



CARE RESEARCH PAPER

the taxation of **families**

international comparisons 2017

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Preface

I am delighted to commend to you *The Taxation of Families – International Comparisons 2017*. This report examines how UK families fare in comparison with their OECD counterparts with regard to the overall tax burdens, income tax rates and Effective Marginal Tax Rates they face.

Once again this report highlights, by comparing and contrasting the way in which different OECD countries divide up the tax burden between families and singles, the unique fiscal individualism of the British tax system and the pressing need for its reform.

This report reveals that in 2017 the tax burden on a one-earner married couple with two children, on average wage, was 30% greater than the OECD average, whilst the tax burden on single people without family responsibilities was less than the international averages: 8% less than the OECD average and 18% less than the average for the EU (22).

The undesirable impact of this fiscal individualism can be seen with particular clarity if one examines the tax burden on one-earner married couples with two children, on average wage, expressed as a proportion of that placed on a single person with no dependants on the same wage. Whereas across the OECD the tax burden placed on such a family tends to be closer to half that on a single person on the same wage, the UK burden is 77%.

Looking specifically at the way in which different developed countries share out the income tax burden between families and singles, we can see that a one-earner married couple with two children, on average wage and living in the UK, pays 85% more than a comparable French family, more than twice as much as a comparable US family, and eleven times as much as a comparable German family.


The continued failure of the UK income tax system to recognise family responsibility has resulted in a need to support families through inflated benefits, which when withdrawn have resulted in very high effective marginal tax rates.

British one-earner married couples with two children, on 75% average wage – a typical aspirational income – face a crippling 73%. This is the highest in the developed world, more than twice as high as the OECD and EU(22) averages. In order to enjoy the same standard of living as a single person, families at the middle of the income distribution would have needed more than twice the gross income and would have paid more than three times the amount of income tax, including some paid at the higher rate.

British fiscal individualism must be tamed, for unless we do so marriage will continue to be less accessible in the UK than it is across the OECD on average, despite its significant public policy benefits.

CARE would like to see a significant increase in the recognition of the partially transferable allowance for married couples. At the moment, the non-earning spouse in a one-earner married couple can transfer up to 10% of their allowance to their working spouse, if he or she is a basic rate taxpayer. This, however, is so limited that many eligible couples are not even registering. We would rather see a fully transferable allowance for a smaller group of one-earner married couples, such as those with children under five. Such an allowance would make a real difference to the families in question.

Since 2010 the increase in the personal allowance has mainly benefitted single people or couples with children. We would much rather the Government limited the remaining proposed increases to tax payers with children and used the monies saved to either help fund an increase in the transferable allowance or to extend the increase in the personal allowance of all tax payers with children.



The continued unfavourable treatment of one-earner families on average wage in our tax system shows that supporting these types of families is simply not a priority for the Government. CARE and Tax and the Family have reported these findings for over ten years and yet little has been done to reduce the tax burden on single-earner families.

Chancellors have repeatedly ignored this social justice issue and failed to take account of households in the context of independent taxation. The amount of income tax families pay does not reflect how well-off they are, they are simply not being treated fairly. This issue must be given highest priority by the Treasury, with a particular focus on households with children.

I commend this report to you and hope that it will generate useful debate and change in the fiscal policy world, in Government, Parliament and beyond.

Nola Leach

Chief Executive and Head of Public Affairs, CARE

October 2018

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, for his comments and suggestions. Samuel Yung kindly helped with the compilation of data.

Leonard Beighton, Don Draper and Alistair Pearson

October 2018

About the Authors

The authors are independent consultants. Leonard Beighton spent 37 years in the Inland Revenue, ending in 1994 as Deputy Chairman of the Board. In 2011 was made an Honorary Fellow of the Chartered Institute of Taxation. Don Draper worked on tax policy in 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 review of the taxation of families uses statistics published by the OECD in *Taxing Wages* to make comparisons between the UK and other developed countries. 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.
2. International comparisons for 2017, the latest year for which there is OECD data, reveal that the tax burden on one-earner families on the average wage is significantly greater than the averages for the OECD as a whole and for the group of EU countries that are OECD members.
3. At the OECD average wage (£38,208 for the UK), the UK tax burden is 26% greater than the OECD average on single parents with two children, and 30% greater 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.
4. 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 22 EU countries that are OECD members.
5. *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 less than international averages.
6. 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.
7. The UK income tax system places a particularly heavy burden on one-earner families. At the OECD average wage, the UK income tax burden is 25% greater than the OECD average for a one-earner married couple with two children, and 14% greater for a single person with two children. The UK one-earner married couple with two children pays 85% more income tax than the French family, more than twice as much as the US family, and eleven times as much as the German family.
8. By contrast, the UK income tax burden on a single person without children is 13% less than the OECD average at the OECD average wage. Income tax burdens on single people without children in the UK are similar to those in France, but less than those in Germany and the US.
9. Although *Taxing Wages* includes comparisons of the income tax burden on two-earner couples at only two income points (133% and 167% of the OECD average wage), we are able to make comparisons at additional income points. At and above the OECD average wage, UK two-earner families appear to bear a heavier income tax burden than their counterparts in France, Germany and the US.

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 (EMTRs) 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. It would be appropriate to restrict any further increase in the personal allowance to taxpayers with children. And the case for child tax allowances should be revisited.

Chapter 1

Introduction

1. This is our eleventh annual international review of the taxation of families. It compares the overall direct 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 2017. 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. When calculating tax rates, we do not take account of VAT or any other indirect tax, or of housing benefit or any other income related benefits.
4. For international comparisons, we use statistics published by the OECD in *Taxing Wages 2018*.¹ These statistics take account of income taxes, social security contributions and cash benefits of eight different kinds of household in the 35 OECD member countries.² The 2018 edition of *Taxing Wages* shows estimates for 2017 and definitive results for 2016.
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 apply a 'forward-looking' approach: the tax rates reported for 2017 are those for the tax year 2017-18.
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 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 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 2017 is £38,208³, or £733 per week. This compares with UK median gross earnings for all employees of £28,758 per annum (£552 per week).⁴
8. The OECD average wage differs from country to country. For example, the average wage in Germany (EUR49,450) is 28% higher than the average wage in France (EUR38,582). 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. It is nevertheless a useful way of comparing tax systems.
9. *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.

1. *Taxing Wages 2018*, OECD, Paris

2. In 2017 there were 35 OECD member countries: Australia, Austria, Belgium, Canada, Chile, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Latvia, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, United Kingdom, United States.

3. *Taxing Wages 2018*, p 558

4. *Annual Survey of Hours and Earnings (ASHE)*, ONS, 26 October 2017. For the year ending 5 April 2017, median gross annual earnings for full-time employees were £28,758.

Chapter 2

Comparison of Tax Burdens

This chapter uses OECD data to compare tax burdens (i.e. average tax rates). 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.

10. We use new OECD data for 2017 (UK tax year 2017-18) to compare the UK tax burden with OECD and EU(22) 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.⁵
11. We consider tax burdens on these one-earner household types at five income points ranging from 50% to 150% of the OECD average wage.
12. 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).
13. References to the EU are to be understood as references to the 22 EU countries that are also OECD members. Historical data for eight household types, comprising UK and average OECD and EU(22) tax rates for 2000, 2007 and 2010-2017, are to be found in Appendix A. Data for 2017 for individual countries for the same eight household types are to be found in Appendix B.

