

Tax wedge in Croatia, Slovenia, the Czech Republic, Portugal and France

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The views expressed in this paper are solely those of the author and do not necessarily represent those of the institution in which she is employed.

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Abstract

The aim of this paper is to compare the average tax burden on labour income in Croatia, the Czech Republic, France, Portugal and Slovenia. The OECD Taxing Wages methodology was used to make a comparison of the tax wedges applicable to the eight hypothetical individual worker and family types. It was found that Croatia had the lowest tax wedge in all observed cases, while France had the highest tax wedge for all individual worker and family types.

Keywords: taxation of labour income, net average tax rate, tax wedge, Croatia, the Czech Republic, France, Portugal, Slovenia

1 INTRODUCTION

The aim of this paper is to compare the tax burden on labour income in selected EU countries, specifically Croatia, the Czech Republic, France, Portugal and Slovenia. Social insurance contributions (SICs), personal income tax (PIT), and cash family benefit amounts are calculated for the eight hypothetical individual worker and family types in each country. Net average tax wedges and net average tax rate are then compared to find the differences in the tax burden applicable to different hypothetical units in those countries.

The research methodology is based on OECD's Taxing Wages publication (OECD, 2014), which served as the source of information on personal income taxation characteristics in OECD countries: on the application of tax reliefs and rates in the PIT system, SICs rates, and cash family benefits. The values of tax burden indicators have also been taken over from OECD (2014). The information concerning the Croatian labour taxation system have been retrieved from the applicable legislature and the tax burden indicators have been calculated by using the microsimulation model for hypothetical units developed by the author of this paper.

The paper is structured as follows. Section 2 introduces the applied methodology. Section 3 offers a detailed description of the labour taxation system and cash family benefits in each country, as well as the calculation and analysis of tax burden indicators for hypothetical units. Tax burden indicators are then compared across all countries in section 4, which is followed by the conclusion section.

2 METHODOLOGY: MODEL AND INDICATORS

Country analysis is based on data from 2013 published in Taxing Wages (OECD, 2014), which offers detailed information on the taxation of wages in OECD member countries. In order for the results to be comparable among countries, the same methodology had to be used for the calculation of indicators for Croatia, which is not an OECD member. Tax burden indicators are calculated for eight hypothetical units (table 1). Single workers as well as couples are taken into consideration, both without children and with two children. When it comes to families with children, it is assumed, in accordance with the OECD methodology, that the children are between six and eleven years old. The analysis of tax burden on labour income

rests on the assumption that all taxpayer's income is derived from employment, specifically from the taxpayer's wage, while other income sources are not included in the analysis.¹ At least one adult in each family is a full-time employee; it is assumed that the workers did not use sick leave and that they were not unemployed during any period of the year under observation.

TABLE 1
Characteristics of hypothetical units

Designation	Adults	Number of children	Spouse I (% of AGW)	Spouse II (% of AGW)
1A-67-NC	Single worker	0	2/3 x 100	–
1A-100-NC	Single worker	0	100	–
1A-167-NC	Single worker	0	5/3 x 100	–
1A-67-2C	Single worker	2	2/3 x 100	–
2A-100/0-2C	Couple	2	100	unemployed
2A-100/33-2C	Couple	2	100	1/3 x 100
2A-100/67-2C	Couple	2	100	2/3 x 100
2A-100/33-NC	Couple	0	100	1/3 x 100

Note: The symbols stand for the following: AGW – average gross wage, according to Taxing Wages methodology; A – adult; NC – no children; 2C – 2 children.

Source: OECD (2014).

According to Taxing Wages methodology (OECD, 2014), the “average gross wage” (AGW) captures only the selected sectors of economy. To make the calculation compatible with OECD (2014), AGW for Croatia is obtained as a weighted average of gross wages across sectors B to N, where the average number of workers in 2013 per sector is used as a weight. Thus, AGW for Croatia in 2013 is HRK 7,765.² For the sake of comparison, the 2013 average gross wage across all sectors was HRK 7,929 (CBS, 2015).

