUR 220 per child.
 - for income exceeding EUR 12 000, the aforementioned tax credit is reduced by EUR 20 for every EUR 1 000 of taxable income, which does not apply to taxpayers with 5 or more dependent children.

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

During the tax year, the taxpayer is required to make payments for acquiring goods and receiving services within the country or in Member States of the European Union or EEA, which have been paid through electronic payments, the minimum amount of which has to be 30% of taxable income derived from wages, pensions, business activity, and up to EUR 20 000. If this number of electronic payments is not reached, a penalty of 22% is imposed to the remaining amount. The calculation of the income does not include the amount of alimony given to the divorced spouse or a civil union partner and/or a dependent child, if it is paid by electronic means of payment. In the case that the expenses incurred concern PIT payments and Single Property Ownership Tax (ENFIA), loan obligations to financial institutions and rents exceeding 60% of the income, the required expenses are limited to 20% of taxable income; this applies provided that such expenses have been effected with electronic means of payment.

The amount of tax, as calculated for each tax bracket, is further reduced by EUR 200 for the taxpayer as well as for each dependent member, provided that the taxpayer or his/her dependents are disabled (over 67%) or disabled soldiers or military personnel injured in the course of their duties or war victims or victims of terrorist attacks or in case they receive pension by the State in the capacity of war victims or on grounds of disability.

Note: Foreign tax residents are not eligible to tax deductions, unless they are tax resident in an EU/EEA member State and (a) derive at least 90% of their worldwide income from sources in Greece or (b) prove that their taxable income is so low that they would be entitled to tax reduction under the tax legislation of the State of their tax residency.

Non-Standard tax credits

The payable amount of tax is reduced by 20% on the donations to certain bodies, as well as to political parties, party alliances and candidates for the National Parliament and the European Parliament, if donations exceed the amount of EUR 100 during the tax year and are deposited in special accounts held for this purpose at a bank legally operating in an EU or EEA Member State. The total amount of donations cannot exceed 5% of the taxable income. Especially for donations to charitable institutions and registered Civil Society Organizations, the amount of tax is reduced by 40% on the amounts of donations, as long as the donations exceed during the tax year the amount of EUR 100 and are deposited in special accounts

held for this purpose at a bank legally operating in an EU or EEA Member State. The total amount of donations in this case cannot exceed 40% of the taxable income.

Exemptions

Certain types of income, as specified in the Income Tax Code are exempt from the tax.

Examples:

- income earned in the performance of their duties by foreign diplomatic representatives or consulate agents, employees of embassies and consulates that have the nationality of the represented State as well as by individuals working in the EU Institutions or other International Organizations that have been installed under an international treaty applied by Greece.
- alimony received by the beneficiary according to the Court adjudication or notary Document;
- all forms of pensions provided to war victims and their families, as well as to soldiers and military personnel injured in the course of their duties in times of peace.
- salaries, pensions etc. paid to disabled persons (minimum level of disability 80%).
- unemployment benefits granted by the National Employment Organisation (OAED) provided that the total annual income of the beneficiary does not exceed the amount of EUR 10 000.
- financial aid to recognized political refugees, to persons residing temporarily in Greece for humanitarian reasons and to persons that have submitted the relevant application to the competent Greek authorities, paid by bodies carrying out refugee aid schemes financed by the UN and the EU.
- the benefit for hazardous labour provided to employees working in the armed forces, the police, the fire brigade, the coastal police, and the special compensation to staff provided first aid services up to 100% and the flying compensation to pilots of civil aviation up to 65%.
- the fees paid by the World Association of Disabled Artists (VDM.FK) to the members of foot and mouth painters, who are tax residents of Greece, exclusively for the work of painting paid by the Union with exchange.
- pensioners' social solidarity allowance (EKAS-EFKA).
- Income from employment obtained by foreign officers and low crew members of merchant ships, who are foreign tax residents, on merchant ships with Greek flag, which perform exclusively international trips.

Note: Payments related to benefits and similar allowances provided to special categories of disabled persons are excluded for the determination of income since 1/1/2022.

Tax calculation

Taxable income is derived from the following sources:

- a) income from employment and pensions.
- b) income from business activity
- c) investment income which includes income from dividends, interest, royalties and income from immovable property (rental income).
- d) income from capital gains, which includes income deriving on transfer of real estate or securities.

Net income is computed separately within each category with tax rules that vary across income categories.

The taxpayer is subject to an alternative minimum tax when his/her imputed income is higher than his/her total declared income. In this case, the difference between imputed and actual income is added to the taxable income. Imputed income is calculated based on the taxpayer's and his/her dependents' living expenses.

Income from employment is subject to withholding tax. The tax is withheld by the employer and is calculated by applying the taxpayer's progressive income tax schedule. The employer calculates the withholding tax on the basis of the taxpayer's annual net salary (net of social security contributions). The resulting tax is the annual tax due, 1/14 of which constitutes the monthly withholding tax for the private sector's employees (every employee in the private sector receives 14 monthly salaries per year, i.e., 12 monthly salaries plus one salary as Christmas bonus, ½ salary as Easter bonus and ½ salary as summer vacation bonus). For the employees of the public sector, the monthly withholding tax is calculated as 1/12 of the annual tax due, because of the fact that bonuses in the public sector have been eliminated. If the taxpayer's final tax liability (derived from the annual declared income) exceeds the aggregate of the amounts already withheld or prepaid, the remaining tax is generally payable in eight equal monthly instalments. Any excess tax paid or withheld will be refunded.

Rate schedule

Depending on the income category the following tax schedules apply:

Income from employment and pensions is pooled together with income from business activity and is taxed at the following rates:

Income bracket (EUR)	Tax rate (%)	Tax bracket (EUR)	Total amount	
			Income (EUR)	Tax (EUR)
10 000	9%	900	10 000	900
10 000	22%	2 200	20 000	3 100
10 000	28%	2 800	30 000	5 900
10 000	36%	3 600	40 000	9 500
Excess	44%			

The above tax scale does not apply for employment income acquired by:

- Officers working in merchant ships, whose income is taxed at a 15% flat rate.
- Low- crew members working in merchant ships, whose income is taxed at a 10% flat rate.
- Pilots, co-pilots and aircraft engineers who are tax residents in Greece for their monthly compensation, which is taxed at a tax flat rate of 15% and whose air company has a tax residency or permanent establishment in Greece,
- Members of the Independent Board of Refugees Appeal for their monthly compensation, which is taxed at a tax flat rate of 15%.
- The aforementioned categories of employment income are taxed independently, with exhaustion of the tax liability of their beneficiaries.
- Athletes and coaches paid by athletic SA's and coaching educators paid by federations when their annual income deriving by the signing of a transfer, renewal or termination contract exceeds the amount of 40 000 EUR are taxed at a rate of 22%.

For deductions see section on Standard tax reliefs.

Income from agricultural business is taxed independently but ~~with~~ under the same tax schedule. The previously described tax credit is granted to farmers as well. In case a farmer is earning income from employment / pension, only one tax credit is given.

Income from dividends is taxed at a 5% flat rate, income from interest is taxed at a 15% flat rate and income from royalties is taxed at a 20% flat rate.

Income from immovable property (Rental Income) is taxed at the following rates:

Income	Tax Rate
0-12.000	15%
12.001 – 35.000	35%
35.001-	45%

The income earned by individuals from the short-term rental of up to two (2) properties, (as defined in Article 111 of Law 4446/2016) is considered income from immovable property, provided that the properties are rented furnished without the provision of any services other than the supply of bed linen. If any additional services are provided, this income is classified as income from business activity. Income derived from short-term rentals by individuals who lease three (3) or more properties is also considered income from business activity.

Income from capital gains is taxed at a 15% flat rate.

Income tax return submission and tax payment for tax year 2024

Income tax returns are timely submitted by 21 July 2025 and the tax is paid in eight (8) equal, monthly instalments of which the first by 31/7/2025 and the following within the last working day of seven (7) next months.

State and local income taxes

There are no local income taxes in Greece.

Mandatory Social Security Contributions to schemes operated within the Government Sector

The great majority of individuals who are employed in the public and private sector and render dependent personal services are subject to a mandatory principal and direct insurance at the Electronic National Social Security Fund (e-EFKA) for their main and supplementary pension, their lump sum benefit and their health care.

Apart from the main contribution, e-EFKA compulsorily collects contributions for other minor Funds created for the employee's benefit (Unemployment Benefits Funds, etc.).

The average rates of contributions payable by white-collar employees as a percentage of gross earnings are as follows (%):

For the period 1 January, 2025, to 31 December, 2025

For work in private and public sector

	Employer	Employee	Total
1. National Social Security Fund (e- EFKA) – Main Pension	13.33	6.67	20.00
e-EFKA- Supplementary Pension (exETEAP) or TEKA*	3.00	3.00	6.00
3. Healthcare Coverage	4.05	2.05	6.10
4. Other Funds	1.41	1.65	3.06
Total	21.79	13,37	35.16

Note: * From 1 January 2022, new entrants in labour market are subject to the new Hellenic Auxiliary Pensions Defined Contributions Fund (TEKA). The contributions rates (for employees and employers) are the same as for the Branch of Supplementary Insurance of e-EFKA (ex. ETEAP). Those already insured aged under 35 (born after 1.1.1987) had the right to select until 31/12/2024 to switch compulsory supplementary insurance from e-EFKA to TEKA.

For blue-collar workers engaged in heavy work (unhealthy, dangerous etc.), higher contributions are due (16.82% paid by the employee and 32.427% paid by the employer ensuring that such individuals become eligible for pension benefits five years earlier than other workers), (extra 2.20% for e-EFKA- Main Pension and 1.25% for e- EFKA - Supplementary Pension of TEKA, contributed by the employee, and extra 1.75% for e-EFKA- Main Pension and 0.94% for e-EFKA -Supplementary Pension or TEKA, contributed by the employer). In the industrial sector, an additional 1% contribution is imposed as an occupational risk contribution which is paid by the employer, given that these workers are subject to heightened risk of labour accidents and occupational diseases due to the challenging conditions of their employment

It should be noted that from 1.1.2025 the upper limit of insurable earnings is set to EUR 7,572.62 (increased by 2.7%, in comparison with that of 1.1.2024).

The contribution for lawyers and engineers providing dependent services (Law 4756/2020, art. 35) of the Supplementary Insurance Branch of e-EFKA or TEKA is a fixed sum of EUR 45.43 EUR 54.76 or EUR 65.25 per month, depending on the respective insurance class level This contribution is shared between the lawyer or engineer and their employer.

For the Lump Sum Branch of e-EFKA, the contribution and the monthly basis on which the contribution is calculated, for employees first insured before 1993, is determined by the statute of the former social security body which was integrated into e-EFKA. The contribution for employees first insured after 1993, is set at 4%. The monthly basis, on which the contribution is calculated, is the same basis amount as for e-EFKA.

Insurance contribution for the engineers, lawyers and doctors providing dependent services and insured under the Lump-sum Branch of e-EFKA is calculated from 1 January 2025 as a fixed amount of EUR 30.29, EUR 36.12 or EUR 43.10 per month, depending on the respective insurance class. The insured persons are subject to the first insurance class, onwards they are entitled to opt for their insurance class. The contribution for lawyers is shared between the lawyer and his/her employer.

Old-age pensioners pay contributions according to general rules if they work. Moreover, the old-age pensioners pay an additional contribution of 10% (7.7% for main insurance and 2.3% for supplementary insurance) on their salary. Lawyers and engineers pay an additional contribution of 7.7% on their salary and 40% on the above fixed amounts for the Supplementary Insurance Branch of E-EFKA.

All the above social security contributions are fully deductible for income tax purposes.

Universal Cash Transfers

Transfers related to marital status

According to the National General Collective Labour Agreement, a marriage allowance, which is set at a rate of 10% of the gross salary, is granted only to workers employed by employers that belong to the contracting employer organisations¹. For public servants no marriage benefit is granted.

Transfers for dependent children

According to the Law 4512/2018, the “Single children support allowance” is calculated according to the number of dependent children as well as the household equivalent income category.

The equivalence scale assigns a value of 1 to the first household member of 1/2 to the spouse and of 1/4 to each dependent child. Especially, for single parent families, a value of 1/2 is assigned to the first dependent child and a value of 1/4 to each additional child.

Households that are entitled to the allowance are divided into three income categories according to their income:

- a) Household equivalent income of < EUR 6 000: monthly allowance of EUR 70 for the first child, EUR 70 for the second child and EUR 140 for every additional child.

- b) Household equivalent income of EUR 6 001 – 10 000: monthly allowance of EUR 42 for the first child, EUR 42 for the second child and EUR 84 for every additional child.
- c) Household equivalent income of EUR 10 001 – 15 000: monthly allowance of EUR 28 for the first child, EUR 28 for the second child and EUR 56 for every additional child.

Main Changes in the Tax/benefit System since 2016

The changes in the tax and benefit system since 2016 include the following:

- A new income tax scale was introduced with Law 4646/2019 for tax years 2020 and onwards, reducing the tax rate for the lower tax bracket (income up to EUR 10 000) from 22% to 9%; for the calculation of tax reduction, (s. 1.1.2.1.)
- The standard tax credit for taxpayers with dependent children was further increased with Law 5045/2023
- Law 5073/2023 introduced a deemed income alternative minimum tax for individuals involved in entrepreneurial activity, the self employed and freelancers. An individual engaged in such activity is deemed to earn a minimum annual income from business activity which cannot be lower than the annual gross minimum wage or the amount corresponding to the gross earnings of the highest-paid employee, whichever is higher.
- Since 1/1/2017, social security contributions have been reduced by 5.9% in total (including the fields of main pension, supplementary pension, healthcare insurance, other funds like unemployment benefits funds, etc).

Memorandum items

Identification of an AW and method of calculations used

Methodological note for the estimation of the average annual earnings per employee, for the period 2000 – 2018

Terminology and coverage

The average annual earnings below refer to full time employees for Sectors C to N of ISIC Rev.3.1, before 2008, and for Sectors B to N including Division 95 and excluding Divisions 37, 39 and 75 of ISIC Rev. 4, for 2008 onwards.

Data sources

In the estimation procedure of the average annual earnings per employee, for the period 2000-2018 the following data are taken into account:

- Annual earnings and number of employees, as derived from the Structure of Earnings Survey (SES), of the years 2002, 2006, 2010, and 2014.
- Hours worked and annual average number of employees, as derived from the Labour Force Survey (LFS), of the years 2000 – 2018.
- Average annual earnings indices, as derived from the Indices on Quarterly Labour Cost Survey, of the years 2000 – 2018.

Annual Gross Earning per full time employee B-N 2000-2023 Greece	
Year	NACE Rev 2 classification
2000	15 458.90
2001	15 715.43
2002	17 358.52

2003	19 239.95
2004	21 446.10
2005	22 012.44
2006	23 799.82
2007	23 934.54
2008	23 849.78
2009	24 568.74
2010	24 155.88
2011	23 882.80
2012	23 277.04
2013	21 048.21
2014	21 321.50
2015	20 455.33
2016	19 991.43
2017	19 859.39
2018	19 923.52
2019	20 301.46
2020	18 709.36
2021	20 057.37
2022	22 181.63
2023	24 058.73
2024	25 679.80

Notes:

1. The Average gross Annual Earnings per **full time employee** for the period 2000 to 2024 includes:
 - The special payments for shift and night work, as well as work during weekends and holidays;
 - The total annual bonuses as well as those that are regularly paid on a monthly basis, the 13th salary (Christmas salary, where applicable) and 14th salary (Easter and vacation payments, where applicable).
 - The annual bonuses based on productivity.
 - The education and working time allowance.
 - The marriage and children allowance.

and excludes:

- The annual payments in kind: foods, drinks, footwear, clothes, accommodation, business cars provided, mobile phones, etc.
 - The annual premiums related to profit-sharing schemes.
2. The data for 2019 and onwards will be revised when the final results of the SES 2022 will be available. Data for 2021 have been revised due to correction for LCI_Wages 2021.
 3. Data in bold refer to data from SES 2002, 2006, 2010, 2014 and 2018.
 4. It should be noted that the data with reference years 2000 - 2005 are different from those of the succeeding years with regard to the source that was used for the calculation of the LCI_Wages. For the years 2000 - 2005 the index was calculated on the basis of data from National Accounts deriving from administrative sources, while for the years 2006 - 2022 the calculation of LCI_Wages was based on the quarterly Labour Cost Survey.
 5. Finally, we would like to inform you that the data refer to the mean yearly gross income for full-time paid employees, regardless of: Marital status – Number of children – Employer's contributions – Taxes paid.

Source: ELSTAT

Main employers' contributions to private pension, health, and related schemes

Contributions to private pension and sickness schemes made by employers are not added to employees' gross earnings for tax purposes (but they are subject to special taxation entailing extinction of tax liability). Since these contributions are not obligatory for employers, no data is provided by the Hellenic Statistical Authority. Very few employers have adopted such additional insurance schemes.

2025 Parameter values

Average earnings/yr	Ave_earn	26 563	Secretariat estimate
Tax credit	Child_cred	0	
Rates of family subsidies			
paid by employers	Wife_sub	0.1	
children (up to 3)	Child_sub	0	
Income tax schedule	Tax_sch	0.09	10 000
		0.22	20 000
		0.28	30 000
		0.36	40 000
		0.44	
Tax deduction	tax_cred	777	
	tax_cred_1dc	900	
	tax_cred_2dc	1 120	
	tax_cred_3dc	1 340	
	tax_cred_4dc	1 580	
	tax_cred_5dc	1 780	
	tax_cred_over5	220	
	tax_cred_thrsh	12 000	
	tax_cred_red	0.02	
Social security contributions	SSC_rate	0.1337	
	SSC_rate_empr	0.2179	
	SSC_ceil	106 016.68	
	SSC_ceil_use	1	
Single children support allowance	Child_all	0	840
		6000	504
		10 000	336
		15 000	0
	Spouse_weight	0.50	
	Child_weight	0.25	

2025 Tax equations

The equations for the Greek system in 2025 are mostly on an individual basis. The level of gross earnings for the principal earner is increased by the spouse and child subsidy paid by the employer.

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

	Line in country table and intermediate steps	Variable name	Range	Equation
1	Earnings	earn_princ	P	$Ave\_earn * (1 + Married * Wife\_sub + MIN(Children, 3) * Child\_sub)$
		earn_spouse	S	$Ave\_earn * (1 + Married * Wife\_sub + MIN(Children, 3) * Child\_sub)$
2	Allowances:	tax_al	B	SSC
3	Credits in taxable income	taxbl_cr		0
4	CG taxable income	tax_inc	B	$Positive(earn - tax\_al)$
5	CG tax before credits	CG_tax_excl	B	$Tax(tax\_inc, tax\_sch) - Low\_rate * Positive(MIN(Effect\_low\_band - Low\_thrsh, tax\_inc - Low\_thrsh))$
6	Tax credits :	tax_cr	B	$Positive(IF(Children > 0, tax\_cred\_1dc * (Children = 1) + tax\_cred\_2dc * (Children = 2) + tax\_cred\_3dc * (Children > 2), tax\_cred) - (INT(Positive(earn - tax\_cred\_thrsh)) / 1000) * tax\_cred\_red)$
7	CG tax	CG_tax	B	$Positive(CG\_tax\_excl - tax\_cr) + sol\_contr$
8	State and local taxes	local_tax	B	0
9	Employees' soc security	SSC	B	$IF(SSC\_ceil\_use = 1, SSC\_rate * MIN(earn, SSC\_ceil), SSC\_rate * earn)$
11	Cash transfers			
		fam_netinc	B	$(earn - CG\_tax - SSC) / (1 + IF(Married > 0, (Married * Spouse\_weight) + (Children * Child\_weight), min(children, 1) * Spouse\_weight + positive(children - 1) * Child\_weight))$
		cash_trans	B	$VLOOKUP(fam\_netinc, Child\_all, 2) * Children$
13	Employer's soc security	SSC_empr	B	$IF(SSC\_ceil\_use = 1, SSC\_rate\_empr * MIN(earn, SSC\_ceil), SSC\_rate\_empr * earn)$

Key to range of equation B calculated separately for both principal earner and spouse P calculated for principal only (value taken as 0 for spouse calculation) J calculated once only on a joint basis.

Note

¹ Namely the Hellenic Federation of Enterprises, the Hellenic Confederation of Professionals, Craftsmen & Merchants, the National Confederation of Hellenic Commerce and the Association of Greek Tourism Enterprises.

Hungary

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

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

Hungary 2025

The tax/benefit position of single persons

		Wage level (per cent of average wage)			
		67	100	167	67
		Number of children			
		none	none	none	2
1	Gross wage earnings	5 665 176	8 455 487	14 120 664	5 665 176
2	Standard tax allowances				
	Basic allowance				
	Married or head of family				
	Dependent children	0	0	0	3 999 960
	Deduction for social security contributions and income taxes				
	Work-related expenses				
	Other				
	Total	0	0	0	3 999 960
3	Tax credits or cash transfers included in taxable income	0	0	0	0
4	Central government taxable income (1 - 2 + 3)	5 665 176	8 455 487	14 120 664	1 665 216
5	Central government income tax liability (exclusive of tax credits)				
	Central government income tax liability (exclusive of tax credits)	849 776	1 268 323	2 118 100	249 782
	Total	849 776	1 268 323	2 118 100	249 782
6	Tax credits				
	Basic credit	0	0	0	0
	Married or head of family				
	Children				
	Other				
	Total	0	0	0	0
7	Central government income tax finally paid (5-6)	849 776	1 268 323	2 118 100	249 782
8	State and local taxes	0	0	0	0
9	Employees' compulsory social security contributions				
	Gross earnings	1 048 058	1 564 265	2 612 323	1 048 058
	Taxable income				
	Total	1 048 058	1 564 265	2 612 323	1 048 058
10	Total payments to general government (7 + 8 + 9)	1 897 834	2 832 588	4 730 422	1 297 840
11	Cash transfers from general government				
	For head of family				
	For two children	0	0	0	355 200
	Total	0	0	0	355 200
12	Take-home pay (1-10+11)	3 767 342	5 622 899	9 390 241	4 722 536
13	Employer's wage dependent contributions and taxes				
	Employer's compulsory social security contributions	736 473	1 099 213	1 835 686	736 473
	Payroll taxes	0	0	0	0
	Total	736 473	1 099 213	1 835 686	736 473
14	Average rates				
	Income tax	15.0%	15.0%	15.0%	4.4%
	Employees' social security contributions	18.5%	18.5%	18.5%	18.5%
	Total payments less cash transfers	33.5%	33.5%	33.5%	16.6%
	Total tax wedge including employer's social security contributions	41.2%	41.2%	41.2%	26.2%
15	Marginal rates				
	Total payments less cash transfers: Principal earner	33.5%	33.5%	33.5%	33.5%
	Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner	41.2%	41.2%	41.2%	41.2%
	Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.

Hungary 2025

The tax/benefit position of married couples

		Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
		Number of children	2	2	2	none
1	Gross wage earnings		8 455 487	14 120 664	16 910 975	14 120 664
2	Standard tax allowances					
	Basic allowance					
	Married or head of family					
	Dependent children		3 999 960	3 999 960	3 999 960	0
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other					
	Total		3 999 960	3 999 960	3 999 960	0
3	Tax credits or cash transfers included in taxable income		0	0	0	0
4	Central government taxable income (1 - 2 + 3)		4 455 527	10 120 704	12 911 015	14 120 664
5	Central government income tax liability (exclusive of tax credits)					
	Central government income tax liability (exclusive of tax credits)		668 329	1 518 106	1 936 652	2 118 100
	Total		668 329	1 518 106	1 936 652	2 118 100
6	Tax credits					
	Basic credit		0	0	0	0
	Married or head of family					
	Children					
	Other					
	Total		0	0	0	0
7	Central government income tax finally paid (5-6)		668 329	1 518 106	1 936 652	2 118 100
8	State and local taxes		0	0	0	0
9	Employees' compulsory social security contributions					
	Gross earnings		1 564 265	2 612 323	3 128 530	2 612 323
	Taxable income					
	Total		1 564 265	2 612 323	3 128 530	2 612 323
10	Total payments to general government (7 + 8 + 9)		2 232 594	4 130 428	5 065 182	4 730 422
11	Cash transfers from general government					
	For head of family					
	For two children		319 200	319 200	319 200	0
	Total		319 200	319 200	319 200	0
12	Take-home pay (1-10+11)		6 542 093	10 309 435	12 164 992	9 390 241
13	Employer's wage dependent contributions and taxes					
	Employer's compulsory social security contributions		1 099 213	1 835 686	2 198 427	1 835 686
	Payroll taxes		0	0	0	0
	Total		1 099 213	1 835 686	2 198 427	1 835 686
14	Average rates					
	Income tax		7.9%	10.8%	11.5%	15.0%
	Employees' social security contributions		18.5%	18.5%	18.5%	18.5%
	Total payments less cash transfers		22.6%	27.0%	28.1%	33.5%
	Total tax wedge including employer's social security contributions		31.5%	35.4%	36.3%	41.2%
15	Marginal rates					
	Total payments less cash transfers: Principal earner		33.5%	33.5%	33.5%	33.5%
	Total payments less cash transfers: Spouse		33.5%	33.5%	33.5%	33.5%
	Total tax wedge: Principal earner		41.2%	41.2%	41.2%	41.2%
	Total tax wedge: Spouse		41.2%	41.2%	41.2%	41.2%

The national currency is the Forint (HUF). In 2025, HUF 353.14 were equal to USD 1. In 2025, the average worker earned HUF 8 455 487 (Secretariat estimate).

Personal Income Tax Systems

Central/federal government income taxes

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.

Tax allowances and tax credits

Standard reliefs

- Basic reliefs: None.
- Standard marital status reliefs: None.
- Employee Tax credit: Since 1st January 2012 there is no employee tax credit.
- Family tax allowance: For families with children, the basis of income tax can be reduced by the family tax allowance. The family taxbase allowance doubled in two steps: in the first step (from 1 July 2025) the extent of the allowance increased by 50%, and in the second step (from 1 January 2026) by another 50%. The amount of the taxbase allowance per dependent will change as follows:

before July 2025:

- in case of 1 dependent HUF 66,670; (HUF 10,000 in tax)
- in case of 2 dependents HUF 133,330; (HUF 20,000 in tax)
- in case of 3 (and any additional) dependents HUF 220,000; (HUF 33,000 in tax)

between 1 July and 31 December 2025:

- in case of 1 dependent HUF 100,000; (HUF 15,000 in tax)
- in case of 2 dependents HUF 200,000; (HUF 30,000 in tax)
- in case of 3 (and any additional) dependents HUF 330,000; (HUF 49,500 in tax)

from 1 January 2026

- in case of 1 dependent HUF 133,330; (HUF 20,000 in tax)
- in case of 2 dependents HUF 266,660; (HUF 40,000 in tax)
- in case of 3 (and any additional) dependents HUF 440,000; (HUF 49,500 in tax)

From 1st January 2023 the family tax allowance after permanently sick and disabled child has been increased to twice the family tax amount after not permanently sick and disabled child. This tax allowance can be applied by a pregnant woman (or her husband) as from the 91st day after conception until birth of the child. The tax allowance may be claimed by one spouse or be split between the spouses. As of 1st January 2014, the family tax allowance was extended: families whose combined PIT base is not sufficient to claim the maximum amount of the family tax allowance can deduct the remaining sum from the contributions. This measure does not affect the eligibility for social security benefits (pensions, healthcare, transfers, etc.).

- From 1st January 2020, mothers who raise or have raised at least four children are exempt from paying personal income tax on their income received from an employer or gained by self-employment.

- From 1st July 2020 the regulation of social security contributions have been integrated in a general law. The change has a positive outcome for families with children: the remaining sum of the family tax allowance will be deductible from the entire 18.5% of the new social security contribution of the employees (formerly the 1.5% labour market contribution was not taken into account in the regulation of family tax allowance).
- From 1st January 2022, young persons under the age of 25 are exempt from personal income tax payments up to the national average wage calculated in July of the previous year (the threshold is HUF 656 785/month in 2025).
- From 1st January 2023, mothers under the age of 30 are exempt from personal income tax payments up to the national average wage calculated in July of the previous year (the threshold is HUF 565 785/month in 2025)
- From 1st October 2025, mothers who raise or have raised three children are exempted from paying personal income tax.

Main non-standard tax reliefs

- Trade Union membership dues: Membership dues and contributions paid to trade unions and other corporate bodies of employees are deductible without any restriction.
- Tax credits are made available for physical disability or agricultural activities. Tax deduction is available for those having income from abroad.
- From 1st January 2015 for newly married couples (where it is the first marriage for at least one of the parties) the basis of income tax can be reduced by HUF 33 335 per month for one person of the couple for 24 months.

Tax schedule

The rate of personal income tax amounts to 15%.

State and local income taxes

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

Compulsory Social Security Contributions to Schemes Operated within the Government Sector

Employees' contributions

Pensions

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

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

From 1st July 2020 employees' social security contributions – formerly consisting of separate pension, sickness and labour market contribution items – have been integrated into the single social security contribution. The new regulation includes the extension of the social contribution exemption of retired individuals to all the other gainful activities (previously employment contracts only).

Sickness

The integration of contribution from 1st July 2020 applies for sickness contributions as well (formerly 7%).

Unemployment

The integration of contribution from 1st July 2020 applies for labour market contribution as well (formerly 1.5%).

Others

None. The average worker does not have any obligation to pay other contributions than the above mentioned. However, the contribution rates may be different for certain types of income or for certain groups of income recipients (e.g. employees with pensioner status). None of these exceptions are applicable to the workers taken into consideration in this report.

Employers' contributions*Pensions*

None.

Sickness

None.

Unemployment

None.

Others

From 2012, the employers' social security contributions were merged into the new payroll tax, called social contribution tax. This change is of legal nature, the combined rate remains 27% while the revenue is divided among the pension, health care and labour-market funds. In 2017, the social contribution tax decreased to 22%, and in January 2018, the rate was lowered to 19.5%. In July 2019, the rate was lowered to 17.5% and has decreased by 2 percentage points to 15.5% from 1st July 2020. From 1st January 2022, the rate was lowered by further 2.5 percentage points and the training levy (1.5%) was abolished, thus making the total employer side contributions 13% (previously 17%).

From 1st January 2013, the Job Protection Act (JPA) introduced new targeted reliefs in the employers' contributions (social contribution tax and training levy) to incentivise the employment of the most disadvantaged groups on the labour market. This measure reduces the standard rate of the employers' contributions up to a cap of HUF 100 000 per month. From 2017, the JPA introduced a permanent reduction of the employers' tax rate by 50% of the current tax rate for:

- employees under 25 years of age,
- employees over 55 years of age,
- employees working in elementary occupations,
- employees working in agricultural occupations.

It also introduced temporary reductions (0% tax rate in the first two years of employment, and 50% of the current tax rate in the third year) for:

- long term unemployed re-entering the labour market,
- people returning to work after child-care leave,
- career-starters.

From 1st January 2015, the budgetary institutions are not eligible for the JPA tax allowances anymore.

From 1st January 2019, the JPA is being phased out and new better targeting reliefs were introduced. The new reliefs reduce the standard rate of the employers' contributions up to the cap of the minimum wage (From 1st January 2025 the minimum wage is HUF 290 800 per month).

The new reliefs reduce the employers' tax rate by 50% of the current tax rate for:

- employees working in elementary and in agricultural occupations,

In addition, there is a temporary reduction (0% tax rate in the first year of employment, and 50% of the current tax rate in the second year) for:

- employees returning to labour market (those who had been out of work for at least 9 months out of the preceding 12 months became entitled for the tax allowance)

In addition, there is a temporary reduction (0% tax rate in the first three years of employment, and 50% of the current tax rate in the fourth and fifth year) for:

- mothers with 3 or more children

From 1st January 2019, the wage income of retired workers (old age pension) is exempt from social contribution tax.

The new regulation from 1st July 2020 applies for the social contribution tax of retired workers as well.

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

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

Universal cash transfers

Transfers related to marital status

None.

Transfers for dependent children

Effective from 1 January 2008:

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

Main Changes in the Tax/benefit System Since 2010

- The tax base correction was phased out in two steps.
- The employee tax credit was abolished.
- The employees' health care contribution was increased.
- The employers' social security contributions were merged into the social contribution tax (legal change only, rates and base remained unchanged).
- Health contributions on benefits in kind were increased.
- As a temporary measure, a wage compensation scheme was in effect in the form of an employers' SSC credit.
- Targeted employment incentives to boost the employment levels of groups at the margin of the labour force.
- The child tax allowance was extended in 2014 by allowing the deduction of the allowance from employees' SSC.
- The rate of the PIT decreased by 1 percentage point in 2016.
- The rate of family tax benefit for families with two children has gradually increased from 2016 so that it has doubled by 2019.
- From 2017 the social contribution tax decreased to 22% and from 2018 subsequently to 19.5%.
- From 1st of July, 2019 social contribution tax decreased to 17.5%.
- From 1st January 2019 retired workers (old age pension workers) don't have to pay 10% pension contribution, 4% sickness contribution, employers' social security contributions (social contribution tax and training levy) after their wage income.
- From 1st July 2020 employers' social contribution tax decreased by further 2 percentage points to 15.5%.
- From 1st July 2020 employees' social security contributions have been integrated into a general regulation. The new regulation includes the extension of the social contribution exemption of retired individuals to all the other gainful activities (previously employment contracts only).
- From 1st January 2022, the rate was lowered by further 2.5 percentage points and the training levy (1.5%) was abolished, thus making the total employer side contributions 13% (previously 17%).
- The family taxbase allowance doubled in two steps: in the first step (from 1 July 2025) the extent of the allowance increased by 50%, and in the second step (from 1 January 2026) by another 50%.

Memorandum Items

Employer contributions to private social security arrangements

In Hungary the law dealing with the voluntary mutual insurance funds (like pension funds) was enacted on 6 December 1993. From 2019 employers' contributions to these funds are taxed as wages, but employees can apply a 20% tax credit with a limit of HUF 150 000 per year on. The tax authority pays the tax credit directly to a voluntary fund.

From 2019 voluntary insurance contributions paid by the employer are taxable as wages and the employees can apply a 20% tax credit with a limit of HUF 150 000 per year. Insurance contracts signed before 2019 have one-year transitional provision, in case of these contracts contributions paid by the employer are tax exempt till 30% of the minimal wage, above that it's taxable according to an effective personal income tax rate of 17.7% and an effective health contribution of 21.83%.

As from 2008, employer pension institutions can be established. Based on the rules for 2017, the monthly contribution paid to an employer pension institution by the employer of a private worker is not limited and it is taxable according to an effective personal income tax rate of 17.7% and an effective health contribution of 25.96%. From 2018, the effective health contribution is 23.01%. From 2019, voluntary contributions to these funds are taxed as wages.

2025 Parameter values

Average earnings/yr	Ave_earn	8 455 487	Secretariat's estimate		
Child allowance (per child)	child_al	1	1 000 020		
		2	1 999 980		
		3	3 300 000		
		4	3 300 000		
Income tax schedule	tax_sch	0.15			
Social security contributions	SSC_emp	0.185			
Payroll taxes *	SSC_empr	0.13			
	payroll_rate	0			
		# of children	1	2	3+
Transfers for children	CB_rates	0	12 200	13 300	16 000
(monthly)		1	13 700	14 800	17 000

2025 Tax equations

The equations for the Hungarian system in 2025 are mostly on an individual basis. But the child allowance can be split between the spouses and cash transfers are calculated only once. This is shown by the Range indicator in the table below.

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

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings	earn		
2.	Allowances:			
	Children	child_al	P	IF(Children>0, Children*VLOOKUP(Children, child_al, 2), 0)
	Total	tax_al	B	child_al
3.	Credits in taxable income	taxbl_cr	B	0
4.	CG taxable income	tax_inc	P	MAX(0,earn -tax_al)
	CG taxable income	tax_inc	S	Positive(earn_spouse-Positive(tax_al-earn_spouse-SSC_deduction_princ/tax_sch))
5.	CG tax before credits	CG_tax_excl	B	tax_inc*tax_sch
7.	CG tax	CG_tax	B	CG_tax_excl-tax_cr
8.	State and local taxes	local_tax	B	0
	Child tax allowance (Employees' SSC)	SSC_child_cr	P	=MIN(earn_princ*SSC_emp,Positive(tax_al-earn_princ)*tax_sch)
	Child tax allowance (Employees' SSC)		S	=MIN(earn_spouse*SSC_emp,Positive(-earn_princ)*tax_sch)
9.	Employees' soc security	SSC	B	earn*SSC_emp-SSC_child_cr
11.	Cash transfers	cash_trans	J	Children*(VLOOKUP((1-Married), CB_rates, MIN(Children, 3)+1)*12)
13.	Employer's soc security	SSC_empr	B	earn*SSC_empr
	Employer's payroll taxes	Payroll	B	earn*payroll_rate

Key to range of equation B calculated separately for both principal earner and spouse P calculated for principal only (value taken as 0 for spouse calculation) J calculated once only.

Iceland

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

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

Iceland 2025

The tax/benefit position of single persons

		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1	Gross wage earnings		8 330 463	12 433 527	20 763 990	8 330 463
2	Standard tax allowances					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		333 219	497 341	830 560	333 219
	Work-related expenses					
	Other					
	Total		333 219	497 341	830 560	333 219
3	Tax credits or cash transfers included in taxable income		0	0	0	0
4	Central government taxable income (1 - 2 + 3)		7 997 244	11 936 186	19 933 430	7 997 244
5	Central government income tax liability (exclusive of tax credits)		1 475 201	2 383 127	4 561 140	1 475 201
6	Tax credits					
	Basic credit		824 288	824 288	824 288	824 288
	Married or head of family					
	Children					
	Other					
	Total		824 288	824 288	824 288	824 288
7	Central government income tax finally paid (5-6)		672 313	1 580 239	3 758 252	672 313
8	State and local taxes		1 194 788	1 783 266	2 978 054	1 194 788
9	Employees' compulsory social security contributions					
	Gross earnings		14 093	14 093	14 093	14 093
	Taxable income					
	Total		14 093	14 093	14 093	14 093
10	Total payments to general government (7 + 8 + 9)		1 881 194	3 377 598	6 750 399	1 881 194
11	Cash transfers from general government					
	For head of family					
	For two children		0	0	0	986 740
	Total		0	0	0	986 740
12	Take-home pay (1-10+11)		6 449 269	9 055 929	14 013 590	7 436 009
13	Employer's compulsory social security contributions		528 984	789 529	1 318 513	528 984
14	Average rates					
	Income tax		22.4%	27.1%	32.4%	22.4%
	Employees' social security contributions		0.2%	0.1%	0.1%	0.2%
	Total payments less cash transfers		22.6%	27.2%	32.5%	10.7%
	Total tax wedge including employer's social security contributions		27.2%	31.5%	36.5%	16.1%
15	Marginal rates					
	Total payments less cash transfers: Principal earner		36.5%	36.5%	44.4%	44.2%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		40.3%	40.3%	47.8%	47.5%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Iceland 2025

The tax/benefit position of married couples

		Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
		Number of children	2	2	2	none
1	Gross wage earnings		12 433 527	20 763 990	24 867 054	20 763 990
2	Standard tax allowances					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		497 341	830 560	994 682	830 560
	Work-related expenses					
	Other					
	Total		497 341	830 560	994 682	830 560
3	Tax credits or cash transfers included in taxable income		0	0	0	0
4	Central government taxable income (1 - 2 + 3)		11 936 186	19 933 430	23 872 372	19 933 430
5	Central government income tax liability (exclusive of tax credits)		2 383 127	3 858 328	4 766 254	3 858 328
6	Tax credits					
	Basic credit		1 648 576	1 648 576	1 648 576	1 648 576
	Married or head of family					
	Children					
	Other					
	Total		1 648 576	1 648 576	1 648 576	1 648 576
7	Central government income tax finally paid (5-6)		755 951	2 252 552	3 160 478	2 252 552
8	State and local taxes		1 783 266	2 978 054	3 566 532	2 978 054
9	Employees' compulsory social security contributions					
	Gross earnings		14 093	28 186	28 186	28 186
	Taxable income					
	Total		14 093	28 186	28 186	28 186
10	Total payments to general government (7 + 8 + 9)		2 553 310	5 258 792	6 755 196	5 258 792
11	Cash transfers from general government					
	For head of family					
	For two children		800 145	360 183	202 625	0
	Total		800 145	360 183	202 625	0
12	Take-home pay (1-10+11)		10 680 362	15 865 380	18 314 483	15 505 198
13	Employer's compulsory social security contributions		789 529	1 318 513	1 579 058	1 318 513
14	Average rates					
	Income tax		20.4%	25.2%	27.1%	25.2%
	Employees' social security contributions		0.1%	0.1%	0.1%	0.1%
	Total payments less cash transfers		14.1%	23.6%	26.4%	25.3%
	Total tax wedge including employer's social security contributions		19.2%	28.2%	30.7%	29.8%
15	Marginal rates					
	Total payments less cash transfers: Principal earner		44.2%	40.3%	40.3%	36.5%
	Total payments less cash transfers: Spouse		37.8%	40.3%	40.3%	36.5%
	Total tax wedge: Principal earner		47.5%	43.9%	43.9%	40.3%
	Total tax wedge: Spouse		41.5%	43.9%	43.9%	40.3%

The national currency is the Króna (plural: Krónur) (ISK). In 2025, ISK 128.44 were equal to USD 1. That year, the average worker is expected to earn ISK 12 433 527 (Secretariat estimate).¹

Personal Income Tax System

Central government income taxes

Tax unit

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

Tax allowances and credits

Standard reliefs

- Basic tax credit: A fixed tax credit, amounting to ISK 824 288 in 2025, is granted to all individuals 16 years and older, regardless of their marital status. The tax credit is deducted from levied central and local government taxes. Unutilised tax credits or portions thereof are wastable, i.e., non-refundable, and non-transferable between tax years.
- Standard marital status relief: Married couples and civil partners may utilise up to 100% of each spouses' unutilised portion of his/her basic tax credit. Joint taxation also allows for bracket sharing between partners. If one partner has income in the highest tax bracket while the other's income falls below the top bracket, one-half of the latter's unused second bracket amount can be transferred to the high-income partner, up to a limit equal to half the second bracket. This transfer is then taxed at a rate lower than the top tax rate.
- Relief(s) for children: None.
- Relief(s) for compulsory pension contributions: The compulsory payment to pension funds amounts to 4% of wages and is deductible. In addition, an optional payment of up to 4% of wages may also be deducted. As the additional 4% contribution is optional, it is viewed as a non-standard relief in this Report.

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 2025 is ISK 420 000 for a single person, ISK 525 000 for a single parent and ISK 630 000 for a married couple. The following constraints apply to interest rebates: (1) they cannot exceed 7.0% of the remaining debt balance incurred in buying a home for one's own use. (2) The maximum amount of interest payments that qualify for an interest rebate calculation is ISK 840 000 for an individual, ISK 1 050 000 for a single parent and ISK 1 260 000 for a couple. (3) 8.5% of taxable income is subtracted from the interest expense. (4) The rebates begin to be curtailed at a net worth threshold of ISK 7 500 000 for a single individual and a single parent and ISK 12 000 000 for a couple and are eliminated altogether at a 60% higher amount, or ISK 12 000 000 and 19 200 000, respectively. (These amounts are based on income in the year 2025 but are paid out in 2026).

Tax schedule

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

The tax on personal income is triple rated. The central government income tax rate in 2025 is 16.55% for income up to ISK 472 005 per month. The tax rate is 23.05 % for income ISK 472 006 to ISK1 325 127. For income exceeding ISK 1 325 127 the tax rate is 31.35%. Tax relief is provided by the basic credit described in the Section on Standard Reliefs. As a result of the basic credit, personal income is free of income tax for personal income up to ISK 218 135 per month (ISK 2 617 620 per year), when accounting for the deductible, compulsory pension payments.

The tax on capital income is 22%. It is levied on all capital income of individuals, such as interest, dividends, rents etc. Interest income up to ISK 300 000 per year and 50% of income from long-term rent of a maximum of two residential properties is tax free.

Fee to the national broadcast media: 16- to 70-year-old individuals with taxable income over ISK 2 474 943 for the year are subject to a fixed tax of ISK 21 400 in 2023, which will be collected in 2024.

Local government income tax

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

The local governments' income tax is single rated, but the rate varies between 12.44% and 14.97% between municipalities. The weighted average rate in 2023 is 14.94 %.

Compulsory Social Security Contributions to Schemes Operated Within the Government Sector

Employees' contributions

Fee to the Retiree Investment Fund: 16- to 70-year-old individuals are subject to a fixed tax of ISK 14 093 in 2023, provided the individual's taxable income is at least ISK 2 474 943 for the year. This tax will be collected in 2024.

Employers' contributions

Employers pay a social security tax on total wages of 6.25%. In addition, 0.65% is levied on the wages of fishermen as a premium for their government accident insurance. Other taxes, levied on the social security tax base, but based on other legislation, are the 0.05% Wage Guarantee Fund Fee and a payroll tax, the Promote Iceland Market Fee, also 0.05%. Furthermore, a new financial activities tax was introduced in 2012, which requires financial and insurance companies to pay an additional 5.5% payroll tax.

Universal Cash Transfers

Marital status related transfers

None.

Transfers for dependent children

Child benefits are granted for each child, subject to income thresholds. In 2023 they are as follows (in ISK per year):

- For each child under the age of seven: 130 000
- Children under the age of eighteen at the end of 2024:

- Benefits for couples
 - Each child: 345 000
- Benefits for single parents:
 - Each child: 514 500
- Income threshold for benefit curtailment:
 - For couples: 11 688 000
 - For a single parent: 5 844 000
- Curtailment of benefits (children under the age of seven only):
 - For each child: 4%
- Curtailment of benefits (all children under the age of eighteen):
 - 4% regardless of the number of children

Note that child benefits in this Report are based on income in the year 2024 but are paid out in 2025 (see also the section on the revisions of the child benefit system).

Main Changes in the Tax/Benefit System Since 1998

The deductibility of the payment to pension funds

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

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

Central and local income tax rates in 1997-2025

In 1997–2007, the Government pursued a policy of reducing the marginal tax rate, as can be seen in the table below. This development was reversed in 2009 when income tax was raised by 1.35 percentage points in response to the Treasury's rising debt burden brought on by the economic crisis. At the beginning of 2010, the tax system was changed from single rated to triple rated. The tax rate was set at 24.1% for the first monthly ISK 200 000 but it was raised by 2.9% for the next ISK 450 000 and again by 6% for income in excess of ISK 650 000. In 2017, the tax system was changed to double rated and in 2020 another tax bracket was added, changing it back to triple rated. The rates in 2025 are 16.55% for income up to ISK 472 005 per month, 23.05% for income exceeding that up to ISK 1 325 127 and 31.35% for income

higher than ISK1 325 127; see Tax schedule section for further details. From 1998 onwards, the central government and average local government personal income tax rates have been as follows:

	Central government general tax rate (%)	Municipal tax rate (%)	Total tax rate (%)	Central government surtax (%)
1998	27.41	11.61	39.02	7.00
1999	26.41	11.93	38.34	7.00
2000	26.41	11.96	38.37	7.00
2001	26.08	12.68	38.76	7.00
2002	25.75	12.79	38.54	7.00
2003	25.75	12.80	38.55	5.00
2004	25.75	12.83	38.58	4.00
2005	24.75	12.98	37.73	2.00
2006	23.75	12.97	36.72	0
2007	22.75	12.97	35.72	0
2008	22.75	12.97	35.72	0
2009	24.10	13.10	37.20	0
2010	24.10	13.12	37.32	2.90/6.00
2011	22.90	14.41	37.31	2.90/6.00
2012	22.90	14.44	37.34	2.90/6.00
2013	22.90	14.42	37.32	2.90/6.00
2014	22.86	14.44	37.30	2.44/6.50
2015	22.86	14.44	37.30	2.44/6.50
2016	22.68	14.45	37.13	1.22/7.90
2017	22.5	14.44	36.94	9.3
2018	22.5	14.44	36.94	9.3
2019	22.5	14.44	36.94	9.3
2020	20.6	14.44	35.04	2.15/9.05
2021	17.0	14.45	31.45	6.5/8.3
2022	17.0	14.45	31.45	6.5/8.3
2023	16.78	14.67	31.45	6.5/8.3
2024	16.55	14.93	31.35	6.5/8.3
2025	16.55	14.94	31.55	6.5/8.3

A special tax on higher income

In 1998, the special tax on higher income was raised by 2 percentage points, from 5 to 7%. For 2003-income, it was reduced back to 5%. It was reduced to 4% for 2004 income and to 2% for 2005-income. In the fiscal year 2006, the tax was abolished. In the latter half of 2009 the special tax on higher income was introduced again at 8%. In 2010 the tax system changed to triple-rated and in 2017 it was changed to double rated. In 2020 a triple-rated tax system was reintroduced; see Tax schedule and Central and local income tax rates in 1997-2025 sections.

A revision of child benefit system

Child benefits are granted for each child, subject to income thresholds. The amendments to tax legislation that came into effect in 2004 included a schedule for raising child benefits. As from 2007, the child benefits will be paid for children up to 18 years old instead of 16 years old. For 2013–2023, benefits are as follows (in ISK per year):

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
For all children under the age of seven	100 000	115 825	119 300	122 879	133 300	140 000	140 000	140 000	148 000	138 000	130 000	130
Children under the age of eighteen :												
First child	167 564	194 081	199 839	205 834	223 300	234 500	234 500	234 500	248 000	295 000	328 000	345 000
Each additional child	199 455	231 019	237 949	245 087	265 900	279 200	279 200	279 200	295 000	295 000	328 000	345 000
Benefits for single parents:												
First child	279 087	323 253	332 950	342 939	372 100	390 700	390 700	390 700	413 000	440 000	489 000	514 500
Each additional child	286 288	331 593	341 541	351 787	381 700	400 800	400 800	400 800	423 000	440 000	489 000	514 500
Income threshold for benefit curtailment:												
For couples	4 800 000	4 800 000	4 800 000	5 400 000	5 800 000	7 200 000 / 11 000 000	7 800 000 / 11 000 000	8 424 000 / 11 000 000	9 098 000 / 12 320 000	9 500 000	11 000 000	11 688 000
For a single parent	2 400 000	2 400 000	2 400 000	2 700 000	2 900 000	3 600 000 / 5 500 000	3 900 000 / 5 500 000	4 212 000 / 5 500 000	4 549 000 / 6 160 000	4 750 000	5 500 000	5 844 000
Curtailment of benefits under the age of seven:												
For each child	3%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%
Curtailment of benefits under the age of eighteen :												
For one child	3%	4%	4%	4%	4%	4% / 5.5%	4% / 5.5%	4% / 5.5%	4% / 5.5%	4%	4%	4%
For two children	5%	6%	6%	6%	6%	6% / 7.5%	6% / 7.5%	6% / 7.5%	6% / 7.5%	6%	4%	4%

For three children or more	7%	8%	8%	8%	8%	8% / 9.5%	8% / 9.5%	8% / 9.5%	8% / 9.5%	8%	4%	4%

A revision of interest rebates

In 2004, the interest rebate was cut by 10%, effective for that year only. The ceiling on interest payments that qualify for the interest rebate was reduced from 7% to 5.5% in 2005 and the interest rate cut was reduced from 10% to 5%. As of the beginning of 2006, the ceiling was further reduced to 5%. In 2005 and again in 2007 the net worth ceiling was lifted considerably in reaction to the increase in net worth due to the house price boom in 2005–2007. In 2008, as mortgage-related interest expenses surged, the ceiling on interest payments was raised back to 7% and the maximum rebate amount increased by 37%. These measures stayed in effect in 2009. In 2010 the maximum rebate amount increased by 47–62% and the net worth ceiling was reduced significantly. The rate of taxable income which is subtracted from the interest expense was increased from 6% to 8% and further to 8.5% in 2014. In addition to the ordinary interest payment relief, a temporary interest cost rebate was in effect in 2010–2011. In 2022 the net worth ceiling was raised by 50% for all households; see section on Main non-standard tax reliefs applicable to an AW.

Transferability of basic tax credit between spouses

The basic tax credit was made transferable between spouses in stages; see the section on Standard reliefs above. In fiscal year 2001, 90% of the credit became transferable, rising to 95% in 2002 and 100% in 2003.

Memorandum Items

Identification of AW (only eight categories) and valuation of earnings

The data on average earnings refers to average workers in eight categories according to the NACE rev. 2 classification which corresponds to the ISIC rev.4 system. The categories are C – Manufacturing, D – Electricity, gas, steam and air conditioning supply (from 2008), E – Water supply; sewerage, waste management and remediation activities (from 2008) F – Construction, G – Wholesale and retail trade, repair of motor vehicles, motorcycles, H – Transport, storage, and J – Information and communication K - Financial and insurance activities. Public sector employees are not included. Together, these categories comprise approximately 80% of Iceland's private sector labour force.

The original data are obtained from a monthly survey among Icelandic firms with 10 or more employees.

Employer contributions to private pension funds, health and related schemes

By law, all employees and employers must contribute to pension funds. These funds are private and form the second pillar pension protection. The private pension funds are not part of the basic, first pillar, government-run social security system, to which a social security tax is paid as described under the Employers' contributions section above. Compulsory and voluntary payments to such funds are described in the payment to pension funds section above.

2025 Parameter values

Average earnings/yr	Ave_earn	12 433 527	Secretariat estimate
Pension rate for tax allowance	pension_rate	0.04	
Tax credit	Basic_crd	824 288	
	Married_propn	1	
Central income tax	tax_sch	0.1655	5 664 060
		0.2305	15 901 524
		0.3135	
Broadcast fee	broadcast_fee	21 400	
Special tax	special_rate		
threshold	special_thrsh		
Local tax	local_rate	0.1494	
Church tax	church_tax	0	
Social Security Contr.	SSC_fixed	14 093	
	SSC_thrsh	2 474 942	
Employer SSC (incl. payroll taxes)	SSC_empr	0.0635	
General child allowance:			
child allowance	CA	130 000	
Maximum number of children under 7	max_child_under7	1	
Supplement child allowance:			
Married couple case			
first child	SA_first_m	345 000	
other children	SA_others_m	345 000	
income threshold	SA_tresh_m	11 688 000	
	SA_tresh_m_2		
Single parent case			
first child	SA_first_s	514 500	
other children	SA_others_s	514 500	
income threshold	SA_tresh_s	5 844 000	
	SA_tresh_s_2		
reduction rate (one child)	SA_redn_1	0.04	
reduction rate (two children)	SA_redn_2	0.04	
reduction rate (three or more children)	SA_redn_3	0.04	
additional reduction rate (for higher income)	SA_redn_4		
Special child benefit supplement:			
Households receiving other child benefits	SCBS_high		
Households not receiving other child benefits	SCBS_low	0	

2025 Tax equations

The equations for the Iceland system are mostly on an individual basis. But the tax credit for married couples is relevant only to the calculation for the principal earner and child benefit is calculated only once. This is shown by the Range indicator in the table below. The functions which are used in the equations (Taper, MIN, Tax etc) are described in the technical note about tax equations. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables “married” and “children”. A reference to a variable with the affix “_total” indicates the sum of the relevant variable values for the principal and spouse. And the affixes “_princ” and “_spouse” indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with “_spouse” values taken as 0.

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings	earn		
2.	Allowances:	tax_al	B	earn*pension_rate
3.	Credits in taxable income	taxbl_cr	B	0
4.	CG taxable income	tax_inc	B	earn-tax_al
5.	CG tax before credits	CG_tax_excl	B	tax(tax_inc, tax_sch)
6.	Tax credits :	tax_cr	P	MIN(CG_tax_excl_princ, Basic_crd+MAX(Married*Basic_crd- CG_tax_excl_spouse-(tax_inc_spouse*local_rate),0))
			S	MIN(Married*Basic_crd, CG_tax_excl_spouse)
	Broadcast fee		B	broadcast_fee*(earn>SSC_thrsh)
		special_tax	J	0
7.	CG tax	CG_tax	B	CG_tax_excl-tax_cr+special_tax+Broadcast fee
8.	State and local taxes	local_tax	P S	MAX(tax_inc_princ*local_rate-MAX(Basic_crd+ Max(Married*Basic_crd-CG_tax_excl_spouse- (tax_inc_spouse*local_rate),0)-CG_tax_excl_princ,0),0) MAX(tax_inc_spouse*local_rate-MAX(Married*Basic_crd- CG_tax_excl_spouse,0),0)
9.	Employees' soc security	SSC	B	SSC_fixed*(earn>SSC_thrsh)
11.	Cash transfers:			
	Total family income	inc_tot	J	earn_total
	Child allowance	cash_trans	J	IF(Children = 0, 0, IF(AND(Married = 1, Children = 1), SA_first_m - MAX(0, (EARN*(1-pension_rate)) - SA_thresh_m) * SA_redn_1 - (MAX(0, (EARN*(1-pension_rate)) - SA_thresh_m_2) * SA_redn_4) + ((CA * max_child_under7) - MAX(0, (EARN*(1-pension_rate)) - SA_thresh_m) * SA_redn_1), IF(AND(Married = 1, Children = 2), (SA_first_m + SA_others_m) - (MAX(0, (EARN*(1-pension_rate)) - SA_thresh_m) * SA_redn_2) - (MAX(0, (EARN*(1-pension_rate)) - SA_thresh_m_2) * SA_redn_4) + MAX(0, ((CA * max_child_under7) - MAX(0, (EARN * (1 - pension_rate)) - SA_thresh_m) * SA_redn_1)), IF(AND(Married = 0, Children = 1), SA_first_s - MAX(0, (EARN*(1- pension_rate)) - SA_thresh_s) * SA_redn_1 - (MAX(0, (EARN*(1- pension_rate)) - SA_thresh_s_2) * SA_redn_4) + ((CA * max_child_under7) - MAX(0, (EARN*(1-pension_rate)) - SA_thresh_s) * SA_redn_1), IF(AND(Married = 0, Children = 2), (SA_first_s + SA_others_s) - (MAX(0, (EARN*(1-pension_rate)) - SA_thresh_s) * SA_redn_2) - (MAX(0, (EARN*(1-pension_rate)) - SA_thresh_s_2) * SA_redn_4) + MAX(0, ((CA * max_child_under7) - MAX(0, (EARN * (1 - pension_rate)) - SA_thresh_s) * SA_redn_1)), 0))))
12.	Special child benefit supplement	SCBS	J	IF(Children>0;IF(AY10>0;SCBS_high*Children;SCBS_low*Children);0)
13.	Employer's soc security	SSC_empr	B	earn*SSC_empr_rate

Key to range of equation B calculated separately for both principal earner and spouse P calculated for principal only (value taken as 0 for spouse calculation) J calculated once only on a joint basis.

Note

¹ The definition of average worker in Iceland includes workers in five categories. See section on Identification of AW (only eight categories) and valuation of earnings.

Ireland

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

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

Ireland 2025

The tax/benefit position of single persons

Wage level (per cent of average wage)		67	100	167	67
Number of children		none	none	none	2
1	Gross wage earnings	40 373	60 258	100 630	40 373
2	Standard tax allowances	0	0	0	0
3	Tax credits or cash transfers included in taxable income	0	0	0	0
4	Central government taxable income (1 - 2 + 3)	40 373	60 258	100 630	40 373
5	Central government income tax liability (exclusive of tax credits)	8 832	15 303	31 452	8 075
6	Tax credits				
	Basic credit	2 000	2 000	2 000	2 000
	Single, head of family	0	0	0	1 900
	Children				
	Other	2 000	2 000	2 000	2 000
	Total	4 000	4 000	4 000	5 900
7	Central government income tax finally paid (5-6)	4 832	12 657	31 546	2 932
8	State and local taxes	0	0	0	0
9	Employees' compulsory social security contributions				
	Gross earnings	1 655	2 471	4 126	1 655
	Taxable income				
	Total	1 655	2 471	4 126	1 655
10	Total payments to general government (7 + 8 + 9)	6 487	15 127	35 672	4 587
11	Cash transfers from general government				
	For head of family	0	0	0	3 676
	For two children	0	0	0	3 360
	Total	0	0	0	7 036
12	Take-home pay (1-10+11)	33 886	45 130	64 958	42 821
13	Employer's compulsory social security contributions	4 512	6 734	11 245	4 512
14	Average rates				
	Income tax	12.0%	21.0%	31.3%	7.3%
	Employees' social security contributions	4.1%	4.1%	4.1%	4.1%
	Total payments less cash transfers	16.1%	25.1%	35.4%	-6.1%
	Total tax wedge including employer's social security contributions	24.5%	32.6%	41.9%	4.6%
15	Marginal rates				
	Total payments less cash transfers: Principal earner	27.1%	47.1%	52.1%	70.8%
	Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner	34.4%	52.4%	56.9%	73.8%
	Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.

Ireland 2025

The tax/benefit position of married couples

Wage level (per cent of average wage)		100-0	100-67	100-100	100-67
Number of children		2	2	2	none
1	Gross wage earnings	60 258	100 630	120 516	100 630
2	Standard tax allowances	0	0	0	0
3	Tax credits or cash transfers included in taxable income	0	0	0	0
4	Central government taxable income (1 - 2 + 3)	60 258	100 630	120 516	100 630
5	Central government income tax liability (exclusive of tax credits)	13 503	22 652	30 606	22 652
6	Tax credits				
	Basic credit	4 000	4 000	4 000	4 000
	Single, head of family	0	0	0	0
	Children				
	Other	3 950	4 000	4 000	4 000
	Total	7 950	8 000	8 000	8 000
7	Central government income tax finally paid (5-6)	6 907	16 763	25 314	16 763
8	State and local taxes	0	0	0	0
9	Employees' compulsory social security contributions				
	Gross earnings	2 471	4 126	4 941	4 126
	Taxable income				
	Total	2 471	4 126	4 941	4 126
10	Total payments to general government (7 + 8 + 9)	9 377	20 889	30 255	20 889
11	Cash transfers from general government				
	For head of family	0	0	0	0
	For two children	3 360	3 360	3 360	0
	Total	3 360	3 360	3 360	0
12	Take-home pay (1-10+11)	54 240	83 102	93 621	79 742
13	Employer's compulsory social security contributions	6 734	11 245	13 468	11 245
14	Average rates				
	Income tax	11.5%	16.7%	21.0%	16.7%
	Employees' social security contributions	4.1%	4.1%	4.1%	4.1%
	Total payments less cash transfers	10.0%	17.4%	22.3%	20.8%
	Total tax wedge including employer's social security contributions	19.0%	25.7%	30.1%	28.7%
15	Marginal rates				
	Total payments less cash transfers: Principal earner	47.1%	47.1%	47.1%	47.1%
	Total payments less cash transfers: Spouse	28.5%	47.1%	47.1%	47.1%
	Total tax wedge: Principal earner	52.4%	52.4%	52.4%	52.4%
	Total tax wedge: Spouse	35.7%	52.4%	52.4%	52.4%

The national currency is the Euro (EUR). In 2025, EUR 0.88 was equal to USD 1. In that year, the average worker earned EUR 60 258 (Secretariat estimate).

Personal income tax systems

Central/ federal government income taxes

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.

Tax credits

Standard reliefs:

- Basic reliefs: The single person's credit is EUR 2 000 per year.
- Standard marital status reliefs: The married person's credit is EUR 4 000 per year (i.e. twice the basic credit of EUR 2 000).
- Employee credit: This is a non-transferable tax 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 2 000.
- Earned Income credit: Individuals in receipt of earned income are entitled to an earned income credit of EUR 2 000. Note: The combined employee credit and earned income credit is limited to EUR 2 000.
- One-Parent Family credit: The single parent family credit is EUR 1 900.

Main non-standard tax reliefs applicable to an AW

- Medical Insurance: Relief at the taxpayer's standard rate of tax is available for taxpayers who make a payment to an authorised insurer under a contract which provides for the payment of medical expenses resulting from sickness of the person, his wife, child or other dependants. The maximum relief is EUR 1 000 in respect of an adult and EUR 500 in respect of a child. This relief is now granted at source and is paid to the insurance provider.
- Work related Expenses: These are relieved to the extent that they are wholly, exclusively and necessarily incurred in the performance of the duties of an employment.
- Home Carers Allowance: This is a tax credit of EUR 1 950 for families where one spouse works at home to care for children, the aged or incapacitated persons, where the carer spouse's income does not exceed EUR 7 199. A reduced measure of relief is granted for income between EUR 7 200 and EUR 11 100: if the income exceeds EUR 7 200 the tax credit is reduced by one half of the income of the Home Carer that exceeds this limit. This credit and the increased standard rate tax band for two income couples (see tax schedule below) are mutually exclusive but the person may opt for whichever is the more beneficial. If the Home Carer earns income of up to EUR 7 200 in his/her own right for the tax year, the full tax credit may be claimed. For the purposes of this tax credit, income means any taxable income such as income from a part-time job, dividends, etc. but does not include the Carer's Allowance payable by the Department of Social Protection.

Tax schedule

Band of taxable Income (EUR)				Rate (%)
Single/ Widow(er)	Married Couple (One Income)	Married Couple (Two Incomes)	One-Parent Families	
Up to 44 000	Up to 53 000	Up to the lesser of 88 000 - 53 000 plus the amount of the lowest income	48 000	20
Balance	Balance	Balance	Balance	40

Low income exemption and marginal relief tax

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

Exemption limits:

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

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

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

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

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

Universal Social Charge (USC)

The USC is charged on an individualised basis on gross income at 0.5% on income up to and including EUR 12 012, at 2% for income in excess of EUR 12 012 but not greater than EUR 27 832, at 3% for income in excess of EUR 27 832 but not greater than EUR 70 044, and at 8% above that level. The lower exemption threshold is EUR 13 000. The USC does not apply to social welfare payments, including contributory and non-contributory social welfare State pensions.

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

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

State and local income taxes

No State or local income taxes exist in Ireland.

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

Employees' contributions

Contributions are payable at a rate of 4.1 percent of an employee's gross earnings less allowable superannuation contributions.¹ No distinction is made by marital status or sex. Those earning less than EUR 352 per week are exempt. The following is a breakdown of the 2025 rate of contribution together with ceilings where applicable:

Description	Rate	Threshold (EUR)	Ceiling (EUR)
Pension and social insurance	4.10	352 per week	

A PRSI credit was introduced in 2016 which reduces the amount of PRSI payable for people earning between EUR 352.01 and EUR 424 per week. The credit is tapered and the amount of the credit depends on your earnings. The maximum credit is EUR 12. If you earn between EUR 352.01 and EUR 424 per week, the maximum credit of EUR 12 is reduced by one-sixth of the amount of your weekly earnings over EUR 352.01.

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 2025 rate of contribution:

Description	Rate %
Pension and social insurance(**)	10.05

* Applicable to employers with employees exempt from social insurance e.g. those over age 70.

** A lower employer rate of 7.8% applies to employers with employees earning between €38 and € 527 per week. These employer rates do not include a 1% levy for the National Training Fund which is collected through the Pay Related Social Insurance (PRSI) system, which makes the actual percentages returned by employers 8.9% (lower rate) and 11.15% (higher rate). These two rates were updated on October 1, 2025; and they became 9% (lower rate) and 11.25% (higher rate), respectively.

In 2025, the employers' contribution is 11.15% from January to September and 11.25% from October to December for employees earning more than EUR 527 per week. The rate is 8.9% from January to September and increased to 9% from October to December, in respect of employees earning less than EUR 527 per week.

Universal Cash Transfers

Transfers related to marital status

None.

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 2025 are as follows:

If you have twins, you get one-and-a-half times the normal monthly rate of Child Benefit for each child.

For triplets and other multiple births, Child Benefit is paid at double the normal monthly rate for each child, provided at least 3 of the children meet the conditions (such as being under 16).

Period	Monthly rate per child	
January 2025 to December 2025	First to second child: EUR 140.00	Subsequent children: EUR 140.00

Transfers for low-income families

Working Family Payment: A non-taxable family income supplement that is payable to low-income families where either the principal earner and/or the spouse are in full-time employment. Full-time employment is defined as working nineteen hours per week or more. The hours worked by the principal and the spouse can be aggregated for the purposes of this definition. When calculating income for the purposes of the relief superannuation payments, social welfare payments, tax payments, health and employment and training levies are all subtracted to arrive at disposable income.

The level of payment is dependent on the amount of family income and the number of children. The supplement payable is 60% of the difference between the family income and the income limit applicable to the family. A minimum of EUR 20 per week is payable to eligible families. No supplement is payable to families with income in excess of the relevant income limit.

The income limit for a family with two children in 2025 is EUR 806 per week.

One Parent Family Payment: This payment is available for men and women who for a variety of reasons are bringing up a child or children without the support of a partner and whose youngest child is aged under 7. The payment which is means tested includes an earnings disregard of €165 per week with earnings over that amount being assessed at 50%. This means that a person with earnings of €165 per week and no other means can receive a full rate payment. The amount of the full payment for 2025 is EUR 244 per week (plus EUR 50 per week for each child).

Although not included in the modelling there are two other payments which are worthy of mention here. Jobseeker's Transitional Payment is a means-tested payment for lone parents whose youngest child is aged 7 or over but under age 14 (subject to meeting all of the other qualifying conditions). Also, most social welfare payments include an Increase for a Qualified Child (IQC) which may be payable in addition to the personal rate of payment. In 2025 the weekly rates are €50 for a child aged under 12, and €62 for a child aged 12 or over (up to age 22 if in full-time education).

One-off payments

In recognition of the cost of living pressures brought about energy and cost of living inflation pressures, a number of one-off measures were introduced in 2023 and 2024. Most of these one-off payments occurred on the welfare side with the exception of one-off temporary reductions in VAT and excise duty.

The welfare changes are as follows:

- **February Bonus** – This one-off payment provided an extra €200 for all social welfare recipients.
- **Working Family Payment** – in April 2023 a one-off payment of €200 was provided to people who receive the Working Family Payment and do not qualify for the extra payment based on another social welfare payment.
- **Child Benefit** - An additional once-off payment of €100 per child to parents who receive Child Benefit was paid in June 2023. Budget 2024 provided a double month's payment of Child Benefit in December 2023.

- **Increase for Qualified Child** – Budget 2024 provided a one-off payment of €100 to people who get an increase for a qualified child, one payment for each child payable the week beginning 27 November 2023.
- Budget 2024 provided People in receipt of long-term payments received a Christmas bonus of a double weeks' payment in December 2023 and a further double weeks' payment in January 2024.
- A lump sum payment of €300 was paid to recipients of the Fuel Allowance in November 2023.

Budget 2023 one-off measures:

- Double weeks payment to recipients of most social welfare payments in October 2022;
- €400 lump payment to all households receive the Fuel Allowance (November 2022);
- €200 lump sum payment for pensioners with a disability receiving the Living Alone Allowance (November 2022);
- €500 lump sum payment to all families in receipt of the Working Family Payment (November 2022)
- Double Child Benefit Payment in respect of each child (November 2022)
- Double weeks payment to recipients of most social welfare payments in December 2022;

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

Other Main Changes in Tax/Benefit System Since 2016

Earned Income credit

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

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

The TWSS, EWSS and PUP schemes referred to in previous years reports have ceased. Enhanced Illness Benefit will be in place until the end of September 2022.

Memorandum Items

Employer contributions to private social security arrangements

Information not available, although such schemes do exist.

2025 Parameter values

	Ave_earn	60 258	Secretariat's estimate
Tax allowances			
Tax Credits	Basic_al_at_standardrate	2000	
	Married_al_at_standardrate	2000	
	Empl_al_at_standardrate	2000	
	Singleparent_at_standardrate	1900	
	Carers_allow	1950	
	Carers_thrsh1	7200	
	Carers_thrsh2	11100	
	Carers_taper_rt	0.5	
Exemption amount	Single_ex	0	
	Married_ex	0	
	Child_ex	0	
	Child_ex_3	0	
Marginal relief limit	Single_MR	0	
	Married_MR	0	
	Child_MR	0	
	Child_MR_3	0	
Marginal relief	marg_rel_rate	0.4	
Income tax	Single_sch	0.2	44000
		0.4	
	Single_sch_child	0.2	48000
		0.4	
	Married_sch_oneinc	0.2	53000
		0.4	
	Married_sch_twoinc	0.2	88000
		0.4	
Universal Social Charge	USC_sch	0.005	12012
		0.02	27382
		0.03	70044
		0.08	
	USC_sch_med_card	0.005	12012
		0.02	
	USC threshold	13000	
Maximum increase in first band	Band_increase_lim	35000	
Social security contributions	SSC_thrsh	18304	352
Employees	pension_rate	0.041	
	SSC_cred_max	624	12
	SSC_cred_red	0.166666667	6
	pension_ceil	Limit Abolished	Limit Abolished
	Non_cum_Allc	0	
Employers	Empr_rate	0.11175	
	Empr_lower_rate	0.8925	
	Empr_thrsh	27404	527
	Empr_ceil	Limit Abolished	Limit Abolished
Child benefit	Ch_ben	1680	140

	Ch_ben_3	1680	
Working Family Payment	FIS_pay_limit	41912	806
	FIS_min	1040	20
	FIS_rate	0.6	
Medical card	single_med_card	9568	184
	married_med_card	13858	266.5
	child_add_med_card	1976	38
One-Parent Family	opf_basic	12668	244
	opf_inclim_1	8580	165
	opf_inclim_2	Abolished	Abolished
	opf_inclim_3	13005.2	250.1
	opf_dis	0.5	
	opf_thrsh	395.2	7.6
	opf_red	130	2.5
	opf_childincr	2600	50

2025 Tax equations

The equations for the Irish system in 2020 are mostly on a family basis using mainly a tax credit system for the first time. But social security contributions are calculated separately for each spouse. This is shown by the Range indicator in the table below.

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

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings	earn		
2.	Allowances:			(provided at standard rate (tax credit equivalent))
3.	Credits in taxable income	taxbl_cr	J	0
4.	Taxable income	tax_inc	J	Earn+OPF_total
	New carers allowance (provided as a tax credit)	career_allow		IF((Married*Children)>0, IF(earn_spouse<=Carers_thrsh1, Carers_allow, IF(earn_spouse>Carers_thrsh2, 0, Positive (Carers_allow-Carers_taper_rt*(earn_spouse-Carers_thrsh1))))), 0)
	Preliminary Tax Liable (including carers allowance)	tax_prel	J	IF(Married=0, ' IF(Children=0, ' Tax(tax_inc, Single_sch), Tax(tax_inc, Single_sch_child)), IF(AB7=0, ' Tax(tax_inc, Married_sch_oneinc)-AG7, Tax(earn_principal+Positive(earn_spouse-Band_increase_lim), Married_sch_oneinc)+Tax(MIN(earn_spouse, Band_increase_lim), Married_sch_oneinc)))
5.	Tax before credits (but including carers allowance)	_tax_excl	J	IF((Married*earn_spouse)>0, MINA(tax_prel, (Tax(tax_inc, Married_sch_oneinc)-career_allow)), tax_prel)
	Universal social charge	USG	J	IF(earn>USC_threshold, IF(med_crd_fac=1, Tax(earn, USC_sch), Tax(earn, USC_sch_med_card)), 0)
6.	Tax credits :	basic_cr	J	Basic_al_at_standardrate+(Married*Married_al_at_standardrate)
		single_par_cr		IF(Married=0, ' IF(Children>0, Singleparent_at_standardrate, 0), 0)
		other_cr		Empl_al_at_standardrate+ (IF(earn_spouse>0, Empl_al_at_standardrate, 0))
		tax_cr		basic_cr+single_par_cr+other_cr
	Exemption amount	exemp_amt	J	Single_ex+Married*Married_ex+Child_ex*MIN(2, Children)+(Children>2)*(Children-2)*Child_ex_3
	Marginal relief limit	MRL	J	Single_MR+Married*Married_MR+Child_MR*MIN(2, Children)+(Children>2)*(Children-2)*Child_MR_3
7.	Net tax	CG_tax	J	If(earn_total<='MRL, ' MIN(marg_rel_rate*positive(earn_total-exem_amt), positive(_tax_excl-tax_cr)), positive(_tax_excl-tax_cr))+USG
8.	State and local taxes	local_tax	J	0
	Employees' soc security			
	weekly allowance	weekly_allce	B	IF(earn=0,0,MINA(Non_cum_Allc,earn))
	Medical card factor	Med_crd_fac	J	(single_med_card+Married*(married_med_card-single_med_card)+child_add_med_card*Children<earn_princ+earn_spouse)
	employees' soc security	SSC	B	=IF(earn>SSC_thresh,(pension_rate*earn)-Positive(SSC_cred_max-(earn-SSC_thresh)*SSC_cred_red)))
11.	Cash transfers			
		Child_benefit	J	Children*Ch_ben+(Children>2)*(Children-2)*(Ch_ben_3-Ch_ben)
		FIS	J	(Children>0)*IF((earn-_tax-SSC+OPF_total)<='FIS_pay_limit', MAXA((FIS_pay_limit-(earn-_tax-SSC+OPF_total))*FIS_rate, FIS_min), 0)

		OPF_basic	P	=IF((earn-opf_inclim_1)*opf_dis<opf_thrsh,opf_basic,IF((earn-opf_inclim_1)*opf_dis>opf_inclim_3,0,Positive(opf_basic- (opf_red+(opf_red*TRUNC((((earn-opf_inclim_1)*opf_dis)-opf_thrsh)/opf_red))))*((Married=0)*(Children>0)))*(earn<opf_inclim_2)
		OPF_total		=IF(OPF_basic>0,OPF_basic+(opf_childincr*Children))
	Total cash transfers	cash_trans		Child_benefit+FIS+OPF_total
13.	Employer's soc security	SSC_empr	B	IF(earn<='Empr_thrsh',' Empr_lower_rate, Empr_rate)* MIN(earn, Empr_ceil)

Key to range of equation:

B calculated separately for both principal earner and spouse

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

J calculated once only on a joint basis

Note

¹ To address long term sustainability challenges facing the Social Insurance Fund and to pay for the introduction of a Pay-Related Benefit scheme for newly unemployed jobseekers, the Government agreed to a series of incremental increases to all social insurance rates from 2024 to 2028. The first increase of 0.1% took effect from 1st of October 2024. The employee and employer rates will further increase by 0.1% in October 2025, 0.15% in October 2026, 0.15% in October 2027 and finally a 0.2% increase in October 2028.