5. *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

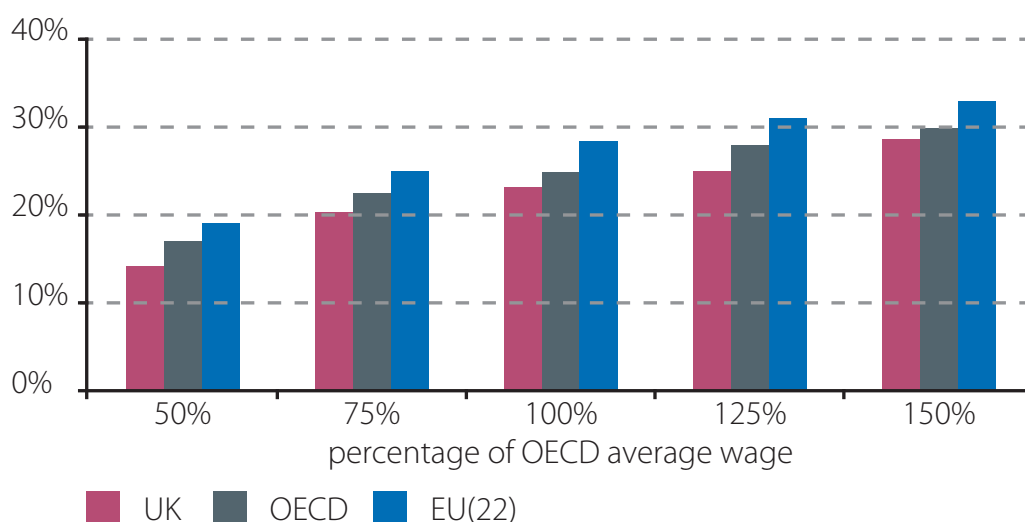
14. Table 1 and Chart 1 show the tax burden on a single person without children at five income points. We compare the UK with all OECD countries together and with the EU countries that are OECD members. At all five income points, the tax burden in the UK is less than the OECD average and significantly less than the EU(22) average. At the 100% income point, it is 8% less than the OECD average and 18% less than the EU(22) average.

Tax as percentage of gross wages 2017 – single person without children

Table 1

	income point (percentage of OECD average wage)				
	50%	75%	100%	125%	150%
UK	14.8%	20.6%	23.4%	25.7%	28.4%
OECD	17.1%	22.5%	25.5%	27.9%	29.8%
EU(22)	19.1%	25.4%	28.6%	31.0%	33.0%

Chart 1



Source: OECD statlink tables pp 79-113

One-earner married couple without children

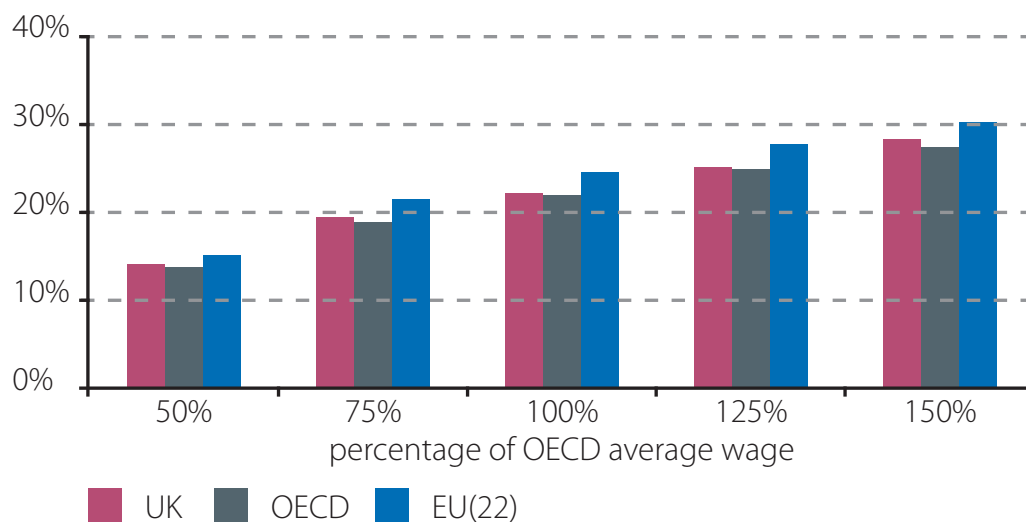
15. Table 2 and Chart 2 compare the tax paid by a one-earner married couple without children as a percentage of income in the UK with the tax burden in OECD and EU countries. At all income points, UK one-earner married couples without children bear a slightly greater tax burden than the OECD average. However, the UK tax burden is less than the EU(22) average at all five income points.

Tax as percentage of gross wages 2017 – one-earner married couple without children

Table 2

	income point (percentage of OECD average wage)				
	50%	75%	100%	125%	150%
UK	13.6%	19.8%	22.8%	25.7%	28.4%
OECD	13.5%	19.3%	22.6%	25.2%	27.3%
EU(22)	15.4%	21.7%	25.0%	27.8%	30.1%

Chart 2



Source: OECD statlink tables pp 79-113

Single person with two children

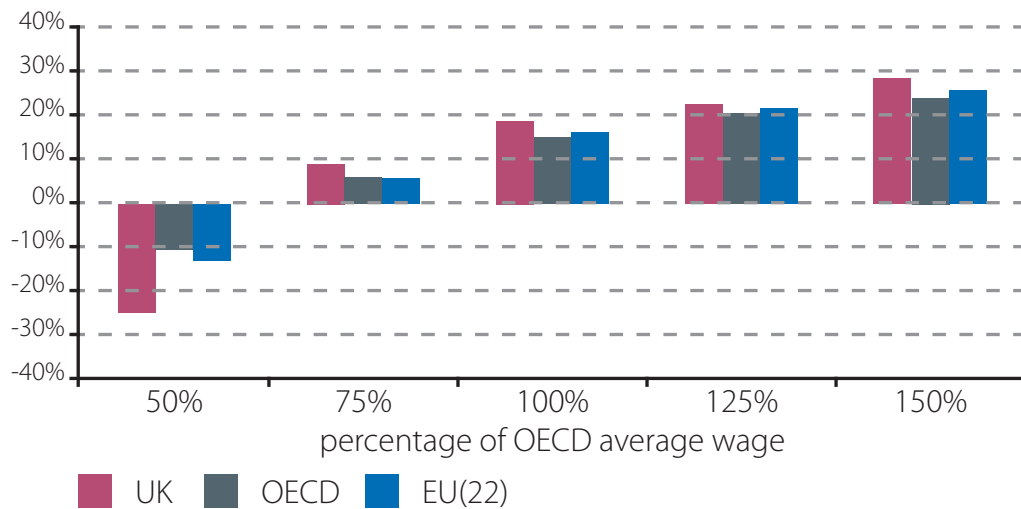
16. Table 3 and Chart 3 compare the tax paid by a single person with two children as a percentage of income in the UK with the tax burden in OECD and EU countries. At 50% of average wage, a single person with two children has a negative tax liability (i.e. cash transfers exceed income tax and SSCs). The international averages are also negative, but much smaller. As incomes rise, the UK burden rises rapidly as tax credits are withdrawn, whereas the increases in the OECD and EU(22) averages are less pronounced. At and above 75% of average wage, the UK tax burden exceeds the international averages. At the 100% income point, it is 26% more than the OECD average.

Tax as percentage of gross wages 2017 – single person with two children

Table 3

	income point (percentage of OECD average wage)				
	50%	75%	100%	125%	150%
UK	-24.3%	8.1%	18.7%	22.0%	27.6%
OECD	-10.5%	5.8%	14.8%	19.9%	23.4%
EU(22)	-12.7%	5.7%	15.7%	21.1%	25.1%

Chart 3



Source: OECD statlink tables pp 79-113

One-earner married couple with two children

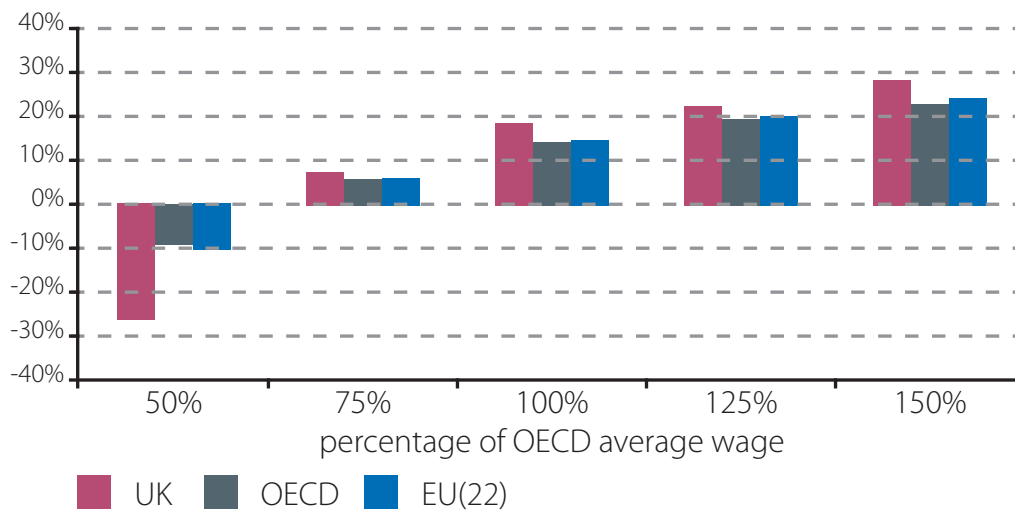
17. Table 4 and Chart 4 compare the tax paid by a one-earner married couple as a percentage of income in the UK with the tax burden in OECD and EU countries.⁶ At 50% of average wage, one-earner married couples with two children fare well in the UK. This is due to tax credits. However, the picture changes 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 30% more tax than the OECD average.

