THE TAXATION OF FAMILIES

INTERNATIONAL COMPARISONS 2018

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Fiscal Policy Consultants

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FOREWORD

CARE was privileged to inaugurate our Taxation of Families annual report in 2008, which has in every subsequent year looked at the way in which different OECD countries share out the tax burden between those with and without family responsibilities. The message over the years has been remarkably consistent, demonstrating that the UK gives one-earner families, especially married one-earner families, a particularly rough ride compared with other developed OECD countries. We have always been clear about the reason: the radical individualism of the British tax system.

The advent of independent taxation in 1990 was an important step in the modernisation of our fiscal arrangements. We have no desire to return to the pre-1990 world of the 'married man's allowance' but we have consistently pointed out that while the decision to embrace independent taxation was not unusual or wrong, the UK adopted an unusually individualistic form of independent taxation which is almost entirely blind to family responsibility. This has created no end of problems.

In the first instance, households where the earner has family responsibilities have been taxed exactly the same as single people with no family responsibilities. At number 1 lives a single person with no dependants, Mr Smith, who earns £30,000 per annum. At number 2, meanwhile, lives Mr Jones who also earns £30,000 but who additionally supports his wife who is a full-time mother to their two pre-school children. In a radical divergence from what happens in most countries, where taxation accounts for the numbers of mouths that must be fed, in the UK both Mr Smith and Mr Jones pay exactly the same amount of income tax.

Rather than promoting responsible self-reliance, this over-zealous individualism has had quite the opposite effect from that intended. It not only traps families on low to modest incomes in poverty, it also traps them in a long-term dependent relationship on the state.

From the year 2000, when all recognition of family responsibility was removed from our tax system by Gordon Brown, a generous welfare system was called into being to offset the rugged individualism favoured by the Treasury. Under this system Mr Jones will first find himself paying a significant proportion of his income to the Treasury in tax but then the state will work its magic and the money will be returned - sometimes with more besides - through the Department for Work and Pensions (DWP).

'So what?' you might say. Mr Jones will end up about where he started. This arrangement, however, saps energy in two regards. First, it wastes money paying for the Treasury bureaucracy to take the money and then for the DWP bureaucracy to pay it back again. Second, it creates one of the great fiscal travesties of the modern world, Britain's uniquely exorbitant effective marginal tax rates.

For the uninitiated, the effective marginal tax rate is the amount of tax you have to pay on any additional pound of income that you would earn on top of your current salary, through tax, national insurance and withdrawn benefits, if you were to accept a pay rise as a result of a promotion or working longer hours. The effective marginal tax rate is therefore a key measure of social mobility. As someone earning the median wage considers the prospect of taking on more responsibility and a promotion, they ask themselves, to what extent will I benefit? If most of the money arising from the increased effort goes towards supporting their family, it is worth their while. If, however, most of it goes to the Treasury in tax and lost benefits, they will simply have to accept their current arrangements must continue.

A country that is committed to social mobility, to empowering low income families to be creative and earn their way to greater things, will prioritise keeping their effective marginal tax rate on low income families as minimal as possible. Sadly, successive British governments have done the exact opposite. They have, first, hit low-income families with a comparatively big tax take and then compensated them through generous benefits. This creates a huge problem when they seek to withdraw those benefits as income rises. In the first instance, they relieve the family of what is by international comparisons a lot of income tax and then they simultaneously relieve them of a significant portion of their benefits. It is the impact of this double whammy of the high tax rate and high benefit withdrawal that makes the UK effective marginal tax rate so problematic.

Across the OECD as a whole, the average effective marginal tax rate on a one-earner married couple with two children on 75% average wage is around 34%. If the average OECD family of this type has an opportunity to earn more money, they will take home the equivalent of 66 pence in the pound, which isn't too bad. By contrast, the equivalent family in the UK (with an annual income of just under £30,000) faces an effective marginal tax rate of 73%, meaning that they only get to take home 27 pence in the pound. They lose most of every additional pound earned. But if the family is on housing support as well the situation gets even worse, rising to 90.6%, so they only earn 9 pence in the pound.

While the tax credit system is still operational in most parts of the UK, some now receive Universal Credit. You may recall that part of the rationale for Universal Credit was to help make work pay. So, has it brought effective marginal tax rates back towards the OECD average? Rather than causing the 73% effective marginal tax rate to go down, the introduction of Universal Credit actually causes it to go up to 76%, although the 90.6% figure does come down to 80%.

What then should we conclude? Have the designers of Universal Credit messed up? not necessarily. They were only given the opportunity to move the deck chairs around the Titanic in relation to work incentives because the only way to bring down our extreme effective marginal tax rates is to address the root of the problem. Namely, the extraordinary form of independent taxation we have in this country. It is only when we bring fundamental reform to our tax system by recognising family responsibility, that we can make progress.

The challenge presented by our effective marginal tax rate is in many ways the ultimate expression of unchecked individualism backfiring on itself. It is, to this extent, in many senses the most developed expression of the malaise identified by Will Tanner and James O'Shaughnessy in 'The Politics of Belonging', Their analysis suggests that whereas in 1979 the

presenting problem was one that required economic liberalism and the celebration of more freedom, the presenting problem today is quite different, requiring the pendulum to swing back to a communitarianism that creates security by building up institutions like the family.

Tanner and O'Shaughnessy argue, 'While Westminster and Whitehall are still locked into a paradigm that places the extension of liberty above all other ends of public policy, the public mood has changed.' Today families crave security rather than change. Their research has shown that just over one in ten voters (12%) are pro freedom across both social and economic dimensions, while over half (51%) favour both economic and socio-cultural security. They note that, 'If the price of greater freedom is rootlessness and disconnection, voters no longer seem to think it is worth the cost.' It is in this context that the new political project must be 'building up the institutions that give meaning and strength to people in their lives – families, communities and small businesses.' If they are correct then the next chapter of British political history rests with those who can master this swing, and central to doing so will be tackling the rampant individualism of our tax system that is creating a broader fiscal framework that is trapping low income in work families in poverty.

Notably, the Conservative Party 2019 manifesto talked about the importance of making work pay on seven occasions. The last reference, on page 59, stated very boldly: 'We will ensure that work will always pay.' Now as the elected Government, the Conservative Party has the opportunity to act on this historic commitment.

This year, in addition to looking at a number of solutions that make adjustments to the current system, we are calling for something more profound - a fundamental review of the system itself. If we want to be free to find some of the most efficient ways of dealing with the presenting problem, like income splitting, we should not limit ourselves to merely tinkering with the current system. The Government needs to step back and consider designing a new form of independent taxation that, taking account of family responsibility, does not call into being inflated benefits and a crippling effective marginal tax rate, but which rather lays the foundation for liberating Britain's low income in work families to earn their way out of poverty to greater things.

Nola Leach
Chief Executive and Head of Public Affairs, CARE
February 2020

ACKNOWLEDGEMENTS

Once again we record our gratitude to the OECD, who publish the data on which CARE's international comparisons are based.

We should like to thank Dan Boucher, Director of Parliamentary Affairs at CARE, and Jonathan Williams, Family Policy Officer at CARE, for their comments and suggestions. Samuel Yung kindly helped with the compilation of data.

Leonard Beighton, Don Draper and Alistair Pearson
February 2020

About the Authors

The authors are independent consultants. Leonard Beighton spent 37 years working for the Inland Revenue, ending in 1994 as Deputy Chairman of the Board. In 2011 he was made an Honorary Fellow of the Chartered Institute of Taxation. Don Draper worked on tax policy for the Inland Revenue for over 20 years before moving to PricewaterhouseCoopers. In retirement he has taken a special interest in the taxation of the family. Alistair Pearson is a management consultant with an interest in the effectiveness of public policy. Leonard and Don are trustees of Tax and the Family Charitable Trust.

EXECUTIVE SUMMARY

1. This report demonstrates the urgent need to rethink the way in which the UK income tax system works for families and how it interacts with means tested benefits, particularly Universal Credit.

2. Using statistics published by the OECD in Taxing Wages, the report compares the treatment of families in the UK with that in other developed countries. It is the twelfth annual review undertaken by the authors. Like its predecessors, it examines direct tax burdens on households at various income points. Following established OECD practice, 'tax' is defined as income tax plus employee social security contributions less cash benefits. The UK tax rates take account of tax credits and child benefit but not housing benefit or council tax support.

3. International comparisons for 2018, the latest year for which there is OECD data, reveal that the tax burden on one-earner families on the average wage remains significantly greater than the averages for the OECD as a whole and for the group of EU countries that are OECD members.

4. At the OECD average wage (£39,328 for the UK), the UK tax burden is 28% greater than the OECD average both on single parents with two children and on one-earner married couples with two children. The unfavourable position of these one-earner families results mainly from the fact that UK income tax does not take account of marriage or family responsibilities.

5. By contrast with the position of one-earner families, the UK tax burden on single people without family responsibilities is less than international averages. At the OECD average wage, it is 8% less than the OECD average and 18% less than the average for the 23 EU countries that are OECD members.

6. Taxing Wages includes international comparisons of the tax burden on two-earner couples at two income points (133% and 167% of the OECD average wage). At these points the UK tax burden on couples without children and on couples with two children is slightly less than international averages.

7. Although the UK tax system is not more burdensome in general than the tax systems of other developed countries, its treatment of one-earner families on the average wage is clearly unfavourable by international standards.

8. The UK income tax system places a heavy burden on one-earner families. At the OECD average wage, the UK income tax burden is 27% greater than the OECD average for a one-earner married couple with two children, and 23% greater for a single person with two children. The UK one-earner married couple with two children pays 39% more than the French family, more than three times as much as the US family, and more than ten times as much as the German family.

9. By contrast, the UK income tax burden on a single person without children is 12% less than the OECD average, and 18% less than the average for the EU countries that are OECD members, at the OECD average wage.

10. UK tax credits compensate low income families for the heavy income tax burden, such that their overall tax rate is low by international standards. However, the withdrawal of UK tax credits as incomes rise is largely responsible for high effective marginal tax rates across a wide income range. This will change a little, but not much, with the advent of Universal Credit as it is rolled out across the country.

11. Income tax liabilities should more equitably reflect how well off people are. To achieve this, a way must be found to take account of households in the context of independent taxation. The introduction of the Marriage Allowance for married couples and civil partners is an example of how this can be done. This allowance should be enhanced.

12. High priority should also be given to the reduction of the income tax burden on households with children. One option would be to give taxpayers with children an enhanced personal allowance. The cost could be met in part by freezing the personal allowance, or at least restricting any increase to that required by indexation.

13. The issues addressed in this document cannot be resolved overnight. But the new Government has an opportunity in this year's Budget to make a start. Too many people are trapped in debt and poverty by the current tax and benefits system. Action is needed now.

CHAPTER 1
INTRODUCTION

1. This is our twelfth annual international review of the taxation of families. It compares the overall tax burdens, income tax rates and effective marginal tax rates (EMTRs) of various household types in the UK with those of similar households in other developed countries in the calendar year 2018. We consider households with an 'average wage' and also those with incomes at other points above and below this figure.

2. For the purposes of this report, 'tax' means income tax plus employee social security contributions (SSCs) less cash benefits. The combined effect of these three elements determines how well off any particular family is. The term 'tax rate' or 'tax burden' is used when tax is expressed as a percentage of gross wage earnings. A negative percentage indicates that cash benefits exceed income tax and SSCs.

3. Overall tax rates do not take account of VAT or any other indirect tax, or of housing benefit or any other income related benefits. However, we have considered the effect of housing benefit and council tax support on EMTRs for UK households.

4. For international comparisons, we use statistics published by the OECD in Taxing Wages 2019.[1] These statistics take account of income taxes, social security contributions and cash benefits of eight different kinds of household in the 36 OECD member countries.[2] The 2019 edition of Taxing Wages shows estimates for 2018 and definitive results for 2017.

5. For most OECD countries, the tax year is equivalent to the calendar year, the exceptions being Australia, New Zealand and the UK. Since the UK tax year starts in April, the calculations for the UK are 'forward-looking': the tax rates reported for 2018 are those for the tax year 2018-19.

6. In Chapter 2 we compare UK tax burdens on different household types at various income points with those in other countries; in Chapter 3 we compare UK income tax liabilities[3] with those in other countries; and in Chapter 4 we compare EMTRs faced by UK households with those in other countries. In Chapter 5 we look at disparities in UK tax burdens by household type, and in Chapter 6 we recommend measures to restore fairness to the taxation of UK families.