Israel

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

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

Israel 2025

The tax/benefit position of single persons

		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1	Gross wage earnings		140 523	209 735	350 258	140 523
2	Standard tax allowances					
	Basic allowance		0	0	0	0
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes					
	Work-related expenses		0	0	0	0
	Other					
	Total		0	0	0	0
3	Tax credits or cash transfers included in taxable income		0	0	0	0
4	Central government taxable income (1 - 2 + 3)		140 523	209 735	350 258	140 523
5	Central government income tax liability (exclusive of tax credits)		17 497	33 092	79 893	17 497
6	Tax credits					
	Basic credit		6 534	6 534	6 534	7 986
	Lone parent credit		0	0	0	2 904
	Children		0	0	0	11 616
	EITC		0	0	0	0
	Unused wastable tax credits		0	0	0	5 009
	Total		6 534	6 534	6 534	22 506
7	Central government income tax finally paid (5-6)		10 963	26 558	73 359	0
8	State and local taxes		0	0	0	0
9	Employees' compulsory social security contributions					
	Gross earnings		9 971	18 394	35 496	9 971
	Taxable income					
	Total		9 971	18 394	35 496	9 971
10	Total payments to general government (7 + 8 + 9)		20 933	44 952	108 855	9 971
11	Cash transfers from general government					
	For head of family					
	For two children		0	0	0	6 948
	Total		0	0	0	6 948
12	Take-home pay (1-10+11)		119 589	164 783	241 403	137 500
13	Employer's compulsory social security contributions		7 891	13 151	23 830	7 891
14	Average rates					
	Income tax		7.8%	12.7%	20.9%	0.0%
	Employees' social security contributions		7.1%	8.8%	10.1%	7.1%
	Total payments less cash transfers		14.9%	21.4%	31.1%	2.2%
	Total tax wedge including employer's social security contributions		19.4%	26.1%	35.5%	7.4%
15	Marginal rates					
	Total payments less cash transfers: Principal earner		32.2%	43.2%	47.2%	12.2%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		37.0%	47.2%	50.9%	18.4%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Israel 2025

The tax/benefit position of married couples

Wage level (per cent of average wage)		100-0	100-67	100-100	100-67
Number of children		2	2	2	none
1	Gross wage earnings	209 735	350 258	419 471	350 258
2	Standard tax allowances				
	Basic allowance	0	0	0	0
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes				
	Work-related expenses	0	0	0	0
	Other				
	Total	0	0	0	0
3	Tax credits or cash transfers included in taxable income	0	0	0	0
4	Central government taxable income (1 - 2 + 3)	209 735	350 258	419 471	350 258
5	Central government income tax liability (exclusive of tax credits)	33 092	50 589	66 184	50 589
6	Tax credits				
	Basic credit	6 534	14 520	14 520	14 520
	Lone parent credit	0	0	0	0
	Children	5 808	17 424	17 424	0
	EITC	0	0	0	0
	Unused wastable tax credits	0	2 105	0	0
	Total	12 342	31 944	31 944	14 520
7	Central government income tax finally paid (5-6)	20 750	20 750	34 240	36 069
8	State and local taxes	0	0	0	0
9	Employees' compulsory social security contributions				
	Gross earnings	18 394	28 365	36 788	28 365
	Taxable income				
	Total	18 394	28 365	36 788	28 365
10	Total payments to general government (7 + 8 + 9)	39 144	49 115	71 028	64 433
11	Cash transfers from general government				
	For head of family				
	For two children	4 596	4 596	4 596	0
	Total	4 596	4 596	4 596	0
12	Take-home pay (1-10+11)	175 187	305 739	353 039	285 825
13	Employer's compulsory social security contributions	13 151	21 041	26 301	21 041
14	Average rates				
	Income tax	9.9%	5.9%	8.2%	10.3%
	Employees' social security contributions	8.8%	8.1%	8.8%	8.1%
	Total payments less cash transfers	16.5%	12.7%	15.8%	18.4%
	Total tax wedge including employer's social security contributions	21.4%	17.7%	20.8%	23.0%
15	Marginal rates				
	Total payments less cash transfers: Principal earner	43.2%	43.2%	43.2%	43.2%
	Total payments less cash transfers: Spouse	7.1%	12.2%	43.2%	32.2%
	Total tax wedge: Principal earner	47.2%	47.2%	47.2%	47.2%
	Total tax wedge: Spouse	12.0%	18.4%	47.2%	37.0%

The Israeli currency is the Israeli Shekel (ILS). In 2025, ILS 3.45189 was equal to USD 1. In that year, the average worker in Israel earned ILS 209 735 (Secretariat's estimate).

Personal income tax system

Central government income tax

Tax unit

In general, spouses are taxed separately on their earned income, subject to the condition that its sources are independent. The household is taxed jointly if their earned income is deemed to be interdependent. Until 2014, the conditions for interdependence involved situations where one spouse worked in a business that the other spouse either owned or had certain levels of capital or management/voting rights. Since 2014, spouses could still be taxed separately, even in cases where their earned income is deemed to be interdependent if the labour of both spouses is needed to run the business and their income is commensurate to their effort.

Tax allowances and credits

Standard tax credits

The standard tax credits are given in the form of credit points subtracted from the tax liability. Each point is worth ILS 2 904 in 2025.

- *Basic credit:* Every resident taxpayer is entitled to 2.25 credit points (ILS 6 534 in 2025).
- *Additional credit for women:* Women are entitled to a further half credit point (ILS 1 452 in 2025).
- *Child credit:* Working mothers (and fathers in one-parent families) with children aged under 18 are entitled to one additional credit point per child (ILS 2 904 in 2025). In 2012 this credit was increased to 2 credit points per child aged under 5. Since 2012, married working fathers with children aged under 2 are also entitled to 2 credit points per child. In 2017, the credit for both parents was increased to 2.5 credit points per child aged under 5. Since, according to the Taxing Wages methodology, the children in the model are between 6 and 11 inclusive, this change was not included in the model. Since 2022, both parents benefit from one extra credit point per child aged between 6 and 12 inclusive. This change was included in the 2022 model. In 2024 both parents benefit from one extra credit point per child aged between 13 and 17 inclusive and two extra credit point per child up to age 3. These changes are not included in the model.
- *Single parent credit:* Single parents (male or female) are entitled to one additional credit point.

Non – standard tax credits applicable to income from employment

- Tax credits are awarded for contributions to approved pension schemes, up to a ceiling that varies according to the employee's circumstances.
- Workers living in certain development areas or in conflict zones receive credits as a percentage of their income up to ceiling. In 2016, a comprehensive reform was implemented, where the average credit was decreased but the number of beneficiaries more than doubled. In 2025 the credits range from 7 % in the lowest category to 20% in the highest category with ceilings between ILS 146 640 and 267 840. About 20% of the population lives in these areas.
- Up to 2021 new immigrants were entitled to three credit points in their first eighteen months in Israel, two credit points in the following year, and one credit point in the year after. From 2022 new immigrants are entitled to one credit point in their first year in Israel, three credit points in the

following eighteen months, two credit points in the following year, and one credit point in the year after.

- Discharged soldiers receive 2 credit points for three years after the completion of at least 23 months of service or 1 credit point for a shorter service.
- Graduates of academic studies receive 1 credit point for one year (raised to three years in 2023) after the completion of a B.A. degree (or after the completion of 1 700 study hours that led to a professional certificate) and 0.5 credit point for one year (raised to two years in 2023) after the completion of a M.A. degree.

Tax schedule

The tax schedule for earned income in 2025 is as follows:

Taxable income (ILS per year)	Tax rate (%)
0 - 84120	10
84120 - 120720	14
120720 - 193800	20
193800 - 269280	31
269280 - 560280	35
560280 - 721560	47
Above 721560	50

Regional and local income tax

There are no regional or local income taxes.

Compulsory social security insurance system

Social security contributions consist of a combination of social security contributions and health insurance. The tax rates paid by employees and employers are applied in two brackets:

- A reduced rate for income up to a level of 60% of the average wage per employee post (ILS 7 522 per month in 2024, which remained unchanged for 2025).
- A full rate for income exceeding 60% of the average wage per employee post and up to ILS 50 695 per month (in 2025).

Employees' contributions

The taxable base for social security insurance contributions paid by employees is the total amount of the gross wage or salary including fringe benefits. The assessment period is the calendar month. The effective employees' contribution rates in 2025 are as follows:

Insurance branch	Full rate contribution (%)	Reduced rate contribution (%)
Total for National Insurance branches	7.00	1.04
Health	5.17	3.23
Total contributions	12.17	4.27

Employers' contributions

Employers on behalf of their employees also pay social security insurance contributions. These relate to National Insurance only - employers do not pay any contributions for health insurance.

The employers' contribution rates in 2025 are as follows:

Insurance branch	Full rate contribution (%)	Reduced rate contribution (%)
Total for National Insurance branches	7.60	4.51
Health	--	--
Total contributions	7.60	4.51

Payroll taxes

The following payroll taxes exist in Israel but neither of them is included in the modelling as they have limited coverage:

- Wage tax on the non-profit institutions: the VAT law imposes a 7.5% on the wage-bill on the non-profit sector including Government,
- Wage tax on the financial institutions: the VAT law also imposes a 18.0% tax on the wage-bill of the financial institutions.

Universal cash transfers

Transfers related to marital status

None.

Transfers for dependent children

A monthly child allowance is paid to the parent (usually the mother) of unmarried children aged up to 18. Between 2003 and 2022, children born before 2003 benefited from a more generous allowance.

In December 2015 (retroactively from May 2015) the allowance for all children were increased.

Moreover, the government deposits ILS 50 per child per month, starting with May 2015 (for the period May 2015-December 2016, the actual deposit was only delivered, in 36 equal instalments, between January 2017-December 2019). The savings are liquid only when the child turns 18. Considering this delay of cash payments, they do not benefit the household, but rather the child and therefore are not included in the Taxing Wages modelling.

First child	169
Second child	214
Third child	214
Fourth child	214
Fifth child and above	169

In addition, a Study Grant is paid to lone parents with children aged 6 to 18. The grant is paid in one instalment, usually in September at the beginning of the school year. In 2025, the grant per child is ILS 1 176.

Main changes in the tax and benefit systems since 2002

- There has been a policy of gradually reducing the level of personal income taxes since 2003. This policy was expected to continue till 2016 but came to an end in 2012 with the top tax bracket increasing from 45% to 48% although the rate of one middle income tax bracket was further decreased from 23% to 21%. In 2013 a surtax of 2% was imposed on total income above ILS 811 560, effectively increasing the top marginal rate to 50%. In 2017 the surtax was increased to 3% on total income above ILS 640 000, while the top marginal rate remained unchanged at 50%. In 2013, the value of some tax brackets were not fully indexed to the CPI and even suffered a nominal decrease. In 2014, the value of all tax brackets and of the "credit point" were not indexed to the CPI. In 2017, some tax rates and the width of some tax brackets were changed, effectively decreasing the tax burden for low and mid income while increasing the burden for higher incomes. In 2025, the value of all tax brackets were not indexed to the CPI.
- The full contribution rate for employee social security contributions increased gradually from 9.7% in 2002 to 12% in 2006. The reduced contribution rate decreased from 5.76% in 2002 to 3.5% in 2006. The upper threshold for contributions was removed in July 2002 but re-instated one year later. In August 2009, as a temporary measure until December 2011, it was increased to 10 times the average wage per employee post until December 2010 and to 9 times the average wage per employed post until December 2011. Since 2012 the upper threshold is indexed to the CPI and its value against the average wage has eroded to 4 times the average wage in 2025.
- Prior to July 2005, there was only one contribution rate for employer social security contributions, set at 5.93% between July 2002 and June 2005. The upper threshold for contributions was removed in July 2002 but was re-instated one year later. The current system of two tax brackets was introduced in July 2005 with a reduced contribution rate of 5.33% and a full rate of 5.68%. There has been a lowering of rates in each year between 2006 and 2009. In August 2009, as a temporary measure until March 2011, the reduced rate was increased from 3.45% to 3.85%. In April 2011 the regular rate was increased to 5.9%. It was increased again to 6.5% in January 2013, 6.75% in January 2014, 7.25% in January 2015, 7.5% in January 2016 and 7.6% in January 2019.
- The Employers tax on wage bill of the non-profit sector excluding Government was abolished in 2008.
- In the period between August 2003 and June 2009, all children that were born on or after 1 June 2003 received the same level of benefit payment as the first child. The 2009 Coalition agreement introduced a gradual increase in the benefit payments for the second, third and fourth children in all families (including those where children were born after June 2003) over a period of four years from July 2009 to Apr 2012. In August 2013, the allowance for all children born after June 2003 was decreased to ILS 140 per month per child. In December 2015 (retroactively from May 2015) the allowance for all children were increased.
- In 2017, the tax credit for both parents was increased to 2.5 credit points per child aged under five. Since 2022, both parents benefit from one extra credit point per child aged between 6 and 12 inclusive. This change was included in the 2022 model. Since 2024 both parents benefit from one extra credit point per child aged between 13 and 17 inclusive and two extra credit point per child up to the age of 3.
- The tax benefits for new immigrants arriving in 2022 onwards were increased.

Changes to labour taxation due to the covid-19 pandemic

People entitled to the EITC and who worked during the pandemic in April-December 2020 got a special bonus (see details in paragraph 6.3).

Memorandum items

Average gross annual wage earnings calculation

The average wage figures represent the amount earned for a full time post by employees working 35 hours per week or more. Until 2011, the AW data came from a combination of two sources - the income and expenditure survey and the labour force survey. Since 2012, the data come exclusively from the income and expenditure survey as the labour force survey has no more data on income. The Central Bureau of Statistics has now computed a new AW series based exclusively on the income and expenditure survey back from 2000. In 2019 the series was again revised retroactively from 2000 due to several methodological changes introduced in the Household expenditure survey.

As to the economic classification, until 2012, Israel used a modified version of ISIC 3 where the B-I industries (see Table below) are a very close equivalent of C-K industries in ISIC 3.1. Israel's Central Bureau of Statistics adopted ISIC 4 in 2012 and the Average Wage used in the modelling is based on ISIC 4 since 2013.

A	Agriculture.
B	Manufacturing.
C	Electricity and water supply.
D	Construction (building and civil engineering projects).
E	Wholesale and retail trade and repairs.
F	Accommodation services and restaurants
G	Transport, storage and communication.
H	Banking, insurance and other financial institutions.
I	Business activities.
J	Public administration.
K	Education.
L	Health, welfare and social work services.
M	Community, social, personal and other services.

Employer contributions to private pension

Until 2007, employers were not legally obliged to pay into a pension plan for their employees. Pension rights were guaranteed in collective agreements that covered less than half of the labour force. About one million employees in Israel had no pension arrangement (mainly those earning a relatively low wage, temporary workers and those working for subcontractors).

In 2008, a compulsory employment pension was introduced for employees with a period of employment of at least 6 months. The minimum rate of contributions in January 2025 was 18.5 per cent of the employee's salary (up to the average wage of ILS 13 316 per month), about one third to be paid by the employee and two-thirds by the employer.

Earned income tax credit

A non-wastable earned income tax credit was introduced in 2008 in selected geographical areas of Israel covering 15 % of the population. Entitlement to this credit is established based on earnings in the previous year. The tax credit was extended to all areas of Israel in 2012 (based on the earnings in 2011 and therefore we already included it in the 2011 version of the model). For mothers of children up to the age of two and for single parents the full coverage started in 2011 (based on earnings in 2010).

By law, workers aged 23 (lowered to 21, in 2022) and over who are the parents of one or two children under the age of 18 (or workers aged 55 and over even without children) and earn at least ILS 2 390 per

month (about 40% of the minimum wage) but not more than ILS 7 220 per month are entitled to a monthly supplement of up to 380 ILS. The corresponding figure for a family with three or more children is ILS 560.

Since 2016, single parents are eligible for the EITC for a wider income range – from ILS 1 470 per month to ILS 10 930 per month (for a single parent of 1-2 children) or ILS 13 340 per month (for a single parent of three or more children).

Since 2013 (based on earnings in 2012), these sums were increased by 50% for working mothers (and fathers in one-parent family).

In 2018, a temporary program offered a 50% bonus to all working fathers and an additional 30% bonus for families with two working parents. This program was discontinued but the 50% bonus for working fathers was reinstated in 2024 and is included in the Taxing Wages modelling for that year onwards.

To help workers specially hurt by the COVID-19 pandemic, a temporary measure (for earnings in 2020 only), added a 62% bonus to the EITC for April-December 2020 (but not less than ILS 990). Therefore, an equivalent annual 46.5% bonus was included in the 2020 Taxing Wages model.

A temporary measure (for earnings in 2022 only), provided an extra 40% bonus to all beneficiaries of the EITC. This measure is included in the Taxing Wages modelling for 2022.

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

In 2024, the Earned Income Tax Credit (EITC) was expanded to provide increased benefits for parents of children under the age of 3. The supplemental EITC is calculated as 28.3% of the parent's monthly earnings above ILS 2,400, with a maximum benefit of ILS 490 per toddler for those earning up to ILS 7,220 per month. For earnings above ILS 7,220, the supplement gradually phases out at a rate of 34.5%, completely tapering off at an income level of ILS 8,580. However, since the Taxing Wages methodology assumes that the children in the model are between 6 and 11 years old, this change was not incorporated into the model.

Families in which both parents work, and their joint income does not exceed ILS 13 880, are entitled to these benefits for each wage-earner. The grant is paid four times a year directly into the account of the eligible persons.

2025 Parameter values

Average earnings/yr	Ave_earn	209 735	Secretariat estimate
Income tax	Tax_sch	0.10	84 120
		0.14	120 720
		0.20	193 800
		0.31	269 280
		0.35	560 280
		0.47	721 560
		0.50	
Employees SSC	SSC_sch	0.0427	90 264
		0.1217	608 340
		0	
Employers SSC	SSC_rate2	0.0451	90 264
		0.0760	608 340
		0.0000	
Child benefit	CB_firstchild	2028	
	CB_secondchild	2568	
	Studygrant_rate	1176	
Wastable tax credits			

Basic element	WTC_Basic	6534	
Lone parent	WTC_lone	2904	
Mother/per child	WTC_ChildM	5808	
Father/per child	WTC_ChildF	2904	
Women	WTC_woman	1452	
Negative Income tax			
Married with 1 or	NIT_sch1	0	28680
2 children		0.161	49550
		-0.000	49920
		0	66600
		-0.230	85380
Married with 3 or	NIT_sch2	0	28680
more children		0.235	49920
		0.000	49920
		0	66600
		-0.235	94200
Single with 1 or	NIT_sch3	0	17640
2 children		0.108	49860
		0.668	50040
		0	93840
		-0.116	131040
Single with 3 or	NIT_sch4	0	17640
		0.155	50148
		0	50148
		0	104880
		-0.116	160080
	NIT_basic1	1200	
	NIT_basic2	1680	
	NIT_min	360	
	NIT_MinIncome1	28680	
	NIT_MinIncome2	17640	
	Nit_AddIncome1	20040	
	Nit_AddIncome2	66600	
	Nit_MaxIncome	166560	
	NIT_Bonus1	1.5	
	NIT_Bonus2	1	
	NIT_Bonus3	0	
	NIT_Bonus4	1	
	NIT_PartnerIncome	0	
	NIT_MinCovid	1	
Days in tax year	numdays	365	

2025 Tax equations

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings	earn		
2.	Allowances:	Tax_al	B	0
3.	Credits in taxable income	taxbl_cr	B	0
4.	CG taxable income	tax_inc	B	Earn
5.	CG tax before credits	CG_tax_excl	B	Tax(tax_inc, tax_sch)
6.	Tax credits (nonwastable):			
	Principal	tax_cr_princ	B	(earn>0)*(wtc_basic+(wtc_childF*children)) (IF(married=0)*(children>0),wtc_woman+wtc_lone+(wtc_childM*children))
	Spouse	tax_cr_spouse	B	(earn>0)*(wtc_basic+wtc_woman+(wtc_childM*children))
	Tax credits (nonwastable)	NIT_princ	B	NIT=MAX(0,IF(Children=0,0,IF(Married=1,IF(Children<=2,NIT_basic1*(Princ_earnings>NIT_MinIncome1)+Tax(Princ_earnings,NIT_sch1),NIT_basic2*(Princ_earnings>NIT_MinIncome1)+Tax(Princ_earnings,NIT_sch2)),IF(Children<=2,NIT_basic1*(Princ_earnings>NIT_MinIncome2)+Tax(Princ_earnings,NIT_sch3),NIT_basic2*(Princ_earnings>NIT_MinIncome2)+Tax(Princ_earnings,NIT_sch4)))) NIT+=MAX(0,NIT+IF(Children=0,0,IF(Children<=2,-0.23,-0.235)) *MAX(0,+(Princ_earnings+Spouse_earnings)-NIT_MaxIncome-MIN(MAX(0,Princ_earnings-NIT_AddIncome2),NIT_AddIncome1)-MIN(MAX(0,Spouse_earnings-NIT_AddIncome2),NIT_AddIncome1))) NIT=IF(NIT<NIT_min,0,NIT)*NIT_Bonus1*IF(Spouse_earnings>NIT_PartnerIncome,NIT_Bonus2,1) +MAX(NIT_MinCovid*(NIT>=NIT_min),(NIT_Bonus3-1) *IF(NIT<NIT_min,0,NIT)*NIT_Bonus1 *IF(Spouse_earnings>NIT_PartnerIncome,NIT_Bonus2,1) *(NIT_Bonus4)
		NIT_spouse	B	NIT=MAX(0,IF(Children=0,0,IF(Married=1,IF(Children<=2,NIT_basic1*(Spouse_earnings>NIT_MinIncome1)+Tax(Spouse_earnings,NIT_sch1),NIT_basic2*(Spouse_earnings>NIT_MinIncome1)+Tax(Spouse_earnings,NIT_sch2)),IF(Children<=2,NIT_basic1*(Spouse_earnings>NIT_MinIncome2)+Tax(Spouse_earnings,NIT_sch3),NIT_basic2*(Spouse_earnings>NIT_MinIncome2)+Tax(Spouse_earnings,NIT_sch4)))) NIT+=MAX(0,NIT+IF(Children=0,0,IF(Children<=2,-0.23,-0.235)) *MAX(0,+(Princ_earnings+Spouse_earnings)-NIT_MaxIncome-MIN(MAX(0,Princ_earnings-NIT_AddIncome2),NIT_AddIncome1)-MIN(MAX(0,Spouse_earnings-NIT_AddIncome2),NIT_AddIncome1))) NIT=IF(NIT<NIT_min,0,NIT)*NIT_Bonus1*IF(Princ_earnings>NIT_PartnerIncome,NIT_Bonus2,1) +MAX(NIT_MinCovid*(NIT>=NIT_min),(NIT_Bonus3-1) *IF(NIT<NIT_min,0,NIT)*NIT_Bonus1 *IF(Spouse_earnings>NIT_PartnerIncome,NIT_Bonus2,1) *(NIT_Bonus4)
7.	CG tax	CG_tax	B	Positive(CG_tax_excl-tax_cr)-NIT
8.	State and local taxes	local_tax	B	0
9.	Employees' soc security	SSC	B	Tax(earn, SSC_sch)
11.	Cash transfers	cash_trans	J	IF(children=1,CB_firstchild,IF(Children=2,CB_firstchild+CB_secondchild)+(IF(married=0)*(children>0),Studygrant_rate*children)
13.	Employer's soc security	SSC_empr	B	Tax(earn, SSC_rate2)

Key to range of equation B calculated separately for both principal earner and spouse P calculated for principal only (value taken as 0 for spouse calculation) J calculated once only on a joint basis

Italy

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

Italy 2025

The tax/benefit position of single persons

		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1	Gross wage earnings		24 518	36 594	61 112	24 518
2	Standard tax allowances					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		2 327	3 473	5 856	2 327
	Work-related expenses					
	Other					
	Total		2 327	3 473	5 856	2 327
3	Tax credits or cash transfers included in taxable income		0	0	0	0
4	Central government taxable income (1 - 2 + 3)		22 191	33 121	55 256	22 191
5	Central government income tax liability (exclusive of tax credits)		5 104	8 232	16 400	5 104
6	Tax credits					
	Basic credit		3 442	2 390	0	3 442
	Married or head of family		0	0	0	0
	Children		0	0	0	0
	Other		0	0	0	0
	Total		3 442	2 390	0	3 442
7	Central government income tax finally paid (5-6)		1 662	5 842	16 400	1 662
8	State and local taxes		699	1 161	2 097	699
9	Employees' compulsory social security contributions					
	Gross earnings		2 327	3 473	5 856	2 327
	Taxable income					
	Total		2 327	3 473	5 856	2 327
10	Total payments to general government (7 + 8 + 9)		4 688	10 476	24 353	4 688
11	Cash transfers from general government					
	For head of family					
	For two children		0	0	0	4 824
	Total		0	0	0	4 824
12	Take-home pay (1-10+11)		19 830	26 118	36 758	24 654
13	Employer's compulsory social security contributions		7 743	11 556	19 299	7 743
14	Average rates					
	Income tax		9.6%	19.1%	30.3%	9.6%
	Employees' social security contributions		9.5%	9.5%	9.6%	9.5%
	Total payments less cash transfers		19.1%	28.6%	39.9%	-0.6%
	Total tax wedge including employer's social security contributions		38.5%	45.8%	54.3%	23.6%
15	Marginal rates					
	Total payments less cash transfers: Principal earner		42.4%	64.2%	52.8%	42.4%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		56.2%	72.8%	64.1%	56.2%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Italy 2025

The tax/benefit position of married couples

Wage level (per cent of average wage)		100-0	100-67	100-100	100-67
Number of children		2	2	2	none
1	Gross wage earnings	36 594	61 112	73 188	61 112
2	Standard tax allowances				
	Basic allowance				
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes	3 473	5 800	6 946	5 800
	Work-related expenses				
	Other				
	Total	3 473	5 800	6 946	5 800
3	Tax credits or cash transfers included in taxable income	0	0	0	0
4	Central government taxable income (1 - 2 + 3)	33 121	55 312	66 242	55 312
5	Central government income tax liability (exclusive of tax credits)	8 232	13 336	16 465	13 336
6	Tax credits				
	Basic credit	2 390	5 832	4 780	5 832
	Married or head of family	710	0	0	0
	Children	0	0	0	0
	Other	0	0	0	0
	Total	3 100	5 832	4 780	5 832
7	Central government income tax finally paid (5-6)	5 132	7 504	11 684	7 504
8	State and local taxes	1 161	1 860	2 322	1 860
9	Employees' compulsory social security contributions				
	Gross earnings	3 473	5 800	6 946	5 800
	Taxable income				
	Total	3 473	5 800	6 946	5 800
10	Total payments to general government (7 + 8 + 9)	9 766	15 164	20 952	15 164
11	Cash transfers from general government				
	For head of family				
	For two children	4 824	5 456	4 844	0
	Total	4 824	5 456	4 844	0
12	Take-home pay (1-10+11)	31 652	51 404	57 080	45 948
13	Employer's compulsory social security contributions	11 556	19 299	23 113	19 299
14	Average rates				
	Income tax	17.2%	15.3%	19.1%	15.3%
	Employees' social security contributions	9.5%	9.5%	9.5%	9.5%
	Total payments less cash transfers	13.5%	15.9%	22.0%	24.8%
	Total tax wedge including employer's social security contributions	34.3%	36.1%	40.7%	42.9%
15	Marginal rates				
	Total payments less cash transfers: Principal earner	64.2%	69.2%	69.2%	64.2%
	Total payments less cash transfers: Spouse	19.4%	47.5%	69.2%	42.4%
	Total tax wedge: Principal earner	72.8%	76.6%	76.6%	72.8%
	Total tax wedge: Spouse	38.8%	60.1%	76.6%	56.2%

The national currency is the Euro (EUR). In 2025, EUR 0.88 is equal to USD 1. In that year the average worker earned EUR 36 594 (Secretariat estimate).

Due to how the data for Italy is collected, *Taxing Wages* adopts a 'backward-looking' approach to present more reliable results. Hence, the policy details shown in this chapter refer to the 2024 fiscal year.

Personal Income Tax

Central government income tax

Tax unit

Spouses are taxed separately.

Tax allowances and tax credits

Tax allowances

Social security contributions due by law.

Tax credits

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

As from 2022, Budget Law n. 234/2021 modified the Personal Income Tax (IRPEF). The payable tax credits amount for 2022 is EUR 1 200 for net income under EUR 15 000.¹

For 2024, the basic employee tax credit for taxpayers with a taxable income up to EUR 15,000 is increased from EUR 1 880 to EUR 1 955 therefore, the *de facto* no-tax area is extended from EUR 8 174 up to EUR 8 500. In order to guarantee that people lying between the old and the new threshold still get the transfer, it is applied a correction of EUR 75, given by the difference between the previous basic employee tax credit and the new one. From 2025, this increase has been confirmed and became structural.

The payable tax credits amount from 2022 must be estimated as follows:

Taxable income (EUR)	Fiscal bonus (EUR)
Up to 8 145	0
From 8 146 to 15 000	1200
More than 15 000	0

- Standard tax credits (not refundable)

The PAYE tax credit is defined as a function of net income:

Taxable income (EUR)	PAYE tax credit (EUR)
Lower than 15 000	1 955
From 15 000 to 28 000	Maximum tax credit + $1190 \times (28\,000 - \text{taxable income}) / 13\,000$
From 28 001 to 50 000	Maximum tax credit * $(50\,000 - \text{taxable income}) / 22\,000$
More than 50 000	0

The maximum value for the tax credit depends on the level of taxable income:

Level of taxable income (EUR)	Maximum tax credit (EUR)
From 8 001 to 14 999	1 955
From 15 000 to 50 000	1 910

- An additional maximum credit amount of EUR 65 applies to taxable income from EUR 25 000 up to EUR 35 000.

In addition, to structurally reduce the tax wedge on labor and support low- and medium-income households, the budget law for the year 2025 has introduced new tax measures that modify the Italian PIT. Such measures extend and stabilize the effects on net take home pay of the reduction of employees' social security contributions (SSCs), which was already present (on a temporary basis) for the years 2023 and 2024.

In detail, the reduction of the tax wedge has been operated through the following measures:

- **Bonus for dependent workers** with taxable income below 20 000 euro.

The transfer is calculated as a percentage of the dependent work income as follows:

- 7.1% if dependent work income is lower than 8 500 euro;
- 5.3% if dependent work income is higher than 8 500 euros and lower than 15 000 euro;
- 4.8% if dependent work income is higher than 15 000 and lower than 20 000 euro.

To estimate the right percentage to apply, dependent work income re-parametrized on an annual basis must be considered.

- **Additional employment credit for dependent workers** with taxable income from 20 000 to 40 000 euro.
 - The increase is equal to 1 000 euro for taxable income higher than 20 000 and up to 32 000 euro;
 - Above 32 000 euro it declines until 40 000 euro of taxable income. The applied formula is the following = $DEDUCTION = 1\,000 \times (40\,000 - INCOME) / 8\,000$.

Tax credits for family dependents (not refundable)

The tax credits for family dependants, which have replaced the former tax allowances, are as follows:

Family tax credit (EUR)*	Amount (EUR)
Spouse	800 decreasing to 0 for net income over 80 000

(*) Tax credits are granted for family dependents earning less than EUR 2 840.51

The spouse tax credit is calculated as a function of net income:

Level of taxable income (EUR)	Amount of tax credit (EUR)
Up to 15 000	$800 - 110 \times \text{taxable income} / 15\,000$
From 15 001 to 29 000	690
From 29 001 to 29 200	700
From 29 201 to 34 700	710
From 34 701 to 35 000	720
From 35 001 to 35 100	710
From 35 101 to 35 200	700
From 35 201 to 40 000	690

From 40 001 to 80 000	$690 \times (80\,000 - \text{taxable income}) / 40\,000$
More than 80 000	0

The main tax system changes in 2025 have been operated in the areas of PIT. More precisely, the budget law for the year 2025 has stabilized the reduction of the PIT tax brackets from 4 to 3, which was initially into force for the 2024 year only on a temporary basis. The reduction of PIT tax rates and number of tax brackets build on the PIT's reform started in 2022, when tax brackets were reduced from 5 to 4, one tax rate (41%) was abolished, and central tax rates (i.e. 27% and 38%) were reduced by 2 and 3 p.p., respectively. Hence, the Italian PIT is now based on the following tax bracket scheme: up to

28 000 euro (23%); from 28 001 euro up to 50 000 euro (35%); above 50 000 euro (43%). In addition, the *de facto no tax area* for dependent workers has been augmented up to 8 500 euro.

Main non-standard tax allowances and tax credits

- Other compulsory contributions.
- Periodical benefits allowed to the spouse fixed by judicial authority.
- Charitable donations to certain religious institutions (up to EUR 1 032.91).
- Medical and assistance expenses incurred by handicapped persons.
- Expenses to restore one's own residence at 50% for 2024 of full expenses up to EUR 96 000, apportioned into 10 annual allowances of the same amount.
- Expenses for energy requalification of buildings at 65% for 2024 of full expenses apportioned into 10 annual allowances of the same amount.
- Expenses for the replacement of covers, windows and shutters and for the installation of solar panels (only for hot water production) at 50% of full expenses.

For the following expenses, a tax credit of 19% of each incurred expense is allowed:

- Mortgage loan interest (up to EUR 4 000);
- Most medical expenses that exceed EUR 129.11.
- Payments to insurance funds up to EUR 1 291.14.
- Expenses to attend secondary school and university courses; in case such courses are private, the expenses allowed cannot exceed those foreseen for State courses.
- Expenses for nursery school (up to EUR 632 for each child).
- Rents paid by out-of-town students (up to EUR 2 633).
- Funeral charges up to EUR 1 549.37.
- Expenses for disabled persons.
- Payments to foundations (up to EUR 2 065.83).
- Expenses related to sport activities for children between 5 and 18 years of age (up to EUR 210 per child).
- Personal assistance for non-self-sufficient people if taxable income is under EUR 40 000 (up to EUR 2 100).
- Most veterinary expenses that exceed EUR 129.11 (up to EUR 550).

Tax schedule

As from 2022, Budget Law n. 234/2021 reduced both the number of brackets (from 5 to 4), the number of the tax rates to apply (from 5 to 4) and the central tax rates levels. For 2024, Decree-Law n. 216/2023 incorporated the first two brackets into one. Budget Law 2025 (law n. 305/2024) confirmed the above mentioned tax scheme and made it structural from 2025 on and the following tax schedule is applied to taxable income:

Bracket (EUR)	Rate (%)
up to 28 000	23
over 28 000 up to 50 000	35
over 50 000	43

State and local taxes

These surcharges are due only by taxpayers who pay the PIT (personal income tax).

Regional surcharge tax

This surcharge tax has been introduced in 1997. The tax is levied by each region on resident taxpayers' total taxable income (in case net PIT is positive) at a discretionary rate, which must fall within an established range. As from the year 2000 this range is 0.9% – 1.4%.

In December 2011, with the DL 201/2011, the minimum state rate has been increased from 0.9% to 1.23%.

The figure given in the 2025 parameter values table under the heading “Regional and local tax” includes the regional surcharge tax paid in the most representative city which is Rome (Lazio). The regional surcharge of Lazio applies to the whole income with two brackets (1.73% under or equal EUR 15 000 and 3.33% over 15 000). The municipality surcharge in Rome is 0.9% flat.

Local surcharge tax

This surcharge tax has been introduced in 1999. The tax may be levied by each local government at an initial rate that cannot exceed 0.2%. If the tax is levied, the local government can increase the initial rate, on a yearly basis, up to a maximum of 0.5%. Each yearly increase cannot exceed 0.2%. As from 2012, municipalities can increase the rate up to 0.8%.

A 0.9 special rate can be introduced by Roma Capitale Local Government.

The figure given in the 2025 parameter values table under the heading “Regional and local tax” includes the local surcharge tax paid in the most representative city which is Rome; the rate is 0.9% as from 2015.

As from 2015 the rate is not applied to taxpayers with income under EUR 12 000. The ordinary rate is applied if any one of these limits is passed.

The surcharge rates can be adjusted above the fixed roof because of the health care losses.

Compulsory Social Security

Employee contributions

The new measures applied to reduce the tax wedge above mentioned, act as substitutes to the temporary SSC relief applied to dependent workers. From 2025 the SSC rate comes back to its original level equal to 9.49%.

- Rate and ceiling
 - The rate is 9.49% on earnings up to EUR 55 448.
 - The rate is 10.49% on earnings over EUR 55 448 and up to EUR 120 607.
 - For earnings exceeding EUR 120 607, the employee pays a fixed amount given by $(0.0949 \times 55\,448) + 0.1049 \times (120\,607 - 55\,448)$.
- Distinction by marital status or sex
 - None.

Employer contributions

- Contributions equal 31.58%² on earnings up to EUR 120 607. For earnings exceeding EUR 120 607, the employer pays a fixed amount given by $0.3158 \times 120\,607$.
- A General Government employer work-related accident insurance exists in Italy. It is compulsory for employers with employees and contract workers in activities involving the use of machinery and in risky activities as defined by the law. The standard premium to be paid is calculated by applying to remuneration the rates linked to the activity in which the employee works. The rates that vary between 0 to about 13% are provided by a special classification that takes into account the different categories of risk between the various activities. It is not possible to provide a representative or average rate since the contribution rates vary depending on the industrial activities and other factors of risk. Those contributions are not included in the Report.

Universal Cash Transfers

As from 1/3/2022 the tax credit for children under 21 years old, the previous family allowance, and some minor measures to support households have been replaced by the new family allowance (the '*Assegno Unico e Universale*'). This is a single and universal allowance for children from the 7th month of pregnancy until 21 years old, consisting in a monthly cash-transfer calculated on the ISEE (*i.e.*, equivalent economic status indicator), an index accounting both for taxable and exempt incomes and for real estate and financial wealth, made equivalent using a scale accounting for the number of components, the disability of children, and the working status of parents³.

The '*Assegno Unico e Universale*' is indexed to inflation, calculated with the National Consumer Price Index for the whole nation CPI (in Italian '*NIC*'). It follows a progressive scheme, implying a maximum amount (EUR 201 per month for minors; EUR 97.70 for adult younger than 21 years) for households with less than EUR 17 227.33 of ISEE, and a *décalage* until a minimum amount (EUR 57.50 per month for minors; EUR 28.70 for adult younger than 21 years) for ISEE greater than EUR 45 939.56⁴. It also provides additional bonus for children with disability, large households, children under 3 years old, working parents, and young mother (younger than 21 years old). Such thresholds and amounts are the results of the indexation to the CPI inflation, which accounts for 0.8% in 2025.

Main Changes

As from 2022, Budget Law n. 234/2021 modified the Personal Income Tax (IRPEF). The tax brackets passed from 5 to 4, with different thresholds, the central tax rates decreased, and the employment tax credits increased (with a modification of the refundable fiscal bonus of EUR 100). For 2024, Decree-Law. 216/2023 incorporated the first two brackets into one. From 2025 those changes have been confirmed and became structural.

The tax credit for children and the previous family cash transfer (plus some minor measures⁵) to support households have been replaced by a single and universal allowance, in most cases more generous than the previous benefits. The universal allowance is indexed to inflation which, for 2025, is equal to 0,8%.

From 2025, the main changes we experience for the deduction scheme system is the introduction **new income transfer** for dependent workers with taxable income below 20 000 euro, and the **raise for tax credit for dependent workers** with taxable income from 20 000 to 40 000 euro as explained in the “Tax schedule” paragraph.

Apart from the new measures above mentioned, Budget Law has introduced from 2025 changes which do not affect the figures we analyze in Taxing Wages. Those measures affect the reorder of the tax expenditures which are briefly introduced in what follows:

- the tax credit for dependent children above the 21st year, is now limited until the 30th year of the dependent child;
- for other family component, only direct ascendent are allowed for the tax credit;
- family tax credits are allowed to foreigners⁶ only in the case of cohabitants.

A cap has been introduced on expenses generating tax credits, setting a maximum limit on deductible spending for taxpayers with an income exceeding €75 000. The maximum deductible amount depends on total income and the number of dependent children, with coefficients that increase according to the number of children. The base deductible limit is €14 000 for those with an income between €75 000 and €100 000, and €8 000 for those with an income above €100 000; these amounts are multiplied by the coefficients set according to the number of dependent children: 0.50 if the taxpayer has no dependent children, 0.70 if they have one; 0.85 if they have two; and 1 if they have more than two dependent children or at least one child with a certified disability. Healthcare expenses and other specific costs related to mortgages, insurance, and building renovations carried out up to December 31, 2024 are excluded from the calculation of the maximum cap. The following table summarizes the applicable caps on expenses generating tax credits:

Income threshold			
	up to 75 000	75 000-100 000	over 100 000
More than 2 dependent children	No cap	14 000	8 000
2 dependent children		11 900	6 800
1 dependent child		9 800	5 600
No dependent child		7 000	4 000

Memorandum Item

Identification of an AW

The data refer to the annual earnings of average workers.

Contributions by employers to private pension, health, etc. schemes

In addition to the mandatory social security contributions employers may pay contributions to private pension schemes (currently about forty pension funds). Employer's contributions are included in the taxable income of the employee.

Employees may also choose to contribute to the pension funds with all or part of the retirement allowance that is otherwise withheld by the employers. In this case the employee can deduct from his taxable income an amount equal to twice the amount of the contribution paid to fund.

Employer's contributions to private health insurance schemes are not included in the taxable income of the employee up to the limit of EUR 3 615.20.

2025 Parameter values

Average earnings/yr	Ave_earn	36 594	Secretary estimate
Tax schedule	tax_sch	0.23	15 000.00
		0.23	28 000.00
		0.35	50 000.00
		0.43	999 999 999.99
Tax credits			
Fiscal bonus 100 euro	new_thre_min	8 146	
	new_thre_max	15 000	
	new_f_bonus	1 200	
Employment			
	emp_add	0	1 955.00
		8 000	1 955
		15 000	1 910
		19 000	1 910
		24 000	1 910
		25 000	1 910
		26 000	1 910
		27 700	1 910
		28 000	1 910
		50 000	0.00
Income thresholds	thre_1	15 000	
	thre_2	28 000	
	thre_3	50 000	
	paye_amount1	1 190	
	paye_thr1	13 000	
	paye_thr2	22 000	
	paye_extra	65	
	paye_extra_thr1	25 000	

	paye_extra_thr2	35 000	
Additional employment credit			
	emp_cr	0	20 000
		1 000	32 000
		0	40 000
Bonus for dependent workers			
	fiscal_b	0.071	8 500
		0.053	15 000
		0.048	20 000
		0	>20 000
Spouse	Spouse_cred	0	800.00
		15 000	690.00
		29 000	700.00
		29 200	710.00
		34 700	720.00
		35 000	710.00
		35 100	700.00
		35 200	690.00
		40 000	690.00
		80 000	0
Limit	Sp_crd_lim	2 840.51	
Child credit	Child_credit		
Additional child credit	add_child		
Regional and local tax	reg_rt_sch	0.0173	15 000.00
		0.0333	28 000.00
		0.0333	999999999.99
	reg_rt	0.0173	
	Local_rt	0.009	
	Local_tax_thr	12 000	
Social security contributions	SSC_sch	0.0949	25 000
		0.0949	35 000
		0.0949	55 448
		0.1049	120 607
		0.00	999999999.99
Employer contributions	Empr_sch	0.3158	120 607
		0.00	999 999 999.99
Cash transfers:			
Universal child benefit		Table is too long to be included	

2025 Tax equations

The equations for the Italian system in 2025 are mostly repeated for each individual of a married couple. But the spouse credit is relevant only to the calculation for the principal earner and any child credit which the spouse is unable to use is transferred to the principal. This is shown by the Range indicator in the table below.

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

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings	Earn		
2.	Allowances:	tax_al	B	SSC
3.	Credits in taxable income	taxbl_cr	B	0
4.	CG taxable income	tax_inc	B	earn-tax_al1
5.	CG tax before credits	CG_tax_excl	B	Tax(tax_inc, tax_sch)
6.	Tax credits :			
	Employment credit	emp_cr_max	P	VLOOKUP(tax_inc, emp_add, 2))
		emp_cr_max_spouse	S	IF(tax_inc_spouse=0,0,(VLOOKUP(tax_inc_spouse,emp_add,2)))
		emp_cr	P	MIN(CG_tax_excl, IF(tax_inc<=thre_1,emp_cr_max, IF(tax_inc<=thre_2,emp_cr_max+1190*(thre_2-tax_inc)/13000, IF(tax_inc>thre_3,emp_cr_max*(thre_3-tax_inc)/22000)))+(tax_inc>25000)*(tax_inc<35000)*65)
			S	MIN(CG_tax_excl_spouse, IF(tax_in_spouse<=thre_1,emp_cr_max_spouse, IF(tax_inc_spouse<=thre_2,emp_cr_max_spouse+1190*(thre_2-tax_inc_spouse)/13000, IF(tax_inc_spouse>thre_3, emp_cr_max_spouse*(thre_3-tax_inc_spouse)/22000)))+(tax_inc>25000)*(tax_inc<35000)*65)
	Additional employment credit		B	IF(E(tax_inc>20000;tax_inc<=32000); 1000; IF(E(tax_inc>32000;tax_inc<=40000); 1000*(40000-tax_inc)/8000; 0))
	Fiscal bonus	fiscal_b	B	IF(tax_inc<new_thre_min;0;IF(tax_inc<=new_thre_max;new_f_bonus; 0))
	Bonus for dependent workers		B	IF(tax_inc>20000; 0; IF(tax_inc<=8500; tax_inc*0,071; IF(tax_inc<=15000; tax_inc*0,053; tax_inc*0,048)))
	Spouse credit	spouse_cr	P	IF(Married='1', IF(tax_inc_spouse>Sp_crd_lim,0, IF(tax_inc>80000,0, IF(tax_inc<15000,800-110*tax_inc/15000, IF(tax_inc>40000,690*(80000-tax_inc)/40000,VLOOKUP(tax_inc,Spouse_cred,2))))),0)
	Child credit	child_cr_princ	P	0
		child_crfull_spouse	S	0
		child_cr_pct_spouse	S	IF(child_crfull_spouse>0,IF((CG_tax_excl_spouse-emp_cr_spouse)/child_crfull_spouse<0.5,0,0.5),0)
		child_cr_spouse	S	0
	Total	tax_cr	B	MIN(emp_cr+spouse_cr+child_cr, CG_tax_excl)
7.	CG tax	CG_tax	B	Positive(CG_tax_excl-tax_cr)
8.	State and local taxes	reg_rt	B	=IF(CG tax=0;0;IF(tax_inc<12000;0;tax_inc*local_rt))+IF(CG tax=0;0; tax(tax_inc;reg_rt_sch)))
9.	Employees' soc security	SSC	B	=IF(earn=0,0,IF(earn<=25000,0.04644*earn,IF(AND(earn>25000,earn<=35000),0.05644*earn,IF(AND(earn>35000,earn<= 52190), 0.0949*earn,IF(earn>52190,(0.0949*52190)+(0.1049*(earn-52190))),IF(earn> 113520,(0.0949*52190)+ (0.1049*(113520-52190))))))))))

11.	Cash transfers	isee	J	$=(\text{tax\_inc}-(3000+(3000*\text{second\_earn}>0)))/\text{eq\_scale}$
		fam_all_base	J	$=\text{IF}(\text{isee}\leq 17090.61, 199.39*12*\text{children}, \text{IF}(\text{isee}>17090.61, (56.97+((199.39-56.97)*(45574.96-\text{isee})/28484.35))*12*\text{children}, \text{IF}(\text{isee}>45574.96, 56.97)))$
		fam_all_add	J	$=\text{IF}(\text{second\_earn}=0, 0, \text{IF}(\text{isee}<17090.61, 34.18*12*\text{children}, \text{IF}(\text{isee}>17090.61, 34.18*12*\text{children}*(45574.96-\text{isee})/28484.35)))$
		fam_all	J	$=\text{fam\_all\_base}+\text{fam\_all\_add}$
13.	Employer's soc security	SSC_empr	B	$=\text{Tax}(\text{earn}, \text{Empr\_sch})$

Key to range of equation B calculated separately for both principal earner and spouse P calculated for principal only (value taken as 0 for spouse calculation) J calculated once only on a joint basis.

Notes

¹ If the income is between 15 001 and 28 000, the 100 euros can be assigned whether the tax credit for employee is lower than the difference between the tax liability and the tax credits for dependents (plus other minor tax credits). These tax credits are those listed in art 15 comma 1, letter a), b), c), comma 1-ter, and art. 16-bis of the TUIR. For more details see art. Law n. 234/2021, art 1, comma 3, letter a).

² It includes pension, unemployment assurance, fund for assurance of the severance pay (TFR), fund for the family bonus, ordinary and extraordinary wages guarantee fund (CIG), maternity leave and sickness assurance.

³ To calculate the tax wedge for the stylized OECD households, we calculate the ISEE based on the taxable income only, not being able to make hypothesis on the wealth.

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

⁵ The minor measures were not affecting the TW calculations.

⁶ The law considers as foreigners not Italian, not EU citizens and not EEA citizens.

Japan

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

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

Japan 2025

The tax/benefit position of single persons

		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1	Gross wage earnings		3 821 036	5 703 038	9 524 074	3 821 036
2	Standard tax allowances:					
	Basic allowance		880 000	680 000	580 000	880 000
	Married or head of family		0	0	0	0
	Dependent children		0	0	0	0
	Deduction for social security contributions and income taxes		561 692	838 347	1 242 286	561 692
	Work-related expenses		1 204 207	1 580 608	1 950 000	1 204 207
	Other					
	Total		2 645 899	3 098 954	3 772 286	2 645 899
3	Tax credits or cash transfers included in taxable income		0	0	0	0
4	Central government taxable income (1 - 2 + 3)		1 175 000	2 604 000	5 751 000	1 175 000
5	Central government income tax liability (exclusive of tax credits)		58 750	162 900	722 700	58 750
6	Tax credits					
	Basic credit		0	0	0	0
	Married or head of family		0	0	0	0
	Children		0	0	0	0
	Other		0	0	0	0
	Total		0	0	0	0
7	Central government income tax finally paid (5-6)		59 900	166 300	737 800	59 900
8	State and local taxes		164 000	286 900	591 600	164 000
9	Employees' compulsory social security contributions					
	Gross earnings		561 692	838 347	1 242 286	561 692
	Taxable income					
	Total		561 692	838 347	1 242 286	561 692
10	Total payments to general government (7 + 8 + 9)		785 592	1 291 547	2 571 686	785 592
11	Cash transfers from general government					
	For head of family					
	For two children		0	0	0	538 420
	Total		0	0	0	538 420
12	Take-home pay (1-10+11)		3 035 444	4 411 492	6 952 388	3 573 864
13	Employer's compulsory social security contributions		598 374	893 096	1 333 717	598 374
14	Average rates					
	Income tax		5.9%	7.9%	14.0%	5.9%
	Employees' social security contributions		14.7%	14.7%	13.0%	14.7%
	Total payments less cash transfers		20.6%	22.6%	27.0%	6.5%
	Total tax wedge including employer's social security contributions		31.3%	33.1%	36.0%	19.1%
15	Marginal rates					
	Total payments less cash transfers: Principal earner		24.6%	27.9%	34.3%	52.3%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		34.8%	37.7%	38.3%	58.7%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Japan 2025

The tax/benefit position of married couples

		Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
		Number of children	2	2	2	none
1	Gross wage earnings		5 703 038	9 524 074	11 406 077	9 524 074
2	Standard tax allowances					
	Basic allowance		680 000	1 560 000	1 360 000	1 560 000
	Married or head of family		380 000	0	0	0
	Dependent children		0	0	0	0
	Deduction for social security contributions and income taxes		838 347	1 400 039	1 676 693	1 400 039
	Work-related expenses		1 580 608	2 784 815	3 161 215	2 784 815
	Other					
	Total		3 478 954	5 744 854	6 197 909	5 744 854
3	Tax credits or cash transfers included in taxable income		0	0	0	0
4	Central government taxable income (1 - 2 + 3)		2 224 000	3 779 000	5 208 000	3 779 000
5	Central government income tax liability (exclusive of tax credits)		124 900	221 650	325 800	221 650
6	Tax credits					
	Basic credit		0	0	0	0
	Married or head of family		0	0	0	0
	Children		0	0	0	0
	Other		0	0	0	0
	Total		0	0	0	0
7	Central government income tax finally paid (5-6)		127 500	226 200	332 600	226 200
8	State and local taxes		253 900	450 900	573 800	450 900
9	Employees' compulsory social security contributions					
	Gross earnings		838 347	1 400 039	1 676 693	1 400 039
	Taxable income					
	Total		838 347	1 400 039	1 676 693	1 400 039
10	Total payments to general government (7 + 8 + 9)		1 219 747	2 077 139	2 583 093	2 077 139
11	Cash transfers from general government					
	For head of family					
	For two children		240 000	240 000	240 000	0
	Total		240 000	240 000	240 000	0
12	Take-home pay (1-10+11)		4 723 292	7 686 935	9 062 984	7 446 935
13	Employer's compulsory social security contributions		893 096	1 491 470	1 786 192	1 491 470
14	Average rates					
	Income tax		6.7%	7.1%	7.9%	7.1%
	Employees' social security contributions		14.7%	14.7%	14.7%	14.7%
	Total payments less cash transfers		17.2%	19.3%	20.5%	21.8%
	Total tax wedge including employer's social security contributions		28.4%	30.2%	31.3%	32.4%
15	Marginal rates					
	Total payments less cash transfers: Principal earner		27.9%	27.9%	27.9%	27.9%
	Total payments less cash transfers: Spouse		22.5%	24.6%	27.9%	24.6%
	Total tax wedge: Principal earner		37.7%	37.7%	37.7%	37.7%
	Total tax wedge: Spouse		33.0%	34.8%	37.7%	34.8%

The national currency is the Yen (JPY). In 2025, JPY 149.66 were equal to USD 1. In that year, the average worker is assumed to earn JPY 5 703 038 (Secretariat estimate). In Japan, the central government income tax year is a calendar year, and the local government income tax year is from April to March. The calculations in this report are based on the tax rules and rates applicable on January 1st for the central government income tax, and April 1st for the local government income tax. However, the central government income tax in 2025 also reflects the provisions of the FY 2025 tax reform, which will come into force on December 1st, 2025.

Personal Income Tax Systems

Central government income tax

Tax unit

Each individual is taxed separately.

Allowances and tax credits

Standard reliefs

First step deductions:

- *Employment income deduction:* first, the following amounts are deducted from gross employment income:
 - If gross employment income does not exceed JPY 3 600 000, the deduction is JPY 80 000 plus 30 per cent of gross employment income. The minimum guaranteed amount of the deduction is JPY 650 000.
 - If gross employment income exceeds JPY 3 600 000, but not JPY 6 600 000, the deduction is JPY 440 000 plus 20 per cent of gross employment income.
 - If gross employment income exceeds JPY 6 600 000, but not JPY 8 500 000, the deduction is JPY 1 100 000 plus 10 per cent of gross employment income.
 - As of 2025, if gross employment income exceeds JPY 8 500 000, the deduction is fixed at JPY 1 950 000. However, a certain amount (up to JPY 150 000) is deducted from gross employment income if taxpayers are on care¹, if they have dependent relatives under 23 years of age, or if they have spouse or dependent relatives on care.

Second step deductions:

Second step deductions are calculated using as a “reference income” the earnings from employment /less the employment income deductions described above. The second step deductions are:

- Basic allowance: tax allowance up to JPY 950 000 is given to a resident taxpayer. The details of the deduction amounts are as follows.
 - Reference income not more than JPY 1 320 000: JPY 950 000.
 - Reference income from JPY 1 320 001 to JPY 3 360 000: JPY 880 000.
 - Reference income from JPY 3 360 001 to JPY 4 890 000: JPY 680 000.
 - Reference income from JPY 4 890 001 to JPY 6 550 000: JPY 630 000.
 - Reference income from JPY 6 550 001 to JPY 23 500 000: JPY 580 000.
 - Reference income from JPY 23 500 001 to JPY 24 000 000: JPY 480 000.
 - Reference income from JPY 24 000 001 to JPY 24 500 000: JPY 320 000.

- Reference income from JPY 24 500 001 to JPY 25 000 000: JPY 160 000.
 - Reference income above JPY 25 000 000: no allowance.
- Allowance for spouse(*): a tax allowance up to JPY 380 000 is given to a resident taxpayer whose reference income does not exceed JPY 10 000 000 and who lives with a spouse whose reference income does not exceed JPY 580 000
 - Allowance for elderly spouse(*): a tax allowance up to JPY 480 000 is given to a resident taxpayer:
 - whose reference income does not exceed JPY 10 000 000 and
 - who lives with a spouse aged 70 or older, whose reference income does not exceed JPY 580 000.

This allowance replaces the allowance for spouse described above.

- Special allowance for spouse(*): a tax allowance up to the amount shown in the following table is given to a resident taxpayer whose reference income does not exceed JPY 10 000 000 and who lives with a spouse whose reference income exceeds JPY 580 000 but does not exceed JPY 1 330 000:

Spouse's reference income JPY	Amount
580 001–950 000	380 000
950 001–1 000 000 000	360 000
1 000 001–1 050 000	310 000
1 050 001–1 100 000	260 000
1 100 001–1 150 000	210 000
1 150 001–1 200 000	160 000
1 200 001–1 250 000	110 000
1 250 001–1 300 000	60 000
1 300 001–1 330 000	30 000
1 330 001 or more	0

(*) The amounts of the Allowance for spouse, of the Allowance for elderly spouse, and of the Special allowance for spouse, decrease gradually when the reference income (as defined above) of the taxpayer is from JPY 9 000 001 to JPY 10 000 000, then they become zero. Specifically, the amounts of the allowances are as follows:

- Reference income not more than JPY 9 000 000: full amount.
- Reference income from JPY 9 000 001 to JPY 9 500 000: full amount*2/3.
- Reference income from JPY 9 500 001 to JPY 10 000 000: full amount*1/3.
- Reference income above JPY 10 000 000: no allowance.

Allowance amounts are rounded up to the closest multiple of JPY 10 000. For instance, an amount of JPY 73 333 is rounded to JPY 80 000.

- Allowance for dependents: if a resident taxpayer has dependent children or other dependent relatives who are aged 16 or older, whose reference income does not exceed JPY 580 000, a tax allowance of JPY 380 000 per each is given for each dependent. Two taxpayers cannot receive the allowance for the same dependent.
- Allowance for specified dependents: if a resident taxpayer has dependents whose reference income does not exceed JPY 580 000 and who are aged 19 to 22, a tax allowance of JPY 630 000 is given for each dependent, instead of the tax allowances for dependents mentioned above. Two taxpayers cannot receive the tax allowance for the same dependent.

- Allowance for elderly dependents: if a resident taxpayer has dependents who are aged 70 or older whose reference income does not exceed JPY 580 000, there is a tax allowance of JPY 480 000 per each dependent, instead of the allowances for dependents mentioned above. If the dependents are direct ascendants of the taxpayer or their spouse and permanently live with the taxpayer or their spouse, a tax allowance of JPY 580 000 per each dependent is given to the taxpayer.
- Special allowance for specified dependents: if a resident taxpayer has dependents whose reference income exceeds JPY 580 000 but does not exceed 1 230 000, a tax allowance of the amount shown in the following table is given for each dependent.

Dependent's reference income JPY	Amount
580 001–850 000	630 000
850 001–900 000	610 000
900 001–950 000	510 000
950 001–1 000 000	410 000
1 000 001–1 050 000	310 000
1 050 001–1 100 000	210 000
1 100 001–1 150 000	110 000
1 150 001–1 200 000	60 000
1 200 001–1 230 000	30 000
1 230 001 or more	0

- Deduction for social security insurance contributions: the full amount of social security insurance contributions paid by a resident taxpayer for himself/herself or for his/her dependents is deductible from their income.

Main non-standard tax reliefs applicable to an AW

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

Annual Premium Paid (JPY)		Deduction
Over	Not over	
	20 000	Total amount of premiums paid (1)
20 000	40 000	(1) x 1/2 + JPY 10 000
40 000	80 000	(1) x 1/4 + JPY 20 000
80 000	--	JPY 40 000

- Furthermore, if a resident taxpayer pays insurance premiums on nursing and medical insurance contracts and part of the nursing/medical care which the taxpayer receives is financed by the insurance, the portion of such premiums which does not exceed the limit described above, is deductible from income.
- Deduction for medical expenses: If a resident taxpayer pays bills for medical or dental care for himself/herself or for his/her dependent spouse or other dependent relatives living with him/her and

the amount of such expenses (excluding those covered by insurance) exceeds JPY 100 000 or 5% of the amount of the total of his/her ordinary income, retirement income, timber income and so on, the excess amount is deductible from income. The maximum deduction is JPY 2 million.

- Deduction for earthquake insurance premiums: Earthquake insurance premiums up to JPY 50 000 can be deducted from income. Although the income deduction for casualty insurance premiums is basically abolished, the deduction for long-term casualty insurance premiums remains available if contracted before 31 December, 2006. The maximum deduction for long-term casualty insurance premiums is JPY 15 000. If an individual applies for a deduction for both earthquake insurance premiums and long-term casualty insurance premiums, the maximum deductible amount is JPY 50 000 in total.
- Taxpayers can also apply other tax measures established by Act on Special Measures Concerning Taxation (such as self-medication taxation system and credit for housing loans).

Tax schedule

Taxable Income (JPY) (*)		Tax Rate (%)	Deductible Amounts for Each Bracket (JPY)
Equal to or over	Less than	(A)	(B)
	1 950 000	5	--
1 950 000	3 300 000	10	97 500
3 300 000	6 950 000	20	427 500
6 950 000	9 000 000	23	636 000
9 000 000	18 000 000	33	1 536 000
18 000 000	40 000 000	40	2 796 000
40 000 000		45	4 796 000

(*) The fraction of taxable income that is less than JPY 1 000 is rounded down

Tax liability is obtained by multiplying the taxable income by tax rate (A) and deducting the amount (B). For example, income tax due on taxable income of JPY 7 million is:

$$7\,000\,000 \times 0.23 \text{ (A)} - 636\,000 \text{ (B)} = \text{JPY } 974\,000.$$

Finally, the tax amount is increased by 2.1% (*). This provision will apply in each year from 2013 until 2037.

(*) The fraction of final tax liability that is less than JPY 100 is rounded down.

Local taxes (personal inhabitant's taxes)

General description of the system

Local taxes in Japan (personal inhabitant's taxes) consist of prefectural inhabitant's tax levied by prefectures and municipal inhabitant's tax levied by cities, towns and villages. The prefectural inhabitant's tax is collected together with the municipal inhabitant's tax by cities, towns and villages.

Tax base

Basically, personal inhabitant's taxes (prefectural and municipal inhabitant's taxes) consist of two parts; one is income-based tax and the other is a fixed per capita amount. The taxable income of personal inhabitant's taxes is computed on the basis of the previous year's income. The main difference from national tax (income tax) is the amount of income reliefs (tax deductions). For example, the amount of

basic allowance is up to JPY 430 000, allowance for dependents is JPY 330 000, allowance for spouse is up to JPY 330 000, and allowance for specified dependents is JPY 450 000, etc.

Tax rate

- The standard fixed (annual) per-capita amount of Prefectural inhabitant's tax is JPY 1 000.
- The standard fixed (annual) per-capita amount of Municipal inhabitant's tax is JPY 3 000.
- The standard rate of the income-based tax is 10% (Prefectural inhabitant's tax: 4%, Municipal inhabitant's tax: 6%, for ordinance-designated cities, Prefectural inhabitant's tax: 2%, for Municipal inhabitant's tax: 8%).

The personal inhabitant's taxes rate and the income tax rate were changed in the FY 2006 tax reform. Adjusted credit (a form of tax credit) was introduced in order to alleviate the tax burden increase arising from the changes in the tax rates and from the difference between the personal allowances (basic allowance, allowance for spouse, allowance for dependents, allowance for specified dependents, etc.) for national income tax purposes and for inhabitant tax purposes.

The adjusted credit is applied if the reference income is JPY 25 000 000 or less. Amounts of the credit are as follows:

Taxable income for personal inhabitant's taxes purposes	The tax credit
JPY 2 000 000 or less	5% of the lesser of: - total amount of differences in personal allowances between those for income tax purposes and for personal inhabitant's taxes purposes; or - taxable income amount for personal inhabitant's taxes purposes
More than JPY 2 000 000	((total amount of differences in personal allowances between those for income tax purposes and for personal inhabitant's taxes purposes) – (taxable income amount for personal inhabitant's taxes purposes – JPY 2 000 000)) * 5%. Note: The minimum credit is JPY 2 500

Notes: The difference in the basic allowance for income tax purposes and for personal inhabitant's taxes purposes is calculated as JPY 50 000 when determining the total amount of differences in personal allowances for the adjusted credit.

Notes: Local authorities do not levy the per-capita rate and the income-based tax on a taxpayer whose previous year's income does not exceed a certain amount. For example, in special wards of Tokyo, this threshold is calculated as follows:

- per-capita rate: $(1 + \text{number of spouse and dependent(s) qualified for the allowance for spouse/dependents}) \times 350\,000 + 100\,000 (+ 210\,000 \text{ in case the taxpayer has a qualified spouse or dependent(s)})$
- income based tax: $(1 + \text{number of spouse and dependent(s) qualified for the allowance for spouse/dependents}) \times 350\,000 + 100\,000 (+ 320\,000 \text{ in case the taxpayer has a qualified spouse or dependent(s)})$

Tax rate selected for this study.

National tax (income tax) rates as aforementioned. The local tax (personal inhabitant's taxes) rates chosen for the purpose of this Report represent the standard rate.

Compulsory Social Security Contribution to Schemes Operated Within the Government Sector

Employees' contributions

Pension

9.15% of total remuneration (standard remuneration and bonuses). The ceiling of standard monthly remuneration amount is JPY 650 000 and ceiling of standard bonus amount is JPY 1 500 000.

Sickness

Insurance contribution rate varies depending on the insurer.

- Japan Health Insurance Association: 5.00%
- Health insurance associations: 4.66% (average of about 1,400 insurers)

The ceiling of standard monthly remuneration amount is JPY 1 390 000 and ceiling of standard bonus amount is JPY 5 730 000.

Unemployment

0.55% of total remuneration for Commerce and industry in general except for Business of agriculture, forestry and fisheries, and the rice wine brewing business, and Construction business. It is 0.65% for those exceptions.

Work injury and children

None.

Employers' contributions*Pensions*

9.15% of total remuneration (standard remuneration and bonuses). The ceiling of standard monthly remuneration amount is JPY 650 000 and ceiling of standard bonus amount is JPY 1 500 000.

Sickness

Insurance contribution rate varies depending on the insurer.

- Japan Health Insurance Association: 5.00%
- Health insurance associations: 4.66% (average of about 1 400 insurers)

The ceiling of standard monthly remuneration amount is JPY 1 390 000 and ceiling of standard bonus amount is JPY 5 730 000.

Unemployment

0.90% of total remuneration for Commerce and industry in general except for Business of agriculture, forestry and fisheries, and the rice wine brewing business, and Construction business. It is 1.00% for Business of agriculture, forestry and fisheries, and the rice wine brewing business, and 1.10% for Construction business.

Work injury

0.25% to 8.8% of total remuneration, the contribution rate depending on each industry's accident rate over the last three years and other factors. There are twenty-eight rates for fifty-four industrial categories at present.

Children

0.36% of total remuneration (Child and Childcare contribution). This contribution is used for child-rearing support measures such as child allowance.

Cash Benefits

Benefits related to marital status.

Not available.

Benefits for dependent children

- a) JPY 15 000 (per month) is paid to parents/guardians regardless of their income for each child who is for the first or second child under 3 years old.
- b) JPY 10 000 (per month) is paid to parents/guardians regardless of their income for each child who is for the first or second child from 3 years old until the 31st March after the 18th birthday.
- c) If a household has three or more children (younger than 22 years old and not independent from household), JPY 30,000 (per month) is paid to parents/guardians regardless of their income for each child who is for third and subsequent child until the 31st March after the 18th birthday.

Child rearing allowance

The benefit is available to single mothers who take care of and provide protection to a child. The benefit is available also to single fathers who take care of and provides living expenses, supervision and protection to the child.

It is available until March 31 after the child's 18th birthday or until age 20 for those with specific disabilities. The benefit is not taxable.

Claimants can receive either a full benefit or a partial benefit depending on their income. Amounts for the full benefit over time are as follows:

	Benefit amount (in JPY per month) One child	Additional amount for the second child	Additional amount for the third child and after
2000/1	42 370	5 000	3 000
2003/10	42 000		
2004/4	41 880		
2006/4	41 720		
2011/4	41 550		
2012/4	41 430		
2013/10	41 140		
2014/4	41 020		
2015/4	42 000		
2016/4	42 330		
2016/8	42 330	10 000	6 000
2017/4	42 290	9 990	5 990
2018/4	42 500	10 040	6 020
2019/4	42 910	10 140	6 080
2020/4	43 160	10 190	6 110
2021/4	43 160	10 190	6 110
2022/4	43 070	10 170	6 100
2023/4	44 140	10 420	6 250
2024/4	45 500	10 750	6 450
2024/11	45 500	10 750	10 750

The rates and withdrawal rates for the partial payment over time are as follows:

Legislative change	One child		Additional amount for the second child		Additional amount for the third child and after	
	The case of partial payment	coefficient	The case of partial payment	coefficient	The case of partial payment	coefficient
2000/1	28 350	-	5 000	-	3 000	-
2002/8	42 360	0.0187052				
2003/10	41 990	0.0185434				
2004/4	41 870	0.0184913				
2006/4	41 710	0.0184162				
2011/4	41 540	0.0183410				
2012/4	41 420	0.0182890				
2013/10	41 130	0.0181618				
2014/4	41 010	0.0181098				
2015/4	41 990	0.0185434				
2016/4	42 320	0.0186879				
2016/8	42 320	0.0186879	9 990	0.0028844	5 990	0.0017283
2017/4	42 280	0.0186705	9 980	0.0028786	5 980	0.0017225
2018/4	42 490	0.0187630	10 030	0.0028960	6 010	0.0017341
2018/8	42 490	0.0226993	10 030	0.0035035	6 010	0.0020979
2019/4	42 900	0.0229231	10 130	0.0035385	6 070	0.0021189
2020/4	43 150	0.0230559	10 180	0.0035524	6 100	0.0021259
2021/4	43 150	0.0230559	10 180	0.0035524	6 100	0.0021259
2022/4	43 060	0.0230070	10 160	0.0035455	6 090	0.0021259
2023/4	44 130	0.0235804	10 410	0.0036364	6 240	0.0021748
2024/4	45 490	0.0243007	10 740	0.0037483	6 440	0.0022448
2024/11	45 490	0.0250000	10 740	0.0038561	10 740	0.0038561

The benefit is means-tested.

Those with incomes above the threshold for the full benefit receive a partial benefit, and those with incomes above the threshold for the partial benefit receive nothing.

The income measure used is gross annual income minus the employment income deduction minus JPY 80 000 - the amount paid towards public and private insurance premiums.

Income thresholds are based on the number of dependents (see the following table):

Number of dependants	Applicant	
	Income-tested threshold of full benefit	Income-tested threshold of partial benefit
0	690 000	2 080 000
1	1 070 000	2 460 000
2	1 450 000	2 840 000
3	1 830 000	3 220 000
4	2 210 000	3 600 000
5	2 590 000	3 980 000

The amount of partial benefit is calculated as follows:

For families with one child:

- Benefit amount = $45\,500 - \{(\text{Amount of income} - \text{"Income-tested threshold of full benefit"}) \times 0.0250000 + 10\}$

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

- Benefit amount = $10\,750 - \{(\text{Amount of income} - \text{"Income-tested threshold of full benefit"}) \times 0.0038561 + 10\}$

The amendment of the Child Rearing Allowance Act raised the income limit as well as the additional amount for the third and subsequent child from November 2024; the additional amount for the third child and subsequent child was raised to the same amount as the additional amount for the second child.

Main changes in the Tax/benefit Systems since 1998

As part of the Fiscal Year 1999 tax reform, the highest marginal rate of the personal income tax imposed by the central government was reduced from 50% to 37%. The top rate of the local inhabitant's tax was reduced from 15% to 13%. A proportional tax reduction was granted with respect to the national income tax and the local inhabitant's tax. The amount is equal to the lesser of 20% (local inhabitant's tax: 15%) of the amount of tax before reduction or JPY 250 000 (local inhabitant's tax: JPY 40 000).

As part of the FY 2005 tax reform, the rate of proportional tax reduction was reduced from 20% to 10% (local inhabitant's tax: from 15% to 7.5%) and the ceiling was reduced from JPY 250 000 to JPY 125 000 (local inhabitant's tax from JPY 40 000 to JPY 20 000) as from 2006 (local inhabitant's tax: FY 2006). In the FY 2006 tax reform, the proportional tax reduction was abolished as from 2007 (local inhabitant's tax: FY 2007).

As part of the FY 2006 tax reform, the progressive rate structure of national income tax was reformed into a 6 brackets structure with tax rates ranging from 5% to 40%, and the rate of local inhabitant's tax became proportional at a single rate of 10%.

As part of the FY 2012 tax reform, the upper limit on employment income deduction (JPY 2 450 000) was set for those who earn employment income of more than JPY 15 000 000 as from 2013 (personal inhabitant's tax: FY 2014).

As part of the FY 2013 tax reform, the tax rate of 45% was set for the income beyond JPY 40 000 000 from 2015 creating a 7 brackets structure.

As part of the FY 2014 tax reform, the upper limit on employment income deduction was determined to be gradually reduced. In 2016 (as for personal inhabitant's taxes, in FY2017), the limit became JPY 2 300 000 for salary income more than JPY 12 000 000. Moreover, in 2017 (as for personal inhabitant's taxes, in FY2018), the limit became JPY 2 200 000 for salary income more than JPY 10 000 000.

As part of the FY 2017 tax reform, as regards allowance for spouse and special allowance for spouse, the maximum spousal income qualifying for the tax allowance (maximum JPY 380 000) were raised from JPY 380 000 to JPY 850 000. At the same time, an upper income limit was introduced as a requirement for taxpayers to qualify for allowance for spouse and special allowance for spouse. The reform went into effect in 2018. (As for personal inhabitant's taxes, allowance for spouse and special allowance for spouse were revised similarly. This reform went into effect in FY2019.)

As part of the FY 2018 tax reform, the following revisions were made. The reform went into effect in 2020 (as for personal inhabitant's taxes, in FY2021):

- The amount of employment income deduction and pension income deduction was reduced uniformly by JPY 100 000 while the amount of personal deduction was raised uniformly by JPY 100 000.
- The amount of employment income deduction from income exceeding JPY 8 500 000 was reduced to JPY 1 950 000. However, in consideration of child care and long-term care, measures were taken to avoid increase in burden on households with a dependent relative(s) under 23 years of age and households with a member(s) dependent on care (*).

* Relatives receiving "special deduction for persons with disabilities."

- A cap of JPY 1 955 000 was put on pension income deduction for pension income exceeding JPY 10 000 000. The deduction was reduced for pensioners with income other than pension exceeding JPY 10 000 000 after deductions.
- Personal deduction was diminished for people with total income exceeding JPY 24 000 000 after deductions, and the amount was further reduced gradually to zero when total income exceeds JPY 25 000 000.

As part of the FY 2025 tax reform, the following revisions were made. These revisions will take effect from the year-end adjustment at the end of 2025 (for personal inhabitant's taxes, from FY2026):

- The minimum guaranteed amount of the employment income deduction will be raised by JPY 100 000.
- The basic allowance will be raised by JPY 100 000 with additional amounts of up to JPY 370 000 depending on income. * This revision will not be applied to personal inhabitant's taxes.
- If a taxpayer has a dependent(s) aged 19 to 22 (i.e., college age) whose employment income does not exceed JPY 1 500 000, the taxpayer will be given a tax allowance of JPY 630 000, which is the same amount as the allowance for specified dependents. In addition, a new system will be introduced whereby the amount of the tax allowance will be gradually reduced if the employment income of his/her college-age children exceeds JPY 1 500 000.

Eligible age for cash benefits for dependent children was raised from three to six as from 1 June 2000, from six to nine as from 1 April 2004 and from nine to twelve as from 1 April 2006. Benefit amount has been doubled to JPY 10 000 for the first and second child under the age of three as from 1 April 2007.

As from 2010, JPY 13 000 per month is paid to parents/guardians regardless of their income for each child until he/she graduates from junior high school.

As from April 2012 (Income threshold of JPY 6 220 000 is applied beginning from June 2012 payments):

- a) For persons earning incomes below JPY 6 220 000 per year
 1. JPY 15 000 (per month) is paid to parents/guardians for each child who is under 3 years old or for the third or subsequent child from 3 years old until he/she graduates from elementary school.
 - JPY 10 000 (per month) is paid to parents/guardians for each child who is for the first or second child from 3 years old until he/she graduates from elementary school or who is a junior high school student.
- b) For persons earning incomes not less than JPY 6 220 000 per year
 - JPY 5 000 (per month) is paid to parents/guardians for each child until he/she graduates from junior high school as the Special Interim Allowances.

As from June 2022, those who with incomes of JPY 8 580 000 or more per year are not eligible for the Special Interim Allowances.

The amendment of the Child Allowance Act expanded the amount of allowance as follows from October 2024:

- a) JPY 15 000 (per month) is paid to parents/guardians regardless of their income for each child who is for the first or second child under 3 years old.
- b) JPY 10 000 (per month) is paid to parents/guardians regardless of their income for each child who is for the first or second child from 3 years old until the 31st March after the 18th birthday.

c) If a household has three or more children (younger than 22 years old and not independent from household), JPY 30,000 (per month) is paid to parents/guardians regardless of their income for each child who is for third and subsequent child until the 31st March after the 18th birthday.

Memorandum Item

Average gross annual wage earnings calculation

The source of calculation is the Basic Survey on Wage Structure, published by the Ministry of Health, Labour and Welfare. This survey covers establishments with ten or more regular employees over the whole country and contains statistical figures for monthly contractual cash earnings in June and annual special cash earnings (such as bonuses) received by various categories of workers. Male and female workers in manufacturing, mining and quarrying, construction, wholesale and retail trade, transportation and storage, accommodation and food service activities, information and communication, financial and insurance activities, real estate activities, and professional, scientific and technical activities are surveyed in the statistics. Their gross annual earnings are calculated by multiplying monthly contractual cash earnings by 12 and adding any annual special cash earnings. In the Basic Survey, various allowances such as overtime, sickness and leave allowances are included in cash earnings. The survey covers the whole country, and no special assumption is made regarding the place of residence of the workers surveyed. The calculation method has been changed to adjust weights taking into account the response rate since 2020.

Employer contributions to private pension and health schemes

DB: JPY 2 414 billion (FY 2022)

Employees' Pension Funds (EPFs): JPY 72 billion (FY 2023)

DC: JPY1 409 billion (FY2023)

Data of DB and EPFs are the total amount of employers' contribution and employees' one and there is no data of those which indicates only employers' contribution. Under DC schemes, as from January 2012, matching contribution which enables employee to pay additional contribution to employer's one became available. The amount of DC does not include the amount of matching contribution. It is regulated by law that employers' contribution must be higher than employees' one.