TABLE 2
Annual average gross wage in selected countries, 2013

	AGW expressed in national currency	Exchange rate	AGW (in EUR)
Croatia	HRK 93,180	HRK/EUR = 7.5735	12,303
Czech Republic	CZK 298,770	CZK/EUR = 26.0824	11,455
France	EUR 36,980	1	36,980
Portugal	EUR 17,335	1	17,335
Slovenia	EUR 17,611	1	17,611

Source: (1) AGW – for Croatia: author's calculation as per CBS (2016); for other countries: OECD (2014); (2) Exchange rates – for Croatia: CNB (2016); for the Czech Republic: OECD (2014).

¹ There are other types of income to which personal income tax is levied, e.g., income from self-employment, property, capital, or insurance.

² For details on the calculation of AGW in other countries, see OECD (2014). Economic activities in Croatia are classified in the National Classification of Economic Activities (*Nacionalna klasifikacija djelatnosti*), which is harmonized with NACE Rev. 2.

Table 2 shows AGW for selected countries, expressed in yearly amounts and in EUR. In the case of the hypothetical unit 2A-100/33-NC, one spouse earns 33% of AGW, which amounts to HRK 2,620. That amount is below the statutory minimum wage for Croatia in 2013 (as stipulated by the Regulation on Minimum Wage in 2013), which equalled HRK 2,988. Nevertheless, in order to comply with the Taxing Wages methodology, the mentioned spouse's wage is assumed to amount to 33% of AGW.

As explained in Urban (2016), *total labour cost* is the sum of gross wage, employer SICs and payroll taxes. *Total net tax* is the sum of all SICs, payroll taxes and PIT, minus cash family benefits. *Net employee tax* is the sum of employee SICs and PIT, minus cash family benefits. The *net average tax wedge* is a ratio between total net tax payments and total labour cost. The *net average tax rate* is the ratio between net employee tax payments and the gross wage.

It is important to note that employee and employer SICs include only those payments made to the general government, while contributions paid to other funds are not included in the analysis. For instance, the Croatian pension system rests on two pillars – 1st and 2nd. Employee SICs paid into the 1st pillar are general government revenue, while the 2nd pillar contributions are paid to mandatory private pension funds. Thus, the former plays a role in the tax burden calculation and the latter does not. For more information about this topic, see Urban (2016), Blažić and Trošelj (2012), OECD (2014, 2015).

3 INCOME TAXATION IN SELECTED COUNTRIES

3.1 CROATIA

3.1.1 Basic components of labour income taxation in Croatia in 2013

Croatian employees set aside 20% of their gross wage amounts for contributions, 15% of which are paid into the intergenerational solidarity pension pillar (the so-called 1st pillar), while 5% go to individual capital savings-based pension (i.e. the so-called 2nd pillar) (table 3).

TABLE 3
Employee SIC rates (Croatia, 2013)

Pension insurance contribution	Rate (%)
1 st pillar	15
2 nd pillar	5
Total	20

Source: Social Insurance Contributions Act.

Employer SICs comprise health insurance contributions amounting to 13%, employment contributions amounting to 1.7%, and 0.5% for health protection at work (table 4).

TABLE 4
Employer SIC rates (Croatia, 2013)

Contribution	Rate (%)
Employment	1.7
Health insurance	13.0
Health protection at work	0.5
Total	15.2

Source: Social Insurance Contributions Act.

The annual personal allowance within the PIT system amounted to EUR 3,486 (HRK 26,400) in 2013. For taxpayers with children, the personal allowance is increased by a factor of 0.5 for the first child, by a factor of 0.7 for the second child, and by the factor of 1 for the third child; the factor increases for every subsequent child progressively relative to the personal allowance factor applied to the last one. In this respect, a child is defined as a dependent child that has not finished its education or is not yet employed. A dependent is any immediate family member who earns less than EUR 1,452 annually. In this case, the personal allowance factor is 0.5. In case of a disability, the additional factor is 0.3, i.e. 1 for total disability (these two cases are mutually exclusive, i.e. only one of these factors can be applied). Personal allowance is higher in state-supported areas, the City of Vukovar, and for retirees.