Tax as percentage of gross wages 2017 – one-earner married couple with two children

Table 4

	income point (percentage of OECD average wage)				
	50%	75%	100%	125%	150%
UK	-25.6%	7.3%	18.1%	22.0%	27.6%
OECD	-9.0%	5.8%	14.0%	19.0%	22.4%
EU(22)	-10.2%	6.0%	14.5%	19.8%	23.7%

Chart 4



Source: OECD statlink tables pp 79-113

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

Tax burden on two-earner households

Two-earner married couple without children

18. 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 2017 the UK tax burden was 19.1%. This is less than the OECD average of 22.0% and the EU(22) average of 24.5%. Two-earner couples in the UK have derived greater benefit than have single income households from the increases in the personal allowance since 2010.

Two-earner married couple with two children

19. 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 2017 UK tax rate was 15.6%, less than the OECD average of 16.3% and the EU(22) average of 17.2%. At a combined income of 167% of average wage, the 2017 UK tax rate was 18.9%, less than the OECD average of 19.4% and the EU(22) average of 20.9%.

Tax burden on families compared with singles' tax

20. Table 5 shows the UK tax burden on two family 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(22). Appendix C shows percentages for all OECD countries at single income points for these two family 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 2017

Table 5

	income point (percentage of OECD average wage)				
	50%	75%	100%	125%	150%
	(a) single person, two children				
UK	-164%	39%	80%	85%	97%
OECD	-61%	26%	58%	71%	79%
EU(22)	-66%	23%	55%	68%	76%
	(b) one-earner married couple, two children				
UK	-172%	36%	77%	85%	97%
OECD	-52%	26%	55%	68%	75%
EU(22)	-53%	24%	51%	64%	72%

Note: The negative percentages at the 50% income point reflect the fact that the tax liability of each one-earner family is negative i.e. there is a net benefit. The percentage amount denotes the size of the net benefit (as a proportion of income) compared with the tax rate of a single person without children.

Source: derived from Tables 1, 3 and 4

21. 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.
22. At average wage, the 2017 UK tax burden on a single parent with two children was 80% of that on a single person without children, whereas the OECD average was 58% and the EU(22) average 55%. At the same income point, the 2017 UK tax burden on a one-earner married couple with two children was 77% of that on a single person without children, whereas the OECD average was 55% and the EU(22) average 51%.
23. 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 2017 UK tax burden on a two-earner married couple with two children was 63% of that on a single person without dependants (a tax rate of 18.9% compared with the single person's tax rate of 29.8%). The OECD average was also 63% (19.4% compared with 30.8%); the EU(22) average was 61% (20.9% compared with 34.1%).

Historical perspective

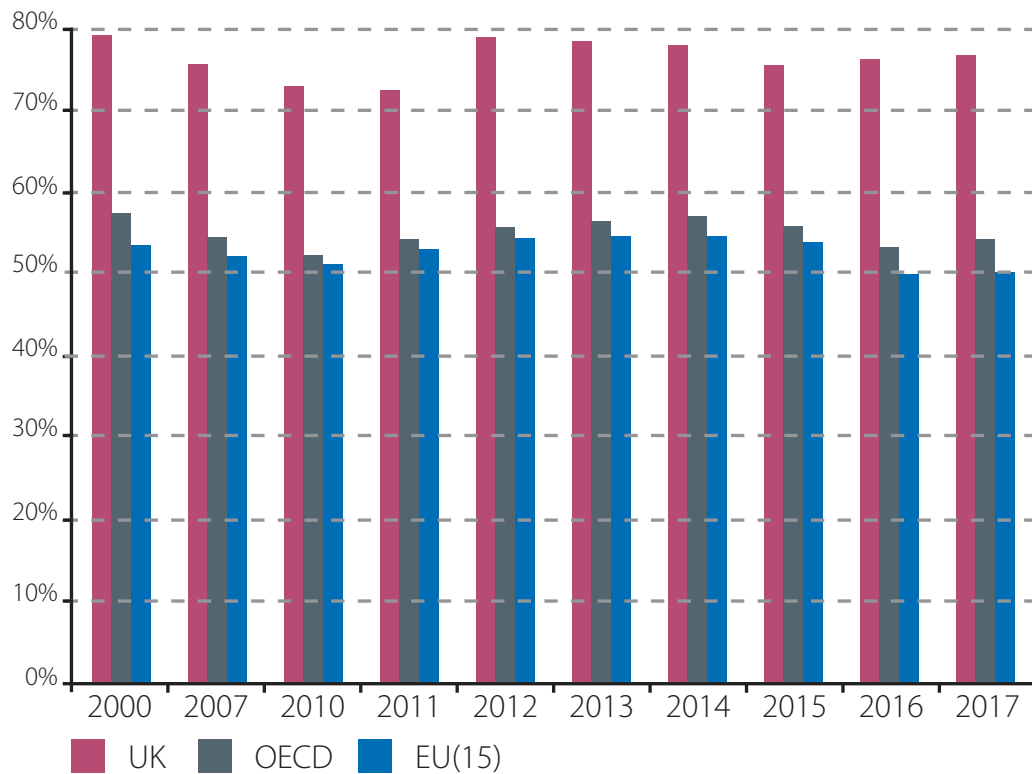
24. Table 6 and Chart 5 show the tax burden on a one-earner married couple with two children on average wage as a percentage of that on a single person without children on the same income. There are percentages for the UK, OECD and EU(22) for the years 2000 and 2007 and the period 2010-2017. The UK figure, 77.4% in 2017, 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, 2007, 2010-2017

Table 6

Year	at 100% OECD average wage		
	UK	OECD	EU(22)
2000	79.8%	57.9%	53.9%
2007	76.3%	54.9%	52.5%
2010	73.5%	52.7%	51.5%
2011	73.0%	54.7%	53.4%
2012	79.6%	56.1%	54.8%
2013	79.1%	56.9%	55.0%
2014	78.6%	57.5%	55.0%
2015	76.1%	56.3%	54.3%
2016	76.9%	53.7%	50.3%
2017	77.4%	54.6%	50.6%

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 the group of EU countries that are OECD members.

25. We use new OECD data for 2017 (UK tax year 2017-18) 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(22) 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.
26. 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 data⁷, and made our own calculations for the UK using Tax Benefit Model Tables.
27. 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 income tax system.⁸ This is sensible where tax credits are integrated into the tax system and there is a tax allowance for children. 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.⁹ 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.
28. 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.