2025 Parameter values

Average earnings/yr	Ave_earn	5 703 038	Secretariat estimate		
Allowances for central tax	basic_al	950 000			
	basic_al_lim	0	950,000		
		1,320,001	880,000		
		3,360,001	680,000		
		4,890,001	630,000		
		6,550,001	580,000		
		23,500,001	480,000		
		24,000,001	320,000		
		24,500,001	160,000		
		25,000,001	0		
	spouse_al	380 000			
	Spouse_al_sp	0	0		
		580,001	380000		
		950,001	360000		
		1,000,001	310000		
		1,050,001	260000		
		1,100,001	210000		
		1,150,001	160000		
		1,200,001	110000		
		1,250,001	60000		
		1,300,001	30000		
		1,330,001	0		
	taxpayer_lim	0	1		
		9000001	2/3		
		9500001	1/3		
		10000001	0		
	spouse_al_ceil	380 000			
	child_al	0			
Employment income deduction	emp_inc_min	650 000			
	emp_inc_sch		0.3	80,000	
		3,600,001	0.2	440,000	
		6,600,001	0.1	1,100,000	
		8,500,001	0	1,950,000	
	emp_adj_crd_lim	8,500,000			
	emp_adj_crd_max	150,000			
	emp_adj_crd_rate	0.1			
Central gov't tax schedule	tax_sch	0.05	1 950 000		
		0.10	3 300 000		
		0.20	6 950 000		
		0.23	9 000 000		
		0.33	18 000 000		
		0.40	40 000 000		
		0.45			
	surtax	1.021			
Central gov't tax reduction	cgtax_redn_rt	0			
	cgtax_redn_max	0			
Allowances for state/local tax	s_basic_al	430 000			
	s_spouse_al	330 000			
	s_basic_al_lim	0	1		

		24,000,001	2/3	290000	
		24,500,001	1/3	150000	
		25,000,001	0		
	s_spouse_al_sp	0	0		
		480 001	330 000		
		1000001	310000		
		1050001	260000		
		1100001	210000		
		1150001	160000		
		1200001	110000		
		1250001	60000		
		1300001	30000		
		1330001	0		
	S_spouse_al_ceil	480 000			
	s_child_al	0			
Prefectural tax	pref_per_cap	1 000			
Municipal tax	mun_per_cap	3 000			
	local_sch	0.1			
	loctax_allowance1	350000.00			
	loctax_allowance2	100000.00			
	loctax_allowance3_pc	210000.00			
	loctax_allowance3_ibt	320000.00			
Local gov't tax reduction	loctax_redn_rt	0			
	loctax_redn_max	0			
	loctax_cr_earnlim	2000000.00			
	loctax_cr_rate	0.05			
	loctax_cr_min	2500.00			
	difference_p_redn	50,000			
Social security contributions	SSC_pens	0.0915			
	pens_ceil	7 800 000			
	SSC_sick	0.05			
	sick_ceil	16 680 000			
	SSC_unemp	0,0055			
Employer contribution proportion	SSC_empr_unemp	0.0090			
	SSC_empr_oth	0.0061			
Child transfer	Child_transfer	120 000			
	Child_transfer2	120 000			
	Child_transfer3	360 000			
Child rearing allowance	Child_rear_sch	45,500	1,070,000	2,460,000	0.025
		10,750	1,450,000	2,840,000	0.0038561
		10,750	1,830,000	3,220,000	0.0038561
	Child_rear_c	80000			

2025 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:	Empl_deduction	B	MAX((earn*VLOOKUP(earn,empl_inc_sch,2,TRUE)+VLOOKUP(earn,empl_inc_sch,3,TRUE)),empl_inc_min)+IF(Children>0,IF(earn>empl_adj_crd_lim,MIN(earn-empl_adj_crd_lim)*empl_adj_crd_rate,empl_adj_crd_max),0),0)
		tax_al	P	VLOOKUP(max(earn-empl_deduction,0),basic_al_lim,2,TRUE)+ROUNDUP(Married*(earn_spouse-empl_deduction_spouse<=spouse_al_ceil)*spouse_al*VLOOKUP(Positive(earn-empl_deduction),taxpayer_lim,2,TRUE),-4)+ROUNDUP(Married*VLOOKUP(SINGLE(Positive(earn_spouse-empl_deduction_spouse)),spouse_al_sp,2,TRUE)*VLOOKUP(SINGLE(Positive(earn-empl_deduction)),taxpayer_lim,2,TRUE),-4)+empl_deduction+Children*child_al+SSC
			S	MIN(earn_spouse, VLOOKUP(MAX(earn_spouse-empl_deduction_spouse,basic_al_lim,2,TRUE)+empl_deduction_spouse+SSC_spouse))
3.	Credits in taxable income	taxbl_cr	B	0
4.	CG taxable income	tax_inc	B	ROUNDDOWN(Positive(earn-tax_al),-3)
5.	CG tax before credits	CG_tax_excl	B	Positive(Tax(tax_inc, tax_sch))
6.	Tax credits :	tax_cr	P	cgtax_redn_rt*(1+Married*(earn_spouse=0)+Children)
			S	cgtax_redn_rt*(Married=1)*(earn_spouse>0)
7.	CG tax			
		CG_tax_liability	B	CG_tax_excl
		CG_tax	B	ROUNDDOWN(Positive(CG_tax_liability – tax_cr)*surtax,-2)
8.	State and local taxes	Empl_deduc_lt	B	(earn>0)*MAX((earn*VLOOKUP(earn,empl_inc_sch,2,TRUE)+VLOOKUP(earn,empl_inc_sch,3,TRUE)),empl_inc_min)
		loc_tax_al	P	ROUNDUP((earn>0)*s_basic_al*VLOOKUP(Positive(earn-empl_deduction),s_basic_al_lim,2,TRUE),-4)+ROUNDUP(Married*(earn_spouse-empl_deduction_spouse<=s_spouse_al_ceil)*s_spouse_al*VLOOKUP(Positive(earn-empl_deduction),taxpayer_lim,2,TRUE),-4)+ROUNDUP(Married*VLOOKUP(Positive(earn_spouse-empl_deduction_spouse),s_spouse_al_sp,2,TRUE)*VLOOKUP(Positive(earn-empl_deduction),taxpayer_lim,2,TRUE),-4)+empl_deduc_lt+Children*s_child_al+SSC
			S	ROUNDUP((earn_spouse>0)*s_basic_al*VLOOKUP(Positive(earn_spouse-empl_deduction_spouse),s_basic_al_lim,2,TRUE),-4)+empl_deduc_lt_spouse+SSC_spouse
		local_tax_inc	B	ROUNDDOWN(Positive(earn-loc_tax_al),-3)
		local_tax_princ	P	(earn-empl_deduction>loctax_allowance1+loctax_allowance2+(Married*(earn_spouse-empl_deduction_spouse<=s_spouse_al_ceil)+Children>0)*((Married*(earn_spouse-empl_deduction_spouse<=s_spouse_al_ceil)+Children)*loctax_allowance1+loctax_allowance3_pc))*(pref_per_cap+mun_per_cap)+(earn-empl_deduction>loctax_allowance1+loctax_allowance2+(Married*(earn_spouse-

				$\text{empl\_deduction\_spouse} \leq \text{s\_spouse\_al\_ceil}) + \text{Children} > 0) * ((\text{Married} * (\text{earn\_spouse} - \text{empl\_deduction\_spouse} \leq \text{s\_spouse\_al\_ceil}) + \text{Children}) * \text{loctax\_allowance1} + \text{loctax\_allowance3\_ibt})) * \text{Positive}(\text{Tax}(\text{local\_tax\_inc}, \text{local\_sch}))$
		local_tax_spouse	S	$(\text{earn\_spouse} - \text{empl\_deduction\_spouse} > \text{loctax\_allowance1} + \text{loctax\_allowance2}) * (\text{pref\_per\_cap} + \text{mun\_per\_cap}) + (\text{earn\_spouse} - \text{empl\_deduction\_spouse} > \text{loctax\_allowance1} + \text{loctax\_allowance2}) * \text{Positive}(\text{Tax}(\text{local\_tax\_inc}, \text{local\_sch}))$
		local_tax_cr	P	$\text{IF}(\text{local\_tax\_inc} > \text{loctax\_cr\_earlim}, \text{MAXA}(\text{loctax\_cr\_min}, (\text{Positive}(\text{spousal\_al\_centr} + \text{spousal\_special\_al\_centr} + \text{child\_al\_centr} - \text{spousal\_al\_loc} - \text{spousal\_special\_al\_loc} - \text{child\_al\_loc}) + \text{diff\_p\_redn} - (\text{local\_tax\_inc} - \text{loctax\_cr\_earlim}))) * \text{loctax\_cr\_rate}), \text{MINA}(\text{Positive}(\text{spousal\_al\_centr} + \text{spousal\_special\_al\_centr} + \text{child\_al\_centr} - \text{spousal\_al\_loc} - \text{spousal\_special\_al\_loc} - \text{child\_al\_loc}) + \text{diff\_p\_redn}, \text{local\_tax\_inc}) * \text{loctax\_cr\_rate})$
			S	$\text{IF}(\text{local\_tax\_inc\_spouse} > \text{loctax\_cr\_earlim}, \text{MAXA}(\text{loctax\_cr\_min}, (\text{diff\_p\_redn} - (\text{local\_tax\_inc\_spouse} - \text{loctax\_cr\_earlim}))) * \text{loctax\_cr\_rate}), \text{MINA}(\text{diff\_p\_redn}, \text{local\_tax\_inc\_spouse}) * \text{loctax\_cr\_rate}) * \text{Married} * (\text{earn\_spouse} > 0)$
		local_tax_final	B	$\text{ROUND}(\text{Local\_tax} - \text{local\_tax\_cr}, -2)$
9.	Employees' soc security	SSC	B	$\text{SSC\_pens} * \text{MIN}(\text{earn}, \text{pens\_ceil}) + \text{SSC\_sick} * \text{MIN}(\text{earn}, \text{sick\_ceil}) + \text{SSC\_unemp} * \text{earn}$
11.	Cash transfers	cash_trans	B	$\text{IF}(\text{Children} > 0, \text{Child\_transfer} * \text{Children}, 0) + \text{IF}(\text{Children} > 0, \text{Child\_transfer3} * (\text{Children} - 2), 0) + \text{SINGLE}(\text{Child\_rear}(\text{Married}, \text{earn} - \text{earn\_deduction} - \text{Child\_rear\_c}, \text{Children}, \text{child\_rear\_sch}))$
13.	Employer's soc security	SSC_empr	B	$\text{SSC\_pens} * \text{MIN}(\text{earn}, \text{pens\_ceil}) + \text{SSC\_sick} * \text{MIN}(\text{earn}, \text{sick\_ceil}) + (\text{SSC\_empr\_unemp} + \text{SSC\_empr\_oth}) * \text{earn}$

Key to range of equation B calculated separately for both principal earner and spouse P calculated for principal only (value taken as 0 for spouse calculation).

Note

¹ Persons receiving “special deduction for persons with disabilities”.

Korea

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

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

Korea 2025

The tax/benefit position of single persons

	Wage level (per cent of average wage)	67	100	167	67
	Number of children	none	none	none	2
1 Gross wage earnings		38 022 364	56 749 797	94 772 160	38 022 364
2 Standard tax allowances					
Basic allowance		1 500 000	1 500 000	1 500 000	1 500 000
Married or head of family		0	0	0	0
Dependent children		0	0	0	3 000 000
Deduction for social security contributions and income taxes		1 711 006	2 553 741	3 385 800	1 711 006
Work-related expenses					
Other		12 818 001	15 370 544	19 136 308	13 818 001
Total		16 029 007	19 424 285	24 022 108	20 029 007
3 Tax credits or cash transfers included in taxable income		0	0	0	0
4 Central government taxable income (1 - 2 + 3)		21 993 357	37 325 512	70 750 052	17 993 357
5 Central government income tax liability (exclusive of tax credits)		2 039 003	4 338 827	11 220 012	1 439 003
6 Tax credits					
Basic credit		699 821	660 000	500 000	699 821
Married or head of family					
Children		0	0	0	1 654 000
Other					
Total		699 821	660 000	500 000	2 353 821
7 Central government income tax finally paid (5-6)		1 339 182	3 678 827	10 720 012	- 914 818
8 State and local taxes		133 918	367 883	1 072 001	73 918
9 Employees' compulsory social security contributions					
Gross earnings		3 575 653	5 336 795	8 033 500	3 575 653
Taxable income					
Total		3 575 653	5 336 795	8 033 500	3 575 653
10 Total payments to general government (7 + 8 + 9)		5 048 753	9 383 504	19 825 514	2 734 753
11 Cash transfers from general government					
For head of family		0	0	0	0
For two children		0	0	0	4 800 000
Total		0	0	0	4 800 000
12 Take-home pay (1-10+11)		32 973 610	47 366 292	74 946 646	40 087 610
13 Employer's compulsory social security contributions		4 206 824	6 278 841	9 606 718	4 206 824
14 Average rates					
Income tax		3.9%	7.1%	12.4%	-2.2%
Employees' social security contributions		9.4%	9.4%	8.5%	9.4%
Total payments less cash transfers		13.3%	16.5%	20.9%	-5.4%
Total tax wedge including employer's social security contributions		21.9%	24.8%	28.2%	5.1%
15 Marginal rates					
Total payments less cash transfers: Principal earner		22.8%	23.5%	28.7%	22.8%
Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
Total tax wedge: Principal earner		30.5%	31.1%	33.1%	30.5%
Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Korea 2025

The tax/benefit position of married couples

		Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
		Number of children	2	2	2	none
1	Gross wage earnings		56 749 797	94 772 160	113 499 593	94 772 160
2	Standard tax allowances					
	Basic allowance		1 500 000	3 000 000	3 000 000	3 000 000
	Married or head of family		1 500 000	0	0	0
	Dependent children		3 000 000	3 000 000	3 000 000	0
	Deduction for social security contributions and income taxes		2 553 741	4 264 747	5 107 482	4 264 747
	Work-related expenses					
	Other		15 370 544	28 188 545	30 741 088	28 188 545
	Total		23 924 285	38 453 292	41 848 569	35 453 292
3	Tax credits or cash transfers included in taxable income		0	0	0	0
4	Central government taxable income (1 - 2 + 3)		32 825 512	56 318 868	71 651 024	59 318 868
5	Central government income tax liability (exclusive of tax credits)		3 663 827	5 927 830	8 227 654	6 377 830
6	Tax credits					
	Basic credit		660 000	1 359 821	1 320 000	1 359 821
	Married or head of family					
	Children		1 276 000	0	0	0
	Other					
	Total		1 936 000	1 359 821	1 320 000	1 359 821
7	Central government income tax finally paid (5-6)		1 727 827	4 568 009	6 907 654	5 018 009
8	State and local taxes		300 383	456 801	690 765	501 801
9	Employees' compulsory social security contributions					
	Gross earnings		5 336 795	8 912 447	10 673 590	8 912 447
	Taxable income					
	Total		5 336 795	8 912 447	10 673 590	8 912 447
10	Total payments to general government (7 + 8 + 9)		7 365 004	13 937 257	18 272 009	14 432 257
11	Cash transfers from general government					
	For head of family		0	0	0	0
	For two children		4 800 000	4 800 000	4 800 000	0
	Total		4 800 000	4 800 000	4 800 000	0
12	Take-home pay (1-10+11)		54 184 792	85 634 903	100 027 584	80 339 903
13	Employers' compulsory social security contributions		6 278 841	10 485 665	12 557 683	10 485 665
14	Average rates					
	Income tax		3.6%	5.3%	6.7%	5.8%
	Employees' social security contributions		9.4%	9.4%	9.4%	9.4%
	Total payments less cash transfers		4.5%	9.6%	11.9%	15.2%
	Total tax wedge including employer's social security contributions		14.0%	18.6%	20.6%	23.7%
15	Marginal rates					
	Total payments less cash transfers: Principal earner		23.5%	23.5%	23.5%	23.5%
	Total payments less cash transfers: Spouse		17.3%	22.8%	23.5%	22.8%
	Total tax wedge: Principal earner		31.1%	31.1%	31.1%	31.1%
	Total tax wedge: Spouse		25.5%	30.5%	31.1%	30.5%

The national currency is the Won (KRW). In 2025, KRW 1 422.44 were equal to USD 1. In that year, the average worker was expected to earn KRW 56 749 797 (Secretariat estimate).

Personal Income Tax System

Central government income tax system

Tax unit

Each individual is taxed on his/her own income.

Non-taxable wage income includes the:

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

Allowances and tax credits

Standard reliefs

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

Salary	Deduction
Up to KRW 5 000 000	70%
KRW 5 000 000 to KRW 15 000 000	KRW 3 500 000 plus 40% of the salary over KRW 5 000 000
KRW 15 000 000 to KRW 45 000 000	KRW 7 500 000 plus 15% of the salary over KRW 15 000 000
KRW 45 000 000 to KRW 100 000 000	KRW 12 000 000 plus 5% of the salary over KRW 45 000 000
Over KRW 100 000 000	KRW 14 750 000 plus 2% of the salary over KRW 100 000 000

- Basic allowance: a taxpayer can deduct KRW 1 500 000 from his/her income for each person who meets one of following conditions:
 - the taxpayer him/herself.
 - the taxpayer's spouse whose taxable income (gross earnings net of employment income deduction) is less than KRW 1 000 000 (Spouse only have a salary earned income is less than KRW 5 000 000).
 - the taxpayer's (including the spouse's) dependents (parents, siblings, children) within the same household whose income after accounting for the employment income deduction is less than KRW 1 000 000 (Dependent only have a salary earned income is less than KRW 5 000 000) and whose age is:
 1. parents: 60 years or older.
 2. brother/sister: 60 years or older or 20 years or younger.
 3. children: 20 years or younger (if both partners in the household earn wage-income, this Report assumes that the principal wage earner will claim the allowance).
- Additional allowance: a taxpayer can deduct KRW 1 000 000 (500 000 in the case of (c), KRW 2 000 000 in the case of (b)) from his/her gross income when the taxpayer or his/her dependents fall into one of the following categories (for this report, only cases (c) and (f) are modelled):

- a person aged 70 years or older(a)
 - a handicapped person (b)
 - a female wage earner who is the head of a household with dependents (but without spouse) or a female wage earner with spouse when her taxable income is not more than KRW 30 million (c)
 - a single parent with descendants including adoptees*(f)
 - * Overlapping of deductions for (c) and (f) is not allowed. So a taxpayer should select only one.
- National pension deduction: employees can deduct 100% of their National Pension contributions.
 - Insurance premiums: the National health insurance premium and the Employment insurance premium can be entirely (100%) deducted from taxable income.
 - Working Tax credit: wage and salary income earners obtain the following tax credit:

Calculated tax	Amount of tax credit
Up to KRW 1 300 000	55% of calculated tax
Over KRW 1 300 000	KRW 715 000 plus 30% of the calculated tax over KRW 1 300 000

Total wage and salary income	Ceiling on credit amount
Not more than KRW 33 million	KRW 740 000
Not more than KRW 70 million	The greater of KRW 660 000 and KRW 740 000- [(total wage and salary income -KRW 33 million)* 0.8%]
Not more than KRW 120 million	The greater of KRW 500 000 and KRW 660 000- [(total wage and salary income- KRW 70 million)* 50%]
Exceeding KRW 120 million	The greater of KRW 200 000 and KRW 500 000- [(total wage and salary income- KRW 120 million)* 50%]

Main non-standard tax reliefs

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

- Saving/Payment for housing: 40% of deposits of an account for purchasing a house, which is held by a person who does not own a house, and 40% of repayments of loans including interest borrowed in order to lease a house smaller than 85 square meters in size by a person owning no house may be deducted up to four million won per year.
- Credit card purchases: Employees may deduct 15% of their credit card (30% of their debit card, prepaid card or cash receipt) purchases that exceed 25% of their total income up to the lesser of KRW 3 000 000 or 20% (up to the lesser of KRW 2 500 000 in the case of the total income from over KRW 70 000 000) However, for expenditures spent for traditional markets and public transportation, the allowed deduction is equivalent to 40% of the expenditure (30% for the expenditures of books, performances, theatres, museums, swimming pools, and fitness centers, only if their total income is less than KRW 70,000,000) and the ceiling is raised by an additional KRW 2,000,000 (KRW 3,000,000 if their total income is less than KRW 70,000,000).

Child tax credit

- Where a resident with taxable income has dependent children from 8 years old including adoptee, he/she gets annual tax credit of KRW 250 000 for having a child, KRW 550 000 for having two

children and KRW 550 000 plus KRW 400 000 per an excess child over two children in case of having more than three children.

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

Refundable CTC can be received in families with children under the age of 18, regardless of the existence of a spouse. From 2024, the income standard for Refundable CTC has been Raised from KRW 40,000,000 to KRW 70,000,000. It must meet the requirements (less than KRW 70,000,000 in income per household and less than KRW 240,000,000 in property per household) and be paid according to the calculation table for each child.

Household Gross Earnings		Child care subsidies	
More than Gross Earnings	Less than Gross Earnings	Single-income Households	Dual-income Households
40,000	6,000,000	1,000,000	-
6,000,000	21,000,000	1,000,000	1,000,000
21,000,000	21,500,000	1,000,000	1,000,000
21,500,000	22,000,000	995,000	1,000,000
~			
69,000,000	69,500,000	511,000	512,000
69,500,000	69,999,990	506,000	506,000

Credit for Pension Insurance Premiums

- A resident who paid pension contributions to a pension account may deduct the amount equal to 12% of the premiums paid from his/her global income tax amount, only up to KRW 6 million for pension savings account as well as KRW 9 million for sum of the pension savings account and retirement pension account.
- A resident whose labour income is not exceeding KRW 55 million when he has labour income only or whose global income is not exceeding KRW 45 million would deduct 15% of the premium.

Special tax credit

Wage and salary income earners may obtain following tax credit during the tax year:

- Insurance premiums (a): 12% of the general insurance premium up to KRW 1 000 000 can be deducted from his/her income tax amount.
- Medical expenses (b): 15% of the medical expenses exceeding 3% of taxable income can be deducted from his/her income tax amount. The medical expenses for taxpayer's dependents who are eligible for the basic deduction are limited to KRW 7 000 000 and the medical expenses for the taxpayer himself, taxpayer's dependents who are 6 years or younger as of the start date of the tax year, taxpayer's dependents who are aged 65 years or older and handicapped persons are not limited.
 - In addition, 30% of medical expenses for the treatment of infertility can be deducted from his/her income tax amount. There is no deduction limitation.
 - In addition, 20% of medical expenses for the treatment of premature baby and congenital abnormality can be deducted from his/her income tax amount. There is no deduction limitation.
- Educational expenses (c): 15% of tuition fees for pre-school, elementary, middle school, and college (but the graduate school fee deduction is allowed only for the taxpayer himself), either for the taxpayer himself or his/her dependents (including the taxpayer's spouse, children, and

siblings), can be deducted from his/her income tax amount. The tuition fee for the taxpayer himself is not limited. For the taxpayer's dependents, the limits of tuition fees are as follows:

- For pre-school: up to KRW 3 000 000 per child.
 - For elementary, middle and high school: up to KRW 3 000 000 per student.
 - For college/university: up to KRW 9 000 000 per student.
- Charities (d): 15% of the amount of donation (in case of the donation exceeding KRW 10 000 000, 30% of the excess amount over KRW 10 million) is deducted from income tax amount. The limits of donations are as follows:
 - donations to a government body, donations for national defence, natural disaster, and certain charitable associations: up to gross income.
 - donations to public welfare or religious associations: up to 30% of gross income.
 - Standard Credits: Alternatively, a taxpayer may choose an annual standard credit of KRW 70 000 (KRW 130 000 for wage and salary earners and KRW 120 000 for business owners meeting certain requirements), if he or she fails to claim deductions for insurance premium, saving/payment for housing and special tax credit.

Tax schedule

Over (KRW)	Not more than (KRW)	Marginal tax rate (%)
0	14 000 000	6
14 000 000	50 000 000	15
50 000 000	88 000 000	24
88 000 000	150 000 000	35
150 000 000	300 000 000	38
300 000 000	500 000 000	40
500 000 000	1 000 000 000	42
1 000 000 000		45

Local income tax

Tax base

The local income tax base is the income tax paid to the central government.

Tax rate

A uniform rate of 10% is applied. However, the local government can adjust the rate between the lower limit of 5% and the upper limit of 15%.

Tax rate (selected for this study)

A country-wide rate of 10% is used in this Report.

Compulsory Social Security Contribution to Schemes Operated Within the Government Sector

Employees' contribution

National pension

The National pension contribution rate is 4.5% of the standardised average monthly wage income as of 2020.

The scope of the standardised average monthly wage income is from KRW 390 000 to KRW 6 170 000 until 30 June 2025, from KRW 400 000 to KRW 6 370 000 starting 1 July 2025.

If the average monthly wage income of a person is less than the lower limit, the average monthly wage income of the person is regarded as the lower limit, and the rate (0.045) is applied. If the average monthly wage income of a person is more than the upper limit, the average monthly wage income of the person is regarded as the upper limit, and the rate (0.045) is applied.

The minimum annual National Pension contribution for 2025 is KRW 213 300 if a person's average monthly wage income consistently remains at the minimum limit throughout the year. This amount is calculated by adding the contribution for the first six months (January to June 2025, based on a monthly income of KRW 390 000: $\text{KRW } 390\,000 \times 0.045 \times 6 \text{ months} = \text{KRW } 105\,300$) and the contribution for the latter six months (July to December 2025, based on a monthly income of KRW 400 000: $\text{KRW } 400\,000 \times 0.045 \times 6 \text{ months} = \text{KRW } 108\,000$).

The maximum annual National Pension contribution for 2025 is KRW 3 385 800 if a person's average monthly wage income consistently remains at the maximum limit throughout the year. This amount is calculated by adding the contribution for the first six months (January to June 2025, based on a monthly income of KRW 6 170 000: $\text{KRW } 6\,170\,000 \times 0.045 \times 6 \text{ months} = \text{KRW } 1\,665\,900$) and the contribution for the latter six months (July to December 2025, based on a monthly income of KRW 6 370 000: $\text{KRW } 6\,370\,000 \times 0.045 \times 6 \text{ months} = \text{KRW } 1\,720\,000$).

National health insurance

The National health insurance premium, which has a rate of 4.004078 % (National health insurance: 3.545%, Long term care insurance 12.95 % of National Health insurance premium rate), is levied on average monthly wage income as of 1 January 2025.

The scope of the monthly National health insurance premium (excluding long term care insurance premium) is from KRW 9 890 to KRW 4 504 170. To include long term care insurance, we should multiply 1.1295. Thus, the scope of the total monthly premium is from KRW 11 171 to 5 087 597. If the calculated premium is less than KRW 11 171, the worker should pay KRW 11 171. Likewise, if the calculated premium is more than KRW 5 087 597, the worker only pays KRW 5 087 597.

Employment insurance

0.8% of gross income as of 1 October 2019.

0.9% of gross income as of 1 July 2022.

Workers' compensation insurance

Compulsory application, premiums paid only by employers.

Employers' contribution

National pension

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Employment insurance

- the insurance premium is between 1.15% and 1.75% of total wage as of 1 January 2022.
- the insurance premium selected for this study is 1.15%.

Workers' compensation insurance

- the insurance premium consists of an industry-specific rate which is set by the Ministry of Employment and Labor multiplied by total wage;
- the average rate of all industries (announced by the Ministry of Employment and Labor and selected for this study) is 1.41%.

Universal Cash Transfers

Child Benefit

Child home care allowance is granted KRW 100 000 every month to those who have children aged 24 months to less than 86 months.

If a child attends a nursery or pre-school, monthly childcare service voucher is provided instead of the child home care allowance. The amount of the benefit differs by the age of the child, type of nursery, class of nursery etc.

Starting in 2022, a voucher of KRW 2 000 000 will be given to all newborns.

On top of those two benefits, universal child benefit of KRW 100 000 is paid monthly to those who have children if the child is under the age of 8.

From January 2024, parental benefits will be provided so that infants in need of intensive care can be comfortably taken care of at home. A child who turns 0 receives KRW 1 000 000 per month, and a child who turns 1 receives 500 000 per month. This system will be applied to children born after 2022.

Main Changes in Tax/Benefit System since 2000

2000	Contributions to National Pension are to be deductible from 2001, upper cap of employment income deduction limit (KRW 12 000 000) is abolished from 2001
2001	Personal income tax rates are lowered by 10% (10, 20, 30, 40% were reduced to 9, 18, 27, 36%, respectively) from 2002
2002	Limits of deduction for education fees are expanded from 2003. For pre-school: from KRW 1 000 000 to KRW 1 500 000. For elementary, middle school and high school: from KRW 1 500 000 to KRW 2 000 000. For college and university: from KRW 3 000 000 to KRW 5 000 000. Limit of deduction for interest of long-term mortgage loan for housing is expanded from KRW 3 000 000 to KRW 6 000 000 from 2003
2003	Employment income deduction and tax credit applicable to low income are increased. The deduction rate for the taxable wage income range of KRW 5 000 000 to KRW 15 000 000 is increased from 45% to 47.5%. The tax credit rate for calculated tax below KRW 500 000 is increased from 45% to 50% and the maximum tax credit is increased from KRW 400 000 to KRW 450 000.
2004	Limits of deduction for education fees are expanded. For pre-school: from KRW 1 500 000 to KRW 2 000 000. For college and university: from KRW 5 000 000 to KRW 7 000 000. Limit of deduction for interest on long-term mortgage loan for housing is expanded from KRW 6 000 000 to KRW 10 000 000. The marginal deduction rate for the taxable wage income range from KRW 5 000 000 to KRW 15 000 000 is increased from 47.5% to 50%. The tax credit rate for tax amounts below KRW 500 000 is increased from 50% to 55% and the maximum permitted tax credit goes up from KRW 450 000 to KRW 500 000.
2005	Personal income tax rates are lowered by 1% point (9, 18, 27, 36% were reduced to 8, 17, 26, 35%, respectively). Lump-sum tax relief are expanded from KRW 600 000 to KRW 1 000 000.
2007	Eligibility for the extra allowance amount has been changed. Previously, an income earner with a small number of dependents (e.g. spouse, child) eligible for basic allowance was eligible for an allowance of up to KRW 1 000 000 depending on the number of dependents. As from 2007, however, an income earner with two or more dependent children eligible for basic allowance is eligible for an allowance equivalent to KRW 500 000 if there are 2 children plus an additional KRW 1 000 000 for every additional child (e.g., 2 children: KRW 500 000; 3 children: KRW 1 500 000; 4 children: KRW 2 500 000, etc.).
2008	Tax schedule has been changed: from KRW 10 000 000, KRW 40 000 000, KRW 80 000 000 to KRW 12 000 000, KRW 46 000 000, KRW 88 000 000. New items have been added to the additional allowance with respect to lineal descendants who are born or adopted during the concerned taxable year. Credit card purchase deduction has been changed: Employees may deduct 20% (previously 15%) of their credit/debit card purchases that exceed 20% (previously 15%) of their total income. Deduction for donations to public welfare or religious associations has been increased up to 15% of gross income. Previously, the limit was 10% of gross income.
2009	Personal income tax rates have been changed: from 8%, 17%, 26%, 35% to 6%, 16%, 25%, and 35%. Employment income deduction has been changed: from 100%, 50%, 15%, and 10% 5% to 80%, 50%, 15%, and 10%. 5%

2010	Personal income tax rates have been changed: from 6%, 16%, 25%, 35% to 6%, 15%, 24%, and 35%.
2012	Personal income tax rates have been changed: from 6%, 15%, 24%, and 35% to 6%, 15%, 24%, 35% and 38%
2013	A new additional allowance is added: a single parent with lineal descendants or adopted children who are eligible for basic exemption can deduct KRW 1 000 000. Insurance premiums, medical expenses, education expenses, loans for house, designated donations, saving deposits for housing subscription, investment in employee stock ownership associations or in associations for investment in start-ups, and credit cards are allowed income deduction with a ceiling at KRW 25 000 000 in total. However, for the amount of designated donations exceeding the ceiling, deduction can be carried forward for 5 years.
2014	Tax schedule has been changed: KRW 300 000 000 to KRW 150 000 000 Personal and special income deductions (e.g. medical expenses, educational expenses) have been shifted toward tax credit Employment income deduction has been changed: 80% to 70%, 50% to 40%. The ceiling amount of earned income tax credit has been changed: KRW 500 000 to KRW 740 000 (the salary < 33 000 000), KRW 660 000 (the salary < 70 000 000)
2015	Refundable CTC (Child Tax Credit) has established
2017	Personal income tax rate 40% is newly created over KRW 500 000 000
2018	Tax schedule has been changed: Tax base over KRW 150 000 000 up to KRW 500 000 000 divided into over KRW 150 000 000 up to KRW 300 000 000 and over KRW 300 000 000 up to KRW 500 000 000 The Highest income tax rate has been changed: 40% → 42%
2019	Charities tax credit's deduction rate has been adjusted. Regarding non-taxable overtime payment to productive workers, the upper limit of monthly wage for recipient of tax exemption has been increased to KRW 2 100 000.
2020	Regarding non-taxable overtime payment to productive workers, the upper limit of yearly wage for recipient of tax exemption has been increased to KRW 30 000 000. The employment income deduction's limitation of KRW 20 000 000 has been newly set up.
2021	Tax schedule has been changed: tax base over KRW 500 000 000 is divided into over KRW 500 000 000 to KRW 1 000 000 000 and over KRW 1 000 000 000. Tax rate to be applied is 42% and 45% respectively.
2022	Special tax credit rate of medical expenses for the treatment of infertility has been changed: 20% → 30% Special tax credit of medical expenses for the treatment of premature baby and congenital abnormality has been newly set up (20%).
2023	Tax schedule has been changed: KRW 12 000 000 to KRW 14 000 000 and KRW 46 000 000 to 50 000 000. The ceiling amount range of working tax credit has been changed: over KRW 70 000 000 is divided into over 70 000 000 to 120 000 000 and over 120 000 000. Ceiling on credit amount to be applied is 500 000 and 200 000 respectively.
2024	Limit of deduction for interest on long-term mortgage loan for housing is expanded from KRW 6 000 000 to KRW 20 000 000. Salaries received by workers with children under the age of 6 from employers in relation to childbirth and childcare are not taxed up to 200,000 per month. From 2024, The income standard for Refundable CTC has been Raised from 40,000,000 won to 70,000,000 won.
2025	From 2025, the Child Tax Credit is expanded: KRW 250 000 per year for the first child (up from KRW 150 000), KRW 300 000 per year for the second child (up from KRW 200 000), and an additional KRW 400 000 per child per year for the third child and every child thereafter (up from KRW 300 000).

Memorandum Item

Identification of the Average Worker (AW)

- Sectors used: industry Sectors B-N with reference to the International Standard Industrial Classification of All Economic Activities, Revision 4 (ISIC Rev.4).

Geographical coverage: whole country.

Type of workers: wage workers (male and female).

Method to calculate wages

Establishment Labor Force Survey (ELFS) by the Ministry of Employment and Labor is used to calculate the AW. The statistics were obtained through a sample survey of approximately 13 000 firms with one or more permanent employees throughout the whole country.

Basic method of calculation used: average monthly wages multiplied by 12.

Employer's reserve for employee's retirement payment

An employer should pay to a retiree the retirement payment which is not less than 30 days' wage and salary per one year of service (about 8.3% of gross income or more). An employer can contribute to the Retirement Payment Reserve Fund established within the company or Retirement Insurance Fund established outside the company to prepare for the retirement payment. Such contribution is treated as business expense under certain constraints. Because contribution to the Retirement Fund is not compulsory, this survey does not include such contribution except the contribution converted to employer's contribution to the national pension plan (see the National pension Section).

2025 Parameter values

Average earnings/yr	Ave_earn	56 749 797	Secretariat estimate
Tax allowances	basic_al	1500000	
spouse	spouse_al	1500000	
	spouse_al_lim	1000000	
dependents including children	dep_al	1500000	
additional allowance	add_all	500000	
	add_all_lim	30000000	
additional allowance 2	add2_all	1000000	
Employment income deduction	empdedsch	0	0.7
		5000000	0.4
		15000000	0.15
		45000000	0.05
		100000000	0.02
	max_empded	20000000	
Earned income special credit threshold	earntaxcred	0.55	
		0.3	1300000
credit limit	credlimit	740000	Ave_earn < 33000000
		660000	Ave_earn < 70000000
		500000	Ave_earn > 70000000
		200000	Ave_earn > 120000000
Child tax credit	child_cred	150000	
Lump sum tax credit	lump_cred	130000	
	lump_thresh	866,667	
Tax schedule	tax_sch	0.06	14000000
		0.15	50000000
		0.24	88000000
		0.35	150000000
		0.38	300000000
		0.40	500000000
		0.42	1000000000
		0.45	
Local tax rate	local_rate	0.1	
Cash Transfer for kids under 8 age	cash_child	2400000	
max number of kids permitted to be under 7	child_und7_max	2	
Social security contributions	SSC_pens	0.045	
	SSC_pens_max	3385800	
	SSC_pens_min	213300	
	SSC_sick	0.04004078	

	SSC_sick_max	61049520.2	
	SSC_sick_min	134049.06	
	SSC_unemp	0.009	
Employer contributions	emp_pens	0.045	
	emp_sick	0.04004078	
	emp_unemp	0.0115	
	emp_inj	0.0141	
CTC - Child Tax Credit	ctc_earn_thr_min	500000	
	ctc_earn_thr_max	70000000	
	Ctc_schedule	Contained in the Taxing Wages model	

2025 Tax equations

The equations for the Korean system are independent between spouses except that the principal earner has tax allowances for the spouse and for any children.

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

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings	earn		
2.	Allowances:			
	employment income	emp_al	B	MIN(Empincded(earn, empincdedsch),max_empded)
	basic	bas_al	B	basic_al
	spouse	sp_al	P	Married*spouse_al*(earn_spouse-emp_al_spouse<=spouse_al_lim)
	dependents	dp_al	P	Children*dep_al
	additional allowances	add_al_princ	P	IF(AND(Married='0,Children>0),' add2_all,0)
	additional allowances	add_al_spouse	S	IF(AND(earn_spouse>0,earn_spouse<=add_all_lim),add_all,0)
	national pension deduction	np_de	B	Min(earn*SSC_pens, SSC_pens_max)
	Main non-standard tax relief	non-std_al	B	IF(earn*(SSC_sick+SSC_unemp)>lump_thresh,earn*(SSC_sick+SSC_unemp),0)
	Total	tax_al	B	emp_al+bas_al+sp_al+dp_al+add_al+np_al
3.	Credits in taxable income	taxbl_cr	B	0
4.	CG taxable income	tax_inc	B	Positive(earn-tax_al)
5.	CG tax before credits	CG_tax_excl	B	Tax(tax_inc, tax_sch)
6.	Tax credits : earned income special tax credit child tax credit Refundable CTC lump-sum tax credit Total	earn_cr child_cr lump_cr tax_cr refund_child_cred	B P B B J	MIN(earntaxcred(CG_tax_excl), credlimit(earn)) child_cred*(children-(cash_trans>0)) IF(non-std_al='0,' lump_cred, 0) earn_cr+child_cr+lump_cr IF(Gross earnings<ctc_earn_thr_max,(VLOOKUP(FLOOR(Gross earnings,ctc_earn_thr_min),ctc_schedule,3)*Children-tax cr),0)
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	$\text{MAX}(\text{SSC\_pens\_min}, \text{MIN}(\text{earn} * (\text{SSC\_pens}), \text{SSC\_pens\_max})) + \text{MAX}(\text{SSC\_sick\_min}, \text{MIN}(\text{earn} * (\text{SSC\_sick}), \text{SSC\_sick\_max})) + \text{earn} * (\text{SSC\_unemp})$
11.	Cash transfers	cash_trans	J	$= \text{cash\_child} * \text{child\_und7\_max} * (\text{Children} > 0)$
13.	Employer's soc security	SSC_empr	B	$\text{MAX}(\text{SSC\_pens\_min}, \text{MIN}(\text{earn} * (\text{SSC\_pens}), \text{SSC\_pens\_max})) + \text{MAX}(\text{SSC\_sick\_min}, \text{MIN}(\text{earn} * (\text{emp\_sick}), \text{SSC\_sick\_max})) + \text{earn} * (\text{emp\_unemp} + \text{emp\_i} + \text{nj})$

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)

S calculated for spouse only

J calculated once only on a joint basis

Latvia

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

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

Latvia 2025

The tax/benefit position of single persons

		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1	Gross wage earnings		14 285	21 321	35 606	14 285
2	Standard tax allowances					
	Basic allowance		6 120	6 120	6 120	6 120
	Married or head of family					
	Dependent children		0	0	0	6 000
	Deduction for social security contributions and income taxes		1 500	2 239	3 739	1 500
	Work-related expenses					
	Other					
	Total		7 620	8 359	9 859	13 620
3	Tax credits or cash transfers included in taxable income		0	0	0	0
4	Central government taxable income (1 - 2 + 3)		6 665	12 962	25 747	665
5	Central government income tax liability (exclusive of tax credits)		1 700	3 305	6 566	170
6	Tax credits					
	Basic credit					
	Married or head of family					
	Children					
	Other					
	Total		0	0	0	0
7	Central government income tax finally paid (5-6)		1 700	3 305	6 566	170
8	State and local taxes		0	0	0	0
9	Employees' compulsory social security contributions					
	Gross earnings		1 500	2 239	3 739	1 500
	Taxable income					
	Total		1 500	2 239	3 739	1 500
10	Total payments to general government (7 + 8 + 9)		3 200	5 544	10 304	1 670
11	Cash transfers from general government					
	For head of family					
	For two children		0	0	0	1 200
	Total		0	0	0	1 200
12	Take-home pay (1-10+11)		11 085	15 777	25 302	13 815
13	Employer's compulsory contributions					
	Employer's compulsory social security contributions		3 370	5 030	8 399	3 370
	Payroll taxes		4	4	4	4
	Total		3 374	5 034	8 404	3 374
14	Average rates					
	Income tax		11.9%	15.5%	18.4%	1.2%
	Employees' social security contributions		10.5%	10.5%	10.5%	10.5%
	Total payments less cash transfers		22.4%	26.0%	28.9%	3.3%
	Total tax wedge including employer's social security contributions		37.2%	40.1%	42.5%	21.8%
15	Marginal rates					
	Total payments less cash transfers: Principal earner		33.3%	33.3%	33.3%	33.3%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		46.0%	46.0%	46.0%	46.0%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Latvia 2025

The tax/benefit position of married couples

		Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
		Number of children	2	2	2	none
1	Gross wage earnings		21 321	35 606	42 642	35 606
2	Standard tax allowances					
	Basic allowance		6 120	12 240	12 240	12 240
	Married or head of family					
	Dependent children		6 000	6 000	6 000	0
	Deduction for social security contributions and income taxes		2 239	3 739	4 477	3 739
	Work-related expenses					
	Other					
	Total		14 359	21 979	22 717	15 979
3	Tax credits or cash transfers included in taxable income		0	0	0	0
4	Central government taxable income (1 - 2 + 3)		6 962	13 627	19 924	19 627
5	Central government income tax liability (exclusive of tax credits)		1 775	3 475	5 081	5 005
6	Tax credits					
	Basic credit					
	Married or head of family					
	Children					
	Other					
	Total		0	0	0	0
7	Central government income tax finally paid (5-6)		1 775	3 475	5 081	5 005
8	State and local taxes		0	0	0	0
9	Employees' compulsory social security contributions					
	Gross earnings		2 239	3 739	4 477	3 739
	Taxable income					
	Total		2 239	3 739	4 477	3 739
10	Total payments to general government (7 + 8 + 9)		4 014	7 214	9 558	8 744
11	Cash transfers from general government					
	For head of family					
	For two children		1 200	1 200	1 200	0
	Total		1 200	1 200	1 200	0
12	Take-home pay (1-10+11)		18 507	29 592	34 284	26 862
13	Employer's compulsory contributions					
	Employer's compulsory social security contributions		5 030	8 399	10 059	8 399
	Payroll taxes		4	9	9	9
	Total		5 034	8 408	10 068	8 408
14	Average rates					
	Income tax		8.3%	9.8%	11.9%	14.1%
	Employees' social security contributions		10.5%	10.5%	10.5%	10.5%
	Total payments less cash transfers		13.2%	16.9%	19.6%	24.6%
	Total tax wedge including employer's social security contributions		29.8%	32.8%	35.0%	39.0%
15	Marginal rates					
	Total payments less cash transfers: Principal earner		33.3%	33.3%	33.3%	33.3%
	Total payments less cash transfers: Spouse		22.4%	33.3%	33.3%	33.3%
	Total tax wedge: Principal earner		46.0%	46.0%	46.0%	46.0%
	Total tax wedge: Spouse		37.2%	46.0%	46.0%	46.0%

Since 2014, the Latvian currency is the Euro (EUR). In 2025, EUR 0.88 was equal to USD 1. That year, the average worker in Latvia earned EUR 21 321 annually (Secretariat estimate).

Personal income tax system

From 1st January 2025, Latvia introduced a tax reform. One of the main objectives of this reform was to meet the expectations of the Latvian government as well as international experts – to reduce the tax wedge, especially for low-wage earners and to simplify the PIT system.

Central government income tax

In 2025 the differentiated non-taxable minimum was replaced by a fixed non-taxable minimum, at the same time raising the amount of the monthly non-taxable minimum. The three PIT rates were replaced by two rates, the non-taxable minimum for pensioners was increased and the minimum monthly wage was raised.

Tax unit

The tax unit are individuals.

The main tax allowance.

Standard tax reliefs

- A general (basic) allowance:

From 2016 till 2024, the differentiated non-taxable minimum was applied, which varied depending on the person's income level: higher for lower wages, but lower or zero for higher wages. The differentiated non-taxable minimum was gradually raised.

From 2025 the differentiated non-taxable minimum was replaced by a fixed non-taxable minimum, which is applied to all employees regardless of their income level. In 2025 the non-taxable minimum is EUR 510 per month.

Differentiated and fixed non-taxable minimum criteria:

	2021	2022	2023	2024	2025
Non – taxable minimum					510
Maximum non-taxable minimum, <i>EUR per month</i>	300	350 500 ¹	500	500	-
Minimum non-taxable minimum, <i>EUR per month</i>	0	0	0	0	-
Taxable income* minimum threshold up to which the maximum annual non-taxable minimum is applied, <i>EUR per month</i>	500	500	500	500	-
Taxable income* maximum threshold up to which the annual non-taxable minimum is applied, <i>EUR per month</i>	1 800	1 800	1800	1800	-

* Calculating the taxable income not only the salary is taken into account, but also other income (such as dividends and income from real estate etc.). Similarly, if a person works in several jobs, the salaries are summed up and the non-taxable minimum is applied to the total revenue.

- The allowance for dependents

The allowance for dependents is also deductible from the income before taxes.

The tax allowance for each dependant (which in most cases are children) has not been changed since 2021 and is EUR 250 per month.

The taxpayer can apply the allowance for a child aged 18 years and younger and for a child while he or she continues the acquisition of the general, professional, higher or special education, but not longer than until reaching 24 years of age. The allowance for dependents is applicable for a taxpayer's child and in certain cases and under certain conditions for sisters, brothers, grandchildren, spouses, parents and grandparents with disability as well as persons under guardianship.

The tax allowance for dependents can be applied for a non-working spouse (if the non-working spouse does not receive taxable income or State pension), who is taking care of:

- a minor child with a disability;
- one child below 3 years of age;
- three or more children below 18 years or below 24 years of age (if he/she studies), of which at least one is below 7 years of age.
- five children below 18 years of age or below 24 years of age (if he/she studies).

To support youth employment during the summer (from June 1st to August 31st), parents can still receive tax allowance for dependents (children while they are employed).

Relief for compulsory social security contributions: employee's state social security contributions are deductible from the income before taxes.

Relief for solidarity tax: employee's solidarity tax payment is deductible from the income before taxes.

Tax credits: none for employees.

The main exemptions:

- income from rural tourism and agricultural production, as well as of mushrooming, berry-picking or the collection of wild medicinal plants and flowers or an uncultivated species or individuals of non-game species - edible snails (*Helix pomatia*), if it does not exceed EUR 3 000 per taxation year, including the sums of State aid for agriculture or of the European Union aid for agriculture and rural development, in amount of up to EUR 3 000 per taxation year.
- insurance compensations, except such insurance compensations paid on the basis of a life, health and accident insurance contract entered into by the employer and a life-long pension insurance contract (with accrued funded pension assets in accordance with the Law on State Funded Pensions).
- insurance compensations which have been disbursed upon the occurrence of an insurable event in relation to the life and health of the insured person due to an accident or illness, in accordance with the life insurance policy (including with accumulation of funds) regardless of who has entered into the insurance contract.
- the supplementary pension capital, which has been formed from contributions made by the natural person himself or herself, spouse thereof or persons in kinship thereto to the third degree within the meaning of the Civil Law into private pension funds according to licensed pension plans and disbursed to pension plan participants.
- income from Latvian or other EU Member State or EEA State and local government bonds.
- capital gains on immovable property, if the ownership of the payer has been for more than 60 months (5 years) and it has been the declared as place of residence of the person for at least 12 months (1 year).

- capital gains on immovable property, if the ownership of the payer has been for more than 60 months (5 years) and the last 60 months (5 years) this immovable property has been the only immovable property of the payer.
- capital gains on immovable property which has occurred in relation to the division of property in the case of dissolution of marriage, if it has been the declared place of residence of both spouses at least 12 months until the day of entering into the alienation contract.
- capital gains on immovable property (the relevant immovable property is registered in the Land Register as only immovable property of the payer), if this income is invested a new in a functionally similar immovable property within 12 months following the alienation of the immovable property or before alienation of the immovable property.
- income from the alienation of personal property (movable objects such as furniture, clothing and other movable objects belonging to an individual intended for personal use) except income from the sale of items (tangible or intangible) prepared for sale or purchased, the capital gains and other income from capital and scrap sales.
- scholarships paid from the budget, association, or foundation resources.
- scholarships up to EUR 280 per month which are disbursed by a merchant, institution, association, foundation, natural person registered as a performer of economic activity, and also an individual undertaking, including a farm or fishing enterprise, and other performers of economic activity in accordance with the procedures stipulated by the Cabinet for organising and implementing work-based learning.
- scholarships paid to a student who attends a medical education program to promote the acquisition of an educational program, and which is paid out from the medical treatment institution.
- income obtained as a result of inheritance except author's fees (royalty) which is paid to the inheritors of the copyright and for the State funded pension capital which is inherited in case of the death of a participant of a State funded pension scheme.
- allowance (alimony).
- prizes of lotteries and gambling if the amount (total amount) of the prize (value thereof) does not exceed EUR 3 000 per taxation year.
- goods and services lottery prizes.
- material and monetary prizes (premiums) received at competitions and contests, the total value of which in the taxation year does not exceed EUR 1500, as well as the financial incentive paid out to the laureates of the prizes of the Baltic Assembly and monetary prizes of the Cabinet received at outstanding achievements in sport.
- revenues from gifts up to EUR 1 425 from natural person, other than a close relative.
- revenues from gifts in full amount from natural persons, if the giver is connected to the payer by marriage or kinship to the third degree within the meaning of the Civil Law.
- revenues from gifts in full amount regardless of whether the giver is connected to the payer by marriage or kinship to the third degree within the meaning of the Civil Law, if the gift is intended and the payer uses it in order to cover his or her expenditure for using medicinal and medical treatment services (except cosmetic surgeries) and to cover his or her expenditure for the acquisition of education.
- dividends, income equal to dividends or notional dividends if the enterprise income tax has been paid in the Republic of Latvia in accordance with the Enterprise Income Tax Law or the enterprise income tax or tax equal thereto has been paid in a foreign state or the personal income tax or tax equal thereto has been deducted from dividends, income equal to dividends or notional dividends.

- assistance provided on the basis of a decision of a trade union institution from the funds of the trade union which are formed from the payments of membership fees and donations (gifts) of foreign trade unions - EUR 3 000 a year;
- assistance in the form of money or other things, or services provided from a religious organisation or monies of an institution thereof on the basis of a decision of the religious organisation or a body of the institutions thereof (officials) - EUR 3 000 per year;
- tuition fees paid by an employer for an employee's studies for higher education if the acquisition of higher education is related to the acquisition of such skills which are necessary for the employer;
- employer-paid employee expenses related to remote working if their total amount per month for full-time work does not exceed EUR 40.

Tax schedule

From 2025, the personal income tax (PIT) system is simplified, replacing the three PIT rates with two PIT rates.

In 2025, the PIT rates are set:

- 25.5% - for income up to EUR 105 300 per year.
- 33% - for income exceeding EUR 105 300 per year.

The tax rate 25.5% is applicable monthly in the workplace where a payroll tax book is submitted.

The rate 33% is calculated only in the annual tax return. During the year, the tax is paid as Solidarity tax for an employee whose revenue exceeds EUR 105 300 per year. The Solidarity tax part of 10.0% is transformed into the personal income tax rate of 33%. The compulsory social security contributions from income above EUR 105 300 per year shall not be paid.

Regional and local income tax

There are no regional and local income taxes.

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

Since 2021 the social security contribution rate has not been changed and is 34.09% (for employers 23.59%, for employees 10.5%).

The social security contributions cover:

- state pension insurance.
- social insurance in case of unemployment.
- social insurance in respect of accidents at work and occupational diseases.
- disability insurance.
- maternity and sickness insurance.
- parental insurance.
- health insurance.

In 2025, the maximum object of mandatory social payments is EUR 105 300 per year.

Employees' contributions

Employees pay 10.5% of their earnings in social security contributions. The taxable base is the total amount of the gross wage or salary including vacation payments, fringe benefits and remuneration of expenses related to work above a certain threshold. The assessment period is the calendar month.

Employers' contributions

Social security contributions are also paid by employers at a rate of 23.59% on behalf of their employees. The taxable base and the assessment period are the same as for employees' contributions.

The total contribution rates paid by employees and employers in 2025 are divided:

Scheme name	Rate of contribution (%)
Pension insurance	23.91
Unemployment insurance	1.6
Insurance of accidents at work and occupational diseases	0.66
Disability insurance	2.29
Maternity and sickness insurance	3.47
Parental insurance	1.16
Health insurance	1.00
Total	34.09

Solidarity tax

Since 2021 the Solidarity tax rate is 25%. The Solidarity tax is applied during the tax year at the same rate as the social security contributions (34.09%) and the overpaid solidarity tax is refunded to the employer in the next taxation year.

The tax is paid for the income exceeding the amount of the maximum social security contribution object. From 2025 the social security contribution ceiling was raised to EUR 105 300 per year (in 2022-2024 was EUR 78 100 per year). The taxation period is the calendar year.

The purpose of the Solidarity tax is to eliminate the existing regressivity in the labour tax system and to equalize the tax burden on labour between low-wage earners and high wage earners. This problem appeared when the social contribution ceiling was re-introduced in 2014.

The Solidarity tax applies to all socially insured individuals – employees, self-employed, if their income during the calendar year exceeds the amount of the maximum compulsory social security contributions. Employers are also subject to the solidarity tax (in the same way, as they are liable for paying employer social security contributions).

Solidarity tax rate distribution

	2019-2020	2021-2025
Solidarity tax rate	25.50%	25.00%
Employer's rate distribution:	14.50%	14.50%
State budget (not tied to social services)		
Funded pension (2nd pillar pension scheme) *		
Private pension in the Fund's Pension Plan (3rd pillar pension scheme) *		
State Pension		
Pension insurance	14.00%***	14.00%***
Health care	0.50%	0.50%

Employee's rate distribution:	11.00%	10.50%
State budget (not tied to social services)		
Personal income tax**	10.50%	10.00%
Health care	0.50%	0.50%

* If a person is not a member of a funded pension scheme, a private pension fund is transferred 10%.

** The Solidarity tax (paid by employee for income above EUR 105,300 per year in 2025, EUR 78,100 per year in 2022-2024, above EUR 62,800 per year in 2019-2021) part of 10.0% (before 2021 10.5%) is transformed into a Personal income tax rate of 33% (in 2021 – 2024 31%, before 2021 31.4%). It means that, by submitting the annual income declaration of 2025 and performing the conversion of the PIT into two PIT rates (the second rate of 33%), the share of paid Solidarity Tax is equal to PIT rate 33%.

***From 2019 to 2020, 14% of the paid solidarity tax was transferred to the State pension special budget and registered in the personal account of the taxpayer in accordance with the law On State Pensions (in 2018 13.59% were transferred to the State pension special budget). As of 2021, 14% of the paid solidarity tax are transferred to the State pension special budget non-personalised.

Payroll tax

The Business risk fee is paid in the state basic budget, and then transferred to the Employee claim guarantee fund, which is administrated by the state agency “Insolvency administration”. The Insolvency administration is a public institution controlled by the Ministry of Justice.

If an enterprise is insolvent, the Insolvency Administration satisfies employee claims for their unpaid salaries, compensations for the paid annual leaves and compensations for dismissal in case of the end of the employment relationships.

The Business risk fee does not confer entitlement to any kind of social benefits.

The Business risk fee is a constant payment for a person EUR 0.36 per employee per month.

Universal cash transfers

Transfers related to marital status

None.

Transfers for dependent children

From 2022 the family state benefit is:

- EUR 25 per month for one child,
- EUR 50 per month for two children (per each child),
- EUR 75 per month for three children (per each child),
- EUR 100 per month for four and more children (per each child).

The state pays family benefits to all children until they reach the age of 16. Children enrolled in basic or secondary schools or vocational education institutions operating on the basis of basic education have the right to receive family benefits until the age of 20.

In addition, there are four other types of family benefits for which the payment depends on either the age of the child(ren) and/ or the status of the person(s) looking after them: maternity and paternity benefit; childbirth benefit; parental benefit; childcare benefit (additional benefit for child with disabilities). These are not included in the modelling.

Main changes in tax/benefit system in 2025

- The three PIT rates (20%, 23%, 31%) have been replaced by two rates (25.5%, 33%).

- The differentiated non-taxable minimum has been replaced by a fixed non-taxable minimum, simultaneously raising the monthly amount of the non-taxable minimum to EUR 510.
- The non-taxable minimum of a pensioner has been raised from EUR 500 to EUR 1000.
- The monthly minimum wage has been raised from EUR 700 to EUR 740.
- An additional 3% PIT rate has been introduced for all income exceeding EUR 200 000 per year (including capital income).

Memorandum items

Average gross annual wage earnings

In Latvia the gross earnings figures cover wages and salaries paid to individuals in formal employment including payment for overtime. They also include additional bonuses and payments and other payments such as for the annual and supplementary vacations, public holidays, sick pay (sick-leave certificate A), payment for public holidays and other days not worked, social security compulsory contributions paid by the employees and personal income tax, as well as labour remuneration subsidies.

Employer contributions to private pension and health schemes

Some employer contributions are made to private health and pension schemes but there is no relevant information available on the amounts that are paid.

2025 Parameter values

Average earnings/yr	Ave_earn	21 321	MoF forecast
Basic allowance	Basic_al	6,120	
Allowance for dependants	Child_al	3,000	
Income tax schedule	Tax_sch	0.255	105 300
	Tax_rate_2	0.33	
Payroll tax - Business risk fee	payroll	4.32	
Income ceiling	Ceiling	105 300	
Employers SSC	SSC_rate1	0.2359	
Employers Solidarity Tax	Sol_tax_rate_1	0.145	
Employees SSC (without health ins.)	SSC_rate2	0.10	
Employees health insurance	Health_ins2	0.005	
Employees Solidarity tax (without health ins.)	Sol_tax_rate_2	0.10	
Child allowances	CA_one	300	
	CA_two	1200	
	CA_three	2700	
	CA_four	4800	
Additional child allowance			
Days in tax year	numdays	365	

* Calculating taxable income not only the salary is taken into account, but also other income (such as economic activity, pension etc.). Similarly, if a person works in several jobs, the salaries are summed up and the non-taxable minimum is applied to the total revenue.

2025 Tax equations

The equations for the Latvian system are mostly on an individual basis.

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

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings	earn		
2.	Allowances:	tax_al	P	=MINA(Basic_al+ SSC_empee_princ+ Health_ins2_empee_princ + Sol_tax_ee +(Children>0)*(Child_al*Children);earn_princ)
			S	=MINA(Basic_al+ SSC_empee_spouse+ Health_ins2_empee_spouse,earn_spouse)
	Non-taxable minimum	Basic_al	B	=IF(earn<=0;0;(IF(earn-Income_for_MAX_non_taxable<0; MAX_non_taxable;(IF((MAX_non_taxable-Coefficient*(earn-Income_for_MAX_non_taxable))> MIN_non_taxable; (MAX_non_taxable-Coefficient*(earn-Income_for_MAX_non_taxable)); MIN_non_taxable))))
3.	Credits in taxable income	taxbl_cr	B	0
4.	CG taxable income	tax_inc	B	=Positive(earn-tax_al)
5.	CG tax before credits	CG_tax_excl	B	=IF(earn < inc_thresh_1;IF((earn – tax_al)<0;0;(earn – tax_al)*Tax_rate_1);IF((earn – tax_al)<0;0;(earn – tax_al)*Tax_rate_1+Sol_tax_ee))
6.	Tax credits :	tax_cr	B	0
7.	CG tax	CG_tax	B	=IF(CG_tax_excl-tax_cr>0; CG_tax_excl-tax_cr;"""- tax_cr_non_waste
8.	State and local taxes	local_tax	B	0
9.	Employees' soc security	SSC_empee	B	= MIN(Ceiling;earn)*SSC_rate2
10.	Employees health insurance	Health_ins2		= earn* Health_ins2
11.	Employees' Solidarity tax	Sol_tax_ee	B	=IF(earn<Ceiling,0,(earn-Ceiling)*Sol_tax_rate_2)
12.	Cash transfers	cash_trans	J	=IF(Children<1;0;IF(Children=1;CA_one;IF(Children=2;CA_two;IF(Children=3;CA_three;IF(Children=4;CA_four;IF(Children>4;CA_four/4*Children))))))
13.				
14.	Employer's soc security	SSC_empr	B	= MIN(Ceiling;earn)*SSC_rate1
	Payroll taxes		B	=payroll
15.	Employer's Solidarity tax	Sol_tax_er	B	=IF(earn<Ceiling,0,(earn-Ceiling)*Sol_tax_rate_1)

Key to range of equation B calculated separately for both principal earner and spouse P calculated for principal only (value taken as 0 for spouse calculation) J calculated once only on a joint basis.

Lithuania

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

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

Lithuania 2025

The tax/benefit position of single persons

		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1	Gross wage earnings		19 077	28 474	47 551	19 077
2	Standard tax allowances					
	Basic allowance		5 720	1 115	0	5 720
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other					
	Total		5 720	1 115	0	5 720
3	Tax credits or cash transfers included in taxable income		0	0	0	0
4	Central government taxable income (1 - 2 + 3)		13 358	27 358	47 551	13 358
5	Central government income tax liability (exclusive of tax credits)		2 672	5 472	9 510	2 672
6	Tax credits					
	Basic credit					
	Married or head of family					
	Children					
	Other					
	Total		0	0	0	0
7	Central government income tax finally paid (5-6)		2 672	5 472	9 510	2 672
8	State and local taxes		0	0	0	0
9	Employees' compulsory social security contributions					
	Gross earnings		3 720	5 552	9 272	3 720
	Taxable income					
	Total		3 720	5 552	9 272	3 720
10	Total payments to general government (7 + 8 + 9)		6 392	11 024	18 783	6 392
11	Cash transfers from general government					
	For head of family					
	For two children		0	0	0	4 670
	Total		0	0	0	4 670
12	Take-home pay (1-10+11)		12 686	17 450	28 768	17 356
13	Employer's wage dependent contributions and taxes					
	Employer's compulsory social security contributions		280	419	699	280
	Payroll taxes		61	91	152	61
	Total		341	510	851	341
14	Average rates					
	Income tax		14.0%	19.2%	20.0%	14.0%
	Employees' social security contributions		19.5%	19.5%	19.5%	19.5%
	Total payments less cash transfers		33.5%	38.7%	39.5%	9.0%
	Total tax wedge including employer's social security contributions		34.7%	39.8%	40.6%	10.6%
15	Marginal rates					
	Total payments less cash transfers: Principal earner		49.3%	49.3%	39.5%	49.3%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		50.2%	50.2%	40.6%	50.2%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Lithuania 2025

The tax/benefit position of married couples

		Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
		Number of children	2	2	2	none
1	Gross wage earnings		28 474	47 551	56 947	47 551
2	Standard tax allowances					
	Basic allowance		1 115	6 835	2 231	6 835
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other					
	Total		1 115	6 835	2 231	6 835
3	Tax credits or cash transfers included in taxable income		0	0	0	0
4	Central government taxable income (1 - 2 + 3)		27 358	40 716	54 717	40 716
5	Central government income tax liability (exclusive of tax credits)		5 472	8 143	10 943	8 143
6	Tax credits					
	Basic credit					
	Married or head of family					
	Children					
	Other					
	Total		0	0	0	0
7	Central government income tax finally paid (5-6)		5 472	8 143	10 943	8 143
8	State and local taxes		0	0	0	0
9	Employees' compulsory social security contributions					
	Gross earnings		5 552	9 272	11 105	9 272
	Taxable income					
	Total		5 552	9 272	11 105	9 272
10	Total payments to general government (7 + 8 + 9)		11 024	17 416	22 048	17 416
11	Cash transfers from general government					
	For head of family					
	For two children		4 670	2 940	2 940	0
	Total		4 670	2 940	2 940	0
12	Take-home pay (1-10+11)		22 120	33 075	37 839	30 135
13	Employer's wage dependent contributions and taxes					
	Employer's compulsory social security contributions		419	699	837	699
	Payroll taxes		91	152	182	152
	Total		510	851	1 019	851
14	Average rates					
	Income tax		19.2%	17.1%	19.2%	17.1%
	Employees' social security contributions		19.5%	19.5%	19.5%	19.5%
	Total payments less cash transfers		22.3%	30.4%	33.6%	36.6%
	Total tax wedge including employer's social security contributions		23.7%	31.7%	34.7%	37.7%
15	Marginal rates					
	Total payments less cash transfers: Principal earner		49.3%	49.3%	49.3%	49.3%
	Total payments less cash transfers: Spouse		42.6%	49.3%	49.3%	49.3%
	Total tax wedge: Principal earner		50.2%	50.2%	50.2%	50.2%
	Total tax wedge: Spouse		43.6%	50.2%	50.2%	50.2%

The Lithuanian currency is the Euro (EUR). In 2025, EUR 0.88 was equal to USD 1. In 2025, the average worker in Lithuania was expected to earn EUR 28 474 (Secretariat estimate).

Personal income tax system

Central government income tax

Tax unit

The tax unit is an individual.

Tax allowances

Standard tax reliefs

- A *general (basic) allowance (tax-exempt amount)* is applied in calculating the taxable income of residents to the extent the income is derived from employment or similar relationships. However, the size of the annual tax-exempt amount depends on the total amount of annual taxable income before taxes and all allowances (hereinafter – annual income). In 2025 the annual tax-exempt amount is EUR 8 964 for individuals whose annual income does not exceed twelve minimum monthly wages effective on 1 January of a respective calendar year (EUR 12 456 in 2025). For others, the annual tax-exempt amount is calculated using the following formula:

$$\begin{cases} 8\,964 - 0.49 \cdot (\text{annual income} - 12\,456), & \text{if annual income} \leq 28\,647.48, \\ 4\,800 - 0.18 \cdot (\text{annual income} - 7\,704), & \text{if annual income} > 28\,647.48. \end{cases}$$

- If according to this formula a negative amount is calculated, then the tax-exempt amount is not applied. As such, no basic personal allowance applies if annual income exceeds EUR 34 370,67. An *allowance for disadvantaged* is applied as follows: in 2025 the annual tax-exempt amount applicable to individuals with a working capacity level of 0-25% or individuals who have reached the retirement age and have an officially recognized high level of special needs, or individuals with high-level disability, is EUR 13 524. The annual tax-exempt amount applicable to individuals who have a working capacity level of 30-55% or individuals who have reached retirement age and have an officially recognized level of medium or low special needs, or individuals with medium or low-level disability, is EUR 12 684. The tax allowance for disadvantaged is not included in the Taxing Wages calculations.

Non – standard tax reliefs applicable to income from employment

- Contributions to 3rd pillar pension funds, as well as additional voluntary health insurance contributions paid by the employer on behalf of an employee, are treated as non-taxable income (when such contributions combined do not exceed 25% of the gross wage).
- The following expenses incurred by a resident of Lithuania during the tax period may be deducted from his annual income (a total no more than 25% of annual income worth of expenses):
- Life insurance contributions paid for his own benefit or for the benefit of his spouse or minor children (adopted children) under life insurance contracts which provide for an insurance benefit not only

upon the occurrence of an insurance event, but also upon the expiry of the term of the insurance contract were abolished in 2025, while maintaining the tax relief for an additional 10 years for investment life insurance contracts concluded before the end of 2024.

- 2nd pillar pension contributions, paid by employees, exceeding 3% of taxable wage related income.
- Voluntary 3rd pillar pension contributions paid for his own benefit or for the benefit of his spouse or minor children (adopted children) to pension funds were abolished in 2025, while maintaining the tax relief for an additional 10 years for pension accumulation contracts concluded before the end of 2024.
- Payments for studies (for vocational training under a formal vocational training programme, when appropriate qualification is obtained, a module of the formal vocational training programme leading to the acquisition of an appropriate competence (competences) and/or for studies when a higher education qualification is obtained) made by studying residents of Lithuania. If the resident does not have annual income, the deduction of expenses from the income can be made by parents and/or spouse. If payments for studies are made with borrowed funds (a loan is taken out from a credit institution for that purpose), the repaid amount of the loan during the tax period may be deducted from income.
- The deduction of expenses described above on life insurance and pension contributions applies only to expenses of up to a total of EUR 1 500 per year. The deduction of expenses for studies is unlimited.

Tax schedule

- A two-bracket progressive personal income tax rate system is applied on taxable wage related income: 20% applies for income equal to or below the threshold of 60 average wages per year (EUR 126 532.8 in 2025), 32% applies for income above the threshold. The tax is withheld by the employer at 20% rate from employee's wage and paid up to two times a month. The 32% rate is applied and the difference between 20% rate and 32% rate is paid by the employee once per year, when filing the annual income tax return.

Regional and local income tax

There are no regional or local income taxes.

Compulsory social security insurance system

The compulsory social security insurance system consists of the following types of social security contributions:

- pension insurance.
- health insurance.
- sickness insurance.
- maternity insurance.
- unemployment insurance.
- insurance from accidents at work and occupational diseases.

The share of the wage above the "ceiling" is not subject to social security contributions (except Health insurance contributions). In 2025, the ceiling is set at 60 average wages per year (AW).

The AW applied to calculate the social security contribution base is approved by the law on the Approval of Indicators of the Budget of the State Social Insurance Fund of the Republic of Lithuania for the relevant year. It is the average gross monthly earnings (including salary data for the sole proprietorships) published by the State data agency (Statistics Lithuania) of Q3 and Q4 for the year before the previous year and Q1 and Q2 for the previous year.

Employees' contributions

Since 1 January 2021, the rate of the employee's social security contributions is 19.5%, as follows:

- pension insurance – 8.72%.
- health insurance – 6.98%.
- sickness insurance – 1.99%.
- maternity insurance – 1.81%.

Employees pay social security contributions from their gross wage (including basic wage, bonuses, premiums, additional pays, severance pays, compensations calculated for annual and special leave as well as the monetary compensations calculated for unused annual leave, allowances, and other benefits). The assessment period is the calendar month.

Employers' contributions

Since 1 January 2021, the overall rate of the social security contributions of the employer's is 1.47%, as follows:

- unemployment insurance – 1.31% for termless employment contracts and 2.03% for fixed-term employment contracts.
- insurance from accidents at work and occupational diseases – the overall rate is 0.16% (this is the rate that is modelled). In practice four categories of employers are set according to their history of accidents at work and occupational diseases. The tariffs for each of these categories are:

Category	Rate of contribution (%)
Category I	0.14
Category II	0.43
Category III	0.70
Category IV	1.40

From 1st January 2025 a new special contribution was introduced to strengthen the motivation of employers and developers (contractors) to comply with occupational safety and health requirements in order to reduce the number of violations of occupational safety and health legislation and the number of fatal and serious occupational accidents in Lithuania. An employer who has been convicted of an infringement of occupational safety and health legislation pays an additional lump sum contribution based on the number of insured persons:

- Up to 49 insured persons - 3 minimum monthly salaries.
- Between 50 and 249 insured persons - 6 minimum monthly salaries.
- 250 or more insured persons - 9 minimum monthly salaries.

A minimum amount ("floor") of social security contributions is applied. Employers must pay a top up of the social security contributions (both employers and employee's contributions) on the difference between minimum monthly wage and the actual wage, in case it is lower than the minimum monthly wage (i.e., the

overall SSC, including health insurance contributions, paid both by employee and employer, must be paid from the amount not smaller than a set minimum wage). This applies to all workers except:

- The person has more than one insurer in Lithuania during the respective period or is insured by the State for pension insurance.
- The person receives social insurance pension from the State Social Insurance Fund.
- The person is not older than 24 years.
- The person is disabled.
- The person receives allowance for maternity or paternity leave.

Payroll tax

Employers pay 0.16% of the gross wage to the Guarantee fund.

If a company goes bankrupt the Guarantee fund is used to satisfy employees' claims for the amount of his creditor's claim, but not more than 6 minimal monthly wages.

Employers pay 0.16 % of the gross wage to the Long-term employment benefit fund.

The Long-term employment benefit fund is used for paying severance payments to long-tenure employees having lost jobs.

The ceiling for employer contributions will no longer apply from 2021. Some employers are exempt from these taxes (0.16% to the Guarantee Fund and 0.16% to the Long-term employment benefit fund), namely the Lithuanian Central bank and budget institutions (exempt from both Guarantee and Long-term employment benefit funds contributions), political parties, trade unions, religious communities and societies (exempt from Guarantee fund contributions). Given that the model covers the private sector only (sectors B to N by ISIC Rev.4) and that the Guarantee fund and Long-term employment benefit fund contributions are paid by the majority of employers within those sectors, these contributions are included in the model.

Universal cash transfers

Transfers related to marital status.

None.

Transfers for dependent children

Child benefit in Lithuania depends on the age and number of children as well as the size of income of the family. In 2018 a non-means-tested universal child benefit was introduced for all families raising children up to 18 years of age and over, if he / she is studying under the general education curriculum, but not longer, until he / she reaches the age of 21 (from 2022 - the age of 23). In 2025, the size of the universal child benefit is EUR 1 470 per child per year. An additional child benefit (EUR 865.2per child per year, which is paid on top of the universal child benefit) is granted if family's income per person per year did not exceed EUR 5 304for families with up to two children. The exclusion of part of the work income of working person and unemployment social insurance benefit is applied when granting an additional child benefit to low-income families raising one child or two children: 25% – for persons raising one child or two children (adopted children); 35% – for individuals raising one child or two children (adopted children). For families with three or more children and disabled children the additional child benefit is paid regardless of the amount of family income.

Main changes in tax/benefit system since 2000

Tax system

- In 2000 the 3rd pillar private pension funds were introduced, allowing employees to voluntarily choose to accumulate for additional pension by taking part in the 3rd pillar private pension funds or negotiate it with employer as part of employment contract. Contributions to such funds are financed by employees themselves, if they chose to take part in pension scheme voluntarily or by the employer on behalf of the employee.
- In 2003 a possibility to deduct certain expenses from taxable annual income incurred by a resident of Lithuania was introduced.
- In 2004 the 2nd pillar pension system was introduced, allowing voluntary participation in the pension accumulation system which consists of a share of social security contributions paid by the employer, transferred to the pension fund on behalf of the employee.
- The personal income tax rate was lowered gradually from 33% to 27% as of 1 July 2006, then further to 24% in 2008 and again to 15% in 2009.
- In 2009 employee health insurance contributions were introduced together with a lower personal income tax rate.
- In 2009 a flat tax-exempt amount was replaced with a regressive tax-exempt formula, gradually diminishing the tax-exempt amount at some level of income, therefore introducing an element of progressivity into taxation of wages.
- In 2014 the 2nd pillar pension system was modified. A possibility to increase the size of the private pension contribution was introduced by allowing employees to contribute additionally from their own gross wage with an additional contribution from the State.
- In 2017 the deduction of expenses described in 1.122. on life insurance and voluntary 3rd pillar pension funds savings tax reliefs were given a “ceiling” and apply only to insurance premium of up to a total of EUR 2 000 per year.
- In 2018 the additional tax-exempt amount (child allowance) was replaced by direct child benefits, which are paid without testing for family income.
- In 2018 a minimum amount (“floor”) of social security contributions was established. Employers calculate and pay employer’s share of social security contributions from a base not lower than minimum monthly wage. As of 1 July 2018, employers must pay not only the employer’s share, but also the employee’s share of social security contributions from a base not lower than minimum monthly wage.
- In 2019 a labour taxation reform was introduced. Most of the employer’s SSC (a total of 28.9 p.p.) were shifted to the employee. The overall employer’s SSC rate in 2018 was 30.5%, an aggregated of:
 - pension insurance – 22.3%.
 - health insurance – 3%.
 - sickness insurance – 1.4%.
 - maternity insurance – 2.2%.
 - unemployment insurance – 1.4%.
 - insurance from accidents at work and occupational diseases – 0,2%.
- Starting from 1 January 2019 pension insurance, health insurance, sickness insurance and maternity insurance were shifted to the employee side (22.3%+3%+1.4%+2.2%=28.9%)

- This resulted in a gross salary increase by 28.9% (enforced by law), as well as recalculation of SSC, personal income tax and payroll tax rates accordingly to neutralize the shift. Moreover, a share of SSC, covering the general part of pension, was shifted to personal income tax to ensure a sustainable financing source for financing the general part of pension from the State budget. Finally, personal income tax and SSC rates were reduced by a total of 1.55 p.p. (in the new taxation system) to ensure that take home pay does not decrease in case a person decides to participate in the 2nd pillar pension system after the 2019 reform (which includes employee's contribution).
- In 2019, a two-bracket progressive taxation for labour income was introduced. The first bracket is taxed at 20%, while the second bracket – at 27% personal income tax rate (above the threshold of 120 average wages per year).
- In 2019, the ceiling for both employee's and employer's SSC (excluding health insurance contributions) and payroll taxes (contributions to the Guarantee fund and Long-term employment benefit fund) was introduced. It is applicable for the annual income above 120 average wages.
- In 2020, the tax rate for second bracket was increased from 27% to 32% personal income tax rate and the threshold above which 32% rate is applied was reduced from 120 to 84 average wages per year.
- In 2020, the ceiling for both employee's and employer's SSC (excluding health insurance contributions) and payroll taxes was reduced from 120 to 84 average wages per year.
- From 2021 the ceiling is applied only for the employee's overall employment income (combined from all employers, as opposed to each employer individually, as was applied previously), except for health insurance contributions. The ceiling is no longer applied for the SSC paid by the employer.
- Since 2021 the ceiling for employee's SSC (excluding health insurance contributions) was reduced from 84 to 60 average wages per year.
- Since 2021 the personal income tax threshold above which 32% rate is applied was reduced from 84 to 60 average wages per year.
- In 2022 the basic allowance formula was changed so that the annual basic allowances are first tapered rapidly (until around 12 average wages) and then gradually. Hereby the level of the taxation was reduced by increasing non-taxable amount only for those individuals whose monthly income did not exceed the average wage. Applying the non-taxable amount to individuals with income above one average wage maintained unchanged.
- In 2022 the maximum non-taxable amount was increased from EUR 400 up to 460 and then from 460 up to 540 per month. Proportionally increased non-taxable amounts applicable to disabled.
- From 2022 temporary tax relief that was applicable from 2019 until 2021 (payments for repairs of housing (except renovation of multi-apartments), repairs of passenger cars and childcare services (made for one's own benefit or for the benefit of one's spouse)) was no longer available.
- In 2023 the maximum non-taxable amount was increased from EUR 540 up to 625 per month. Proportionally increased non-taxable amounts applicable to disabled.
- In 2024 the maximum non-taxable amount was increased from EUR 625 up to 747 per month. Proportionally increased non-taxable amounts applicable to disabled.
- From 2025, the personal income tax relief for long-term savings products was terminated by abolishing tax deductions for contributions to investment life insurance and 3rd pillar pension schemes, while maintaining the tax relief for a further 10 years for contracts concluded before the end of 2024.