PIT base is calculated by deducting employee SICs and personal allowance (including child and dependent allowance) from the gross wage. If personal tax allowance exceeds the taxpayer's personal income (the difference between gross wage and employer SICs), the tax base is zero, meaning that the taxpayer will not be liable to pay any taxes in this case. Croatia has three tax bands, their respective rates being 12%, 25%, and 40% (table 5).

TABLE 5
Personal income tax bands and rates (Croatia, 2013)

Tax base (in EUR)	Rate (%)
<3,486	12
3,486 – 13,943	25
>13,943	40

Source: Personal Income Tax Act.

Local government surtax is an additional tax burden imposed on Croatian taxpayers. It is levied on the PIT amount at a rate depending on the taxpayer's place of residence. Local government surtax rates vary between 0% and 18%: up to 10% for municipalities, up to 12% for cities with a population of 30,000 or less, up to 15% for cities with more than 30,000 inhabitants, and 18% for the City of Zagreb. This rate is the highest local government surtax rate currently applied in Croatia. A 12% local government surtax rate is assumed in all our calculations.

Croatian taxpayers have the right to a monthly *child benefit* amount depending on the total net personal income amount and the number of household members. According to the Child Benefits Act, the following is considered to constitute personal income: income from employment (wage), income from self-employment, income from property and property rights, income from capital, income from insurance, and other receipts (such as foreign pensions, unemployment benefits, etc.). Child benefit is received until the child is 15 years of age if the child is a primary school student or until they are 19 if they are high school students. The right to child benefits persists until the child reaches the age of 27 if the child suffers from serious health impairment (or longer, depending on further expert findings). The monthly “budget basis”, used for the calculation of child benefit, was HRK 3,326 (EUR 439) in 2013. Benefit recipients are divided into three income groups: the first group consists of households with average monthly income per member under 16.3% of the budget basis, resulting in monthly child benefits amounting to 9% of the budget basis per child (HRK 299 or EUR 40). The second group is made up of households with average monthly income per household member falling between 16.3% and 33.7% of the budget basis, meaning that child benefit amount amounts to 7.5% of the budget basis per child (which amounts to HRK 250 or EUR 33). Households with average monthly income per household member between 33.7% and 50% of the budget basis and, consequently, received child benefits amounting to 6% of the budget basis for each child (i.e. HRK 200 or EUR 26) are in the third group. The benefit amount for children without parents or children whose parents are incapacitated for independent living goes up by 25%, or 15% for children with one parent. Children with health impairments have the right to a 25% increase in their child benefit amount. In case of serious impairments of the child’s health, the child benefit amounts to 25% of the budget basis irrespective of household income. Households with three children are entitled to a so-called “pro-natalist supplement” amounting to a monthly HRK 500 (EUR 66) or HRK 1,000 (EUR 132) for households with four or more children.

Two out of the eight analysed hypothetical units are entitled to child benefits. Since hypothetical family unit 1A-67-2C earns a monthly income of HRK 4,234, they have the right to child benefits pertaining to the third income group. The adult being a single parent, the child benefit is increased by 15% and amounts to HRK 459 (EUR 61) per month. In hypothetical family 2A-100/0-2C, one spouse receives 100% of AGW, while the other spouse is unemployed. They again belong to the third census group (income per family member amounts to approximately HRK 1,588) and receive a monthly child benefit for two children of HRK 400 (EUR 53). The monthly personal income per family member for other couples with two children exceeds 50% of the budget basis (HRK 1,663), rendering those families ineligible for child benefits.

3.1.2 Net average tax rate and net average tax wedge in Croatia

The progressivity of the system for single earners without children is tested by comparing the net average tax rate and net average tax wedge for units 1A-67-NC, 1A-100-NC, and 1A-167-NC with different average wages. Moreover, the pro-

gressivity of the system is also tested for couples with two children by comparing the net average tax rate and net average tax wedge for hypothetical units 2A-100/0-2C, 2A-100/33-2C, and 2A-100/67-2C, where the gross wages earned by the Spouse II differ.