7. The OECD average wage used for international comparisons is a mean, or arithmetic average, and takes account of the earnings of manual and non-manual workers including supervisory staff. The OECD estimate of the average wage in the UK in 2018 is £39,328[4] , or £754 per week. This is slightly higher than the estimate of mean gross earnings of full-time employees in the UK derived from the Annual Survey for Hours and Earnings (ASHE), which is £37,428 per annum (£718 per week) for the tax year 2018-19.[5]

8. The OECD average wage differs from country to country. For example, the average wage in Germany (EUR50,546[6]) is 28% higher than the average wage in France (EUR39,436[7]). It is important to remember this when comparing the UK tax burden with tax rates in other countries. Making comparisons at income points based on the average wage does not mean that we are comparing like with like.

9. An alternative measure of the average wage is the median wage. This divides the labour income distribution into two parts, with 50% of workers with wages below the median and 50% above it. Unlike the mean, which puts disproportionately greater weight on high earning individuals and falls at a different point in the wage distribution of each country, the median wage is not influenced by differentials in the upper part of the wage distribution. For the UK in 2017, the OECD median wage is approximately 79% of the mean.[8]

10. The ASHE estimate of median gross earnings of full-time employees in the UK is £30,353 per annum (£582 per week) for the tax year 2018-19. This is approximately 81% of the ASHE mean of £37,428, and 77% of the OECD mean of £39,328.

11. Taxing Wages includes links to unpublished data for individual countries (in 'statlink' tables), enabling us to look at tax rates for a wide range of income points.

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1 *Taxing Wages 2019, OECD, Paris*
2 *In 2018 there were 36 OECD member countries: Australia, Austria, Belgium, Canada, Chile, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Latvia, Lithuania, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, United Kingdom, United States.*
3 *Figures for the UK do not take account of the income tax rates that apply in Scotland.*
4 *Taxing Wages 2019, p 602*
5 *Annual Survey of Hours and Earnings (ASHE), ONS, 29 October 2019, Table 1.7a*
6 *Taxing Wages 2019, p 308*
7 *Taxing Wages 2019, p 294*
8 *Taxing Wages 2019, p 45 Table 2.1 Average and median wages, USD, PPP adjusted, 2017. Average and median wages for the UK are USD55,818 and USD43,831.*

CHAPTER 2
COMPARISON OF OVERALL TAX BURDENS

This chapter uses OECD data to compare average tax rates (income tax plus employee SSCs less cash benefits). We look at six different household types at various income points, comparing the UK with all OECD countries together and with the group of EU countries that are OECD members. Then we compare the tax burden on families with the tax paid by single people.

12. We use new OECD data for 2018 (UK tax year 2018-19) to compare the UK tax burden with OECD and EU(23) averages for four different one-earner household types:
    - singles without children
    - one-earner married couples without children
    - singles with two children
    - one-earner married couples with two children.[9]

13. We consider tax burdens on these one-earner household types at five income points ranging from 50% to 150% of the OECD average wage.

14. In addition, we look at tax burdens on two-earner married couples with and without children at two income points (133% and 167% of the OECD average wage).

15. References to the EU are to be understood as references to the 23 EU countries that are also OECD members. Historical data for eight household types, comprising UK and average OECD and EU(23) tax rates for 2000, 2008 and 2011-2018, are to be found in Appendix A. Data for 2018 for individual countries for the same eight household types are to be found in Appendix B, which is equivalent to Taxing Wages Table 3.3.

9 The OECD data available does not enable us to make equivalent international comparisons for cohabiting as opposed to married couples. It seems from the limited information provided by the OECD that the tax treatment of cohabiting couples is in many countries less generous than that of married couples.

Tax burden on one-earner households

Single person without children

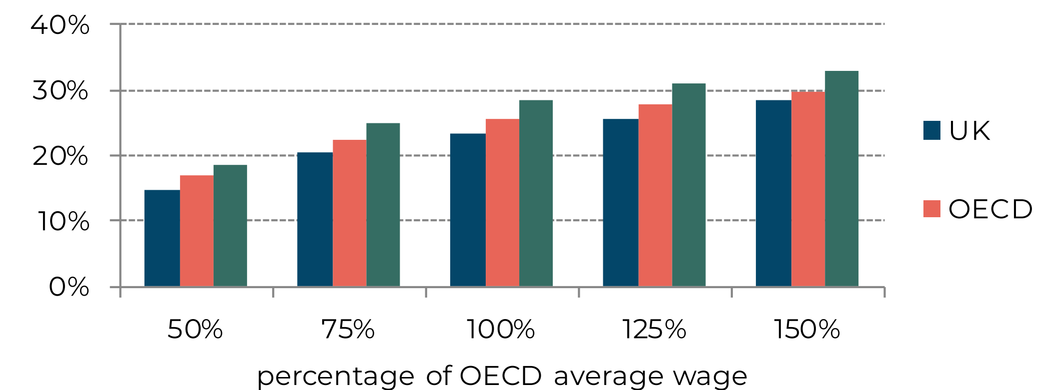
16. Table 1 and Chart 1 show the tax burden on a single person without children at five income points. We compare the UK with all OECD countries together and with the EU countries that are OECD members. At all five income points, the tax burden in the UK is less than the OECD average and significantly less than the EU(23) average. At the 100% income point, it is 8% less than the OECD average and 18% less than the EU(23) average.

Tax as percentage of gross wages 2018 – single person without children

Table 1

	percentage of OECD average wage				
	50%	75%	100%	125%	150%
UK	14.8%	20.5%	23.4%	25.7%	28.4%
OECD	16.8%	22.3%	25.5%	27.9%	29.7%
EU(23)	18.5%	24.9%	28.4%	30.9%	32.8%

Chart 1



Source: OECD statlink tables pp 93-128

One-earner married couple without children

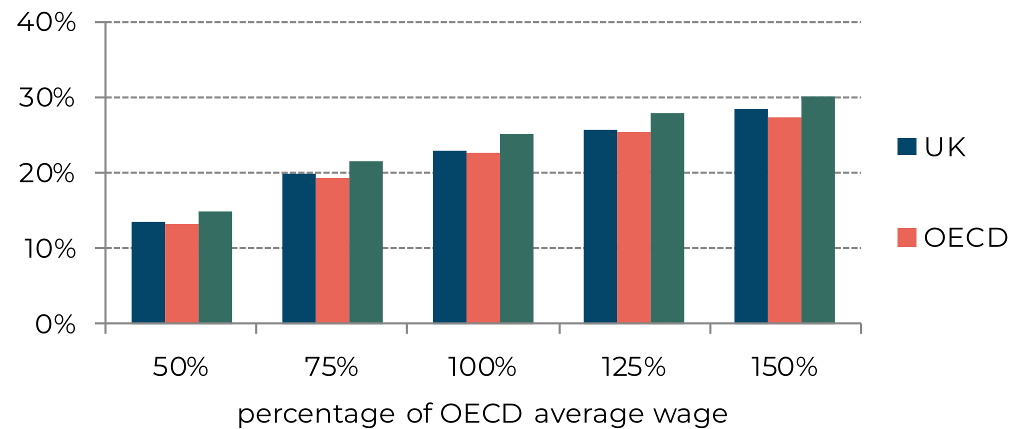
17. Table 2 and Chart 2 compare the tax paid by a one-earner married couple without children as a percentage of income in the UK with the tax burden in OECD and EU countries. At all income points, UK one-earner married couples without children bear a tax burden similar to the OECD average. However, the UK tax burden is less than the EU(23) average at all five income points.

Tax as percentage of gross wages 2018 – one-earner married couple without children

Table 2

	percentage of OECD average wage				
	50%	75%	100%	125%	150%
UK	13.6%	19.7%	22.8%	25.7%	28.4%
OECD	13.3%	19.4%	22.7%	25.4%	27.4%
EU(23)	14.9%	21.5%	25.0%	27.9%	30.1%

Chart 2



Source: OECD statlink tables pp 93-128

Single person with two children

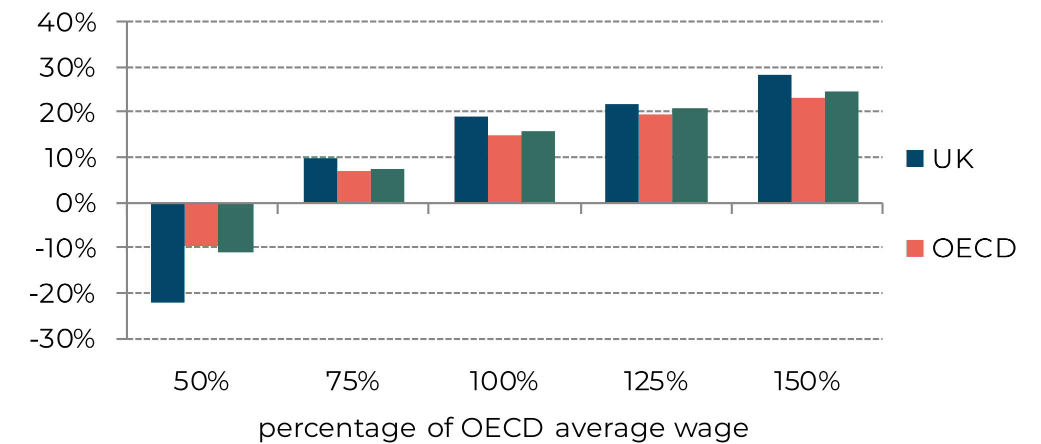
18. Table 3 and Chart 3 compare the tax paid by a single person with two children as a percentage of income in the UK with the tax burden in OECD and EU countries. At 50% of average wage, a single person with two children has a negative tax liability (i.e. cash transfers exceed income tax and SSCs). The international averages are also negative, but much smaller. At and above 75% of average wage, the UK tax burden exceeds the international averages. At the 100% income point, it is 28% more than the OECD average.

Tax as percentage of gross wages 2018 – single person with two children

Table 3

	percentage of OECD average wage				
	50%	75%	100%	125%	150%
UK	-22.1%	9.6%	18.8%	22.0%	28.1%
OECD	-9.7%	6.8%	14.8%	19.6%	23.1%
EU(23)	-10.8%	7.5%	15.9%	20.9%	24.7%

Chart 3



Source: OECD statlink tables pp 93-128

One-earner married couple with two children

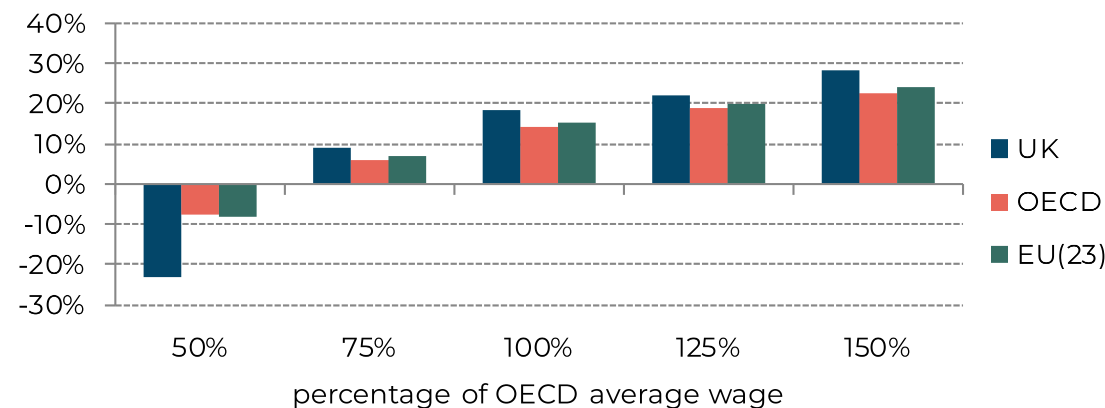
19. Table 4 and Chart 4 compare the tax paid by a one-earner married couple as a percentage of income in the UK with the tax burden in OECD and EU countries.[10] At 50% of average wage, one-earner married couples with two children fare comparatively well in the UK. This is due to tax credits. However, the picture changes significantly as income rises. At and above 75% of average wage, the UK tax burden exceeds the international averages. At the 100% income point, UK one-earner married couples with two children pay 28% more tax than the OECD average.

Tax as percentage of gross wages 2018 – one-earner married couple with two children

Table 4

	percentage of OECD average wage				
	50%	75%	100%	125%	150%
UK	-23.3%	8.8%	18.2%	22.0%	28.1%
OECD	-7.8%	6.2%	14.2%	19.1%	22.5%
EU(23)	-8.0%	6.7%	15.1%	20.2%	23.9%

Chart 4



Source: OECD statlink tables pp 93-128

10 UK figures assume that the Marriage Allowance is claimed where appropriate.

Tax burden on two-earner households

Two-earner married couple without children

20. For two-earner married couples without children, comparative data is only available where the main earner is on the average wage and the second earner earns one third of the average wage. The OECD data shows that in 2018 the UK tax burden was 19.1%. This is less than the OECD average of 21.8% and the EU(23) average of 24.1%.