Benefit system

- Between 2000 and June 2004, the child benefit was paid for all children up to 3 years of age, provided that none of the parents received maternity (paternity) benefits. Families with three or more children, below a set threshold of income per family member, were given more generous benefit for children up to 3 years of age, as well as benefit for children from 3 years to 16 years of age.
- Between July 2004 and 2008, the child benefit was paid without testing family income. The range of the age of children for which the benefit was paid depended on the size of the family. Different age ranges were applied for families with three or more children (the top of the range remained 18 years throughout the period) and families with up to two children (the top of the age range was gradually increased from 7 years to 9 years in 2006, from 9 years to 12 years in 2007 and from 12 years to 18 years in 2008).
- In 2009, testing of family income was introduced for families with up to two children above 3 years of age.
- In 2010, the testing for the fact and the size of the maternity (paternity) benefit was introduced for children up to 2 years of age and testing of family income was extended to all children above 2 years of age.
- Between 2012 and 2016, testing of family income applied to all children and only in families with three or more children the child benefit was paid for children over 7 years of age.
- In 2017, testing of family income was abolished for families with three or more children regarding child benefits. Moreover, families with up to two children under 7 years of age were included in the means-tested child benefit scheme.
- In 2018, a universal child benefit replaced the abolished tax exempt amount for children. The universal child benefit is paid for every child from birth to the age of 18 years and over, if he / she is studying under the general education curriculum, but not longer, until he / she reaches the age of 21. The size of the universal child benefit is EUR 30.02 per child per month. Large and low-income families receive the additional child benefit (on top of the universal child benefit): to children from birth to the age of 2 years amounting to EUR 28.5 per child per month and to children from 2 to 18 years of age amounting to EUR 15.2. Since 1 January 2018 the exclusion of part of the work income of working person is applied when granting an additional child benefit to low-income families raising one child or two children: 20% – for persons raising one child or two children (adopted children); 30% – for individuals raising one child or two children (adopted children).
- In 2019, the universal child benefit is paid for every child from birth to the age of 18 years and over, if he / she is studying under the general education curriculum, but not longer, until he / she reaches the age of 21. The size of the universal child benefit increased from EUR 30.02 to EUR 50.16 per child per month, while for the disabled children – to EUR 69.92. Large and low-income families receive the additional child benefit (on top of the universal child benefit) amounting to EUR 20.14 per child per month.
- In 2020, the universal child benefit is paid for every child from birth to the age of 18 years and over, if he / she is studying under the general education curriculum, but not longer, until he / she reaches the age of 21. The size of the universal child benefit increased from EUR 50.16 to EUR 60.06 per child per month. The size of the additional child benefit (on top of the universal child benefit) for large and low-income families increased from EUR 20.14 to EUR 40.17 per child per month, the additional child benefit of the same amount has been established for disabled children. Since 1 June 2020 part of the disregard income when granting an additional child benefit to low-income families raising one child or two children have been increased (+5 percentage points). The

exclusion of part of the work income of working person and unemployment social insurance benefit is 25% – for persons raising one child or two children (adopted children); 35% – for individuals raising one child or two children (adopted children).

- In 2021, the universal child benefit is paid for every child from birth to the age of 18 years and over, if he / she is studying under the general education curriculum, but not longer, until he / she reaches the age of 21. The size of the universal child benefit increased from EUR 60.06 to EUR 70 per child per month. Large and low-income families and disabled children receive the additional child benefit (on top of the universal child benefit) amounting to EUR 41.2 per child per month.
- In 2022, the universal child benefit is paid for every child from birth to the age of 18 years and over if he / she is studying under the general education curriculum, but not longer, until he / she reaches the age of 23. The size of the universal child benefit increased from EUR 70 to EUR 73.5 (from 1 June 2022 – to EUR 80.5) per child per month. Large and low-income families and disabled children receive the additional child benefit (on top of the universal child benefit) amounting to EUR 43.26 (from 1 June 2022 – EUR 47.38) per child per month.
- In 2023, the universal child benefit is paid for every child from birth to the age of 18 years and over if he / she is studying under the general education curriculum, but not longer, until he / she reaches the age of 23. The size of the universal child benefit increased from EUR 80.5 to EUR 85.75 per child per month. Large and low-income families and disabled children receive the additional child benefit (on top of the universal child benefit) amounting to EUR 50.47 per child per month.
- In 2024, the universal child benefit is paid for every child from birth to the age of 18 years and over if he / she is studying under the general education curriculum, but not longer, until he / she reaches the age of 23. The size of the universal child benefit increased from EUR 85.75 to EUR 96.25 per child per month. Large and low-income families and disabled children receive the additional child benefit (on top of the universal child benefit) amounting to EUR 56.65 per child per month.
- In 2025, the universal child benefit is paid for every child from birth to the age of 18 years and over if he / she is studying under the general education curriculum, but not longer, until he / she reaches the age of 23. The size of the universal child benefit increased from EUR 96.25 to EUR 122.50 per child per month. Large and low-income families and disabled children receive the additional child benefit (on top of the universal child benefit) amounting to EUR 72.10 per child per month.

Changes to labour taxation and benefit system due to the covid-19 pandemic

In relation to the COVID-19 pandemic, the Lithuanian Government and the tax authorities decided to apply certain personal income tax and social security contribution related measures to assist taxpayers with their ongoing obligations.

Related measures by the PIT administrator - State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania (hereinafter - STI):

- STI published a list of taxpayers which were directly hit and experienced adverse effects of COVID-19 pandemic. These taxpayers are automatically subject to certain reliefs, applicable for tax debts incurred before 31 August 2021, and the following fiscal measures apply to the listed entrepreneurs:
 - **Recovery of unpaid taxes is suspended.** Interest on late payment are not to be calculated;
 - **Accumulated unpaid taxes have can be paid without interest until 31 December 2022.** In order to conclude a tax loan agreement without interest, taxpayers have to submit an application to the STI by 31 August 2021, and the agreement must be concluded by 31

December 2021. Otherwise, all accumulated unpaid taxes should be paid by 31 October 2021.

- **Possibility to pay accumulated unpaid taxes exists beyond 31 December 2022.** Companies that cannot pay accumulated taxes within the set deadline can apply to STI for postponement of tax payment. Interest will be charged only on subsequent instalments.

Taxpayers not on the COVID-19 list, but which have also experienced negative consequences of COVID-19, may apply to the tax authorities for the reliefs, as well as for conclusion of a tax credit agreement.

Related measures by the SSC administrator (State Social Insurance Fund Board):

- Aid measures apply to adversely affected insurers. An adversely affected insurer is an insurer whose activities are restricted because the quarantine has been announced in the territory of the Republic of Lithuania or the quarantine has been announced in the territory of the municipality, and if an insurer specifies in the prescribed application that he operates in this territory of the municipality, and:
 - who is automatically listed on the list “Legal entities that are subject to tax aid measures due to COVID-19 without submitting an application” that is published by the STI; or
 - whose application for tax aid measures due to COVID-19 has been approved by the STI.

Insurers, having not found themselves among the published taxpayers, but having suffered adverse effects due to COVID-19, may apply to STI for the said aid measures by submitting an application for the application of selected aid measures.

Recovery of unpaid taxes is suspended. State Social Insurance Fund Board would not start tax recovery if these companies have social security debts arising from a declaration filed from 16th March 2020 till 16th of June 2020 and from 7th of November 2020 (in local quarantines from 26th of October 2020) till the end of quarantine.

- The annual tax-exempt amount for the fiscal year 2020 was increased from EUR 4200 (as budgeted for 2020 before COVID-19) to EUR 4800 for individuals whose annual income does not exceed twelve minimum monthly wages effective on 1 January 2020 (EUR 7 284 in 2020). For others, the annual tax-exempt amount is estimated using the following formula:

$$4\,800 - 0.19 \times (\text{annual income} - \text{twelve minimum monthly wages effective on 1 January of a respective calendar year}).$$
- One-off child benefit to reduce the effects related with the COVID-19 pandemics was paid out in 2020. Low-income families with up to two children and families with three or more children, as well as families raising children with disabilities, are entitled to one-off payment of 200 euros per child. Other families with children are entitled to one-off payment of 120 euros per child. One-off child benefit was paid out for children who were / became child benefit eligible according to the Law on Benefits for Children throughout the period between 16 May 2020 and 31 December 2020.

Memorandum items

Average gross annual wage earnings calculation

The average gross wage is estimated by Statistics Lithuania. For the purpose of this exercise the average annual earnings equal twelve average monthly gross wages in the industry sectors B–N by ISIC Rev.4 (private sector, including individual enterprises). The gross wage is monetary remuneration, which includes

the basic wage, additional pays, overtime, compensations calculated for annual and special leave and payment for idle time.

Employer contributions to private pension and health schemes

2nd pillar private pension funds. Between 2004 and 2018, employees could voluntarily choose to participate in the pension accumulation system which in 2018 consisted of three types of contributions to the pension fund: (1) a share of social security contributions paid by the employer was transferred to the pension fund on behalf of the employee (2 p.p. from the total contribution paid by the employer); (2) an additional contribution of 2% deducted from the employee's gross wage to the pension fund; (3) another 2% of the Lithuanian average gross wage was transferred by the State. In total, if an employee chooses to participate in the pension accumulation system, roughly 6% (2+2+2) of gross wage was accumulated in the pension fund. However, the supplementary part of a social insurance pension will decrease for the period of participation in the accumulation of pensions depending on the amount of contributions paid. From 2019 all persons at age below 40, insured by social insurance, are enrolled in the 2nd pillar system with a possibility to opt-out during the six months of the enrolment process (after this period the opt-out is not possible). If the person chooses to opt-out during the first auto-enrolment procedure, the procedure of auto-enrolment will be repeated every 3 years until the person reaches the age of 40. Pension accumulation system consists of two types of contributions to the private pension fund: (1) employee's contribution – 3% deducted from the employee's gross wage; (2) State's contribution – 1.5% of the Lithuanian average gross wage is transferred by the State on behalf of the employee. Therefore, the overall contribution to the private 2nd pillar pension funds is 4.5%, which corresponds to 6% (2+2+2) applicable before the tax reform of 2019.

3rd pillar private pension funds. Employees can voluntarily choose to accumulate for additional pension by taking part in the 3rd pillar private pension funds or negotiate it with employer as part of employment contract. Contributions to such funds are financed by employees themselves, if they chose to take part in pension scheme voluntarily or by the employer on behalf of the employee. Personal income tax relief related to the 3rd pillar contributions are applied (see section on Non – standard tax reliefs applicable to income from employment).

Additional voluntary health insurance. Employees can voluntarily choose to additionally insure their health for services and medicines that are not covered under the mandatory health insurance scheme. Contributions to such insurance schemes are financed by employees themselves and / or third parties on behalf of the employee (employer, family members, etc.). Personal income tax relief related to the contributions paid by the employers are applied (see section on Non – standard tax reliefs applicable to income from employment).

2025 Parameter values

Average earnings/yr	Ave_earn	28 474	Secretariat estimate
Threshold for SSC ceilings	Threshold_SSC_ceilings	126 532.8	
Allowances	Max_basic_al	8 964	
	Threshold_max_basic_al	12 456	
	Reduction_coeficient	0.49	
	Max_basic_al_2	4 800	
	Threshold_max_basic_al_2	7 704	
	Reduction_coeficient_2	0.18	
	Brake_point_basic_al	28 647.48	
Income tax schedule	Tax_sch	0.20	126 532.8
		0.32	
Tax credit	tax_cred	0	
Minimum threshold for employer SSC and payroll tax	SSC_employer_min	12 456	
Employer's SSC	SSC_rate_empr1	0.0147	
	SSC_rate_empr2	0.2097	
Employer's payroll tax	PRT_rate_empr	0.0032	
Employee's SSC	SSC_rate_empee1	0.1252	
	SSC_rate_empee2	0.0698	
Universal Child benefits			
For each child	UCB	1 470	
Need-based child benefits			
for each child	CB	865.2	
Need-based family threshold			
each member	F_thrsh	5 304	
Family earnings discount rates determining the eligibility for need-based child benefits			
for persons raising one or two children (adoptive child)	DRP	25%	
for individuals raising one or two children (adoptive child)	DRI	35%	
Days in tax year	numdays	365	

2025 Tax equations

The equations for the Lithuanian system are mostly on an individual basis. But child benefit is only calculated once.

The functions which are used in the equations (Positive, MIN, etc) are described in the technical note about tax equations. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables “married” and “children”. A reference to a variable with the affix “_total” indicates the sum of the relevant variable values for the principal and spouse.

	Line in country table and intermediate steps	Variable name	Range	Equation
1	Earnings	earn		=Ave_earn
		earn_net	J	=earn_total-CG_tax_total-SSC_empee_total
2	Allowances	basic_al	B	=Positive(IF(earn<Max_basic_al; earn; IF(earn<Threshold_max_basic_al; Max_basic_al; IF(earn < Brake_point_basic_al; Max_basic_al-Reduction_coefficient*(earn-Threshold_max_basic_al); Max_basic_al-2-Reduction_coefficient_2*(earn-Threshold_max_basic_al_2))))
3	Credits in taxable income	taxbl_cr	B	0
4	CG taxable income	tax_inc	B	=earn-basic_al
5	CG tax before credits	CG_tax_excl	B	=Tax(tax_inc,Tax_sch)
6	Tax credits (wastable)	tax_cr		0
7	CG tax	CG_tax	B	=Positive(CG_tax_excl-tax_cr)
8	State and local taxes	local_tax	B	0
9	Employees' soc security	SSC_empee	B	=IF(earn<Threshold_SSC_ceilings, earn*(SSC_rate_empee1+SSC_rate_empee2), (Threshold_SSC_ceilings*SSC_rate_empee1+earn*SSC_rate_empee2))
10	Cash transfers	cash_trans	J	=Children*UCB+ IF((AND(Married=0);((earn_net)*(1-DRI))< (F_thrsh*(Married+1)+F_thrsh*Children));CB*Children; IF(AND(Married=1);((earn_net*(1-DRP))<

				(F_thrsh*(Married+1)+F_thrsh*Children));CB*Children;0)
11	Employer's wage dependent contributions and taxes			)
12	Employer's soc security	SSC_empr	B	=IF(AND(earn>0, earn<SSC_employer_min), earn * SSC_rate_empr1 + (SSC_employer_min- earn)*SSC_rate_empr2, earn *SSC_rate_empr1)
13	Employer's payroll	PRT_empr	B	=IF(AND(earn >0, earn <SSC_employer_min), SSC_employer_min*PRT_rate_empr, earn *PRT_rate_empr)
14	Total	Cont_empr	B	=SSC_empr+PRT_empr

Key to range of equation B calculated separately for both principal earner and spouse P calculated for principal S calculated on the spouse J calculated once only on a joint basis.

Luxembourg

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

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

Luxembourg 2025

The tax/benefit position of single persons

		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1	Gross wage earnings		52 156	77 844	130 000	52 156
2	Standard tax allowances					
	Basic allowance		480	480	480	480
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		5 763	8 602	14 365	5 763
	Work-related expenses		540	540	540	540
	Other		0	0	0	0
	Total		6 783	9 622	15 385	6 783
3	Tax credits or cash transfers included in taxable income		0	0	0	0
4	Central government rounded taxable income (1 - 2 + 3)		45 350	68 200	114 600	45 350
5	Central government income tax liability (exclusive of tax credits)		6 193	15 368	34 731	3 675
6	Tax credits					
	Basic credit		418	32	0	418
	Married or head of family		0	0	0	3 504
	Children					
	Other		134	10	0	134
	Total		551	43	0	4 055
7	Central government income tax finally paid (5-6)		5 641	15 325	34 731	- 380
8	State and local taxes		0	0	0	0
9	Employees' compulsory social security contributions					
	Gross earnings		6 381	9 579	16 072	6 381
	Taxable income					
	Total		6 381	9 579	16 072	6 381
10	Total payments to general government (7 + 8 + 9)		12 022	24 904	50 803	6 001
11	Cash transfers from general government					
	For head of family					
	For two children		0	0	0	7 874
	Total		0	0	0	7 874
12	Take-home pay (1-10+11)		40 134	52 940	79 197	54 029
13	Employer's compulsory social security contributions		7 119	10 626	17 745	7 119
14	Average rates					
	Income tax		10.8%	19.7%	26.7%	-0.7%
	Employees' social security contributions		12.2%	12.3%	12.4%	12.2%
	Total payments less cash transfers		23.1%	32.0%	39.1%	-3.6%
	Total tax wedge including employer's social security contributions		32.3%	40.2%	46.4%	8.9%
15	Marginal rates					
	Total payments less cash transfers: Principal earner		44.9%	51.5%	49.6%	43.0%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		51.5%	57.4%	55.6%	49.8%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Luxembourg 2025

The tax/benefit position of married couples

Wage level (per cent of average wage)		100-0	100-67	100-100	100-67
Number of children		2	2	2	none
1	Gross wage earnings	77 844	130 000	155 689	130 000
2	Standard tax allowances				
	Basic allowance	480	960	960	960
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes	8 602	14 365	17 204	14 365
	Work-related expenses	540	1 080	1 080	1 080
	Other	0	4 500	4 500	4 500
	Total	9 622	20 905	23 744	20 905
3	Tax credits or cash transfers included in taxable income	0	0	0	0
4	Central government rounded taxable income (1 - 2 + 3)	68 200	109 050	131 900	109 050
5	Central government income tax liability (exclusive of tax credits)	6 012	19 323	28 858	19 323
6	Tax credits				
	Basic credit	32	450	65	450
	Married or head of family	0	0	0	0
	Children				
	Other	10	144	21	144
	Total	43	594	85	594
7	Central government income tax finally paid (5-6)	5 969	18 729	28 773	18 729
8	State and local taxes	0	0	0	0
9	Employees' compulsory social security contributions				
	Gross earnings	9 579	15 960	19 158	15 960
	Taxable income				
	Total	9 579	15 960	19 158	15 960
10	Total payments to general government (7 + 8 + 9)	15 548	34 688	47 931	34 688
11	Cash transfers from general government				
	For head of family				
	For two children	7 874	7 874	7 874	0
	Total	7 874	7 874	7 874	0
12	Take-home pay (1-10+11)	70 170	103 186	115 632	95 312
13	Employer's compulsory social security contributions	10 626	17 745	21 252	17 745
14	Average rates				
	Income tax	7.7%	14.4%	18.5%	14.4%
	Employees' social security contributions	12.3%	12.3%	12.3%	12.3%
	Total payments less cash transfers	9.9%	20.6%	25.7%	26.7%
	Total tax wedge including employer's social security contributions	20.7%	30.2%	34.6%	35.5%
15	Marginal rates				
	Total payments less cash transfers: Principal earner	35.4%	51.5%	51.5%	51.5%
	Total payments less cash transfers: Spouse	36.7%	51.5%	51.5%	51.5%
	Total tax wedge: Principal earner	43.1%	57.4%	57.4%	57.4%
	Total tax wedge: Spouse	44.3%	57.4%	57.4%	57.4%

The national currency is the Euro (EUR). In 2025, EUR 0.88 equalled USD 1. The Secretariat has estimated that in that same year the average worker earned EUR 77 844 (Secretariat estimate).

Personal income tax system

Taxes levied by central government.

Tax unit

Spouses and partners are taxed jointly on their income. The income of minor children is included in determining the couple's taxable income. However, any earned income that children may derive from work is excluded from joint taxation.

From 2018 onwards, there is the option to file separate tax returns for married couples and civil partners.

Tax reliefs and tax credits

Standard reliefs in the form of deductions from income

- Wage-earners are entitled to a standard minimum deduction of EUR 540 for work-related expenses other than travel, unless their actual deductible expenses are higher. This deduction is doubled for spouses taxed jointly.
- The first 4 distance units (i.e., $4 * 99 = \text{EUR } 396$ per year) of the lump sum deduction for travel expenses between a taxpayer's home and his working places are abolished. The maximum deduction is limited to EUR 2 574 per year.
- Like other taxpayers, wage-earners having no special expenses (interest charges, insurance premiums or contributions other than for social security) may take a standard deduction of EUR 480 for special expenses. Actual insurance premiums are deductible up to the limit set by law.
- If both spouses have earned income and are taxed jointly, they qualify for an earned income allowance of EUR 4 500.
- Social security contributions: contributions paid to compulsory health insurance and pension schemes are deductible in full.
- Dependency insurance: the dependency contribution is not deductible for income tax purposes.

Standard reliefs in the form of tax credits

- Wage-earners and pensioners receive a refundable tax credit. The tax credit will increase progressively until it is capped at EUR 600 per year for taxpayers earning between EUR 11 265 and EUR 40 000. Between EUR 40 000 and EUR 80 000, the tax credit will decline progressively. Over EUR 80 000, the tax credit is 0.
- From 2024 onwards, a new so-called CO2 tax credit is introduced. The tax credit amounts to EUR 192 for taxpayers earning up to EUR 40 000. Between EUR 40 000 and EUR 80 000, the tax credit declines progressively. Above EUR 80 000, the tax credit is 0.
- Single parents receive a refundable tax credit. The tax credit increases to EUR 3 504 per year for taxpayers earning up to EUR 60 000. Between EUR 60 000 and EUR 105 000, the tax credit declines progressively. Over EUR 105 000 the tax credit is EUR 750 like in the past.
- A new tax credit for social minimum wage earners was introduced in January 2019, and slightly modified in 2025. The tax credit is fixed to EUR 81 per month for employees earning a monthly gross wage between EUR 1 800 and EUR 3 000. For employees with monthly gross wages

between EUR 3 000 and EUR 3 600, the tax credit declines progressively. Employees with monthly gross wages higher than EUR 3 600 will not benefit anymore from the tax credit. This tax credit come on top of the already existing tax credit for employees.

Non-standard allowances deductible from taxable income

- Interest charges are deductible insofar as they are not considered operating expenses or acquisition expenses, and provided they are unrelated economically to the exempt income.
- Taxpayers may deduct premiums paid to insurers licensed in an EU country in respect of life, death, accident, disability, illness or liability insurance, as well as dues paid to recognised mutual assistance companies.
- From 2017 onwards, the deductibility of interest charges and for insurance and legal responsibility is aggregated under one category and limited to EUR 672.
- Payments to an insurance company or credit institution in respect of an individual retirement scheme are deductible. These payments are capped at EUR 3 200 and must meet certain investment policy constraints. Since 2022, payments made to a Pan-European Personal Pension Product (PEPP) are tax deductible under certain conditions. The PEPP enables retirement savers to transfer the benefits accumulated in one Member State to another, when moving between them. This new product will coexist alongside the existing complementary pension scheme and the same tax provisions apply (e.g. deduction limit of EUR 3200).
- Contributions to building society savings are deductible up to the limit of EUR 672. If the taxpayer is under 40 years old, this limit will be doubled to EUR 1 344.
- Interest charges in respect of the rental value of owner-occupied housing are deductible. From 2024 onwards, there is no ceiling applicable for the acquisition year of the building and the following year. During the four following years, the ceiling is EUR 4 000; for the following five years it is EUR 3 000 thereafter it is EUR 2 000. These ceilings are increased by an equal amount for the taxpayer's spouse/partner and for each qualifying child.
- As from 1 January 2009, the maximal deduction of premium related to the mortgage life insurance on the taxpayer's principal residence is EUR 6 000. This ceiling is increased by an equal amount for the taxpayer's spouse/partner and by 1 200 for each qualifying child. For taxpayers over the age of 30, the allowable deduction of EUR 6 000 is increased by 8% (e.g., EUR 480) for each year over 30, with a ceiling of 160%.
- Upon request, taxpayers may be granted exemptions for extraordinary expenses that are unavoidable, and that considerably reduce their ability to pay taxes (e.g., uninsured health care costs, support for needy relatives, uninsured funeral costs beyond the taxpayer's means, domestic or childcare expenses, expenses for children outside the taxpayer's household, or expenses for children in a single-parent household).
- The deductibility for domestic costs is set at EUR 5 400.
- From 2019 onwards, self-employed have the possibility to deduct premiums paid into a supplementary pension scheme for the self-employed as special expenses, as well as a flat-rate and final discharge. The financing of supplementary pension schemes is deductible up to 20% of annual income.

Tax schedule reliefs

Income tax is determined on the basis of the following schedule (amounts in Euros):

0% for the portion of income up to 13 230
8% for the portion of income between 13 230 and 15 435
9% for the portion of income between 15 435 and 17 640
10% for the portion of income between 17 640 and 19 845
11% for the portion of income between 19 845 and 22 050
12% for the portion of income between 22 050 and 24 255
14% for the portion of income between 24 255 and 26 550
16% for the portion of income between 26 550 and 28 845
18% for the portion of income between 28 845 and 31 140
20% for the portion of income between 31 140 and 33 435
22% for the portion of income between 33 435 and 35 730
24% for the portion of income between 35 730 and 38 025
26% for the portion of income between 38 025 and 40 320
28% for the portion of income between 40 320 and 42 615
30% for the portion of income between 42 615 and 44 910
32% for the portion of income between 44 910 and 47 205
34% for the portion of income between 47 205 and 49 500
36% for the portion of income between 49 500 and 51 795
38% for the portion of income between 51 795 and 54 090
39% for the portion of income between 54 090 and 117 450
40% for the portion of income between 117 450 and 176 160
41% for the portion of income between 176 160 and 234 870
42% for the portion of income exceeding 234 870

The income tax liability of single taxpayers is determined by applying the above schedule to taxable income.

The income tax liability of married taxpayers and partners corresponds to double the amount obtained if the above schedule is applied to half of their income (class 2).

For widow(er)s, taxpayers with a dependent child allowance and persons over 64 years of age (class 1a), tax is calculated as follows: the schedule is applied to adjusted taxable income reduced by a quarter of the difference between that amount and EUR 79 380, with the marginal tax rate capped at 39% for the portion of income between EUR 51 804 and EUR 117 450, 40% for the portion of income between EUR 117 450 and EUR 176 160, 41% for the portion of income between EUR 176 160 and EUR 234 870, and 42% for the portion of income exceeding EUR 234 870.

Income tax as determined by the applicable schedules is subject to a 7% “solidarity” surtax to finance the employment fund. The rate is 9% for the taxable income exceeding EUR 150 000 (tax classes 1 and 1a), respectively EUR 300 000 (tax class 2).

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 5 424.

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.

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	160 905,40
b) Health insurance	3.05	3.05	160 905,40
c) Dependency insurance		1.4	Monthly allowance 670,44*
d) Health in the workplace	0.14		
e) Accident insurance	0.70		

(Monthly allowance: EUR 670,44 = 0.25 social minimum salary / 12). The social minimum salary in 2025 is equal to EUR 32 181,08.

No distinction is made according to family status or gender.

As from 1 January 2009 the differences in social security contributions between workers and employees are abolished.

Employers must make payments to the Employers' Mutual Insurance Scheme. This scheme provides insurance for employers against the financial cost of continued payment of salaries or wages to workers who become incapacitated. Employers are required to pay the remuneration of an employee who is unable to work until the end of the month in which the seventy-seventh day of incapacitation occurs within a reference period of twelve successive calendar months. The Scheme is administered by a Board of Directors which is mainly composed of employer representatives (Chamber of Commerce, Chamber of Trade, Chamber of Agriculture and Federation of Independent Intellectual Workers). Employer contributions depend on the rate of "financial absenteeism" within the company and range from 0.07% to 2.64 %. A representative rate of 1.76% is used in the *Taxing Wages* calculations.

Universal cash transfers

For married persons

None.

For dependent children

Every child raised in the Grand Duchy entitles the person on whom the child is dependent to a monthly family allowance. Family allowances are adjusted regularly for the cost of living.

There has been a reform of the family allowance system in 2016.

For families that are eligible for family allowance before 1 August 2016, the old system remains, and the amounts for 2021 are:

Effective date	As of 1 July 2006,
1 eligible child	EUR 185.60
2 eligible children	EUR 440.72
3 eligible children	EUR 802.74

Starting with the fourth eligible child, the allowance is raised by EUR 361.82 per child.

Additionally, a child bonus amounting to EUR 76.88 per child per month is paid in cash irrespective of the taxable income of the parents as from 1 January 2009. This amount is paid by the National Family Benefits Administration.

For children born on or after 1 August 2016, the child bonus amounting to EUR 76.88 per child per month has been abolished and incorporated in the new higher amounts. The indexation of the amount of child benefit with retroactive effect to 1 October 2021 has come into effect since 1 January 2022. For 2025, the new amounts were as follows:

Effective date	As of 1 August 2016,
1 eligible child	EUR 304,85
2 eligible children	EUR 609,71
3 eligible children	EUR 914,56

The amounts indicated above (under the old regime as well as under the new regime) are increased by EUR 23,23 for children aged 6 to 11 and by EUR 57,99 for those aged 12 years or older.

Main changes since 2008

Partnerships

The Act of 9 July 2004 introduced the notion of partnerships into tax law. The Act construes the term “partnership” as a relationship between two persons, called “partners”, of opposite sex or the same sex, who live together as a couple and declare themselves as such.

As from 1 January 2008, the fiscal treatment of the partnerships is modified. The deduction for extraordinary expenses is replaced by the joint taxation of partners as it already exists for spouses.

Memorandum item

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.

2025 Parameter values

Average earnings/yr	Ave_earn	77 844	Secretariat estimate
Tax allowances: general	gen_dedn	480	
professional expenses	prof_exp	540	
travel expenses	travel_exp	0	
extra if both spouses earning	extra_dedn	4 500	
Low earner allowance	allow_1		
Low earner allowance (couples)	allow_2		
Class 1a limit	cl_1a_lim	79 380	
Tax schedule	tax_sch	0	13 230
		0.08	15 435
		0.09	17 640
		0.10	19 845
		0.11	22 050
		0.12	24 255
		0.14	26 550
		0.16	28 845
		0.18	31 140
		0.20	33 435
		0.22	35 730
		0.24	38 025
		0.26	40 320
		0.28	42 615
		0.30	44 910
		0.32	47 205
		0.34	49 500
		0.36	51 795
		0.38	54 090
		0.39	117 450
		0.40	176 160
		0.41	234 870
		0.42	
Tax schedule single parent	tax_sch_sp	0	26 460
		0.10	28 224
		0.1125	29 988
		0.1250	31 752
		0.1375	33 516
		0.15	35 280
		0.175	37 116
		0.20	38 952
		0.225	40 788
		0.25	42 624
		0.275	44 460
		0.30	46 296
		0.325	48 132
		0.35	49 968
		0.375	51 804
		0.39	117 450
		0.40	176 160
		0.41	234 870
		0.42	
Child credit maximum	ch_cred	0	
Social Minimum Salary	min_salary	32 181,08	

Multiplier for unemployment	unemp_rate_1	1.07	
	Unemp_rate_2	1.09	
	Unemp_lim	150 000	
Social security contributions	SSC_rate	0.1105	
	SSC_ceil	160 905,4	
	infirm	0.014	
	infirm_abatement	0.25	
Employer contributions	workhealth	0.0014	
	SSC_empr	0.1105	
	SSC_acc	0.0070	
	empr_mutual	0.0176	
Child benefit (1 child)	CB_1	185.6	
2 children	CB_2	440.72	
extra age 6-11	CB_ex	23.23	
extra age above 11		57.99	
Child bonus	ch_bonus	922.50	
Number of children eligible for the new child benefit	n_children	0.00	
New (post 2016) Child benefit (1 child)	CB_new_1	304,85	
2 children	CB_new_2	609,71	
3 children	CB_new_3	914,56	
Worker tax credit	wtc_basic_1	300	
	wtc_basic_2	600	
	wtc_incomelim_1	936	
	wtc_incomelim_2	11 265	
	wtc_incomelim_3	40 000	
	wtc_incomelim_4	80 000	
	wtc_incr_rate	0.029044438	
	wtc_decr_rate	0.015	
Single parent tax credit	sptc_basic_1	3 504	
	sptc_basic_2	750	
	sptc_incomelim_1	60000	
	sptc_incomelim_2	105 000	
	sptc_decr_rate	0.0612	
Minimum wage tax credit	smwtc_basic	972	
	smwtc_incomelim_1	21 600	
	smwtc_incomelim_2	36 000	
	smwtc_incomelim_3	43 200	
	smwtc_decr_rate	0.135	
Class 1a Discount	discount	0.25	
Maximum Marginal Rate	max_rate	0.42	
CO2 tax credit	co2_tc_base	192	
	co2_tc_incomelim_1	936	
	co2_tc_incomelim_2	40 000	
	co2_tc_incomelim_3	80 000	
	co2_tc_decr_rate	0.0048	

2025 Tax equations

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

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings	earn		
2.	Allowances:			
	Basic	basic	J	IF(earn_spouse='0,' 1, 2)*gen_dedn
	work-related	work_rel	J	IF(earn_spouse='0,' 1, 2)*(prof_exp)
	Other	other_al	J	(earn_spouse>0)*extra_dedn
	Total	tax_al	J	min(basic+work_rel+other_al+SSC_ded_total, earn)
3.	Credits in taxable income	taxbl_cr	J	0
	family quotient	quotient	J	1+Married
4.	CG taxable income unadjusted taxable income	tax_inc	J	earn-tax_al
5.	CG tax before credits	tax_excl	J	((Children=0)*IF(Married='0,Tax(tax_inc,' tax_sch), quotient*Tax(tax_inc/quotient, tax_sch)) + (Children>0)*IF(Married='0,' Taxclass1a(tax_inc, tax_sch, discount, cl_1a_lim, max_rate), quotient*Tax(tax_inc/quotient, tax_sch)))*IF(tax_inc>unemp_lim*(1+Married,unemp_rate_2,unemp_rate_1)
6.	Tax credits :	worker_cr	J	Positive(IF(earn_princ>wtc_incomelim_1,wtc_basic_1+(Positive(MIN(earn_princ, wtc_incomelim_2)-wtc_incomelim_1)*wtc_incr_rate)-(Positive(earn_princ-wtc_incomelim_3)*wtc_decr_rate),0))+ Positive(IF(earn_spouse>wtc_incomelim_1,wtc_basic_1+(Positive(MIN(earn_spo use, wtc_incomelim_2)-wtc_incomelim_1)*wtc_incr_rate)-(Positive(earn_spouse-wtc_incomelim_3)*wtc_decr_rate),0))
		monoparent_cr	J	IF(AND(Married=0,Children>0),IF(earn<sptc_incomelim_1,sptc_basic_1,sptc_ba sic_1-(MIN(earn,sptc_incomelim_2)-sptc_incomelim_1)*sptc_decr_rate)),0)
		Minimum wage credit	J	if (earn_p> smwtc_incomelim_1,if (earn_p< smwtc_incomelim_2,smwtc_basic,Positive(smwtc_incomelim_3 -earn_p)*smwtc_decr_rate),0) + if (earn_s> smwtc_incomelim_1,if (earn_s< smwtc_incomelim_2,smwtc_basic,Positive(smwtc_incomelim_3 -earn_s)*smwtc_decr_rate),0)
		tax_cr	J	worker_cr+monoparent_cr+smwtc+energy_cr+temp_tax_cr
				=(Positive(IF(AND(EARN_PRINC/12>entc_incomelim_1, EARN_PRINC/12<entc_incomelim_2), entc_basic,0)) +Positive(IF(AND(EARN_PRINC/12>entc_incomelim_2, EARN_PRINC/12<entc_incomelim_3), (entc_basic-(EARN_PRINC/12-entc_incomelim_2)*8/(entc_incomelim_3-entc_incomelim_2)),0)) +Positive(IF(AND(EARN_PRINC/12>entc_incomelim_3, EARN_PRINC/12<entc_incomelim_4), (entc_upper-(EARN_PRINC/12-entc_incomelim_3)*(entc_upper/(entc_incomelim_4-entc_incomelim_3))), 0)) +Positive(IF(AND(EARN_SPOUSE/12>entc_incomelim_1, EARN_SPOUSE/12<entc_incomelim_2), entc_basic,0)) +Positive(IF(AND(EARN_SPOUSE/12>entc_incomelim_2, EARN_SPOUSE/12<entc_incomelim_3), (entc_basic-(EARN_SPOUSE/12-entc_incomelim_2)*8/(entc_incomelim_3-entc_incomelim_2)),0))+ +Positive(IF(AND(EARN_SPOUSE/12>entc_incomelim_3,

	CO2 tax credit			$\text{EARN\_SPOUSE}/12 < \text{entc\_incomelim\_4}), (\text{entc\_upper} - (\text{EARN\_SPOUSE}/12 - \text{entc\_incomelim\_3})) * (\text{entc\_upper} / (\text{entc\_incomelim\_4} - \text{entc\_incomelim\_3})), 0))) * 6$ $= \text{IF}(\text{AND}(\text{EARN\_PRINC} > \text{co2\_tc\_incomelim\_1}, \text{EARN\_PRINC} < \text{co2\_tc\_incomelim\_2}), \text{co2\_tc\_base}, \text{IF}(\text{AND}(\text{EARN\_PRINC} > \text{co2\_tc\_incomelim\_2}, \text{EARN\_PRINC} < \text{co2\_tc\_incomelim\_3}), \text{co2\_tc\_base} - (\text{EARN\_PRINC} - \text{co2\_tc\_incomelim\_2}) * \text{co2\_tc\_decr\_rate}, 0)) + \text{IF}(\text{AND}(\text{EARN\_SPOUS} > \text{co2\_tc\_incomelim\_1}, \text{EARN\_SPOUS} < \text{co2\_tc\_incomelim\_2}), \text{co2\_tc\_base}, \text{IF}(\text{AND}(\text{EARN\_SPOUS} > \text{co2\_tc\_incomelim\_2}, \text{EARN\_SPOUS} < \text{co2\_tc\_incomelim\_3}), \text{co2\_tc\_base} - (\text{EARN\_SPOUS} - \text{co2\_tc\_incomelim\_2}) * \text{co2\_tc\_decr\_rate}, 0)))$
7.	CG tax	CG_tax	J	tax_excl-tax_cr
8.	State and local taxes	local_tax	J	0
9.	Employees' soc security	SSC	B	$\text{SSC\_rate} * \text{MIN}(\text{earn}, \text{SSC\_ceil}) + \text{infirm} * \text{Positive}(\text{earn} - \text{infirm\_abatment} * \text{min\_salary}) + ()$
	deductible portion	SSC_ded	B	$\text{SSC\_rate} * \text{MIN}(\text{earn}, \text{SSC\_ceil})$
11.	Cash transfers	cash_trans	J	$((\text{Children}=1) * (\text{CB\_1} + \text{CB\_ex}) + (\text{Children}=2) * (\text{CB\_2} + 2 * \text{CB\_ex})) * 12 + \text{Children} * \text{ch\_bonus}$
13.	Employer's soc security	SSC_empr	B	$(\text{SSC\_empr} + \text{workhealth}) * \text{MIN}(\text{earn}, \text{SSC\_ceil}) + \text{SSC\_acc} * \text{MIN}(\text{earn}, \text{SSC\_ceil}) + \text{empr\_mutual} * \text{MIN}(\text{AA7}, \text{SSC\_ceil})$

Key to range of equation B calculated separately for both principal earner and spouse P calculated for principal only (value taken as 0 for spouse calculation) J calculated once only on a joint basis.

Mexico

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

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

Mexico 2025

The tax/benefit position of single persons

		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1	Gross wage earnings		147 138	219 608	366 746	147 138
2	Standard tax allowances					
	Basic allowance		4 604	5 091	5 091	4 604
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other					
	Total		4 604	5 091	5 091	4 604
3	Tax credits or cash transfers included in taxable income		0	0	0	0
4	Central government taxable income (1 - 2 + 3)		142 534	214 517	361 654	142 534
5	Central government income tax liability (exclusive of tax credits)		12 163	25 805	57 233	12 163
6	Tax credits					
	Basic credit		0	0	0	0
	Married or head of family					
	Children					
	Other		0	0	0	0
	Total		0	0	0	0
7	Central government income tax finally paid (5-6)		12 163	25 805	57 233	12 163
8	State and local taxes		0	0	0	0
9	Employees' compulsory social security contributions					
	Gross earnings		1 932	3 128	5 556	1 932
	Taxable income					
	Total		1 932	3 128	5 556	1 932
10	Total payments to general government (7 + 8 + 9)		14 096	28 933	62 789	14 096
11	Cash transfers from general government					
	For head of family					
	For two children		0	0	0	0
	Total		0	0	0	0
12	Take-home pay (1-10+11)		133 042	190 675	303 956	133 042
13	Employers' compulsory social security contributions		18 247	23 758	34 948	18 247
14	Average rates					
	Income tax		8.3%	11.8%	15.6%	8.3%
	Employees' social security contributions		1.3%	1.4%	1.5%	1.3%
	Total payments less cash transfers		9.6%	13.2%	17.1%	9.6%
	Total tax wedge including employer's social security contributions		19.6%	21.7%	24.3%	19.6%
15	Marginal rates					
	Total payments less cash transfers: Principal earner		17.5%	23.0%	23.0%	17.5%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		23.3%	28.5%	28.5%	23.3%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Mexico 2025

The tax/benefit position of married couples

		Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
		Number of children	2	2	2	none
1	Gross wage earnings		219 608	366 746	439 216	366 746
2	Standard tax allowances					
	Basic allowance		5 091	9 695	10 183	9 695
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other					
	Total		5 091	9 695	10 183	9 695
3	Tax credits or cash transfers included in taxable income		0	0	0	0
4	Central government taxable income (1 - 2 + 3)		214 517	357 051	429 034	357 051
5	Central government income tax liability (exclusive of tax credits)		25 805	37 968	51 610	37 968
6	Tax credits					
	Basic credit		0	0	0	0
	Married or head of family					
	Children					
	Other		0	0	0	0
	Total		0	0	0	0
7	Central government income tax finally paid (5-6)		25 805	37 968	51 610	37 968
8	State and local taxes		0	0	0	0
9	Employees' compulsory social security contributions					
	Gross earnings		3 128	5 061	6 257	5 061
	Taxable income					
	Total		3 128	5 061	6 257	5 061
10	Total payments to general government (7 + 8 + 9)		28 933	43 029	57 866	43 029
11	Cash transfers from general government					
	For head of family					
	For two children		0	0	0	0
	Total		0	0	0	0
12	Take-home pay (1-10+11)		190 675	323 717	381 350	323 717
13	Employers' compulsory social security contributions		23 758	42 006	47 517	42 006
14	Average rates					
	Income tax		11.8%	10.4%	11.8%	10.4%
	Employees' social security contributions		1.4%	1.4%	1.4%	1.4%
	Total payments less cash transfers		13.2%	11.7%	13.2%	11.7%
	Total tax wedge including employer's social security contributions		21.7%	20.8%	21.7%	20.8%
15	Marginal rates					
	Total payments less cash transfers: Principal earner		23.0%	23.0%	23.0%	23.0%
	Total payments less cash transfers: Spouse		9.6%	17.5%	23.0%	17.5%
	Total tax wedge: Principal earner		28.5%	28.5%	28.5%	28.5%
	Total tax wedge: Spouse		19.6%	23.3%	28.5%	23.3%

The national currency is the peso (MXN). In 2025, MXN 19.24 were equal to USD 1. That year, the estimated earnings of the average worker are MXN 219 608 (Secretariat estimate).

Personal Income Tax

Central government income tax

Tax unit

Each person is taxed separately.

Tax allowances and tax credits

Standard tax reliefs

There are two basic allowances, a yearly holiday bonus and an end-of-year bonus.

- Holiday Bonus: As a result of the amendment of the Mexico's Labour Law that entered into force in 2023, stipulates a minimum holiday bonus of 25% of twelve days of the worker's wage. The maximum exemption according to the Tax Law is equivalent to 15 Units of Measure and Update (UMAs).¹
- End-of-year bonus: The minimum end-of-year bonus established in the Labour Law is 15 days of the worker's wage. The Tax Law exempts end-of-year-bonuses up to 30 UMAs.

Main non-standard tax reliefs

Deductions:

- Compulsory school transportation costs.
- Medical expenses (doctor, dental, psychology and nutrition fees and hospital expenses): For expenses made by the taxpayer on behalf of his or her spouse and straight-line relatives, the deduction is allowed only if the taxpayer's relative earns less than the minimum annual wage.
- Complementary contributions of certain retirement accounts are considered eligible as long as they do not exceed 10% of taxable income and MXN 206 368 (5 annual UMAs).
- Funeral expenses: for the spouse and straight-line relatives up to 1 annual UMA.
- Charitable donations made to institutions such as:
 - Federal, state, and municipal governments.
 - Non-profit organisations involved in the fields of social beneficence, education, culture, and research and technology.
- Deposits on special savings accounts, payments of insurance premium of pension plans, and for the acquisition of shares of investment societies as long as they do not exceed MXN 152 000.
- Health insurance premiums for individuals, if the beneficiary is the taxpayer, and/or his family.
- Real interest expenditure of mortgage loans if the value of the property does not exceed MXN 6 309 128 (750 000 Investment Units). Real interest expenditure is defined as the excess of interest expense over the inflation rate.²
- Deduction of taxpayer's educational expenditures for himself, on behalf of his/her spouse, parents or children, among others, for the following educational levels.

Educational Level	Maximum Annual Deduction (MXN)
Kinder Garden	14 200
Primary Education	12 900
Secondary Education	19 900
Technical Profession	17 100
High School	24 500

Since 2016, the limit amount for personal deductions was increased. The new limit is the minimum between 15% of taxpayer's gross income and an amount equivalent to 5 annual UMAs (MXN 206 368 in 2025). The limit does not apply to private school's tuition, complementary contributions to retirement's personal accounts, professional fees, and medical expenses in the event of incapacity or disability. Since 2022 this limit applies to charity donations.

Employment subsidy credit

By Presidential Decree of December 31, 2024, the percentage applied to the Monthly Unit of Measure and Update (UMA) is increased from 11.82% to 13.8%, applicable uniformly to all workers whose monthly taxable income for salary in 2025 does not exceed MXN 10 171, this will be applied against their income tax of the corresponding calendar month. In cases in which the tax payable by the employee is less than the monthly employment subsidy credit, the difference cannot be carried forward or refunded.

Tax schedule and other tables

Tax schedule

Taxable income (MXN)		Fixed quota (MXN)	Tax on the amount in excess of the lower limit (%)
Lower Limit	Upper Limit		
0.01	8 952.49	0.00	1.92
8 952.50	75 984.55	171.88	6.40
75 984.56	133 536.07	4 461.94	10.88
133 536.08	155 229.80	10 723 .55	16.00
155 229.81	185 852.57	14 194.54	17.92
185 852.58	374 837.88	19 682.13	21.36
374 837.89	590 795.99	60 049.40	23.52
590 796.00	1 127 926.84	110 842.74	30.00
1 127 926.85	1 503 902.46	271 981.99	32.00
1 503 902.47	4 511 707.37	392 294.17	34.00
4 511 707.38	And over	1 414 947.85	35.00

The income tax schedule is updated once the accumulated inflation reaches 10%. The last update was in 2023.

State and local income taxes

States do not levy taxes on income.

Payroll taxes

Mexico does not have a Federal pay-roll tax. However, all the States apply a state pay-roll tax with an average rate of 3.02%. These taxes are not considered in this Report since there are a wide range of practices with respect to the definition of the tax base that does not allow obtaining a reliable estimation.

Compulsory Social Security Contributions to Schemes Operated within the Government Sector

Employees' contributions

Social security contributions are divided as follows:

For sickness and maternity insurance, 0.625% of the workers monthly wage, plus 0.40% of the amount in excess of 3 UMAs. For disability and life insurance, 0.625% of the monthly wage.

In 2025, a ceiling of 25 UMAs applies to the salary that is used to calculate the social security contributions.

Employers' contributions

- For sickness and maternity 20.40% of the UMA, plus 1.10% of the amount in excess of 3 UMAs, plus 1.75% of the monthly wage.
- For disability and life insurance, 1.75% of worker's monthly wage.
- For social services and nursery, 1% of worker's monthly wage.
- For insurance for work injuries of employees, 2.0047% of worker's monthly wage.³

In 2025, a ceiling of 25 UMAs applies to the salary that is used to calculate the social security contributions.

Universal Cash Transfers

Transfers related to marital status

None.

Transfers for dependent children

None.

Main Changes in the Tax/Benefit System since 1995

The Social Security Law enacted in July 1997 changed fundamentally the financing of non-government employees' social security, which shifted from a pay-as-you-go scheme to funded individual accounts. The government does not manage these accounts; new private financial institutions were created specifically for this purpose. However, the contractual obligation is between the workers and the government, not with the private administrator of the funds, because legally they are still considered as contributions to social security, independently of who manages the funds. It should be noted that the federal government also contributes to each pension account and guarantees a minimum pension to every beneficiary of the social security system, independently of the administration of the funds as well.

Memorandum Items

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.

Main employees' and employers' contributions to private pension, health, etc. schemes

	Account	% of workers' monthly wage
Employers' contributions	Retirement	2.00
	Discharge and old age insurance	As a result of an amendments of the Social Security Law and Retirement Savings Systems Law that entered into force in 2021, which consider a gradual increase to the employer's discharge and old age insurance rate from 2023 until 2030. The contribution will be increased according to the table below
	Housing Fund (INFONAVIT)	5.00
Employees' contributions	Discharge and old age insurance	1.125

Contribution rates to Discharge and old age insurance for employers from 2023 onwards.

Worker's base salary	2023	2024	2025	2026	2027	2028	2029	2030
1.00 Minimum wage (Mw)	3.150%	3.150%	3.150%	3.150%	3.150%	3.150%	3.150%	3.150%
1.01 Mw to 1.50 Unit of Measure and Update (UMA)	3.281%	3.413%	3.544%	3.676%	3.807%	3.939%	4.070%	4.202%
1.51 to 2.00 UMA	3.575%	4.000%	4.426%	4.851%	5.276%	5.701%	6.126%	6.552%
2.01 to 2.50 UMA	3.751%	4.353%	4.954%	5.556%	6.157%	6.759%	7.360%	7.962%
2.51 to 3.00 UMA	3.869%	4.588%	5.307%	6.026%	6.745%	7.464%	8.183%	8.902%
3.01 to 3.50 UMA	3.953%	4.756%	5.559%	6.361%	7.164%	7.967%	8.770%	9.573%
3.51 to 4.00 UMA	4.016%	4.882%	5.747%	6.613%	7.479%	8.345%	9.211%	10.077%
4.01 to 4.50 UMA	4.241%	5.331%	6.422%	7.513%	8.603%	9.694%	10.784%	11.875%

In 2023, the employer contributions came into force for the financing of discharge and old age insurance, which are defined based on the table contained in Article 168 of the Social Security Law, in which, some intervals are defined in multiples of the minimum wage and others in Unit of Measure and Update (UMAs). Due to the minimum wage is used in the first two intervals, a discontinuity is generated with respect to the following intervals, owing to the fact that the value of the UMA is less than the minimum wage. In this regard, the Second Chamber of the Supreme Court of Justice of the Nation confirmed the constitutionality of the current Social Security Law in relation to quotas and contributions for the employer's discharge and old age insurance, establishing that the option that is most favourable for workers should be applied.

2025 Parameter values

Average earnings/yr	Ave_earn	219 608	Secretariat estimate	
Unit of Measure and Update	UMA	113.14		
Income tax	tax_table	0.00	0	0.0192
		8 952.50	171.88	0.0640
		75 984.56	4 461.94	0.1088
		133 536.08	10 723.55	0.1600
		155 229.81	14 194.54	0.1792
		185 852.58	19 682.13	0.2136
		374 837.89	60 049.40	0.2352
		590 796.00	110 842.74	0.3000
		1 127 926.85	271 981.99	0.3200
		1 503 902.47	392 294.17	0.3400
		4 511 707.38	1 414 947.85	0.3500
	Basic_crd_2025	5 695.74		
	Max_inc_tc	122 052		
Employees SSC	SSC_rate	0.0125		
	SSC_rate_sur	0.0040		
Employers SSC	SSC_empr	0.06505		
	SSC_empr_min	0.2040		
	SSC_empr_sur	0.0110		

2025 Tax equations

The equations for the Mexican system in 2025 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	$\text{MIN}(\text{earn}, \text{MIN}(\text{earn} \cdot (12/365) \cdot 0.25, \text{UMA} \cdot 15) + \text{MIN}(\text{earn} \cdot (15/365), \text{UMA} \cdot 30))$
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	$\text{IF}(\text{tax\_inc} < \text{max\_inc\_tc}, \text{Basic\_crd25}, 0)$
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	$\text{MIN}(\text{earn} \cdot \text{ssc\_rate}, \text{UMA} \cdot 25 \cdot 30.4 \cdot 12 \cdot \text{ssc\_rate}) + \text{MIN}(\text{Positive}(\text{earn} - (3 \cdot 30.4 \cdot 12 \cdot \text{UMA})) \cdot \text{ssc\_rate\_sur}, \text{UMA} \cdot (25 - 3) \cdot 30.4 \cdot 12 \cdot \text{ssc\_rate\_sur})$
11.	Cash transfers	cash_trans	B	0
13.	Employer's soc security	SSC_empr	B	$\text{MIN}(\text{earn} \cdot \text{ssc\_empr}, \text{UMA} \cdot 25 \cdot 30.4 \cdot 12 \cdot \text{ssc\_empr}) + 30.4 \cdot 12 \cdot \text{UMA} \cdot \text{ssc\_empr\_min} + \text{MIN}(\text{Positive}(\text{earn} - (3 \cdot 30.4 \cdot 12 \cdot \text{UMA})) \cdot \text{ssc\_empr\_sur}, \text{UMA} \cdot (25 - 3) \cdot 30.4 \cdot 12 \cdot \text{ssc\_empr\_sur})$
	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).

Notes

¹ For 2025, the value of the UMA is 113.14, mean while the general minimum wage is 278.80 and 419.88 in the northern border region. The municipalities constituting the northern border region are as follows: Ensenada, Playas de Rosarito, Mexicali, Tecate, Tijuana, San Quintín and San Felipe in the state of Baja California; San Luis Río Colorado, Puerto Peñasco, General Plutarco Elías Calles, Caborca, Altar, Sáric, Nogales, Santa Cruz, Cananea, Naco and Agua Prieta in the state of Sonora; Janos, Ascensión, Juárez, Práxedes G. Guerrero, Guadalupe, Coyame del Sotol, Ojinaga and Manuel Benavides in the state of Chihuahua; Ocampo, Acuña, Zaragoza, Jiménez, Piedras Negras, Nava, Guerrero and Hidalgo in the state of Coahuila de Zaragoza; Anáhuac in the state of Nuevo León, and Nuevo Laredo; Guerrero, Mier, Miguel Alemán, Camargo, Gustavo Díaz Ordaz, Reynosa, Río Bravo, Valle Hermoso and Matamoros in the state of Tamaulipas.

² The Investment Units (UDIS) is a daily frequency indicator and it is updated taking as reference the fortnightly variations of the National Consumer Price Index (INPC). The average value of the UDIS from January to April of 2025 was MXN 8.4122.

³ The amount of the work injury fee depends on the risk level in which the company is classified. The Mexican Institute of Social Security provided a weighted average rate that considers the economic activities from C to K of the International Standard Classification.

Netherlands

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

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

Netherlands 2025

The tax/benefit position of single persons

		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1	Gross wage earnings		46 249	69 028	115 278	46 249
2	Standard tax allowances:					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		0	0	0	0
	Work-related expenses					
	Other		1 761	3 171	6 034	1 761
	Total		1 761	3 171	6 034	1 761
3	Tax credits or cash transfers included in taxable income		0	0	0	0
4	Central government taxable income (1 - 2 + 3)		44 488	65 857	109 243	44 488
5	Central government income tax liability (exclusive of tax credits)		5 407	13 416	33 575	5 407
6	Tax credits :					
	Basic credit					
	Married or head of family					
	Children					
	Other					
	Total		1 723	1 097	295	2 404
7	Central government income tax finally paid (5-6)		3 684	12 319	33 280	3 003
8	State and local taxes		0	0	0	0
9	Employees' compulsory social security contributions					
	Gross earnings		0	0	0	0
	Taxable income (net of credits)		4 797	6 916	9 632	2 492
	Total		4 797	6 916	9 632	2 492
10	Total payments to general government (7 + 8 + 9)		8 480	19 235	42 913	5 494
11	Cash transfers from general government					
	For head of family					
	For two children		0	0	0	10 071
	Total		0	0	0	10 071
12	Take-home pay (1-10+11)		37 769	49 794	72 365	50 826
13	Employers' compulsory social security contributions		5 877	8 700	10 022	5 877
14	Average rates					
	Income tax		8.0%	17.8%	28.9%	6.5%
	Employees' social security contributions		10.4%	10.0%	8.4%	5.4%
	Total payments less cash transfers		18.3%	27.9%	37.2%	-9.9%
	Total tax wedge including employer's social security contributions		27.5%	35.9%	42.2%	2.5%
15	Marginal rates					
	Total payments less cash transfers: Principal earner		47.2%	47.2%	52.5%	53.9%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		53.0%	53.0%	52.5%	59.0%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Netherlands 2025

The tax/benefit position of married couples

		Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
		Number of children	2	2	2	none
1	Gross wage earnings		69 028	115 278	138 057	115 278
2	Standard tax allowances:					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		0	0	0	0
	Work-related expenses					
	Other		3 171	4 933	6 343	4 933
	Total		3 171	4 933	6 343	4 933
3	Tax credits or cash transfers included in taxable income		0	0	0	0
4	Central government taxable income (1 - 2 + 3)		65 857	110 345	131 714	110 345
5	Central government income tax liability (exclusive of tax credits)		13 416	18 823	26 832	18 823
6	Tax credits :					
	Basic credit					
	Married or head of family					
	Children					
	Other					
	Total		1 097	3 502	2 875	2 821
7	Central government income tax finally paid (5-6)		12 319	15 322	23 957	16 003
8	State and local taxes		0	0	0	0
9	Employees' compulsory social security contributions					
	Gross earnings		0	0	0	0
	Taxable income (net of credits)		6 916	9 407	11 527	11 712
	Total		6 916	9 407	11 527	11 712
10	Total payments to general government (7 + 8 + 9)		19 235	24 729	35 483	27 715
11	Cash transfers from general government					
	For head of family					
	For two children		5 814	2 802	2 802	0
	Total		5 814	2 802	2 802	0
12	Take-home pay (1-10+11)		55 608	93 351	105 375	87 563
13	Employers' compulsory social security contributions		8 700	14 578	17 401	14 578
14	Average rates					
	Income tax		17.8%	13.3%	17.4%	13.9%
	Employees' social security contributions		10.0%	8.2%	8.3%	10.2%
	Total payments less cash transfers		19.4%	19.0%	23.7%	24.0%
	Total tax wedge including employer's social security contributions		28.5%	28.1%	32.2%	32.6%
15	Marginal rates					
	Total payments less cash transfers: Principal earner		53.9%	47.2%	47.2%	47.2%
	Total payments less cash transfers: Spouse		18.4%	47.2%	47.2%	47.2%
	Total tax wedge: Principal earner		59.0%	53.0%	53.0%	53.0%
	Total tax wedge: Spouse		27.6%	53.0%	53.0%	53.0%

The national currency is the Euro (EUR). In 2025, EUR 0.88 was equal to USD 1. In that year, the average worker earned EUR 69 028 (Secretariat estimate).¹

Personal Income Tax System (Central Government)

Central government income tax

There are three categories ('boxes') of taxable income:

- Taxable income from work and owner-occupied housing.
- Taxable income from a substantial interest in a limited liability company.
- Taxable income from savings and investments.

This description is limited to the most relevant aspects of taxable income from the first category, 'taxable income from work and owner-occupied housing', because of its relevance for the AW.

Tax unit

Husbands and wives are taxed separately on their personal income, which includes income from business, profession and employment, pensions and social security benefits. Certain parts of income may be freely split between husbands and wives, such as the net-income from owner occupied housing and the income from savings and investments.

Tax allowances

Standard allowances

Non-standard allowances applicable to AW

Related to wage earnings:

- For distances of more than 10 km for a single journey between home and work, fixed amounts for travel expenses with public transportation are deductible. The maximum deduction for employees who travel by public transport is EUR 2 609 for distances of more than 80 km. If the travel expenses are reimbursed or the employer provides transport, there is no deduction; the reimbursement is untaxed (also for employees who travel by car) if it is below certain specified amounts.
- Employee contributions to private (company provided) pension schemes.
- Related to owner occupied housing:
 - Excess of mortgage interest over net imputed rent.
- Related to personal circumstances:
 - Medical expenses and other exceptional expenses: Fiscal deduction of exceptional health expenses is reduced to the specific costs as a result of a chronic illness. As specific costs are seen medical treatment (not paid for by insurance company), diet costs, special medicine described by a doctor, extra domestic care, special expenses for clothing and transportation costs. Visual tools and insurance premiums are not seen as specific costs and are therefore not deductible. Expenses for wheelchairs, scooters for the disabled and home adjustments made because of a chronic illness are not deductible.
 - All expenses except for medical treatment expenses may be increased by a factor. This factor is income and age dependent. The factor amounts to 1.4 if the person is below the legal pension age and has an income on or below EUR 40 502. The factor amounts to 2.13 if the

person is on or above the legal pension age and has an income on or below EUR 40 502. People with an income above EUR 40 021 cannot apply the factor.

- For a single person: the specific expenses (after multiplication with the factor) in excess of 1.65% of income are deductible if income exceeds EUR 9 534 and is below EUR 50 636. If income is lower than or equal to EUR 9 534, the non-deductible limit is EUR 164. For a person with a partner: the joint income is used to determine the non-deductible amounts and the non-deductible limit is EUR 328.
- If income exceeds EUR 50 636 the specific expenses in excess of 1.65% of EUR 50 636 increased with 5.75% of income above EUR 50 636 are deductible.
- Donations to certain institutions (charity) that serve the public good are deductible if in excess of 1% of the income and in excess of EUR 60. No more than 10% of the income may be deducted in this way. For periodic donations the threshold of EUR 60 does not apply. A maximum of EUR 1 500 000 in periodic gifts may be deducted each year.

Tax schedule

The tax schedule for income from work and owner-occupied housing is as follows:

Taxable Income (EUR)	Tax Rate (%)	Social security contributions	
		< 66 years and 10 months	> 66 years and 10 months
0–38 441	8.17	27.65	9.75
38 442–76 817	37.48	-	-
76 818 and over	49.50	-	-

The contributions for the general social security schemes are levied on income from work and owner-occupied housing in the first income tax bracket. These social security contributions are not deductible for income tax purposes. Individuals above the pension age pay 9.75% (for widows and orphans pensions, and exceptional medical expenses). Individuals below the pension age pay 27.65%, (for widows and orphans pensions, exceptional medical expenses, and old age income provision). For further information see Section on Employees' contributions.

Tax credits

Standard tax credits

The tax credits are deducted partly from the income tax liability and partly from the contributions that are made to the general social security schemes (see Tax schedule Section). For most families, the share of the credit attributed to tax is related to the ratio of the tax rate to the sum of the tax rate and the social security contributions rate in the first bracket of the tax schedule. In 2025, this ratio was 22.81% (= 8.17% / (8.17% + 27.65%)), implying that 22.81% of the (tax) credit is attributed to the personal income tax and the remaining 77.19% to social security contributions.

Division of credits for tax and social security contributions is essential in the OECD publications. In the Netherlands no division is made in the general tax scheme between tax and SSC.

Note that the tax/benefit position tables show the total amount of social security contributions net of the credits that are claimed.

- **General tax credit:** The general tax credit is dependent on income since 2014, meaning that higher incomes receive less general tax credit. Since 2016, the general tax credit is fully phased out, meaning that higher incomes receive no general tax credit. In 2025, the maximum of the general tax credit is EUR 3 068 when no reduction is applicable (people who are on or above the legal

pension age receive less general tax credit, because they do not pay social contributions for the state pension) and taxable income is below or equal to EUR 28 406. For incomes above this threshold, the general tax credit is fully phased out at a rate of 6.337% (per euro). So, incomes above EUR 76 817 receive no general tax credit.

- **Work credit:** The amount of work credit depends on taxable income from work and is phased in on three trajectories; the first one runs from EUR 0 to EUR 12 169. On this first trajectory, work credit equals 8.053% of taxable income from work. On the second trajectory, which runs from EUR 12 169 to EUR 26 288, the work credit equals EUR 980 plus 30.030% of the part of income that is above EUR 12 169. On the third trajectory, which runs from EUR 26 288 to EUR 43 071, the work credit equals EUR 5220 plus 2.258% of the part of income that is above EUR 26 288. So, at an income of EUR 43 071, the maximum of EUR 5 599 is reached. Above this income of EUR 43 071, the work credit is fully phased out at a rate of 6.510% (per euro) so that incomes above EUR 129 078 receive no work credit.
- **Income dependant combination credit:** A taxpayer who is either a single parent and working or the working partner with the lowest income, and who has children below the age of 12 and has his/her taxable income from work exceeding EUR 6 145, is entitled to an income dependent combination credit of 11.45% of taxable income from work above EUR 6 145. The maximum total combination credit is EUR 2 986 and reached at an income level of EUR 32 223.
- **Single parent credit:** abolished since 2015.
- **Additional single parent credit:** abolished since 2015.
- **Elderly tax credit:** individuals above the pension age receive a tax credit of EUR 2 035 if their income is below EUR 45 308. This tax credit is gradually phased out to 0 at a rate of 15.0% for incomes from EUR 45 308. Individuals above the pension age who do not have a partner receive an additional tax credit of EUR 531 that is not income dependent.

The amount of the tax credit is limited to the amount of tax and premiums payable (non-refundable tax credit). Before 2023, if a taxpayer with insufficient income to fully exploit his/her tax credit had a partner with a surplus of tax and premiums payable over his/her own tax credit, the tax credit of the former taxpayer is increased by (at most) the surplus tax and premiums payable by his/her fiscal partner. Consequently, the tax credit of the former taxpayer will exceed tax and premiums payable, resulting in a payout of the residual tax credit to the taxpayer by the tax authority. This regulation has gradually been phased out since 2009. As of 2023 the payout of the residual tax credit has ended for households where the partner with the lowest income is born after 1962. Only partners with the lowest income born before 1963 are still eligible for a payout of the general tax credit with a maximum of EUR 3 068 in 2025.

State and local income taxes

None.

Compulsory Social Security Contributions to Schemes Operated Within the Government Sector

Employees' contributions

General schemes (for everyone earning income from (former) employment)

- **Old age pension:** The age is adjusted such that elderly will receive Old Age (state) pension at the age of 67 years old in 2024 and 2025. The Old age premium percentage is 17.9% of taxable income in the first tax bracket. This scheme does not apply to individuals above the current pension age.

- Widows and orphans pension: 0.10% of taxable income in the first tax bracket.
- Long-term care: 9.65% of taxable income in the first tax bracket.

Schemes for employees:

- Unemployment: employees do not have to pay an unemployment premium in order to reduce administration costs. Employers pay both an unemployment premium and a premium for invalidity for their employees (see par.2.2).
- For basic health insurance each adult pays an average amount of EUR 1 880 a year to a self-chosen private health insurance company. This premium is a non-tax compulsory payment, and it is not included in the Taxing Wages calculations but only in the NTCP calculations. The basic health insurance includes a mandatory deductible of EUR 385, which is not included in the premium mentioned above.
- Employees might obtain compensation for the nominal contribution of on average EUR 1 880 for the basic health insurance, depending on the household's personal situation and taxable income. This is called the health care benefit. This benefit is included in the NTCP calculations as it compensates for the basic health insurance premium of on average EUR 1 880 (see https://www.oecd.org/en/publications/taxing-wages_20725124.html for more details on non-tax compulsory payments as well as the Special Feature in the 2009 edition of the *Taxing Wages* Report). The care benefit is calculated as follows:
 - Single parent households: $2\,112 - 1.896\% * 28\,406 - 13.70\% * (\text{taxable income} - 28\,406)$
 - Married couples: $\text{number of adults} * 2\,112 - 4.273\% * 28\,406 - 13.70\% * (\text{taxable income principal and spouse} - 28\,406)$.

Employers' contributions

Schemes for employers:

- Unemployment: on average 3.99% of gross earnings below EUR 75 864 for the general unemployment fund. The actual premium depends on the type of contract: for fixed contracts, the low premium of 2.74% applies. For other (temporary) contracts, the high premium of 7.74% applies.
- Invalidity: 9.22% of gross earnings below EUR 75 864.
- For medical care employers contribute 6.51% of gross earnings net of employees' pension premiums and unemployment social security contributions until a maximum of gross earnings of EUR 75 864. This contribution is modelled as a NTCP from the employer to the Health Care Fund. The spending of this fund mainly compensates private insurance companies for their (public) obligation to insure individuals with a high health risk.

Universal Cash Transfers

Transfers related to marital status

None.

Transfers for dependent children

Families with children receive a tax-free benefit, depending on the number and age of the children. For a family with two children in the age group of 6 to 12 years, the total benefit amounts to EUR 2 802 a year.

An additional income dependent child benefit exists (kindgebonden budget). This benefit also depends on the number of children per family. A family can only claim the extra child benefit when it has children under

the age of 18 years old for whom it also receives the tax free and income independent child benefit. The maximum value is EUR 2 511 per year for families with one child in 2025. The maximum value is EUR 5 022 a year for families with two children. The benefit is reduced at a rate of 7.10% per euro when the family's yearly taxable income exceeds a threshold. Since 2020 this threshold is different for single parents and couples. For single parents the threshold equals EUR 28 406, for couples it equals EUR 37 545. As from 2015 an extra benefit for single parents is introduced (independent of the number of children and the age of the children) which amounts to EUR 3 389 in 2025. This amount is also phased out at a rate of 7.10% from the threshold. Therefore, this total benefit is completely phased out for families with two children when the taxable income exceeds EUR 146 871 for single parents and EUR 108 277 for couples.

Main Changes in the Tax/Benefit Systems Since 2000

In 2001, the tax system was changed thoroughly. The tax rates have been lowered; the basic allowance and its supplements have been transformed into tax credits. The deduction for labour costs has also been replaced by a tax credit. Certain other deductions have been reduced or abolished. Extra tax credits for households with children were introduced.

In 2002 and 2003 the tax system was only slightly changed. The additional combination credit was introduced in 2004. The various child credits were integrated and streamlined in 2006.

Public insurance for medical care has been reformed in 2006. A new standard health insurance system was introduced. Until 2005, no public health insurance contributions were levied on income in excess of EUR 33 000. However, taxpayers earning more than EUR 33 000 were obliged to take a private insurance. These private health insurance contributions were not included in the Taxing Wages calculations because they were made to a privately managed fund (and are therefore not taxes). Since 2006, every individual contributes a nominal contribution to a privately managed fund (on average EUR 1 064, depending on the competition between insurance companies, a year in 2009) and, in addition for employees, a percentage of gross income (6.9%) net of employees' pension premiums and unemployment social security contributions until a maximum of gross income of EUR 32 369 (in 2009). For this last contribution, the employee receives mandatory compensation of his employer for the same amount. The premium itself, however, is not modelled (either as an employee or employer SSC) in Taxing Wages. Instead, it is modelled as a non-tax compulsory payment from the employer to a public-managed health insurance fund. The spending of this fund mainly compensates private insurance companies for their (public) obligation to insure individuals with a high health risk. Taxpayers might obtain compensation for the nominal contribution to the private insurance company of on average EUR 1 064 in 2009, depending on the households personal situation and taxable income. This is called the health care benefit and is part of the NTCP (see Section on employees' contributions).

In 2007, the tax system has not been changed, except for some parameter updates. In 2008, the child credit has been replaced by an extra child benefit.

In 2009, the general tax credit will be reduced for non-working spouses in order to cut down the capitalization of this tax credit in 2024. A non-working spouse can in 2024 capitalise the general tax credit only against his/her own earned income. In 2009 the employment credit is extended for income exceeding EUR 42 509. This credit will be reduced by maximum EUR 24, whereas the employment credit is increased for lower incomes. The income dependant combination credit is introduced in order to promote the labour participation of single parents or partners of married workers. The income-dependent combination credit has been increased considerably. The extra child benefit depends on the total income of the family and the number of children per family. The income-dependent child benefit is higher when more children under the age of 18 years are member of the family. As from 2009 onwards, employees do not have to pay an unemployment premium mainly to reduce administration costs for employers. Employers pay now both an unemployment premium and a premium for invalidity for their employees (see also par. 2.2).

In 2013, the income base for SSC and Income-Tax is harmonised. Standardising or harmonisation of the income tax base for levying SSC and Taxes is introduced in 2013 and is called the Law “WUL” i.e., Harmonising the income base for SSC and Taxes (see publication CPB the Netherlands). So, the income tax base is since 2013 exclusive the income dependant health care contribution and employees will no longer have to pay taxes over income dependant health care contributions, instead they pay a higher tax rate in the first tax bracket and mainly Work credit is adjusted. The tax rate in the first tax bracket has been increased from 1.95% to 5.85% and the Work credit is reduced for employees with a higher income such that the effect of this harmonisation is budgetary neutral.

The main adjustment in 2014 is the General tax credit which is made income dependent. Higher income will receive less general credit and the reduction is 2% per euro of income between EURO 56 495 and EURO 19 645 per year. See also par 1.141.

In 2015, the child arrangements are reduced from 10 items to 4 items. For that reason, Single parent credits have stopped. Cash transfers for parents with children and low-income increase. And for single parents with children an extra cash benefit of EUR 3 050 is introduced to compensate the loss of single parent credits.

Not all child arrangements are part of the TW model because these are quite specific arrangements for disabled children and parents with low income with children.

Long term health care is modernised. The SSC rate for (AWBZ Dutch) reduced with 3% to 9.65% of taxable income. The tax rates in the first two brackets are raised with 3% because social spending is still used but now for other general social purposes.

In 2016, as part of a EUR 5 billion package of tax reductions on work, the general tax credit and the work credit were phased out fully, meaning that higher incomes no longer receive the general tax credit and the work credit.

Multiple tax credits were increased and made more income dependent in 2019. The working credit is increased but phased out at a faster rate of 6% (instead of 3.6%). The combination credit starts at EUR 0 instead of EUR 1 052 but increases with 11.45% instead of 6.159%. The elderly tax credit has been increased and is now gradually phased out at a rate of 15%, instead of a sudden drop of more than EUR 1 300 above a threshold income. Also, a first step has been made to unify the tax rates in the first three brackets.

In 2020, the number of tax brackets has been reduced from four to three. For people below the retirement age there are effectively only two different brackets since their combined rate of tax and social security contributions is the same in the first and second bracket. Secondly, a new phase in trajectory has been introduced for the work credit. Thirdly, the threshold after which the income dependent child benefit is phased out is now higher for couples than for single parents.

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

The covid-19 pandemic has not led to changes in labour taxation for employees. Employers and self-employed do have the option to postpone payment of labour taxes. Also, some of the requirements for self-employed to qualify for certain deductibles (e.g., a minimum number of hours to qualify for a self-employed deduction) have been temporarily loosened.

Memorandum Items

Identification of the AW and calculation of the AW's gross earnings

The calculation of the annual gross earnings of an AW is based upon data on gross earnings of full-time workers in industry C-K. These data have been obtained through a yearly sample survey carried out by the Central Bureau of Statistics. Included in the AW annual salary are irregular payments, such as holiday allowances, loyalty payments and bonuses. Payments for working overtime are not included. However, the CBS has stopped carrying out the 'employment and wages' survey in July 2006 due to new legislation. On Inquiry at the Central Bureau of Statistics (CBS) the information from the wage declarations by employers, delivered nowadays at the tax department, will be implemented by the CBS for the new survey about employment and wages. These changes produced a delay in delivery of the information on wages and employment for 2006.

On the base of new information on wages per industry sector, the AW is delivered to EUROSTAT in November 2009 by the CBS for years 2006 and 2007. The standard classification NACE Rev. 1 for industrial sectors C-K is used.

The new classification NACE Revision 2 (sectors B-N) will be applicable as from 2008 onwards. The estimation of the AW for 2008 according to the new classification is applicable at the beginning of May 2010. The AW for 2009 is available since November 2010. For 2008 the average annual gross earnings (full-time NACE REV 2) come to EUR 43 146, for 2009 EUR 44 412, and EUR 45 215 in 2010. The latest information according to Eurostat is an AW in 2011 of EUR 46 287 (NACE Rev 2).

The average wages from 2012 onwards include the private and the public sectors, since values on the private sectors only (sectors B to N) are not available. The values were provided by Statistics Netherlands.

Main employers' contributions to private pension, health and related schemes

In addition to the obligatory contributions of employees to private insurance companies, all employers pay contributions to a public-managed health fund. More information is included in the Special Feature where the contributions to the public-managed health funds are also presented.

Employers have to pay at least 70% of the gross wage of their sick employees for two years. Many employers have insured themselves privately for the risks of their employees being sick. This insurance for illness of their employees is not compulsory.