7. $ITR = (LIT + CIT) * (100 / (100 - SSC))$, 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

8. *Taxing Wages 2018*, pp 558-9

9. *Taxing Wages 2018*, p 294

Income tax as percentage of gross wages 2017

Table 7

	income point (percentage of OECD average wage)				
	50%	75%	100%	125%	150%
single person without children					
UK	8.0%	12.0%	14.0%	16.3%	20.3%
France	7.9%	13.3%	14.8%	17.9%	19.9%
Germany	10.5%	15.5%	19.1%	22.7%	25.8%
US	13.3%	16.1%	18.4%	21.0%	22.8%
OECD	8.3%	13.0%	16.0%	18.4%	20.4%
EU (22)	9.0%	14.2%	17.4%	19.8%	21.8%
one-earner married couple without children					
UK	6.8%	11.2%	13.4%	16.3%	20.3%
France	7.9%	7.9%	8.1%	11.0%	13.3%
Germany	1.0%	6.8%	11.0%	14.3%	16.9%
US	7.4%	10.5%	13.3%	15.0%	16.1%
OECD	5.6%	10.0%	13.2%	15.8%	17.9%
EU (22)	6.0%	10.6%	13.9%	16.5%	18.8%
single person with two children					
UK	8.0%	12.0%	14.0%	16.3%	20.3%
France	7.9%	7.9%	7.9%	10.8%	12.4%
Germany	0.0%	0.6%	7.6%	12.1%	16.0%
US	3.7%	5.1%	9.5%	11.9%	14.9%
OECD	4.9%	8.3%	12.2%	15.3%	17.7%
EU (22)	4.3%	8.1%	12.5%	15.9%	18.6%
one-earner married couple with two children					
UK	6.8%	11.2%	13.4%	16.3%	20.3%
France	7.9%	7.9%	7.9%	7.9%	9.5%
Germany	0.0%	0.0%	1.2%	6.5%	10.5%
US	2.7%	4.4%	6.5%	9.6%	11.6%
OECD	3.7%	7.3%	10.7%	13.5%	15.9%
EU (22)	3.6%	6.8%	10.5%	13.5%	16.2%

Source: UK rates for each household type calculated by authors using TBMT¹⁰; all other rates derived from OECD statlink tables pp 79-113

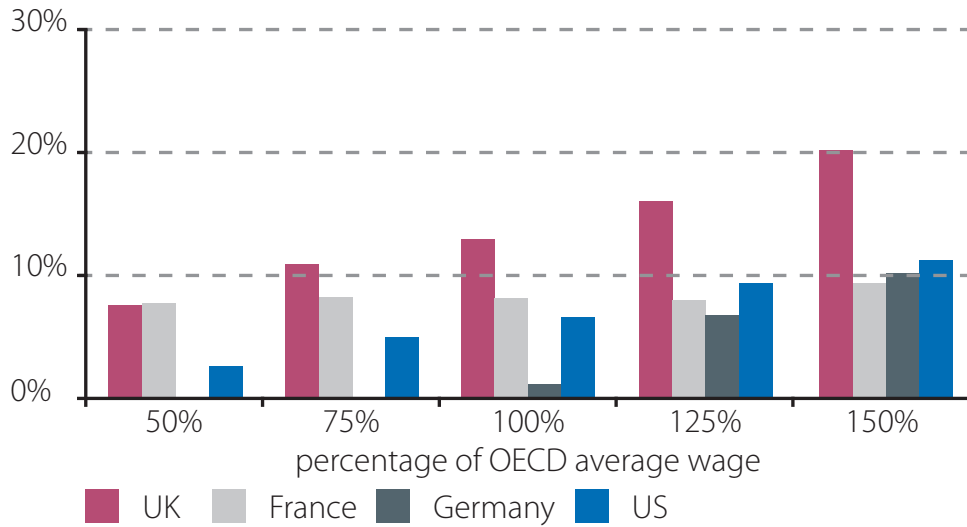
10. UK rates derived from OECD statlink tables are as follows:

	Percentage of OECD average wage				
	50%	75%	100%	125%	150%
Single person without children	8.0%	12.0%	14.0%	16.3%	20.3%
One-earner married couple without children	6.8%	11.2%	13.4%	16.3%	20.3%
Single person with two children	0.0%	5.8%	14.0%	16.3%	20.3%
One-earner married couple with two children	0.0%	5.0%	13.4%	16.3%	20.3%

29. As shown in Chapter 2, the UK tax burden is 26% greater than the OECD average on single parents with two children, and 30% greater on one-earner married couples with two children. By contrast, 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 22 EU countries that are OECD members.
30. Looking at income tax on its own, the disparity is even greater. At 100% of average wage, the UK income tax burden is 25% greater than the OECD average for a one-earner married couple with two children, and 14% greater for a single person with two children. By contrast, the UK income tax burden on a single person without children is 13% less than the OECD average at the 100% income point.
31. The UK income tax burden on one-earner families is greater than the OECD and EU(22) 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 8.0%, compared with the OECD average of 4.9% and the EU(22) average of 4.3%; the rate for a one-earner married couple with two children is 6.8%, compared with the OECD average of 3.7% and the EU(22) average of 3.6%.
32. The UK income tax burden on single people without children is lower than the OECD and EU(22) averages at all five income points. The picture is different for one-earner married couples without children in the UK, who face greater income tax burdens than the OECD average at all five income points.
33. Chart 6 compares the income tax paid by a married couple with two children as a percentage of income in the UK with the income tax burden in France, Germany and the US. At the OECD average wage, the UK family pays 85% more than the French family, more than twice as much as the US family, and eleven times as much as the German family.

Income tax as percentage of gross wages 2017
One-earner married couple with two children

Chart 6

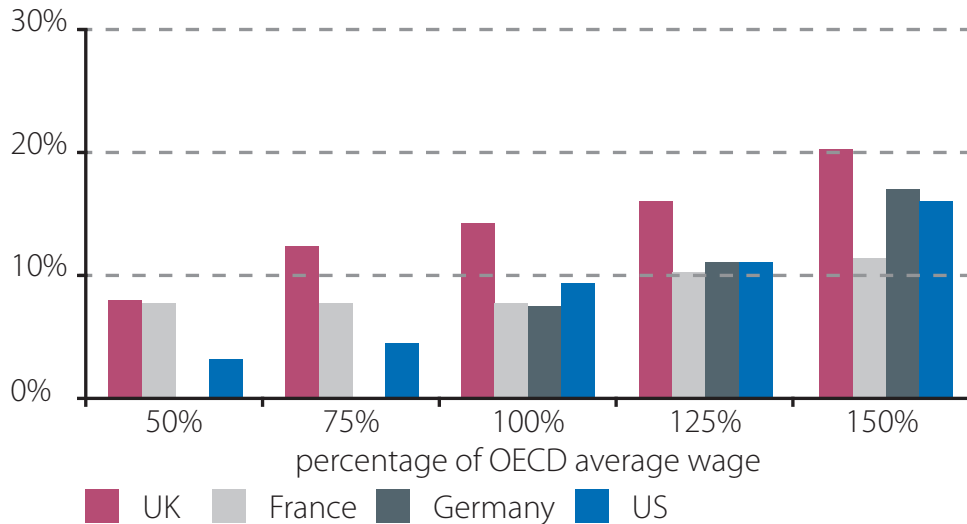


Source: Table 7

34. Chart 7 compares the income tax paid by a single person without children as a percentage of income in the UK with the income tax burden in France, Germany and the US. Income tax burdens on single people without children in the UK are similar to those in France, but less than those in Germany and the US.

Income tax as percentage of gross wages 2017
Single person with two children

Chart 7



Source: Table 7

35. 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

36. 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 own¹¹, 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 10.4% and the EU(22) average 10.3%. At 100% and 67% of average wage, the UK figure is 12.8%, the OECD average 12.3% and the EU(22) average 12.5%.
37. Comparisons with individual countries reveal greater differences. At a combined income of 133%, the figures for France, Germany and the US are 7.9%, 6.8% and 10.3%, lower than the UK income tax burden of 10.9%. At a combined income of 167%, they are 11.1%, 11.1% and 12.6%, whereas the UK figure is 12.8%.
38. 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 compares 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.

Income tax as percentage of gross wages 2016 – two-earner married couple with two children

Table 8

	income point (percentage of OECD average wage)				
	50%	75%	100%	125%	150%
UK (80:20)	2.8%	7.2%	9.4%	11.2%	12.3%
UK (60:40)	0.0%	4.0%	8.0%	8.0%	10.4%
France	7.9%	7.9%	7.9%	7.9%	9.5%
Germany	0.0%	0.0%	1.2%	6.5%	10.5%
US	2.7%	4.4%	6.5%	9.6%	11.6%

Source: UK rates calculated by authors using Tax Benefit Model Tables updated for 2017-18; other rates taken from Table 7

39. At the higher income points, UK two-earner families bear a heavier income tax burden than their counterparts in the three other countries. At the 50% and 75% income points, however, the UK rate is lower than the French rate when incomes are split 80:20, and lower than the French and US rates when incomes are split 60:40. 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. The US figures include an estimate for state and local income taxes. The US federal income tax rate at 100% of average wage is 1.2%.

11. Taxing Wages 2018, Table 3.4, p 61

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 22 EU countries that are OECD members.