The following hypothetical units are compared in order to analyse the impact of tax reliefs and child benefits: (a) for single workers – 1A-67-NC and 1A-67-2C; and (b) for couples – 2A-100/33-NC and 2A-100/33-2C. Units 1A-67-NC and 1A-67-2C (2A-100/33-NC and 2A-100/33-2C) show identical characteristics relative to their adult members, but differ in the number of children.

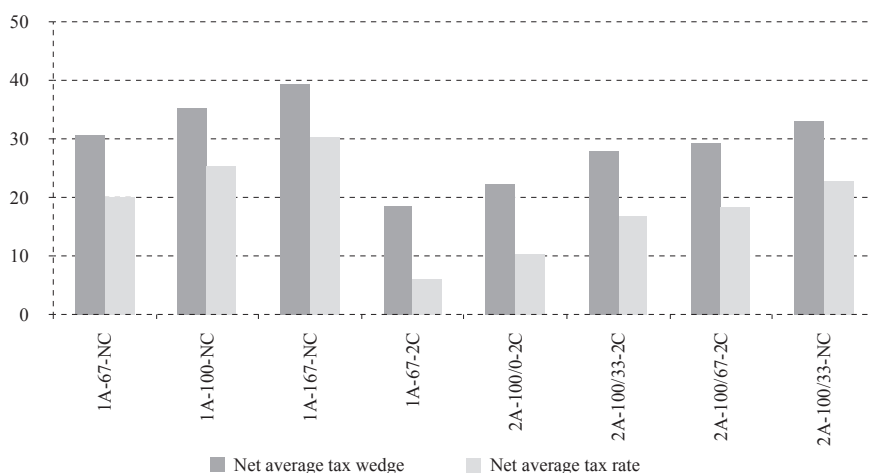
Figure 1 shows the net average tax rate and net average tax wedge for the eight hypothetical units in Croatia, while detailed calculations are shown in tables A1 and A2 in the annex. It is important to point out that the 2nd pillar pension insurance contributions do not factor in the calculation of tax burden indicators (in accordance with the methodology described in OECD, 2014; also, see Urban, 2016, for an explanation).

The taxation system is proved to be progressive for single workers without children since the net average tax rate and net average tax wedge increase as the gross wage increases. The net average tax wedge for 1A-167-NC exceeds that of 1A-67-NC by 9 percentage points. The system is also progressive for couples with two children. The net average tax wedge for 2A-100/0-2C is 7 percentage points higher than for 2A-100/67-2C.

Unit 1A-67-2C's net average tax wedge is 12 percentage points lower than unit 1A-67-NC's, while the tax wedge for unit 2A-100/33-2C is 5 percentage points lower than for unit 2A-100/33-NC.

FIGURE 1

Net average tax wedge and net average tax rate for hypothetical units (Croatia, 2013), in %



Source: Author's calculation.

3.2 THE CZECH REPUBLIC

3.2.1 Basic components of labour income taxation in the Czech Republic in 2013

Employees in the Czech Republic set 4.5% of their gross wage aside for health insurance and 6.5% for social insurance (see table 6). Since 2012, the maximum SIC base has been capped at EUR 47,635 per year.

TABLE 6
Employee SIC rates (the Czech Republic, 2013)

Contribution	Rate (%)
Health insurance	4.5
Social insurance	6.5
Total	1.0

Source: OECD (2014).

Employer SICs comprise health insurance (9%) and social insurance (25%), totaling 34% of the gross wage (table 7).

TABLE 7
Employer SIC rates (the Czech Republic, 2013)

Contribution	Rate (%)
Health insurance	9
Social insurance	25
Total	34

Source: OECD (2014).