2025 Parameter values

Average earnings/yr	Ave_earn	69 028	Secretariat estimate
minimum wage	min_wage	28 756	
Social security contributions	SSC_ceil	75 864	
Employees' schemes	Unemp_rate1	0	
	Unemp_franchise1	0	
Medical care	Med_rate	0.0651	
	Med_limit	999 999	
	Med_ceil	75 864	
	Med_adult	1 880	
	Med_child	0	
	Med_compensation1	0.01896	
	Med_compensation2	0.13700	
	Med_compensation 3	0.04273	
	Med_compensation 4	0.13700	
	Med_key	28 406	
	Med_adult for care benefit	2 112	
General schemes	Old_rate	0.179	
	Wid_rate	0.001	
	Ex_med_rate	0.0965	
	Gen_Schemes_thrsh	38 441	
	Unemp_empr1	0.0399	
	Unemp_empr2	0	
	Unemp_unempr_franchise1	0	
	Unemp_unempr_franchise2	0	
	Inv_empr_rate	0.0922	
	Inv_empr_franchise	0	
	Med_empr	0.0651	
	Med_franchise	0	
Payroll tax	Extra_wage_tax	0	
	EWT_threshold	0	
Tax schedule	Tax_sch	0.0817	28 406
	"tax_sch_lowest"	0.0817	38 441
	"tax_thrsh_1"	0.3748	76 817
	"tax_sch_2"	0.4950	
Tax credits	Gen_credit_1	3 068	
	Gen_credit_2	0	
	Gen_credit1_thr	28 406	
	Gen_credit2_thr	76 817	
	Gen_credit_per	0.06337	
	Red_gen_credit	0	
	Emp_credit1	980	
	Emp_credit2	4 240	
	Emp_credit3	379	
	Emp_credit4	0	
	Emp_credit1_thr	12 169	
	Emp_credit2_thr	26 288	

		Emp_credit3_thr	43 071	
		Emp_credit4_thr	129 077	
		Comb_credit	0	
		Comb_credit_franchise	6 145	
		add_comb_credit	0	
		income_dependant_comb_credit1	0	
		income_dependant_comb_credit_max	2 986	
Family cash transfers		income_dependant_comb_par_credit_per	0.1145	
		Sing_par_credit	0	
		Ex_sing_par_credit_per	0	
		Ex_sing_par_credit_max	0	
		Ch1_trans	1 401	
		Ch2_trans	2 802	
		Child_ben_1child	2 511	
		Child_ben_2children	5 022	
		Extra_cash_sing_par	3 389	
		Child_ben_redn	0.071	
		Child_ben_ceil	28 406	
		Child_ben_incr_ceil_couple	9 139	
Non-tax payments	compulsory	dummyNTCP	0	
		NTCP_pension_ee	0.0619	
		NTCP_pension_er	0.143	
		NTCP_pension_franchise	17 794	
		NTCP_pension_max	137 800	

2025 Tax equations

The equations for the tax system in the Netherlands in 2022 are repeated for each individual of a married couple. Tax credits, except a part of the general credit of the spouse, depend also on the tax paid by the principal if the spouse's income is zero or very low, and the cash transfers are calculated only once. The functions which are used in the equations (Taper, MIN, Tax etc) are described in the technical note on the tax equations. Due to adjustments of the work credit in 2016 and 2020, the function Emp_credit(Value) was altered in those years. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables “married” and “children”. A reference to a variable with the affix “_total” indicates the sum of the relevant variable values for the principal and spouse. And the affix “_spouse” indicates the value for the spouse. No affix is used for the principal values. Equations for a single person are as shown for the principal, with “_spouse” values taken as 0.

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings (gross)	gr_earn		
	Earnings (net)	earn	B	gr_earn
2.	Social security contributions	SSC_al	B	SSC_f(earn,Unemp_rate1,SSC_ceil,Unemp_franchise1)
3.	Credits in taxable income	taxbl_cr	B	MIN(earn-SSC_al, Med_ceil)*Med_rate
4.	CG taxable income	tax_inc	B	earn-SSC_al
5.	CG tax before credits	CG_tax_excl / tax_liable	B	Tax(tax_inc,Tax_sch)
6.	Tax credits	tax_cr	P	MIN(CG_tax_excl+SSC_taxinc,IF((tax_inc<Gen_credit1_thr),Gen_credit1,(Gen_credit1-MIN(Gen_credit_per*(Gen_credit2_thr-Gen_credit1_thr),Gen_credit_per*(tax_inc-Gen_credit1_thr))))+Emp_credit(tax_inc)+IF(AND(Children>0,tax_inc>Comb_credit_franchise),IF(Married=0,income_dependant_comb_credit1+MIN(income_dependant_comb_credit_max-income_dependant_comb_credit1,income_dependant_comb_credit_per*(tax_inc - Comb_credit_franchise)),0))
		tax_cr_spouse	S	IF(Married>0,MIN(CG_tax_excl_spouse+SSC_taxinc_spouse+CG_tax_excl+SSC_taxinc-tax_cr,IF(tax_inc_spouse>0,IF((tax_inc_spouse<Gen_credit1_thr),Gen_credit1,(Gen_credit1-MIN(Gen_credit_per*(Gen_credit2_thr-Gen_credit1_thr),Gen_credit_per*(tax_inc_spouse-Gen_credit1_thr))))+Red_gen_credit)+Emp_credit(tax_inc_spouse)+IF(AND(Children>0,tax_inc_spouse>Comb_credit_franchise),income_dependant_comb_credit1+MIN(income_dependant_comb_credit_max-income_dependant_comb_credit1,income_dependant_comb_credit_per*(tax_inc_spouse - Comb_credit_franchise)),0)),0))
		tax_cr_inc	B	=tax_sch_lowest/SUM(Old_rate+Wid_rate+Ex_med_rate+tax_sch_lowest)*tax_cr_spouse
7.	CG tax	CG_tax	B	tax_liable-tax_cr_inc
8.	State and local taxes	local_tax	B	0
9.	Employees' soc security' based on earnings	SSC_earn	P	SSC_f(earn,Unemp_rate1,SSC_ceil,Unemp_franchise1)
		SSC_earn_spouse	S	SSC_f(earn_spouse,Unemp_rate1,SSC_ceil,Unemp_franchise1)
	Based on taxable income	SSC_taxinc	B	(Old_rate+Wid_rate+Ex_med_rate)*MINA(tax_inc,Gen_Schemes_t hrsh)
	Total employees' soc security	SSC_liable	J	SSC_earn+SSC_taxinc+SSC_earn_spouse+SSC_taxinc_spouse
		tax_cr_SSC	B	=SUM(Old_rate+Wid_rate+Ex_med_rate)/SUM(Old_rate+Wid_rate

				+Ex_med_rate+tax_sch_lowest)*tax_cr_spouse
	Total	SSC	J	SSC_liable-tax_cr_SSC
10.	Total payments	total_payments	J	CG_tax+local_tax+SSC
11.	Cash transfers	cash_trans	J	IF(Children=1,Ch1_trans,IF(Children=2,Ch2_trans,0))+ IF(Children=2;1;0)*MAX(0;(Child_ben_2children+IF(Married=0;1;0)* Extra_cash_sing_par- IF((tax)inc+tax_inc_spouse)>Child_ben_ceil+IF(Married=1;1;0)*Child_ben_incr_ceil_couple;1;0)*Child_ben_redn*(tax_inc+tax_inc_spouse- (Child_ben_ceil+IF(Married=1;1;0)*Child_ben_incr_ceil_couple))))
13.	Employer's soc security	SSC_empr	B	SSC_f(earn-(positive(earn- NTCP_franchise*MIN(earn/min_wage,1))*NTCP_pension_ee),Unemp_empr1,SSC_ceil,Unemp_unempr_franchise1)+SSC_f(earn-(positive(earn- NTCP_franchise*MIN(earn/min_wage,1))*NTCP_pension_ee),Unemp_empr2,SSC_ceil,Unemp_unempr_franchise2)+SSC_f(earn-(positive(earn- NTCP_franchise*MIN(earn/min_wage,1))*NTCP_pension_ee),Inv_empr_rate,SSC_ceil,Inv_empr_franchise)
				Function Emp_credit(Value) If Value <= 0 Then Emp_credit = 0 Elseif Value <= Range("Emp_credit1_thr").Value Then Emp_credit = (Value / Range("Emp_credit1_thr").Value) * Range("Emp_credit1").Value Elseif Value <= Range("Emp_credit2_thr").Value Then Emp_credit = Range("Emp_credit1").Value + ((Value - Range("Emp_credit1_thr").Value) / (Range("Emp_credit2_thr").Value - Range("Emp_credit1_thr").Value)) * Range("Emp_credit2").Value Elseif Value <= Range("Emp_credit3_thr").Value Then Emp_credit = Range("Emp_credit1").Value + Range("Emp_credit2").Value + ((Value - Range("Emp_credit2_thr").Value) / (Range("Emp_credit3_thr").Value - Range("Emp_credit2_thr").Value)) * Range("Emp_credit3").Value Elseif Value <= Range("Emp_credit4_thr").Value Then Emp_credit = Range("Emp_credit1").Value + Range("Emp_credit2").Value + Range("Emp_credit3").Value - ((Value - Range("Emp_credit3_thr").Value) / (Range("Emp_credit4_thr").Value - Range("Emp_credit3_thr").Value)) * (Range("Emp_credit1").Value + Range("Emp_credit2").Value + Range("Emp_credit3").Value - Range("Emp_credit4").Value) Else Emp_credit = 0 End If End Function

Key to range of equations B calculated separately for both principal earner and spouse P calculated for principal only (value taken as 0 for spouse calculation) J calculated once only on a joint basis.

Note

¹ The Dutch labour market is characterized by a substantial share of part-time employees. As explained in the methodological section of this volume, the average wage measure used in the tax burden calculations refer to full-time employees only. If the wages of part-timers were taken into account, the average wage would be substantially lower.

New Zealand

(2025-2026 Income tax year)

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

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

New Zealand 2025

The tax/benefit position of single persons

		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1	Gross wage earnings		55 659	83 073	138 732	55 659
2	Standard tax allowances:					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other					
	Total		0	0	0	0
3	Tax credits or cash transfers included in taxable income		0	0	0	0
4	Central government taxable income (1 - 2 + 3)		55 659	83 073	138 732	55 659
5	Central government income tax liability (exclusive of tax credits)		8 918	17 292	35 659	8 918
6	Tax credits :					
	Basic credit		520	0	0	0
	Married or head of family					
	Children					
	Other					
	Total		520	0	0	0
7	Central government income tax finally paid (5-6)		8 398	17 292	35 659	8 918
8	State and local taxes		0	0	0	0
9	Employees' compulsory social security contributions					
	Gross earnings		0	0	0	0
	Taxable income					
	Total		0	0	0	0
10	Total payments to general government (7 + 8 + 9)		8 398	17 292	35 659	8 918
11	Cash transfers from general government					
	For head of family					
	For two children		0	0	0	15 225
	Total		0	0	0	15 225
12	Take-home pay (1-10+11)		47 261	65 781	103 073	61 966
13	Employer's compulsory social security contributions		0	0	0	0
14	Average rates					
	Income tax		15.1%	20.8%	25.7%	16.0%
	Employees' social security contributions		0.0%	0.0%	0.0%	0.0%
	Total payments less cash transfers		15.1%	20.8%	25.7%	-11.3%
	Total tax wedge including employer's social security contributions		15.1%	20.8%	25.7%	-11.3%
15	Marginal rates					
	Total payments less cash transfers: Principal earner		30.0%	33.0%	33.0%	57.0%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		30.0%	33.0%	33.0%	57.0%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

New Zealand 2025

The tax/benefit position of married couples

		Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
		Number of children	2	2	2	none
1	Gross wage earnings		83 073	138 732	166 146	138 732
2	Standard tax allowances:					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other					
	Total		0	0	0	0
3	Tax credits or cash transfers included in taxable income		0	0	0	0
4	Central government taxable income (1 - 2 + 3)		83 073	138 732	166 146	138 732
5	Central government income tax liability (exclusive of tax credits)		17 292	26 210	34 583	26 210
6	Tax credits :					
	Basic credit		0	520	0	520
	Married or head of family					
	Children					
	Other					
	Total		0	520	0	520
7	Central government income tax finally paid (5-6)		17 292	25 690	34 583	25 690
8	State and local taxes		0	0	0	0
9	Employees' compulsory social security contributions					
	Gross earnings					
	Taxable income					
	Total		0	0	0	0
10	Total payments to general government (7 + 8 + 9)		17 292	25 690	34 583	25 690
11	Cash transfers from general government					
	For head of family					
	For two children		7 823	0	0	0
	Total		7 823	0	0	0
12	Take-home pay (1-10+11)		73 605	113 042	131 563	113 042
13	Employer's compulsory social security contributions		0	0	0	0
14	Average rates					
	Income tax		20.8%	18.5%	20.8%	18.5%
	Employees' social security contributions		0.0%	0.0%	0.0%	0.0%
	Total payments less cash transfers		11.4%	18.5%	20.8%	18.5%
	Total tax wedge including employer's social security contributions		11.4%	18.5%	20.8%	18.5%
15	Marginal rates					
	Total payments less cash transfers: Principal earner		60.0%	33.0%	33.0%	33.0%
	Total payments less cash transfers: Spouse		29.1%	30.0%	33.0%	30.0%
	Total tax wedge: Principal earner		60.0%	33.0%	33.0%	33.0%
	Total tax wedge: Spouse		29.1%	30.0%	33.0%	30.0%

The national currency is the New Zealand dollar (NZD). In the year to March 2025, NZD 1.72 was equal to USD 1 on average. The average worker earned NZD 83 073 (Country estimate¹).

Personal Income Tax System

In New Zealand, the tax year starts April 1st and ends March 31st.

Central/federal government income taxes

Tax unit

Members of the family are taxed separately.

Tax allowances and tax credits

Standard reliefs

Refer to the section on Universal cash transfers.

Main non-standard tax reliefs applicable to an average wage

Refer to the section on Universal cash transfers.

Schedule

Rates of income tax for individuals

- On so much of the income as does not exceed NZD 15 600: 10.5%.
- On so much of the income as exceeds NZD 15 600 but does not exceed NZD 53 500: 17.5%.
- On so much of the income as exceeds NZD 53 500 but does not exceed NZD 78 100: 30%.
- On so much of the income as exceeds NZD 78 100 but does not exceed NZD 180 000: 33%.
- On so much of the income as exceeds NZD 180 000: 39%.

State and local income taxes

New Zealand has no state or local income tax.

Compulsory Social Security Contributions to Schemes Operated Within the Government Sector

New Zealand has no compulsory social security contributions to schemes operated within the Government sector.

It should be noted that there is an accident compensation scheme administered by the Accident Compensation Corporation for residents and temporary visitors to New Zealand. This scheme is funded in part by premiums paid by employees and employers. For employees, the premium will increase for 2025/26 to represent 1.45% of their gross earnings from 1.39% for gross earnings for 2024/25. For employers and the self-employed, the premiums are based on a percentage of the total payroll and the applicable rate varies depending upon the associated accident risk (the average rate is 0.66% for 2025/26). This scheme is not considered as a compulsory social security contribution for the purposes of the Report.

Universal Cash Transfers

The main entitlements in New Zealand are targeted at families under the blanket title 'Working for Families' ('WFF'). There are four main payments that constitute WFF, which are described below. The Independent Earner Tax Credit (IETC) is another form of support that is separate from WFF and is described below.

Amount for marriage

None.

Best Start Tax Credit

The Best Start Tax Credit (BSTC) is a payment made to families with a new-born baby. From 1 April 2024, the BSTC payment increased to NZD 73 per week (3 838 per year) for the first year of the child's life. There is no income limit for receiving the BSTC payment in the first year of the child's life. The BSTC continues to provide NZD 3 838 per year for the second and third year of a child's life, but this abates at 21.00 cents in the dollar for every dollar by which a family's income exceeds the abatement threshold of NZD 79 000. For families receiving paid parental leave, the BSTC payment begins after paid parental leave ends.

Family Tax Credit

The Family Tax Credit (FTC) is available to families with dependent children regardless of whether they receive a main benefit. FTC pays an amount for a family's eldest child, and a lesser amount for each subsequent child. From 1 April 2024, the eldest child rate increased to NZD 7 524 per year and the subsequent child rate increased to NZD 6 130. The total credit is abated by 27.00 cents on each dollar earned over NZD 42 700. The abatement is based on the combined family income.

In Work Tax Credit

The In Work Tax Credit (IWTC) is available to families with dependent children who have some income from paid employment each week, and who are not receiving an income-tested benefit or student allowance. IWTC provides NZD 5 070 per family per year (or NZD 97.50 a week) for up to three children, plus an additional NZD 780 per year (or NZD 15 a week) for fourth and subsequent children. It uses the same abatement regime used with the FTC, although it does not begin to abate until the FTC entitlement has been abated to zero.

Minimum Family Tax Credit

The Minimum Family Tax Credit ("MFTC") effectively guarantees a minimum after-tax income for all full-time working families with dependent children and is intended to ensure that working families are better off in work than they would be if they were on a benefit. For the purposes of MFTC, "full-time" employment is defined as 20 hours or more per week for a sole parent, and 30 hours or more per week combined for a two-parent family.

The current MFTC threshold (the level to which after-tax income is topped up to) is \$35 316 per year.

Independent Earner Tax Credit

The Independent Earner Tax Credit (IETC) of up to NZD 520 per year is available to individuals who do not receive other forms of support such as WFF tax credits or benefits, and who have an annual income between NZD 24 000 and NZD 70 000. The IETC abates at a rate of 13 cents on each dollar earned over

NZD 66 000. Unlike WFF tax credits, the IETC is calculated on the recipient's individual income rather than family income and does not require the recipient to have dependent children.

Main Changes in Personal Tax/Benefit Systems since 2024/25

Changes to the tax/benefit system announced in Budget 2025

A number of changes to Working for Families were announced as part of Budget 2025. These changes will take effect from 1 April 2026, and therefore are not included in the Taxing Wages model for 2025.

- a. Increasing the Working for Families abatement threshold from \$42,700 to \$44,900 and raising the abatement rate from 27% to 27.5%
- b. Income-testing the first year of the Best Start tax credit in the same way the second and third years are. Families of children born before 1 April 2026 will not have their Best Start payments income-tested and will continue to receive the maximum amount until their child turns one.

Memorandum Items

Method used to identify AW and to calculate the AW's gross earnings

The Annual Earnings figure is derived from the Quarterly Employment Survey (QES) for those employees in the B-N industry groups based on the ISIC Rev.4 definition. The annual earnings figure for the average worker is the sum of the four quarterly earnings figures, with each quarterly figure calculated by taking the average total weekly earnings and multiplying it by 13 weeks per quarter. In 2021 the QES was redesigned, which means that the average wage data for 2021 may not be directly comparable to previous years.² In 2022 the ISIC version 4 replaced the version 3 concordance, which has changed average annual earnings estimates for previous years and limits comparability.

Employer's contributions to private pension, health schemes, etc.

No information available.

2025 Parameter values

	Ave_earn	83 073	Country estimate
Income tax schedule	Tax_sch	0.105	15 600
		0.175	53 500
		0.3	78 100
		0.33	180 000
		0.39	
Family tax credit	Fam_sup_eld	7 524	
	Fam_sup_oth	6 130	
	Fam_sup_thrsh	42 700	
	Fam_sup_rate	0.27	
In-work tax credit	In_work_children123	5 070	
	In_work_children4plus	780	
Minimum Family Tax Credit	Min_inc	35 316	
Independent Earner Tax Credit	IETC	520	
	IETC_thrsh1	24 000	
	IETC_thrsh2	66 000	
	IETC_rate	0.13	

Note: Those with children under 3 years of age receive the Best Start Tax Credit and will therefore have a lower effective tax rate than implied by the model.

2025 Tax equations

The equations for the New Zealand system in 2025 are mostly repeated for each individual of a couple. But the cash transfer is calculated only once. This is shown by the Range indicator in the table below. The functions which are used in the equations (Taper, MIN, Tax etc) are described in the technical note about tax equations. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables “married” and “children”. A reference to a variable with the affix “_total” indicates the sum of the relevant variable values for the principal and spouse. And the affixes “_princ” and “_spouse” indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with “_spouse” values taken as 0.

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings	earn		
2.	Allowances	tax_al	B	0
3.	Credits in taxable income	taxbl_cr	B	0
4.	CG taxable income	tax_inc	B	earn
5.	CG tax before credits	CG_tax_excl	B	Tax(tax_inc, Tax_sch)
6.	Tax credits :			
	Guaranteed minimum income	GMI	J	(Children>0)*Min_inc
	Independent Earner Tax Credit	IETC_rebate	B	AND(cash_trans=0,earn>IETC_thrsh1)*Taper(IETC,earn, IETC_thrsh2,IETC_rate)
6.	Tax credits:	tax_cr	B	IETC_rebate
7.	CG tax	CG_tax	B	CG_tax_excl-tax_cr
8.	Local tax	local_tax	B	0
9.	Employees' soc security	SSC	B	0
11.	Cash transfers:			
	Family tax credit (unabated)	fam_tax_cr	J	Fam_sup_eld*(Children>0)+ Fam_sup_oth*Positive(Children-1)
	In-work tax credit (unabated)	in_work_tax_cr	J	(Children>0)*(In_work_children123+Positive(Children-3)*In_work_children4plus)
	Tax credits abated	tax_cr_ab	J	Taper(fam_tax_cr+in_work_tax_cr, earn_total, Fam_sup_thrsh1, Fam_sup_rate1)
	Minimum Family tax credit	min_fam_tax_cr	J	Positive(GMI-(earn_total-CG_tax_excl_total))
	Cash transfers	cash_trans	J	tax_cr_ab + min_fam_tax_cr
13.	Employer's soc security	SSC_empr	B	0

Key to range of equation B calculated separately for both principal earner and spouse P calculated for principal only (value taken as 0 for spouse calculation) J calculated once only on a joint basis.

Notes

¹ In the year to March 2025.

² <https://www.stats.govt.nz/methods/effects-of-the-qes-redesign-on-the-march-2021-quarter-statistics>.

Norway

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

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

Norway 2025

The tax/benefit position of single persons

		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1	Gross wage earnings		537 136	801 695	1 338 831	537 136
2	Standard tax allowances					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other					
	Total		200 550	200 550	200 550	200 550
3	Tax credits or cash transfers included in taxable income		0	0	0	0
4	Central government taxable (ordinary) income (1 - 2 + 3)		336 586	601 145	1 138 281	336 586
5	Central government income tax liability (ordinary + personal)		32 965	71 149	192 081	32 965
6	Tax credits (applicable against local tax)					
	Basic credit					
	Married or head of family					
	Children		0	0	0	0
	Other					
	Total		0	0	0	0
7	Central government income tax finally paid (5-6)		32 965	71 149	192 081	32 965
8	State and local taxes (net of tax credits)		51 834	92 576	175 295	51 834
9	Employees' compulsory social security contributions					
	Gross earnings		41 359	61 731	103 090	41 359
	Taxable income					
	Total		41 359	61 731	103 090	41 359
10	Total payments to general government (7 + 8 + 9)		126 159	225 456	470 466	126 159
11	Cash transfers from general government					
	For head of family					
	For two children		0	0	0	75 808
	Total		0	0	0	75 808
12	Take-home pay (1-10+11)		410 977	576 239	868 365	486 785
13	Employer's compulsory social security contributions		69 828	104 220	174 048	69 828
14	Average rates					
	Income tax		15.8%	20.4%	27.4%	15.8%
	Employees' social security contributions		7.7%	7.7%	7.7%	7.7%
	Total payments less cash transfers		23.5%	28.1%	35.1%	9.4%
	Total tax wedge including employer's social security contributions		32.3%	36.4%	42.6%	19.8%
15	Marginal rates					
	Total payments less cash transfers: Principal earner		33.7%	43.4%	46.4%	33.7%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		41.3%	49.9%	52.6%	41.3%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Norway 2025

The tax/benefit position of married couples

		Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
		Number of children	2	2	2	none
1	Gross wage earnings		801 695	1 338 831	1 603 390	1 338 831
2	Standard tax allowances					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other					
	Total		200 550	401 100	401 100	401 100
3	Tax credits or cash transfers included in taxable income		0	0	0	0
4	Central government taxable (ordinary) income (1 - 2 + 3)		601 145	937 731	1 202 290	937 731
5	Central government income tax liability (ordinary + personal)		71 149	104 114	142 299	104 114
6	Tax credits (applicable against local tax)					
	Basic credit					
	Married or head of family					
	Children		0	0	0	0
	Other					
	Total		0	0	0	0
7	Central government income tax finally paid (5-6)		71 149	104 114	142 299	104 114
8	State and local taxes (net of tax credits)		92 576	144 411	185 153	144 411
9	Employees' compulsory social security contributions					
	Gross earnings		61 731	103 090	123 461	103 090
	Taxable income					
	Total		61 731	103 090	123 461	103 090
10	Total payments to general government (7 + 8 + 9)		225 456	351 615	450 912	351 615
11	Cash transfers from general government					
	For head of family					
	For two children		45 616	45 616	45 616	0
	Total		45 616	45 616	45 616	0
12	Take-home pay (1-10+11)		621 855	1 032 832	1 198 094	987 216
13	Employer's compulsory social security contributions		104 220	174 048	208 441	174 048
14	Average rates					
	Income tax		20.4%	18.6%	20.4%	18.6%
	Employees' social security contributions		7.7%	7.7%	7.7%	7.7%
	Total payments less cash transfers		22.4%	22.9%	25.3%	26.3%
	Total tax wedge including employer's social security contributions		31.4%	31.7%	33.9%	34.7%
15	Marginal rates					
	Total payments less cash transfers: Principal earner		43.4%	43.4%	43.4%	43.4%
	Total payments less cash transfers: Spouse		23.5%	33.7%	43.4%	33.7%
	Total tax wedge: Principal earner		49.9%	49.9%	49.9%	49.9%
	Total tax wedge: Spouse		32.3%	41.3%	49.9%	41.3%

The national currency is the Kroner (NOK). In 2025, NOK 10.40 were equal to 1 USD. In that year the average worker earned NOK 801 695 (Secretariat estimate).

Personal Income Tax System

The personal income tax has two tax bases: personal income and ordinary income. Personal income is defined as income from labour and pensions. Personal income is a gross income base from which no deductions are made. Ordinary income includes all types of taxable income from labour, pensions, business and capital. Certain costs and expenses, including interest paid on debt, are deductible in the computation of ordinary income.

Central government income tax

Tax unit

The tax unit is in most cases the individual. Children aged below 17 are generally taxed together with their parents, but they may be taxed individually. All other income earners are taxed on an individual basis.

Tax allowances applicable to an AW

There are no tax allowances applicable to an AW under the central government income bracket tax. The tax base is personal income from which no deductions are allowed. As part of the overall tax rate of 22% on ordinary income, 8.70% is considered to be the central government income tax.

Rate schedule of the bracket tax

Rate (%)	NOK
0	0–217 400
1.7	217 400–306 050
4.0	306 050–697 150
13.7	697 150–942 400
16.7	942 400–1 410 750
17.7	1 410 750 and over

Local government income tax

The overall tax rate on ordinary income is 22%. The local government (municipal and county) income tax is 15.4% points of the overall rate. Tax on ordinary income is levied after taking into account a standard allowance of NOK 108 550. Single parents were earlier eligible to an additional special tax allowance. The allowance is discontinued from March 2023. The child benefit has been increased corresponding to the tax-value of the allowance for single parents from March 2023. The deductions in the computation of ordinary income are:

Standard reliefs

- Basic allowance: each individual receives a minimum allowance equal to 46% of personal income, with a maximum of NOK 92 000.

Non-standard reliefs

The main non-standard allowances deductible from ordinary income are:

- Parent allowance: Documented expenses for childcare limited to:
 - maximum NOK 25 000 for one child.
 - plus, NOK 15 000 for each subsequent child.

The allowance applies in general to the spouse who has the highest income. Unused parent allowance may be transferred to the other spouse. The allowance is also applicable to single parents.

- Travel expenses related to work exceeding NOK 15 250.
- Labour union fees up to NOK 8 250.
- Donations to voluntary organisations up to NOK 25 000.
- Contributions to individual pension agreement schemes, maximum NOK 15 000.
- Premiums and contributions to occupational pension schemes in the private and public sector, unlimited.
- Unlimited deduction for interest payments.

The main non-standard tax credits are:

- Home savings scheme (BSU): The BSU scheme aims to encourage young people (under 34 years old) to save for a future home purchase. A wastable tax credit of 10% of annual savings up to NOK 27 500 in special accounts is granted. Total savings may not exceed NOK 300 000.

Social Security Contributions

Contributions to the national insurance scheme

Employees' contributions

Employees' contributions to the National Insurance Scheme generally amount to 7.7% of personal wage income. Employees do not make contributions if their wage income is less than NOK 99 650. Once wage income exceeds this floor, an alternative calculation is made where the contributions equal 25% of the wage income in excess of the floor. The actual contributions made would represent the minimum between the alternative calculation and 7.7% of the total wage income.

Contributions from the self-employed are 10.9% of personal income attributable to labour.

Employers' contributions

Employer's social security contributions are due for all employees in both the private and the public sector. The contribution is geographically differentiated according to the municipality where the workplace is. The standard rates are 14.1%, 10.6%, 7.9%, 6.4%, 5.1% or 0% of gross wages. The highest rate applies to central parts of southern Norway. Lower rates may apply under certain circumstances. The weighted average rate is approximately 13%. An additional rate of 5% for salaries over NOK 750 000 was introduced in 2023. For 2024 the 5% additional rate applies for salaries over NOK 850 000. The additional rate of 5% has been discontinued from 2025.

Universal Cash Transfers

Transfers related to marital status

None.

Transfers for dependent children (child support)

The following transfers are available:

NOK 22 808 per child aged 0–5 years.

NOK 22 808 per child aged 6–18 years.

Single parents receive an additional transfer of NOK 30 192 in 2025, independent of the number of children.

Main Changes in Tax/Benefit Systems Since 2002

- Most important changes related to wage taxation in 2025:
 - The personal allowance was increased from NOK 88 250 to 108 550.
 - The upper limit in the minimum allowance for wage income was reduced from NOK 104 450 to NOK 92 000.
 - The threshold for employees' contribution to the National Insurance Scheme was increased to NOK 99 650.
 - Employees' contributions to the National Insurance Scheme were reduced by 0.1 percentage points.
 - The thresholds in the progressive bracket tax were increased for all income brackets. The tax rates were kept constant for bracket 1-2 and increased by 0,1 pct. points for bracket 3-5.
 - The additional employer social contribution was discontinued in 2025.
- Most important changes related to wage taxation in 2024:
 - The personal allowance was increased from NOK 79 600 to NOK 88 250.
 - Employees' contributions to the National Insurance Scheme were reduced by 0,1 percentage points.
 - The thresholds in the progressive bracket tax were increased for income bracket 1-4 while it was reduced for bracket 5. The rates were increased by 0,1 percentage point for bracket 3-5.
 - The threshold for the additional employer social contribution was increased from NOK 750 000 to NOK 850 000.
 - The maximum allowance for Labour Union fees was increased from NOK 7 700 to NOK 8 000.
 - The "Finnmark allowance", a special allowance for people who are resident in the northernmost municipalities in the county Troms and Finnmark, was increased from NOK 20 550 to NOK 30 000. The bracket tax in bracket 3 was increased to the same level as for the rest of the country.
- Most important changes related to wage taxation in 2023:
 - The personal allowance was increased from NOK 58 250 to NOK 79 600.
 - The upper limit in the minimum allowance for wage income was reduced by 5 pct. From 2023 there is no lower limit for the allowance.
 - Employees' contributions to the National Insurance Scheme were reduced by 0,1 percentage points and the threshold for paying employees' contributions to the National Insurance scheme was increased from NOK 64 650 to NOK 69 650.
 - For the employer social security contribution an additional rate of 5 % for salaries over NOK 750 000 was introduced.

- The thresholds in the progressive bracket tax were increased for lower income (bracket 1 and 2), while the thresholds for higher income (bracket 3-5) were reduced and rates increased by 0.1 percentage point.
- The maximum allowance for Labour Union fees was increased from NOK 5 800 to NOK 7 700.
- Most important changes related to wage taxation in 2022:
 - The rate for employees' contributions to the National Insurance Scheme was reduced for earned income and for self-employed.
 - The thresholds in the progressive bracket tax was reduced for higher incomes (bracket 3 and 4) and tax rates were increased.
 - A new bracket was introduced in the central government bracket tax for income above 2 million NOK with a tax rate of 17.4%.
 - The allowance for Labour Union fees was increased from NOK 3 850 to NOK 5 800.
 - The "Finnmark allowance", a special allowance for people who are resident in the northernmost municipalities in the county Troms and Finnmark, was increased from NOK 15 500 to NOK 20 000.
 - The upper limit for the seafarer's allowance was increased from NOK 80 000 to NOK 83 000.
- Most important changes related to wage taxation in 2021:
 - Rates in bracket 1 and 2 in the central government bracket tax were reduced from 1.9% and 4.2% to 1.7% and 4.0%, respectively.
 - The minimum allowance rate for personal income was increased from 45% to 46%.
- Most important changes related to wage taxation in 2020:
 - The standard allowance was reduced from NOK 56 550 to NOK 51 300 to accompany the NRK financing reform. Until 2019, the public broadcaster NRK was financed by a fee levied on households owning a TV. From 2020, direct transfers from the central government replace the broadcasting fee. The tax increase implied by the standard allowance reduction intends to pay for the NRK transfers. If the broadcasting fee is regarded as a tax, the overall effect of the NRK financing reform is reduced taxation for households with two or less tax paying members.
 - As a response to the COVID19 pandemic, payment of the second and third instalments (there are 6 instalments annually) employer's social security contribution was postponed from May 15th and July 15th to August 15th and October 15th, respectively. For the third instalment of the employer's social security contribution in 2020, the rate was reduced by 4 percentage points. In municipalities where the employer's social security contribution rate is 0%, a subsidy equating to 4% of gross wages is paid to employers. Payment of the first and second instalment (there are 4 instalments annually) of the advance tax of self-employed in 2020 was postponed from March 15th and May 15th to May 1st and July 15th, respectively.
- Most important changes related to wage taxation in 2019:
 - The general tax rate on ordinary income was reduced from 23% to 22%.
 - The progressive bracket tax increased in all four brackets, less than the reduction in the rate of ordinary income so as the marginal tax was reduced for all income levels.
 - Employers are required to report, withhold taxes, and pay employer's social security contributions on wages in the form of tax-exempted employee discounts with a market value exceeding NOK 8 000. Gifts received from the employer are tax free when the value exceeds NOK 2 000.

- Employers are required to report, withhold taxes, and pay employer's social security contributions on tip/gratuities received from customers (previously tip was to be reported by the employers).
- A withholding tax on the gross income for foreign employees at 25% was introduced.
- Most important changes related to wage taxation in 2018:
 - The general tax rate on ordinary income was reduced from 24% to 23%.
 - The progressive bracket tax increased in all four brackets, less than the reduction in the rate of ordinary income so as the marginal tax was reduced at all income levels.
 - The upper limit of the basic allowance for wage income/social security benefits was increased by NOK 2 860 and the rate was increased to 44%.
 - The standard allowance for class 2 was abolished, tax exemptions for employees on hire in shipping vessels was abolished, and the rules for commuters expenses were tighten.
- Most important changes related to wage taxation in 2017:
 - The general tax rate on ordinary income was reduced from 25% to 24%.
 - The rates under the bracket tax were increased with 0.71-0.82 percentage points, which is less than the reduction in the rate of ordinary income.
 - The upper limit of the basic allowance for wage income/social security benefits was increased by NOK 3 300 and the rate was increased to 44%.
 - The lower threshold for the payment of employee's social security contributions was increased from NOK 49 650 to NOK 54 650.
- Most important changes related to wage taxation in 2016:
 - The general tax rate on ordinary income was reduced from 27% to 25%.
 - A bracket tax with on personal income with 4 tax brackets was introduced and replaced the former surtax on personal income.
- Most important changes related to wage taxation in 2015:
 - The threshold in surtax bracket 1 was increased by NOK 5 750.
 - The upper limit of the basic allowance for wage income/social security benefits was increased by NOK 2 100.
 - The lower threshold for the payment of employee's social security contributions was increased from NOK 39 600 to NOK 49 650.
- Most important changes related to wage taxation in 2014:
 - The general tax rate on ordinary income was reduced from 28% to 27%.
 - The employee's social security contributions were increased by 0.4 percentage points.
 - The rate in the basic allowance against wage income was increased to 43%.
 - Tax class 2 for married couples was reduced.
- Most important changes in 2013:
 - The personal allowance for labour income was increased for low-income earners (below NOK 213 950) by 2 percentage points from 38% to 40% of their labour income.
 - The taxable value of second homes and commercial property for the purposes of net wealth tax was increased from 40% to 50% of estimated market value.
 - The basic allowance in the net wealth tax was increased from NOK 750 000 to NOK 870 000. Married couples will thus have a total basic allowance of NOK 1 740 000.
 - The current class 2 for sole providers was replaced by a special allowance for ordinary income which provides an equivalent tax benefit.
 - The maximum deduction for labour union fees was increased from NOK 3 750 to NOK 3 850.
- Most important changes in 2012:

- The personal allowance for labour income was increased for low-income earners (below NOK 217 000) by 2 percentage points from 36% to 38% of their labour income.
- For self-employed the wage allowance was abolished to eliminate residual discrimination between sole proprietorships with employees and limited companies.
- In the deduction for travel expenses for travels between home and work the deduction rate per kilometre was increased for tax payers travelling between 35 000 km and 50 000 km per year.
- The maximum deduction for labour union fees was increased by NOK 90 to NOK 3 750.
- In 2011 changes to the tax system was made to provide better incentives for people to work when drawing a pension. The tax limitation rule for early-retirement and old-age pensioners was replaced by a new tax allowance for pension income. The allowance ensures that people who only receive the minimum pension will continue not to pay income tax. The allowance is scaled down against pension income, so that the marginal tax on earned income is reduced to the same level as for wage earners. The marginal tax on capital for low-income pensioners is also reduced to the same level as for other taxpayers. The new tax allowance is determined regardless of the spouse's income and married early-retirement and old-age pensioners will each have their own allowance. In addition, the pension income social security contribution is increased and the special allowance for age is discontinued.
- In 2010 a new formula-based system for determining the tax-assessed value of homes was introduced. The new tax-assessed value will be determined by multiplying the floor space of the dwelling by a square metre price based on the geographical location (neighbourhood, municipality, sparsely populated vs. densely populated area), size, age and type (detached, semi-detached, terraced, flat) of the property. For primary homes (owner-occupied), the per square metre rate will be set at 25% of the estimated sale price per square metre, whereas the rate for second homes, i.e., any other dwellings in addition to the primary home that are not defined as business or recreational properties, will be set at 40% of the estimated sale price per square metre. The current "safety valve" system is being continued so that taxpayers can appeal and have the tax-assessed value reduced to 30% of the documented fair market value (60% for second homes). In addition, the tax-assessed values of recreational properties are increased by 10%.
- Most important changes in 2009 were the abolition of the 80% rule, which primarily reduced the wealth tax of the richest. The wealth tax on equities for those who fall within the scope of the 80% rule has been more than doubled since 2005.
- The home savings scheme (BSU) was expanded in 2009 by increasing the annual savings amount to NOK 20 000 and the maximum aggregate savings amount to NOK 150 000.
- The rates of the inheritance tax were reduced, and the exempted amount was increased in 2009. The instalment scheme for family businesses was expanded through the abolition of the upper limit, and the payment period was increased from 7 to 12 years.
- Other changes in the personal tax base in 2009:
 - The fishermen's allowance was increased from NOK 115 000 to NOK 150 000.
 - The reindeer husbandry allowance was increased to the same level as the agriculture allowance.
 - The allowance for labour union fees was increased by NOK 450 to NOK 3 600.
 - The rate of the travel allowance was increased from NOK 1.40 per km to NOK 1.50 per km.
- The tax-free net income thresholds under the tax limitation rule were increased such as to ensure that singles and couples who receive the minimum state pension will still not be paying tax following the favourable social security settlement, they benefited from in 2008.
- A tax favoured contributions to individual pension agreement schemes was reintroduced as of 2008.

- From 1 January 2008 the employees' SSC rate for self-employed was increased from 10.7% to 11.0%.
- The upper threshold in the surtax schedule was substantially reduced from 2006 to 2007.
- The surtax rates were reduced in 2005 and 2006, as part of a reform of the dual income tax system. The basic allowance has been substantially increased.
- From 1 January 2006 the supplementary employer's social security contribution at 12.5% for gross wage income that exceeds 16 times "G" (average "G" is estimated to be NOK 74 721 in 2010) was removed.
- From 1 January 2006 the class 2 in the surtax was removed.
- From 1 January 2005 the ceiling in the parent allowance for two and more children was removed, and the maximum allowance was increased with NOK 5 000 for each child after the first. From 2008 the maximum allowance will be increased with NOK 15 000 for each child after the first.
- The additional child support of NOK 7 884 for children aged 1 and 2 years was abolished as of August 1, 2003.
- An allowance of maximum NOK 6 000 for donations to voluntary organisations was introduced as of 1 January 2003. Previously this allowance was coordinated with the allowance for labour union fees (with a combined maximum allowance). The allowance was increased to NOK 12 000 as of 1 January 2005.
- As of 1 July 2002, the employer's social security contribution rates for employees aged 62 years or older were reduced by 4 percentage points, although not below 0%. From 2007 the reduction was abolished.

Memorandum Items

Identification of an AW and calculation of earnings

The wage series used refers to full time employees in the B-N industry group (ISIC rev.4).

The calculation of annual wage earnings is as follows:

- Weighted average monthly wage plus overtime times 12.

The average monthly wage is agreed payment for a wage earner working a normal agreed working-year. It includes bonus payments and other allowances, but not payments for overtime, sick leave, and an establishment's indirect wage costs. The sum is weighted with the number of persons employed in the different industry groups.

Employers' contributions to private health and pension schemes

No information available.

2025 Parameter values

Average earnings/yr	Ave_earn	801 695	Secretariat estimate
Central rate (pers)	Tax_sch	0	217 400
		0.017	306 050
		0.04	697 150
		0.137	942 400
		0.167	1 410 750
		0.177	
Central rate (ord)	Cent_rate_ord	0.066	
Local rate (ord)	Local_rate	0.154	
Allowances	Class_al	108 550	
	Special_al	0	
Basic relief	Basic_min	0	
	Basic_max	92 000	
	Basic_rel_rate	0.46	
	Basic_min_wage	0	
Soc security contribs	SSC_rate	0.077	
Employer	SSC_empr	0.13	
Trygd. low.lim	SSC_low_lim	99 650	
pct.rate	SSC_low_rate	0.25	
Ref. Income "G"	SSC_G	128 116	
"G" Multiple	SSC_Gmult	0	
Supplemental Rate	SSC_rate_sup	0.00	
Child cash transfer	Child_sup	22 808	
	Child_sup_loneP	30 192	

2025 Tax equations

The equations for the system for Norway in 2025 may be calculated on an individual or joint basis for married couples. Social security contributions are calculated 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 allowance (ordinary)	tax_al_princ	P	MIN(MAX(Basic_min_wage, MIN(earn_princ*Basic_rel_rate, Basic_max)) +Class_al+IF(AND(Married=0,Children>0),Special_al,o),'earn_princ)
	tax allowance (ordinary)	tax_al_spouse	S	MIN(MAX(Basic_min_wage, MIN(earn_spouse*Basic_rel_rate, Basic_max)) +Class_al, earn_spouse)
3.	Credits in taxable income	taxbl_cr	J	0
4.	CG taxable income (ordinary)	tax_inc	B	Positive(earn-tax_al)
5.	CG tax (personal+ordinary)	CG_tax	B	Tax(earn, Tax_sch)+Cent_rate_ord*tax1_inc
6.	Tax credits :	tax_cr	P	0
7.	CG tax	CG_tax	B	CG_tax
8.	State and local taxes	local_tax	B	(Local_rate*(tax_inc_princ+tax_inc_spouse))-tax_cr
9.	Employees' soc security	SSC	B	MIN(earn*SSC_rate, Positive(SSC_low_rate*(earn-SSC_low_lim)))
11.	Cash transfers	cash_trans	J	Children*child_supp+(Married=0)*(Children>0)*Child_supp_loneP
13.	Employer's soc security	SSC_empr	B	earn*SSC_empr +SINGLE(Positive(earn-SSC_G*SSC_Gmult))*SSC_rate_sup

Key to range of equation B calculated separately for both principal earner and spouse P calculated for principal only (value taken as 0 for spouse calculation) J calculated once only on a joint basis.

Poland

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

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

Poland 2025

The tax/benefit position of single persons

		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1	Gross wage earnings		70 844	105 738	176 582	70 844
2	Standard tax allowances					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		9 713	14 497	24 209	9 713
	Work-related expenses		3 000	3 000	3 000	3 000
	Other					
	Total		12 713	17 497	27 209	12 713
3	Tax credits or cash transfers included in taxable income		0	0	0	0
4	Central government taxable income (1 - 2 + 3)		58 131	88 241	149 372	58 131
5	Central government income tax liability (exclusive of tax credits)		6 976	10 589	23 799	6 976
6	Tax credits					
	Basic credit		3 600	3 600	3 600	7 200
	Married or head of family					
	Children		0	0	0	2 224
	Other (health insurance)		0	0	0	0
	Total		3 600	3 600	3 600	9 424
7	Central government income tax finally paid (5-6)		3 376	6 989	20 199	-2 224
8	State and local taxes		0	0	0	0
9	Employees' compulsory social security contributions					
	Gross earnings		7 127	10 637	17 764	7 127
	Taxable income		5 502	8 212	13 714	5 502
	Total		12 629	18 849	31 477	12 629
10	Total payments to general government (7 + 8 + 9)		16 004	25 838	51 676	10 404
11	Cash transfers from general government					
	For head of family					
	For two children		0	0	0	19 800
	Total		0	0	0	19 800
12	Take-home pay (1-10+11)		54 840	79 900	124 905	80 240
13	Employer's wage dependent contributions and taxes					
	Employer's compulsory social security contributions		9 741	14 539	24 280	9 741
	payroll taxes		1 807	2 696	4 503	1 807
	Total		11 547	17 235	28 782	11 547
14	Average rates					
	Income tax		4.8%	6.6%	11.4%	-3.1%
	Employees' social security contributions		17.8%	17.8%	17.8%	17.8%
	Total payments less cash transfers		22.6%	24.4%	29.3%	-13.3%
	Total tax wedge including employer's social security contributions		33.4%	35.0%	39.2%	2.6%
15	Marginal rates					
	Total payments less cash transfers: Principal earner		28.2%	28.2%	45.4%	17.8%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		38.2%	38.2%	53.1%	29.3%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Poland 2025

The tax/benefit position of married couples

		Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
		Number of children	2	2	2	none
1	Gross wage earnings		105 738	176 582	211 475	176 582
2	Standard tax allowances					
	Basic allowance					
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		14 497	24 209	28 993	24 209
	Work-related expenses		3 000	6 000	6 000	6 000
	Other					
	Total		17 497	30 209	34 993	30 209
3	Tax credits or cash transfers included in taxable income		0	0	0	0
4	Central government taxable income (1 - 2 + 3)		88 241	146 372	176 482	146 372
5	Central government income tax liability (exclusive of tax credits)		10 589	17 565	21 178	17 565
6	Tax credits					
	Basic credit		7 200	7 200	7 200	7 200
	Married or head of family					
	Children		2 224	2 224	2 224	0
	Other (health insurance)		0	0	0	0
	Total		9 424	9 424	9 424	7 200
7	Central government income tax finally paid (5-6)		1 165	8 141	11 754	10 365
8	State and local taxes		0	0	0	0
9	Employees' compulsory social security contributions					
	Gross earnings		10 637	17 764	21 274	17 764
	Taxable income		8 212	13 714	16 423	13 714
	Total		18 849	31 477	37 697	31 477
10	Total payments to general government (7 + 8 + 9)		20 013	39 618	49 451	41 842
11	Cash transfers from general government					
	For head of family					
	For two children		19 800	19 800	19 800	0
	Total		19 800	19 800	19 800	0
12	Take-home pay (1-10+11)		105 524	156 764	181 824	134 740
13	Employer's wage dependent contributions and taxes					
	Employer's compulsory social security contributions		14 539	24 280	29 077	24 280
	payroll taxes		2 696	4 503	5 393	4 503
	Total		17 235	28 782	34 470	28 782
14	Average rates					
	Income tax		1.1%	4.6%	5.6%	5.9%
	Employees' social security contributions		17.8%	17.8%	17.8%	17.8%
	Total payments less cash transfers		0.2%	11.2%	14.0%	23.7%
	Total tax wedge including employer's social security contributions		14.2%	23.7%	26.1%	34.4%
15	Marginal rates					
	Total payments less cash transfers: Principal earner		28.2%	28.2%	28.2%	28.2%
	Total payments less cash transfers: Spouse		27.7%	28.2%	28.2%	28.2%
	Total tax wedge: Principal earner		38.2%	38.2%	38.2%	38.2%
	Total tax wedge: Spouse		37.8%	38.2%	38.2%	38.2%

The national currency is the Zloty (PLN). In 2025, PLN 3.761 were equal to USD 1. In that year, the average worker earned PLN 105 738 (Secretariat estimate).

Personal income tax system

An individual being a tax resident in Poland is liable to tax on the basis of world-wide income, irrespective of the source and origin of that income. (The term “residency” is understood similarly to Article 4 paragraph 2 point a) of the OECD Model Tax Convention on Income and Capital).

Central government income tax

Tax unit

Individuals are taxed on their own income, but couples married at the end of calendar year¹ can opt to be taxed on their joint income. In the latter case, the ‘splitting’ system applies: the tax bill for a couple is twice the income tax due on half of joint income. This joint taxation can be applied only to taxpayers who file their tax declaration under the general tax scale. Effectively, it excludes capital income taxed at the flat 19% rate or sole proprietorship income taxed with lump-sum tax (tax rate depends on a type of activity). Single individuals with dependent children are also entitled to use the splitting system (their family quotient is two). For the purpose of this report, it is assumed that married couples are taxed on joint income.

Tax base

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.

Tax allowances and tax credits

Standard reliefs

- Basic relief (since 1st January 2022 to 30th June 2022): A non-refundable tax credit of:²
 - PLN 5 100 – for the tax base without upper limit.
- Basic relief (since 1st July 2022): A non-refundable tax credit of:³
 - PLN 3 600 – for the tax base without upper limit.
- Marital status relief: None.
- Relief for children: Yes⁴.

Note: The basic relief tax credit amount will be settled on the final-year tax return according to the rules applicable from July 1st, 2022, for the whole tax year.

A taxpayer can deduct from the due tax the amount, which is equal for each month of raising a child:

- PLN 92.67 (annually PLN 1 112.04) for the first child, if the income received by parents (married or single parent, who meets special requirements) does not exceed in the tax year the amount of PLN 112 000. For taxpayers who do not settle their taxes jointly the threshold of income is PLN 56 000.
- PLN 92.67 (annually PLN 1 112.04) for the second child.

- PLN 166.67 (annually PLN 2 000.04) for the third child.
- PLN 225.00 (annually PLN 2 700.00) for the fourth and every next child.

Since 1st of January 2015 taxpayers whose due tax is lower than the amount of relief for children, may claim for cash refund for amount of relief which has not been utilized. However, such cash refund cannot exceed the amount of deductible social security and health insurance contributions paid by taxpayer (with some exceptions).

- Relief for paid social security contributions: An allowance is provided for all social security contributions paid by the taxpayer. The allowance is deducted from taxable income.
- Relief for selected work-related expenses: Standard deductions depend on the number of workplaces and on whether place of residence and workplace are within the same town/city or not. The annual amounts in PLN (deductible from income) are:

	One workplace	Two/more workplaces
Workplace in the same town/city as place of residence	3 000 since 1 st October 2019 ⁵	4 500 since 1 st October 2019
Workplace in different town/city as place of residence	3 600 since 1 st October 2019	5 400 since 1 st October 2019

Note: If the actual commuting expenses exceed standard deduction, relief can be determined by the actual expenses incurred solely on personal season tickets.

Main non-standard tax reliefs

Allowances:

- Specified expenses for the purpose of rehabilitation incurred by a taxpayer who is a disabled person, or a taxpayer, who supports the disabled. For particular expenses exists deduction limit.
- Equivalent of blood donations, donations made for the purposes of public benefit activity and of religious practice – in the amount of donation, no more than 6% of income.
- Donations made for charity church care - in the amount of the donation.
- Fee for membership in trade unions (up to PLN 500).
- Expenses incurred for the use of the Internet – a taxpayer is entitled to deduct the Internet tax allowance within the next two years, providing that during the phase preceded this period he did not deduct expenses for the use of the Internet (up to PLN 760).
- Expenses incurred during undertaking of thermo-modernization project for single-family residential building up to PLN 53 000.
- Abolished allowance (since 2007 continued on the acquired right basis) for interest payments on mortgage loans raised no later than in 2006 on acquisition of housing property on the primary market – up to the amount of interests related to the part of loan not exceeding PLN 325 990 for investments finished in 2017.

Tax credits:

- Donation made to public benefit organizations – up to 1,5% of due tax.⁶
- Abolished tax credits (continued on the acquired rights basis), i.e., expenses for saving with the aim of buying a house or flat, the amount of social contributions paid on income of an unemployed person hired by a taxpayer in order to take care of their children and/or house.

Exemptions:

- Gross wages up to PLN 85 528 for people under 26 years old are exempted from PIT.

- Gross wages up to PLN 85 528 for employed seniors or entrepreneurs who, despite having reached the retirement age, did not take up a pension and are still economically active, are exempted from PIT.
- Gross wages up to PLN 85 528 for Polish citizens returning from abroad (before the decision to return to the country, a minimum of three years of residence and work abroad) are exempted from PIT for a period of 4 years.
- Revenues up to PLN 85 528 for families with 4 or more children (for taxpayers who in the tax year held parental authority, the function of legal guardian or for persons who held the function of a foster family) are exempted from PIT.
- The sum of all four exemptions cannot be higher than PLN 85 528 per taxpayer.

Tax schedule

Since 1st January 2022 to 30th June 2022:

Tax base (in PLN)		Tax amount	
Over	Below		less a basic tax credit
0	120 000	17%	
120 000		PLN 15 300+ 32% of surplus over PLN 120 000	

Since 1st July 2022:

Tax base (in PLN)		Tax amount	
Over	Below		less a basic tax credit
0	120 000	12%	
120 000		PLN 10 800+ 32% of surplus over PLN 120 000	

Note: Two tax schedules for 2022 exists due to the overhaul of the Polish Deal tax reform (first introduced on 1st January 2022 and then overhauled in June 2022). The new tax schedule is in force from 1st July 2022 and is applicable for the whole tax year.

State and local income tax

There are no regional or local income taxes.

Wealth tax

There is no wealth tax.

Solidarity surcharge

The act on the Solidarity Support Fund for Disabled Persons entered into force on 1 January 2019. The purpose of a legislative proposal was to introduce a new institution in a form of fund, managed by the Minister of Family, Labour and Social Policy, which would be focused on social support for people with disabilities. In 2020 the Fund was renamed to Solidarity Fund. The source of the Fund's revenues are primarily a compulsory contribution to the Fund representing 0.15% in 2019, 0.45% in 2020 and since 2021 1.45% of the base of the contribution to the Labour Fund (the compulsory contribution to the Labour Fund has decreased from 2.3% of the basis for the calculation of contributions to pension and disability insurance to 2% in 2020 and to 1% since 2021), as well as the solidarity contribution on the income of individuals - in the amount of 4% from a surplus of income (gross income minus SSC of employee) over PLN 1 million for a tax year. Solidarity contribution is paid on the basis of the previous tax year.

Social Security Contributions

Employees' contributions

Employees pay 13.71% of the gross wage. This contribution includes:

- Pension insurance contribution – 9.76% of the gross wage.⁷ 3.65 percentage points of the pension contribution are treated as non-tax compulsory payments because these payments are either made to the OPF (1.46%) and to personal sub-account in ZUS (2.19%) or only to sub-account in ZUS (3.65%).
- Disability insurance contribution – 1.5% of the gross wage,
- Sickness/maternity insurance contribution – 2.45% of the gross wage,
- In case of pension and disability insurance, contributions are not paid on the part of the wage that exceeds PLN 260 190 (yearly).⁸

Employers' contributions

In respect of income paid under an employment contract with a Polish entity, employers have an obligation to pay social security contributions and payroll taxes equal to 20.01% of gross wage. This value consists of:

A) Social security contributions:

- 9.76 % are aimed for pension insurance⁹. 3.65 % of the pension contribution are treated as non-tax compulsory payments because these payments are either made to the OPF (1.46%) and to personal sub-account in ZUS (2.19%) or only to sub-account in ZUS (3.65%),
- 6.5 % are aimed for disability insurance,
- 1.14 % (on average) accident insurance,
- In case of pension and disability insurance, contributions are not paid on the part of the wage that exceeds PLN 260 190 (yearly).

B) Payroll taxes:

- 1 % for Labour Fund,
- 1.45% for Solidarity Fund,
- and 0.1% for the Guaranteed Employee Benefit Fund.

Health insurance

Additionally, employers have an obligation to pay contribution for health insurance, which equals 9% of their gross wage, reduced by employers' social security contributions.

Universal Cash Transfers

Transfers related to marital status.

None.

Transfers for dependent children

From 1st of November 2012 families where the average monthly income per household member for the previous period is no greater than PLN 539 or PLN 623 when there are one or more disabled children in the household) are entitled to family allowances. From 1st of November 2015 the income criteria were increased to PLN 674 and PLN 764. Families receive PLN 89 (from 1st of November 2016 – PLN 95) monthly for a child no older than 5 years, PLN 118 (from 1st of November 2016 – PLN 124) monthly for a child of 5 up to 18 years old, and PLN 129 (from 1st of November 2016 – PLN 135) monthly for a child of 18 up to 24 years old. The calculations in this Report are based on the assumption that the children are aged between 6 and 11 years inclusive.

There are several supplements to family allowances:

- for large families – PLN 90 (from 1st of November 2016 – PLN 95) monthly for the 3rd and next children in the family.
- for education of disabled children – PLN 80 (from 1st of November 2016 – PLN 90) monthly for children not older than 5 years and PLN 100 (from 1st of November 2016 – PLN 110) for children older than 5 years.
- for single parents - a supplement of PLN 185 (from 1st of November 2016 – PLN 193) for each child up to a maximum of PLN 370 (from 1st of November 2016 – PLN 386) for all children (and PLN 265 (from 1st of November 2016 – PLN 273) for a disabled child up to a maximum of PLN 530 (from 1st of November 2016 – PLN 546) for all children).
- for parents of newborn children – a supplement of PLN 1000 paid once.
- for parents of children starting school year – a supplement of PLN 100 paid each year.
- for parents of children studying outside the place of residence – a supplement of PLN 113 paid monthly for children living in area where school is located or a supplement of PLN 69 for children who are commuting to school.
- for parents of children covered by an institutional care – a supplement up to PLN 400 per month per child for institutional care costs. It is not available if parents are receiving benefits for the child from the Family Care Capital (see section on Family Care Capital).

Parental benefit

On 1 January 2016 a parental benefit was introduced, aside from the already existing family and care benefits. The parental benefit is provided to families to which a child is born but whose members had not been eligible to a parental or maternity leave: students, the unemployed (regardless of registration with a labour office), people employed on the basis of civil law contracts, employees and people pursuing non-agricultural economic activity if they are not collecting maternity benefit. The parental benefit is granted regardless of income in the amount of PLN 1 000 a month for 52 weeks (after giving birth to one child in one labour), 65 weeks (after giving birth to two children in one labour), 67 weeks (after giving birth to three or four children in one labour) and for 71 weeks (after giving birth to five or more children in one labour).

Family 500 Plus Programme

Financial support for families with children

1 April 2016 (Act on state support for upbringing children entered into force 1 April 2016)

The Act on state support for upbringing children introduced new benefits- in amount of PLN 500 monthly per child until the child turns 18, which would be means-tested for the first child and available for all families for every additional child. The new benefit of PLN 500 a month (untaxed) is available for parents, actual guardian or legal guardian of a child until the child turns 18. The benefit will also be paid for the second

child and any subsequent child without application of any income criteria. It will be paid for the first child if income of the family per one member does not exceed PLN 800 a month (PLN 1 200 if there is a disabled child in the family)¹⁰. Eligibility to this benefit is established for a year (from 1 October to 30 September).

Since 1st July 2019 the extension of 500+ programme came into force: there is no income testing hence every child is eligible for the benefit so the transfer has become universal.

Since 1st January 2024 the amount of the benefit was changed to PLN 800 per month per child.

Good Start Programme

Since 2019 a new benefit of PLN 300 was introduced. Every child that is attending school until it turns 20 is eligible for this benefit which is paid once a year at the start of the school year. There is no income test.

Family Care Capital

Since 2022 a new benefit up to PLN 12 000 was introduced. Family Care Capital is granted to parent for the second and subsequent children in a family (age 12-35 months). Child's parent can choose whether to receive the benefit in the amount of PLN 500 for 24 months or PLN 1 000 for 12 months. The benefit is not granted if child has been placed in foster care, parent has been deprived of parental authority or parent or a member of family are entitled to receive abroad a benefit similar to Family Care Capital (not applicable to benefits from EU/EFTA Member States or the United Kingdom). The support is independent of family income and funds are tax exempted. Since 1st October 2024 the Family Care Capital has been gradually replaced by a new benefit, "Active Parent".

Active Parent is a new benefit which involves the introduction of an additional benefit for people raising children aged 12 to 35 months. This benefit is designed to support parents, particularly mothers, in making decisions about returning to the labour market after giving birth. Active Parent consists of three options, from which parents can choose only one: "active parents at work", "active in daycare", "active at home."

The "active parents at work" benefit is available to working parents for a child aged 12 to 35 months, not covered by institutional care, amounting to PLN 1500 per month per child.

The "active in daycare" benefit is available regardless of the parents' employment status for a child covered by institutional care. The benefit amounts up to PLN 1500 per month per child in the form of a reimbursement for institutional care costs.

The "active at home" benefit is available under similar conditions as the Family Care Capital, with the difference that the "active at home" benefit can be obtained for each child, including the first and only child aged 12 to 35 months. This support is directed to parents who are either not eligible or choose not to use the "active parents at work" or "active in daycare" benefits because they remain economically inactive or their child does not attend an institutional care facility.

It is worth noting that the OECD methodology does not include children of an age that entitles parents to receive benefits for children aged 12 to 35 months, so the effect of the benefit will not be visible in the results.

Main Changes in Tax/benefit Systems Since 2012

Since January 2017, the tax schedule has been changed by introduction of degressive basic tax credit. The work-related expenses, tax allowances, relieves are the same as in previous years.

Since 2012, there were also changes in Social Security Contribution. Since February 2014, 14.96% of the old-age insurance contribution (2.92 percentage points) are transferred by ZUS to a privately-managed

fund (OPF) but since July 2014 this part of contribution will be transferred only if insured persons decide to – otherwise all 7.3 percentage points of the contributions will be passed to subaccount in ZUS.

On 1st January 2019 as the solidarity contribution on the income of individuals - in the amount of 4% from a surplus of income (gross income minus SSC of employee) over PLN 1 million for a tax year was introduced.

Since August 2019 gross wages up to PLN 85 528 for people under 26 years old are exempted from PIT.

Since October 2019 the first marginal tax rate has been lowered from 18% to 17% and work-related expenses were more than doubled.

Since 1st January 2022 major fiscal reform called Polish Deal was introduced, including, inter alia:

- The new non-refundable tax credit of PLN 5100 for the tax base without upper limit.
- The new income threshold for 32% PIT tax rate – the rate is applicable for the excess of taxable income over 120 000 PLN.
- The elimination of tax-deductible health insurance contribution – before 2022 the amount of 7.75% of health insurance contribution base was deductible from the tax liability.
- The introduction of the middle-class tax relief which aimed at compensating for abolition of health insurance tax deduction. The middle-class tax relief applied for selected taxpayers who earn between PLN 5 701 to PLN 11 141 and were taxed under the tax scale.
- The increase of the amount of revenue subject to 50% tax-deductible costs for copyrights and related disposal of copyrights from PLN 85 525 to PLN 120 000.
- A new tax relief for income up to PLN 85 528 for: parents of four or more children, persons returning from abroad and working seniors.

Since 1st July 2022 Polish Deal tax reform was thoroughly overhauled and modified. The amendments of the previous reform were introduced, including, inter alia:

- The reduction of the PIT rate for the first income tax bracket from 17 to 12 percent.
- The abolition of the middle-class relief, with the qualification that taxpayers might settle their tax return for 2022 applying previous tax rules if it is more advantageous for them.
- The introduction of tax-deductible health insurance contribution for individuals who obtain revenue from business activity subject to fixed amount tax, flat tax or lump-sum tax on recorded revenue. The annual deduction cap amounts to PLN 8 700 for flat taxpayers, to 50 percent of the amount of contribution paid for lump-sum tax on recorded revenue payers and to 19% of contribution paid for fixed amount taxpayers. Health insurance can be deducted from taxable income, not from tax, as it was before the reform.
- Due to the reduction of the PIT rate the new deductible amount is equal to PLN 3 600 (PLN 30 000 x 12%) and the amount reducing the monthly advance tax payments will be decreased to PLN 300 (PLN 3 600/12).

Additionally, since 1st January 2022 new SSC ceiling was introduced. Income over PLN 208 050 is contribution exempt. This number is calculated as the average earnings in the economy multiplied by 30 and changed each year.

Since 1st January 2024 the amount of benefit provided under Family 500+ Programme was changed to PLN 800 per month per child.

Since 1st October 2024 Family Care Capital has been replaced by a new benefit, Active Parent, which is described in section on Family Care Capital.

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

Exemption from social security contributions (employee's and employer's part) for up to 3 months period for enterprises registered before February 2020:

- exemption of 50% from SSC in enterprises that have reported to Social Security Fund from 10 to 49 people.
- exemption of 100% from SSC in enterprises that have reported to Social Security Fund from 1 to 9 people.

Since less than half of the full-time workers within sectors B to N are affected by the temporary exemption of social security contributions, the measure is not considered in the Taxing Wages calculations.

Subsidies for employee remuneration costs and social security contributions up to three months period:

- a subsidy to downtime pays in the amount of 50% of minimum wage plus social security contributions
- a subsidy up to half of the salary of employees, but no more than 40% of the average monthly salary from the previous quarter plus social security contributions

The subsidy can be granted if the decline in sales revenues amounted to:

- not less than 15% - calculated as the ratio of total sales revenues in the following two months period after Jan 2020, to the total sales revenues from the corresponding 2 months of the previous year (i.e. 2019); or
- not less than 25% - calculated as the ratio of total sales revenues in any given month in the period after Jan 2020 compared to the turnover from the previous month.

Subsidies for employee remuneration costs and social security contributions for micro, small and medium-sized enterprises for up to 3-month period in the amount of:

- 50% of minimum wage plus social security contributions per employee, if the decline in sales revenues amounted to 30%,
- 70% of minimum wage plus social security contributions per employee, if the decline in sales revenues amounted to 50%,
- 90% of minimum wage plus social security contributions per employee if the decline in sales revenues amounted to 80%.

A decline in total sales revenues is calculated based on the following two months of 2020 compared to the total sales revenues from the corresponding 2 months of 2019.

From May 16th, 2022, the COVID-19 epidemic state in Poland ceased to apply. During the pandemic period there were introduced numerous tax and contribution preferences. Those preferences have limited application time. They expired at the end of May, or at the end of a fiscal year when the recall took place, or at the end of the next fiscal year.

Memorandum Items

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*.

Employers' contributions to private pension, health and related schemes

Employee Capital Plans (pol. Pracownicze Plany Kapitałowe - PPK) is a form of voluntary pension savings scheme organized by the employer and coordinated by a government agency, The Polish Development Fund (pol. Polski Fundusz Rozwoju - PFR). Each employee is by default enlisted into the scheme but he/she can opt out, although every 4 years he/she is enlisted again and has to sign out again. If an employee decides to participate he/she must pay at least 2% of his/her salary (if the salary is below 120% of a minimum wage the minimum rate is 0,5%), whereas an employer pays additional 1,5%. Both – employee's and employer's parts can be increased up to 4%. The savings are managed by private financial corporations and the government adds a one-off welcome payment of PLN 250 and an annual payment 240 PLN. However, less than a half of employees participate in the PPK. Due to being a non-compulsory private saving scheme it is not treated as compulsory tax.

2025 Parameter values

Average earnings/yr	Ave_earn	105 738	
Work expenses	work_exp	3 000 ¹¹	
Income tax schedule	tax_sch		
		0.12	120 000
		0.32	
Tax credits			
Basic credit	basic_cr1	3 600	
Health insurance	health_ins	0.09	
	health_ins_credit	0	
Children	Child_cr	1 112.04	
	Child_cr_lim	112 000	
Social security contributions			
Employers	SSC_empr	0.2008	
old-age pension and disability pension insurance	SSC_old	0.0976	
	SSC_old_ZUS	0.0611	
	SSC_old_ZUSII	0.0365	
	SSC_old_OPF	0	
	SSC_dis	0.065	
other insurances	SSC_a	0.0114	
Payroll tax	Payroll_tax	0.0255	
Employees	SSC	0.1371	
old-age pension and disability pension insurance	SSC_old_e	0.0976	
	SSC_old_e_ZUS	0.0611	
	SSC_old_e_ZUSII	0.0365	
	SSC_old_e_OPF	0	
	SSC_dis_e	0.015	
sickness insurance	SSC_s	0.0245	
Contribution ceiling	SSC_c	260 190	
Family benefit	fam_ben	1 588	
single parent additional family benefit	fam_ben_Spsup	2 316	
single parent additional family benefit ceiling	fam_ben_Spsup_lim	4 632	
income limit	fam_ben_lim	8 088	
income limit for single parent	fam_ben_lim_sp	8 088	
Family 500 Plus Programme	plus_ben	9 600	
"Good start" benefit	gs_ben	300	
Solidarity surcharge rate	solid_sur_rate	0.04	
Solidarity surcharge threshold	solid_thr	1 000 000	

2025 Tax equations

The equations for the Polish system are mostly calculated on a family basis.

The standard functions which are used in the equations (Taper, MIN, Tax etc) are described in the technical note about tax equations. Two additional functions (Tax93 and ftax) have been incorporated to carry out an iterative calculation for central government tax. These allow for the fact that the church tax is calculated as 9% of Central Government tax and is also allowed as a deduction when calculating taxable income. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables “married” and “children”. A reference to a variable with the affix “_total” indicates the sum of the relevant variable values for the principal and spouse. And the affixes “_princ” and “_spouse” indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with “_spouse” values taken as 0.

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings	earn		
	Quotient for tax calculation	quotient	J	$1 + \text{MAX}(\text{Married}, (\text{Children} > 0))$
2.	Allowances:	tax_al	J	$\text{work\_exp} + \text{MIN}(\text{earn\_spouse}, \text{work\_exp}) + \text{SSC} + \text{SSC\_old\_e\_OPF} * \text{MIN}(\text{earn}, \text{SSC\_c})$
3.	Credits in taxable income	taxbl_cr	J	0
4.	CG taxable income	tax_inc	J	$\text{Positive}(\text{earn} - \text{tax\_al})$
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	3600
	Health insurance	health_ins_cr	B	0
	Child credit	child_cr	J	$\text{If}(\text{earn\_total} < \text{Child\_cr\_lim}, \text{children} * \text{child\_cr}, 0)$
	Total tax credits	tax_cr	J	$\text{basic\_cr} + \text{health\_ins\_cr} + \text{child\_cr}$
7.	CG tax	CG_tax	J	$\text{MAX}(0, \text{Positive}(\text{CG\_tax\_excl} - \text{basic\_cr} - \text{health\_ins}) - \text{child\_cr} - (\text{child\_cr} > \text{Positive}(\text{CG\_tax\_excl} - \text{basic\_cr} - \text{health\_ins})) * \text{MIN}(\text{SSC\_al} + \text{health\_ins}, \text{child\_cr} - \text{Positive}(\text{CG\_tax\_excl} - \text{basic\_cr} - \text{health\_ins})))$
8.	State and local taxes	local_tax	J	0
9.	Employees' soc security	health_ins	B	$(\text{earn} - (\text{MIN}(\text{earn}, \text{SSC\_c}) * (\text{SSC\_old\_e} + \text{SSC\_dis\_e}) + \text{earn} * \text{SSC\_s}))) * \text{health\_ins}$
.		SSC	B	$(\text{SSC\_old\_e\_ZUS} + \text{SSC\_dis\_e}) * \text{MIN}(\text{earn}, \text{SSC\_c}) + \text{SSC\_s} * \text{earn}$
11.	Cash transfers	cash_tran	J	$= \text{MAX}(0, (\text{fam\_net\_inc} < \text{fam\_ben\_lim} * (1 + \text{Married} + \text{Children}) - 240 + (\text{Children} * \text{fam\_ben} + (1 - \text{Married}) * (\text{Children} > 0) * \text{MIN}(\text{fam\_ben\_Spsup} * \text{Children}, \text{fam\_ben\_Spsup\_lim}))) * (\text{Children} * \text{fam\_ben} + (1 - \text{Married}) * (\text{Children} > 0) * \text{MIN}(\text{fam\_ben\_Spsup} * \text{Children}, \text{fam\_ben\_Spsup\_lim}))) - \text{IF}(\text{fam\_net\_inc} > \text{fam\_ben\_lim} * (1 + \text{Married} + \text{Children}), \text{fam\_net\_inc} - \text{fam\_ben\_lim} * (1 + \text{Married} + \text{Children}), 0)) + (\text{Children} * \text{plus\_ben}) + (\text{gs\_ben} * \text{Children})$
		fam_net_inc	J	$= \text{Positive}(\text{earn} - \text{SSC\_al} - \text{health\_ins} - \text{CG\_tax} - \text{work\_exp})$
13.	Employer's soc security	SSC_empr	B	$(\text{SSC\_old\_ZUS} + \text{SSC\_dis}) * \text{MIN}(\text{earn}, \text{SSC\_c}) + \text{SSC\_a} * \text{earn}$
		Payroll tax	B	$\text{Earn} * \text{Payroll\_tax}$

Key to range of equation:

B calculated separately for both principal earner and spouse,

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

J calculated once only on a joint basis.

Notes

¹ However, a widowed spouse is entitled to apply the joint income taxation.

² Applicable only in a tax return.

³ Applicable only in a tax return.

⁴ It concerns a child of 18 years old or younger or a child up to 25 years old provided they are students or a disabled child irrespective of their age. The actual description in the Main Changes in Tax/benefit Systems Since 2012 section.

⁵ For the purpose of the calculations in this publication, it is assumed that the worker has the same town/city as place of residence.

⁶ This relief is distinct from an allowance for donations deducted from income. It allows for transferring 1.5% of final tax contribution to a selected public benefit organization. It lowers the final tax effectively going to the tax office, but not the total tax liability for the taxpayer.

⁷ Since July 2014 out of total 19.52% of social contributions 7.3% goes to subaccount in ZUS either – if voluntarily stated by insured person – 2.92% goes to account in open ended funds and 4.38% to subaccount in ZUS.

⁸ The contribution ceiling of pension and disability insurance funds for a given calendar year may not exceed thirty times the amount of the projected average monthly remuneration in the national economy for that year, as set forth in the Budgetary Act.

⁹ Since July 2014 out of total 19.52% of social contributions 7.3% goes to subaccount in ZUS either – if voluntarily stated by insured person – 2.92% goes to account in open ended funds and 4.38% to subaccount in ZUS.

¹⁰ Some of the features (namely, joint taxation and child tax credit) of the Polish tax system are optional and therefore can influence eligibility to “500+” family, and in a consequence tax wedge, in a non-linear way. As they both determine “net income for income test” and because of no tapering of “500+” sometimes it may be preferable not to use joint taxation or child tax credit (or to use it partially) in order to get the most appropriate net income to maximize the family benefit payments. As for now model treats both joint taxation and child tax credit as obligatory. With the parameters in the excel file (average wage etc.) it does not alter the results. However, if any of the parameters change, the previous statement may not hold.

¹¹ Lump-sum annual work expenses for an employee having one workplace and living in the place (town, city) where the workplace is; employees living outside the city (town) where their workplace is may deduct 3 600 PLN annually.

Portugal

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

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

Portugal 2025

The tax/benefit position of single persons

		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1	Gross wage earnings		16 250	24 254	40 504	16 250
2	Standard tax allowances					
	Basic allowance		4 462	4 462	4 462	4 462
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes					
	Work-related expenses		0	0	0	0
	Other					
	Total		4 462	4 462	4 462	4 462
3	Tax credits or cash transfers included in taxable income		0	0	0	0
4	Central government taxable income (1 - 2 + 3)		11 788	19 792	36 042	11 788
5	Central government income tax liability (exclusive of tax credits)		1 604	3 379	8 573	1 604
6	Tax credits					
	Basic credit		0	0	0	0
	Married or head of family					
	Children		0	0	0	1 500
	Other					
	Total		0	0	0	1 500
7	Central government income tax finally paid (5-6)		1 604	3 379	8 573	104
8	State and local taxes		0	0	0	0
9	Employees' compulsory social security contributions					
	Gross earnings		1 788	2 668	4 455	1 788
	Taxable income					
	Total		1 788	2 668	4 455	1 788
10	Total payments to general government (7 + 8 + 9)		3 392	6 047	13 028	1 892
11	Cash transfers from general government					
	For head of family					
	For two children		0	0	0	2 646
	Total		0	0	0	2 646
12	Take-home pay (1-10+11)		12 859	18 207	27 476	17 005
13	Employer's compulsory social security contributions		3 859	5 760	9 620	3 859
14	Average rates					
	Income tax		9.9%	13.9%	21.2%	0.6%
	Employees' social security contributions		11.0%	11.0%	11.0%	11.0%
	Total payments less cash transfers		20.9%	24.9%	32.2%	-4.6%
	Total tax wedge including employer's social security contributions		36.1%	39.3%	45.2%	15.4%
15	Marginal rates					
	Total payments less cash transfers: Principal earner		27.0%	35.4%	45.9%	27.0%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		41.0%	47.8%	56.3%	41.0%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Portugal 2025

The tax/benefit position of married couples

		Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
		Number of children	2	2	2	none
1	Gross wage earnings		24 254	40 504	48 508	40 504
2	Standard tax allowances					
	Basic allowance		4 462	8 924	8 924	8 924
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes					
	Work-related expenses		0	0	0	0
	Other					
	Total		4 462	8 924	8 924	8 924
3	Tax credits or cash transfers included in taxable income		0	0	0	0
4	Central government taxable income (1 - 2 + 3)		19 792	31 580	39 584	31 580
5	Central government income tax liability (exclusive of tax credits)		2 603	4 888	6 757	4 888
6	Tax credits					
	Basic credit		0	0	0	0
	Married or head of family					
	Children		1 500	1 500	1 500	0
	Other					
	Total		1 500	1 500	1 500	0
7	Central government income tax finally paid (5-6)		1 103	3 388	5 257	4 888
8	State and local taxes		0	0	0	0
9	Employees' compulsory social security contributions					
	Gross earnings		2 668	4 455	5 336	4 455
	Taxable income					
	Total		2 668	4 455	5 336	4 455
10	Total payments to general government (7 + 8 + 9)		3 771	7 843	10 593	9 343
11	Cash transfers from general government					
	For head of family					
	For two children		1 276	0	0	0
	Total		1 276	0	0	0
12	Take-home pay (1-10+11)		21 760	32 661	37 915	31 161
13	Employer's compulsory social security contributions		5 760	9 620	11 521	9 620
14	Average rates					
	Income tax		4.5%	8.4%	10.8%	12.1%
	Employees' social security contributions		11.0%	11.0%	11.0%	11.0%
	Total payments less cash transfers		10.3%	19.4%	21.8%	23.1%
	Total tax wedge including employer's social security contributions		27.5%	34.8%	36.8%	37.8%
15	Marginal rates					
	Total payments less cash transfers: Principal earner		27.0%	32.5%	35.4%	32.5%
	Total payments less cash transfers: Spouse		32.9%	32.5%	35.4%	32.5%
	Total tax wedge: Principal earner		41.0%	45.5%	47.8%	45.5%
	Total tax wedge: Spouse		45.8%	45.5%	47.8%	45.5%

The national currency is the Euro (EUR). In 2025, EUR 0.88 equaled USD 1. The Secretariat has estimated that in that same year the average worker earned EUR 24 254 (Secretariat estimate).

