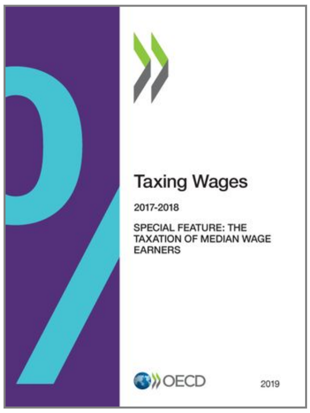
# OECD *Multilingual Summaries*
# Taxing Wages 2019

*Summary in English*

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In 2018 the OECD average tax wedge for the single worker earning the average wage was 36.1%, a decrease of 0.16 percentage points from 2017 and the fourth consecutive annual decrease. The tax wedge measures the difference between the labour costs to the employer and the corresponding net take-home pay of the employee. It is calculated as the sum of the total personal income tax (PIT) and social security contributions (SSCs) paid by employees and employers, minus cash benefits received, as a proportion of the total labour costs for employers.

Although the OECD average tax wedge decreased for the single worker in 2018, this was driven by large decreases in four countries, even though nearly two-thirds of OECD countries experienced a small increase. The four countries that experienced significant decreases were: Estonia (-2.54 percentage points), the United States (-2.19 percentage points), Hungary (-1.11 percentage points) and Belgium (-1.09 percentage points). These changes were due to income tax reforms in Estonia and the United States and to reductions in employer SSCs in Hungary and Belgium.

Despite the decrease in the OECD average, 22 OECD countries experienced a slight increase in the tax wedge on the single worker earning the average wage in 2018, although no country had an increase exceeding half a percentage point. In addition to the four most significant decreases in Estonia, the United States, Hungary and Belgium, ten other OECD countries also had small decreases in the tax wedge on the average worker in 2018 (less than one percentage point).

By contrast, the OECD average tax wedge for the one-earner couple has remained steady since 2017, at 26.6%. In 2018, the tax wedge for the one-earner couple decreased in 16 OECD countries, with the largest decreases seen in New Zealand (4.52 percentage points), Lithuania (2.50 percentage points), the United States and Estonia (both 2.41 percentage points) and Hungary (1.13 percentage points), Belgium (1.09 percentage points) and Greece (1.08 percentage points). The tax wedge for this household type was steady in Chile and increased in the other 19 OECD countries. With the exception of Poland (10.33 percentage points as a result of reduced child benefit payments), no country had an increase of over 1 percentage point.

The report also contains a special feature examining the taxation of the single worker at the median wage in OECD countries. The median wage provides a more consistent comparison than the average wage across the wage distribution in OECD countries, but is difficult to calculate due to data availability. In 2017, the OECD median worker earned 80.8% of the average wage and consequently had a lower tax burden, at 34.3% of labour costs compared to 36.2% for the average worker. Although the tax wedge is lower for the median wage earner than for the average wage earner in all OECD countries except Chile and Hungary, the difference in tax wedge is not significant in most countries.

## Key findings

*The average tax wedge in the OECD decreased in 2018 relative to 2017*

- Across OECD countries, the average PIT and total employee and employer SSCs on employment incomes was 36.1% in 2018, a decrease of 0.16 percentage points.

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- In 2018, the highest average tax wedges for single workers with no children earning the average national wage were in Belgium (52.7%), Germany (49.5%), Italy (47.9%), France (47.6%) and Austria (47.6%). The lowest were in Chile (7%), New Zealand (18.4%) and Mexico (19.7%).
- Between 2017 and 2018, the tax wedge increased in 22 of 36 countries and fell in 14. In four countries, the decreases were greater than 1 percentage point (as detailed above), whereas ten other countries experienced smaller decreases. No increase was greater than 0.5 percentage points, with the largest increase observed in Korea (0.49 percentage points).

*The average tax wedge for families with children in 2018 was 26.6%*

- In 2018, the highest tax wedges for one-earner couples with two children at the average wage were in France (39.4%) and Italy (39.1%). Austria, Belgium, Finland, Greece, Sweden and Turkey had tax wedges of between 37% and 38%. New Zealand had the lowest tax wedge (1.9%), followed by Chile (7.0%) and Switzerland (9.8%).
- Between 2017 and 2018, the largest increase in the tax wedge for this household type was in Poland (10.33 percentage points). The largest decreases were in New Zealand (4.52 percentage points), Lithuania (2.50 percentage points), Estonia and the United States (both 2.41 percentage points).
- The tax wedge for one-earner couples with children is lower than for single individuals without children in all OECD countries except in Chile and Mexico, where both household types face the same tax levels. The differences are more than 15% of labour costs in Belgium, Canada, the Czech Republic, Germany, Ireland, Luxembourg, New Zealand and Slovenia.

*Taxation of the single worker at median wage in 2017 (Special Feature)*

- The OECD average tax wedge for the single worker on the median wage in 2017 was 2.0 percentage points lower than for the single worker on the average wage (34.3% versus 36.2%, with the difference due to rounding).
- The average tax wedge on median workers in 2017 ranged from 52.0% in Belgium to 7% in Chile. In 21 countries, the median worker faced a tax wedge of between 30% and 45%.
- In 2017, almost all (94.0%) of the difference in the OECD average tax wedge between the median and the average wage was due to lower personal income taxes, with lower employer SSCs playing a role in six countries.



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