40. 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.
41. 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. Nor does the UK EMTR take account of housing benefit and council tax benefit.
42. We use OECD data for 2017 (UK tax year 2017-18) to compare the UK with OECD and EU(22) 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.

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

43. OECD data for 2017 for all individual countries for eight household types are to be found in Appendix E.

EMTRs for one-earner households

Single person without children

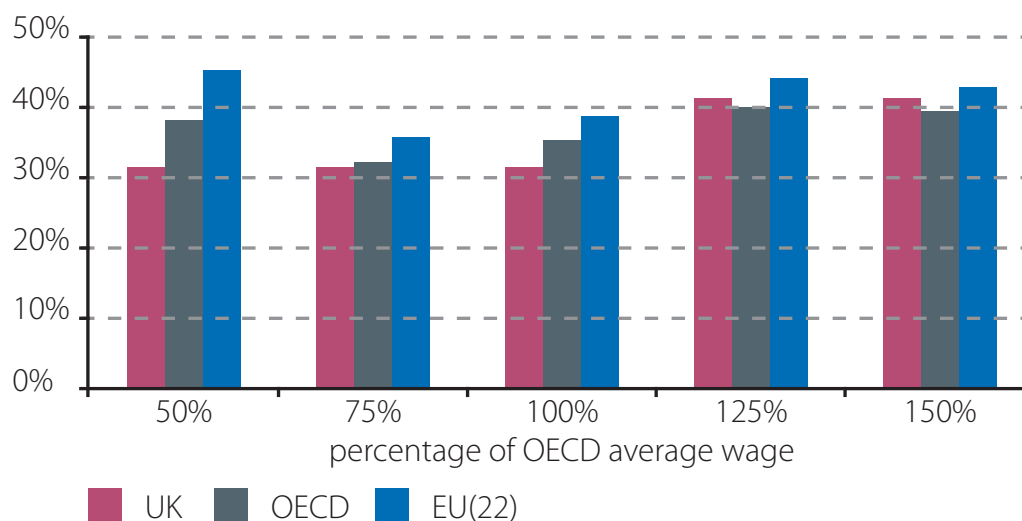
44. Table 9 and Chart 8 show the EMTR for a single person without children at five income points. The UK EMTR is lower than the OECD average at the 50%, 75% and 100% income points, but higher at 125% and 150% of average wage. It is lower than the EU(22) average at all five income points.

EMTR 2017 – single person without children

Table 9

	income point (percentage of OECD average wage)				
	50%	75%	100%	125%	150%
UK	32.0%	32.0%	32.0%	42.0%	42.0%
OECD	38.8%	32.8%	36.0%	40.7%	40.2%
EU(22)	46.2%	36.3%	39.5%	45.0%	43.7%

Chart 8



Source: OECD statlink tables pp 79-113

One-earner married couple without children

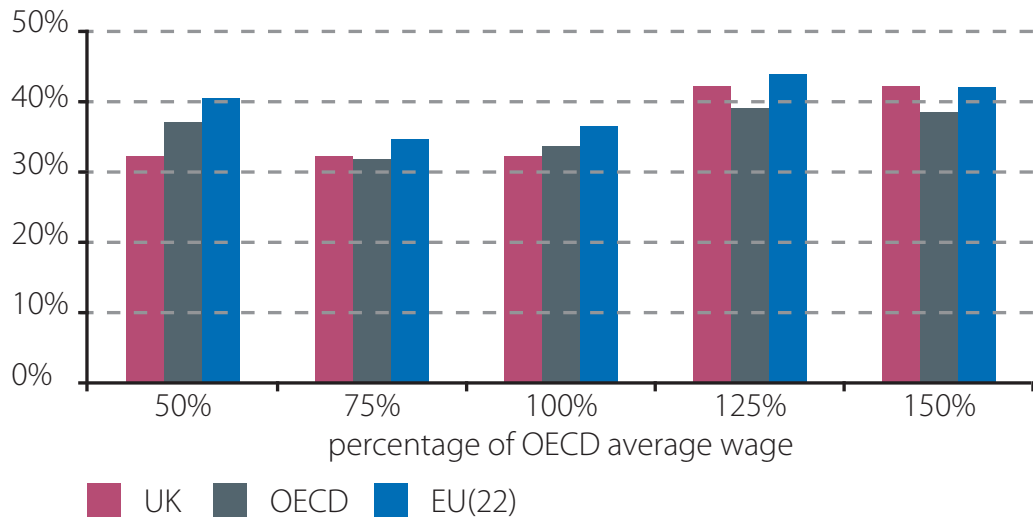
45. Table 10 and Chart 9 show the EMTR for a one-earner married couple without children at five income points. The UK EMTR is lower than the international averages at 50% of average wage, but similar to them at the other income points.

EMTR 2017 – one-earner married couple without children

Table 10

	income point (percentage of OECD average wage)				
	50%	75%	100%	125%	150%
UK	32.0%	32.0%	32.0%	42.0%	42.0%
OECD	36.8%	31.6%	33.5%	38.9%	38.2%
EU(22)	40.3%	34.4%	36.3%	43.6%	41.8%

Chart 9



Source: OECD statlink tables pp 79-113

Single person with two children

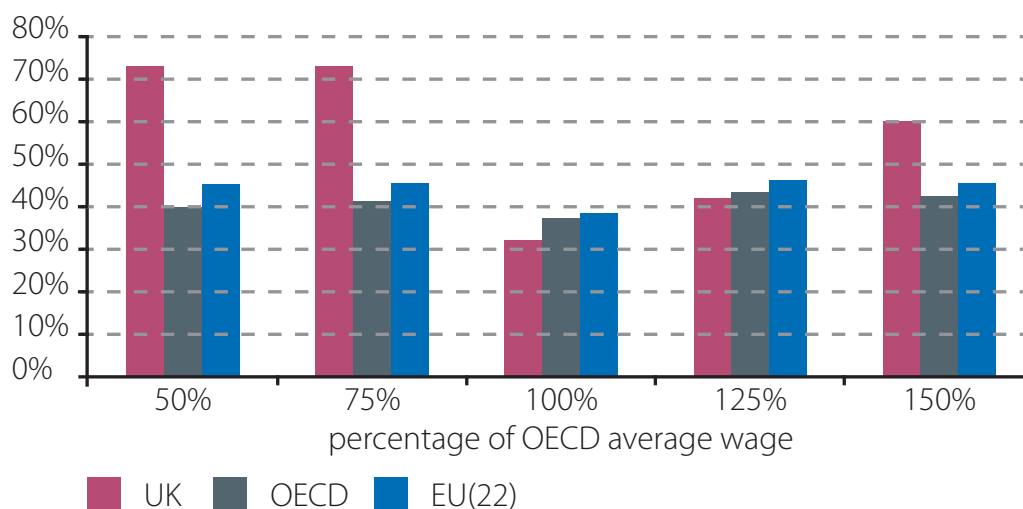
46. Table 11 and Chart 10 show the EMTR for a single person with two children at five income points. The UK EMTR far exceeds the international averages at the 50% and 75% income points, is lower at 100% and 125% of average wage, and higher at the 150% income point.