Personal Income Tax

Taxes levied by central government.

Tax unit

The standard rule is separate taxation. However, families may opt for joint taxation. Income includes the income of any dependent children. Tax is computed on aggregate net income in the various categories of income, i.e., after the deductions specific to each category and standard and non-standard reliefs.

Standard and non-standard reliefs and tax credits

Standard reliefs

Standard deduction of EUR 4 462,15 (8.54*SBI). 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.

Non-standard reliefs

For income received from 1 January 1999 onwards, the majority of the standard reliefs have been replaced by tax credits (see Section on Tax credits).

Non-standard reliefs still in effect:

A deduction is provided for the portion of trade union dues not constituting consideration for benefits in the realm of health care, education, assistance for the elderly, housing, insurance or social security, up to 1% of the taxpayer's gross income, increased by 50%. These dues are not taken into account in the calculations underlying this Report.

Social security contributions

Social security contributions are totally deductible if they exceed EUR 4 350,24 per taxpayer, in which case the deduction for the contributions replaces the standard earned income deduction (see Section on Standard reliefs).

Tax credits

Basic credits:

- EUR 600 for each dependent child. This tax credit is increased by EUR 126 for dependent children whose age does not exceed 3 years old. The value is increased to EUR 300 and EUR 150 for the second and following whose age does not exceed 6 years old.
- EUR 525 for each ascendant whose income does not exceed the minimum pension benefit. When there is only one ascendant, the tax credit increases by EUR 110.
- 35% of household general expenses up to a limit of EUR 250, per taxpayer; this limit is increased to 45% and EUR 335, respectively, for single parents.
- Non-reimbursed health care costs, not covered by Social Security: 15% of health care costs, with a limit of EUR 1 000.

- Expenditures for educating the taxpayer or the taxpayer's dependents: 30% of outlays, up to EUR 800.
- Costs for sanatoria or retirement homes for taxpayers, their ascendants and collaterals up to the third degree whose income does not exceed the national minimum wage: 25% of expenses up to EUR 403.75.
- 15% of the amount spent (up to EUR 296.00) on interest regarding the acquisition, construction or improvement of the taxpayer's primary residence, or leasing contracts (applicable to contracts up to 31/12/2011); 30% of the amount spent (up to EUR 400) on rents paid by students under 25 years old, studying more than 50km away from home; and 15% of the amount spent (up to EUR 800) on rents paid by a tenant for his permanent residence under an agreement typified by the law. The EUR 296 is also increased for taxpayers in the first tax rate bracket and for taxpayers with income above the first-rate bracket upper limit and below EUR 30.000, according to the formula below.

$$296 + [(450 - 296) * \left(\frac{30000 - \text{liable income}}{30000 - 8059} \right)]$$

The EUR 800 is also increased for taxpayers in the first tax rate bracket and for taxpayers with income above the first-rate bracket upper limit and below EUR 30.000, according to the formula below.

$$800 + [(1100 - 800) * \left(\frac{30000 - \text{liable income}}{30000 - 8059} \right)]$$

- 20% of alimony payments compulsory under court order or court-approved agreement.
- 30% of education expenditures and 25% of life insurance premiums, up to a limit of 15% of the tax liability, for handicapped taxpayers or dependents.
- 15% of VAT paid for certain services (restaurants, lodging, hairdressers, and auto-repair), 35% of VAT paid for veterinarian medicines and 100% of VAT paid for public transport use up to a limit of EUR 250. This benefit is not included on the limits referred to on the next page.

Tax credits from tax benefits:

- Individual Retirement Savings Plans (PPRs): 20% of amounts invested, for unmarried taxpayers or for each spouse, up to:
 - EUR 400 for taxpayers under 35.
 - EUR 350 for taxpayers over 35 and under 50.
 - EUR 300 for taxpayers over 50.
- Social Security Individual Accounts: 20% of amounts invested, for unmarried taxpayers or for each spouse, up to a limit of EUR 350.

Donations granted on the conditions stated in the statutes governing charities (grants to central, regional or local government, special "social solidarity institutions", museums, libraries, schools, institutes, educational or research associations, public administrative bodies, etc.): 25% of donations, limited in certain cases to 15% of the donor's tax liability. However, the total of tax credits related to health care costs, education and training, alimony, retirement homes, VAT paid, house expenses and tax benefits cannot exceed the values of the following amounts:

Taxable income (EUR) (R)	Limit
Up to 8059	Without limit
Between 8059 and 80 000	$1000 + [(2500 - 1000) * (\frac{80000 - \text{liable income}}{80000 - 8059})]$
Over 80 000	EUR 1 000

Limits are increased in 5% for each dependent, for households with three or more dependents.

Family status – determination of taxable income

The default status is individual taxation. Couples can opt for joint taxation based on the income-splitting system as it is described below. In the Taxing Wages calculations, the most favourable system is chosen.

Tax rate schedule (applicable to 2025 income)

Taxable income (EUR) (R)	Marginal tax rate (%) (T)	Amount to deduct (EUR) (K)
Up to 8059	12,5	---
Over 8059 up to 12160	16	282,07
Over 12160 up to 17233	21,5	950.91
Over 17233 up to 22306	24,4	1467.91
Over 22306 up to 28400	31,4	3029.38
Over 28400 up to 41629	34,9	4023.14
Over 41629 up to 44987	43,1	7353.76
Over 44987 up to 83696	44,6	8028.38
Over 83696	48.00	10539.00

The reference value for the minimum existence income will be the maximum between EUR 12180 and $1.5 \times 14 \times (\text{Social Benefits Index})$.

For residents in the Autonomous Regions of the Azores, reduced tax rates are applicable. Tax calculation formula (I = Income tax due:

Un married taxpayers: $I = R \times T - K - C$

Married taxpayers can opt for joint taxation based on the income splitting method (with one or two earned incomes/see Section on Family status- determination of taxable income):

- $I = \{ [(R : 2) \times T - K] \times 2 \} - C$ Where

R= Taxable income, after deduction of standard and non-standard reliefs (see Sections under Standard and non-standard reliefs and tax credits)

T = Tax rate corresponding to the taxable income bracket

K = Amount to be deducted from each bracket

C = Tax credits (see Section on Tax credits)

Surtax:

An additional surtax, solidarity tax rate, was introduced by the 2012 State Budget and is applicable on highest income bracket. The surtax tax rate is now 2.5% applicable to taxable income between EUR 80 000 and EUR 250 000 and 5% for taxable income above EUR 250 000.

*Special family situations***Handicapped taxpayer/spouse, with a disability rating of 60% or more:**

A tax credit corresponding to 4 times the social benefits index is granted for each taxpayer or spouse.

Handicapped dependent children, with a disability rating of 60% or more:

A tax credit corresponding to 2.5 times the social benefits index is granted for each dependent child.

Handicapped taxpayer/spouse or dependent children, with a disability rating of 90% or more:

An additional tax credit corresponding to 4 times social benefits index is granted for each taxpayer or spouse or dependent child.

Non liable income

- Lawfully granted family allowances.
- Living expenses per diem, up to the limits established for national civil servants.
- Meal allowances, up to the amount established for national civil servants, increased by 20% or 60% in the event of a meal allowance in the form of meal vouchers.

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.

Employee contributions

As a rule, the rate of employee contributions is 11% of gross pay, with no ceiling.

Employer contributions

The employer's rate of social security contributions is 23.75% of gross pay, with no ceiling.

Areas of social protection

- Health (sickness, disability, work accidents, work-related illness);
- Old age, survival.
- Maternity.
- Family (family allowances).
- Unemployment.

Universal cash benefits

Benefits for dependent children

The basic principle is to grant higher monthly social benefits to lower-income households.

There are five different levels of monthly allowances for dependent children, depending on the family's reference income. This reference income is determined by dividing the family's annual gross income, including vacation and Christmas allowances, by the number of dependent children plus one.

Monthly social benefits per child are as follows (in 2025 the social benefit paid to already receiving beneficiaries are the same as below; for beneficiaries applying in 2025 the brackets considered are estimated according to the 2024 social benefits index):

- Level 1: Families whose reference income is under 50% of 14 times the reference value (i.e., under EUR 3363.01).
- Level 2: Families whose reference income is under 50% and under 100% of 14 times the reference value (i.e., over EUR 3363.01 and under EUR 6726.02).
- Level 3: Families whose reference income is over 100% and under 170% of 14 times the reference value (i.e., over EUR 6726.02 and under EUR 11434.23).
- Level 4: Families whose reference income is over 170% (i.e., over EUR 11434.23 and under EUR 16815.05).
- Level 5: Families whose reference income is over 250% (i.e., over EUR 16815.05).

Each level is also divided according to the age of the dependent child. Benefits are higher during the first 12 months of a child's life.

Monthly social benefits per child are as follows:

	Child under 36 months	Additional benefit per child under 36 months in a family with 2 children	Additional benefit per child under 36 months in a family with 3 or more children	Child over 36 months and under 72 months old	Child over 72 months old
Level 1	186.87	63.56	104.66	73.51	73.51
Level 2	158.17	56.40	90.33	73.51	73.51
Level 3	129.23	53.18	83.91	58.05	53.18
Level 4	86.53	38.43	54.50	43.81	-
Level 5	-	-	-	-	-

There is an additional EUR 51.09 monthly guarantee for children over 36 months and under 18 years old in risk of extreme poverty.

Monthly social benefits per child in a single-parent family are increased between 35% and 50% depending on income level.

In September, families with dependent school children aged between 6- and 16-years receiving child benefits in level 1 receive an additional amount equal to the regular monthly benefit.

An amount equal to the cash benefits for dependent children under 12 months is attributed for each unborn child after the first month following that of the 13th week of gestation.

Benefits for handicapped dependent children

There is also a special family allowance scheme for handicapped children.

The above cash benefits (in Sections on Benefits for dependent children and Benefits for handicapped dependent children) are not taxable.

Main Changes in tax/benefit systems since 2006

- The relief for disabled taxpayers was restructured. Former partial exemptions and allowances were replaced by tax credits.
- Tax credits for higher income households were limited or abolished.
- The fiscal autonomy of local authorities (municipalities) increased. They may set the level of their share in the revenue from personal income tax, up to 5% of their resident taxpayers' tax liability. If this rate is set below 5%, the difference will be credited against the taxpayers' tax liability.
- Tax credits for handicapped taxpayers and dependants were increased.
- Social benefits for dependent children were increased for low-income families, single-parent families and families with 2 or more children.
- Introduction of social benefits for unborn children.
- A family coefficient was introduced in 2015 and abolished in 2016.
- From 2016, the tax unit is the individual. However, couples can opt for joint taxation.

Memorandum Items

Method used to identify and compute gross wages of the average worker.

The operative concept of monthly compensation is that of amounts paid to full time staff before deductions for tax and compulsory contributions. It therefore includes wages and basic salaries of staff paid by the hour, by the job, or by tasks; benefits in kind or housing, if they are considered an integral part of compensation; cash subsidies for meals, housing, or transport; bonuses for regular night shifts and seniority, as well as incentive pay and rewards for diligence and productivity; family allowances, compensation for overtime and work on holidays. Benefits, subsidies and bonuses are taken into account only if paid regularly at each pay period.

Payments in kind are incorporated into the concept of compensation. The statistics record such advantages in kind at their taxable value.

All managerial and supervisory workers are included in the computations.

Average annual pay is based on the average of monthly earnings for April and October multiplied by an adjustment coefficient representing the share of annual bonuses and allowances (including vacation subsidies and the Christmas allowance), which is provided by the labour cost survey.

The following formula is applied:

- Average annual pay = Average monthly pay adjusted by the coefficient x 12.

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.

2025 Parameter values

Average earnings/yr	Ave_earn	24 254	Secretariat estimate	
Tax allowances	perc	1		
	max_al	4 462.15		
Tax credits				
Married (basic)	married_cred	0		
Single (basic)	single_cred	0		
Single parent	singlepar_cred	0		
Each child credit	child_cred	600		
	child_cred_6supp	300		
Tax schedule	tax_sch	0.125	8 059	
		0.16	12 160	
		0.215	17 233	
		0.244	22 306	
		0.314	28 400	
		0.349	41 629	
		0.431	44 987	
		0.446	83 696	
		0.48		
	tax_floor	na		
Surtax	surtax_rate	0.025		
	surtax_rate2	0.05		
	surtax_thrs	250 000		
Social security contributions	SSC_rate	0.11		
ceiling	SSC_empr	0.2375		
Child benefit Schedule	ch_ben_sch	0		1st echelon
		3363.01	882.12	2nd echelon
		6726.02	882.12	3rd echelon
		11434.23	638.16	4th echelon
Extra child benefit for lone parents	ch_ben_lone	0.5	1st echelon	
		0.5	2nd,3rd and 4th echelons	
Minimum Wage	MW	12180		
Minimum Disposable Income	MinDispY *	<12180	12180-(4462.15+(250/13%))	
		>12180 ^<13884.42	12180-(2.6*(GI-12180))- (4462.15+(250/13%)))	GI='gross' income
		>13884.42	13649.38-8059-(1.35*(GI- 13884.42))- 4462.15	
	MinDispY_thr1	12180		
	MinDispY_thr2	13884.42		

	Gen_exp_ded	250		
	Mult_1	2.6		
	Mult_2	1.35		

*€4462.15 corresponds to the specific deduction and €250 correspond to the maximum deduction for general expenses; maximum value is the difference between gross income and specific deductions.

2025 Tax equations

The equations for the Portuguese system in 2025 are calculated on individual basis. Couples can opt for joint taxation based on the income-splitting system. In the Taxing Wages calculations, the two systems are modelled and the most favourable system is chosen.

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

Slovak Republic

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

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

Slovak Republic 2025

The tax/benefit position of single persons

		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1	Gross wage earnings		13 126	19 590	32 716	13 126
2	Standard tax allowances					
	Basic allowance		5 754	5 754	5 027	5 754
	Married or head of family		0	0	0	0
	Dependent children		0	0	0	0
	Deduction for social security contributions and income taxes		1 759	2 625	4 384	1 759
	Work-related expenses					
	Other					
	Total		7 513	8 379	9 411	7 513
3	Tax credits or cash transfers included in taxable income		0	0	0	0
4	Central government taxable income (1 - 2 + 3)		5 613	11 212	23 305	5 613
5	Central government income tax liability (exclusive of tax credits)		1 066	2 130	4 428	1 066
6	Tax credits					
	Basic credit		0	0	0	0
	Married or head of family		0	0	0	0
	Children		0	0	0	2 400
	Other (ETC)		0	0	0	0
	Total		0	0	0	2 400
7	Central government income tax finally paid (5-6)		1 066	2 130	4 428	- 1 334
8	State and local taxes		0	0	0	0
9	Employees' compulsory social security contributions					
	Gross earnings		1 759	2 625	4 384	1 759
	Taxable income					
	Total		1 759	2 625	4 384	1 759
10	Total payments to general government (7 + 8 + 9)		2 825	4 755	8 812	425
11	Cash transfers from general government					
	For head of family					
	For two children		0	0	0	1 440
	Total		0	0	0	1 440
12	Take-home pay (1-10+11)		10 300	14 835	23 904	14 140
13	Employers' compulsory social security contributions		4 226	6 308	10 535	4 226
14	Average rates					
	Income tax		8.1%	10.9%	13.5%	-10.2%
	Employees' social security contributions		13.4%	13.4%	13.4%	13.4%
	Total payments less cash transfers		21.5%	24.3%	26.9%	-7.7%
	Total tax wedge including employer's social security contributions		40.6%	42.7%	44.7%	18.5%
15	Marginal rates					
	Total payments less cash transfers: Principal earner		29.9%	29.9%	34.0%	29.9%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		46.9%	46.9%	50.1%	46.9%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Slovak Republic 2025

The tax/benefit position of married couples

		Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
		Number of children	2	2	2	none
1	Gross wage earnings		19 590	32 716	39 181	32 716
2	Standard tax allowances					
	Basic allowance		5 754	11 508	11 508	11 508
	Married or head of family		5 261	0	0	0
	Dependent children		0	0	0	0
	Deduction for social security contributions and income taxes		2 625	4 384	5 250	4 384
	Work-related expenses					
	Other					
	Total		13 640	15 892	16 758	15 892
3	Tax credits or cash transfers included in taxable income		0	0	0	0
4	Central government taxable income (1 - 2 + 3)		5 951	16 824	22 423	16 824
5	Central government income tax liability (exclusive of tax credits)		1 131	3 197	4 260	3 197
6	Tax credits					
	Basic credit		0	0	0	0
	Married or head of family		0	0	0	0
	Children		2 400	2 400	2 400	0
	Other (ETC)		0	0	0	0
	Total		2 400	2 400	2 400	0
7	Central government income tax finally paid (5-6)		- 1 269	797	1 860	3 197
8	State and local taxes		0	0	0	0
9	Employees' compulsory social security contributions					
	Gross earnings		2 625	4 384	5 250	4 384
	Taxable income					
	Total		2 625	4 384	5 250	4 384
10	Total payments to general government (7 + 8 + 9)		1 356	5 181	7 111	7 581
11	Cash transfers from general government					
	For head of family					
	For two children		1 440	1 440	1 440	0
	Total		1 440	1 440	1 440	0
12	Take-home pay (1-10+11)		19 675	28 975	33 510	25 135
13	Employers' compulsory social security contributions		6 308	10 535	12 616	10 535
14	Average rates					
	Income tax		-6.5%	2.4%	4.7%	9.8%
	Employees' social security contributions		13.4%	13.4%	13.4%	13.4%
	Total payments less cash transfers		-0.4%	11.4%	14.5%	23.2%
	Total tax wedge including employer's social security contributions		24.0%	33.0%	35.3%	41.9%
15	Marginal rates					
	Total payments less cash transfers: Principal earner		29.9%	29.9%	29.9%	29.9%
	Total payments less cash transfers: Spouse		29.1%	29.9%	29.9%	29.9%
	Total tax wedge: Principal earner		46.9%	46.9%	46.9%	46.9%
	Total tax wedge: Spouse		46.4%	46.9%	46.9%	46.9%

On 1 January 2009 Slovakia joined the Euro zone; the national currency became the Euro (EUR). In 2025, EUR 0.88 was equal to USD 1. In that year, the average worker earned EUR 19 590 (Secretariat estimate).

Personal Income Tax System

Central government income taxes

Tax unit

The tax unit is the individual.

Tax allowances and tax credits

Standard reliefs

- **Basic relief:** An allowance for all taxpayers is set at 21 times the minimum living standard (MLS) for a basic adult as of January 1, 2025 (EUR 5 753.79). In 2025, the basic personal allowance for taxpayers with gross earnings net of employee social security contributions in excess of the threshold of EUR 25 426.27 per year ($= 92.8 \times \text{MLS}$, which is approximately equal to an employee's monthly gross wage of EUR 2 447) is gradually withdrawn. If gross earnings net of employee social security contributions exceeds EUR 25 426.27, the personal allowance is calculated as 44.2 times the minimum living standard minus 0.25 times gross earnings net of employee social security contributions. The basic personal allowance reaches 0 if the gross earnings net of employee social security contributions amount to EUR 48 441 per year (employee's monthly gross wage of approximately EUR 4 661). The value of the basic tax allowance cannot become negative.
- The regressive tax allowance is taken into account only once a year (when the tax return is filed or when the annual clearing is performed). Monthly tax prepayments during the year are therefore not affected.
- **Marital status relief:** An additional allowance is given to the principal earner in respect of a spouse living in a common household if the spouse earns no more than EUR 5 260.61. As from January 1, 2008, the value of the spouse allowance depends on the gross earnings net of employee social security contributions of both the principal and the spouse. As of 2013, to be entitled to the spouse allowance one of the following conditions should be met:
 - spouse is taking care of (not necessarily personally) children up to 3 years (or up to 6 years if the child is disabled) or
 - spouse is unemployed or
 - spouse is receiving nursing allowance or
 - spouse is disabled.

If the principal's gross earnings net of employee social security contributions in 2025 are lower or equal to EUR 48 441.43 ($= 176.8 \times \text{MLS}$) and the spouse's gross earnings net of employee social security contributions are lower than EUR 5 260.61, the spouse allowance is calculated as the difference between 19.2 times MLS and the spouse's gross earnings net of employee social security contributions. If the gross earnings net of employee social security contributions of the spouse exceeds EUR 5 260.61, the spouse allowance is 0. If the principal's gross earnings net of employee social security contributions exceeds EUR 48 441.43 ($= 176.8 \times \text{MLS}$), the spouse allowance is calculated as 63.4 times MLS minus 0.25 times the principal's gross earnings net of employee social security contributions. This amount is reduced by the spouse's gross earnings net of employee social security contributions. The value of the spouse allowance cannot become negative.

The digressive tax allowance is taken into account only once a year (when the tax return is filed or when the annual clearing is performed). Monthly tax prepayments during the year are therefore not affected.

For the purposes of this Report, only families with an unemployed spouse are entitled to the spouse allowance (spouse income does not influence any equations of the spouse allowance as of 2013). Childcare up to 3 years does not affect the calculation of tax wedges as according to the *Taxing wages* methodology any children in the household are assumed to be aged between six and eleven inclusive.

- **Relief for children:** The prior allowance for children has been replaced by a non-wastable tax credit as from January 2004. As from July 2007, the monthly tax credit is automatically indexed by MLS growth as of 1st July when also the new amount of MLS comes into force. Since 2015 the monthly tax credit is automatically indexed on January 1 by the MLS growth from the previous year. Monthly tax credit in 2022 is EUR 23.57 per child for the whole year. The annual amount will be EUR 282.84. The tax credit for each dependent child is deducted from the tax liability; if the credit exceeds the tax liability, the excess will be paid to the taxpayer. To receive this credit, the parent must annually earn at least 6 times the minimum monthly wage, which for 2022 is set at EUR 646.00 (the total annual earnings must therefore be at least EUR 3 876.00). The credit can be taken only by one partner. It can be taken by one partner for a part of the tax period (year) and by the other partner for the rest of the tax period (year); this choice will have to hold for all dependent children. (For the purposes of this Report, it is assumed that the credit is claimed by the principal wage earner).
- Since 2019, the tax credit on dependent children is doubled for each child below the age of 6 years.
- Since January 2022, 1.85-times the basic value of the tax credit is provided for children aged 6 to 15 years ($1.85 \times 23.57 = \text{EUR } 43.60$ in 2022). This follows an earlier increase to 1.7 times the basic value valid in July-December 2021.
- Since July 2022, a new system of the tax credit on dependent children has been introduced with a monthly fixed values of EUR 70 for children below the age of 15 years and EUR 40 for children aged 15 and more years. The eligibility condition of income at least 6 times the minimum wage has been abolished. Instead, the credit amount is capped at a given percentage of the partial tax base (= gross income net of employee social security contributions) based on the number of children in the following amount:

Number of dependent children	Cap as % of the partial tax base
1	20 %
2	27 %
3	34 %
4	41 %
5	48 %
6 and more	55 %

- Only for the second half of 2022, 50% of the partial tax base enters the calculation of the tax credit cap. Due to legislative reasons, both the old and the new system of the tax credit are in force in July-December 2022 and the taxpayer claims whichever value is higher for them. As of January 2023, only the new system will be in force.
- As of January 2023, the annual indexation of the child tax credit is abolished. Instead, the amounts are temporarily increased in years 2023 and 2024 to EUR 140 for children younger than 18 years and to EUR 50 for children aged 18 years or older. From 2025, the higher amount is set at a new permanent level of EUR 100 and the age threshold is set at 15 years.
- Since 2023, when filing the annual tax return, the principal earner can, if they choose to, add the partial tax base of their spouse to their own tax base for the purpose of the calculation of the cap on the child tax credit.

- From 2025, the child credit system was reformed again. The amounts are set to EUR 100 for children younger than 15 years old and EUR 50 for 15 years old or older but younger than 18 years old. For children aged 18 years or older the child credit was abolished. Furthermore, in order to target the lower-income groups, the percentage caps were increased to the levels in the table below. Lastly, a phase-out of the child tax credit was introduced for higher-income groups. More specifically, the amount of tax credit for each child is reduced by EUR 0.10 for every EUR 1 of the partial tax base exceeding EUR 25 740 (= 12 times 1.5 times the average monthly wage from two years prior; the average wage in 2023 was EUR 1 430).

Number of dependent children	Cap as % of the partial tax base
1	29 %
2	36 %
3	43 %
4	50 %
5	57 %
6 and more	64 %

- Relief for social and health security contributions: Employee's social security contributions (see Section on Employees' contributions) are deductible for income tax purposes.

Main non-standard tax reliefs applicable to an average wage worker

Supplementary pension insurance, special-purpose savings and life insurances was repealed as from January 2011. As of 2014 an allowance for supplementary pension insurance has been reintroduced. Supplementary pension contributions are tax-deductible up to the maximum limit of EUR 180 per year.

In 2018, a tax allowance for spa treatment was introduced. Each taxpayer can deduct up to EUR 50 per year per each member of the family (the principal earner, the spouse and their children) for expenses on domestic spa services. The allowance was abolished in 2021.

Non-wastable tax credit: employee tax credit (ETC / *zamestnanecká prémie*)

Prior to 2015 low-income workers were eligible for employee tax credit. The employee tax credit was effective since 2009 and depended on the employee's earnings and the number of months worked. In order to receive the employee tax credit, earnings should be at least 6 times of the minimum wage. The credit was then calculated as 19% of the difference between the basic allowance and the tax base (gross earnings net of employee SSC) calculated from 12 times the minimum wage or from the actual income (whichever is higher). In 2025 the partial tax base at the level of the minimum wage (EUR 8 480) is higher than the basic allowance (EUR 5 754). The tax credit is therefore automatically zero (so effectively nobody can be eligible).

Tax schedule

As from 2013 the previous flat tax rate of 19% was replaced by a new tax schedule with two tax brackets. The ceiling for the first bracket is set out as 176.8 times MLS (equal to EUR 48 441.43 in 2025), which secures its automatic indexation. The tax schedule is as follows:

Annual taxable income (EUR)*	Rate (%)
0 – 48 441.43	19
48 441.44 and over	25

* Employee's social security contributions (see 1.12.) are deductible for income tax purposes.

State and local income tax

Until 2024, personal income tax (PIT) was redirected solely to the local governments. The share of PIT yield transferred to municipalities was 70% and the share transferred to self-governing regions was 30%. In 2025, the shares were reduced to 55.1 % and 29.5 %, respectively, in connection with the transfer of responsibilities for kindergartens, which are no longer an original competence of municipalities but are financed by central government. The remaining 15.4 % of PIT revenues remain in state budget.

Compulsory Social Security Contributions to Schemes Operated within the Government Sector

Employees' contributions

Compulsory contributions of 13.4% of gross wages and salaries are paid by all employees into government operated schemes. The total is made up as follows:

– Health Insurance		4.0%
– Social Insurance		9.4%
of which:		
– Sickness	1.4%	
– Retirement	4.0%	
– Disability	3.0%	
– Unemployment	1.0%	

There are maximum assessment bases MSSAB (maximum threshold for contributions to apply) that apply to social security contributions. From 2004 these MSSAB are no longer fixed values but depend upon the average wages (AW). As of 2013 formulae for calculation of all maximum assessment bases have been unified. Since 2017, the MSSAB for health insurance contributions are abolished. In 2025, the monthly MSSAB for social insurance contributions was increased to $11 \times AW(t-2)$, where $AW(t-2)$ is the average wage two years ago (previous equation for calculating the MSSAB was $7 \times AW(t-2)$ which was used since 2017). The average wage (AW) is determined by the Statistical Office of the Slovak Republic – for 2025 the monthly AW from 2023 of EUR 1 430 was relevant.

In 2015, the health insurance contribution (HIC) allowance was introduced. The allowance decreases the employee's and employer's assessment base for the health insurance. It amounts to EUR 380 per month (EUR 4 560 annually) and decreases with rising income up to EUR 570 (EUR 6 840 annually) when it reaches zero. With EUR 1 rise in the monthly income the monthly allowance is reduced by EUR 2. The HIC allowance is applicable only on standard employment income (not self-employed income or income based on temporary contracts). However, to determine the amount of allowance all types of incomes are assessed, to target only low income workers. In 2018, the HIC allowance for employers was abolished.

In 2023, the social insurance contribution (SIC) allowance was introduced for seasonal workers. The allowance decreases the employee's and employer's assessment base on retirement and unemployment insurance. It amounts to 50 % of the average wage in the economy two years prior. In 2025, it amounts to EUR 715 (EUR 1 430 x 50 %). According to the *Taxing wages* methodology, this SIC allowance is not present in the computations, as only seasonal workers can benefit from it and it does not impact full-time employees, who are assumed to be the taxpayers in the context of this methodology.

In 2023 the minimum HIC for employees was introduced, set at 14 % of the MLS per employee. In 2024, the minimum HIC was temporarily increased to 15 % of the MLS together with increasing employer's HIC resulting in the minimum HIC of EUR 41.10 (MLS EUR 273.99 x 15 %). The employer's HIC is not affected

by the introduction of the minimum HIC for employees. The difference between the HIC paid (employee and employer) and the minimum HIC is to be paid by the employee.

Employers' contributions

The total contribution for employers is temporarily increased from 35.2 % to 36.2% of gross wages and salaries for the years 2024 to 2027. The contribution comprises the health insurance contribution (temporarily increased from 10% to 11 % of gross wages and salaries) and the social insurance contribution (25.2%). The social insurance rate reflects contributions to sickness insurance (1.4%), disability insurance (3%), retirement insurance (14%), the Guaranteed Fund (0.25%), accident insurance (0.8%), for unemployment (1%) and to the Reserve Fund (4.75%). All contributions are rounded down to two decimal places.

Since 2022, the unemployment insurance has been reduced to 0.5% and a new type of insurance contribution for the financing of short-time work support with the rate 0.5% has been introduced.

Since January 2005, Slovakia has introduced the privately managed fully funded pillar. This means that a given proportion (9 percentage points) of social contributions paid by the employer for retirement insurance flew directly to the private pension funds and not to the Social Insurance Agency as in the previous years. As from September 2012 the pension sharing scheme has been changed. The employer's retirement contribution rate to the fully funded pillar has been reduced from 9% to 4% (for more see pension contribution sharing scheme table below). As from 2017 the contribution rate to the II. pillar automatically increases by 0.25 p.p. per year (i.e., contribution rate to the I. pillar decreases in the same volume). Years 2022 and 2023 had a scheduled 5.50 % contribution rate to the II. pillar (i.e., contribution rate to the I. pillar is 8.50 %). Since 2024 the contribution rate to the II. Pillar has been set to 4 % (i.e., contribution rate to the I. pillar is 10 %).

Private pension funds are treated outside of the general government; these contributions are therefore not taken into account in the calculations of the average and marginal tax rates. For the purposes of this Report, the total contribution rate for employers in 2025 is 32.2 % with contributions to the second pension pillar not included in the rate.

In 2015 the health insurance contribution (HIC) allowance was introduced and in 2018 it was abolished for employers, while for employees it remains unchanged (for more see 2.1). In 2023, the social insurance contribution (SIC) allowance for seasonal workers was introduced.

The MSSAB also applies to the employer's SSC. The next table presents the annual values of MSSAB:

	Formula for MSSAB	Value of MSSAB
Health insurance		No limit
Social insurance		
of which		
-- sickness, retirement, unemployment, short-time work support, disability, Guarantee fund, Reserve fund	$11.0 \times AW (t-2)$	188 760
-- accident		No limit

Social security contributions: Pension – contribution sharing in case of II. Pillar participation

Period	Percentage of gross earnings		
	I Pillar	II Pillar	Total
System up to September 2012	9% (5% employer + 4% employee contribution)	9% (employer contribution)	18%
System up to December 2016	14% (10% employer + 4% employee contribution)	4% (employer contribution)	18%

	contribution)		
System up to December 2017	13.75% (9.75% employer + 4% employee contribution)	4.25% (employer contribution)	18%
System up to December 2018	13.5% (9.5% employer + 4% employee contribution)	4.5% (employer contribution)	18%
System up to December 2019	13.25% (9.25% employer + 4% employee contribution)	4.75% (employer contribution)	18%
System up to December 2020	13% (9% employer + 4% employee contribution)	5% (employer contribution)	18%
System up to December 2021	12.75% (8.75% employer + 4% employee contribution)	5.25% (employer contribution)	18%
System up to December 2023	12.5% (8.5% employer + 4% employee contribution)	5.5% (employer contribution)	18%
Current system (2024-2025)	14% (10% employer + 4% employee contribution)	4% (employer contribution)	18%

Universal Cash Transfers

Transfers related to marital status

None.

Transfers for dependent children

The central government pays a benefit for each dependent child in the amount of EUR 60.00 per month in 2025. In January 2008 a benefit surcharge for dependent children whose parents are not eligible for the non-wastable child tax credit was introduced. The monthly amount of this benefit is EUR 30.00 in 2025. For the purpose of the tax wedge calculations this benefit is not relevant, as only non-workers are entitled to the surcharge.

The non-wastable tax credit mentioned in Section on Standard reliefs is part of the social support for families with dependent children. However, it is not considered as a transfer for the purposes of this Report.

Transfers related to social status

To determine the claim to state social benefits (for example the allowance for housing costs), the minimum living standard amounts are relevant as they form the basis of the income test. The MLS amounts are indexed on 1 July. For 2025, these amounts are:

	MLS monthly (1.7.2024 – 30.6.2025)	MLS monthly (1.7.2025 – 30.6.2026)
First adult	273.99	284.13
Second adult	191.14	198.22
Child	125.11	129.74

A family is entitled to a social allowance if the total combined monthly disposable income of the family is less than the calculated MLS for this family. In the calculation of the benefit eligibility, only 75% of net income from employment is taken into account. The allowance varies with the family type.

The benefits available to a family in material need (valid for 2025) are:

- EUR 86.50 per month for an individual.
- EUR 164.50 per month for an individual with between one and four children.
- EUR 150.30 per month for a couple without children.

- EUR 224.90 per month for a couple with between one and four children.
- EUR 240.20 per month for an individual with more than four children.
- EUR 303.20 per month for a couple with more than four children.
- activation allowance: EUR 88.40 per month – for people who become active either by accepting qualifying employment opportunities or participating in retraining courses.
- housing allowance:
 - EUR 97.00 per month for individual in material need,
 - EUR 164.70 for a 2-person household in material need,
 - EUR 209.00 for a 3-person household in material need,
 - EUR 253.30 for a 4-person household in material need,
 - EUR 297.40 for a household in material need with more than 4 members.
- protection allowance: EUR 88.40 per month for an individual in material need who is unable to secure or increase their income by working due to such circumstances as disability, old age, taking care of a dependent person, pregnancy from the beginning of the eighth week before the expected day of delivery or being a lone parent of a child of no more than 1 year of age.
- dependent child allowance: EUR 24.20 per month for a child who properly fulfils compulsory school attendance.

The amounts are indexed on January 1 in line with the growth of the MLS on July 1 in the previous year.

Main Changes in Tax/Benefit Systems since 2017

Automatic growth of the contribution rate to the II. pension pillar by 0.25 p.p. per year was introduced in 2017. The contribution rate to the I. pillar decreases by the same amount. The contribution rate increase for the years 2022 to 2027 has been modified as following:

- Years 2022 to 2024 have a scheduled 5.50 % contribution rate to the II. pillar (i.e. contribution rate to the I. pillar is 8.50 %).
- Years 2025 and 2026 have a scheduled 5.75 % contribution rate to the II. pillar (i.e. contribution rate to the I. pillar is 8.25 %).
- The contribution rate to the II. pillar will reach its considered peak of 6.00 % in 2027, leaving the I. pillar with the contribution rate of 8 %.

In 2024 the system was changed again and the contribution rate to the II. pillar was set to a new permanent level of 4 % with the contribution to the I. pillar being 10 % (see Section on Employers' contributions). Moreover, the MLS value was revised up in July 2017 after 4 years of no change, which led to changes in the tax system allowances, credits and brackets from January 2018. Since 2018 the HIC allowance for employers was abolished.

In 2018, there were also legislative changes which do not directly affect calculations of the tax wedge used in this Report. The first is a new spa tax allowance for the PIT. Each taxpayer is allowed to reduce their tax base by up to EUR 50 each for themselves, their spouse and children if they spent money on domestic spa services. The allowance was abolished in 2021.

The second change is related to support for housing mortgage interest payments for young people. Since 2018 taxpayers are allowed to deduct half of the mortgage interest payment (maximum amount is EUR 1 200 per year in 2025) from their own tax liability. Previously, support for housing was in the form of a public subsidy.

Third, pensioners who earn income from special short term labour contracts (*dohoda o vykonaní práce*) benefit from an SIC allowance of EUR 200 per month from July 2018.

New exemptions of the 13th and 14th salaries were introduced in 2018. This measure has a negative impact on revenues, which is increasing with gradual phasing of exemptions from health insurance contributions, the PIT, and from 2019 onwards also from social insurance contributions. Maximum exemption is EUR 500 per additional salary. Since 2021, the exemptions of the 13th and 14th salary are abolished.

Overview and timing of PIT and SSC exemptions of 13th and 14th salary (Y = exemption)								
	2018			2019			2020	
	SIC	HIC	PIT	SIC	HIC	PIT	SIC	PIT
13 th salary (June)		Y			Y	Y		Y
14 th salary (December)		Y	Y	Y	Y	Y	Y	Y

Since 2019, the tax credit on dependent children is doubled for each child below the age of 6 years (Section on Standard reliefs). In addition, an exemption for recreational vouchers was introduced. Employers can provide maximum EUR 275 per year as a cash benefit exempted from social security contributions and the PIT to employees who spent at least EUR 500 on recreation in the Slovak Republic. Provision of this benefit is compulsory for employers who have at least 50 employees.

The amount of the basic allowance was increased in 2020 from 19.2 times the MLS to 21 times the MLS. The threshold when the basic allowance is gradually withdrawn was adjusted accordingly from 100 times the MLS to 92.8 times the MLS.

Since July 2021, the child tax credit has been increased to 1.7-times the basic value for children aged 6 to 15 years. The multiple is set to increase to 1.85-times the basic value from January 2022.

Since July 2022, a new system of the tax credit on dependent children has been introduced with a monthly fixed values of EUR 70 for children below the age of 15 years and EUR 40 for children aged 15 and more years. The eligibility condition of income at least 6 times the minimum wage has been abolished. Instead, the credit amount is capped at a given percentage of the partial tax base (= gross income net of employee social security contributions) based on the number of children in the following amount:

Number of dependent children	Cap as % of the partial tax base
1	20 %
2	27 %
3	34 %
4	41 %
5	48 %
6 and more	55 %

Only for the second half of 2022, 50% of the partial tax base enters the calculation of the tax credit cap. Due to legislative reasons, both the old and the new system of the tax credit are in force in July-December 2022 and the tax payer claims whichever value is higher for them. As of January 2023, only the new system will be in force.

As of January 2023, the annual indexation of the child tax credit is abolished. Instead, the amounts are temporarily increased in years 2023 and 2024 to EUR 140 for children younger than 18 years and to EUR 50 for children aged 18 years or older. From 2025, the higher amount is set at a new permanent level of EUR 100 and the age threshold is set at 15 years. Since 2023, the cap on the child tax credit is calculated using the sum of the partial tax bases of both the principal earner and the spouse.

From 2025, additional changes to the child tax credit were made. For children aged 18 years or older the tax credit was abolished and the system was made more targeted on low-income households by increasing the caps given as percentage of the partial tax base and by introducing a phase-out of the tax credit for higher incomes (see the section on Tax allowances and tax credits above for details).

The benefit for each dependent child has been increased as from July 2022 to EUR 30.00 and its annual indexation in line with the growth of the MLS has been abolished. The benefit increased to EUR 60.00 in January 2023.

As from March 2022, the employer social insurance contributions for financing of short-time work support of 0.5% of the assessment base and an equivalent reduction of the employer contribution rate for unemployment insurance from 1% to 0.5% were introduced.

In 2023, the social insurance contribution (SIC) allowance was introduced for seasonal workers. The allowance decreases the employee's and employer's assessment base on retirement and unemployment insurance. It amounts to 50 % of the average wage in the economy two years prior.

In 2023 the minimum HIC for employees was introduced, set at 14 % of the MLS per employee. The difference between the total HIC paid (employee and employer) and the minimum HIC is to be paid by the employee.

Since April 2023, the annual indexation of the MLS is done based only on the low-income inflation rate (i.e. the growth in the net disposable income per household member is no longer used).

Since 15 July 2023 the system of housing allowance, which is a part of material need assistance, was changed from using two levels – for single-person households and for households with more than one member – to using five distinct levels based on the number of household members (see Section on Transfers related to social status).

For the years 2024 to 2027 the employer's HIC was temporarily increased to 11 %. It is planned to return to the original 10 % since 2028. This also affects the minimum HIC for employees which is temporarily increased to 15 % of the MLS for the same period.

Memorandum items

Identification of AW and valuation of earnings

The average earnings of the AW are estimated by the Ministry of Finance of the Slovak Republic based on the data provided by the Statistical Office of the Slovak Republic. The source of the information is the quarterly survey of employers which covers:

- all financial corporations and public sector organizations,
- around 50% of firms with at least 20 employees or firms with annual revenue at least €5 mil. regardless of the number of employees, and
- around 7% of firms with less than 20 employees

The average earnings are calculated as the mean of the monthly average wages in industry sectors B-N according to the SK NACE Rev. 2 classification, weighted by the number of employed persons in the given sector. The earnings data are not adjusted to full-time equivalents, but part-time workers are included only if they have a standard employment contract. Workers with non-standard temporary contracts¹ are excluded completely. Managerial workers are also included only if they have a standard employment contract. The self-employed are not included in the earnings data, but they are included in the sectoral employment figures.

2025 Parameter values

Average earnings/yr	Ave_earn	19 590	Secretariat estimate
Minimum living standard (MLS)	basic_adult	273,99	
	basic_adult1	191,14	
	basic_child	125,11	
	ave_basic_adult	279,06	
	ave_basic_adult1	194,68	
	ave_basic_child	127,425	
Basic allowance	basic_al_mult	21,0	
	basic_al	5753,79	
	basic_al_mult1	92,8	
	basic_al_mult2	44,2	
	basic_al_redn	0,25	
Spouse allowance	spouse_al_limit	5260,61	
	spouse_al_mult	19,2	
	spouse_al_mult1	176,8	
	spouse_al_mult2	63,4	
	spouse_al_redn	0,25	
Income tax rate	tax_sch/tax_rate	0,19	
		0,25	
Tax credits - nonwastable	tax_cr	0	
	tax_cr1	1200	
	tax_cr_lim1	0,22	
	tax_cr_lim2	0,07	
	tax_cr_lim6	0,64	
	tax_cr_po1	25740	
	tax_cr_po2	0,1	
	min_wage	816	
	minwage_mult	6	
	etc_thresh	8479,87	
Employee social security contributions	SSC_rate	0,094	
	SSC_sick	0,014	
	SSC_ret	0,04	
	SSC_dis	0,03	
	SSC_unemp	0,01	
	SSC_health	0,04	
Employer social security contributions	SSC_empr	0,204	
	SSC_empsick	0,014	
	SSC_empret	0,1	
	SSC_empdis	0,03	
	SSC_empunemp	0,005	
	SSC_empshort	0,005	
	SSC_emphealth	0,11	
	SSC_gua	0,0025	
	SSC_acc	0,008	
	SSC_fund	0,0475	
Health Insurance Contribution allowance	HIC_treshold	4560	
	HIC_rate	2	
Maximum assessment base	MSSAB	188760	
Cash transfers	transf_1	720,00	

	transf_indiv	1038	
	transf_indiv_child	1974	
	transf_couple	1803,6	
	transf_couple_child	2698,8	
	transf_hous_indiv	1164	
	transf_hous_couple	1976,4	
	transf_hous_3person	2508	
	transf_hous_4person	3039,6	
	transf_hous_5person	3568,8	
	transf_dep	290,4	

2025 Tax equations

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

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings	earn		
2.	Allowances:			
	Basic	basic_allce	B	IF(earn-SSC<=basic_al_mult1*basic_adult, basic_al,MAXA(basic_al_mult2*basic_adult-basic_al_redn*(earn-SSC),0))
	Spouse	spouse_allce	P	IF(earn_spouse=0,1,0)*Married*Positive(IF(earn_princ-SSC_princ<=spouse_al_mult1*basic_adult, spouse_al_mult*basic_adult,spouse_al_mult2*basic_adult-spouse_al_redn*(earn_princ-SSC_princ)))
	Social security contributions	SSC_al	B	SSC
	Total	tax_al	B	basic_allce+spouse_allce+SSC_al
3.	Credits in taxable income	taxbl_cr	B	0
4.	CG taxable income	tax_inc	B	Positive(earn-tax_al)
5.	CG tax before credits	CG_tax_excl	B	Tax(tax_inc,tax_sch)
6.	Tax credits:			
	Employee tax credit	etc_cr	B	IF(earn>=min_wage*minwage_mult, tax_rate*Positive(basic_al-MAX(etc_thresh, earn-SSC)), 0)
	Children	child_cr	P	'MAX(MAX(0;MIN(Children*tax_cr1;MIN(tax_cr_lim6;tax_cr_lim1+Children*tax_cr_lim2)*(SUM(tax_inc_princ;tax_inc_spouse)-SUM(SSC_al_princ;SSC_al_spouse)))-Children*tax_cr_po2*MAX(0;SUM(tax_inc_princ;tax_inc_spouse)-SUM(SSC_al_princ;SSC_al_spouse)-tax_cr_po1));MAX(0;MIN(Children*tax_cr1;MIN(tax_cr_lim6;tax_cr_lim1+Children*tax_cr_lim2)*(tax_inc_princ-SSC_al_princ)-Children*tax_cr_po2*MAX(0;tax_inc_princ-SSC_al_princ-tax_cr_po1));MAX(0;MIN(Children*tax_cr1;MIN(tax_cr_lim6;tax_cr_lim1+Children*tax_cr_lim2)*(tax_inc_spouse-SSC_al_spouse)-Children*tax_cr_po2*MAX(0;tax_inc_spouse-SSC_al_spouse-tax_cr_po1))))
	Total	tax_cr	B	etc_cr+child_cr
7.	CG tax	CG_tax	B	CG_tax_excl-tax_cr
8.	State and local taxes	local_tax	B	0

9.	Employees' soc security	SSC	B	$\begin{aligned} &(\text{earn} > 0) * (\\ &\text{MINA}(\text{earn}; \text{MSSAB}) * \text{SSC\_rate} + \text{IF}(\\ &\text{MAX}(0; (-\text{MAX}(0; \text{HIC\_threshold} - \text{MAX}(0; (\text{earn} - \\ &\text{HIC\_threshold}) * \text{HIC\_rate})))) * \text{SSC\_health} + \text{earn} * \text{SSC\_emphealth} < \text{basic\_adult} * \text{SUM}(\text{SSC\_health}; \text{SSC\_emphealth}) * 12; \\ &\text{basic\_adult} * \text{SUM}(\text{SSC\_health}; \text{SSC\_emphealth}) * 12 - \\ &\text{earn} * \text{SSC\_emphealth}; \\ &\text{MAX}(0; (\text{earn} - \text{MAX}(0; \text{HIC\_threshold} - \text{MAX}(0; (\text{earn} - \\ &\text{HIC\_threshold}) * \text{HIC\_rate})))) * \text{SSC\_health} \\ &) \end{aligned}$
11.	Cash transfers	cash_trans	J	$\begin{aligned} &= \text{Children} * \text{transf\_1} + @\text{Positive}(\text{IF}(0, 75 * ((\text{earn} - \text{SSC} - \\ &\text{CG\_tax\_excl}) / 12) < \text{BA8}; ((1 - \\ &\text{Married}) * (\text{IF}(\text{Children} > 0; \text{transf\_indiv\_child}; \text{transf\_indiv})) + \text{Married} * (\text{IF}(\text{Children} > 0; \text{transf\_couple\_child}; \text{transf\_couple})) + \text{IF}((\text{Married} + \text{Children}) > 3; \text{transf\_hous\_5person}; \text{SWITCH}((\text{Married} + \text{Children}); 0; \text{transf\_hous\_indiv}; 1; \text{transf\_hous\_couple}; 2; \text{transf\_hous\_3person}; 3; \text{transf\_hous\_4person})) + (\text{Children} * \text{transf\_dep}) - 0, 75 * ((\text{earn} - \text{SSC} - \text{CG\_tax\_excl}) / 12)); 0)) \end{aligned}$
13.	Employer's soc security	SSC_empr	B	$\text{MINA}(\text{earn}; \text{MSSAB}) * \text{SSC\_empr} + \text{earn} * \text{SSC\_acc} + \text{earn} * \text{SSC\_emphealth}$

Key to range of equation B calculated separately for both principal earner and spouse P calculated for principal only (value taken as 0 for spouse calculation) J calculated once only on a joint basis.

Note

¹ Agreements on work performed outside employment relationship - *Dohody o prácach vykonávaných mimo pracovného pomeru*.

Slovenia

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

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

Slovenia 2025

The tax/benefit position of single persons

		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1	Gross wage earnings		20 191	30 135	50 326	20 191
2	Standard tax allowances					
	Basic allowance		5 260	5 260	5 260	5 260
	Married or head of family					
	Dependent children					5 924
	Deduction for social security contributions and income taxes		5 005	7 252	11 815	5 005
	Work-related expenses		0	0	0	0
	Other					
	Total		10 265	12 512	17 075	16 189
3	Tax credits or cash transfers included in taxable income		0	0	0	0
4	Central government taxable income (1 - 2 + 3)		9 926	17 623	33 251	4 002
5	Central government income tax liability (exclusive of tax credits)		1 660	3 661	8 155	640
6	Tax credits					
	Basic credit					
	Married or head of family					
	Children		0	0	0	0
	Other					
	Total		0	0	0	0
7	Central government income tax finally paid (5-6)		1 660	3 661	8 155	640
8	State and local taxes		0	0	0	0
9	Employees' compulsory social security contributions					
	Gross earnings		5 005	7 252	11 815	5 005
	Taxable income					
	Total		5 005	7 252	11 815	5 005
10	Total payments to general government (7 + 8 + 9)		6 665	10 913	19 971	5 645
11	Cash transfers from general government					
	For head of family					
	For two children		0	0	0	3 096
	Total		0	0	0	3 096
12	Take-home pay (1-10+11)		13 526	19 222	30 355	17 641
13	Employer's wage dependent contributions and taxes		3 352	5 002	8 354	3 352
	Employer's compulsory social security contributions		3 352	5 002	8 354	3 352
	Payroll taxes		0	0	0	0
14	Average rates					
	Income tax		8.2%	12.1%	16.2%	3.2%
	Employees' social security contributions		24.8%	24.1%	23.5%	24.8%
	Total payments less cash transfers		33.0%	36.2%	39.7%	12.6%
	Total tax wedge including employer's social security contributions		42.5%	45.3%	48.3%	25.1%
15	Marginal rates					
	Total payments less cash transfers: Principal earner		42.7%	42.7%	48.1%	35.0%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		50.9%	50.9%	55.5%	44.2%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Slovenia 2025

The tax/benefit position of married couples

Wage level (per cent of average wage)		100-0	100-67	100-100	100-67
Number of children		2	2	2	none
1	Gross wage earnings	30 135	50 326	60 271	50 326
2	Standard tax allowances				
	Basic allowance	4 818	10 520	10 520	10 520
	Married or head of family				
	Dependent children	5 924	5 924	5 924	
	Other dependent family member	2 838			
	Deduction for social security contributions and income taxes	7 694	12 257	14 505	12 257
	Work-related expenses	0	0	0	0
	Total	21 274	28 701	30 948	22 777
3	Tax credits or cash transfers included in taxable income	0	0	0	0
4	Central government taxable income (1 - 2 + 3)	8 861	21 625	29 322	27 549
5	Central government income tax liability (exclusive of tax credits)	1 418	3 781	5 782	5 321
6	Tax credits				
	Basic credit				
	Married or head of family				
	Children	0	0	0	0
	Other				
	Total	0	0	0	0
7	Central government income tax finally paid (5-6)	1 418	3 781	5 782	5 321
8	State and local taxes	0	0	0	0
9	Employees' compulsory social security contributions				
	Gross earnings	7 694	12 257	14 505	12 257
	Taxable income				
	Total	7 694	12 257	14 505	12 257
10	Total payments to general government (7 + 8 + 9)	9 112	16 038	20 286	17 578
11	Cash transfers from general government				
	For head of family				
	For two children	2 381	1 035	1 035	0
	Total	2 381	1 035	1 035	0
12	Take-home pay (1-10+11)	23 405	35 323	41 019	32 748
13	Employer's wage dependent contributions and taxes	5 002	8 354	10 005	8 354
	Employer's compulsory social security contributions	5 002	8 354	10 005	8 354
	Payroll taxes	0	0	0	0
14	Average rates				
	Income tax	4.7%	7.5%	9.6%	10.6%
	Employees' social security contributions	25.5%	24.4%	24.1%	24.4%
	Total payments less cash transfers	22.3%	29.8%	31.9%	34.9%
	Total tax wedge including employer's social security contributions	33.4%	39.8%	41.6%	44.2%
15	Marginal rates				
	Total payments less cash transfers: Principal earner	35.0%	42.7%	42.7%	42.7%
	Total payments less cash transfers: Spouse	41.0%	42.7%	42.7%	42.7%
	Total tax wedge: Principal earner	44.2%	50.9%	50.9%	50.9%
	Total tax wedge: Spouse	49.4%	50.9%	50.9%	50.9%

The Slovenian currency is the euro (EUR). In 2025, EUR 0.88 was equal to USD 1. In that year, the average worker in Slovenia earned EUR 30 135 (Secretariat estimate).

Personal income tax system

Central government income tax

Tax unit

The tax unit is the individual.

Tax allowances

Standard tax reliefs

- A general (basic) allowance of EUR 5 260.00 is deductible from income in 2025. For lower income groups whose taxable income equals up to EUR 16 832.00 an additional general allowance is determined linearly by the following equation: $19\,736.99 - 1.17259 \times \text{total income}$.
- Family allowances are also deductible from the tax base in the same way as for the general allowance. The allowances for 2025 are as follows:
 - EUR 2 838.30 for the first dependent child,
 - EUR 3 085.52 for the second child,
 - EUR 5 146.39 for the third child,
 - EUR 7 207.26 for the fourth child,
 - EUR 9 268.12 for the fifth child,
 - for the sixth and all additional dependent children the allowance is higher by EUR 2 060.87 relating to the amount of allowance for the preceding maintained children,
 - EUR 10 285.40 for a dependent child who requires special care,
 - EUR 2 838.30 for any other dependent family member.
- Relief for social security contributions: Employee's compulsory contributions for the social insurance system are deductible for income tax purposes.
- Tax credits: 7% of the salary for employees under 40 years old, provided they have not been residents of Slovenia for the past two consecutive years and receive at least 200% of the average wage in Slovenia.

Non-standard tax reliefs applicable to income from employment

- Additional voluntary pension insurance premiums: Premiums paid by a resident to the provider of a pension plan based in Slovenia or in another EU Member State according to a pension plan that is approved and entered into a special register in accordance with the pension legislation are deductible from taxable income. In 2025 such deductions are subject to an annual limit of EUR 3 054.65 or a sum equal to 24% of the employee's contribution for compulsory pension and disability insurance if that is a lower figure.
- Reimbursement of expenses associated with work, such as in-work meals, transport to and from work, in-the-field supplements (per diem when an employee works outside his or her working place) and compensation for being away from home are exempt subject to statutory conditions and upper limits.

- Reimbursement of expenses associated with business travel such as: per diem allowances, transport costs (including the use of the employee's private vehicle for work purposes), and the costs of overnight accommodation, are exempt subject to statutory conditions and upper limits.
- The cost of purchasing and maintaining uniforms and personal protection work equipment defined in special regulations is exempt from income tax.
- Compensation for the use of an employee's own tools and other equipment (except private vehicles) necessary for the performance of work at the workplace, is exempt up to a level of 2% of the monthly wage or salary of the employee, subject to an upper limit of 2% of the average gross monthly wage (AGMW).
- Long service bonuses, severance pay upon retirement and payments related to accidents, long term sickness and other unexpected events are exempt subject to statutory conditions and upper limits.
- Severance pay on redundancy is exempt subject to an upper limit of ten times the AGMW.
- Compensation for the use of an employee's own possessions and property when working at home in accordance with statutory regulations is exempt up to a level of 5% of the monthly wage or salary of the employee, subject to an upper limit of 5% of the AGMW.
- The reduction of PIT on the part of a salary paid on the basis of business performance. The income paid on the basis of business performance is exempt from the taxable base of employment income (but not from social security contributions) up to an amount corresponding to 100% of the last published average monthly salary in the Republic of Slovenia. 'The part of a salary paid on the basis of business performance' is defined as income which should be paid once in a calendar year to all eligible employees at the same time, and under the condition that the right to receive such income is provided:
 - in the employer's general legal acts, with the same eligibility conditions for all employees; or
 - in the collective labour agreement including or serving as basis for eligibility criteria for receiving such income.
- The exemption of PIT and social security contributions on the payment for holiday leave up to 100% of the latest known average monthly wage in the Republic of Slovenia.
- Young people up to the age of 29 are granted a special allowance of EUR 1 367.60 per year on income from employment.

Tax schedule

The tax schedule for 2025 is as follows:

Taxable income (EUR)	Tax rate (in %)
Up to 9 210.26	16
9 210.26–27 089.00	26
27 089.00–54 178.00	33
54 178.00–78 016.32	39
Above 78 016.32	50

Regional and local income tax

There are no regional or local income taxes.

Compulsory social security insurance system

The compulsory social security insurance system consists of four schemes as follows:

- pension and disability insurance,
- health insurance,
- unemployment insurance,
- parental leave insurance.

Employees' contributions

The taxable base for social security insurance contributions paid by employees is the total amount of the gross wage or salary including vacation payments, fringe benefits and remuneration of expenses related to work above a certain threshold. The assessment period is the calendar month. Employees contribute an amount as a percentage of their remuneration as follows:

Scheme name	Rate of contribution (%)
Pension insurance	15.50
Health insurance	6.36
Unemployment insurance	0.14
Parental leave insurance	0.10
Total	22.10

From 1 July 2025, the total employee social security contributions rate increased by 1 percentage point to 23.10% due to the introduction of long-term care contribution.

Additionally to health insurance, from 1 January 2024 employees pay compulsory health contribution (CHC). This contribution replaced voluntary additional health insurance that was abolished. In January and February 2025, the CHC amounts to EUR 35 per month, while it increases to 37.17 per month from 1 March 2025 to the end of the year.

Employers' contributions

Social security insurance contributions are also paid by employers on behalf of their employees. The taxable base and the assessment period are the same as for employees' contributions. The employers' contribution rates are as follows:

Scheme name	Rate of contribution (%)
Pension insurance	8.85
Health insurance	7.09
Unemployment insurance	0.06
Parental leave insurance	0.1
Total	16.1

From 1 July 2025, the total employer social security contributions rate increased by 1 percentage point to 17.10% due to the introduction of long-term care contribution.

Slovenia implements a minimum SSC base for workers earning less than a minimum income threshold. For gross earnings below the minimum income threshold, SSCs are calculated on the basis of the minimum SSC base and not on actual gross wage earnings. Employees are liable to pay employee SSCs on their actual gross earnings, however, the employers are liable to pay (in addition to the employer SSC on gross earnings) the employee *and* employer SSC rate on the gross wage earnings below the minimum income threshold.

Payroll tax

None.

Universal cash transfers

Transfers related to marital status

None.

Transfers for dependent children

On 1 January 2012 the Exercise of Rights to Public Funds Act (ZUPJS-A) entered into force. Regarding to a new act child allowance is a supplementary benefit for maintenance, care, and education of children when the family income per family member does not exceed statutorily defined percentage of the average net wage in the previous year.

The new legislation changed relevant family income which is the basis for the income classes from gross family income to net family income. Income includes taxable income and non-taxable income defined by the Personal Income Tax Act as for instance social benefits. Income is defined as gross income plus social benefits received but excluding the normalized cost and actual cost recognized under the law governing income tax, taxes and mandatory social security contributions levied on such income.

The new legislation also reduced the age of a child's entitlement. The right to a child benefit is held only until the child reaches 18 years. Besides, the child benefit is higher for eligible students included in higher secondary education (aged less than 18 years and with an income per family member below the average net wage).

Applications for the benefit are made on an annual basis and the payments are not taxable.

- The amount of the benefit is calculated for each child separately according to the level of net family income per family member and the ranking of the child in the family. Each family is assigned to one of 8 income brackets. From 1 January 2018 the thresholds between brackets are defined in nominal terms whereas before that date the brackets were defined according to some percentage of the previous year average net wage.
- Each child is allocated in one of three ranking levels (the level of payments increases with the ranking level - the lowest for the first child, higher for the second child and the highest for the third and any subsequent child). When a child lives in a one-parent family, the amount of the allowance is increased by 30%. When a pre-school child does not attend kindergarten, the amount of the allowance is increased by 20% and is paid for children under the age of 4.
- The details for the calculation of the net income per family member have been prescribed by the Minister, as follows:
 - All income and receipts, namely net disposable income (after deduction of the normalized cost and actual cost recognized under the law governing income tax, taxes and mandatory social security contributions levied on such income) are taken into account, except those that are designed to cover the specific needs (such as allowance and attendance allowance, a large family, etc.). Property is also taken into account like immovable property, cars and other vehicles, watercraft, etc. Property is assigned a value and then it is calculated the amount of interest that would be received within one year from the value of assets deposited in a bank account in the form of time deposits.

- The monthly amounts of transfers for a child from birth to the end of primary school in a two-parent family according to the Exercise of Rights to Public Funds Act and Act Regulating Adjustments of Transfers to Individuals and Households in the Republic of Slovenia for the year 2025 are as follows:

Number of income bracket	Net family income per family member (from – up to)	1st Child	2nd Child	3rd and subsequent Child
		Monthly (EUR)	Monthly (EUR)	Monthly (EUR)
1	Up to 2 821.80	143.81	158.18	172.58
2	2 821.80 – 4 703.16	122.94	135.91	148.80
3	4 703.16 – 5 643.84	93.71	104.73	115.73
4	5 643.84 – 6 584.40	73.91	84.33	94.95
5	6 584.40 – 8 309.16	60.43	70.52	80.55
6	8 309.16 – 10 033.32	38.29	47.92	57.50
7	10 033.32 – 12 852.00	28.74	38.29	47.92
8	12 852.00 – 15 520.32	25.02	34.60	44.16

- The monthly amounts of child benefit for a child included in the secondary school (but only for the child younger than 18) in the income brackets 7 and 8 are different than those in the table above and are as follows:

Number of income bracket	Net family income per family member (from – up to)	Monthly (EUR)	Monthly (EUR)	Monthly (EUR)
7	10 033.32 – 12 852.00	36.27	45.83	62.45
8	12 852.00 – 15 520.32	28.79	38.37	50.18

In 2025, the maximum annual benefit levels for children in a two-parent family till the end of primary school are set by:

- EUR 1 725.72 for the first child,
- EUR 1 898.16 for the second child,
- EUR 2 070.96 for the third or subsequent child.

The amounts decline as the level of income per family member increases.

Main changes in tax/benefit system since 2005

- In 2006 the taxation of income of individuals changed from global tax to a kind of a dual income tax system. Active income (from employment, business, basic agriculture and forestry, rents, royalties and other income) is taxed aggregated at progressive rates and taking into account the allowances and deductions; capital income (interest, dividends and capital gains) is taxed at proportionate rates on a scheduler basis.
- In 2007 the number of income tax brackets was reduced from five to three. At the same time, some non-standard tax reliefs for certain expenses and for interest paid on loans for housing were abolished.
- In 2008 additional general allowances were introduced for people on low incomes.
- The payroll tax was phased out at the start of 2009.
- The Exercise of Rights to Public Funds Act entered into force on 1 January 2012 changes family income which is the basis for the income classes from gross family income to net family income, which also includes social benefits received.

- Regarding the Public Finance Balance Act which entered into force on 1 June 2012, the amounts of transfers for children in fifth- and sixth-income classes are reduced for 10%. Transfers for children in the seventh- and eighth-income classes are abolished.
- In 2013 the second bracket in the PIT schedule was broadened according to the Public Finance Balance Act. For the years 2013 and 2014 also the threshold for the third bracket (with the rate 41%) was increased and a new, top bracket with a rate of 50% was introduced for incomes above EUR 70 907.20.
- For the year 2013 the special relief for students was reduced by 25% compared to the tax relief in 2012 (the tax relief for 2014 amounts to EUR 2 477.03).
- Concerning rental income deriving renting of immovable and movable property a new scheduler principle of taxation was introduced in the year 2013 with proportional rate of 25%. The standardised costs were reduced from 40% to 10% of the rental income.
- The main and most important substantive change for the year 2014 and beyond eliminates the automatic adjustment of tax credits and net annual tax basis in the scale for assessing personal income tax with the growth in consumer prices.
- For the year 2014 another amendments were also introduced to the personal income tax, that is the abolishment of the tax benefits to certain groups of taxpayers (special relief for daily migrants, relief for the residents over 65 years of age).
- In 2014, the amendments to the Law on Parenthood and Family Incomes increased child benefit for each child who lives in a single-parent family. Namely, the uplift of child benefit was increased from 10 to 30%. In this year were also introduced the different amounts of transfers for children included in the secondary school in the sixth income bracket.
- The scale of assessment for income tax as a temporary measure that applies to 2013 and 2014, with the addition of a fourth-class tax rate of 50% was extended for the year 2015.
- In 2015 the annual threshold between 2nd and 3rd tax bracket (above which the income tax is paid at the rate of 41%) was increased to EUR 20 400 (from EUR 18 960) for the years 2016 and 2017. The corresponding tax rate remained unchanged (i.e., 27%). The validity of the tax rate of 50% for the fourth tax bracket (for incomes above EUR 70 907) is extended also for tax years 2016 and 2017.
- In 2016 for the year 2017 the additional tax bracket between previous second and third tax brackets with the rate of 34% has been introduced, and the second highest tax rate has been lowered from 41% to 39%. The highest rate of 50 %, which used to be a temporary measure, has been maintained. The threshold for the additional basic allowance has been increased from EUR 10 866 to EUR 11 166.
- In 2016 and valid from 2017 the reduced taxation on performance bonuses (13th salary) was introduced meaning that salary paid on the basis of business performance is exempt from the income tax up to 70% of the average wage.
- From 2018 the additional general tax allowance for incomes between EUR 11 166.67 and EUR 13 316.83 is determined linearly.
- From 2018 the PIT exemption for the income paid as a reward for the business performance was increased from 70% to 100% of the latest known average monthly wage in the Republic of Slovenia.
- From 2018 the thresholds of the income brackets used for the calculation of child benefits are defined nominally; before that the thresholds were defined as percentage of the previous year average net wage. In addition, child benefits have been re-introduced also for income brackets 7 and 8.

- From 2019 the payment for holiday leave is tax and SSCs free up to 100% of the latest known average monthly wage in the Republic of Slovenia. Before 2019 it was burdened only by PIT while the SSCs exemption was only up to 70 % of the latest average monthly wage.
- The amendments to the personal income tax legislation valid from 1 January 2020 include increase of tax brackets thresholds (in first bracket to EUR 8 500, in second to EUR 25 000, in third to EUR 50 000 and in fourth bracket to EUR 72 000), reduction of tax rates in second (from 27% to 26%) and third (from 34% to 33%) tax bracket, increase of the general tax allowance (to EUR 3 500) and introduction of additional linear general tax allowance for the whole income interval up to EUR 13 316.83. The linear function was updated accordingly.
- On 1 January 2022 revised tax brackets thresholds were introduced. Tax rate in the highest tax bracket was reduced from 50% to 45%. General tax allowance was increased to EUR 4 500; linear function for additional tax allowance was updated accordingly, but only in constant term and the income interval for which it is used. Family allowances were adjusted due to indexation. Salary paid on the basis of business performance is now exempt from the income tax up to 100% of the average wage in Slovenia or up to an employee's average salary, whichever is favourable for an employee. An automatic adjustment of tax credits and net annual tax basis in the scale for assessing personal income tax with the growth in consumer prices was also introduced.
- On 1 January 2023 general allowance was increased to EUR 5 000 and the income threshold up to which the additional tax allowance is applicable was raised to EUR 16 000. The linear function for additional tax allowance was updated accordingly. Family allowances were increased by 7.5 %. The tax rate in the highest tax bracket was raised from 45 % back to 50 % and tax-free income from business performance was limited again only to 100% of the average wage in Slovenia. A special allowance of EUR 1 300 for young people up to the age of 29 on their income from employment was introduced.
- On 1 January 2024 voluntary additional health insurance was abolished and replaced by a compulsory health contribution of EUR 35 per month. The contribution is paid by employees only.
- In 2023 a raise in the SSC rate due to the introduction of long-term care contribution was legislated. The raise will be effective from 1 July 2025. Both employee and employer SSC rates will increase by 1 percentage point.
- A 7% tax credit was introduced on the gross salary of an individual who returns to Slovenia, or a foreign national who comes to Slovenia, earns at least twice the average wage, and is under 40 years of age.

Memorandum items

Average gross annual wage earnings calculation

In Slovenia the gross earnings figures cover wages and salaries paid to individuals in formal employment including payment for overtime. They also include bonus payments and other payments such as pay for annual leave, paid leave up to seven days, public holidays, absences due to sickness for up to 30 days, job training, and slowdown through no fault of the person in formal employment.

The average gross wage earnings figures of all adult workers covering industry sectors B–N are provided by the Statistical Office of the Republic of Slovenia.

Employer contributions to private pension and health schemes

Some employer contributions are made to private health and pension schemes but there is no relevant information available on the amounts that are paid.

2025 Parameter values

Ave_earn	30 135	Secretariat estimate					
Ave_earn_1	28 242						
Ave_net_earnfam							
Ave_gross_earnSSC	28 739.04						
Basic_al1	5 260						
Add_al	19 736.99						
Red_rate	1.17259						
Child_al1	2 838.30						
Child_al2	5 923.82						
Child_al3	11 070.21						
Child_al4	18 277.47						
Child_al5	27 545.59						
Depend_al	2 838.30						
Tax_sch	0.16	9 210.26					
	0.26	27 089.00					
	0.33	54 178.00					
	0.39	78 016.32					
	0.50						
SSC_rate1	0.226						
SSC_minbase	17 243.42						
CHC	441.7						
SSC_rate2	0.166						
		1st child	2nd child	3rd child	1 child-total	2 children-total	3 children-total
		monthly	monthly	monthly	annual	annual	annual
Fam_allow_mc	0	143.81	158.18	172.58	1 725.72	3 623.88	5 694.84
	2 821.80	122.94	135.91	148.80	1 475.28	3 106.20	4 891.80
	4 703.16	93.71	104.73	115.73	1 124.52	2 381.28	3 770.04
	5 643.84	73.91	84.33	94.95	886.92	1 898.88	3 038.28
	6 584.40	60.43	70.52	80.55	725.16	1 571.40	2 538.00
	8 309.16	38.29	47.92	57.50	459.48	1 034.52	1 724.52
	10 033.32	28.74	38.29	47.92	344.88	804.36	1 379.40
	12 852.00	25.02	34.60	44.16	300.24	715.44	1 245.36
	15 520.32	0.00	0.00	0.00	0.00	0.00	0.00
Fam_allow_spup	0.3						
		1st child	2nd child	3rd child	1 child-total	2 children-total	3 children-total
		monthly	monthly	monthly	annual	annual	annual
Fam_allow_sp	0	186.95	205.63	224.35	2 243.44	4 711.04	7 403.29
	2821.80	159.82	176.68	193.44	1 917.86	4 038.06	6 359.34
	4703.16	121.82	136.15	150.45	1 461.88	3 095.66	4 901.05
	5643.84	96.08	109.63	123.44	1 153.00	2 468.54	3 949.76
	6584.40	78.56	91.68	104.72	942.71	2 042.82	3 299.40
	8309.16	49.78	62.30	74.75	597.32	1 344.88	2 241.88
	10033.32	37.36	49.78	62.30	448.34	1 045.67	1 793.22
	12852.00	32.53	44.98	57.41	390.31	930.07	1 618.97
	15520.32	0.00	0.00	0.00	0.00	0.00	0.00
numdays	365						

2025 Tax equations

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

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings			
	Current year	earn		
	Net earnings Year-1	net_earn_1		
2.	Allowances:			
	Principal	tax_al_princ	P	Basic_al1+Positive(add_al-red_rate*earn)+SSC+IF(children=0,0,IF(children=1,child_al1,IF(children=2,child_al2,child_al3))+IF(Married=0,0,IF(S_earn=0,Depend_al,0))
	Spouse	Tax_al_spouse	S	MINA(Basic_al1+Positive(add_al-red_rate*AD7))+SSC, earn)
3.	Credits in taxable income	taxbl_cr	B	0
4.	CG taxable income	tax_inc	B	Positive(earn-tax_al)
5.	CG tax before credits	CG_tax_excl	B	Tax(tax_inc, tax_sch)
6.	Tax credits (nonwastable)	Tax_cr	B	0
7.	CG tax	CG_tax	B	CG_tax_excl
8.	State and local taxes	local_tax	B	0
9.	Employees' soc security	SSC	P	earn* SSC_rate1+CHC
			S	earn* SSC_rate1+CHC*(married=1)
11.	Cash transfers	cash_trans	J	IF(Children=0,0,VLOOKUP((net_earn_1)/(1+married+children),IF(Married=0;Fam_allow_sp,Fam_allow_mc),IF(Children=1,5,IF(Children=2,6,7))))
13.	Employer's wage dependent contributions and taxes			
	Employer's soc security	SSC_empr	B	earn*SSC_rate2++IF(earn<SSC_minbase,(SSC_rate2*(SSC_minbase-earn)))+(SSC_rate1*(SSC_minbase-earn)),0)

Key to range of equation B calculated separately for both principal earner and spouse P calculated for principal only (value taken as 0 for spouse calculation) J calculated once only on a joint basis.

Spain

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

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

Spain 2025

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
1	Gross wage earnings		21 895	32 678	54 573	21 895
2	Standard tax allowances:					
	Basic allowance					
	Married or head of family		0	0	0	2 150
	Dependent children					
	Deduction for social security contributions and income taxes		1 419	2 118	3 536	1 419
	Work-related expenses		2 000	2 000	2 000	2 000
	Other					
	Total		3 419	4 118	5 536	5 569
3	Tax credits or cash transfers included in taxable income		0	0	0	0
4	Central and state government taxable income (1 - 2 + 3)		18 476	28 561	49 037	16 326
5	Central and state government income tax liability (exclusive of tax credits)		3 745	6 611	13 720	3 233
6	Central and state government tax credits					
	Basic credit		1 035	1 035	1 035	3 186
	Married or head of family					
	Children					
	Other					
	Total		1 035	1 035	1 035	3 186
7	Central government income tax finally paid (5-6)		1 379	2 840	6 395	- 564
8	State and local taxes		1 331	2 736	6 289	611
9	Employees' compulsory social security contributions					
	Gross earnings		1 419	2 118	3 536	1 419
	Taxable income					
	Total		1 419	2 118	3 536	1 419
10	Total payments to general government (7 + 8 + 9)		4 129	7 694	16 221	1 466
11	Cash transfers from general government					
	For head of family					
	For two children		0	0	0	0
	Total		0	0	0	0
12	Take-home pay (1-10+11)		17 766	24 985	38 352	20 429
13	Employer's compulsory social security contributions		6 693	9 990	16 683	6 693
14	Average rates					
	Income tax		12.4%	17.1%	23.2%	0.2%
	Employees' social security contributions		6.48%	6.48%	6.48%	6.48%
	Total payments less cash transfers		18.9%	23.5%	29.7%	6.7%
	Total tax wedge including employer's social security contributions		37.9%	41.4%	46.2%	28.5%
15	Marginal rates					
	Total payments less cash transfers: Principal earner		28.7%	34.3%	41.2%	28.7%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		45.4%	49.7%	55.0%	45.4%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Spain 2025

The tax/benefit position of married couples

		Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
		Number of children	2	2	2	none
1	Gross wage earnings		32 678	54 573	65 357	54 573
2	Standard tax allowances					
	Basic allowance					
	Married or head of family		3 400	0	0	0
	Dependent children					
	Deduction for social security contributions and income taxes		2 118	3 536	4 235	3 536
	Work-related expenses		2 000	4 000	4 000	4 000
	Other					
	Total		7 518	7 536	8 235	7 536
3	Tax credits or cash transfers included in taxable income		0	0	0	0
4	Central and state government taxable income (1 - 2 + 3)		25 161	47 037	57 122	47 037
5	Central and state government income tax liability (exclusive of tax credits)		5 601	10 357	13 223	10 357
6	Central and state government tax credits					
	Basic credit		1 986	3 022	3 022	2 070
	Married or head of family					
	Children					
	Other					
	Total		1 986	3 022	3 022	2 070
7	Central government income tax finally paid (5-6)		1 845	3 734	5 195	4 218
8	State and local taxes		1 770	3 601	5 006	4 068
9	Employees' compulsory social security contributions					
	Gross earnings		2 118	3 536	4 235	3 536
	Taxable income					
	Total		2 118	3 536	4 235	3 536
10	Total payments to general government (7 + 8 + 9)		5 732	10 871	14 436	11 822
11	Cash transfers from general government					
	For head of family					
	For two children		0	0	0	0
	Total		0	0	0	0
12	Take-home pay (1-10+11)		26 946	43 702	50 921	42 750
13	Employer's compulsory social security contributions		9 990	16 683	19 980	16 683
14	Average rates					
	Income tax		11.1%	13.4%	15.6%	15.2%
	Employees' social security contributions		6.48%	6.48%	6.48%	6.48%
	Total payments less cash transfers		17.5%	19.9%	22.1%	21.7%
	Total tax wedge including employer's social security contributions		36.8%	38.7%	40.3%	40.0%
15	Marginal rates					
	Total payments less cash transfers: Principal earner		34.3%	34.3%	34.3%	34.3%
	Total payments less cash transfers: Spouse		23.5%	28.7%	34.3%	28.7%
	Total tax wedge: Principal earner		49.7%	49.7%	49.7%	49.7%
	Total tax wedge: Spouse		41.4%	45.4%	49.7%	45.4%

The national currency is the Euro (EUR). In 2025, EUR 0.88 was equal to USD 1. In that year the average worker earned EUR 32 678 (Secretariat estimate).