Two-earner married couple with two children

21. Comparative data is available for two-earner married couples with two children on 100% and 33% of average wage and 100% and 67% of average wage. At a combined income of 133% of average wage, the 2018 UK tax rate was 15.6%, less than the OECD average of 16.0% and the EU(23) average of 16.9%. At a combined income of 167% of average wage, the 2018 UK tax rate was 19.0%, less than the OECD average of 19.3% and the EU(23) average of 20.6%.

Tax burden on families compared with singles' tax

22. Table 5 shows the UK tax burden on two household types (single person with two children and one-earner married couple with two children) as a percentage of that on a single person without children at five income points, with averages for the OECD and the EU(23). Appendix C shows percentages for all OECD countries at single income points for these two household types, and also for a two-earner married couple with two children.

Tax on one-earner families as percentage of tax on single person without children 2018

Table 5

	percentage of OECD average wage				
	50%	75%	100%	125%	150%
	(a) single person, two children				
UK	n/a	46.8%	80.5%	85.8%	98.9%
OECD	n/a	30.6%	58.0%	70.5%	77.8%
EU(23)	n/a				
	(b) one-earner married couple, two children				
UK	n/a	42.9%	77.9%	85.8%	98.9%
OECD	n/a	27.6%	55.9%	68.7%	75.7%
EU(23)	n/a	27.1%	53.4%	65.2%	72.7%

Note: At the 50% income point, the tax liability of one-earner families is negative. Cash transfers exceed income tax and SSCs.

Source: derived from Tables 1, 3 and 4

23. At low levels of income, the difference between the tax rate of one-earner families and that of single people without children is significantly greater in the UK than in the OECD or EU as a whole. This results from the relative generosity of UK tax credits. However, the picture changes rapidly as income rises, such that at and above average wage the gap between one-earner families and single people is narrower in the UK than in the OECD or EU as a whole.

24. At average wage, the 2018 UK tax burden on a single parent with two children was 81% of that on a single person without children, whereas the OECD average was 58% and the EU(23) average 56%. At the same income point, the 2018 UK tax burden on a one-earner married couple with two children was 78% of that on a single person without children, whereas the OECD average was 56% and the EU(23) average 53%.

25. By contrast, the gap between the tax burdens on two-earner families and single people at 167% of average wage is similar in the UK to that in the OECD and the EU as a whole. At this income point, the 2018 UK tax burden on a two-earner married couple with two children was 64% of that on a single person without dependants (a tax rate of 19.0% compared with the single person's tax rate of 29.8%). The OECD average was also 63% (19.3% compared with 30.7%); the EU(23) average was 61% (20.6% compared with 33.8%).

Historical perspective

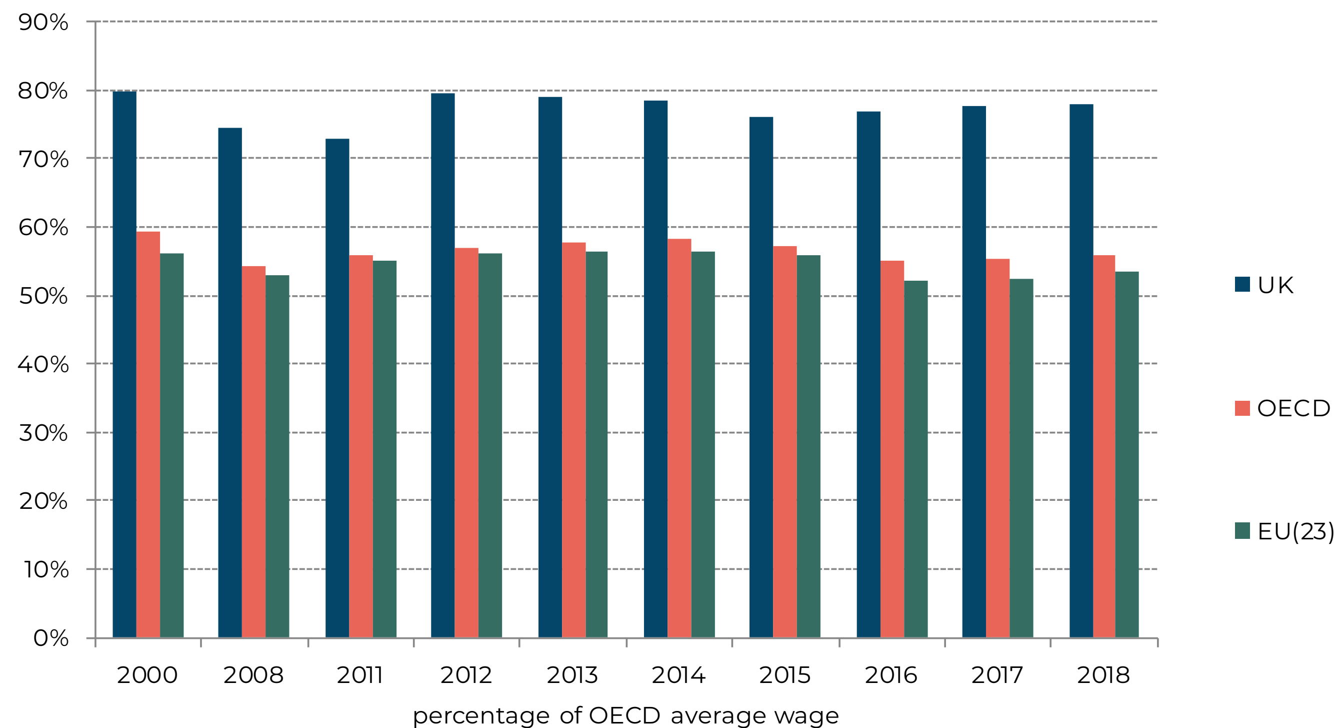
26. Table 6 and Chart 5 show the tax burden on a one-earner married couple with two children on average wage as a percentage of that on a single person without children on the same income. There are percentages for the UK, OECD and EU(23) for the years 2000 and 2008 and the period 2011-2018. The UK figure, 77.9% in 2018, remains much greater than the international averages.

Tax on one-earner two-child married couple as percentage of tax paid by single person without children 2000, 2008, 2011-2018

Table 6

	at 100% OECD average wage		
Year	UK	OECD	EU(23)
2000	79.8%	59.3%	56.0%
2008	74.5%	54.3%	53.0%
2011	73.0%	55.8%	55.0%
2012	79.6%	57.1%	56.1%
2013	79%	57.8%	56%
2014	78.6%	58.4%	56.3%
2015	76.1%	57.3%	55.8%
2016	76.9%	55.0%	52.2%
2017	77.7%	55.3%	52.3%
2018	78%	56%	53.4%

Chart 5



Source: derived from columns 2 and 5 of Appendix A

CHAPTER 3
COMPARISON OF INCOME TAX RATES

This chapter uses OECD data and supplementary data for the UK to compare income tax rates. We look at four different one-earner households at various income points, comparing the UK with France, Germany and the US, and with the OECD as a whole and with the 23 EU countries that are OECD members.

27. We use new OECD data for 2018 (UK tax year 2018-19) and supplementary data for the UK to compare UK income tax rates with those of France, Germany and the US, and with OECD and EU(23) averages, for four different one-earner household types:
    - singles without children
    - one-earner married couples without children
    - singles with two children
    - one-earner married couples with two children.

28. We consider income tax burdens on these one-earner household types at five income points ranging from 50% to 150% of the OECD average wage. We have derived income tax rates from statlink data[11], and made our own calculations for the UK using Tax Benefit Model Tables.

29. One difficulty when comparing income tax burdens is to decide what to include as income tax. The OECD treats tax credits as part of the UK income tax system.[12] It is sensible to treat tax credits as part of the income tax system where they are integrated into it. In Germany, for example, the taxpayer obtains the tax allowance instead of the tax credit if the value of the credit is less than the relief from the allowance.[13] In the UK, however, tax credits are not part of the income tax system, even if they complement it, and it is appropriate to look at income tax net of tax credits when comparing the UK with other countries.

30. Table 7 shows the income tax rates faced by four different one-earner household types. The UK rates exclude tax credits. Summaries of the income tax systems of France, Germany and the US are attached as Appendix D.

11 ITR = (LIT+CIT)(100/(100-SSC)), where*
ITR = income tax as percentage of gross wage earnings
LIT = average local income tax as percentage of total labour costs
CIT = average central income tax as percentage of total labour costs
SSC = employer SSC as percentage of total labour costs
total labour costs = gross wage earnings + employer SSC
12 Taxing Wages 2019, pp 602-3
13 Taxing Wages 2019, p 308

Income tax as percentage of gross wages 2017

Table 7

	percentage of OECD average wage				
	50%	75%	100%	125%	150%
single person without children					
UK	7.9%	12.0%	14.0%	16.3%	20.3%
UK	7.6%	11.8%	13.8%	16.1%	20.1%
France	9.5%	15.1%	16.8%	19.8%	21.9%
Germany	10.5%	15.5%	19.1%	22.7%	25.8%
US	12.0%	14.2%	16.1%	18.6%	20.3%
OECD	7.8%	12.6%	15.7%	18.3%	20.5%
EU(23)	7.7%	13.3%	16.9%	19.7%	21.9%
one-earner married couple without children					
UK	6.7%	11.2%	13.4%	16.3%	20.3%
UK	6.4%	10.9%	13.2%	16.1%	20.1%
France	9.5%	9.5%	10.0%	12.8%	15.1%
Germany	1.0%	6.9%	11.0%	14.2%	16.9%
US	6.6%	9.9%	12.0%	13.4%	14.2%
OECD	4.7%	9.6%	12.9%	15.7%	18.1%
EU(23)	4.7%	9.9%	13.5%	16.6%	19.0%
single person with two children					
UK	-19.8%	7.1%	14.0%	16.3%	20.3%
UK	7.6%	11.8%	13.8%	16.1%	20.1%
France	9.5%	9.5%	9.5%	12.8%	14.4%
Germany	-10.7%	0.8%	7.7%	12.2%	16.1%
US	-20.4%	-0.8%	5.9%	8.5%	11.7%
OECD	1.0%	7.7%	11.9%	15.0%	17.5%
EU(23)	-0.3%	7.1%	12.1%	15.5%	18.2%
one-earner married couple with two children					
UK	-21.0%	6.3%	13.4%	16.3%	20.3%
UK	6.4%	10.9%	13.2%	16.1%	20.1%
France	9.5%	9.5%	9.5%	9.5%	11.4%
Germany	-17.4%	-5.7%	1.3%	6.6%	10.5%
US	-25.7%	-6.2%	4.1%	7.0%	8.9%
OECD	0.2%	6.1%	10.4%	13.6%	16.2%
EU(23)	-0.8%	5.1%	9.9%	13.5%	16.5%

***Source:** UK rates for each household type calculated by authors using TBMT[14]; all other rates derived from OECD statlink tables pp 93-128*

14 *UK rates derived from OECD statlink tables are as follows:*

	percentage of OECD average wage				
	50%	75%	100%	125%	150%
Single person without children	7.9%	12.0%	14.0%	16.3%	20.3%
One-earner married couple without children	6.7%	11.2%	13.4%	16.3%	20.3%
Single person with two children	-19.8%	7.1%	14.0%	16.3%	20.3%
One-earner married couple with two children	-21.0%	6.3%	13.4%	16.3%	20.3%

31. As shown in Chapter 2, the UK tax burden on one-earner families with two children is 28% greater than the OECD average at 100% of the OECD average wage. By contrast, the UK tax burden on single people without family responsibilities is less than international averages at the 100% income point – 8% less than the OECD average and 18% less than the EU(23) average.

32. Looking at income tax on its own, there is a similar disparity between the burden on families and that on single people. At 100% of average wage, the UK income tax burden is 16% greater than the OECD average on a single person with two children, and 27% greater on a one-earner married couple with two children. By contrast, the UK income tax burden on a single person without children is 12% less than the OECD average, and 18% less than the EU(23) average, at the 100% income point.