In the Czech Republic, the PIT unit is the individual. A tax allowance amounting to 10% of the tax base is available for donations made to municipalities or for the financing of social, health, religious, and sports activities (capped at 2% of the tax base) (OECD, 2014). Taxpayers may claim an allowance of EUR 11,502 for mortgage interest payments or for other interest payments related to home purchase or improvement. Individuals who participate in a supplementary pension plan are entitled to deduct their annual contributions reduced by EUR 230, the maximum tax relief amounting to EUR 460. All taxpayers are entitled to a tax credit of EUR 952. Taxpayers are also entitled to an additional tax credit of EUR 952 for a spouse living with the taxpayer in the same household provided that the spouse's annual income does not exceed EUR 2,607. A tax credit of EUR 514 also applies if the taxpayer has children who are under 18, i.e. 26, years of age and receiving full-time education, or if they have disabled children under 26. Other tax credits for persons with disabilities amount to EUR 97 in case of partial disability or EUR 193 in case of total disability, and EUR 619 for disabled persons who require (third-party) nursing care. If the taxpayer takes part in continued education, they are entitled to a 154 EUR additional tax credit until they are 26, i.e. 28, years old.

To determine the tax base in the Czech Republic, one deducts tax allowances from the total sum of the gross wage, social benefits included in the tax base, and employer SICs. A single 15% rate levied on the tax base was introduced in 2008 (Kališková, Münich and Pavel, 2014).

Families that meet certain income requirements are entitled to a cash family benefit. The income threshold in this case depends on the number of household members and their characteristics (for details regarding the amount of the cash benefit, see OECD (2014) and Kališková, Münich and Pavel (2014)).

3.2.2 Average tax rates and tax wedge in the Czech Republic

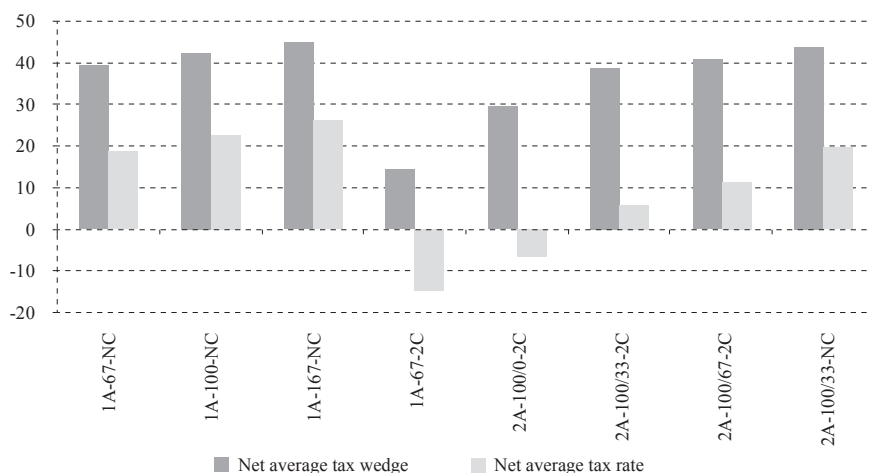
Figure 2 shows the net average tax rate and the net average tax wedge for the eight hypothetical units in the Czech Republic. For detailed calculations, see tables A3 and A4 in the annex.

The taxation system proves to be progressive for single workers without children since the net average tax rate and net average tax wedge increase as the gross wage increases. The net average tax wedge for 1A-167-NC exceeds that of 1A-67-NC by 6 percentage points. The system is also progressive for couples with two children. The net average tax wedge for 2A-100/0-2C is 11 percentage points higher than for 2A-100/67-2C.

Unit 1A-67-2C's net average tax wedge is 25 percentage points lower than unit 1A-67-NC's, while the tax wedge for unit 2A-100/33-2C is 5 percentage points lower than for unit 2A-100/33-NC.

FIGURE 2

Net average tax wedge and net average tax rate for hypothetical units (the Czech Republic, 2013), in %



Source: Author's calculations based on OECD (2014).

3.3 FRANCE

3.3.1 Basic components of labour income taxation in France in 2013

French employees pay 0.1% of the total gross wage and 6.75% on the portion of their gross wage up to the EUR 3,086-per-month ceiling into the pension insurance scheme (table 8). For health insurance 0.75% of total gross wage is paid. Unemployment insurance contributions amount to 2.4% of gross wage up to EUR 12,344 (4 times the reference value). Other contributions include supplemental pension insurance amounting to between 3% of gross wage up to the reference value and 8% of gross wage up to the maximum EUR 9,258 (reference value times 3), or between 3% of gross wage up to the reference value and 7.7% of gross wage up to the maximum EUR 12,344 (reference value times 4) for managers. *Association pour la gestion du fonds de financement* (AGFF) is a contribution similar to pension insurance levied at a rate of 0.8% of gross wage up to the reference value and 0.9% of gross wage up to triple the amount of the ceiling.