EMTR 2017 – single person with two children

Table 11

	income point (percentage of OECD average wage)				
	50%	75%	100%	125%	150%
UK	73.0%	73.0%	32.0%	42.0%	59.9%
OECD	39.9%	41.3%	37.3%	43.4%	42.3%
EU(22)	45.3%	45.5%	38.5%	46.1%	45.5%

Chart 10



Source: OECD statlink tables pp 79-113

One-earner married couple with two children

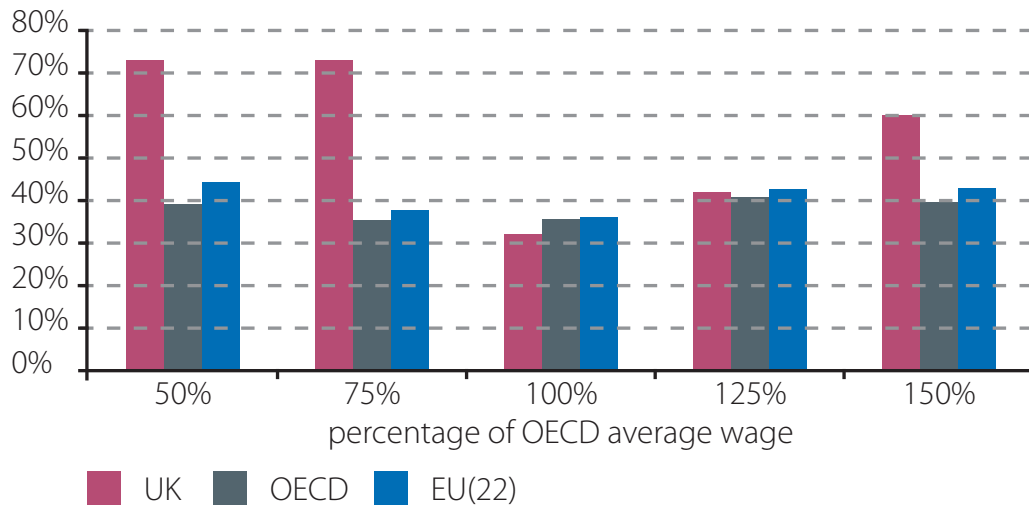
47. Table 12 and Chart 11 show the EMTR for a one-earner married couple with two children at five income points. The UK EMTR is far higher than the OECD and EU averages at the 50% and 75% income points, but slightly lower at the 100% income point.

EMTR 2017 – one-earner married couple with two children

Table 12

	income point (percentage of OECD average wage)				
	50%	75%	100%	125%	150%
UK	73.0%	73.0%	32.0%	42.0%	59.9%
OECD	39.2%	35.4%	35.6%	40.7%	39.5%
EU(22)	44.2%	37.7%	36.0%	42.6%	42.9%

Chart 11



Source: OECD statlink tables pp 79-113

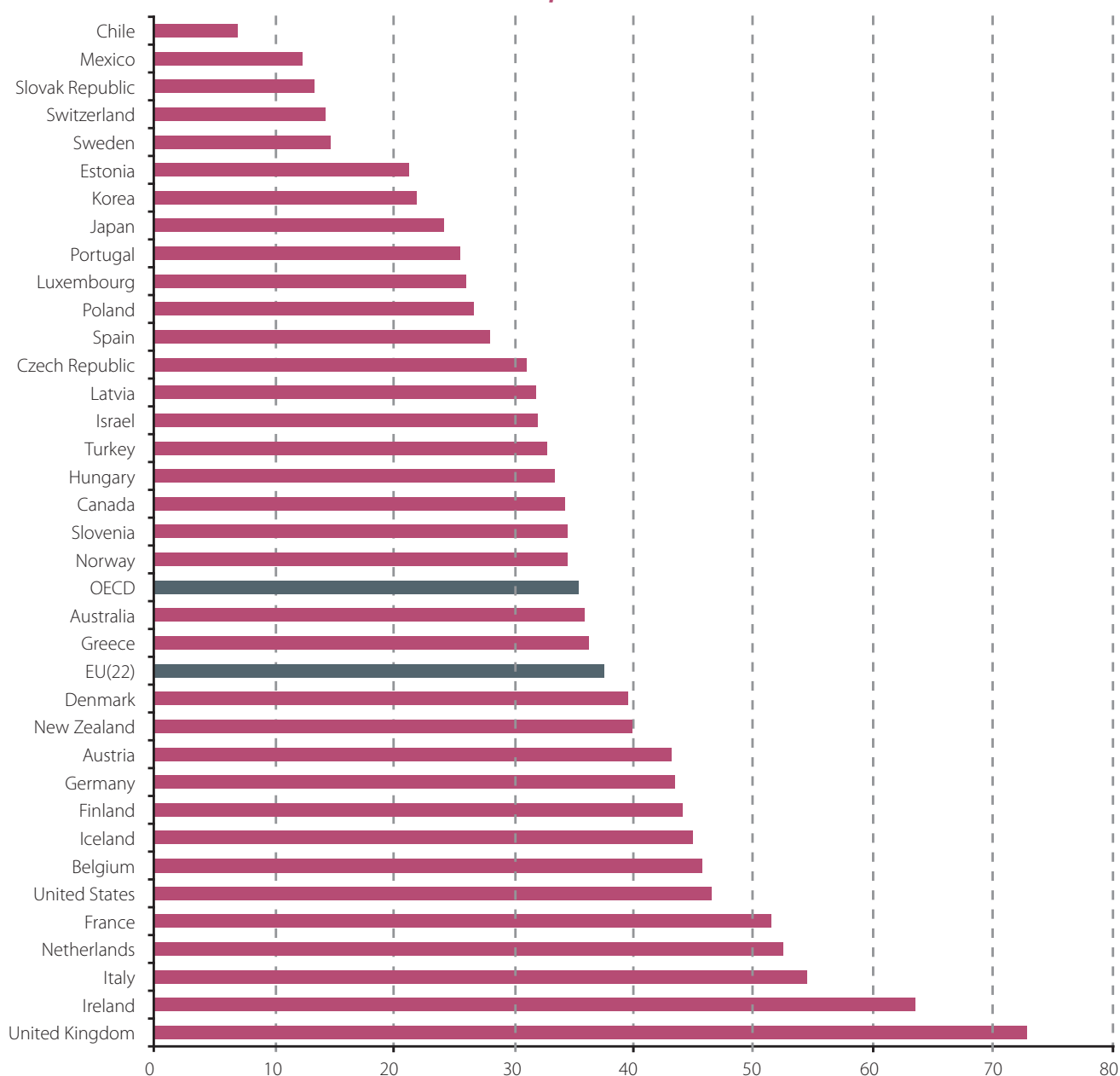
48. The withdrawal of tax credits accounts for much of the high UK EMTR at low income points. Both Working Tax Credit and Child Tax Credit are income-related. They are tapered jointly, with Working Tax Credit being withdrawn first. The 73% EMTR faced by one-earner families comprises income tax payable 20%, SSCs payable 12% and tax credits withdrawn 41%.
49. Few UK families with an annual income of £28,000 (lower than median gross earnings for all employees of £28,758 per annum) are owner occupiers. Most are renting and claiming housing benefit; in addition, some are helped with Council Tax. These benefits are also income-related, and when their withdrawal is factored in the EMTR is even higher. Assuming a local housing allowance of £109 per week¹², the EMTR in 2017 for a one-earner couple with two children was 76.2%. A family with an income of £25,000 faced an EMTR of 84%, taking account of the loss of housing benefit and Council Tax Support.
50. EMTRs will be lower under Universal Credit, but still very high. Some householders who get the new means-tested benefit will keep just 20p of every pound extra they earn – an effective tax rate of 80%. In some parts of England the rate could be even higher, with a loss of up to 82.4p in every pound earned.¹³
51. Chart 12 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(22) averages.

12. *The weekly allowance in Leicester is £109.32 for a two bedroom house and £126.58 for a three bedroom house. In London (Barnet) the comparable figures are £311.40 and £365.90 respectively.*

13. *Paul Lewis Money 9 October 2017*

Chart 12

**EMTR at 75% of average wage
One-earner married couple with two children 2017**



Source: OECD statlink tables pp 75-113

52. 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 2017. 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 2017.

Chapter 5

What Next for the UK?

This chapter sets out the case for changes to bring income tax liabilities closer into line with the distribution of incomes.

53. 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. Two-earner families also bear a heavy income tax burden, although their overall tax rates are less than the international averages.
54. The UK tax system does not treat families fairly. The amount of tax that families pay bears little relationship to how well off they are. They pay more tax than other households that are much better off. Some poorer families even pay higher rate tax. 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.
55. 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.
56. 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 latest figures, for 2016-17, to show for various households:
- the net income (after income tax, NICs and benefits, and housing costs of £150¹⁴) needed to be in the middle of the income distribution, allowing for family size and composition;
 - the corresponding gross income required;
 - the income tax that would have been paid.

Table 13

Households in the Middle of the Income Distribution after Housing Costs

	Net income	Gross income	Income tax
Single person, no children	12,800	27,000	3,200
One-earner couple, no children	22,100	41,000	5,700
Single parent, two children	21,800	37,500	5,300
One-earner couple, two children	31,000	53,600	10,500
Two-earner couple, two children (income split 50:50)	31,000	47,500	5,000

Note: all figures rounded to nearest hundred pounds

Source: Tax and the Family Research Paper 'Link between Earnings and Living Standards' June 2018, available at www.taxandthefamily.org

14. Housing costs vary widely across the UK. For illustrative purposes, we have taken the figure for Leeds, which is £150.