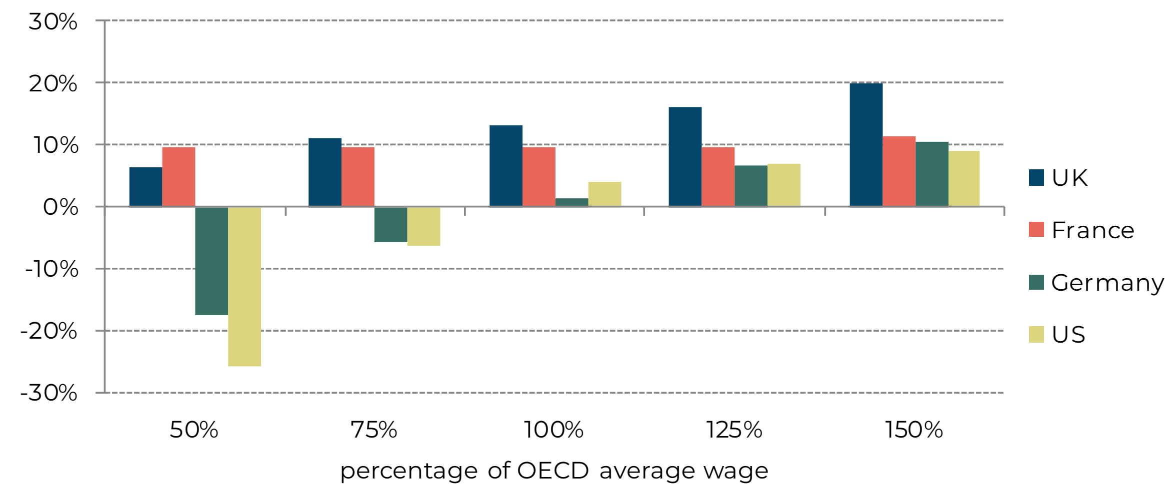
33. The UK income tax burden on one-earner families is greater than the OECD and EU(23) averages at all five income points. At 50% of the OECD average wage, the UK income tax rate for a single person with two children is 7.6%, compared with the OECD average of 1.1% and the EU(23) average of -0.1%; the rate for a one-earner married couple with two children is 6.4%, compared with the OECD average of 0.5% and the EU(23) average of -0.4%.

34. UK income tax burdens on households without children are similar to the international averages at all five income points. Those on single people without children are slightly less than the OECD and EU(23) averages; those on one-earner married couples without children are slightly greater than the OECD average.

35. Chart 6 compares the income tax paid by a UK one-earner married couple with two children as a percentage of income with the income tax burden in France, Germany and the US. At the OECD average wage, the UK family pays 39% more than the French family, more than three times as much as the US family, and more than ten times as much as the German family.

Income tax as percentage of gross wages 2018
One-earner married couple with two children

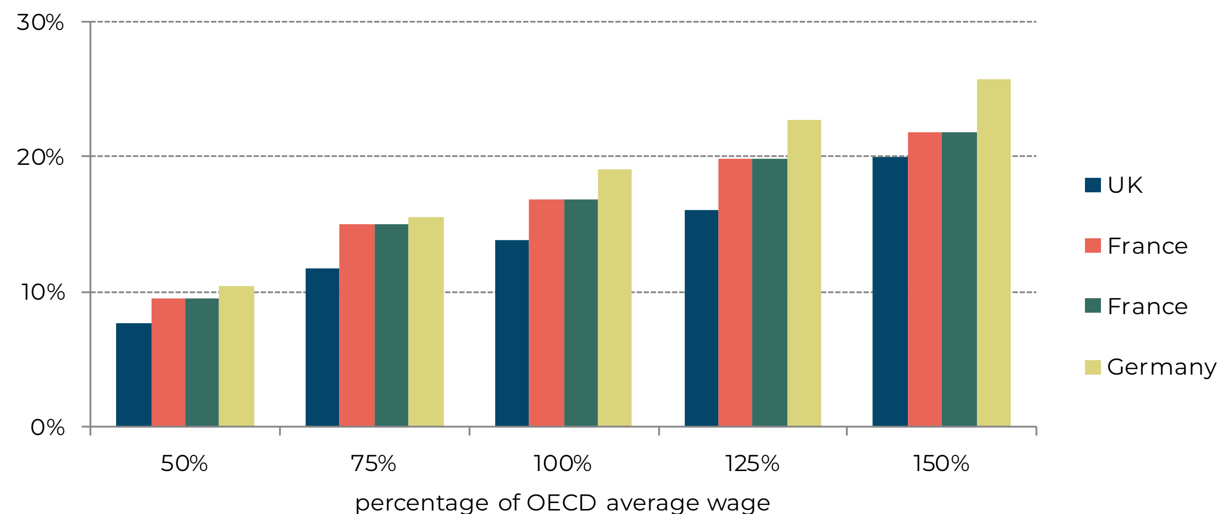
Chart 6



36. Chart 7 compares the income tax paid by a UK single person without children as a percentage of income with the income tax burden in France, Germany and the US. At each of the five income points, the income tax burden on single people without children is least in the UK.

Income tax as percentage of gross wages 2018
Single person without children

Chart 7



37. We acknowledge that there are OECD members (such as the Scandinavian and Australasian countries) with greater income tax burdens than those of the UK. Compared with the UK, Australia and Sweden have higher income tax rates but similar overall tax burdens.

Income tax burden on two-earner families

38. It is unfortunate that OECD data on two-earner families is limited, because most households with children now have two incomes. At the two income points for which there is published data, the overall UK tax burden on two-earner couples with two children is less than the OECD and EU averages. However, when income tax is considered on its own[15], the UK figures at these income points are marginally higher than the international averages. At 100% and 33% of average wage, the UK figure is 10.9%, the OECD average 10.3% and the EU(23) average 10.2%. At 100% and 67% of average wage, the UK figure is 12.8%, the OECD average 12.2% and the EU(23) average 12.5%.

39. Comparisons with individual countries reveal greater differences. At a combined income of 133%, the figures for France, Germany and the US are 9.7%, 6.9% and 7.7%, lower than the UK income tax burden of 10.9%. At a combined income of 167%, they are 13.1%, 11.1% and 9.9%, whereas the UK figure is 12.8%.

40. Using our own data for the UK, we have calculated income tax rates for two-earner couples with two children (incomes split 80:20 and 60:40) at five income points. Table 8 and Chart 8 compare these rates with those for one-earner couples with two children in France, Germany and the US, on the assumption that the income tax liabilities in these three countries will be approximately the same for two-earner families under a system of joint assessment. We acknowledge that the precise amounts payable will depend on how income is split, given that some tax reliefs vary with earnings.

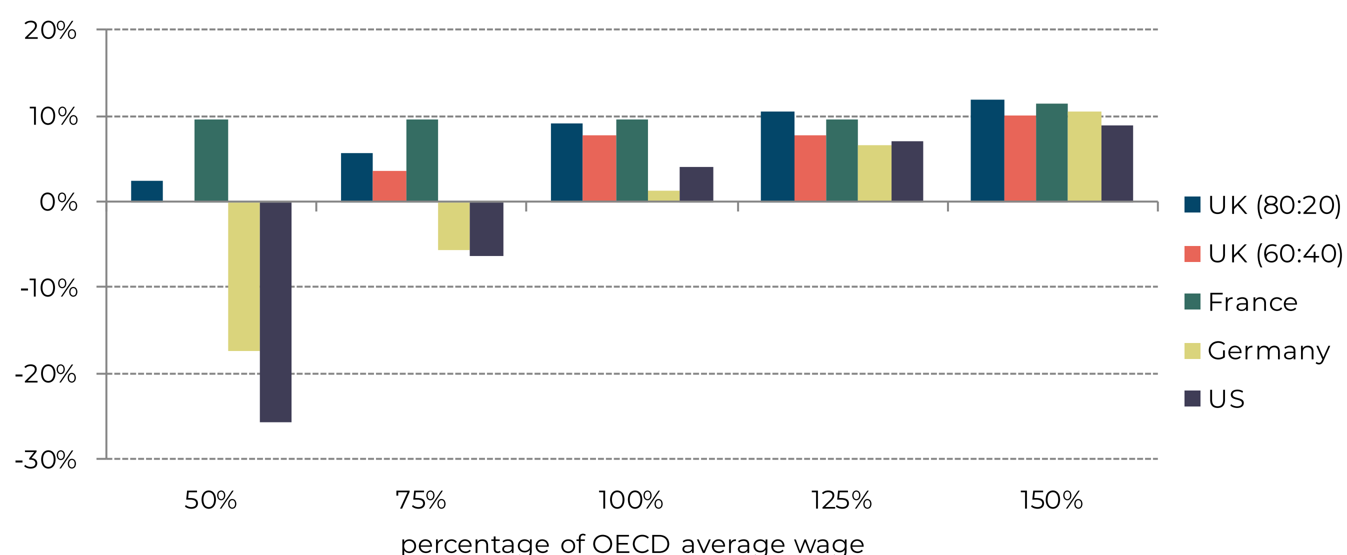
15 *Taxing Wages 2019, Table 3.4, p 75*

Income tax as percentage of gross wages 2018 – two-earner married couple with two children

Table 8

	percentage of OECD average wage				
	50%	75%	100%	125%	150%
UK (80:20)	2.4%	5.6%	9.2%	10.6%	11.8%
UK (60:40)	0.0%	3.5%	7.7%	7.7%	10.1%
France	9.5%	9.5%	9.5%	9.5%	11.4%
Germany	-17.4%	-5.7%	1.3%	6.6%	10.5%
US	-25.7%	-6.2%	4.1%	7.0%	8.9%

Chart 8



Source: UK rates calculated by authors using Tax Benefit Model Tables updated for 2018-19; other rates taken from Table 7

41. At 125% and 150% of the OECD average wage, UK income tax rates for two-earner couples are similar to those in the other three countries. At the lower income points, income tax rates on two-earner families are lower in the UK than in France, but much higher than in Germany and the US, where the income tax liability is negative at 50% and 75% of the OECD average wage. The high rates faced by French families at the lower income points are due to flat rate 'contributions' which are not part of the income tax system, but are treated as income tax in the Taxing Wages statistics.

CHAPTER 4
COMPARISON OF EFFECTIVE MARGINAL TAX RATES

This chapter uses OECD data to compare effective marginal tax rates. We look at four different one-earner households at various income points, comparing the UK with all OECD countries together and with the 23 EU countries that are OECD members.

42. It is not only the average tax rate that matters. The marginal tax rate, which shows how much of an extra unit of income is retained, is an important influence on whether people work, whether they increase working hours, and whether they look for a better-paid job. This EMTR takes account of income tax and employee SSCs payable, and cash benefits foregone. For the UK it takes account of the loss of tax credits but not of other means tested benefits such as housing benefit and council tax support.

43. These EMTRs take no account of 'passported benefits', which are linked to entitlement to other benefits. In the UK one of the most important of these is free school meals, the loss of which is a significant disincentive to obtain a job which gives an entitlement to Working Tax Credit.

44. The UK EMTR does not take account of Universal Credit, received by only a small proportion of households in 2018.[16] It is not known how the OECD proposes to deal with Universal Credit in future editions of Taxing Wages.

45. We use OECD data for 2018 (UK tax year 2018-19) to compare the UK with OECD and EU(23) averages for four different one-earner household types:
    - singles without children;
    - one-earner married couples without children;
    - singles with children; and
    - one-earner married couples with children.

46. Our five income points for each household type range from 50% to 150% of the OECD average wage.

47. OECD data for 2018 for all individual countries for eight household types are to be found in Appendix E, which is equivalent to Taxing Wages Table 3.7.

16 Robert Joyce, Institute for Fiscal Studies, 28 November 2019. Currently 2.5 million households are in Universal Credit. The number is set to rise to 6 million by 2023-24.

EMTRs for one-earner households

Single person without children

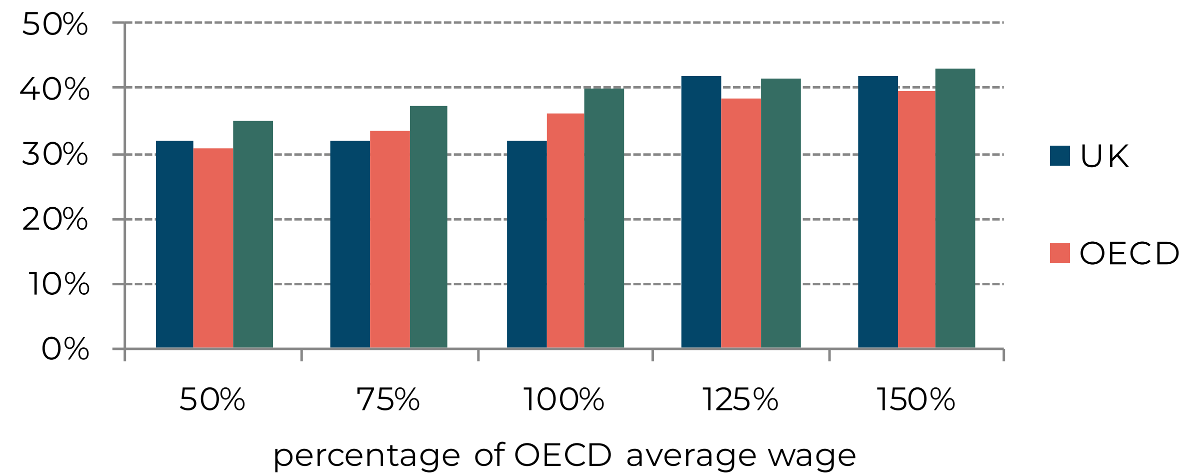
48. Table 9 and Chart 9 show the EMTR for a single person without children at five income points. The UK EMTR is somewhat lower than the international averages at 75% and 100% of average wage, and similar to them at the other income points.