TABLE 8
Employee SIC rates (France, 2013)

Contribution	Rate (%)
Pension insurance	6.85
Health insurance	0.75
Unemployment insurance	2.4
Other	Various rates

Source: OECD (2014).

TABLE 9
Employer SIC rates (France, 2013)

Contribution	Rate (%)
Pension insurance	10.00
Health insurance	12.80
Unemployment insurance	4.00
Work-related accident insurance	2.43
Family contributions	5.40
Other	Various rates

Source: OECD (2014).

French employers pay 10% of gross wage for employee pension insurance, 1.6% of which on the full gross wage amount, and 8.4% up to the EUR 3,086 ceiling (table 9). Health insurance contributions amount to 12.8% of total gross wage, while 4% of gross wage up to a maximum of EUR 12,344 (reference value times 4) is set aside for unemployment contributions. Contributions paid for work-related accidents vary, with the average rate in 2013 being 2.43% of total gross wage. Finally, family contributions amount to 5.4% of gross wage. Other employer contributions include supplemental pension insurance: 4.5% is levied on the gross wage for wages up to the reference value and 12% for gross wages between EUR 3,086 and 9,258, or 4.5% and 12.6%, respectively, for managers. AGFF contribu-

tions amount to 1.2% of the gross wage up to the maximum of EUR 3,086, and 1.2% or 1.3% for managers for gross wages between EUR 3,086 and EUR 9,258, respectively. Enterprises employing 20 or more people pay an additional 3.23% on the gross wage amount.

According to OECD (2014), standard PIT reliefs include work- and dependent children-related expenses. If the children attend school, additional tax reliefs of EUR 61, EUR 153, or EUR 183 apply, depending on the level of education attended. Additional tax reliefs include amounts for home improvement (large capital investments such as thermal insulation or equipping the home to produce energy from renewable energy sources), divorce expenses, child care costs for children under seven years of age, donations to various charities, etc. *Prime pour l'emploi* (PPE) is an individualized tax credit the amount of which depends on the gross wage, tax base, and the number of working hours. For a taxpayer to be eligible for PPE, the gross income of the household must not exceed the following amounts: EUR 16,251 for a single earner, EUR 25,231 for a single parent with two children, EUR 32,498 for couples without children, and EUR 41,478 for couples with two children. An increase of EUR 36 applies to each dependent child or to single-parent earners.

According to Avram and Bouvard (2014), there is a special personal income taxing method in France, called *foyer fiscal*. According to this method, tax is levied on the income of one taxpayer plus fiscally dependent persons. Children under 18 and disabled children (notwithstanding their age) are automatically considered to be dependents. Children under 21 can also be treated as dependents, as well as children up to the age of 25 if they are students at an institution of higher learning. According to the family quotient system applied, both civil status and position in the family are taken into account and a weight is given to each person in the family. The taxpayer, their spouse and third (and every next) child are assigned the factor of 1, while the first and second child are assigned the factor 0.5. There are special cases when factors are added, specifically the following: widow/widower with at least one dependent child (factor 1), disabled adult or child (factor 0.5), and single parent (factor 0.5). The family ratio is the sum of all factors assigned to all persons in a tax group.³ Net taxable income is the gross income minus the above allowances and tax reliefs, plus social benefits included in the tax base. Finally, to calculate the tax base, total net taxable income of the tax group is divided by the family ratio. If taxes amount to less than EUR 1,016, the payable tax will be additionally reduced by 50% of the difference between the EUR 1,016 and tax before the reduction. Tax rates shown in table 10 are applicable to parts of the tax base.