57. 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 £346 per week a one-earner couple with three children will need earnings in excess of £80,000 to have an average disposable income. Even one-child families will need an income of over £60,000, at which level they do not qualify for the Marriage Allowance and the High Income Child Benefit Charge will remove any advantage from receiving child benefit.
58. In 2016-17, 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 almost 50% more tax than paid by a one-earner couple without children. A single person with two children would have paid £2,000 more income tax than a single person without children.
59. The Institute for Fiscal Studies 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.¹⁵ 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. So too do other families, some with much higher pre-tax incomes.
60. Although income tax liabilities have fallen generally since the 1990s, those of families have come down less than those of other households. Many families are now in the bottom half of the income distribution. The increases in the personal allowance since 2010 have mainly benefited single people or couples without children, households which are disproportionately in the top half of that distribution.
61. The time has come to take a new look at independent taxation. No one would argue that there should be a return to the pre-1990 system, but a way needs to be found of taking account of household income within the context of individual taxation. This has been done – to the disadvantage of one-earner couples – with the High Income Child Benefit Charge.
62. The introduction of the transferable Marriage Allowance for married couples and civil partners¹⁶ shows that it is possible to have focused allowances within a system of independent taxation. This was a step in the right direction. It is important that this allowance be enhanced.
63. High priority should also be given to the reduction of the income tax burden on households with children. It would be appropriate to restrict any further increase in the personal allowance to taxpayers with children. And the case for child tax allowances should be revisited.

¹⁵ A household with less than 60% of median household income is deemed to be in poverty.

¹⁶ The Marriage Allowance allows the transfer of 10% of the personal allowance to a husband, wife or civil partner. The allowance is available only to couples where the higher earner is a basic rate taxpayer, and is normally beneficial only if the lower earner earns less than the personal allowance (£11,500 in 2017-18).

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
2007	24.1	27.0	30.8	7.6	20.6	19.2	22.7	24.0
2010	22.6	25.4	30.0	0.6	18.7	17.5	21.1	22.6
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	30.0	-1.3	18.1	15.5	18.9	19.2
2017	19.2	23.4	29.8	0.4	18.1	15.6	18.9	19.1
OECD								
2000	22.2	26.0	31.6	5.0	15.1	17.7	20.4	23.0
2007	21.3	25.6	31.0	3.4	14.1	16.3	19.5	22.2
2010	20.6	24.7	30.3	2.8	13.0	15.5	18.8	21.3
2011	21.1	25.2	30.5	3.6	13.8	16.1	19.3	21.8
2012	21.3	25.3	30.6	4.2	14.2	16.4	19.6	22.0
2013	21.5	25.6	30.8	4.5	14.6	16.8	19.9	22.3
2014	21.4	25.6	31.2	4.3	14.7	16.8	19.9	22.2
2015	21.4	25.6	30.9	3.6	14.4	16.6	19.7	22.1
2016	21.2	25.5	30.8	1.4	13.7	16.2	19.3	22.0
2017	21.3	25.5	30.8	1.8	14.0	16.3	19.4	22.0
EU(22)								
2000	25.4	29.5	35.1	6.0	15.9	19.2	22.5	26.1
2007	24.1	28.8	34.5	4.0	15.1	17.6	21.3	24.8
2010	23.6	28.0	33.8	4.0	14.4	17.1	20.8	24.1
2011	24.3	28.6	34.3	5.0	15.3	17.9	21.4	24.8
2012	24.6	28.7	34.3	5.6	15.7	18.2	21.7	25.0
2013	24.7	29.0	34.5	5.7	16.0	18.5	21.9	25.2
2014	24.4	28.9	34.9	5.1	15.9	18.2	21.8	25.0
2015	24.3	28.8	34.3	4.4	15.6	17.9	21.4	24.8
2016	24.0	28.6	34.1	0.9	14.4	17.2	20.8	24.5
2017	24.0	28.6	34.1	1.1	14.5	17.2	20.9	24.5

Source: Taxing Wages Tables 6.1c, 6.2c, 6.3c, 6.4c, 6.5c, 6.6c, 6.7c, 6.8c

Appendix B

Tax Burden by Household Type and Wage Level 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
Australia	19.1	24.4	30.1	-5.2	16.1	20.0	22.3	20.0
Austria	26.8	32.4	37.7	7.1	19.1	18.5	22.9	27.4
Belgium	33.2	40.5	48.2	15.5	20.7	23.7	31.2	31.8
Canada	17.5	22.8	26.2	-28.4	1.2	10.9	15.6	19.5
Chile	7.0	7.0	8.3	6.2	7.0	4.9	6.7	7.0
Czech Republic	20.7	24.1	26.9	-3.9	0.7	8.5	12.9	20.9
Denmark	33.3	35.8	41.8	4.9	25.3	28.8	31.1	33.5
Estonia	16.9	18.4	19.5	-3.5	4.8	8.9	11.4	16.9
Finland	22.8	30.2	37.7	10.0	24.7	21.0	23.8	25.2
France	25.4	29.2	34.6	1.7	18.2	19.2	23.0	25.9
Germany	34.9	39.9	43.9	18.2	21.7	27.3	31.6	34.8
Greece	20.9	26.0	33.0	15.6	23.7	22.8	23.7	24.2
Hungary	33.5	33.5	33.5	3.7	14.5	19.2	22.1	33.5
Iceland	25.3	28.7	34.0	16.7	18.6	24.4	27.3	25.2
Ireland	12.5	19.4	31.3	-29.7	1.2	4.7	10.3	11.7
Israel	11.2	17.7	26.9	-2.7	15.0	12.1	11.4	14.2
Italy	22.0	31.2	39.3	1.7	19.3	18.8	23.0	24.6
Japan	20.6	22.3	26.0	13.7	16.3	17.9	18.9	21.3
Korea	11.0	14.5	18.3	8.7	12.2	11.7	11.9	13.0
Latvia	28.2	29.4	30.2	9.3	16.8	18.7	21.4	28.2
Luxembourg	20.4	29.1	37.2	-6.3	5.0	9.3	15.5	19.1
Mexico	4.7	11.2	15.8	4.7	11.2	7.0	8.6	7.0
Netherlands	22.6	30.4	37.8	-3.6	24.6	19.7	21.7	25.2
New Zealand	13.7	18.1	23.8	-13.5	6.4	13.5	16.9	16.7
Norway	24.2	27.6	34.1	11.9	22.5	21.5	23.8	24.5
Poland	24.3	25.1	25.7	-40.4	-4.8	11.8	14.8	24.3
Portugal	21.6	27.5	34.1	3.5	11.9	13.7	21.1	21.4
Slovak Republic	20.4	23.5	26.1	6.3	7.8	12.9	16.6	20.0
Slovenia	30.4	33.7	37.7	-1.4	12.3	20.1	24.7	30.9
Spain	16.6	21.1	26.8	1.6	13.9	16.1	17.1	17.4
Sweden	22.3	25.0	36.4	13.1	18.8	18.1	20.2	22.7
Switzerland	14.0	16.9	21.8	-2.1	3.5	6.7	10.0	14.6
Turkey	24.4	27.9	32.2	22.7	25.9	24.2	25.8	25.1
United Kingdom	19.2	23.4	29.8	0.4	18.1	15.6	18.9	19.1
United States	23.1	26.0	31.3	5.2	14.2	17.9	20.3	23.0
Unweighted averages								
OECD	21.3	25.5	30.8	1.8	14.0	16.3	19.4	22.0
EU(22)	24.0	28.6	34.1	1.1	14.5	17.2	20.9	24.5