EMTR 2018 – single person without children

Table 9

	percentage of OECD average wage				
	50%	75%	100%	125%	150%
UK	32.0%	32.0%	32.0%	42.0%	42.0%
OECD	30.8%	33.5%	36.3%	38.3%	39.7%
EU(23)	35.1%	37.3%	40.0%	41.5%	43.2%

Chart 9



Source: OECD statlink tables pp 93-128

One-earner married couple without children

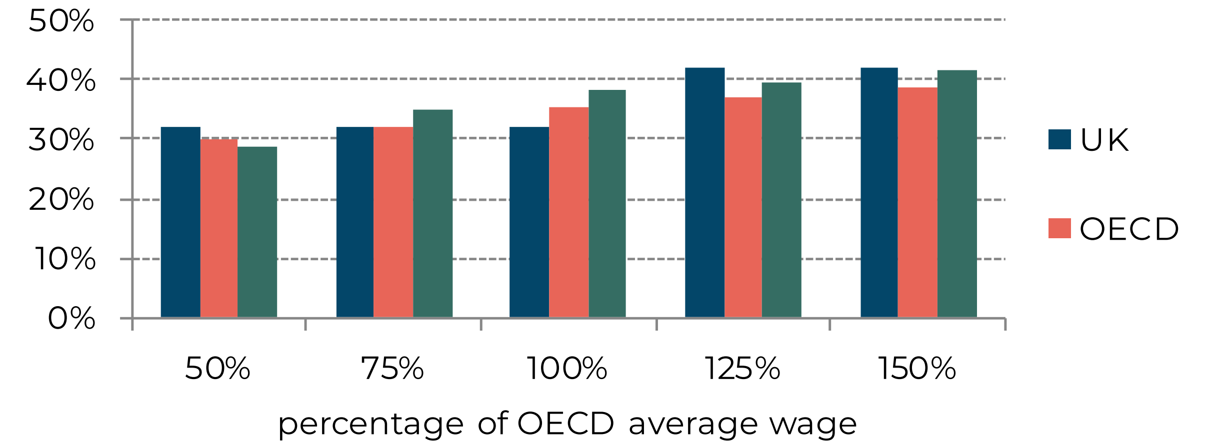
49. Table 10 and Chart 10 show the EMTR for a one-earner married couple without children at five income points. The UK EMTR is similar to the international averages at all five.

EMTR 2018 – one-earner married couple without children

Table 10

	percentage of OECD average wage				
	50%	75%	100%	125%	150%
UK	32.0%	32.0%	32.0%	42.0%	42.0%
OECD	30.1%	32.2%	35.4%	37.2%	38.8%
EU(23)	28.9%	34.9%	38.1%	39.6%	41.5%

Chart 10



Source: OECD statlink tables pp 93-128

Single person with two children

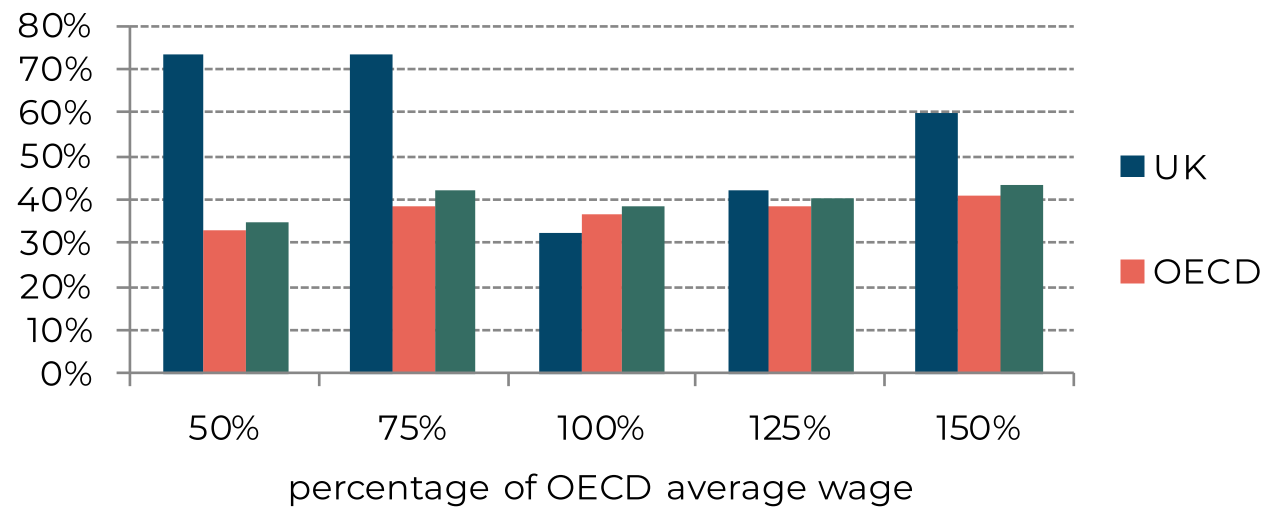
50. Table 11 and Chart 11 show the EMTR for a single person with two children at five income points. The UK EMTR far exceeds the international averages at the 50% and 75% income points, is slightly lower at 100%, and much higher at 150%.

EMTR 2018 – single person with two children

Table 11

	percentage of OECD average wage				
	50%	75%	100%	125%	150%
UK	73.0%	73.0%	32.0%	42.0%	59.9%
OECD	33.1%	38.3%	36.7%	38.3%	40.7%
EU(23)	34.7%	42.3%	38.5%	40.4%	43.6%

Chart 11



Source: OECD statlink tables pp 93-128

One-earner married couple with two children

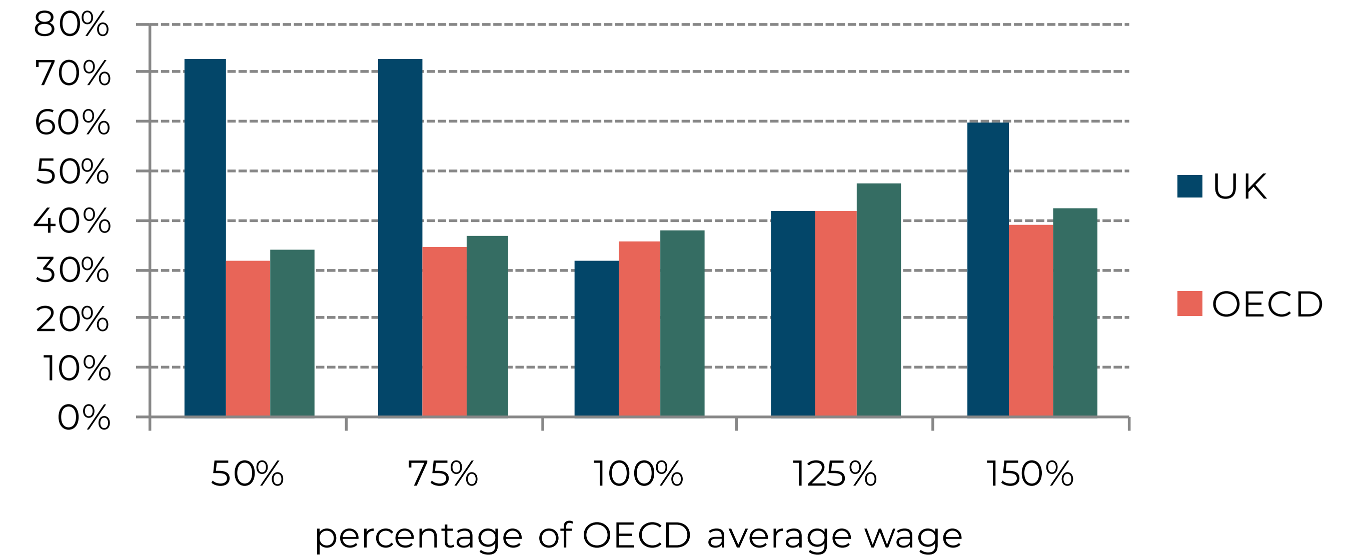
51. Table 12 and Chart 12 show the EMTR for a one-earner married couple with two children at five income points. The UK EMTR is far higher than the OECD and EU averages at the 50% and 75% income points, slightly lower at 100%, and much higher at 150%.

EMTR 2018 – one-earner married couple with two children

Table 12

	percentage of OECD average wage				
	50%	75%	100%	125%	150%
UK	73.0%	73.0%	32.0%	42.0%	59.9%
OECD	32.0%	34.7%	35.7%	41.9%	39.0%
EU(23)	33.7%	36.8%	37.7%	47.6%	42.5%

Chart 12



Source: OECD statlink tables pp 93-128

High EMTRs for UK one-earner families

52. The withdrawal of tax credits accounts for much of the high UK EMTR at low income points. Both Working Tax Credit and Child Tax Credit are income-related. They are tapered jointly, with Working Tax Credit being withdrawn first. The 73% EMTR faced by one-earner families comprises income tax payable 20%, SSCs payable 12% and tax credits withdrawn 41%.

53. Few UK families with incomes up to 75% of the OECD average wage (just below £30,000) are likely to be owner occupiers. Most are renting and claiming housing benefit; some are also helped with Council Tax. In 2018-19 prices, spending on housing benefit has doubled over the last twenty years.[17] Housing benefit and council tax support are also income-related, and when their withdrawal is factored in, the EMTR exceeds 90%.

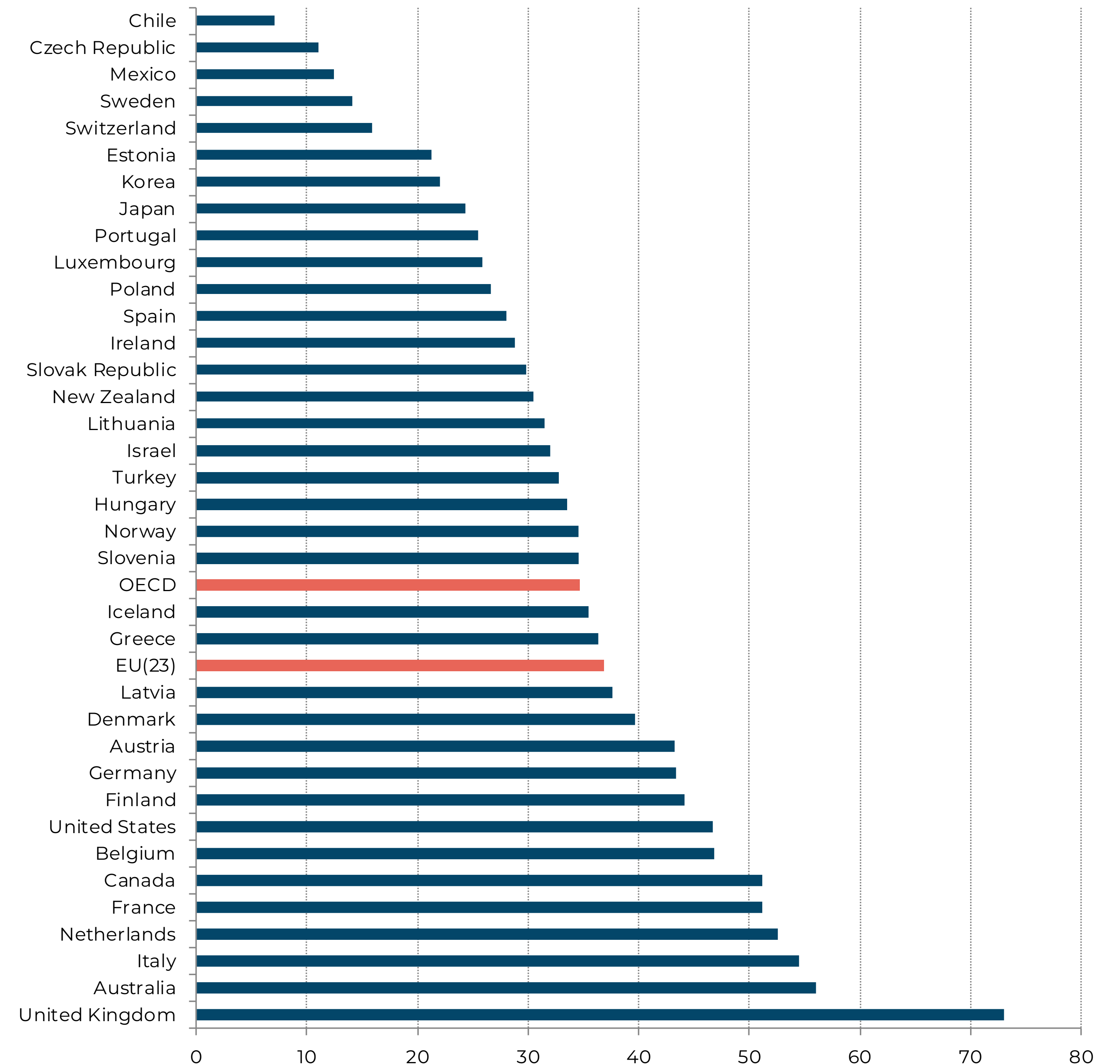
54. Chart 13 shows EMTRs in OECD countries at 75% of average wage for a one-earner married couple with two children. The UK EMTR is the highest of all OECD countries, more than twice as high as the OECD and EU(23) averages. Taking account of housing benefit and council tax support, the UK EMTR at this income point (£29,496) is 90.6%.