Personal Income Tax System

Central government income tax

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).

Tax allowances and tax credits

Standard reliefs

- Basic reliefs: Married couples filing jointly may claim an allowance of EUR 3 400. This figure amounts to EUR 2 150 for heads of single-parent households.
- Maternity tax credit: a non-wastable tax credit addressed to working females with children under 3 years of age up to EUR 1 200, which may be increased up to EUR 1 000 where the taxpayer has incurred qualifying expenses related to nursery schools/kindergartens.
- Large families (3 or more children) or dependent family members with disabilities tax credits: this additional non-wastable tax credit (up to EUR 1 200, in general, or EUR 2 400 for special large families, with 5 or more children) has been raised by EUR 600 for each child exceeding the minimum number of children required for both large family types listed above. It also may be claimed (within the Taxing Wages framework) by single-parent households with two children.
- Relief for social security contributions: All social security payments are fully deductible.
- Other expenses allowance: up to EUR 2 000, which may be increased by the same amount in case of an unemployed accepting a job in a different location implying a change of residence.
- Employment related allowance: Net employment income (gross income - employee social security contributions) may be reduced according to the following rules:
 - Taxpayers with an annual net employment income equal or less than EUR 14 852: EUR 7 302.
 - Taxpayers with an annual net employment income between EUR 14 852 and EUR 17 673.52: EUR 7 302 less the result of multiplying by 1.75 the difference between net employment income and EUR 14 852.
 - Taxpayers with an annual net employment income between EUR 17 673.52 and EUR 19 747.5: EUR 2 364.34 less the result of multiplying by 1.14 the difference between net employment income and EUR 17 673.52.
- Disabled workers allowance: an additional allowance of EUR 3 500 for disabled salary earners. Those with reduced mobility may claim an augmented allowance of EUR 7 750.

As a result of the application of the above rules, net income cannot become negative.

Main non-standard reliefs applicable to an average wage

- Contributions to Pension Plans. Contributions made by each member of the household may reduce taxable income up to the lower of the following amounts:

- 30% of the sum of labour and economic activities net incomes;
- EUR 1 500.

Moreover, those households whose second earner has net labour income below EUR 8 000 may reduce taxable income up to a maximum of EUR 1 000 on a yearly basis if the principal earner contributes to a Pension Fund for the spouse.

- Relief for subscriptions paid in respect of membership of a trade union and business or professional associations (last item is limited to mandatory membership) up to EUR 500.
- Relief for expenses made for the legal defence of the taxpayer for labour-related conflicts up to a maximum limit of EUR 300.

Other non-standard reliefs provided as deductions are:

- Investment in the acquisition and rehabilitation of own-housing: With effect from 1 January 2013, the tax credit has been abolished. Nevertheless, grandfathering rules apply for those taxpayers who before 1 January 2013 had acquired their main residence; had made some payments for it to be built; had made some payments for restoration/enlargement of their main residence or had made some payments to carry out the adaptation of the main residence of disabled people. However, in the latter two cases the works performed should be completed before 1 January 2017.
- Gifts: 80% of the amounts (below EUR 250) donated to non-profit entities, public administration, public universities and other qualifying institutions. For larger gifts, 40% on the excess, which may be increased to 45% when meeting certain conditions (for fidelity cases) and 10% of the amount donated non-qualifying foundations or associations.
- Investments and expenses in goods of cultural interest: 15% of the amounts granted to the importation, restoration, exhibition, etc., of certain goods listed in the General Register of Goods of Cultural Interest.

Each of these last two amounts cannot exceed 10% of taxable income.

Exempt Income

- The base amount is EUR 5 550 per taxpayer. The same amount is granted for family units filing jointly. Taxpayers aged over 65 years may add EUR 1 150 to the former amount. Those aged over 75 years may claim additionally EUR 1 400.
- Dependent children (under 25 years, in general; for each age, in case of disability): EUR 2 400 for the first dependent child; EUR 2 700 for the second one; EUR 4 000 for the third, and EUR 4 500 for any additional child.
- Childcare allowance: an additional allowance of EUR 2 800 for each of the above dependent children under 3 years of age.
- In case of disabled workers and additional amount of EUR 3 000 also applies. In case of great disability prior amount reaches EUR 9 000.

Child allowances have to be shared equally between spouses when they file separately.

Tax schedule

General rates of tax – resident individuals:

Taxable income (EUR)	Tax at the lower limit (EUR)	Tax rate on taxable income in excess of the lower limit (%)
0–12 450	0	9.50
12 450–20 200	1 182.75	12.00
20 200–35 200	2 112.75	15.00
35 200–60 000	4 362.75	18.50
60 000–300 000	8 950.75	22.50
Over 300 000	62 950.75	24.50

State and local income taxes

The Autonomous Communities (Regional Governments) are liable to set up their own personal income tax schedule to tax the general income tax base.

Until 2010, the regional share of the tax on the general taxable base was determined by applying a progressive subsidiary tax schedule laid down by the state Law regulating this tax, which could be modified by the Autonomous Communities within certain limitations. From 2010 onwards, this subsidiary tax schedule was removed, making it mandatory for all Autonomous Communities (Regional Governments) to approve their own tax schedule. This system left a State-level schedule, with each Autonomous Community determining its own tax schedule, subject only to the progressivity requirement.

For 2025, the diversity of the regional tax schedules is significant: the number of brackets varies between five and eleven and their marginal rates range from 8% to 29.5%.

Therefore, the regional tax schedule used for state and local income taxes is derived from a weighted combination of the schedules approved by the Autonomous Communities with the highest representation, ensuring that the resulting scale provides a representative measure.

Now, there is not any local tax rate or schedule in the Spanish PIT. However, some Local Governments (the bigger and province capital cities) receive a fixed percentage of the PIT revenues.

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 2025, these ceilings are:

- Lower ceiling: EUR 16 574.40
- Upper Ceiling: EUR 58 914.00

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).

Employees' contributions

- Old age pension/sickness and disability: 4.7%
- Unemployment: 1.55%
- Professional Training: 0.1%
- Intergenerational equity mechanism: 0.13%

Employers' contributions

- Old age pension/sickness and disability: 23.6%
- Unemployment/Work injuries: 5.50%
- Wages fund: 0.2%
- Professional Training: 0.6%
- Intergenerational equity mechanism: 0.67%

Universal Cash Transfers

Transfers related to marital status

None.

Transfers for dependent children

As of the 1st of June 2020, the means-tested allowance (*prestaciones familiares por hijo a cargo*) has been subsumed in the new national Minimum Income Benefit Scheme (*Ingreso Mínimo Vital*). However, grandfathering rules apply in 2025. EUR 588.00 for 1-child families with annual gross earnings below EUR 14 952.00; the child transfer decreases with income between EUR 14 952.00 and EUR 15 540.00; the value is 0 for gross earnings exceeding EUR 15 540.00. EUR 1 176.00 for families with 2 children with annual gross earnings below EUR 17 194.80; the child transfer decreases with income between EUR 17 194.80 and EUR 18 370.80; the value is 0 for gross earnings exceeding EUR 18 370.80.

Recent Changes in Tax/Benefit Systems

Employment related allowance

Since 2024, the maximum amount of the applicable reduction on net employment income was increased from EUR 6 498 to EUR 7 302 per year. The net income threshold that qualifies for this maximum reduction was also raised from EUR 14 047.5 to EUR 14 852 per year.

Memorandum Items

Identification of an AW and calculation of earnings

Refer to the information provided in the Annex of this Report.

2025 Parameter values

Average earnings/yr	Ave_earn	32 678	Secretariat estimate	
Work related allowance	wr_rate1	1 75000		
	wr_rate2	1 14000		
	wr_lim_max	19 748		
	wr_lim_avg	17 673.52		
	wr_lim_min	14 852		
	wr_allow_max	7 302		
	wr_allow_avg	2 364.34		
Other deductible expenses	oth_ded_exp	2 000		
Personal & family exempt income	Per_fam_exempt_inc	5 550		
Joint taxation allowance	Joint_tax_allow_fam1	3 400		
	Joint_tax_allow_fam2	2 150		
Dependent children	dep_child	2 400		
	dep_child2	2 700		
	dep_child3	4 000		
	dep_child4	4 500		
Single parent tax credit (chld>=2)	SP_tax_credit	1 200		
Tax Schedule	tax_sch_sg	0	0	9.50%
		12 450	1 182.75	12.00%
		20 200	2 112.75	15.00%
		35 200	4 362.75	18.50%
		60 000	8 950.75	22.50%
		300 000	62 950.75	24.50%
	tax_sch_sa	0	0	9.15%
		12 000	1 098.24	9.69%
		12 450	1 141.86	9.69%
		13 000	1 195.16	11.24%
		13 362	1 235.86	11.80%
		17 707	1 748.71	11.80%
		19 005	1 901.85	12.35%
		21 000	2 148.18	12.35%
		21 100	2 160.53	13.20%
		22 000	2 279.32	14.71%
		32 000	3 750.29	15.16%
		33 007	3 902.98	15.99%
		35 200	4 253.65	16.99%
		35 426	4 291.98	18.17%
		42 000	5 486.86	18.62%
		52 000	7 349.34	19.07%
		53 407	7 617.76	19.77%
		57 320	8 391.32	20.57%
		60 000	8 942.46	21.71%
		62 000	9 376.59	22.16%
		72 000	11 592.26	22.43%
		90 000	15 629.04	22.98%
		100 000	17 927.16	23.16%
		120 000	22 559.39	23.44%
		150 000	29 590.93	23.62%
		175 000	35 495.54	23.90%
		200 000	41 469.48	24.08%

Social security contributions				
Employee:				
Pension	pension_rate	0.047		
Unemployment	unemp_rate	0.0155		
Other	oth_rate	0.0023		
Employer				
Pension	pension_empr	0.236		
Unemployment	unemp_empr	0.055		
Other	oth_empr	1.47		
Ceiling and Floor	min_lim	0	16 574.40	
	top_lim	58 914.00		
Child benefit	SS_child_benefit	588		
	SS_child_table	1	14 952.00	15 540.00
		2	17 194.80	18 370.80
		3	22 501.00	24 265.00
		4	26 147.00	28 499.00
		5	29 793.00	32 733.00

2025 Tax equations

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

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings	earn	B	for individual taxation: earn=earn_princ, or earn='earn_sp' for joint (family) taxation: earn=earn_princ+earn_sp
2.	Allowances:			
	Work related, individual	work_ind	B	IF(earn-SSC<=wr_lim_min,wr_allow_max+oth_ded_exp, IF(earn-SSC<=wr_lim_avg,wr_allow_max-wr_rate1*((earn-SSC)-(wr_lim_min))+oth_ded_exp, IF(earn-SSC<=wr_lim_max,wr_allow_avg-wr_rate2*((earn-SSC)-(wr_lim_avg))+oth_ded_exp,oth_ded_exp)))
	Work related, family	work_fam	J	IF(AND(earn_sp=0,married=0,children=0),0,IF(earn_total-SSC_fam<=wr_lim_min,wr_allow_max+oth_ded_exp, IF(earn_total-SSC_fam<=wr_lim_avg,wr_allow_max-wr_rate1*((earn_total-SSC_fam)-(wr_lim_min))+oth_ded_exp,IF(earn_total-SSC_fam<=wr_lim_max,wr_allow_avg-wr_rate2*((earn_total-SSC_fam)-(wr_lim_avg))+oth_ded_exp,oth_ded_exp)))
	Joint taxation allowance	joint_allow_fam	J	IF(AND(Married=0,Children=0),0,IF(AND(Married=0,Children>0),joint_tax_allow_fam2,joint_tax_allow_fam1))
	Personal and family exempt income, individual	ex_inc_ind	B	per_fam_exempt_inc
	Personal and family exempt income, family	ex_inc_fam	J	IF(AND(Married=0,Children=0),0,per_fam_exempt_inc)
	Children exempt income, individual	child_ex_inc_ind	P	IF(earn_sp=0,' (children>0)*(dep_child+(children>1)*dep_child2+(children>2)*dep_child3+(children>3)*(children-3)*dep_child4), (children>0)*(dep_child+(children>1)*dep_child2+(children>2)*dep_child3+(children>3)*(children-3)*dep_child4)/2)
			S	IF(earn_sp=0,' 0, (children>0)*(dep_child+(children>1)*dep_child2+(children>2)*dep_child3+(children>3)*(children-3)*dep_child4)/2)
	Children exempt income, family	child_ex_inc_fam	J	(children>0)*(dep_child+(children>1)*dep_child2+(children>2)*dep_child3+(children>3)*(children-3)*dep_child4)
3.	Credits in taxable income	taxbl_cr	B, J	0
4.	CG taxable income	tax_inc	B, J	IF(AND(Married='0,' Children='0'),' tax_inc_princ, MINA(tax_inc_princ+tax_inc_sp, tax_inc_fam))
		tax_inc_ind	B	Positive(earn-(work_ind+SSC))
		tax_inc_fam	J	IF(AND(Married='0,' Children), 0, Positive(earn-(work_fam+joint_allow_fam+SSC_princ+SSC_sp)))
5.	CG tax before credits	CG_tax_ind_excl	B	MAXA(0, VLOOKUP(tax_inc_ind, tax_sch_sg, 2)+(tax_inc_ind-VLOOKUP(tax_inc_ind, tax_sch_sg, 1))*VLOOKUP(tax_inc_ind, tax_sch_sg, 3))
		CG_tax_fam_excl	J	MAXA(0, VLOOKUP(tax_inc_fam, tax_sch_sg, 2)+(tax_inc_fam-VLOOKUP(tax_inc_fam, tax_sch_sg, 1))*VLOOKUP(tax_inc_fam, tax_sch_sg, 3))
6.	CG tax credits :	CG_tax_cr_ind	B	MAXA(0,VLOOKUP(ex_inc_ind+child_ex_inc_ind,tax_sch_sg,2)+((ex_inc_ind+child_ex_inc_ind)-

	Line in country table and intermediate steps	Variable name	Range	Equation
				$\text{VLOOKUP}(\text{ex\_inc\_ind}+\text{child\_ex\_inc\_ind}, \text{tax\_sch\_sg}, 1))^* \text{VLOOKUP}(\text{ex\_inc\_ind}+\text{child\_ex\_inc\_ind}, \text{tax\_sch\_sg}, 3)+\text{IF}(\text{AND}(\text{earn}>0, \text{married}=0, \text{children}\geq 2), \text{MIN}(\text{SP\_tax\_credit}, (\text{SSC}+\text{SSC\_empr})), 0)$
		CG_tax_cr_fam	J	$\text{MAXA}(0, \text{VLOOKUP}(\text{ex\_inc\_fam}+\text{child\_ex\_inc\_fam}, \text{tax\_sch\_sg}, 2)+((\text{ex\_inc\_fam}+\text{child\_ex\_inc\_fam})-\text{VLOOKUP}(\text{ex\_inc\_fam}+\text{child\_ex\_inc\_fam}, \text{tax\_sch\_sg}, 1))^* \text{VLOOKUP}(\text{ex\_inc\_fam}+\text{child\_ex\_inc\_fam}, \text{tax\_sch\_sg}, 3))+\text{IF}(\text{AND}(\text{earn\_to\_tal}>0, \text{married}=0, \text{children}\geq 2), \text{MIN}(\text{SP\_tax\_credit}, (\text{SSC\_fam}+\text{SSC\_empr\_fam})), 0)$
7.	CG tax	CG_tax_ind	B	$\text{CG\_tax\_ind\_excl}-\text{CG\_tax\_cr\_ind}$
		CG_tax_fam	J	$\text{CG\_tax\_fam\_excl}-\text{CG\_tax\_cr\_fam}$
8.	State and local tax before credits	local_tax_ind_excl	B	$\text{MAXA}(0, \text{VLOOKUP}(\text{tax\_inc\_ind}, \text{tax\_sch\_sa}, 2)+(\text{tax\_inc\_ind}-\text{VLOOKUP}(\text{tax\_inc\_ind}, \text{tax\_sch\_sa}, 1))^* \text{VLOOKUP}(\text{tax\_inc\_ind}, \text{tax\_sch\_sa}, 3))$
		local_tax_fam_excl	J	$\text{MAXA}(0, \text{VLOOKUP}(\text{tax\_inc\_fam}, \text{tax\_sch\_sa}, 2)+(\text{tax\_inc\_fam}-\text{VLOOKUP}(\text{tax\_inc\_fam}, \text{tax\_sch\_sa}, 1))^* \text{VLOOKUP}(\text{tax\_inc\_fam}, \text{tax\_sch\_sa}, 3))$
	local tax credits	local_tax_cr_ind	B	$\text{MAXA}(0, \text{VLOOKUP}(\text{ex\_inc\_ind}+\text{child\_ex\_inc\_ind}, \text{tax\_sch\_sa}, 2)+((\text{ex\_inc\_ind}+\text{child\_ex\_inc\_ind})-\text{VLOOKUP}(\text{ex\_inc\_ind}+\text{child\_ex\_inc\_ind}, \text{tax\_sch\_sa}, 1))^* \text{VLOOKUP}(\text{ex\_inc\_ind}+\text{child\_ex\_inc\_ind}, \text{tax\_sch\_sa}, 3))$
		local_tax_cr_fam	J	$\text{MAXA}(0, \text{VLOOKUP}(\text{ex\_inc\_fam}+\text{child\_ex\_inc\_fam}, \text{tax\_sch\_sa}, 2)+((\text{ex\_inc\_fam}+\text{child\_ex\_inc\_fam})-\text{VLOOKUP}(\text{ex\_inc\_fam}+\text{child\_ex\_inc\_fam}, \text{tax\_sch\_sa}, 1))^* \text{VLOOKUP}(\text{ex\_inc\_fam}+\text{child\_ex\_inc\_fam}, \text{tax\_sch\_sa}, 3))$
	State and local tax	local_tax_ind	B	$\text{Positive}(\text{local\_tax\_ind\_excl}-\text{local\_tax\_cr\_ind})$
		local_tax_fam	J	$\text{Positive}(\text{local\_tax\_fam\_excl}-\text{local\_tax\_cr\_fam})$
9.	Employees' soc security	SSC	B	$\text{IF}(\text{AND}(\text{earn}>0, \text{earn}\leq \text{'min\_lim'}), \text{'min\_lim'}*(\text{pension\_rate}+\text{unemp\_rate}+\text{oth\_rate}), \text{IF}(\text{earn}\geq \text{'top\_lim'}, \text{'top\_lim'}*(\text{pension\_rate}+\text{unemp\_rate}+\text{oth\_rate}), \text{earn}*(\text{pension\_rate}+\text{unemp\_rate}+\text{oth\_rate})))$
		SSC_fam	J	$\text{SSC\_princ}+\text{SSC\_sp}$
11.	Cash transfers	Child_transf		$\text{IF}(\text{Children}=0, 0, \text{IF}(\text{earn}\leq \text{'VLOOKUP}(\text{Children}, \text{SS\_child\_table}, 2), \text{SS\_child\_benefit}*\text{Children}, \text{IF}(\text{earn}\leq \text{'VLOOKUP}(\text{Children}, \text{SS\_child\_table}, 3), \text{VLOOKUP}(\text{Children}, \text{SS\_child\_table}, 3)-\text{earn}, 0)))$
13.	Employer's SSC	SSC_empr		$\text{IF}(\text{AND}(\text{earn}>0, \text{earn}\leq \text{'min\_lim'}), \text{'min\_lim'}*(\text{pension\_empr}+\text{unemp\_empr}+\text{oth\_umpr}), \text{IF}(\text{earn}\geq \text{'top\_lim'}, \text{'top\_lim'}*(\text{pension\_empr}+\text{unemp\_empr}+\text{oth\_empr}), \text{earn}*(\text{pension\_empr}+\text{unemp\_empr}+\text{oth\_empr})))$

Key to range of equation B calculated separately for both principal earner and spouse P calculated for principal only S calculated for spouse only J calculated once only on a joint basis.

Sweden

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

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

Sweden 2025

The tax/benefit position of single persons

		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1	Gross wage earnings		373 226	557 053	930 279	373 226
2	Standard tax allowances					
	Basic allowance		26 300	17 300	17 300	26 300
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		0	0	0	0
	Work-related expenses					
	Other					
	Total		26 300	17 300	17 300	26 300
3	Tax credits or cash transfers included in taxable income		0	0	0	0
4	Central government taxable income (1 - 2 + 3)		346 900	539 700	912 900	346 900
5	Central government income tax liability (exclusive of tax credits)		0	0	57 420	0
6	Tax credits					
	Basic credit					
	Married or head of family					
	Children					
	Other		65 409	87 795	94 295	65 409
	Total		65 409	87 795	94 295	65 409
7	Central government income tax finally paid (5-6)		- 65 409	- 87 795	- 36 875	- 65 409
8	State and local taxes		112 430	174 916	295 870	112 430
9	Employees' compulsory social security contributions					
	Gross earnings		26 100	39 000	45 500	26 100
	Taxable income					
	Total		26 100	39 000	45 500	26 100
10	Total payments to general government (7 + 8 + 9)		73 121	126 121	304 495	73 121
11	Cash transfers from general government					
	For head of family					
	For two children		0	0	0	31 800
	Total		0	0	0	31 800
12	Take-home pay (1-10+11)		300 105	430 932	625 784	331 905
13	Employer's wage dependent contributions and taxes					
	Employer's compulsory social security contributions		73 899	110 297	184 195	73 899
	payroll taxes		43 368	64 729	108 098	43 368
	Total		117 267	175 026	292 293	117 267
14	Average rates					
	Income tax		12.6%	15.6%	27.8%	12.6%
	Employees' social security contributions		7.0%	7.0%	4.9%	7.0%
	Total payments less cash transfers		19.6%	22.6%	32.7%	11.1%
	Total tax wedge including employer's social security contributions		38.8%	41.1%	48.8%	32.3%
15	Marginal rates					
	Total payments less cash transfers: Principal earner		26.0%	32.4%	52.4%	26.0%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		43.7%	48.6%	63.8%	43.7%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Sweden 2025

The tax/benefit position of married couples

		Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
		Number of children	2	2	2	none
1	Gross wage earnings		557 053	930 279	1 114 107	930 279
2	Standard tax allowances:					
	Basic allowance		17 300	43 600	34 600	43 600
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		0	0	0	0
	Work-related expenses					
	Other					
	Total		17 300	43 600	34 600	43 600
3	Tax credits or cash transfers included in taxable income		0	0	0	0
4	Central government taxable income (1 - 2 + 3)		539 700	886 600	1 079 400	886 600
5	Central government income tax liability (exclusive of tax credits)		0	0	0	0
6	Tax credits					
	Basic credit					
	Married or head of family					
	Children					
	Other		87 795	153 204	175 590	153 204
	Total		87 795	153 204	175 590	153 204
7	Central government income tax finally paid (5-6)		- 87 795	- 153 204	- 175 590	- 153 204
8	State and local taxes		174 916	287 346	349 832	287 346
9	Employees' compulsory social security contributions					
	Gross earnings		39 000	65 100	78 000	65 100
	Taxable income					
	Total		39 000	65 100	78 000	65 100
10	Total payments to general government (7 + 8 + 9)		126 121	199 242	252 242	199 242
11	Cash transfers from general government					
	For head of family					
	For two children		31 800	31 800	31 800	0
	Total		31 800	31 800	31 800	0
12	Take-home pay (1-10+11)		462 732	762 837	893 665	731 037
13	Employer's wage dependent contributions and taxes					
	Employer's compulsory social security contributions		110 297	184 196	220 594	184 196
	payroll taxes		64 729	108 097	129 458	108 097
	Total		175 026	292 293	350 052	292 293
14	Average rates					
	Income tax		15.6%	14.4%	15.6%	14.4%
	Employees' social security contributions		7.0%	7.0%	7.0%	7.0%
	Total payments less cash transfers		16.9%	18.0%	19.8%	21.4%
	Total tax wedge including employer's social security contributions		36.8%	37.6%	39.0%	40.2%
15	Marginal rates					
	Total payments less cash transfers: Principal earner		32.4%	32.4%	32.4%	32.4%
	Total payments less cash transfers: Spouse		19.6%	26.0%	32.4%	26.0%
	Total tax wedge: Principal earner		48.6%	48.6%	48.6%	48.6%
	Total tax wedge: Spouse		38.8%	43.7%	48.6%	43.7%

The national currency is the Swedish Kronor (SEK). In 2025, SEK 9.82 were equal to USD 1. In that year, the average worker earned SEK 557 053 (Secretariat estimate).

Personal Income Tax Systems

Central government income taxes

Tax unit

Spouses are taxed separately.

Tax allowances and tax credits

Standard reliefs

- Basic reliefs: A basic allowance is given for assessed earned income and varies between SEK 17 300 and SEK 45 300, depending on income. When individuals pay central government income tax, the basic allowance is at its lowest level, which equals SEK 17 300. The basic allowance depends on the assessed earned income and the basic amount, which equals SEK 58 800 in 2025.

Assessed-Earned- Income (SEK) Relative to Basic Amount (BA)	Share of BA at lower bracket	For exceeding income
—0.99	0.423	
0.99—2.72	0.423	+0.2
2.72—3.11	0.77	
3.11—7.88	0.77	-0.1
7.88—	0.293	

For taxpayers older than 66, the basic relief is calculated differently:

Assessed-Earned- Income (SEK) Relative to Basic Amount (BA)	Share of BA at lower bracket	For exceeding income
- 1.11	1.11	
1.11 - 1.965	1.11	+0.257
1.965 - 3.24	1.334	+0.3949
3.24 - 5.00	1.838	+0.204
5.00 - 7.88	2.197	+0.186
7.88 - 8.08	2.733	+0.199
8.08 - 10.94	2.773	
10.94 - 12.47	2.773	-0.62
12.47 -	1.825	

- Standard marital status reliefs: None.
- Relief(s) for children: None.
- Work-related expenses: None.
- Other: None.

Main non-standard tax reliefs applicable to an AW

- Interest on qualifying loans: Interest payments are offset against capital income. The resulting net capital income is the tax base. A tax credit is given in the case of negative capital income,

- Medical expenses: None. Other allowances are given for: the amount of commuting expenses exceeding SEK 11 000,
- other types of work-related expenses exceeding SEK 5 000; examples are the costs of tools, work-related phone calls using the taxpayer's private telephone,
- increased living expenses while on business trips, e.g., such as the use of a private car if these costs are not reimbursed by the employer,
- double housing expenses due to temporary work at other geographical locations (too far from home for commuting), or if the family for some reason can't move, even if the job is of a permanent nature,
- travelling expenses for travelling home if the taxpayer works in another place than his/her place of residence.

Tax schedule

Taxable Income (SEK)	Tax (SEK) at lower bracket	For exceeding income, %
0—625 800	0	0
Over 625 800	0	20

Tax credits

A tax credit equal to 100% of the compulsory social security contributions paid by the employee is granted.

For a person aged 65 or less, an annual Earned Income Tax Credit (EITC) worth up to approximately SEK 47 300 at the average local tax rate is granted on labour income. The EITC is connected to the basic allowance (BAL), the basic amount (BA) and the local tax rate (LTR). The Basic Allowance is determined in the Section on Standard reliefs; the local tax rate is discussed in the Section on Local Government Income Taxes. The Basic Amount (BA) in 2025 is SEK 58 800. For those older than 65 a simplified EITC (not connected to the local tax rate or the basic amount) worth up to around SEK 37 000 is granted.

The tax credits are non-refundable in the sense that they cannot reduce the individual's tax payments to less than zero. The EITC is deducted from the local government income tax, whereas the tax credit for the social security contributions is deducted from other taxes as well. However, the central government covers the expenses for the tax credits.

For taxpayers younger than 65, the EITC is calculated as follows:

Earned Income (EI)	EITC
—0.91 BA	(EI—BAL)*LTR
0.91 BA—3.24 BA	$(0.91 \text{ BA} + 0.3874 * (\text{EI} - 0.91 \text{ BA}) - \text{BAL}) * \text{LTR}$
3.24 BA—8.08 BA	$(1.813 \text{ BA} + 0.199 * (\text{EI} - 3.24 \text{ BA}) - \text{BAL}) * \text{LTR}$
8.08 BA—	$(2.776 \text{ BA} - \text{BAL}) * \text{LTR}$

For taxpayers older than 65, the EITC is calculated differently:

Earned Income (EI)	EITC
– 1.75 BA	0.22*EI
1.75 BA—5.24 BA	0.2635 BA + 0.07*EI
5.24 BA—10.48 BA	0.6293 BA

Since 1st of January 2021 a wastable general tax credit applies to taxable income exceeding SEK 40 000 per year. The tax credit is 0.75 percent of exceeding income up to a maximum tax credit of SEK 1 500.

Local government income taxes

General description of the systems

Sweden has both a central government and a local government personal income tax. They are completely coordinated in the assessment process and refer to the same period, i.e., the income year coincides with the calendar year.

Tax base

The tax base is the same as for the central government income tax. The basic allowance for individuals paying local government tax varies between SEK 17 300 and SEK 45 300; it depends on the taxpayer's income. For a taxpayer earning the AW, this basic allowance amounts to SEK 17 300.

Tax rates

The local government personal income tax is proportional and differs between municipalities. The average rate amounts to 32.41% in 2025, with the maximum and minimum rates being 35.30% and 28.98%, respectively.

Compulsory Social Security Contributions to Schemes Operated within the Government Sector

Employees' contributions

A general pension contribution of 7% of personal income is paid by employees and the self-employed when income is equal to or greater than 42.3% of the basic amount underlying the basic allowance (see the Section on Standard reliefs). The contribution cannot exceed SEK 45 500 since the general pension contributions are not paid for income over SEK 650 400 ($=8.07 \times 80\,600$). The employees' contribution is offset with a tax credit.

Employers' contributions

The employers' contributions are calculated as a percentage of the total sum of salaries and benefits in a year. For the self-employed, the base is net business income. The rates for 2025 are listed below.

Program	Employer (%)	Self-employed (%)
Retirement pension	10.21	10.21
Survivor's pension	0.60	0.60
Parental insurance	2.60	2.60
Health insurance	3.55	3.64
Labour market	2.64	0.10
Occupational health	0.20	0.20
General wage tax	11.62	11.62
Total	31.42	28.97

In certain regions, a reduction of 10% of the base, maximum SEK 7 100 per month, is granted (SEK 18 000 per year for self-employed) (it is not included in the calculations underlying this Report). For employees who are over 66 years old and born after 1937 only the retirement pension contribution (10.21%) is applicable. For persons born in 1937 or earlier no employers' social security contributions, is applied.

On premiums for occupational pensions paid by the employer a special wage tax (24.26%) is applied.

For self-employed a general reduction of 7.5% on the SSC is applicable if the income exceeds SEK 40 000 per year. The maximal reduction is SEK 15 000 per year.

Universal Cash Transfers

Transfers related to marital status

None.

Transfers for dependent children

The transfers are tax exempt and independent of the parents' income. The transfers for each child are as follows:

	2025
First child	15 000
Second child	16 800
Third child	21 960
Fourth child	27 120
Fifth and subsequent child	30 000

Main Changes in Tax/Benefit Systems Since 1998

A tax credit of SEK 1 320 was introduced for low- and average income earners in 1999. The credit is reduced by 1.2% of taxable income above SEK 135 000. This reduction was abolished in 2003 and was replaced by an increase in the basic allowance.

A tax credit of 25% of the social security contribution paid by employees and the self-employed was introduced in 2000. The tax credit has been gradually increased to 100% in 2006.

In 2004, a special tax credit equal to SEK 200 was provided for the statutory minimum local income tax. The special tax credit was abolished in 2005 as was the statutory minimum state income tax (a lump sum tax) of SEK 200.

In 2021 a general tax credit was introduced. The tax credit is 0.75% of taxable income exceeding SEK 40 000 per year up to a maximum tax credit of SEK 1 500.

The central government income tax bracket is indexed with the consumer price index plus 2%. However, restrictions to the increases were applied in 2004, 2005, 2006, 2016, 2017 and 2024. Additional increases were applied in 2009 and 2019. In 2020 the additional central government income tax over the upper bracket was abolished.

The child allowance was increased in 2000, 2001, 2006, 2010, 2017 and 2018.

The basic allowance has been increased in 2001, 2002, 2003, 2005 and 2006. For persons 65 years or older the basic allowance was increased in 2009, 2010, 2011, 2013, 2014, 2016, 2018, 2019, 2020, 2021, 2022, 2024 and 2025. The age limit for the higher basic allowance was increased from 65 to 66 years in 2023.

An earned income tax credit was introduced in 2007 with the purpose of making work economically more rewarding relative to unemployment or inactivity. The earned income tax credit was increased in 2008, 2009, 2010, 2014, 2019, 2022, 2024 and 2025. In 2016 a phase-out of the EITC was introduced for persons with incomes above around SEK 775 000 in 2024. The phase-out was abolished in 2025.

In 2018 a tax credit for income from sickness and activity compensation (corresponding to disability pension) was introduced. This tax credit was increased in 2022.

In 2007, the social security contributions for 18-24-year-old employees and self-employed were reduced. In 2009 the reduction was increased and expanded to include all aged under 26. From 1st August 2015 the reduction was reduced by half and the 1st of June 2016 the reduction was abolished. A reduction of the SSC was reintroduced for 15-17-year-old employees from 1st August 2019. This reduction was abolished from 1st January 2024.

A special wage tax for persons older than 65 was abolished in 2007 for persons born after 1937 and in 2008 for persons born in 1937 or earlier. In 2016 the special wage tax for older persons was reintroduced at a rate of 6.15%. This was abolished as of 1st July 2019.

A general reduction of the SSC for self-employed was introduced in 2010 and increased in 2014.

The deduction for premiums paid to private pension arrangements was lowered in 2015 from SEK 12 000 to SEK 1 800 and abolished in 2016.

Memorandum Items

Identification of an AW and calculation of earnings

Basic data for gross earnings are taken from the series Official Statistics of Sweden, published by Statistics Sweden. The calculation is based upon total average monthly or hourly earnings, primarily in September of the calendar year. To arrive at the annual earnings, data have been multiplied by the normal amount of hours worked during the year or the stipulated monthly salary has been multiplied by a factor of 12.2. The figures are representative for the country as a whole. The branch classification is NACE Rev.2 B-N according to the OECD recommendation.

Employer contributions to private health, pension, etc. schemes

There are a handful of widespread private social security schemes.

2025 Parameter values

Average earnings/yr	Ave_earn	557 053	Secretariat estimate
Central income tax			
	tax_rate	0.2	
	tax_thrsh	625 800	
Basic Allowance			
	gr1	0.99	
	gr2	2.72	
	gr3	3.11	
	gr4	7.88	
	gp1	0.423	
	gp2	0.2	
	gp3	0.1	
	gp4	0.293	
	gp5	0.77	
Local income tax			
	local_rate	0.3241	
	min_taxl	0	
Soc. security amount			
	basic_amt	58 800	
	basic_ant	80 600	
Soc. security contributions			
Employee	SSC_rate	0.07	
Employer	SSC_empr	0.3142	
Ceiling	SSCC	8.07	
Child benefit			
	Child 1	15 000	
	Child 2	16 800	
	CB	15 900	
Tax credits			
	TC1	0	
	TC1gr1	0	
	TC1gp1	0	
	TC2gp1	1	
EITC	er_1	0.91	
	er_2	3.24	
	er_3	8.08	
	ep_1	1.813	
	ep_2	0.3874	
	ep_3	0.199	
	ep_4	2.776	
General wastable tax credit	gen_tax_cr_rate	0.0075	
	gen_tax_cr_lim	40000	
	gen_tax_cr_max	1500	
Employer payroll tax	PRT	0.1162	

2025 Tax equations

The equations for the Swedish system are mostly repeated for each individual of a married couple. But the cash transfer is calculated only once. This is shown by the Range indicator in the table below.

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

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings	earn		
		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-gr_2*MAXA(gr_2*basic_amt-trunc_earn, 0))), -2), trunc_earn), MINA(ROUNDUP(MAXA(gp_4*basic_amt, gp_5*basic_amt-gr_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	0
	Total	tax_al	B	basic_al
3.	Credits in taxable income	taxbl_cr	B	0
4.	CG taxable income	tax_inc	B	Positive(earn-basic_al)
5.	CG tax before credits	CG_tax_excl	B	tax_rate*Positive(tax_inc-tax_thrsh)
6.	Tax credits :	ssc_credit	B	Trunc(SSC, -2)
		localtax_credit	B	0
		eitc	B	=TRUNC(MAX((((TRUNC(IF(earned_income>er_2*basic_amt; IF(earned_income>er_3*basic_amt; ep_4*basic_amt; ep_1*basic_amt+ep_3*(earned_income-er_2*basic_amt)); MIN(earned_income; er_1*basic_amt+ep_2*(earned_income-er_1*basic_amt))))); 0))-basic_allowance)*local_rate); 0); 0)
		Final_eitc	B	MIN(eitc, CG_tax_excl+local_tax-ssc_credit)
		gen_tax_cr	B	MIN(gen_tax_cr_rate*MAX(tax_inc-gen_tax_cr_lim, 0), gen_tax_cr_max)
		tax_cr	B	ssc_credit+localtax_credit+final_eitc+gen_tax_cr
7.	CG tax	CG_tax	B	(CG_tax_excl-tax_cr
8.	State and local taxes	local_tax	B	IF(tax_inc>0, TRUNC(local_rate*tax_inc, 0)+min_taxl, 0)
9.	Employees' soc security	SSC	B	(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

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

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

Switzerland 2025

The tax/benefit position of single persons

Wage level (per cent of average wage)		67	100	167	67
Number of children		none	none	none	2
1	Gross wage earnings	67 479	100 715	168 193	67 479
2	Standard tax allowances				
	Basic allowance				
	Married or head of family	0	0	0	0
	Dependent children	0	0	0	13 600
	Deduction for social security contributions and income taxes	7 530	12 260	21 642	7 530
	Work-related expenses	2 000	2 828	4 000	2 000
	Other	1 800	1 800	1 800	3 200
	Total	11 330	16 888	27 442	26 330
3	Tax credits or cash transfers included in taxable income	0	0	0	6 432
4	Central government taxable income (1 - 2 + 3)	56 100	83 800	140 700	47 500
5	Central government income tax liability (exclusive of tax credits)	562	1 619	6 076	178
6	Tax credits				
	Basic credit				
	Married or head of family				
	Children	0	0	0	178
	Other				
	Total	0	0	0	178
7	Central government income tax finally paid (5-6)	562	1 619	6 076	0
8	State and local taxes	5 212	10 115	21 891	1 910
9	Employees' compulsory social security contributions				
	Gross earnings	4 319	6 446	10 544	4 319
	Taxable income				
	Total	4 319	6 446	10 544	4 319
10	Total payments to general government (7 + 8 + 9)	10 093	18 179	38 512	6 228
11	Cash transfers from general government				
	For head of family				
	For two children	0	0	0	6 432
	Total	0	0	0	6 432
12	Take-home pay (1-10+11)	57 386	82 536	129 682	67 682
13	Employer's compulsory social security contributions	4 319	6 446	10 544	4 319
14	Average rates				
	Income tax	8.6%	11.7%	16.6%	2.8%
	Employees' social security contributions	6.4%	6.4%	6.3%	6.4%
	Total payments less cash transfers	15.0%	18.1%	22.9%	-0.3%
	Total tax wedge including employer's social security contributions	20.1%	23.0%	27.4%	5.7%
15	Marginal rates				
	Total payments less cash transfers: Principal earner	21.7%	28.1%	31.8%	15.7%
	Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner	26.4%	32.4%	35.2%	20.8%
	Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.

Switzerland 2025

The tax/benefit position of married couples

Wage level (per cent of average wage)		100-0	100-67	100-100	100-67
Number of children		2	2	2	none
1	Gross wage earnings	100 715	168 193	201 429	168 193
2	Standard tax allowances				
	Basic allowance				
	Married or head of family	2 800	16 900	16 900	16 900
	Dependent children	13 600	13 600	13 600	0
	Deduction for social security contributions and income taxes	12 260	19 790	24 520	19 790
	Work-related expenses	2 828	4 828	5 656	4 828
	Other	5 100	5 100	5 100	3 700
	Total	36 588	60 218	65 776	45 218
3	Tax credits or cash transfers included in taxable income	6 432	6 432	6 432	0
4	Central government taxable income (1 - 2 + 3)	70 500	114 400	142 000	122 900
5	Central government income tax liability (exclusive of tax credits)	671	2 594	4 617	3 128
6	Tax credits				
	Basic credit				
	Married or head of family				
	Children	526	526	526	0
	Other				
	Total	526	526	526	0
7	Central government income tax finally paid (5-6)	145	2 068	4 091	3 128
8	State and local taxes	5 009	13 365	18 536	16 017
9	Employees' compulsory social security contributions				
	Gross earnings	6 446	10 764	12 891	10 764
	Taxable income				
	Total	6 446	10 764	12 891	10 764
10	Total payments to general government (7 + 8 + 9)	11 599	26 198	35 519	29 909
11	Cash transfers from general government				
	For head of family				
	For two children	6 432	6 432	6 432	0
	Total	6 432	6 432	6 432	0
12	Take-home pay (1-10+11)	95 547	148 428	172 342	138 284
13	Employer's compulsory social security contributions	6 446	10 764	12 891	10 764
14	Average rates				
	Income tax	5.1%	9.2%	11.2%	11.4%
	Employees' social security contributions	6.4%	6.4%	6.4%	6.4%
	Total payments less cash transfers	5.1%	11.8%	14.4%	17.8%
	Total tax wedge including employer's social security contributions	10.8%	17.1%	19.6%	22.7%
15	Marginal rates				
	Total payments less cash transfers: Principal earner	21.5%	25.8%	30.1%	28.4%
	Total payments less cash transfers: Spouse	21.6%	26.4%	30.1%	29.2%
	Total tax wedge: Principal earner	26.2%	30.2%	34.3%	32.7%
	Total tax wedge: Spouse	26.3%	30.9%	34.3%	33.4%

The national currency is the Swiss franc (CHF). In 2025, CHF 0.83 equalled USD 1. The Secretariat has estimated that in that same year the average worker earned CHF 100 715 (Secretariat estimate).

Cantonal and communal income taxes are very substantial in relation to direct federal tax. Here, the canton and commune of Zurich have been selected as an example of the tax system of the 26 cantons. Local income tax is not deductible when calculating federal income tax.

Personal income tax systems

Income tax collected by the federal government (Confederation)

Tax unit

The income of spouses living together is taxed jointly, regardless of the property regime under which they were married. Income of children living under parental authority is added to the income of their custodian. Children's labour income is taxed separately and in some cases, as in Zurich, is exempt from tax.

Tax reliefs and tax credits

Standard reliefs for “postnumerando” taxation [i.e. annual taxation on the basis of actual earned income, assessed at the end of the year].

- Basic deduction
- There is a basic deduction of CHF 2 800 for married couples for direct federal tax.
- Deduction for children

A CHF 6 800 deduction is allowed for each child under 18 years of age; the deduction is allowed for older children if they are apprentices or still in school.

- Tax credit for children

A CHF 263 deduction from the tax liability is allowed for each child under 18 years, the deduction is allowed for older children if they are apprentices or still in school.

- Deductions for social insurance contributions and other taxes

Premiums for old age and disability insurance (5.3% of gross earned income) and for unemployment insurance (1.1% for income up to CHF 148 200) are deductible in full. Compulsory contributions of approximately 7.83% to private pension funds are also fully deductible. Health and life insurance premiums are deductible from federal income tax up to CHF 3 700 for married persons and CHF 1 800 for taxpayers who are widow(er)s, divorced or single (such premiums are not considered social contributions). These amounts are increased by CHF 700 for each dependent child.

- Work-related expenses

Taxpayers are allowed a deduction corresponding to 3% of net income (i.e. gross income less contributions for old age and disability insurance, unemployment insurance and work-related provident funds). This deduction may be no less than CHF 2 000 and no more than CHF 4 000.

- Deduction for two-income couples

50% of the smaller income can be deducted, but no less than CHF 8 600 and no more than CHF 14 100.

Main non-standard reliefs available to the average worker

- Interest payments on qualifying loans

This is the main non-standard relief available to the average worker. It is allowed for all sorts of loans.

- Medical expenses

Expenses incurred as a result of illness, accidents or disability of the taxpayer or one of its dependants are deductible if the taxpayer bears the expenses personally and they exceed 5% of his or her net income.

Tax base

Allowable deductions from gross income	Single taxpayer (CHF)	Married taxpayer, 2 children (CHF)
Work-related expenses ¹	2 000–4 000	2 000–4 000
Personal deduction	--	2 800
Deduction for 2 dependent children	--	13 600 (6 800*2)
Social contributions		
Old age insurance	5.3%	5.3%
Unemployment insurance	1.1% ²	1.1% ²
Pension fund	7.83%	7.83%
Maximum deductions for health insurance premiums and loan interest ³	1 800 plus 700 per child	3 700 plus 700 per child
Deduction for two-income couples ⁴		8 600–14 100

1. 3% of net income, minimum CHF 2 000, maximum CHF 4 000.

2. 1.1% of income up to CHF 148 200.

3. For the purposes of this publication, taxpayers are assumed to always receive the relevant maximum deduction.

4. 50% of smaller income, minimum the lower of CHF 8 600 or adjusted smaller income, maximum CHF 14 100.

In addition, for the married taxpayer with 2 children, there is a (non-refundable) tax credit for 2 dependent children amounting to CHF 526, thus reducing the tax liability by CHF 526.

Tax schedules

Rates for persons living alone

Taxable income (CHF) ¹	Base amount (CHF)	Plus % of excess (CHF)	
Up to 15 200	--	--	--
15 200 to 33 200 ²		0.77	152000
33 200 to 43 500	138.60	0.88	33 200
43 500 to 58 000	229.24	2.64	43 500
58 000 to 76 100	612.04	2.97	58 000
76 100 to 82 000	1 149.61	5.94	76 100
82 000 to 108 800	1 500.07	6.60	82 000
108 800 to 141 500	3 268.87	8.80	108 800
141 500 to 184 900	6 146.47	11.00	141 500
184 900 to 793 300	10 920.47	13.20	184 900
Over 793 300 ³	--	11.5 of total income	

1. Fractions of less than CHF 100 are disregarded.

2. Tax y amounts of less than CHF 25 are not billed.

3. The calculation model disregards this part of the schedule.

Rates for spouses living together and for widowed, separated, divorced taxpayers or unmarried taxpayers living with their own children.

Taxable income (CHF) ¹	Base amount (CHF)	Plus % of the excess (CHF)	
Up to 29 700	--	--	--
29 700 to 53 400		1	29 700
53 400 to 61 300 ²	234	2	53 400
61 300 to 79 100	390	3	61 300
79 100 to 94 900	918	4	79 100
94 900 to 108 600	1 538	5	94 900
108 600 to 120 500	2 218	6	108 600
120 500 to 130 500	2 926	7	120 500
130 500 to 138 300	3 612	8	130 500
138 300 to 144 200	4 236	9	138 300
144 200 to 148 200	4 749	10	144 200
148 200 to 150 300	5 149	11	148 200
150 300 to 152 300	5 369	12	150 300
152 300 to 940 800	5 609	13	152 300
For 940 800	106 788		
Over 940 800	--	11.5 of total income	

1. Fractions of less than CHF 100 are disregarded.

2. Tax amounts of less than CHF 25 are not billed.

3. The calculation model disregards this part of the schedule.

Taxes levied by decentralised authorities (Canton and commune of Zurich)

General description of the system

The system of cantonal and communal taxation has the same features as that of direct federal tax.

The tax base is comprised of income from all sources.

Once the basic amount of tax is set, cantons, communes and churches levy their taxes by applying a multiple, which may change from year to year. In 2012, for example, the canton applied a multiple of 1.0, the commune of Zurich 1.19 and the reformed church 0.10. The basic amount of tax is therefore multiplied by a total of 2.29. However, following the decision no longer to include church tax in Revenue Statistics, it is no longer included in the calculations for Taxing Wages. The basic amount of tax is therefore multiplied by a total of 2.19.

Tax base

Allowable deductions from gross income	Single taxpayer (CHF)	Married taxpayer, 2 children (CHF)
Work-related expenses ¹	2 000 – 4 000	2 000–4 000
Personal deduction	--	--
Deduction for 2 dependent children	--	18 600 (9 300*2)
Social contributions		
-- Old age insurance	5.3%	5.3%
-- Unemployment insurance	1.1% ²	1.1% ²
-- Pension fund	7.83%	7.83%
Maximum deductions for health insurance premiums and loan interest ³	2 900 plus 1 300 per child	5 800 plus 1 300 per child
Deduction for two-income couples		6 100

1. 3% of net income, minimum CHF 2 000 CHF, maximum CHF 4 000.

2. 1.1% of income up to CHF 148 200.

3. For the purposes of this publication, taxpayers are assumed to always receive the relevant maximum deduction.

*Postnumerando tax rates***Cantonal income tax (Zurich)**

a) Basic income tax rates for married, divorced, widowed or single taxpayers living with children:

Taxable income (CHF) ¹	Base amount (CHF)	Plus % of the excess (CHF)	
Up to 13 900	--	0	--
13 900 to 20 200	--	2	13 900
20 200 to 28 200	126	3	20 200
28 200 to 37 900	366	4	28 200
37 900 to 49 000	754	5	37 900
49 000 to 63 300	1 309	6	49 000
63 300 to 95 100	2 167	7	63 300
95 100 to 127 000	4 393	8	95 100
127 000 to 174 900	6 945	9	127 000
174 900 to 232 100	11 256	10	174 900
232 100 to 294 200	16 976	11	232 100
294 200 to 365 800	23 807	12	294 200
Over 365 800	32 399	13	365 800

b) Basic income tax rates for other taxpayers (single without children).

Taxable income (CHF) ¹	Base amount (CHF)	Plus % of the excess (CHF)	
Up to 6 900	--	0	--
6 900 to 11 800	--	2	6900
11 800 to 16 600	98	3	11 800
16 600 to 24 500	242	4	16 600
24 500 to 34 100	558	5	24 500
34 100 to 45 100	1 038	6	34 100
45 100 to 58 000	1 698	7	45 100
58 000 to 75 400	2 601	8	58 000
75 400 to 109 000	3 993	9	75 400
109 000 to 142 200	7 017	10	109 000
142 200 to 194 900	10 337	11	142 200
194 900 to 263 300	16 134	12	194 900
Over 263 300	24 342	13	263 300

1. Fractions below CHF 100 are disregarded.

c) Annual multiple as a percentage of basic tax rates:

-- Canton of Zurich	98
-- Commune of Zurich	119
-- Roman Catholic church tax	10.0 (for info.)
-- Reformed Church tax	10.0 (for info.)

A personal tax of CHF 24 is added.

Tax rates used for this study

This study uses the rates of tax levied by the federal, cantonal and communal tax authorities.

Compulsory social security contributions to schemes operated within the government sector

Employee contributions

Retirement pensions

5.3% of gross income for old age insurance.

Health insurance

--

Unemployment

1.1% on the portion of income up to CHF 148 200.

Work-related accidents

--

Family allowances

--

Other

--

Employer contributions

Retirement pensions

5.3% of gross income for old age insurance.

Health insurance

--

Unemployment

1.1% on the portion of income up to CHF 148 200.

Work-related accidents

--

Family allowances

The employer pays a benefit for dependent children of an employee. The effective benefits paid depend on the Canton of residence and the respective employer. As of 1 January 2009, a new Swiss-wide minimum amount of CHF 2 400 for children up to 16 years of age and CHF 3 000 for children in education between 16 and 25 years of age was established. In most cases, the benefit paid exceeds this minimum.

In 2009, the average family benefit was estimated to amount to CHF 3 000 per child per year and it has increased since then. In 2025, the family benefit was CHF 3 216 in the canton of Zurich (which is the amount used for the calculations in *Taxing Wages*).

This benefit is taxable along with other components of income.

The family allowance contributions are not included in the Taxing Wages results either as they are paid to a privately-managed fund. These contributions therefore qualify as non-tax compulsory payments (see also the section on Calculation of non-tax compulsory payments).

Other

--

Universal cash benefits

Benefits linked to marital status

No such benefits are paid.

Benefits for dependent children

In the canton of Zurich, the employer pays a benefit of CHF 3 216 per year for each dependent child of an employee in 2025. This benefit is taxable along with other components of income. See Family allowances, above

Main changes in the tax/benefit system since 1998

On 1 January 1999, the canton of Zurich switched from biennial praenumerando taxation to annual postnumerando taxation on individual income. As a result, the direct federal tax is based on annual postnumerando taxation as well.

As of 1 January 2008, the basic deduction for married couples and the deduction for two-income couples were introduced. These measures are intended to minimise the marriage penalty and to reduce the high taxation of secondary earners, thereby increasing labour force participation of skilled secondary earners.

As of 1 January 2024, the tax credit for children reduces the tax liability by CHF 259 per child.

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

None.

Memorandum item

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.

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.

Calculation of non-tax compulsory payments

Switzerland imposes some important non-tax compulsory payments (NTCPs). These NTCPs are not included in the Taxing Wages models except when they qualify as standard personal income tax reliefs. Compulsory payments indicators, which combine the effect of taxes and NTCPs, are calculated by the OECD Secretariat and presented in the OECD Tax Database (See: <https://www.oecd.org/content/dam/oecd/en/topics/policy-issues/tax-policy/non-tax-compulsory-payments.pdf>). Switzerland levies the following employee and/ or employer NTCPs:

- Contributions to the second pillar of the pension system (occupational pension funds): Occupational pension funds are mandatory for salaried persons earning at least CHF 22 680 annually. Old age insurance is based on individual savings. The savings assets accumulated by the insured person on his individual savings account over the years serve to finance the old age pension. The constituted capital is converted into an annual old age pension based on a conversion factor. Contribution rates depend on the occupation and the pension fund. An estimated representative rate amounted to 7.83% for employees and 10.50% for employers in 2022.
- Health insurance is compulsory for all persons domiciled in Switzerland. Every family member is insured individually, regardless of age. Health insurance contributions are lump sum contributions per capita depending on age, sex, canton of residence and insurer. The national average rates for 2022 amount to CHF 6 963.60 for adults and CHF 1 630.80 for children per year. Health insurance premiums can be reduced depending on the contributor's income level and his family situation. Each canton has its own definition of the income thresholds and the reduction regime. The health insurance premium and reduction rates of the Canton of Zurich are used in the calculations.
- Family allowance: Employers have to make family allowance contributions. The contribution rates differ among cantons and family contribution funds. A representative rate has to be estimated, it amounts to 1.68% (national average 2021) or 1.025 for the canton of Zurich (2025).
- Accident insurance: Accident insurance is compulsory for every employee. Employees are automatically insured by their employer, whereas the employers are more or less automatically assigned to a particular insurance company depending on their branch of trade. The risk and associated costs of the respective business activity determines the insurance premiums. A representative rate would have to be estimated.

2025 Parameter values

Average earnings/yr	Ave_earn	100 715	Secretariat estimate
Tax allowances	fed_child_al	6 800	
Tax credit	fed_child_cred	263	
Partner Allowance	partner_rate_fed	0.5	
	partner_min_fed	8 600	
	partner_max_fed	14 100	
Basic deduction for married couples	Married_ded_fed	2 800	
Partner income local	partner_local	6 100	
Single parent	sing_par_al	0	
Workrelated	work_exp	0.03	
	work_exp_min	2 000	
	work_exp_max	4 000	
Allowances for local tax	local_basic	0	
	local_child	9 300	
Federal tax	IFD_min_s	-	
Single	IFD_sch_s	0	15200
		0.0077	33200
		0.0088	43500
		0.0264	58000
		0.0297	76100
		0.0594	82000
		0.066	108800
		0.088	141500
		0.11	184900
		0.132	793300
		0.115	
Married	IFD_min_m	-	
	IFD_sch_m	0	29700
		0.01	53400
		0.02	61300
		0.03	79100
		0.04	94900
		0.05	108600
		0.06	120500
		0.07	130500
		0.08	138300
		0.09	144200
		0.1	148200
		0.11	150300
		0.12	152300
		0.13	940800
		0.115	
Cantonal tax	Zurich_min	24	
Single	Zurich_sch_s	0	6900
		0.02	11800
		0.03	16600
		0.04	24500
		0.05	341000
		0.06	45100
		0.07	58000
		0.08	75400
		0.09	109000

		0.1	142200
		0.11	194900
		0.12	263300
		0.13	
Married	Zurich_sch_m	0	13900
		0.02	20200
		0.03	28200
		0.04	37900
		0.05	49000
		0.06	63300
		0.07	95100
		0.08	127000
		0.09	174900
		0.1	232100
		0.11	294200
		0.12	365800
		0.13	
Canton and Commune Tax Mutiple	statetax_mult	2.17	
Social security contributions	old_age	0.053	
Pension	pension_rate	0	
Pillar 2 pension	NTCP_old_age_max	30 240	
	NTCP_pension_ee	0.0783	
Unemployment	unemp_rate	0.011	
	unemp_rate2	0.000	
income ceiling	unemp_ciel	148 200	
Cantonal deductible limit	Local_ins_dedn	2 900	
deductible extra for child	Local_ins_dedn_c	1 300	
Max other insurance deduction			
single	max_ins_dedn_s	1 800	
married couples	max_ins_dedn_m	3 700	
child	max_ins_dedn_c	700	
Child cash transfer	child_ben	3216	

2025 Tax equations

The equations for the Swiss system in 2025 are mostly calculated on a family basis.

Variable names are defined in the table of parameters above, within the equations table, or are the standard variables “married” and “children”. A reference to a variable with the affix “_total” indicates the sum of the relevant variable values for the principal and spouse. And the affixes “_princ” and “_spouse” indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with “_spouse” values taken as 0.

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings	earn		
2.	Allowances:	partner_al	J	IF(earn_spouse-work_al_spouse-SSC_spouse>partner_min_fed,(Married*MAX(partner_min_fed,MIN(partner_max_fed,partner_rate_fed*(earn_spouse-work_al_spouse-SSC_spouse))))),earn_spouse-work_al_spouse-SSC_spouse)+Married*Married_ded_fed
	Children	children_al	J	Children*fed_child_al+ (Children>0)*(Married=0)*sing_par_al
	Soc sec contributions	SSC_al	B	SSC + NTCP_pension_ee*IF(earn_princ>0.75*NTCP_old_age_max,MAX(0.125*NTCP_old_age_max,earn_princ-0.875*NTCP_old_age_max),0)+NTCP_pension_ee*IF(earn_spouse>0.75*NTCP_old_age_max,MAX(0.125*NTCP_old_age_max,earn_spouse-0.875*NTCP_old_age_max),0)
	Work related	work_al	B	IF(earn-SSC>work_exp_min,MAX(work_exp_min,MIN(work_exp_max,work_exp*(earn-SSC))),earn-SSC)
	Other	oth_al	J	IF(Married,IF(Children>0,max_dedn_m+Children*fed_dedn_c,max_dedn_m),IF(Children>0,max_dedn_s+Children*fed_dedn_c,max_dedn_s))
	Total	tax_al	J	partner_al+children_al+SSC_al+work_al+oth_al
3.	Credits in taxable income	taxbl_cr	J	Cash_tran
4.	CG taxable income	tax_inc	J	positive(earn_total-tax_al+taxbl_cr)
5.	CG tax before credits	CG_tax_excl	J	IF(Married+Children=0,'Tax(tax_inc, IFD_sch_s)+IFD_min_s*(Tax(tax_inc, IFD_sch_s)>0)', Tax(tax_inc, IFD_sch_m)+IFD_min_m*(Tax(tax_inc, IFD_sch_m)>0))
6.	Tax credits :	Children_cred	J	Child_cred*Children
7.	CG tax	CG_tax	J	Positive(CG_tax_excl- Children_cred)
8.	State and local taxes	local_tax_inc	J	MAX(earn_total+taxbl_cr-local_basic*(1+Married)-Children*local_child-work_al_total-SSC_total-(local_dedn*(1+Married)+Children*local_dedn_c)-(earn_spouse>0)*partner_local,0)
		local_tax		IF((Married+Children)>0, Tax(local_tax_inc, Zurich_sch_m)*statetax_mult+(1+Married)*Zurich_min*(Tax(local_tax_inc, Zurich_sch_m)>0), Tax(local_tax_inc, Zurich_sch_s)*statetax_mult+(Tax(local_tax_inc, Zurich_sch_s)>0)*Zurich_min)
9.	Employees' soc security	SSC	B	(old_age)*earn+IF(earn<=unemp_ciel,earn*unemp_rate,unemp_ciel*unemp_rate+(earn-unemp_ciel)*unemp_rate2)
11.	Cash transfers	Cash_tran	J	Children*child_ben
13.	Employer's soc security	SSC_empr	B	SSC

Key to range of equation B calculated separately for both principal earner and spouse P calculated for principal only (value taken as 0 for spouse calculation) J calculated once only on a joint basis.

Türkiye

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

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

Türkiye 2025

The tax/benefit position of single persons

		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1	Gross wage earnings		558 191	833 120	1 391 311	558 191
2	Standard tax allowances					
	Basic allowance		0	0	0	0
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes		83 729	124 968	208 697	83 729
	Work-related expenses					
	Other					
	Total		83 729	124 968	208 697	83 729
3	Tax credits or cash transfers included in taxable income		0	0	0	0
4	Central government taxable income (1 - 2 + 3)		474 462	708 152	1 182 614	474 462
5	Central government income tax liability (exclusive of tax credits)		97 105	160 201	288 306	97 105
	Stamp tax		1 868	3 955	8 191	1 868
	Total		98 973	164 156	296 497	98 973
6	Tax credits					
	Basic credit		45 151	45 151	45 151	45 151
	Married or head of family					
	Children					
	Other					
	Total		45 151	45 151	45 151	45 151
7	Central government income tax finally paid (5-6)		53 822	119 005	251 346	53 822
8	State and local taxes		0	0	0	0
9	Employees' compulsory social security contributions					
	Gross earnings		83 729	124 968	208 697	83 729
	Taxable income					
	Total		83 729	124 968	208 697	83 729
10	Total payments to general government (7 + 8 + 9)		137 550	243 973	460 043	137 550
11	Cash transfers from general government					
	For head of family					
	For two children		0	0	0	0
	Total		0	0	0	0
12	Take-home pay (1-10+11)		420 640	589 148	931 268	420 640
13	Employer's compulsory social security contributions		103 377	154 294	257 671	103 377
14	Average rates					
	Income tax		9.6%	14.3%	18.1%	9.6%
	Employees' social security contributions		15.0%	15.0%	15.0%	15.0%
	Total payments less cash transfers		24.6%	29.3%	33.1%	24.6%
	Total tax wedge including employer's social security contributions		36.4%	40.3%	43.5%	36.4%
15	Marginal rates					
	Total payments less cash transfers: Principal earner		38.7%	38.7%	38.7%	38.7%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		48.3%	48.3%	48.3%	48.3%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

Türkiye 2025

The tax/benefit position of married couples

Wage level (per cent of average wage)		100-0	100-67	100-100	100-67
Number of children		2	2	2	none
1	Gross wage earnings	833 120	1 391 311	1 666 240	1 391 311
2	Standard tax allowances				
	Basic allowance	0	0	0	0
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes	124 968	208 697	249 936	208 697
	Work-related expenses				
	Other				
	Total	124 968	208 697	249 936	208 697
3	Tax credits or cash transfers included in taxable income	0	0	0	0
4	Central government taxable income (1 - 2 + 3)	708 152	1 182 614	1 416 304	1 182 614
5	Central government income tax liability (exclusive of tax credits)	160 201	257 306	320 402	257 306
	Stamp tax	3 955	3 955	3 955	3 955
	Total	164 156	261 261	324 357	261 261
6	Tax credits				
	Basic credit	45 151	90 302	90 302	90 302
	Married or head of family				
	Children				
	Other				
	Total	45 151	90 302	90 302	90 302
7	Central government income tax finally paid (5-6)	119 005	172 826	238 009	172 826
8	State and local taxes	0	0	0	0
9	Employees' compulsory social security contributions				
	Gross earnings	124 968	208 697	249 936	208 697
	Taxable income				
	Total	124 968	208 697	249 936	208 697
10	Total payments to general government (7 + 8 + 9)	243 973	381 523	487 945	381 523
11	Cash transfers from general government				
	For head of family				
	For two children	0	0	0	0
	Total	0	0	0	0
12	Take-home pay (1-10+11)	589 148	1 009 788	1 178 295	1 009 788
13	Employer's compulsory social security contributions	154 294	257 671	308 588	257 671
14	Average rates				
	Income tax	14.3%	12.4%	14.3%	12.4%
	Employees' social security contributions	15.0%	15.0%	15.0%	15.0%
	Total payments less cash transfers	29.3%	27.4%	29.3%	27.4%
	Total tax wedge including employer's social security contributions	40.3%	38.8%	40.3%	38.8%
15	Marginal rates				
	Total payments less cash transfers: Principal earner	38.7%	38.7%	38.7%	38.7%
	Total payments less cash transfers: Spouse	24.6%	38.7%	38.7%	38.7%
	Total tax wedge: Principal earner	48.3%	48.3%	48.3%	48.3%
	Total tax wedge: Spouse	36.4%	48.3%	48.3%	48.3%

The national currency unit is the “Türk Lirası” (TL). In 2025, TL 39.45 were equal to USD 1. In that year, the average worker earned TL 833 120 (Country estimate).

Personal Income Tax Systems

Central government income tax

Tax unit

Spouses are taxed separately on earned income. This rule has been applied since 1 January 1999.

Tax allowances and tax credits

Standard reliefs:

- Reliefs for social security contributions: Employee's social security contributions are deductible from gross earnings. These contributions are 15% of gross income as stated by the Social Insurance Act. The contribution to the unemployment fund is included in this amount and equals 1% of gross income.
- Contributions to public pension funds established by law are deductible.
- Work related expenses: None.
- Minimum Wage tax exemption¹:

With the new regulation introduced by Law No. 7349, the wages corresponding to the remaining amount after deducting the worker's social security institution premium and unemployment insurance premium from the monthly gross minimum wage is exempted from income and stamp taxes. The deductible premiums should be the amount valid in the month in which the wage payment is made.

The tax amount to be paid regarding the wages is calculated by deducting the portion corresponding to the exemption amount. The tax that will not be collected due to the exception does not exceed the tax that should be calculated over the monthly minimum wage in the relevant month. This exception applies only to the highest wage for those who receive wages from more than one employer.

Main non-standard tax reliefs applicable to an AW

- Reliefs for disabled: Article 31 of PIT Law (implemented in 01.01.2004 by the law 4842) regulates tax relief for disabled persons. The employee who lost his/her working capacity with at least 80% is considered to be disabled in the 1st degree; employees are disabled in the 2nd and 3rd degree if they lost their working capacity with at least 60% and 40% respectively. In these cases, the following amounts are deductible from monthly wages:
 - Disabled in the 1st degree: TL 9 900
 - Disabled in the 2nd degree: TL 5 700
 - Disabled in the 3rd degree: TL 2 400
- Legal deductions for public institutions such as OYAK (Social Aid Institution for Military Officers).
- 50% of the premiums paid by the wage-earner for life insurance policies which belong to himself (or herself), the spouse and dependent children and all of the premiums paid by the wage-earner for personal insurance policies including death, accident, health, illness, disablement, unemployment, maturity, birth, education, etc. provided that the insurance is contracted with a company establishment in or with a main office in Türkiye. (The total amount of deductible

premiums cannot exceed 15% of the wage that is earned in the current month. The annual amount cannot exceed the annual minimum wage.

- Membership payments made to labour unions.

Tax schedule

The tax schedule in 2025 is as follows:

Taxable income (TL)	Tax on lower threshold (TL)	Tax on excess amount above lower threshold (%)
Up to 158 000		15
158 000 up to 330 000	23 700	20
330 000 up to 1 200 000	58 100	27
1 200 000 up to 4 300 000	293 000	35
Over 4 300 000	1 378 000	40

State and local income taxes

Income tax is levied only by the central government.

Stamp tax

The stamp tax base is gross earnings. The tax rate is 0.759% in 2025.

Compulsory Social Security Contributions to Schemes Operated within the Government Sector

Employees' contributions

- For long term insurance branches; invalidity, old age and survivors: 9%
- Health insurance: 5%
- Unemployment insurance: 1%

Employers' contributions

- For long term insurance branches; invalidity, old age and survivors: 11%
- Health insurance: 7.5%
- Unemployment insurance: 2%
- For short term insurance branches; work accident, occupational diseases, sickness, maternity: 2,25%

In order to increase employment and reduce regional imbalances in Türkiye; various incentives policies have been implemented by state. One of the various incentives is reduction of contributions for 5 points. If the employer pays contributions regularly without interruption and has no outstanding debt to SGK, 5 points of employer's share of long term insurance contributions (11%) is paid by the State. The term "five" in the first sentence of subparagraph (1) of the first paragraph of Article 81 of Law No. 5510 has been amended to "four."

However, the term "four" in the same sentence, as referenced in Provisional Article 108 of Law No. 5510, shall be applied as "five" if the employer operates in the manufacturing sector, provided that the conditions

stated in the same subparagraph are also met. The provisions of this article shall remain in effect until 31/12/2026.

For employees whose gross earnings are below the base or above ceiling earnings, which are determined once in a year, these contribution rates are applied to the base or ceiling amounts respectively. In 2025, the base amount is approximately TL 312 066 and the ceiling amount is approximately TL 2 340 495. Under the Law No. 5510 (Social Security and General Health Insurance Law), the base wage for social security contributions is equal to the minimum wage. Because employees cannot be paid less than the minimum wage, the base wage is not considered in this publication. However, the ceiling earnings are considered for the purposes of this Report.

Universal Cash Transfers

Employees obtain universal cash transfers according to the collective labour agreements that are signed between their employer and the labour union(s). These agreements vary with the bargaining power of the different parties in the different sectors in the economy. This explains why there is no standard amount reflecting these general transfers.

Main Changes in Tax/Benefit System Since 2004

The main laws about tax/benefit system are the Personal Income Tax Law (No: 193) that covers personal income taxation, Social Security and General Health Insurance Law (No: 5510) that covers social security contributions and Unemployment Insurance Law (No: 4447) that covers unemployment insurance fund.

The main changes have been made to the following laws 5615, 6009, 6327 and 6645 which are as follows:

- According to Act No: 5615, the new application “Minimum Living Relief” started to be implemented. (See the section on Tax allowances and tax credits).
- According to Act No: 6009, the taxation of the wages are differentiated than the taxation of the other taxable revenue resources like trading income, income from immovable property or income from investments. By this way, it is ensured that wages (comparative to other income items) are later entered into the 3rd bracket on the income tax schedule.
- According to Act No: 6327, (published in the Official Gazette issue 28338 on 29 June 2012) there are important amendments in the Private Pension System Regulations. According to this law, any citizen of the Republic of Türkiye will have the right for state subsidy for his/her paid contributions to the Private Pension Account. The contribution upper limit to favour this incentive is the annual amount of minimum wage 25% of this amount shall be transferred to the account of the insured party as a state subsidy. The state subsidy shall be earned in proportion to the amount of time within the system.
- According to Act No: 6645, “Minimum Living Relief” rate is changed from 5% to 10% which is used for third child’s rate.
- According to Act No: 7349, Instead of the minimum living allowance applied since 2008, the minimum wage tax exemption has been introduced beginning from 2022.

Memorandum Items

Identification of an AW

Weighted mean, by the number of employees, of the monthly average wage² information obtained from 'Structure of Earnings Survey, 2010', published by TURKSTAT, according to NACE Rev.2 classification for B-N sections is calculated³ and B-N aggregated data is gained. (The annual average wage data is calculated by multiplying the monthly average wage values by 12).

The data from 2011-2017 is reached by using 2010=100 base year 'Hourly Earnings Index' and 2010 annual average wage data.

The data from 2018-2025 is reached by using 2021=100 base year 'Hourly Earnings Index' and 2021 annual average wage data.

Contribution to private pension and health schemes

Business enterprises (employers) are permitted to make additional contributions for pension savings of their employees. However, these amounts of additional premiums are limited by main tax laws. Such additional pension arrangements, which are optional, are not widely used.

2025 Parameter values

Average earnings/yr.	Ave_earn	833 120	Country estimate
Income tax	Tax_sch	0 .15	158 000
		0 .20	330 000
		0 .27	1 200 000
		0 .35	4 300 000
		0 .40	
Stamp tax	Stamp_rate	0 .00759	
Employees SSC	SSC_rate	0 .15	
	SSC_ceil	2 340 495	
	SSC_support	12 000	
	SSC_supp_lim	360 000	
Employers SSC	SSC_empr	0 .1852	
Minimum living relief			
	min_wage	312 066	
	min_wage_taxable_income	265 256	

2025 Tax equations

The equations for the Turkish system are on an individual basis.

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

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings	earn		
2.	Allowances:	tax_al	B	SSC
3.	Credits in taxable income	taxbl_cr	B	0
4.	CG taxable income	tax_inc	B	Positive(earn-tax_al)
	Stamp tax	stamp_tax	B	earn*stamp_rate
5.	CG tax before credits	CG_tax_excl	B	Tax(tax_inc,tax_sch)
6.	Tax credits :	tax_cr	P	=credit_rate*min_wage*(basic_allow+spouse_allow*(IF(Wife=0;Married;0)))+ IF(OR(Children=1;Children=2; Children*child_allow;0)+IF(Children='3;(2*child_allow)' +(Children- 2)*third_child_allow;0)+IF(Children>3;(2*child_allow +(1*third_child_allow)+(1*add_child_allow);0))+IF(AND(earn<=min_wa ge;tax_inc>1st_inc_tax_thrsld);(tax_inc- 1st_inc_tax_thrsld)*(2nd_inc_tax_rate-1st_inc_tax_rate);0) S IF(spouse_earn>0,credit_rate*min_wage*basic_allow,0)
7.	CG tax	CG_tax	B	positive(CG_tax_excl-tax_cr)+stamp_tax
8.	State and local taxes	local_tax	B	0
9.	Employees' soc security	SSC	B	Min(earn,SSC_ceil)*SSC_rate
11.	Cash transfers	cash_trans	B	0
13.	Employer's soc security	SSC_empr	B	Positive(Min(earn,SSC_ceil)*SSC_empr- IF(earn<SSC_supp_lim,SSC_support,0))

Key to range of equation B calculated separately for both principal earner and spouse P calculated for principal only (value taken as 0 for spouse calculation) J calculated once only on a joint basis.

Notes

¹ Instead of the minimum living allowance applied since 2008, the minimum wage tax exemption has been introduced since 2022.

² Monthly wage: Include the sum of monthly basic wages, over time payments, payments for shift work/night work and other regular payments paid to employees in November 2010 by employers.

³ The average wage amount beginning from 2010 is calculated as a result of a joint working performed by authorities from TURKSTAT and Ministry of Treasury and Finance.

United Kingdom

(2025-2026 Income tax year)

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

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

United Kingdom 2025

The tax/benefit position of single persons

		Wage level (per cent of average wage)	67	100	167	67
		Number of children	none	none	none	2
1	Gross wage earnings		37 508	55 983	93 491	37 508
2	Standard tax allowances					
	Basic allowance		12 570	12 570	12 570	12 570
	Married or head of family					
	Dependent children					
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other					
	Total		12 570	12 570	12 570	12 570
3	Tax credits or cash transfers included in taxable income		0	0	0	0
4	Central government taxable income (1 - 2 + 3)		24 938	43 413	80 921	24 938
5	Central government income tax liability (exclusive of tax credits)		4 988	9 825	24 828	4 988
6	Tax credits					
	Basic credit					
	Married or head of family					
	Children		0	0	0	0
	Other					
	Total		0	0	0	0
7	Central government income tax finally paid (5-6)		4 988	9 825	24 828	4 988
8	State and local taxes		0	0	0	0
9	Employees' compulsory social security contributions					
	Gross earnings		1 995	3 130	3 880	1 995
	Taxable income					
	Total		1 995	3 130	3 880	1 995
10	Total payments to general government (7 + 8 + 9)		6 983	12 955	28 709	6 983
11	Cash transfers from general government					
	For head of family					
	For two children		0	0	0	2 367
	Total		0	0	0	2 367
12	Take-home pay (1-10+11)		30 526	43 027	64 782	32 892
13	Employer's compulsory social security contributions		4 876	7 647	13 274	4 876
14	Average rates					
	Income tax		13.3%	17.6%	26.6%	13.3%
	Employees' social security contributions		5.3%	5.6%	4.2%	5.3%
	Total payments less cash transfers		18.6%	23.1%	30.7%	12.3%
	Total tax wedge including employer's social security contributions		28.0%	32.4%	39.3%	22.4%
15	Marginal rates					
	Total payments less cash transfers: Principal earner		28.0%	42.0%	42.0%	67.6%
	Total payments less cash transfers: Spouse		n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner		37.4%	49.6%	49.6%	71.8%
	Total tax wedge: Spouse		n.a.	n.a.	n.a.	n.a.

United Kingdom 2025

The tax/benefit position of married couples

Wage level (per cent of average wage)		100-0	100-67	100-100	100-67
Number of children		2	2	2	none
1	Gross wage earnings	55 983	93 491	111 965	93 491
2	Standard tax allowances				
	Basic allowance	12 570	25 140	25 140	25 140
	Married or head of family				
	Dependent children				
	Deduction for social security contributions and income taxes				
	Work-related expenses				
	Other				
	Total	12 570	25 140	25 140	25 140
3	Tax credits or cash transfers included in taxable income	0	0	0	0
4	Central government taxable income (1 - 2 + 3)	43 413	68 351	86 825	68 351
5	Central government income tax liability (exclusive of tax credits)	9 825	14 813	19 650	14 813
6	Tax credits				
	Basic credit				
	Married or head of family				
	Children	0	0	0	0
	Other				
	Total	0	0	0	0
7	Central government income tax finally paid (5-6)	9 825	14 813	19 650	14 813
8	State and local taxes	0	0	0	0
9	Employees' compulsory social security contributions				
	Gross earnings	3 130	5 125	6 261	5 125
	Taxable income				
	Total	3 130	5 125	6 261	5 125
10	Total payments to general government (7 + 8 + 9)	12 955	19 938	25 911	19 938
11	Cash transfers from general government				
	For head of family				
	For two children	2 258	2 258	2 258	0
	Total	2 258	2 258	2 258	0
12	Take-home pay (1-10+11)	45 285	75 811	88 312	73 553
13	Employer's compulsory social security contributions	7 647	12 524	15 295	12 524
14	Average rates				
	Income tax	17.6%	15.8%	17.6%	15.8%
	Employees' social security contributions	5.6%	5.5%	5.6%	5.5%
	Total payments less cash transfers	19.1%	18.9%	21.1%	21.3%
	Total tax wedge including employer's social security contributions	28.8%	28.5%	30.6%	30.6%
15	Marginal rates				
	Total payments less cash transfers: Principal earner	42.0%	42.0%	42.0%	42.0%
	Total payments less cash transfers: Spouse	18.6%	28.0%	42.0%	28.0%
	Total tax wedge: Principal earner	49.6%	49.6%	49.6%	49.6%
	Total tax wedge: Spouse	28.0%	37.4%	49.6%	37.4%

The national currency is the Pound Sterling (GBP). In 2025, GBP 0.76 was equal to USD 1. In 2025-2026, the Average Worker is estimated to earn GBP 55 983 (Secretariat estimate).