Source: Taxing Wages Table 3.3

Appendix C

Tax Burden on Families Compared with Singles Without Children 2017

Household type	1 Single no child	2 Single no child	3 Single no child	4 Single two children	5 Married two children	6 Married two children	7 Col 4 as % of Col 1	8 Col 5 as % of Col 2	9 Col 6 as % of Col 3
Wage as % of average wage	67	100	167	67	100	100,67			
Australia	19.1	24.4	30.1	-5.2	16.1	22.3	-27	66	74
Austria	26.8	32.4	37.7	7.1	19.1	22.9	27	59	61
Belgium	33.2	40.5	48.2	15.5	20.7	31.2	47	51	65
Canada	17.5	22.8	26.2	-28.4	1.2	15.6	-163	5	59
Chile	7.0	7.0	8.3	6.2	7.0	6.7	88	100	80
Czech Republic	20.7	24.1	26.9	-3.9	0.7	12.9	-19	3	48
Denmark	33.3	35.8	41.8	4.9	25.3	31.1	15	71	74
Estonia	16.9	18.4	19.5	-3.5	4.8	11.4	-21	26	59
Finland	22.8	30.2	37.7	10.0	24.7	23.8	44	82	63
France	25.4	29.2	34.6	1.7	18.2	23.0	7	62	66
Germany	34.9	39.9	43.9	18.2	21.7	31.6	52	54	72
Greece	20.9	26.0	33.0	15.6	23.7	23.7	75	91	72
Hungary	33.5	33.5	33.5	3.7	14.5	22.1	11	43	66
Iceland	25.3	28.7	34.0	16.7	18.6	27.3	66	65	80
Ireland	12.5	19.4	31.3	-29.7	1.2	10.3	-237	6	33
Israel	11.2	17.7	26.9	-2.7	15.0	11.4	-25	85	42
Italy	22.0	31.2	39.3	1.7	19.3	23.0	8	62	58
Japan	20.6	22.3	26.0	13.7	16.3	18.9	67	73	72
Korea	11.0	14.5	18.3	8.7	12.2	11.9	79	84	65
Latvia	28.2	29.4	30.2	9.3	16.8	21.4	33	57	71
Luxembourg	20.4	29.1	37.2	-6.3	5.0	15.5	-31	17	42
Mexico	4.7	11.2	15.8	4.7	11.2	8.6	100	100	55
Netherlands	22.6	30.4	37.8	-3.6	24.6	21.7	-16	81	58
New Zealand	13.7	18.1	23.8	-13.5	6.4	16.9	-99	35	71
Norway	24.2	27.6	34.1	11.9	22.5	23.8	49	82	70
Poland	24.3	25.1	25.7	-40.4	-4.8	14.8	-166	-19	58
Portugal	21.6	27.5	34.1	3.5	11.9	21.1	16	43	62
Slovak Republic	20.4	23.5	26.1	6.3	7.8	16.6	31	33	64
Slovenia	30.4	33.7	37.7	-1.4	12.3	24.7	-5	37	65
Spain	16.6	21.1	26.8	1.6	13.9	17.1	10	66	64
Sweden	22.3	25.0	36.4	13.1	18.8	20.2	59	75	55
Switzerland	14.0	16.9	21.8	-2.1	3.5	10.0	-15	21	46
Turkey	24.4	27.9	32.2	22.7	25.9	25.8	93	93	80
United Kingdom	19.2	23.4	29.8	0.4	18.1	18.9	2	77	63
United States	23.1	26.0	31.3	5.2	14.2	20.3	22	55	65
Unweighted averages									
OECD	21.3	25.5	30.8	1.8	14.0	19.4	8	55	63
EU(22)	24.0	28.6	34.1	1.1	14.5	20.9	4	51	61

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

Appendix D

Income Tax Systems of Selected Countries 2017

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 430 and a ceiling of EUR 12,350 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 1,527 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 3,602.

Example – one-earner married couple, two children

up to EUR 9,807	0%
EUR 9,807-27,086	14%
EUR 27,086 -72,617	30%
EUR 72,617-153,783	41%
above EUR 53,783	45%

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 7.5% on 98.25% of taxable income, which is deductible against taxable income but at a lower rate of 5.1%; and a "contribution au remboursement de la dette sociale" of 0.5%, which is non-deductible.

Example – one-earner married couple, two children

Gross earnings	EUR 38,582
Deductions – SSC and work related	10,581
Taxable income	28,001
Income tax	0
Contributions	3,033

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 benefit 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.

As of 1 January 2017, there are tax credits of EUR 2,304 for the first and the second child, EUR 2,376 for the third child and EUR 2,676 for the fourth and subsequent children. There is a tax allowance of EUR 2,358 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 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.

Example – one-earner married couple, two children

Gross	EUR 49,450
Deductions – SSC and work related	8,835
Taxable income	40,615
Tax credits children	4,608
Tax paid	596

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 2016 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.

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; or as heads of households (only unmarried or separated individuals with dependants). All others, including dependent children with sufficient income, file as single individuals.

In 2017 a married couple filing a joint tax return is entitled to a standard deduction of USD 12,700. The standard deduction is USD 9,350 for heads of households and USD 6,350 for single individuals. This relief is indexed for inflation.

In addition to the standard deduction, in 2017 a USD 4,050 personal exemption is given to every taxpayer (including both husband and wife filing a joint return). Personal exemptions are being phased out.

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

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.

Since 1998, taxpayers have been permitted a tax credit for each qualifying child under the age of 17. In 2017 the maximum credit is USD 1,000. 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 2016 low income workers without children are permitted a non-wastable earned income credit of 7.65% of up to USD 6,670 of earned income. The credit phases down when income exceeds USD 8,340 (USD 13,930 for married taxpayers) and phases out when income reaches USD 14,880 (USD 20,430 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 52,988
Marriage allowances	20,800
Relief for children	8,100
Taxable income	28,900
Tax credits	2,000
Federal income tax	634 (i.e. 1.2% of gross income)
State and local income taxes (Detroit, Michigan)	2,786
Total income taxes	3,391 (i.e. 6.5% of gross income)

Appendix E

Effective Marginal Tax Rates by Household Type and Wage Level 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
Australia	36.0	34.5	39.0	56.0	54.5	34.5	34.5	34.5
Austria	43.3	48.2	36.9	43.3	48.2	48.2	48.2	48.2
Belgium	54.3	55.6	59.1	54.3	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	7.0	10.3	7.0	7.0	7.0	7.0	7.0
Czech Republic	31.1	31.1	31.1	31.1	31.1	31.1	31.1	31.1
Denmark	39.7	42.0	55.8	38.1	42.0	42.0	42.0	42.0
Estonia	21.3	21.3	21.3	21.3	21.3	21.3	21.3	21.3
Finland	44.1	45.7	49.3	44.1	46.7	46.7	46.7	45.7
France	43.9	44.0	42.7	51.6	22.2	22.2	46.4	36.4
Germany	47.2	52.6	44.3	44.9	43.2	46.8	49.7	47.1
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	45.1	41.2	41.2	35.5	35.5
Ireland	29.0	49.0	49.0	63.6	29.0	29.0	29.0	29.0
Israel	26.0	32.0	47.0	29.4	32.0	32.0	32.0	32.0
Italy	40.4	40.4	51.2	42.0	42.0	42.0	41.2	40.4
Japan	22.8	27.7	31.1	22.8	27.7	27.7	27.7	27.7
Korea	21.0	22.7	28.0	14.1	22.7	22.7	22.7	22.7
Latvia	32.0	32.0	31.1	32.0	32.0	32.0	32.0	32.0
Luxembourg	37.2	50.1	48.6	42.1	31.1	36.8	46.3	36.8
Mexico	12.1	19.5	22.9	12.1	19.5	19.5	19.5	19.5
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	40.0	52.5	52.5	30.0	30.0
Norway	34.6	34.6	46.7	34.6	34.6	34.6	34.6	34.6
Poland	26.7	26.7	26.7	96.3	26.7	26.7	26.7	26.7
Portugal	39.5	39.5	48.9	39.5	25.5	39.5	39.5	39.5
Slovak Republic	29.9	29.9	29.9	29.9	29.9	29.9	29.9	29.9
Slovenia	34.6	43.1	48.6	34.6	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	23.3	32.6	13.8	17.1	21.5	24.9	22.3
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	29.3	39.3	39.3	51.6	29.3	29.3	29.3	29.3
Unweighted averages								
OECD	32.0	35.5	39.9	38.8	35.1	34.2	34.5	33.9
EU(22)	36.2	39.3	43.1	43.3	35.3	36.2	37.8	37.2

Source: Taxing Wages Table 3.7

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