55. The reason why EMTRs for one-earner families on modest incomes are much higher in the UK than in other OECD countries is that family responsibility is recognised not within the income tax system, but by means of tax credits that are tapered sharply. When independent taxation was introduced in the UK (in 1990), recognition of family responsibility was retained within the income tax system through provision of the Married Couples Allowance and the Additional Persons Allowance, and the EMTR for a one-earner family on 75% average wage was only 34%, close to the OECD average in 2018. In 1999-2000 these provisions were removed and tax credits introduced. It is the withdrawal of these benefits as incomes rise that has caused the UK EMTR to rise to 73% in 2018, and higher if account is taken of the withdrawal of housing benefit and council tax support.

56. The authors think that 5-6 million families (one in four of the 20.9 million households with at least one member aged 16 or under) face very high marginal rates, and there will be scant improvement with the introduction of Universal Credit. Working-age families will face a marginal rate of 76%, or 80% if council tax support is being withdrawn. In some parts of England the rate could be even higher, with a loss of up to 82.4p in every pound earned.[18] Marginal rates may also be higher in Scotland because income tax rates on higher incomes exceed those applicable elsewhere in the UK.

EMTR at 75% of average wage
One-earner married couple with two children 2018

Chart 13



Source: OECD statlink tables pp 93-128

17 *IFS at 50: The future of benefits, Institute for Fiscal Studies, 27 February 2019*
18 *Paul Lewis Money, 9 October 2017*

CHAPTER 5
TAX TREATMENT OF UK FAMILIES

This chapter summarises the current situation, highlighting the disparity of tax burdens between household types and the problem of high marginal rates.

57. The IFS has reminded us[19] that UK income taxes and SSCs yield less, as a share of national income, than in the mid 1970s (around 15% today compared with 19% in 1975). Moreover, the yield is low compared with 2016 averages of 20% of national income for G7 countries and 25% for Scandinavia.

58. However, the evidence is compelling that one-earner families bear a heavier share of the tax burden in the UK than in other countries, particularly when income tax is looked at on its own. This is true both for single parents and for one-earner married couples. The latest figures show that at the OECD average wage a married couple with two children pays 39% more income tax than a comparable French family, more than three times that of a US family, and more than ten times as much as a German family. Two-earner families also bear a heavy income tax burden, although their overall tax rates are less than the international averages.

59. The amount of tax that families pay bears little relationship to how well off they are. Some pay more tax than other households that are much better off. Some low income families even pay higher rate tax and in 2018 were liable for the High Income Child Benefit Charge. This problem, which has been ignored by successive Chancellors, is a serious one, and needs to be tackled. Tax liabilities should be brought closer into line with household incomes.

60. The problem arises because UK income tax is based on individuals and, unlike in most other developed countries, takes little account of family responsibilities. By contrast, benefits, including tax credits and the universal credit, are based on households, reflecting how people live.

61. The Government's annual analysis of household income takes account of family size and composition as well as of incomes. In Table 13 we have used the figures for 2017-18 (the latest tax year for which they available) to show for various households
    - the net income (after income tax, NICs and benefits, and housing costs[20]) needed to be above the poverty line (i.e. at 60% of median household income), allowing for family size and composition;
    - the corresponding gross earned income required;
    - the income tax that would have been paid.

19 IFS Green Budget 2019, Institute for Fiscal Studies, Chapter 8

20 Housing costs vary widely across the UK. For illustrative purposes, we use weekly housing allowances applicable in Leeds: £100 per week for a single person household, £122 for a couple with no children, £150 for all other households.

Households at 60% of Median Household Income after Housing Costs

Table 13

	net income	gross income	income tax
Single person, no children	14,200	15,900	800
One earner couple, no children	21,700	26,600	2,700
Single parent, two children < 13	22,300	6,500	0
one-earner couple, two children < 13	28,700	32,900	4,000
Two earner couple, two childen <13 income split 50:50	28,700	29,400	1,000

Note: all figures rounded to nearest hundred pounds

62. In Table 14 we show the same information for households in the middle of the income distribution.

Households in the Middle of the Income Distribution after Housing Costs

Table 14

	net income	gross income	income tax
Single person, no children	19,500	23,700	2,300
One earner couple, no children	30,800	40,000	5,400
Single parent, two children < 13	31,300	38,300	5,100
one-earner couple, two children < 13	41,400	53,600	9,200
Two earner couple, two childen <13 income split 50:50	41,400	47,300	4,600

Note: all figures rounded to nearest hundred pounds

63. The gross income and income tax figures will be higher for larger families and where housing costs are higher. For example, with housing costs of £354 per week[21] a one-earner couple with three children would have needed earnings over £75,000 to have an average disposable income. The family would have needed an income of £50,000 even to be above the poverty line.[22]

64. In 2018, a one-earner couple with two children would have needed more than twice the gross income of a single person to enjoy the same standard of living, and would have paid more than three times the amount of income tax, including some paid at the higher rate. That is 70% more tax than paid by a one-earner couple without children. A single person with two children would have paid £2,800 more income tax than a single person without children.

65. The IFS has drawn attention to the fact that the majority of children in poverty are in working families, and that one third of children living in poverty are children of one-earner couples. But, as the figures above show, it is not only families with poverty level incomes or one-earner couples who bear a disproportionately large tax burden.

66. Although income tax liabilities have fallen generally since the 1990s, those of families have come down less than those of other households. The increases in the personal allowance since 2010 have mainly benefitted single people or couples without children, households which are more likely than families to be in the top half of the income distribution.

67. Families also face very high marginal rates. The tax paid on the next pound of income matters because it affects the ability and willingness of people to increase their incomes. If they cannot increase their income significantly by working harder or longer, many will be stuck in poverty, some crippled by unrepayable debts. For most high earners (with taxable income of over £150,000) the top EMTR is 47%, but for many low income families it is likely to be at least 80%. Where a family is in rented accommodation, the EMTR may well be over 90% – almost twice as high as that of the highest earners.

68. Marginal rates will be somewhat lower for most low income households under Universal Credit, but still much higher than those faced by most high earners. The EMTR will still be 80% if council tax support is involved, and 76% if it is not. In 2018 the average EMTR for OECD countries at 75% of average wage (£29,496) was 34%. For a very large number of families in the UK, the state will continue to claw back almost all of any new earnings.

69. Families with an EMTR of 80% or higher will find it very difficult to work themselves out of poverty. The EMTR will become more apparent as families move onto Universal Credit. An increase in income (resulting, for example, from overtime or an income tax cut) will reduce next month's credit, whereas under tax credits it affects next year's. Family budgeting will become more difficult, and employers will find it harder and more costly to get employees to work overtime or do additional shifts.

70. High EMTRs have their origins in decisions made in the 1980s and 1990s. Consideration was given to ways of integrating the income tax and benefit systems, involving negative income tax, but the difficulties were perceived to be too great. The conclusion reached at that time was that income tax should be based on individual income whereas benefits should be based on household income. This was thought to be the cost-effective way to support the poorest households. The introduction of independent taxation and the introduction of tax credits were an outcome of this decision. High marginal rates are as, Lord Lawson and others have argued, inevitable once it is accepted that universal benefits are unaffordable.

71. The situation today is different from that in the 1980s and 1990s. Then the main concern was out-of-work poverty; now it is in-work poverty. High marginal rates are a bigger problem now than they were then. One reason for this is the increase in the number of families claiming housing benefit. Shelter has said that in 1980 fewer than 10% of council tenants relied on housing benefits to help pay their rent; now two thirds do.

21 This is the weekly housing allowance applicable to a one-earner family in Inner London North.
22 A household with less than 60% of median household income is deemed to be in poverty.

CHAPTER 6
WHAT NEXT FOR THE UK?

This chapter considers the challenges faced by the new Government: to bring tax liabilities closer into line with household incomes and to reduce the number of families facing very high marginal rates.

72. The start of a new Parliament is a good time to take stock of the way in which income tax impacts on families. They bear a greater share of the income tax burden and face much higher EMTRs than do families in other OECD countries. The Treasury is reported to be prepared to give tax relief worth 'hundreds of millions of pounds' to those earning more than £110,000 in order to make work pay.[23] We ask why the Treasury is not equally concerned about the number of low income taxpayers facing very high marginal rates. There is an urgent need for an in depth review of the way in which the tax system works. The problem has been overlooked by previous administrations.

73. The UK system of independent taxation linked with means tested benefits does not meet the needs of families as we move into the third decade of the 21st century. Unlike the income tax systems of many other countries, it takes almost no account of household income and family circumstances. The result is that families in the poorer half of the population, including those whose household income is below the unofficial but widely accepted poverty line[24], pay significant amounts of income tax when they would be paying little if any in France, Germany or the US. Of course the benefit system does take account of household income and family circumstances, but this support comes at an unacceptable price.

74. The cost of working-age benefits has doubled since the 1980s. The IFS says that the annual cost has reached £96 billion,exceeding expenditure on education or national defence and policing.[25] Approximately 1.8 million households get 80% or more of their income from working-age benefits. The Resolution Foundation expects Universal Credit to be rolled out to one in four working-age families in the UK, and nearly one in three in the Liverpool area.[26] These families will have an EMTR of 76% or more. What was perhaps a relatively small problem in the 1980s and 1990s now requires urgent attention.

The priority for the new Government

75. The priority for the new Government should be to find ways of reducing the income tax burden on low income households with children, and in particular their marginal rates. It makes no sense to be levying income tax on these families which is then handed back to them through means tested benefits, especially when these involve steep tapers.

23 *The Times, 16 January 2020*
24 *Net household income after housing costs of less than 60% of median equivalised household income*
25 *Robert Joyce, Benefits spending, Institute for Fiscal Studies, 22 March 2019*
26 *L Gardiner & D Finch, The long and winding road: The introduction and impact of Universal Credit in Liverpool City Region and the UK, Resolution Foundation, January 2020. It is expected that 31% of working-age families in the Liverpool area (205,000) will receive Universal Credit once it has been fully rolled out, compared with 24% in the UK as a whole (6.2 million).*

76. Focusing on an individual's pay rather than household income will not deliver enough help to low income families. For example, the proposal to increase to £9,500 the income point at which employee NICs start to be paid (set to rise to £8,788 in 2020-21) would result in approximately 430,000 fewer people paying them, and those still liable paying £85 per year less. But only 8% of this 'giveaway' benefits the poorest 20% of working households.[27] Moreover those receiving Universal Credit gain only £53 per year.

77. The Treasury needs to recognise that low pay does not necessarily equate with low income, and that tax cuts that apply to everyone cannot reduce income inequality. Any tax cuts that can be afforded should be focused on households with low incomes, which in practice means those with children.

78. The new Government needs to rethink the way in which the income tax system works for families and the overlap with the benefit system. The beginning of a new Parliament is the right time to do this. But the immediate priority for the new Government should surely be to concentrate tax cuts on households caught in the tax and benefits trap. The focus should be on families who are bearing a disproportionate share of the income tax burden and are having to be supported through means tested benefits, which inevitably lead to high EMTRs.

79. Marginal rates of 80% or 90% don't just weaken incentives; they all but destroy them. Families facing these rates cannot lift themselves out of poverty or prevent themselves sliding into poverty. The authors suspect that one in four households with children are faced with these extremely high marginal rates. It is not satisfactory to say that this is an inevitable consequence of means tested benefits and that nothing can be done.

Independent taxation

80. A major step to reduce inequality would be, as this report has made clear, to base income tax liabilities on household rather than individual income. The household is the basis for the award of benefits (and for the statistics on the distribution of income), so why should taxation be different? Looking at individuals means that one-earner couples pay considerably more income tax than do two-earner couples with the same joint income. This is a major cause of poverty in the UK today.

81. Independent taxation was introduced for very good reasons to give married women privacy and control in their tax affairs, and we are certainly not saying that it should be abolished. But the High Income Child Benefit Charge and the Marriage Allowance show, in different ways, how it is possible to look across from one of the couple to the other without departing from the principle of independent taxation.

82. What is needed now is a review of the income tax system as a whole to see how that approach could be generalised to tackle the issues raised by this report. However, such a review could well take several years. In the meantime, effect should be given in this year's Budget to some of the short-term measures set out below.