Personal Income Tax System

Central government income taxes

Tax unit

The tax unit is the individual, but certain reliefs depend on family circumstances (see Section on Standard reliefs).

Tax allowances and tax credits

All figures shown are those applying at the start of the tax year in April.

Standard reliefs

- Basic reliefs: A personal allowance of GBP 12 570 is granted to each individual with income below GBP 100 000. The personal allowance is then tapered away by GBP 1 for every GBP 2 of income above GBP 100 000.
- Standard marital status reliefs: Marriage Allowance – Allows the transfer of 10% of an individual's personal allowance to their husband, wife or civil partner. The allowance is restricted to couples where the higher earner is a basic rate taxpayer and is only beneficial if the lower earners income is below the personal allowance. The Marriage allowance has to be claimed and is given only to those who meet the eligibility criteria.
- Relief for social security contributions and other taxes: None.

Main non-standard tax reliefs applicable to an AW.

- Work-related expenses: Flat rate expenses for tools and special clothing are allowed to certain occupational categories. Since this provision is not applicable to all manufacturing occupations, and hence average workers, and because the rates vary slightly across categories, this relief is considered here as non-standard;
- Contributions to approved superannuation schemes or personal pension schemes are deducted when calculating taxable income. Premiums on approved life assurance policies payable to life assurance companies attract 12.5% tax relief for policies entered into force before 13 March 1984.

Tax schedule

In 2025-26 all taxpayers (other than Scottish Taxpayers) are liable on taxable income other than savings and dividend income at the basic rate of 20% on the first GBP 37 700, 40% over the basic rate limit of GBP 37 700 and 45% over the higher rate limit (additional rate threshold) of GBP 125 140. (Taxable Income is defined as gross income for income tax purposes less allowances and reliefs available at the marginal rate.) Dividend income is charged at 8.75% up to the basic rate limit of GBP 37 700, 33.75% above GBP 37 700 and 39.35% above GBP 125 140. The Dividend Allowance is GBP 500 in 2025-26, meaning that dividend taxpayers will not have to pay tax on the first GBP 500 of their dividend income, no matter what non-dividend income they have. Savings income is charged at 0% up to the starting rate limit on the first GBP 5 000, at 20% up to GBP 37 700, 40% above GBP 37 700 and 45% above GBP 125 140. From 2016-17, a new Personal Savings Allowance was introduced giving GBP 1 000 of savings income

tax free for taxpayers with total income below the basic rate limit or GBP 500 for those with total income below the higher rate limit.

Taxable income (GBP)	Rate %
0–37 700	20
37 700–125 140	40
Over 125 140	45

State and local income tax

From 2018-19 the Scottish Government has introduced some additional tax bands including a starter rate band for non-savings non-dividend income of Scottish taxpayers. In 2025-26, the starter rate band applied from GBP 12 570 to GBP 15 397. The basic rate band for non-savings non-dividend income is set from GBP 15 397 to GBP 27 491. The Scottish Government has also introduced an intermediate rate band for non-savings non-dividend income of Scottish taxpayers from GBP 27 491 to GBP 43 662. The higher rate band for non-savings non-dividend income of Scottish taxpayers in 2025-26 is from GBP 43 662 to GBP 75 000. In 2024-25 the Scottish Government introduced another new band, the advanced rate band for non-savings non-dividend income of Scottish taxpayers applied from GBP 75 000 to GBP 125 140.

In 2025-26 all Scottish taxpayers are liable on taxable income other than savings and dividend income at the starter rate of 19% on the first GBP 2 827, 20% over the starter rate limit of GBP 2 827, 21% over the basic rate limit of GBP 14 921. The rate was increased in 2023-24 to 42% over the intermediate rate limit of GBP 31 092 and has been maintained at that level in each year, including 2025-26. The advanced rate, at 45% on income over the higher rate limit of GBP 62 430 was introduced in 2024-25 and was maintained in 2025-26. The top rate in 2025-26 was maintained at the 2024-25 level of 48% following the increase to 47% in 2023-24, and applies to income over the advanced rate limit of GBP 125 140. (Taxable Income is defined as gross income for income tax purposes less allowances and reliefs available at the marginal rate.)

Compulsory Social Security Contributions to Schemes Operated Within the Government Sector

Employees' contributions

In 2025-26 National Insurance contributions (NICs) were payable by employees earning more than GBP 242 in any week. This averages out to an annual equivalent of GBP 12 570. These NICs are 8% of weekly earnings between the Primary Threshold (GBP 242) and GBP 967 and 2% of earnings above GBP 967. Depending on eligibility, members of the National Insurance scheme qualify for pensions, sickness, industrial injury, unemployment benefits, etc. All employees earning under the weekly Primary Threshold have no National Insurance contribution liability, but a notional contribution will be deemed to have been paid in respect of earnings between GBP 125 and the Primary Threshold to protect benefit entitlement.

Employers' contributions

Employer's contributions are not payable for employees earning less than GBP 96 per week. The rate of employers' contributions for employees is 15%, of earnings above GBP 96 per week.

The Employer's contributions threshold was reduced in 2025-26 from the previous level of GBP 175 in 2024-25. The rate of employers' contributions for employees increased in 2025-26 from 13.8% to 15% of earnings above GBP 96 per week.

The apprenticeship levy was introduced in April 2017. The apprenticeship levy is charged at a rate of 0.5% on the gross pay bill of employers. Employers will receive an allowance of GBP 15 000 per year to offset against the levy meaning that only employers with a gross pay bill of over GBP 3m will end up paying the levy. Due to the fact that the apprenticeship levy does not apply to all employers, it is not included in the Taxing Wages calculations

Universal Cash Transfers

Transfers related to marital status

None (widows' benefit is covered by the government pensions scheme noted above).

Transfers for dependent children

Child Benefit: GBP 26.05 per week is paid in respect of the first child in the family up to the age of 19 (if the child aged 16-19 is in education or training) with GBP 17.25 per week paid for each subsequent child.

A High Income Child Benefit Charge applies for any taxpayer who has income over GBP 60 000 and either they or their partner are in receipt of Child Benefit. For those with adjusted net income (ANI, pre-tax income less certain allowances) between GBP 60 000 and GBP 80 000, the amount of the charge will be 1% of the Child Benefit for every GBP 200 of income over GBP 60 000. For those with income over GBP 80 000, the amount of the charge will equal the amount of Child Benefit. Child Benefit recipients can opt out of receiving payments as an alternative to paying the charge. Where both adults are over the threshold, the liability falls on the adult with the highest ANI.

Universal Credit (UC): a payment available to low income families with or without children which has replaced Working and Child Tax Credit). The maximum amount depends on the age of the claimant(s), whether they are single or in a couple, the number of children, whether claimant(s) have a disability or health condition that limits their capability for work, if claimant(s) have disabled children, whether the claimant(s) are carers, and childcare and housing costs. A couple where one is aged over 25 with a child born prior to 6 April 2017 would receive a maximum UC monthly amount of GBP 967.10 or GBP 11605.20 per year, assuming no other elements are payable. UC is reduced by a "taper rate" of 55 pence for each GBP of earnings (net of income tax and employee social security contributions) above a threshold (or "work allowance") of GBP 684 per month; a different threshold of GBP 411 per month is applied if the claimant has housing costs.

Claimant(s) receive a work allowance if they have limited capability for work or have children. UC may also be reduced by other income the claimant may have. There are further rules around the amount of savings held by claimants, and for some claimants the total amount payable is subject to a cap.

Recent changes in the tax/benefit system

Other changes

From January 2024, an in-year policy change resulted in the National Insurance employees' contributions rate charged on weekly earnings between the Primary Threshold (GBP 242) and GBP 967 being cut from 12% to 10%, resulting in an average rate of 11.74% over the tax year 2023-24. This rate was reduced further from 10% to 8% from April 2024 for the 2024-25 tax year.

Memorandum Items

Identification of AW and valuation of earnings

A new Annual Survey of Hours and Earnings (ASHE) has been developed to replace the New Earnings Survey (NES) (results of which are published in Labour Market Trends) and shows the average weekly earnings of full-time employees in April each year. It covers men and women at adult rates in the United Kingdom (excluding Northern Ireland). The annual figure used for the gross earnings of the AW in the United Kingdom is the annual equivalent of the arithmetic average of the weekly earnings figures for April at the beginning and end of the fiscal year, as published in Labour Market Trends.

The earnings figures exclude the earnings of those whose pay was affected by absence (due to sickness etc.). They include overtime, payment by results and shift payments. But they do not include benefits in kind (which could in some circumstances be included in the employee's taxable income in the United Kingdom).

Employers' contributions to private pension, health etc. schemes

In 2008, there were 9.0 million active members of occupational pension schemes with two or more members in the UK, of whom 3.6 million were in the private sector and 5.4 million in the public sector.

2025 Parameter values

Average earnings/yr	Ave_earn	55 983	Secretariat's estimate
Allowances	Basic_al	12570	
	PA taper start	100000	
	Married_al	1260	
	Married_rate	0	
Income tax	Tax_sch	0.2	37700
		0.4	125140
		0.45	
Employees SSC			
Primary threshold	SSC_sch	0	12570
Upper earnings limit		0.08	50270
		0.02	
Employers SSC	SSC_rate2	0.15	
	ST	5000	
Child benefit (first)	CB_first	26.05	
Child benefit (others)	CB_others	17.25	
	CB_1st_thres	60000.00	
	CB_2nd_thres	80000.00	
	CB_taper1	0.01	
	CB_taper2	200.00	
UNIVERSAL CREDIT			
Monthly rates			
Standard allowance (single over 25)	UC_standard_single	400.14	
Standard allowance (couple over 25)	UC_standard_couple	628.10	
Child element (first child born<6 Apr 2017)	UC_child_1	339.00	
Child element	UC_child	292.81	
Work allowance (no housing costs)	UC_WA	684.00	
Taper rate	UC_taper	0.55	
Number of days in year	numdays	365.00	

2025 Tax equations

The equations for the UK system are mostly on an individual basis. But Universal Credit is calculated on a family basis and child benefit is calculated only once. This is shown by the Range indicator in the table below.

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

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings	Earn		
2.	Allowances:	tax_al	B	IF(Earn<PA_taper,IF(AND(OR(((MAX(Earn-Basic_al,0)))+(MAX(Earn_spouse-Basic_al,0)))>((MAX(Earn-(Basic_al+Married_al),0)))+(MAX(Earn_spouse-(Basic_al-Married_al),0))),((MAX(Earn-Basic_al,0)))+(MAX(Earn_spouse-Basic_al,0)))>((MAX(Earn-(Basic_al-Married_al),0)))+(MAX(Earn_spouse-(Basic_al+Married_al),0))))),AND(Earn<(BRL+Basic_al),(Earn_spouse<(BRL+Basic_al))),Married=1),IF(Earn>=Earn_spouse,Basic_al+Married_al,Basic_al-Married_al),Basic_al),IF(Earn>(PA_taper+(Basic_al*2)),0,MAX(0,(Basic_al-((Earn-PA_taper)/2))))))
3.	Credits in taxable income	taxbl_cr	B	0
4.	CG taxable income	tax_inc	B	Positive(earn-tax_al)
5.	CG tax before credits	CG_tax_excl	B	Tax(tax_inc, tax_sch)
6.	Tax credits	tax_cr	J	0
7.	CG tax	CG_tax	B	CG_tax_excl-tax_cr
8.	State and local taxes	local_tax	B	0
9.	Employees' soc security	SSC	B	Tax(earn, SSC_sch)
11.	Cash transfers	cash_trans	J	=((IF(princ_earn>CB_1st_thres,IF(princ_earn>CB_2nd_thres,0,((1-(AA7-CB_1st_thres)/(CB_taper2/CB_taper1))))*(numdays/7*((Children>0)*CB_first+CB_others*Positive(Children-1))))),((numdays/7*((Children>0)*CB_first+CB_others*Positive(Children-1)))))+(SINGLE(IF(Children>0,IF(Married=0,Taper(SUM(UC_child_1,(Children-1)*UC_child,UC_standard_single),(monthly_net_earnings),UC_WA,UC_taper),Taper(SUM(UC_child_1,(Children-1)*UC_child,UC_standard_couple),(monthly_net_earnings),UC_WA,UC_taper)),IF(Married=0,Taper(sum(UC_standard_single),(monthly_net_earnings),0,UC_taper),Taper(sum(UC_standard_couple),(monthly_net_earnings),0,UC_taper))))))*12
13.	Employer's soc security	SSC_empr	B	(earn>ST)*(earn-ST)*SSC_rate2
	Memorandum item: Non-wastable tax credit			
	tax expenditure component	Taxexp	J	Tax_cr-transfer
	cash transfer component	Transfer	J	IF(CG_tax_excl<0, -CG_tax_excl, 0)

Key to range of equation B calculated separately for both principal earner and spouse P calculated for principal only (value taken as 0 for spouse calculation) J calculated once only on a joint basis.

United States

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

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

United States 2025

The tax/benefit position of single persons

Wage level (per cent of average wage)		67	100	167	67
Number of children		none	none	none	2
1	Gross wage earnings	49 258	73 520	122 779	49 258
2	Standard tax allowances				
	Basic allowance	15 750	15 750	15 750	23 600
	Married or head of family				
	Dependent children	0	0	0	0
	Deduction for social security contributions and income taxes				
	Work-related expenses				
	Other				
	Total	15 750	15 750	15 750	23 600
3	Tax credits or cash transfers included in taxable income	0	0	0	0
4	Central government taxable income (1 - 2 + 3)	33 508	57 770	107 029	25 658
5	Central government income tax liability (exclusive of tax credits)	3 783	7 623	18 534	2 739
6	Tax credits				
	Basic credit	0	0	0	1 696
	Married or head of family				
	Children	0	0	0	4 400
	Other				
	Total	0	0	0	6 096
7	Central government income tax finally paid (5-6)	3 783	7 623	18 534	- 3 357
8	State and local taxes	3 015	4 628	7 904	1 984
9	Employees' compulsory social security contributions				
	Gross earnings	3 768	5 624	9 393	3 768
	Taxable income				
	Total	3 768	5 624	9 393	3 768
10	Total payments to general government (7 + 8 + 9)	10 566	17 876	35 830	2 396
11	Cash transfers from general government				
	For head of family	0	0	0	0
	For two children				
	Total	0	0	0	0
12	Take-home pay (1-10+11)	38 693	55 644	86 948	46 863
13	Employer's compulsory social security contributions	4 090	5 946	9 714	4 090
14	Average rates				
	Income tax	13.8%	16.7%	21.5%	-2.8%
	Employees' social security contributions	7.7%	7.7%	7.7%	7.7%
	Total payments less cash transfers	21.4%	24.3%	29.2%	4.9%
	Total tax wedge including employer's social security contributions	27.5%	30.0%	34.4%	12.2%
15	Marginal rates				
	Total payments less cash transfers: Principal earner	26.3%	36.3%	38.3%	53.7%
	Total payments less cash transfers: Spouse	n.a.	n.a.	n.a.	n.a.
	Total tax wedge: Principal earner	31.5%	40.8%	42.7%	57.0%
	Total tax wedge: Spouse	n.a.	n.a.	n.a.	n.a.

United States 2025

The tax/benefit position of married couples

		Wage level (per cent of average wage)	100-0	100-67	100-100	100-67
		Number of children	2	2	2	none
1	Gross wage earnings		73 520	122 779	147 040	122 779
2	Standard tax allowances					
	Basic allowance		31 500	31 500	31 500	31 500
	Married or head of family					
	Dependent children		0	0	0	0
	Deduction for social security contributions and income taxes					
	Work-related expenses					
	Other					
	Total		31 500	31 500	31 500	31 500
3	Tax credits or cash transfers included in taxable income		0	0	0	0
4	Central government taxable income (1 - 2 + 3)		42 020	91 279	115 540	91 279
5	Central government income tax liability (exclusive of tax credits)		4 565	10 476	15 247	10 476
6	Tax credits					
	Basic credit		0	0	0	0
	Married or head of family					
	Children		4 400	4 400	4 400	0
	Other					
	Total		4 400	4 400	4 400	0
7	Central government income tax finally paid (5-6)		165	6 076	10 847	10 476
8	State and local taxes		3 845	7 121	8 735	7 643
9	Employees' compulsory social security contributions					
	Gross earnings		5 624	9 393	11 249	9 393
	Taxable income					
	Total		5 624	9 393	11 249	9 393
10	Total payments to general government (7 + 8 + 9)		9 635	22 590	30 830	27 512
11	Cash transfers from general government					
	For head of family		0	0	0	0
	For two children					
	Total		0	0	0	0
12	Take-home pay (1-10+11)		63 885	100 188	116 210	95 267
13	Employer's compulsory social security contributions		5 946	10 035	11 891	10 035
14	Average rates					
	Income tax		0.05	0.11	0.13	0.15
	Employees' social security contributions		0.08	0.08	0.08	0.08
	Total payments less cash transfers		0.13	0.18	0.21	0.22
	Total tax wedge including employer's social security contributions		0.20	0.25	0.27	0.28
15	Marginal rates					
	Total payments less cash transfers: Principal earner		0.26	0.26	0.36	0.26
	Total payments less cash transfers: Spouse		0.26	0.26	0.36	0.26
	Total tax wedge: Principal earner		0.32	0.32	0.41	0.32
	Total tax wedge: Spouse		0.32	0.32	0.41	0.32

The national currency is the dollar (USD). In 2025, the average worker earned USD 73 520 (Secretariat estimate).

Personal Income Tax System

Central/federal government income taxes

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.

Tax allowances and tax credits

Standard reliefs

- Basic reliefs: In 2025 a married couple filing a joint tax return is entitled to a standard deduction of USD 31 500. The standard deduction is USD 23 600 for heads of households and USD 15 750 for single individuals. This relief is indexed for inflation. More liberal standard deductions are available for taxpayers who are age 65 or older and taxpayers who are blind. Special rules apply to children who have sufficient income to pay tax and are also claimed as dependents by their parents.
- Standard marital status reliefs: Married couples generally benefit from a more favourable schedule of tax rates for joint returns of spouses (see the Tax Schedule Section). There are no other general tax reliefs for marriage.
- Relief for children: Low- and moderate-income workers with dependents are allowed a refundable (non-wastable) earned income credit. For taxpayers with one child, the credit is 34% of up to USD 12 730 of earned income in 2025. The credit phases down when income exceeds USD 23 350 (30 470 for married taxpayers) and phases out when it reaches USD 50 435 (57 555 for married taxpayers). The earned income threshold and the phase-out threshold are indexed for inflation. For taxpayers with two children, the credit is 40% of up to USD 17 880 of earned income in 2025. The credit phases down when income exceeds USD 23 350 (30 470 for married taxpayers) and phases out when it reaches USD 57 310 (64 430 for married taxpayers). For taxpayers with three or more children the credit is 45% of up to USD 17 880 of earned income. The credit phases down when income exceeds USD 23 350 (30 470 for married taxpayers) and phases out when it reaches USD 61 555 (68 675 for married taxpayers).
- Since 1998, taxpayers are permitted a tax credit for each qualifying child under the age of 17. Rules have changed over time, most recently in July. For 2025 the maximum credit per child is USD 2 200 for otherwise qualifying children under 17. The refundable (non-wastable) child credit for 2025 is 15 percent of earnings greater than 2 500 up to the lesser of the amount of any child credit unclaimed due to limited tax liability or 1 700 per child (indexed for inflation).
- Other dependent tax credit: For qualifying dependents other than qualifying children for whom a child tax credit was claimed, there is a USD 500 non-refundable credit. The Taxing Wages calculations do not include the other dependent tax credit.
- Phase out of child tax credit and other dependent tax credit: The maximum total credit is reduced for taxpayers with income in excess of certain thresholds. The total of the child tax credit plus the

other dependent tax credit is reduced by USD 50 for each USD 1 000 by which modified aggregate gross income exceeds USD 400 000 for married taxpayers filing jointly (USD 200 000 for single and head of household taxpayers).

- Relief for low-income workers without children: Since 1994, low-income workers without children have been eligible for the earned income tax credit. In 2025, low-income workers without children are permitted a non-wastable earned income credit of 7.65% of up to USD 8 490 of earned income. The credit phases down in 2025 when income exceeds USD 10 620 (17 730 for married taxpayers) and phases out completely when income reaches USD 19 110 (26 220 for married taxpayers). In 2025, this credit is available for taxpayers at least 25 years old and less than 65.
- Relief for social security and other taxes: In 2025, the withholding rate for Social Security taxes and Medicare for employees is 7.65%. The earned income credits described above are sometimes considered an offset to Social Security and Medicare contributions made by eligible employees. Only a portion of Social Security benefits are subject to tax.

Main non-standard reliefs applicable to an AW

The basic non-standard relief is the deduction of certain expenses to the extent that, when itemised, they exceed in aggregate the standard deduction. For the purposes of this Report, it is assumed that workers claim the standard deduction. The principal itemised deductions claimed by individuals where the standard deduction is not being claimed are:

- Medical and dental expenses that exceed 7.5% of income,
- State and local income taxes, real property taxes, and personal property taxes are capped at between USD 40 000 and USD 10 000 per return, depending on income,
- Home mortgage interest on up to USD 750 000 of qualified residence loans,
 - Investment interest expense up to investment income with an indefinite carry forward of disallowed investment interest expense,
 - Contributions to qualified charitable organisations (including religious and educational institutions),
 - Personal casualty and theft losses due to a qualified disaster to the extent that each loss exceeds USD 500,
 - Gambling losses up to the amount of gambling winnings, casualty and theft losses of income-producing property, and impairment related work expenses of disabled persons,
 - Contributions to pension and life insurance plans. No relief is provided for employee contributions to employer-sponsored pension plans or for life insurance premiums. However, tax relief is provided for certain retirement savings.

In 2022 based on preliminary statistics¹, the most recent year for which such statistics are available, the 10% of taxpayers with income between USD 50 000 and USD 100 000 (the AW range) who itemised their deductions claimed average deductions as follows: taxes paid, USD 7 086; charitable contributions, USD 6 135; home mortgage interest expense, USD 9 549.

Tax schedule

Federal Income Tax rates

Taxable Income Bracket (USD) ¹			Marginal Tax Rate (%)
Single Individual	Joint Return of Married Couple	Head of Household	
0 to 11 925	0 to 23 850	0 to 17 000	10
11 926 to 48 475	23 851 to 96 950	17 001 to 64 850	12
48 476 to 103 350	96 951 to 206 700	64 851 to 103 350	22
103 351 to 197 300	206 701 to 394 600	103 3501 to 197 300	24
197 301 to 250 525	394 601 to 501 050	197 301 to 250 500	32
250 526 to 626 350	501 050 to 751 600	250 501 to 626 350	35
623 351 and over	751 601 and over	626 351 and over	37

1. The taxable income brackets are indexed for inflation.

There is a 3.8% tax on the lesser of certain net investment income or income in excess of USD 200 000 (USD 250 000 for joint returns). Net investment income includes interest, dividends, capital gains, rental and royalty income, and income from businesses trading financial instruments.

Owners of sole proprietorships, partnerships, S corporations, and some trusts and estates are eligible to deduct up to 20 percent of qualified business income (QBI). QBI is subject to limitations, depending on the taxpayer's taxable income, based on factors that may include the type of trade or business, the amount of wages paid by the business and the unadjusted basis of qualified property held by the trade or business.

State and local income taxes

General description of the system

The District of Columbia and 41 of the 50 States impose some form of a general individual income tax.² In addition, some local governments (cities and counties) impose an individual income tax, although this is not generally the case. State individual income tax structures use definitions of taxable income that are broadly similar to their analogues in the federal tax system with some appropriate adjustments. This linkage is not a legal requirement but a practical convention that functions for the convenience of the taxpayer who must fill out both federal and State income tax returns.

The Taxing Wages calculations assume that the average worker lives in Detroit, Michigan. The state of Michigan permits a personal exemption of USD 5 800 for the taxpayer, the taxpayer's spouse and each child, and taxes income at the rate of 4.25%. Michigan allows taxpayers who are eligible to claim the federal earned income tax credit to claim a Michigan earned income tax credit. The Michigan earned income tax credit is a refundable (non-wastable) credit equal to 30% of the federal earned income tax credit.

The city of Detroit permits a personal exemption of USD 600 and taxes income at the rate of 2.4%.

Compulsory Social Security Contributions to Schemes Operated within the Government Sector

Employees' contributions

Pensions

In 2025, the rate for employee contributions is 7.65% (6.2% for old age, survivors, and disability insurance, and 1.45% for old age hospital insurance). The 6.2% rate applies to earnings up to USD 168 600. Beginning in 1994, there is no limit on the amount of earnings subject to the 1.45% rate. There is an additional 0.9% tax on employee wages and salaries that exceed USD 200 000 (USD 250 000 for joint returns) as the additional hospital insurance tax on high-income taxpayers. The additional tax on wages and salaries is subject to withholding (but without regard to the earnings of the spouse) when wages from a particular job exceed USD 200 000 per year. These thresholds are not indexed for inflation.

There is no distinction by marital status or sex.

Other

No compulsory employee contributions exist.

Employers' contributions

Pensions

The rate for employers' contributions is 6.2% on earnings up to USD 168 600 and 1.45% of all earnings (without limit).

Unemployment

Employers are required by the federal government to pay unemployment tax of 6% on earnings up to USD 7 000. Taxes are also paid to various state-sponsored unemployment plans which may generally be credited against the required federal percentage. In 2022 the estimated average unemployment insurance tax rate in Michigan was 2.94% of the first USD 9 500 of wages. The Taxing Wages model considers that the Federal government allows employers to take a credit for state unemployment taxes of up to 5.4%, resulting in a net Federal tax of 0.6% on earnings up to USD 7 000.

Universal Cash Transfers

Transfers related to marital status

None.

Transfers for dependent children

No general cash transfers exist, although low-income mothers qualifying for categorical welfare grants may receive cash transfers.

Principal Changes to Individual Provisions since 2017

In December 2017, Congress passed and the President signed the Tax Cuts and Jobs Act – the most significant change in U.S. tax law in a generation, incorporating change to the taxation of individuals and businesses. For individuals, the Act temporarily lowers income tax rates, increases the standard deduction, increases the child tax credit, adds a credit for other dependents and changed indexation rules. The Act also eliminates some deductions, credits and exemptions for individuals. In addition, the individual alternative minimum tax (AMT) exemption and phase-out thresholds are increased so that fewer taxpayers are subject to the AMT. Pass-through entities that are generally taxed at the individual level only and may be eligible for a new temporary deduction. The provisions were largely made permanent in July of 2025 as part of the One Big Beautiful Bill Act. Most changes will begin in 2026, but a few take effect this year: the child credit was increased to 2 200 per child, the standard deduction was increased and seniors receive an additional deduction, and the two lowest tax brackets were expanded.

See the Tax allowances and tax credits Section for a complete description of parameters and income thresholds.

Memorandum Items

Identification of an AW at the wage calculation

The AW is identified from monthly data compiled from establishment questionnaires covering more than 40 million non-agricultural full- and part-time workers. Beginning in March 2006, data on average weekly hours and average hourly earnings cover all employees rather than solely production or non-supervisory workers. To obtain average annual wages, the product of average weekly hours (including overtime) and average hourly earnings (including overtime) is multiplied by 52 and is adjusted to reflect a full-time equivalent worker. The AW is estimated to be USD 72 954 for 2025.

Employer contributions to private social security arrangements

Employers commonly contribute to private pension plans (both defined benefit and defined contribution), health insurance and life insurance. Data for these contributions are available only on a total workforce basis. It is not possible to state with accuracy the levels applicable to the AW. The following are estimates for 2022 for civilian employees¹:

	Pension ¹	Health ²	Life ¹
% of workers covered	56	57	60
USD employer portion per covered employee	n.a.	16 141 (family) 6 241 (single)	n.a.

1. A change in methodology and data beginning this year results in a shift upward of premium levels before considering inflation. Civilian employees include those employed in the private sector and in the state/local government sector.

2. Pension and Life Insurance Information is from the National Compensation Survey: Employee Benefits in the United States, March 2023; U.S. Bureau of Labor Statistics.

3. Health Insurance information is from the Medical Expenditure Panel Survey (MEPS); U.S. Department of Health and Human Services.

2025 Parameter values

Average earnings/yr	Ave_earn	73 520	Secretariat estimate			
Standard deductions	Married_al	31 500				
	hh_al	23 600				
	single_al	15 750				
Federal tax schedules						
Single individuals	Fed_sch_s	0.1	11 925			
		0.12	48 475			
		0.22	103 350			
		0.24	197 300			
		0.32	250 525			
		0.35	626 350			
		0.37				
Married filing jointly	Fed_sch_m	0.1	23 850			
		0.12	96 950			
		0.22	206 700			
		0.24	394 600			
		0.32	501 050			
		0.35	751 600			
		0.37				
Head of household	Fed_sch_h	0.1	17 000			
		0.12	64 850			
		0.22	103 350			
		0.24	197 300			
		0.32	250 500			
		0.35	626 350			
		0.37				
Earned income credit	EIC_sch	rate	income limit	threshold	thresh-married	phase-out
	no children	0.0765	8 490	10 620	17 730	0.0765
	1 child	0.34	12 730	23 350	30 470	0.1598
	2 children	0.4	17 880	23 350	30 470	0.2106
	3 or more children	0.45	17 880	23 350	30 470	0.2106
Child credit	chcrd_max	2 200				
	Chrd_lim	1700				
	chcrd_rdn	50				
	chcrd_thrsh_m	400 000				
	chcrd_thrsh_oth	200 000				
	Chcrd_ref_perct	.15				
	Chcrd_ref_thresh	2 500				
Detroit	Detroit_ex	600				
	Detroit_rate	0.024				
Michigan	Mich_ex	5 800				
	Mich_ex_child	0				
	Mich_rate	0.0425				
Michigan's earned income tax credit	Mich_EIC_rate	0.3				
Pension contributions	pens_rate_er	0.062				
	pens_rate_ee	0.062				
	hosp_rate	0.0145				
	add_hosp_rate	0.009				
Ceiling for employers and employees	pens_ceil	171 100				

	add_hosp_thresh_m	250 000				
	add_hosp_thresh_oth	200 000				
Unemployment insurance tax	Unemp_rate	0.006				
	Unemp_dedn_rate	0.054				
	Unemp_max	7 000				
Michigan unemploy insur	Mich_unemp_rate	0.0294				
	Mich_unemp_max	9500				

2025 Tax equations

The equations for the US system in 2025 are mostly calculated on a family basis. There is a special function EIC which is used to calculate the earned income credit. Variable names are defined in the table of parameters above, within the equations table, or are the standard variables “married” and “children”. A reference to a variable with the affix “_total” indicates the sum of the relevant variable values for the principal and spouse. And the affixes “_princ” and “_spouse” indicate the value for the principal and spouse, respectively. Equations for a single person are as shown for the principal, with “_spouse” values taken as 0.

	Line in country table and intermediate steps	Variable name	Range	Equation
1.	Earnings	earn		
2.	Allowances:	tax_al	J	IF(Married, Married_al, IF(Children=0, single_al, hh_al))
3.	Credits in taxable income	taxbl_cr	J	0
4.	CG taxable income	tax_inc	J	positive(earn-tax_al+taxbl_cr)
5.	CG tax before credits	CG_tax_excl	J	Tax(tax_inc, IF(Married, Fed_sch_m, IF(Children, Fed_sch_h, Fed_sch_s)))
6.	6. Tax credits :	EIC	J	EIC(Children, earn_total, EIC_sch)
		ch_crd_max	J	(Positive((chcrd_rdn_lim*Children)-(chcrd_rdn*Positive(TRUNC(earn,-3)-IF(Married>0,chcrd_thrsh_m,chcrd_thrsh_oth))/1000))+Positive(((Children*chcrd_max)-(chcrd_rdn_lim*Children)-(chcrd_rdn*Positive(TRUNC(earn,-3)-IF(Married>0,chcrd_thrsh1_m,chcrd_thrsh1_oth))/1000))))*(Children>0)
		tax_cr	J	EIC+ch_crd
7.	CG tax	CG_tax	J	CG_tax_excl-tax_cr
8.	State and local taxes	local_tax	J	Detroit_rate*Positive(earn_total-Detroit_ex*(1+Married+Children))+Mich_rate*Positive(earn_total-Mich_ex*(1+Married+Children)-Mich_ex_child*Children)-MIN(Mich_cr_max, Tax(AJ7, Mich_cr_sch))-Mich_EIC_rate*EIC
9.	Employees' soc security	SSC	B	pens_rate_ee*MIN(earn, pens_ceil)+hosp_rate*earn+add_hosp_rate*Positive(earn-IF(Married,add_hosp_thresh_m,add_hosp_thresh_oth))
11.	Cash transfers			
13.	Employer's soc security	SSC_empr	B	pens_rate_er*MIN(earn, pens_ceil)+hosp_rate*earn+MIN(earn,Unemp_max)*Unemp_rate+MIN(earn,Mich_unemp_max)*Mich_unemp_rate
	Memorandum item: non-wastable tax credits			
	tax expenditure component	taxexp		(rate_rd_crd+EIC)-transfer
	cash transfer component	transfer		IF(CG_tax<0, -CG_tax, 0)

Key to range of equation B calculated separately for both principal earner and spouse P calculated for principal only (value taken as 0 for spouse calculation) J calculated once only on a joint basis.

Notes

¹ Due to the Tax Cuts and Jobs Act, beginning in 2017 fewer individual taxpayers itemize deductions than under prior law but instead use the standard deduction.

² New Hampshire taxes only interest and dividend income received by individuals. Tennessee eliminated their interest and dividend income tax beginning in tax year 2021.

Annex A. Methodology and limitations

Methodology

Introduction

The personal circumstances of taxpayers vary greatly. This Report adopts a specific methodology to produce comparative statistics covering taxes, benefits and labour costs across OECD member countries.¹ The framework of the methodology is as follows:

- The Report focuses on eight household types which vary by composition and level of earnings.
- Each household contains a full-time adult employee working in one of a broad range of industry sectors of each OECD economy. Some of the households also have a spouse working less than full-time.
- The annual income from employment is assumed to be equal to a given fraction of the average gross wage earnings of these workers.
- Additional assumptions are also made regarding other relevant personal circumstances of these wage earners in order to calculate their tax/benefit position.

The guidelines described in the following paragraphs form the basis for the calculations shown in Parts I and II of this Report. Table A A.1 sets out the terminology that is used. Where a country had to depart from the guidelines, this is noted in the text and/or in the country chapters contained in Part II of the Report. The proportion of taxpayers with the defined characteristics and the average wage differ between OECD economies.

Taxpayer characteristics

The eight household types identified in the Report are set out in Table A A.2. Any children in the household are assumed to be aged between six and eleven inclusive.

The household is assumed to have no income source other than from employment and cash benefits.

The range of industries covered

The standard assumption for calculating average wage earnings is based on Sectors B-N of the International Standard Industrial Classification of All Economic Activities (ISIC Revision 4, United Nations)² (see Table A A.3. International Standard Industrial Classification of All Economic Activities). Many countries have now adopted this approach (for more detailed country information, see Table 1.8).

Table A A.1. Terminology

General terms	
Average worker (AW)	An adult full-time worker in the industry sectors covered whose wage earnings represent the average for workers.
Single persons	Unmarried men and women.
Couple with two children	Married couple with two dependent children between six to eleven years of age inclusive.
Labour costs	The sum of gross wage earnings, employers' social security contributions and payroll taxes.
Net take-home pay	Gross wage earnings less the sum of personal income tax and employee social security contributions plus cash transfers received from general government.
Personal average tax rate (tax burden)	The sum of personal income tax and employee social security contributions expressed as a percentage of gross wage earnings.
Tax wedge	The sum of personal income tax, employee and employer social security contributions plus any payroll tax less cash transfers expressed as a percentage of labour costs.
Elasticity of income after tax	Percentage change in 'after-tax' income following an increase in one currency unit of income before tax (defined more precisely as one minus a marginal tax rate divided by one minus a corresponding average tax rate).
Terms used under the income tax	
Tax reliefs	A generic term to cover all the means of giving favourable income tax treatment to potential taxpayers.
Tax allowances	Amounts deducted from gross earnings to arrive at taxable income.
Tax credits	Amounts which a taxpayer may subtract from his tax liability. They are described as payable if they can exceed tax liability (sometimes the terms 'refundable' and 'non-wastable' are used).
Standard tax reliefs	Reliefs unrelated to the actual expenses incurred by taxpayers and automatically available to all taxpayers who satisfy the eligibility rules specified in the legislation are counted as standard reliefs. These also include deductions for compulsory social security contributions.
Basic relief	Any standard tax relief available irrespective of marital or family status.
Marriage allowance	Additional tax relief given to married couples. (In some countries, this is not distinguished from the basic relief which may be doubled on marriage).
Non-standard tax reliefs	Reliefs wholly determined by reference to actual expenses incurred.
Average rate of income tax	Amount of income tax payable after accounting for any reliefs calculated on the basis of the tax provisions covered in this Report, divided by gross wage earnings.
Schedule rate	The rate which appears in the schedule of the income tax and in the schedule of social security contributions.
Terms used under cash transfers	
Cash transfers	Cash payments made by general government (agencies) paid to families usually in respect of dependent children.

Table A A.2. Characteristics of taxpayers

Marital status	Children	Principal earner	Second earner
Single individual	No children	67% of average earnings	
Single individual	No children	100% of average earnings	
Single individual	No children	167% of average earnings	
Single individual	2 children	67% of average earnings	
Married couple	2 children	100% of average earnings	
Married couple	2 children	100% of average earnings	67% of average earnings
Married couple	2 children	100% of average earnings	100% of average earnings
Married couple	No children	100% of average earnings	67% of average earnings

Table A A.3. International Standard Industrial Classification of All Economic Activities

Revision 3.1 (ISIC Rev. 3.1)	
A	Agriculture, hunting and forestry
B	Fishing
C	Mining and quarrying
D	Manufacturing
E	Electricity, gas and water supply
F	Construction
G	Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods
H	Hotels and restaurants
I	Transport, storage and communications
J	Financial intermediation
K	Real estate, renting and business activities
L	Public administration and defence; compulsory social security
M	Education
N	Health and social work
O	Other community, social and personal service activities
P	Activities of private households as employers and undifferentiated production activities of private households
Q	Extraterritorial organisations and bodies
Revision 4 (ISIC Rev.4)	
A	Agriculture, forestry and fishing
B	Mining and quarrying
C	Manufacturing
D	Electricity, gas, steam and air conditioning supply
E	Water supply; sewerage, waste management and remediation activities
F	Construction
G	Wholesale and retail trade; repair of motor vehicles and motorcycles
H	Transportation and storage
I	Accommodation and food service activities
J	Information and communication
K	Financial and insurance activities
L	Real estate activities
M	Professional, scientific and technical activities
N	Administrative and support service activities
O	Public administration and defence; compulsory social security
P	Education
Q	Human health and social work activities
R	Arts, entertainment and recreation
S	Other service activities
T	Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use
U	Activities of extraterritorial organizations and bodies

This approach broadly corresponds to the previous calculation based on sectors C-K incl. defined in the International Standard Industrial Classification of All Economic Activities (ISIC Revision 3.1, United Nations) which was adopted in the 2005 edition of *Taxing Wages*. The reasons for moving to a broadened average wage definition were set out in the Special Feature of *Taxing Wages 2003-2004*.

Defining gross wage earnings

This section sets out the assumptions underlying the calculation of the average earnings of 'the average worker'. The gross wage earnings data have been established using statistical data and the methodologies for calculating the earnings data in each country are set out in Table A A.4. Further information on the

calculation of the earnings figures is provided in the country chapters in Part II. The sources of the statistical data for each country are set out in Table A A.5.

The main assumptions are as follows:

- The data relate to the average earnings in the relevant industry sectors for the country as a whole.
- The calculations are based on the earnings of a full-time adult worker (including both manual and non-manual). They relate to the average earnings of all workers in the industry sectors covered. No account is taken of variation between males and females or due to age or region.
- The worker is assumed to be employed full-time during the entire year without breaks for sickness or unemployment. However, several countries are unable to separate and exclude part-time workers from the earnings figures (see Table A A.4). Most of them report full-time equivalent wages in these cases. In four countries (Chile, Ireland, Slovak Republic and Türkiye), the wages of part-time workers can be neither excluded nor converted into full-time equivalents because of the ways in which the earnings samples are constructed. As a result, average wages reported for these countries will be lower than an average of full-time workers (for example, an OECD Secretariat analysis of available Eurostat earnings data for selected European countries has shown that full-time employees' earnings in 2014 were on average 12% higher than earnings of all employees and 4% higher than earnings of all employees expressed in full-time equivalent units). Also, in most of the OECD countries where sickness payments are made by the employer, either on behalf of the government or on behalf of private sickness schemes, these amounts are included in the wage calculations. It is unlikely that this has a marked impact on the results since employers usually make these payments during a short period and the amounts usually correspond very closely to normal hourly wages.
- The earnings calculation includes all cash remuneration paid to workers in the industries covered taking into account average amounts of overtime, cash supplements (e.g. Christmas bonuses, thirteenth month) and vacation payments typically paid to workers in the covered industry sectors. However, not all countries are able to include overtime pay, vacation payments and cash bonuses according to the definition.
- The earnings figures include supervisory and/or management employees, though some countries are not able to do this. In such countries, the reported averages are lower than would otherwise be the case (for example, an OECD Secretariat analysis of available Eurostat earnings data for selected European countries has shown that excluding this type of workers can reduce average earnings by 10%-18%).
- Fringe benefits – which include, for example, provision of food, housing or clothing by the employer either free of charge or at below market-price – are, where possible, excluded from the calculation of average earnings. This could affect comparability of tax wedges as the reliance on fringe benefits may vary between countries and over time. However, the lack of comparability is limited as fringe benefits rarely account for more than 1%-2% of labour costs and are normally more common among high-income employees than in the income range covered by *Taxing Wages* (50% to 250% of average earnings). Table A A.4 shows that some Member countries are not able to exclude fringe benefits from the earnings figures reported and used in *Taxing Wages*. The decision to exclude fringe benefits has been taken because:
 - these types of benefits are difficult to evaluate in a consistent way (they may be valued at the actual cost to the employer, their value to the employee or their fair market value).
 - in most countries, they are of minimal importance for workers at the average wage level.
 - the tax calculations would be significantly more complicated if the tax treatment of fringe benefits were to be incorporated.

- Employers' contributions to private pension, family allowance or health and life insurance schemes are excluded from the calculations, though the amounts involved can be significant. In the United States, for example, these contributions can account for more than 5% of the earnings of employees. The country chapters in Part II indicate the existence of schemes that may be relevant for a worker earning the average wage.

Table A A.4. Method used to calculate average earning

Country	Items included and excluded from the earnings base					Types of worker included and excluded in the average wage measure			Basic method of calculation used	Income tax year ends	Period to which the earnings calculation refers
	Sickness ¹	Vacations	Overtime	Recurring cash payments	Fringe Benefits	Supervisory workers	Managerial workers	part-time workers			
Australia	Inc	Inc	Inc	Inc	Exc	Inc	Inc	Exc	Average weekly earnings x 52	30th June	Fiscal year
Austria	Exc	Inc	Inc	Inc	Taxable value Inc	Inc	Inc	Exc	Average annual earnings	31st December	Calendar year
Belgium	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Exc	Average annual earnings	31st December	Calendar year
Canada	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Exc	Annual wages, salaries and commissions from administrative tax	31st December	Calendar year
Chile	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Inc	Hourly earnings x hours worked	31st December	Calendar year
Colombia	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Exc	Hourly earnings x hours worked	31st December	Calendar year
Costa Rica	Inc	Inc	Inc	Inc	Exc	Inc	Inc	Inc	Average annual earnings	31st December	Calendar year
Czechia	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Inc ⁶	Average monthly earnings x 12	31st December	Calendar year
Denmark	Exc	Inc	Exc	Inc	Exc	Inc	Inc	Inc ⁶	Hourly earnings x hours worked	31st December	Calendar year
Estonia	Inc	Inc	Inc	Inc	Exc	Inc	Inc	Inc	Average earnings	31st December	Calendar year
Finland	Exc	Inc	Inc	Inc	Exc	Inc	Inc ⁵	Exc	Hourly wages x usual working time or (monthly earnings x months) + vacation payments+ end of year bonuses	31st December	Calendar year
France	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Exc	Annual earnings	31st December	Calendar year
Germany	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Exc	Annual earnings	31st December	Calendar year
Greece	Exc	Inc	Inc	Inc ²	Inc	Inc	Inc	Exc	Hourly earnings x hours worked	31st December	Calendar year
Hungary	Exc	Inc	Inc	Inc	Exc	Inc	Inc ⁵	Exc	Average monthly earnings x 12	31st	Calendar year

										December	
Iceland	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Exc	Hourly earnings x hours worked x 12	31st December	Calendar year
Ireland	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Exc	Average Annual Earnings	31st December	Calendar year
Israel	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Exc	Average earnings	31st December	Calendar year
Italy	Exc ³	Inc	Inc	Inc	Exc ⁴	Inc	Inc	Inc ⁶	Average monthly earnings x 12	31st December	Calendar year
Japan	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Exc	Monthly earnings in June x 12	31st December	Calendar year
Korea	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Exc	Average monthly earnings x 12	31st December	Calendar year
Latvia	Inc	Inc	Inc	Inc	Exc	Inc	Inc	Exc	Average monthly earnings x 12	31st December	Calendar year
Lithuania	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Exc	Average monthly earnings x 12	31st December	Calendar year
Luxembourg	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Exc	Aggregate annual earnings divided by annual average number of full-time employees. Any parts of earnings that exceed the upper social contribution limit (7 times the minimum wage) are not recorded.	31st December	Calendar year
Mexico	Exc	Inc	Exc	Inc	Exc	Inc	Inc	Exc	Average monthly earnings x 12	31st December	Calendar year
Netherlands	Exc	Inc	Exc	Inc	Exc	Inc	Inc	Exc	Annual gross earnings	31st December	Calendar year
New Zealand	Exc	Inc	Inc	Inc	Exc	Inc	Inc ⁵	Inc ⁶	Average weekly earnings in each quarter x 13	31st March	Tax year
Norway	Exc	Exc	Inc	Inc	Exc	Inc	Inc	Inc ⁶	Annual wages + estimated overtime	31st December	Calendar year
Poland	Inc	Inc	Inc	Inc	Exc	Inc	Inc	Inc ⁶	Average monthly earnings x 12	31st December	Calendar year
Portugal	Exc	Inc	Inc	Inc	Inc	Inc	Inc	Inc ⁶	Aggregate annual earnings divided by annual average number of full-time equivalent employees.	31st December	Calendar year
Slovak Republic	Exc	Inc	Inc	Inc	Exc	Inc	Inc ⁵	Inc ⁶	Average monthly earnings x 12	31st December	Calendar year
Slovenia	Inc	Inc	Inc	Inc	Exc	Inc	Inc	Inc	Average monthly earnings * 12	31st December	Calendar year
Spain	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Exc	Weighted monthly average x 12	31st	Calendar year

										December	
Sweden	Exc	Inc	Inc	Inc	Actual value Inc	Inc	Inc	Inc ⁶	Average hourly earnings in September x hours worked; and monthly earnings in September * 12	31st December	Calendar year
Switzerland	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Inc ⁶	Monthly earnings x 12	31st December	Calendar year
Türkiye	Exc	Inc	Inc	Inc	Actual value inc	Exc	Exc	Inc	Average annual earnings	31st December	Calendar year
United Kingdom	Exc	Inc	Inc	Inc	Exc	Inc	Inc	Exc	Average gross annual earnings	5th April	Fiscal year
United States	Exc	Inc	Inc	Inc ²	Exc	Inc	Inc	Inc ⁶	Average weekly earnings x 52	31st December	Calendar year

Notes: Exc = Excluded, Inc = Included, '-' = information not available.

1. Usually includes compensation paid by employer whether paid on behalf of the government or as part of a private sickness scheme.

2. Excludes profit sharing bonuses in Greece and the United States plus end of year bonuses in the United States.

3. Sickness payments are only included to the extent that they are paid by the employer. For manual workers, this is only the case during the first three days of sick leave, while payments for the fourth day onwards are made by INPS.

4. Partly: the (small) taxable part of fringe benefits is included.

5. Except for top management (Finland); except if income from profits exceeds 50% of total income (Hungary); except for sole proprietors (New Zealand); only income earned based on a standard employment contract is included (Slovak Republic).

6. Part-time wages are converted to full-time equivalents before calculating the average wage measure. For the Slovak Republic, part-time workers with non-standard temporary employment contracts are excluded.

Table A A.5. Source of earnings data, 2024

Country	Type of sample	Source
Australia	Quarterly survey of firms resulting in a representative sample of wage and salary earners in each industry.	Australian Bureau of Statistics "Average Weekly Earnings, Australia" and "Labour Force, Australia".
Austria	Annual Wage Tax Statistics.	"Lohnsteuerstatistik".
Belgium	Data collected or estimated on the basis of an annual establishment survey and social insurance registers of employees.	Statistics Division of the Ministry of Economy (Federal Public Service, Economy, SMEs, Self-employed and Energy). Same source as for Eurostat "Annual gross earnings" data.
Canada	Annual household survey	Statistics Canada, "Survey of Labour and Income Dynamics" and "Canadian Income Survey"
Chile	Monthly sample of businesses with 10+ employees.	National Statistics Institute of Chile (INE).
Colombia ¹	The Great Integrated Household Survey	National Administrative Department of Statistics (DANE)
Costa Rica	Salaries and total number of workers by salary scale and institutional sector.	Actuarial and Economic Management. Statistics Area. "Caja Costarricense del Seguro Social" (CCSS)
Czechia	Employer survey data.	National Statistical Office.
Denmark	Danish Employers Confederation survey of earnings.	Annual Report Danish Employers Confederation (Dansk Arbejds Giverforening).
Estonia	-	Statistics Estonia/Ministry of Finance.
Finland	(1) Finnish Employers Federation survey of hourly and monthly earnings; (2) Survey for unorganized employers "Structure of Earnings Statistics" published by the Central Statistical Office.	"Wages Statistics" published by the Central Statistical Office.
France	Social insurance registers covering all employers.	INSEE, "Déclarations Sociales Nominatives" (DSN).
Germany	Survey carried out by the Federal Statistical Office.	National Statistical Office.
Greece	Survey carried out by National Statistics Service and Social Security Institutions.	National Statistical Service Labour Statistics. Same source as for Eurostat "Annual gross earnings" data.
Hungary	Monthly surveys among enterprises with at least five employees.	Central Statistical Office.
Iceland	Monthly survey of earnings in the private sector market.	Statistics Iceland.
Ireland	Quarterly surveys of industrial employment, earnings and hours worked.	Central Statistics Office.
Israel	-	Central Bureau of Statistics.
Italy	Quarterly indicators of wages in industry and services (OROS).	National Institute of Statistics.
Japan	Basic survey on wage structure of all establishments with more than 10 employees.	Ministry of Health, Labour and Welfare, Annual Report.
Korea	Labour Force Survey at Establishments.	Ministry of Employment and Labour.
Latvia	Average monthly wages and salaries (DSG01)	The Latvian Central Statistical Bureau.
Lithuania	-	Statistics Lithuania.
Luxembourg	Monthly aggregated files of Social security services.	National Statistical Office and Social Security Services.
Mexico	Administrative data from the Mexican Social Security Institute (Instituto Mexicano del Seguro Social [IMSS]).	The National Minimum Wage Commission (Comisión Nacional de Salarios Mínimos (CONASAMI)).
Netherlands	Survey "Employment and Wages".	Central Bureau of Statistics, Statline.
New Zealand	The quarterly employment survey is a sample survey of significant business with an employment count of 1 or more.	Statistics New Zealand INFOS.
Norway	Sample of enterprises based on published	Statistics Norway Wage.

	sector statistics for 3rd quarter – except agriculture, forestry and fishing and private households.	
Portugal	National Accounts (Contas Nacionais).	National Statistics Institute (INE).
Poland	Estimates for different sectors.	Monthly Statistical Bulletin.
Slovak Republic	Quarterly survey of employers.	Slovak Statistical Office.
Slovenia	Monthly survey of employees.	Statistical Office of the Republic of Slovenia.
Spain	Quarterly survey of firms.	Instituto Nacional de Estadística “Encuesta Trimestral de Coste Laboral” (Labour Cost Survey).
Sweden	September survey of Swedish employers.	Statistics Sweden.
Switzerland	Swiss Statistics Office. Personnes actives occupées selon la branche économique.	La vie économique, SECO (Secrétariat d’État à l’économie) table B.8.1, http://www.bfs.admin.ch/bfs/portal/fr/index/themen/03/04.html .
Türkiye	Annual Manufacturing Industry Survey.	Turkish Statistical Institute.
United Kingdom	1% sample of PAYE earnings.	Office for National Statistics, Annual Survey of Hours and Earnings (ASHE).
United States	Monthly surveys by Department of Labour on the basis of a questionnaire covering more than 40 million non-agricultural wage and salary-workers.	Employment, Hours, and Earnings from the Current Employment Statistics Survey.

Note: 1. In Colombia, the Great Integrated Household Survey has been adjusted from 2021 to incorporate the sampling frame of the National Census of Population and Housing of 2018, thereby changing the sampling frame of the 2005 census. As a result, the 2022, 2023, 2024 and 2025 average wage figures are not comparable with the figures reported up to 2021. The 2021 figure was computed through a splicing process based on the per capita income of the expenditure unit, not on labour income.

Calculating average gross wage earnings

Table A A.4 indicates the basic calculation method used in each country while more details are, where relevant, provided in the country chapters in Part II. In principle, countries are recommended to calculate annual earnings by referring to the average of hourly earnings in each week, month or quarter, weighted by the hours worked during each period, and multiplied by the average number of hours worked during the year, assuming that the worker is neither unemployed nor sick and including periods of paid vacation. A similar procedure was recommended to calculate overtime earnings. For countries unable to separate out part-time employees from the data, it is recommended that earnings of part-time employees should if possible be converted into their full-time equivalents.

Statistical data on average gross wage earnings in 2025 were not available when the current Report was written. For most countries, estimates of gross wage earnings of average workers in 2025 were therefore derived by the Secretariat on the basis of a uniform approach: year 2024 earnings levels are multiplied by the country-specific annual percentage change of wages for the whole economy reported in the most recently published edition of the *OECD Economic Outlook* (i.e. *OECD Economic Outlook Volume 2025 Issue 2*). This transparent procedure is intended to avoid any bias in the results. In some countries, there were varying approaches:

- The final 2025 average gross wage earnings were used for Australia.
- National estimates were used for Chile, Colombia, Costa Rica, New Zealand and Türkiye as the *OECD Economic Outlook Volume 2025 Issue 2* did not provide percentages changes in wages for those countries.
- In some countries, average wage earnings were also estimated for prior years – Canada (2024), Estonia (2024), Finland (2024), Portugal (2024) and Switzerland (2007, 2009, 2011, 2013, 2015, 2017, 2019, 2021, 2023 and 2024) as no country information on average wage earnings levels was available for these years.

Fourteen OECD countries have opted to provide national estimates of the level of gross wage earnings of average workers in 2025. These estimates were not used in the *Taxing Wages* calculations (except for the countries listed above) because of potential inconsistency with the Secretariat estimates derived for other

countries. However, they are included in Table A A.6 to enable comparisons to be made between the estimates obtained by applying the Secretariat formula and those from national sources. In most cases, the two categories are fairly close.

Table A A.6. Estimated gross wage earnings, 2024-2025 (in national currency)

	Average wage 2024	Average wage 2025 (Secret. estimates)	Average wage 2025 (country estimates)	EO 2025 (Issue 2) forecasted rates for 2025 ¹
Australia ¹	103 794		108 674	3.8
Austria	60 749	63 054	63 058	3.8
Belgium	60 370	62 348		3.3
Canada	90 747	92 401		1.8
Chile ¹	13 349 540		14 201 852	
Colombia ¹	29 342 796		31 542 293	
Costa Rica ¹	9 868 241		10 340 494	
Czechia	551 030	584 744	587 398	6.1
Denmark	521 300	537 071		3.0
Estonia	24 139	25 603		6.1
Finland	53 858	55 462	52 600	3.0
France	45 313	45 964	45 964	1.4
Germany	63 528	66 700		5.0
Greece	25 680	26 563		3.4
Hungary	7 754 304	8 455 487	8 419 234	9.0
Iceland	11 808 000	12 433 527		5.3
Ireland	58 026	60 258	60 300	3.8
Israel	206 064	209 735	213 720	1.8
Italy	35 360	36 594		3.5
Japan	5 540 008	5 703 038		2.9
Korea	55 238 136	56 749 797	59 908 740	2.7
Latvia	19 992	21 321	21 276	6.6
Lithuania	25 984	28 474	28 166	9.6
Luxembourg	75 341	77 844		3.3
Mexico	210 262	219 608	224 374	4.4
Netherlands	66 190	69 028		4.3
New Zealand ¹	80 019			
Norway	769 476	801 695	803 333	4.2
Poland	96 364	105 738		9.7
Portugal	23 118	24 254		4.9
Slovak Republic	18 336	19 590	19 251	6.8
Slovenia	28 242	30 135	28 486	6.7
Spain	31 472	32 678		3.8
Sweden	539 923	557 053		3.2
Switzerland	100 006	100 715		0.7
Türkiye ¹	595 782		833 120	
United Kingdom	52 615	55 983		6.4
United States	70 695	73 520		4.0

Notes:

1. The country average wage estimate is used instead of the OECD Secretariat's average wage estimate in the *Taxing Wages* calculations.

Table A A.7. Purchasing power parities and exchange rates for 2025

	Monetary unit	Exchange rates ¹	Purchasing power parities
Australia	AUD	1.6	1.4
Austria	EUR	0.9	0.7
Belgium	EUR	0.9	0.7
Canada	CAD	1.4	1.1
Chile	CLP	951.3	465.6
Colombia	COP	4 053.1	1 536.1
Costa Rica	CRC	503.5	308.8
Czechia	CZK	21.9	13.0
Denmark	DKK	6.6	6.1
Estonia	EUR	0.9	0.6
Finland	EUR	0.9	0.8
France	EUR	0.9	0.7
Germany	EUR	0.9	0.7
Greece	EUR	0.9	0.5
Hungary	HUF	353.1	183.9
Iceland	ISK	128.4	148.8
Ireland	EUR	0.9	0.7
Israel	ILS	3.5	3.5
Italy	EUR	0.9	0.6
Japan	JPY	149.7	95.5
Korea	KRW	1 422.4	839.6
Latvia	EUR	0.9	0.5
Lithuania	EUR	0.9	0.5
Luxembourg	EUR	0.9	0.8
Mexico	MXN	19.2	10.3
Netherlands	EUR	0.9	0.7
New Zealand	NZD	1.7	1.5
Norway	NOK	10.4	9.1
Poland	PLN	3.8	2.0
Portugal	EUR	0.9	0.5
Slovak Republic	EUR	0.9	0.5
Slovenia	EUR	0.9	0.6
Spain	EUR	0.9	0.6
Sweden	SEK	9.8	8.4
Switzerland	CHF	0.8	0.9
Türkiye	TRL	39.5	15.2
United Kingdom	GBP	0.8	0.7
United States	USD	1.0	1.0

Note: 1. Average of 12 months daily rates.

Source: OECD Economic Outlook Volume 2025 Issue 2.

Coverage of taxes and benefits

The Report is concerned with personal income tax and employee and employer social security contributions payable on wage earnings. In addition, payroll taxes (see section on Payroll taxes) are included in the calculation of the total wedge between labour costs to the employer and the corresponding net take-home pay of the employee.

The calculation of the after-tax income includes family benefits paid by general government as cash transfers (see section on Family cash benefits from general government). Income tax due on capital

income and non-wage labour income, several direct taxes (net wealth tax, corporate income tax) and all indirect taxes are not considered in this Report. However, all central, state and local government income taxes are included in the data.

In this Report, compulsory social security contributions paid to general government are treated as tax revenues. Being compulsory payments to general government they clearly resemble taxes. They may, however, differ from taxes in that the receipt of social security benefits depends upon appropriate contributions having been made, although the size of the benefits is not necessarily related to the amount of the contributions. Countries finance compulsory public social security programmes to a varying degree from general tax and non-tax revenue and earmarked contributions, respectively. Better comparability between countries is obtained by treating social security contributions as taxes, but they are listed under a separate heading so that their amounts can be identified in any analysis.

The Report covers the personal income tax, employee and employer social security and cash benefits regulations that are applied during the whole tax year. Any changes that occur during the tax year are taken into account in the *Taxing Wages* calculations.

Calculation of personal income taxes

The method by which income tax payments are calculated is described in the country chapters in Part II. First, the tax allowances applicable to a taxpayer with the characteristics and income level related to gross annual wage earnings of an average worker are determined. Next, the schedule of tax rates is applied and the resulting tax liability is reduced by any relevant tax credits. An important issue arising in the calculation of the personal income tax liability involves determining which tax reliefs should be taken into account. Two broad categories of reliefs may be distinguished:

- **Standard tax reliefs:** Reliefs that are unrelated to actual expenditures incurred by the taxpayer and are automatically available to all taxpayers who satisfy the eligibility rules specified in the legislation. Standard tax reliefs are usually fixed amounts or fixed percentages of income and are typically the most important set of reliefs in the determination of the income tax paid by workers. These reliefs are taken into account in the calculations. They include:
 - The basic relief which is fixed and is available to all taxpayers or all wage earners, irrespective of their marital or family status;
 - The standard relief which is available to taxpayers depending on their marital status;
 - The standard child relief granted to a family with two children between the ages of six to eleven inclusive;
 - The standard relief in respect of work expenses, which is usually a fixed amount or fixed percentage of (gross) wage earnings; and,
 - Tax reliefs allowed for social security contributions and other (sub-central government) income taxes are also considered as standard reliefs since they apply to all wage earners and relate to compulsory payments to general government.
- **Non-standard tax reliefs:** These are reliefs that are wholly determined by reference to actual expenses incurred. They are therefore neither fixed amounts nor fixed percentages of income. Examples of non-standard tax reliefs include reliefs for interest on qualifying loans (e.g. for the purchase of a house), private insurance premiums, contributions to private pension schemes, and charitable donations. These are not taken into account in calculating the tax position of employees.

Standard reliefs are separately identified and their impact on average tax rates is calculated in the results tables shown in the country chapters. The latter include a brief description of the main non-standard reliefs in most cases.

State and local income taxes

Personal income taxes levied by sub-central levels of government – state, provincial, cantonal or local – are included in the scope of this study. State income taxes exist in Canada, Switzerland and the United States. Since 1997, Spain has an income tax for the Autonomous Regions. Local income taxes are imposed in Belgium, Denmark, Finland, France, Iceland, Italy, Japan, Korea, Norway, Sweden, Switzerland and the United States. In Belgium, Canada (other than Quebec), Denmark, Iceland, Italy, Korea, Norway and Spain, they are calculated as a percentage of taxable income or of the tax paid to central government. In Finland, Japan, Sweden and Switzerland, local government provides different tax reliefs from central government. In the United States, the sub-central levels of government operate a separate system of income taxation under which they have discretion over both the tax base and tax rates. Except for Canada, Spain and Switzerland, the schedule of these sub-central taxes consists of a single rate.

When tax rates and/or the tax base of sub-central government income taxes vary within a country, it is sometimes assumed that the average worker lives in a typical area and the income taxes (and benefits) applicable in this area are presented. This is the procedure followed in Canada, Italy, Spain, Switzerland and the United States, where the tax base and tax rates vary very widely across the country. Belgium, Denmark, Finland, Iceland and Sweden have preferred to select the average rate of sub-central government income taxes for the country as a whole. In the case of France, the local tax rates, which vary widely depending on the municipalities, are not assessed and are not included in the *Taxing Wages* calculations. The local rates do not vary in practice in Korea and Norway. Japan has used the widely prevalent standard schedule.

Social security contributions

Compulsory social security contributions paid by employees and employers to general government or to social security funds under the effective control of government are included in the coverage of this Report. In most countries, contributions are levied on gross earnings and earmarked to provide social security benefits. In Finland, Iceland and the Netherlands, some contributions are levied as a function of taxable income (i.e. gross wage earnings after most/all tax reliefs). Australia, Denmark and New Zealand do not levy social security contributions.

Contributions to social security schemes outside the general government sector are not included in the calculations. However, information on “non-tax compulsory payments” as well as “compulsory payment indicators” is included in the OECD Tax Database, which is accessible at <http://www.oecd.org/tax/tax-policy/tax-database/>.

Payroll taxes

Payroll taxes have a tax base that is either a proportion of the payroll or a fixed amount per employee. In the OECD Revenue Statistics, payroll taxes are reported under heading 3000. Sixteen OECD countries report revenue from payroll taxes: Australia, Austria, Canada, Denmark, France, Hungary, Iceland, Ireland, Israel, Korea, Latvia, Lithuania, Mexico, Poland, Slovenia and Sweden.

Payroll taxes are included in total tax wedges reported in this publication, given that they increase the gap between gross labour costs and net take-home pay in the same way as income tax and social security contributions do. The main difference with the latter is that the payment of payroll taxes does not confer an entitlement to social security benefits. Also, the tax base of payroll taxes may differ from the tax base of employer social security contributions. For example, certain fringe benefits may only be liable to payroll tax. Because this Report presents the standard case, the payroll tax base can be – depending on the relevant legislation – gross wage (excluding fringe benefits and other items of compensation that vary per employee), gross wage plus employer social security contributions, or a fixed amount per employee.

Six OECD member countries include payroll taxes in the *Taxing Wages* calculations: Australia, Austria, Latvia, Lithuania, Poland and Sweden. The other countries reporting payroll tax revenue in Revenue Statistics have not included these taxes in the calculations for the present Report for a variety of reasons.

Family cash benefits from general government

Tax reliefs and family cash transfers universally paid in respect of dependent children between the ages of six to eleven inclusive who are attending school are included in the scope of the study. If tax reliefs or cash transfers vary within this age range, the most generous provisions are adopted, except that the case of twins is explicitly disregarded. The implications of this are illustrated below, supposing the child benefit programme of a country is structured as follows:

Age group	Benefits per child
Children 6-8	100 units
Children 9-10	120 units
Children 11-14	150 units

The most favourable outcome arises in the case of 11-year-old twins: 300 units. However, as the case of twins is excluded, the best outcome (given that children are between 6 and 11) now becomes 270 units (one child 11 years old, one child 9 or 10 years old). This amount would be included in the country table. Often, the benefit amount increases as children grow older. The calculations assume that the children have been born on 1 January so the annual amount received in child benefits may be calculated from the benefit schedule that is in place at the start of the year with any revisions to these amounts during the year being taken into account.

Relevant cash payments are those received from general government. In some cases, the cash benefits include amounts that are paid without consideration to the number of children.

Payable tax credits

Payable (non-wastable) tax credits are tax credits that can exceed tax liability, where the excess, if any, can be paid as a cash transfer to the taxpayer. In principle, these credits can be treated in different ways according to whether they are regarded as tax provisions or cash transfers or a combination of these. The Special Feature in the 2016 edition of *Revenue Statistics* discusses these alternative treatments and the conceptual and practical difficulties that arise in deciding which is the most appropriate approach for the purpose of reporting internationally comparable tax revenue figures. It also provides figures which show the impact of different treatments on tax to GDP ratios (OECD, 2018^[1]).

Based on this review, the Interpretative Guide of the *Revenue Statistics* requires that

- only the portion of a payable tax credit that is claimed to reduce or eliminate a taxpayer's liability (the 'tax expenditure' component)³ should be deducted in the reporting of tax revenues;
- the part of the tax credit that exceeds a taxpayer's tax liability and is paid to the taxpayer (the 'cash transfer' component) should be treated as an expenditure item and not deducted in the reporting of tax revenues.

However, additional information is provided in *Revenue Statistics* on aggregate tax expenditure components and aggregate transfer components of payable tax credits to show the effect of alternative treatments.

In *Taxing Wages*, the situation is different as the full amount of the payable tax credit is taken into account in the income tax calculation.

Strict consistency with *Revenue Statistics* would require that only the tax expenditure component be offset against derived income tax, with the excess (if any) treated as a cash transfer. However, this approach

would diminish rather than strengthen the informational content of the derived results in *Taxing Wages*. In particular, limiting tax credit claims to tax expenditure amounts would yield a zero income tax liability and zero average income tax rate where cash refunds are provided. Where tax credit claims are not constrained in this way, negative income tax liabilities and negative average income tax rates would result where cash transfers are provided. Arguably, these negative amounts more clearly convey the taxpayer's position (which is improved relative to the no-tax situation). Also, not including the cash transfer portion of payable tax credits in the 'cash transfers from general government' item of the country tables permits greater transparency of the latter which focuses on 'pure' cash transfers only.

In order to improve the informational content of country tables as regards payable tax credits, the memorandum item reporting at the bottom of the relevant country tables shows tax expenditure amounts on one line, with a second line showing cash transfer amounts. Where more than one payable tax credit programme applies, the figures represent aggregates covering all the programmes. Total programme costs in each of the household cases considered can be derived by adding the tax expenditure and cash transfer amounts.

The calculation of marginal tax rates

In all except one case, the marginal tax rates are calculated by considering the impact of a small increase in gross earnings on personal income tax, social security contributions and cash benefits. The exception is the case of a non-working spouse, where the move from zero to a small positive income is unrepresentative of income changes and therefore of little interest. For this particular case, the marginal rates for the spouse are calculated by considering the impact of an income increase from zero to 67% of the average wage.

Limitations

General limitations

The simple approach of comparing the tax/benefit position for eight model household types avoids many of the conceptual and definitional problems involved in more complex international comparisons of tax burdens and transfer programmes. However, a drawback of this methodology is that the earnings of an average worker will usually occupy a different position in the overall income distribution in different economies, although the earnings relate to workers in similar jobs in various OECD Member countries.

Because of the limitations on the taxes and benefits covered in the Report, the data cannot be taken as an indication of the overall impact of the government sector on the welfare of taxpayers and their families. Complete coverage would require studies of the impact of indirect taxes, the treatment of non-wage labour income and other income components under personal income taxes and the effect of other tax allowances and cash benefits. It would also require that consideration be given to the effect on welfare of services provided by the state, either free or below cost, and the incidence of corporate and other direct taxes on earnings and prices. Such a broad coverage is not possible in an international comparison of all OECD countries. The differences between the results shown here and those of a full study of the overall impact on employees of government interventions in the economy would vary from one country to another. They would depend on the relative shares of different kinds of taxes in government revenues and on the scope and nature of government social expenditures.

The Report shows only the formal incidence of taxes on employees and employers. The final, economic incidence of taxes may be quite different, because the tax burden may be shifted from employers onto employees and vice versa by market adjustments to gross wages.

The income left at the disposal of a taxpayer may represent different standards of living in various countries because the range of goods and services on which the income is spent and their relative prices differ as between countries. In those countries where the general government sector provides a wide range of goods and services (generous basic old age pension, free health services, public housing, university education, et cetera), the taxpayer may be left with less cash income but may enjoy the same living standards as a taxpayer receiving a higher cash income but living in a country where there are fewer publicly provided goods and services.

Some specific limitations on the income tax calculation

The exclusion of non-wage income and the limited number of tax reliefs covered mean that the average rates of income tax in the tables in this publication do not necessarily reflect the actual rates for taxpayers at these levels of earnings. Actual rates may be lower than the calculated rates because the latter do not take into account non-standard expense-related reliefs. On the other hand, actual rates may be higher than calculated rates because the latter do not take into account tax on non-wage income received by employees.

The decision not to calculate separately average rates of income tax taking into account the effect of non-standard tax reliefs was taken because:

- In many cases, expense-related reliefs are substitutes for direct cash subsidies. To take into account these reliefs while ignoring any corresponding direct subsidies would distort comparisons of take-home pay plus cash transfers;
- The special tax treatment of certain expenses may be linked to special treatment of any income associated with these expenses (e.g. the tax treatment of social security contributions and pension income) which is beyond the scope of this study;
- A few countries were unable to estimate the value of these reliefs and even those countries which could do so could not limit their estimates to taxpayers with the characteristics assumed in the above part on methodology; and,
- Not all countries could calculate separately the reliefs available to different household types. Where a split is provided between single individuals and families with children, there are large differences in the value of the reliefs typically received by these two categories of households.

Limitations to time-series comparisons

The calculations of the tax burden on labour income in OECD countries reported in the 2004 and previous editions of *Taxing Wages*, are based on an average earnings measure for manual full-time workers in the manufacturing sector (the 'average production worker').

Any analysis of the results over time has to take into account the fact that the earnings data do not necessarily relate to the same taxpayer throughout the period. Average earnings are calculated for each year. As such, the results do not reflect the changing earnings and tax position of particular individuals over time but rather refer to the position of workers earning a wage equal to (a proportion of) average earnings in the covered industry sectors in each particular year. This, in turn, may mean that the earnings levels referred to may be at different points in the income distribution over the period covered, and changes in tax rates may be influenced by these trends.

The definition of the average worker has changed over time. From the 2005 edition, *Taxing Wages* has reported tax calculations under a broadened average worker definition that includes all full-time employees covering industry sectors C-K (reference to ISIC Rev.3.1). The implications of adopting this definition for time-series comparisons are discussed in the 2005 edition of *Taxing Wages*. Since the 2010 edition of the *Taxing Wages* Report, many countries have started reporting average wage earnings for full-time

employees covering industry sectors B-N of the ISIC Rev.4 industry classification (which broadly corresponds to sectors C-K in ISIC Rev.3.1).

A note on the tax equations

Each country chapter contains a section describing in a standard format the equations under-pinning the calculations required to derive the amounts of income tax, social security contributions and cash transfers. These algorithms represent in algebraic form the legal provisions described in the chapter and are consistent with the figures shown in the country and comparative tables. This section describes the conventions used in the definition of the equations and how they could be used by those wishing to implement the equations for their own research.

The earlier sections of the country chapters describe how the tax and other systems work and present the values of the parameters of those systems such as the levels of allowances and credits, and the schedule of tax rates.

In the first part of the equations section is a table showing a brief description of each parameter (such as “Basic tax credit”), the name of the parameter as used in the algebraic equation (“Basic_cred”) and the actual value for the relevant year (such as “1098”). Where there is a table of values – for example a schedule of tax rates and the associated thresholds of taxable income – a name is given to the entire table (for example “tax_sch”). These variable names are those used in the equations.

After each table of parameters is the table of equations. The four columns contain information as follows:

- The first two columns give a description and a variable name for the result of the equation on that row of the table. These always include the thirteen main financial value entries in the country tables. Additional rows define any intermediate values which are calculated either to show the detail included in the tables (such as the subdivision of total tax allowances into the different categories) or values which make the calculation clearer.
- The third column shows the range of the calculation in that row. This is necessary to allow for the different way that tax may be calculated for married couples. The options are:
 - **B** The calculation is carried out separately for both the principal earner and the spouse using their individual levels of earnings. This applies in the case of independent income tax and usually also in respect of social security contributions.
 - **P** The calculation applies for the principal earner only. An example is where the principal earner can use any of the basic tax allowance of the spouse which cannot be set against the income of the spouse.
 - **S** The calculation applies for the spouse (i.e. second earner) at wage earnings equal to or lower than the principal earner’s wage earnings.
 - **J** The calculation is carried out only once on the basis of joint income. This applies to systems of joint or household taxation and is also usual for the calculation of cash transfers in respect of children.
- The final column contains the equation itself. The equation may refer to the variables in the parameters table and to variables which result from one of the rows of the equations table itself. Use is also made of the two standard variables “Married”, which have the value 1 if the household consists of a married couple and 0 in the case of a single individual, and “Children” which denotes the number of children. Sometimes there is a reference to a variable with the affix “_total” which indicates the sum of the relevant variable values for the principal earner and the spouse. Similarly, the affixes “_princ” and “_spouse” indicate the value for the principal earner and spouse, respectively.

In the equations, a number of functions are used. Some of these are used in the same way as in a number of widely available 'spreadsheet' computer packages. For example, $\text{MAX}(X,Y)$ and $\text{MIN}(X,Y)$ find the maximum and minimum of the two values, respectively. $\text{IF}(\text{condition } X,Y)$ 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, $(\text{Children}=2*\text{CB}_2)$ is equivalent to $\text{IF}(\text{Children}=2, \text{CB}_2, 0)$.

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 $\text{MAX}(0,X)$.
- **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 $(\text{income} - \text{threshold})$, unless this produces a negative result in which case zero is returned. This provides the calculation which is sometimes required when a tax credit, for example, is available in full provided that total income is below a threshold but is then withdrawn at a given rate for each currency unit in excess of the threshold until it is withdrawn completely.

In some circumstances, there are country specific special VBA functions. These VBA functions involve programming that is designed to simplify the tax calculations. The programming underlying these functions is based on the description of the particular measure given in the relevant country chapter found in Part II. For example, the Earned Income Credit in the United States is calculated using the VBA function called EIC.

Anyone wishing to make their own implementation of the equations will have to write VBA functions corresponding to these special functions or make appropriate modifications to any equations that use them.

Reference

OECD (2018), *Revenue Statistics 2018*, OECD Publishing, Paris,
https://doi.org/10.1787/rev_stats-2018-en.

[1]

Notes

¹ The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

² Not all national statistical agencies use ISIC Rev.3.1 or ISIC Rev.4 to classify industries. However, the Statistical Classification of Economic Activities in the European Community (NACE), the North American Industry Classification System (NAICS) and the Australian and New Zealand Standard Industrial Classification (ANZSIC) include a classification which is broadly in accordance with industries C-K in ISIC Rev.3.1 or industries B-N in ISIC Rev.4.

³ In this case, the amount of tax relief is related to actual social security contributions paid by the employee or withheld from her/his wage – thus in this respect this item deviates from the general definition of standard tax relief under which relief is unrelated to actual expenses incurred.

Taxing Wages 2026

The Progressivity of Labour Taxation in OECD Countries

This annual publication provides details of taxes paid on wages in OECD countries. This year's edition focuses on the progressivity of the average tax wedge across different earnings intervals and household types. Using data up to 2025, it also examines personal income taxes and social security contributions paid by employees, social security contributions and payroll taxes paid by employers, and cash benefits received by workers. The report illustrates how these taxes and benefits are calculated in each Member country and examines how they impact household incomes. The results also enable quantitative cross-country comparisons of labour cost levels and the overall tax and benefit position of single persons and families on different levels of earnings. The publication shows average and marginal effective tax rates on labour costs for eight different household types, which vary by income level and household composition (single persons, single parents, one or two earner couples with or without children). Average tax rates measure the part of gross wage earnings or labour costs taken in tax and social security contributions, before and after cash benefits. Marginal tax rates measure the part of a small increase in gross earnings or labour costs that is paid in these levies.



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