27 *Luke Sibieta, Institute for Fiscal Studies, November 2019*

Short-term options

Marriage Allowance

83. One option is to build on the Marriage Allowance. As it stands, this is a very grudging and last-minute response to the 2010 Coalition Agreement. It enables a one-earner married couple to reduce their tax liability slightly, but they remain at a significant disadvantage compared with a two-earner couple with a similar joint income. A bigger allowance would be a good way to address this issue. If it were necessary to limit the cost, it might be confined to families with a child of pre-school age or a disabled child.

Universal Credit

84. The IFS has said[28] that if a primary objective is to help the low paid, the best and most cost-effective way of doing this is by raising the work allowance under Universal Credit, and possibly introducing a separate work allowance for second earners. This, they say, would benefit more low income households than would gain from tax breaks focused on low earnings. A disadvantage of this approach, however, is that it would leave unchanged the number of families facing high marginal rates.

85. Ways have to be found both to distribute the tax burden more fairly (so that it takes account of household income) and to reduce the number of families which both pay income tax and receive means tested benefits.

86. The argument is made that the best way of reducing high marginal rates is to reduce further the Universal Credit claw back rate. However, as a Treasury Minister has observed, this would be expensive[29] and would increase the number of families facing high marginal rates. A better approach would be to reduce the number of families paying income tax and having to be supported by means tested benefits.

87. If changes to Universal Credit are rejected because they do not address the problem of high marginal rates, there are two main ways in which to concentrate help on families with children: to increase child benefit and to increase tax allowances for people with children. The choice between these two options will be influenced by the relative importance attached to the reduction of poverty and the reduction of marginal rates.

Increase child benefit

88. Child benefit has been frozen since 2010, that is to say its real value has been reduced significantly over a decade. Any increase would increase family income, and help to reduce income inequality, and would not affect any entitlement to tax credits or universal credit. On the other hand, it would not help to reduce marginal rates.

89. In any event, there is an urgent need to reform the High Income Child Benefit Charge. The threshold is not indexed and has not been increased since the Charge was introduced in 2012. As a consequence, it is affecting ever more families, and not only the 15% wealthiest families originally targeted. The threshold should be increased from £50,000 to at least £60,000. At the same time, the cut-off point should be increased from £60,000 to at least £75,000, although it would better still to recast the marginal rate so that it served to reduce the value of Child Benefit at an even rate, whatever the number of children in the family. The Chancellor should also close the anomaly whereby the Charge is payable by a one-earner family with an income of £50,000, but not by a two-earner family with an income of all but £100,000.

28 *IFS Green Budget 2019, Institute for Fiscal Studies*

29 *Financial Secretary, Westminster Hall debate, 16 January 2019. Reducing the taper rate from 65% to 63% cost £1.8 billion.*

Increase tax allowances for people with children

90. Alternatively – or indeed in addition – there should be a tax allowance for people with children. This might be a set figure of £X for every family. It would be like the Additional Personal Allowance which ran from 1990 to 2000 except that, in the absence of the Married Couples Allowance, it would apply to all families with children. Unlike an increase in Child Benefit, it would to some extent reduce marginal rates. On the other hand, it would be less effective in increasing family incomes, as it would be accompanied by a reduction in benefits that are based on net income.

91. The allowance which any family received would be the same, whatever the number of children. So there is a good case for suggesting that child tax allowances should be restored instead, so that the amount of the allowance would depend on the number of children in the family. This would also allow a measure of flexibility in that, if it were wished, the amount of the allowance could depend on the age of the child or whether it were disabled.

92. The cost of any change in tax allowances for families with children could be met in part by freezing the personal allowance, or at least restricting any increase to that required by indexation. This allowance has risen very sharply in recent years at very considerable cost to the Exchequer, even though the increases have largely benefitted those in the top half of the income distribution rather than families in poverty.

Conclusion

93. This and our many previous reports have shown the extent to which families have been disadvantaged by the way in which the income tax system has been allowed to develop over the last thirty years. People with children have seen their tax liabilities rise in relation to those of other taxpayers. They pay far more tax that comparable families do in other OECD countries. The attempt to correct for this through the benefit system has proved very costly, and is now trapping as many as one in three families with high marginal rates. How can a family escape poverty or debt if the State takes back 80p or more of every new pound earned? Previous administrations have largely ignored this problem. The new Parliament must not do so.

94. The issues discussed in this report cannot be resolved overnight, but a start should be made in this year's Budget. Finding and implementing a comprehensive solution will not be easy or quick, but a start can and should be made. As well as calling for a review of the way independent taxation works for families and the how it interacts with means tested benefits, we propose short-term options for reducing the disproportionate tax burden borne by many families and mitigating the high marginal rates they face. Too many are trapped in debt and poverty by the present system. Action is needed now.

APPENDIX A

Tax Burden 2000, 2007, 2010-2017

Household type	Single no child	Single no child	Single no child	Single two children	Married two children	Married two children	Married two children	Married no children
Wage as % of average wage	**67**	**100**	**167**	**67**	**100**	**100,33**	**100,67**	**100,33**
United Kingdom								
2000	22.8	25.8	28.8	7.7	20.6	18.8	21.5	22.7
2008	22.9	25.6	30.3	3.0	19.0	17.9	21.3	22.9
2011	21.7	25.1	30.4	-1.8	18.3	17.7	20.6	21.6
2012	21.2	24.7	30.4	-2.0	19.7	17.3	20.3	21.1
2013	20.0	24.0	30.1	-3.1	19.0	16.2	19.4	19.9
2014	19.4	23.6	29.8	-4.1	18.5	15.5	18.9	19.3
2015	19.2	23.4	29.8	-3.4	17.8	15.3	18.7	19.1
2016	19.3	23.5	29.9	-1.4	18.0	15.5	18.9	19.2
2017	19.3	23.5	29.9	1.0	18.3	15.7	19.0	19.2
2018	19.2	23.4	29.8	2.0	18.2	15.6	19.0	19.1
OECD								
2000	22.5	26.3	31.7	5.8	15.6	18.0	20.8	23.1
2008	21.0	25.3	30.6	4.2	13.7	16.0	19.1	21.8
2011	21.2	25.3	30.5	4.4	14.1	16.3	19.5	21.9
2012	21.4	25.4	30.5	4.9	14.5	16.6	19.8	22.1
2013	21.6	25.7	30.8	5.3	14.9	17.0	20.1	22.3
2014	21.4	25.7	31.1	5.0	15.0	17.0	20.1	22.2
2015	21.4	25.7	30.8	4.4	14.7	16.8	19.9	22.2
2016	21.3	25.6	30.8	2.2	14.1	16.4	19.5	22.1
2017	21.3	25.6	30.7	2.6	14.2	16.4	19.5	22.0
2018	21.0	25.5	30.7	2.2	14.2	16.0	19.3	21.8
EU(23)								
2000	25.7	29.7	35.1	7.2	16.7	19.6	23.0	26.2
2008	23.9	28.5	34.0	5.9	15.1	17.5	21.1	24.6
2011	24.3	28.7	34.0	6.2	15.8	18.1	21.6	24.7
2012	24.6	28.7	34.0	6.7	16.1	18.5	21.9	25.0
2013	24.7	29.0	34.2	6.9	16.4	18.8	22.2	25.2
2014	24.4	28.9	34.6	6.2	16.3	18.5	22.0	25.0
2015	24.3	28.8	34.0	5.5	16.0	18.2	21.6	24.8
2016	24.0	28.6	33.9	2.1	15.0	17.4	21.0	24.5
2017	23.9	28.6	33.8	2.5	14.8	17.3	21.0	24.4
2018	23.4	28.4	33.8	2.2	15.1	16.9	20.6	24.1

Source: Taxing Wages Tables 6.17-6.24

APPENDIX B

Tax Burden by Household Type and Wage Level 2018

Household type	Single no child	Single no child	Single no child	Single two children	Married two children	Married two children	Married two children	Married no children
Wage as % of average wage	**67**	**100**	**167**	**67**	**100**	**100,33**	**100,67**	**100,33**
Australia	19.6	24.6	30.4	-3.9	16.9	20.3	22.6	20.3
Austria	27.2	32.8	38.0	7.8	19.6	19.0	23.4	27.8
Belgium	32.1	39.8	47.9	14.5	20.3	22.6	30.4	30.6
Canada	17.6	23.0	26.3	-27.9	1.8	11.2	15.7	19.7
Chile	7.0	7.0	8.3	6.2	7.0	4.8	6.7	7.0
Czech Republic	21.4	24.6	27.2	-5.3	0.2	7.9	12.6	21.4
Denmark	33.2	35.7	41.5	4.9	25.2	28.8	31.0	33.4
Estonia	10.2	15.0	21.3	-9.8	1.8	3.8	6.8	11.7
Finland	22.4	30.0	37.6	9.9	24.5	20.9	23.7	25.0
France	24.9	28.7	34.1	1.4	17.5	18.6	22.6	25.5
Germany	34.8	39.7	43.8	18.2	21.7	27.2	31.5	34.7
Greece	21.1	26.1	33.2	13.3	22.3	21.8	23.0	24.3
Hungary	33.5	33.5	33.5	5.5	15.6	20.1	22.8	33.5
Iceland	25.4	28.7	33.8	14.0	16.2	23.4	27.3	25.3
Ireland	15.9	25.4	35.1	-7.4	8.3	10.7	16.5	16.1
Israel	11.5	18.1	27.5	-2.1	15.4	12.5	11.7	14.5
Italy	22.3	31.4	39.4	2.5	19.9	19.2	23.3	24.9
Japan	20.6	22.3	26.0	13.7	16.3	17.3	18.9	20.8
Korea	11.5	14.9	18.7	9.0	12.7	12.1	12.4	13.4
Latvia	23.8	28.4	28.8	5.4	16.0	15.2	19.2	24.5
Lithuania	17.5	22.1	24.0	2.9	12.4	14.0	16.4	18.9
Luxembourg	20.7	29.5	37.9	-5.5	5.4	9.7	16.0	19.4
Mexico	4.4	10.2	14.9	4.4	10.2	6.3	7.9	6.3
Netherlands	22.7	30.5	37.8	-3.7	24.8	19.8	21.8	25.3
New Zealand	13.8	18.4	24.0	-20.5	1.9	10.8	17.1	17.0
Norway	24.0	27.5	34.0	12.3	23.6	21.4	23.7	24.3
Poland	24.5	25.2	25.8	-30.4	7.9	12.2	15.2	24.5
Portugal	21.4	26.6	33.2	3.6	12.1	13.7	20.2	21.3
Slovak Republic	20.9	23.9	26.3	7.5	8.9	13.5	17.3	20.3
Slovenia	30.3	34.1	38.1	-0.2	13.2	20.6	25.0	31.1
Spain	16.8	21.3	27.0	2.0	14.1	16.2	17.3	17.6
Sweden	22.5	25.2	36.7	12.3	18.3	17.8	20.0	23.0
Switzerland	14.4	17.4	22.4	-1.2	4.2	7.5	10.9	15.0
Turkey	24.6	28.2	32.4	22.9	26.2	24.4	26.0	25.3
United Kingdom	19.2	23.4	29.8	2.0	18.2	15.6	19.0	19.1
United States	21.4	23.8	28.8	1.9	11.7	15.4	17.6	21.3
Unweighted averages								
OECD	21.0	25.5	30.7	2.2	14.2	16.0	19.3	21.8
EU(23)	23.4	28.4	33.8	2.2	15.1	16.9	20.6	24.1

Source: Taxing Wages Table 3.3

APPENDIX C

Tax Burden on Families Compared with Singles Without Children 2018

	1	2	3	4	5	6	7	8	9
Household type	**Single no child**	**Single no child**	**Single no child**	**Single two children**	**Married two children**	**Married two children**	Col 4 as % of Col 1	Col 5 as % of Col 2	Col 6 as % of Col 3
Wage as % of average wage	**67**	**100**	**167**	**67**	**100**	**100,67**			
Australia	19.6	24.6	30.4	-3.9	16.9	22.6	-20	68	74
Austria	27.2	32.8	38.0	7.8	19.6	23.4	29	60	62
Belgium	32.1	39.8	47.9	14.5	20.3	30.4	45	51	64
Canada	17.6	23.0	26.3	-27.9	1.8	15.7	-158	8	60
Chile	7.0	7.0	8.3	6.2	7.0	6.7	88	100	80
Czech Republic	21.4	24.6	27.2	-5.3	0.2	12.6	-25	1	46
Denmark	33.2	35.7	41.5	4.9	25.2	31.0	15	71	75
Estonia	10.2	15.0	21.3	-9.8	1.8	6.8	-96	12	32
Finland	22.4	30.0	37.6	9.9	24.5	23.7	44	82	63
France	24.9	28.7	34.1	1.4	17.5	22.6	6	61	66
Germany	34.8	39.7	43.8	18.2	21.7	31.5	52	55	72
Greece	21.1	26.1	33.2	13.3	22.3	23.0	63	85	69
Hungary	33.5	33.5	33.5	5.5	15.6	22.8	17	47	68
Iceland	25.4	28.7	33.8	14.0	16.2	27.3	55	57	81
Ireland	15.9	25.4	35.1	-7.4	8.3	16.5	-46	33	47
Israel	11.5	18.1	27.5	-2.1	15.4	11.7	-19	85	43
Italy	22.3	31.4	39.4	2.5	19.9	23.3	11	63	59
Japan	20.6	22.3	26.0	13.7	16.3	18.9	67	73	73
Korea	11.5	14.9	18.7	9.0	12.7	12.4	79	85	66
Latvia	23.8	28.4	28.8	5.4	16.0	19.2	23	56	67
Lithuania	17.5	22.1	24.0	2.9	12.4	16.4	17	56	68
Luxembourg	20.7	29.5	37.9	-5.5	5.4	16.0	-27	18	42
Mexico	4.4	10.2	14.9	4.4	10.2	7.9	100	100	53
Netherlands	22.7	30.5	37.8	-3.7	24.8	21.8	-16	82	58
New Zealand	13.8	18.4	24.0	-20.5	1.9	17.1	-149	10	71
Norway	24.0	27.5	34.0	12.3	23.6	23.7	51	86	70
Poland	24.5	25.2	25.8	-30.4	7.9	15.2	-124	31	59
Portugal	21.4	26.6	33.2	3.6	12.1	20.2	17	45	61
Slovak Republic	20.9	23.9	26.3	7.5	8.9	17.3	36	37	66
Slovenia	30.3	34.1	38.1	-0.2	13.2	25.0	-1	39	65
Spain	16.8	21.3	27.0	2.0	14.1	17.3	12	66	64
Sweden	22.5	25.2	36.7	12.3	18.3	20.0	55	73	55
Switzerland	14.4	17.4	22.4	-1.2	4.2	10.9	-8	24	49
Turkey	24.6	28.2	32.4	22.9	26.2	26.0	93	93	80
United Kingdom	19.2	23.4	29.8	2.0	18.2	19.0	11	78	64
United States	21.4	23.8	28.8	1.9	11.7	17.6	9	49	61
Unweighted averages									
OECD	21.0	25.5	30.7	2.2	14.2	19.3	11	56	63
EU(23)	23.4	28.4	33.8	2.2	15.1	20.6	10	53	61

Source: Taxing Wages Table 3.3 for columns 1-6; columns 7-9 derived as shown

APPENDIX D

Effective Marginal Tax Rates by Household Type and Wage Level 2018

The authors wish to acknowledge the extent to which they have drawn on the very helpful summaries of national tax systems in Taxing Wages and on various websites (in particular the PwC Worldwide Tax Summaries and French-Property.com). It is extremely difficult for a non-national to grasp every detail of another country's tax system. Any reader wanting to really understand the tax systems in France, Germany and the USA should consult these sources.

France

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. 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.
Tax reliefs include work-related expenses, corresponding to actual amounts or a standard allowance of 10% of net pay (with a minimum of EUR 437 and a ceiling of EUR 12,502 per earner).

The "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 half-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 to EUR 1,551 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 3,660.

Tax rates on one share of taxable income are

up to EUR 9,964	0%
EUR 9,964-27,519	14%
EUR 27,519-73,779	30%
EUR 73,779-156,224	41%
above EUR 156,224	45%

For 2018 there is a special reduction if the household income is less than EUR 18,894 (double for couples) plus EUR 3,797 for each dependent person – for a couple with two children the reduction applies if the household income is less than EUR 45,382, approximately 15% above the average wage. The reduction is phased as income rises. For a couple with two children there is no reduction where the household income is above EUR 49,066.

There are surcharges on high incomes: 3% for singles on incomes above EUR 250,000 and for married couples on incomes above EUR 500,000; and 4% on incomes above EUR 500,000 and EUR 1,000,000 respectively.

In addition to income tax, there is a "contribution sociale" (CSG) of 9.2% on 98.25% of taxable income, which is deductible against taxable income but at a lower rate of 6.8%; and a "contribution au reimbursement de la dette sociale" of 0.5%, which is non-deductible.

Example – one-earner married couple, two children

Gross earnings EUR 39,436
Deductions – SSC and work related 10,543
Taxable income 28,893
Income tax 3,758 (i.e. 9.5% of gross income)
Contributions 4,698 (i.e. 11.9% of gross income)

Germany

Spouses may choose between two options: joint assessment or individual assessment. In the case of joint assessment, specific allowances are doubled. The vast majority of couples benefits financially from the joint assessment by minimizing the tax burden of the household. The income of dependent children is not assessable with that of the parents.
The income tax liability for spouses who are assessed jointly is computed as follows: (1) all incomes of the spouses are summed up and the sum is divided by two; (2) the tax rate is applied to this tax base; (3) the amount calculated in the second step is doubled.
Given the progressive income taxation, the resulting tax liability for the household is lower than the sum of individual taxation. The household as a unit benefits from this solution otherwise both parts of the couple would opt out. Principal and second earners have the same average and marginal income tax rates. The splitting effect decreases as the incomes of principal earner and the spouse converge.

Individual income tax rates are

up to EUR 9,000	0%
EUR 9,001-54,949	14%
EUR 54,950-260,532	42%
EUR 260,532 and over	45%

As at 1 January 2018, there are tax credits of EUR 2,328 for the first and the second child, EUR 2,400 for the third child and EUR 2,700 for the fourth and subsequent children. There is a tax allowance of EUR 2,394 for the subsistence of a child and an additional EUR 1,320 for minding and education or training needs. The amount of this allowance is doubled in case of jointly assessed parents. If the value of the tax credit is less than the relief calculated applying the tax allowances, the taxpayer obtains the tax allowance instead of the tax credit. It is also doubled for lone parents in cases where the other parent does not pay alimony.

A single parent with one child gets an extra allowance of EUR 1,908, increased by EUR 240 for each additional child.

Social security contributions and life insurance contributions are deductible up to a ceiling. There is also a EUR 1,000 work expenses allowance.

There is in addition a "solidarity surcharge". This is 5.5% of the income tax liability net of the child tax credit, subject to an exemption limit of EUR 972 for singles and EUR 1,944 for couples. If the income tax liability exceeds the exemption limit there is marginal relief. Couples with incomes below the average wage in 2018 would seem to be exempt.

Employees who are members of a church have to pay a church tax. In most cases the church tax rate is 9% of the wage.

Example – one-earner married couple, two children

Gross	EUR 50,546
Deductions – SSC and work related	9,129
Taxable income	41,417
Tax	5,312
Tax credits children	4,656
Tax paid	596 (1.3% of gross income)
Employee social security contributions	20.4% of gross income

USA

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;
- as heads of households (only unmarried or separated individuals with dependants).

All others, including dependent children with sufficient income, file as single individuals.
In 2018 a married couple filing a joint tax return is entitled to a standard deduction of USD 24,000. The standard deduction is USD 18,000 for heads of households and USD 12,000 for single individuals. This relief is indexed for inflation.

Married couples generally benefit from a more favourable schedule of tax rates for joint returns.

For each child and other person claimed as a dependant on a taxpayer's return, the taxpayer is entitled to a personal exemption of USD 4,050 in 2017. Low income workers with dependants

are allowed a refundable (non-wastable) earned income credit. For taxpayers with one child, the credit in 2018 was 34% up to USD 10,180 of earned income (USD 24,350 for married taxpayers). For taxpayers with two children, the credit is 40% of earned income up to USD 14,290. For taxpayers with three or more children, the credit is 45% of earned income up to USD 14,290. The credit is phased out as income rises.

Since 1998, taxpayers have been permitted a tax credit for each qualifying child under the age of 17. In 2018 the maximum credit is USD 2,000. The maximum credit is reduced for taxpayers with income in excess of certain thresholds.

Low income workers without children are eligible for the earned income credit. In 2018 low income workers without children are permitted a non-wastable earned income credit of 7.65% of up to USD 6,780 of earned income. The credit phases down when income exceeds USD 8,490 (USD 14,170 for married taxpayers) and phases out when income reaches USD 15,270 (USD 20,950 for married taxpayers). This credit is available for taxpayers at least 25 and under 65 years old.

The District of Columbia and 41 of the 50 states impose some form of individual income tax. In addition, some local governments (cities and counties) impose an individual income tax, although this is not generally the case. State individual income tax structures are usually related to the federal tax structure by the use of similar definitions of taxable income, with some appropriate adjustments.

Example – one-earner married couple, two children

Gross income (average wage)	USD 54,941
Standard deduction	24,000
Taxable income	30,951
Tax credits	4,000
Federal income tax	667
State and local income taxes (Detroit, Michigan)	2,917
Total income taxes	2,250 (4.1% of gross income)
Employee social security contributions	7.7% of gross income

APPENDIX E

Effective Marginal Tax Rates by Household Type and Wage Level 2018

Household type	Single no child	Single no child	Single no child	Single two children	Married two children	Married two children	Married two children	Married no children
Wage as % of average wage	**67**	**100**	**167**	**67**	**100**	**100,33**	**100,67**	**100,33**
Australia	36.0	34.5	39.0	56.0	34.5	34.5	34.5	34.5
Austria	43.3	48.2	36.9	43.3	48.2	48.2	48.2	48.2
Belgium	55.6	55.6	59.1	55.6	55.6	55.6	54.5	55.6
Canada	25.3	33.6	33.9	46.1	73.0	39.3	39.3	33.6
Chile	7.0	10.2	10.2	7.0	7.0	7.0	7.0	10.2
Czech Republic	31.1	31.1	31.1	31.1	31.1	31.1	31.1	31.1
Denmark	39.6	42.1	55.9	38.1	42.1	42.1	42.1	42.1
Estonia	21.3	32.4	21.3	21.3	32.4	32.4	32.4	32.4
Finland	44.2	45.8	49.4	44.2	45.8	45.8	45.8	45.8
France	44.4	43.4	42.1	51.1	21.4	35.8	47.2	45.4
Germany	47.0	52.5	44.3	44.7	43.0	46.6	49.5	46.9
Greece	34.5	36.3	45.4	34.5	36.3	36.3	36.3	36.3
Hungary	33.5	33.5	33.5	33.5	33.5	33.5	33.5	33.5
Iceland	35.5	35.5	44.4	46.5	45.1	42.7	42.7	35.5
Ireland	28.8	48.8	52.0	71.5	48.8	48.8	48.8	48.8
Israel	26.0	32.0	47.0	29.4	32.0	32.0	32.0	32.0
Italy	40.4	49.5	51.2	42.0	51.1	51.1	50.3	49.5
Japan	22.8	27.7	31.1	22.8	27.7	27.7	27.7	27.7
Korea	21.1	22.8	28.0	14.2	22.8	22.8	22.8	22.8
Latvia	37.7	37.7	28.8	37.7	37.7	37.7	37.7	37.7
Lithuania	31.5	31.5	24.0	31.5	31.5	31.5	31.5	31.5
Luxembourg	39.1	51.1	49.6	44.9	31.1	36.8	46.3	36.8
Mexico	12.1	17.6	22.9	12.1	17.6	17.6	17.6	17.6
Netherlands	46.2	46.2	52.3	46.8	52.6	46.2	46.2	46.2
New Zealand	17.5	30.0	33.0	17.5	55.0	55.0	30.0	30.0
Norway	34.5	34.5	46.6	34.5	34.5	34.5	34.5	34.5
Poland	26.7	26.7	26.7	96.3	26.7	26.7	26.7	26.7
Portugal	34.0	39.5	48.0	34.0	34.0	34.0	39.5	34.0
Slovak Republic	29.9	29.9	29.9	29.9	29.9	29.9	29.9	29.9
Slovenia	58.5	43.1	48.6	58.5	34.6	34.6	34.6	43.1
Spain	28.1	32.9	40.4	28.1	30.0	32.9	32.9	32.9
Sweden	28.6	32.1	60.1	28.6	32.1	32.1	32.1	32.1
Switzerland	21.7	27.6	32.2	13.8	19.7	22.3	25.0	24.1
Turkey	32.8	38.7	38.7	32.8	38.7	38.7	38.7	38.7
United Kingdom	32.0	32.0	42.0	73.0	32.0	32.0	32.0	32.0
United States	26.3	36.3	36.3	48.6	26.3	26.3	26.3	26.3
Unweighted averages								
OECD	32.6	36.2	39.3	38.9	36.0	35.6	35.7	35.2
EU(23)	37.2	40.1	42.3	44.3	37.5	38.3	39.5	39.1

Source: Taxing Wages Table 3.7

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