³ For instance, a couple with two children is assigned factor 3 (1 for the taxpayer + 1 for the spouse + 0.5 for the first child + 0.5 for the second child).

TABLE 10
PIT bands and rates (France, 2013)

Tax base (EUR)	Rate (%)
<6,011	0
6,011 – 11,991	5.5
11,991 – 26,631	14
26,631 – 71,397	30
71,397 – 15,1200	41
>15,1200	45

Source: OECD (2014).

Local government surtax is applied in France, and its rates vary among administrative regions; however, as surtax was not taken into consideration in OECD (2014), this paper does not take it into consideration either.

According to Avram and Bouvard (2014), annual family benefits for children between 6 and 10 amount to EUR 360, for children between 11 and 14 to EUR 380, and EUR 394 for children from 15 to 18 years of age. Families with three or more children are entitled to an additional monthly benefit of EUR 167.

3.3.2 Net average tax rate and net average tax wedge in France

Figure 3 shows the net average tax rate and the net average tax wedge for the eight hypothetical units in France. For detailed calculations, see tables A5 and A6 in the annex.

FIGURE 3

Net average tax wedge and net average tax rate for hypothetical units (France, 2013), in %



Source: Author's calculations based on OECD (2014).

The taxation system proves to be progressive for single workers without children since the net average tax rate and net average tax wedge increase as the gross wage increases. The net average tax wedge for 1A-167-NC exceeds that of 1A-67-NC by 9 percentage points. The system is also progressive for couples with two children, but the progression is much slower than for single workers. The net average tax wedge for 2A-100/0-2C is 3 percentage points higher than that for 2A-100/67-2C.

Unit 1A-67-2C's net average tax wedge is 8 percentage points lower than unit 1A-67-NC's, while the tax wedge for unit 2A-100/33-2C is 5 percentage points lower than for unit 2A-100/33-NC.

3.4 PORTUGAL

3.4.1 Basic components of labour income taxation in Portugal in 2013

According to OECD (2014), the rate of employee contributions in Portugal is 11% of gross wage, while the employer SIC rate is 23.75% of gross wage. In both cases, health insurance, parental leave, unemployment insurance, and pension insurance are included in the contributions rate.

PIT comprises the income of the entire family, and includes the receipts of any dependent children. Joint taxation of the family unit with partial income-splitting is applied: joint income of couples is divided by two, and tax rates are then applied to the obtained amount in order to calculate the tax liability, which is then multiplied by two to get the couple's joint tax liability. According to Rodrigues, Junqueira and Figueiras (2014), all children under 18, or under 25 if they are receiving an education and if the child's monthly income is lower than Portugal's minimum wage, are considered to be dependents.

A standard deduction equals the product of 72%*12 (months) and Social Benefit Index (the minimum wage amount being EUR 475), amounting to a final EUR 4,104. Allowances include contributions if they are higher than EUR 4,104 per taxpayer. According to OECD (2014), tax credit comprises: EUR 214 for all single taxpayers or for each spouse, EUR 333 for a single parent, EUR 214 for each dependent child (this amount is doubled for dependent children under the age of 3) and EUR 261 for ascendants whose income does not exceed the minimum pension amount. Other tax credits include non-reimbursed health care costs not covered by social insurance (the tax relief amounts to 10% of total health care costs capped at EUR 838, and the cap is set EUR 126 higher for each dependent), education costs (30% of outlays, limited to 160% of minimum wage, with the limit set 30% higher for each dependent who incurs education costs), costs for sanatoria or retirement homes (25% of the amount, capped at EUR 404), home improvement costs (15% of interests up to EUR 296, with the limit set 50% higher for taxpayers in the first tax band and 20% higher for taxpayers in the second tax band), and alimony payments (20% of payments capped at a monthly amount of EUR 419).

The total amount of tax credits related to health care costs, education, alimony, and home-related expenses is unlimited if the tax base is under EUR 7,000; if it amounts to between EUR 7,000 and EUR 20,000, it is limited to EUR 1,250. The limit is set lower as the tax base increases – for a tax base exceeding EUR 80,000, the limit is set to 0, i.e. there is no tax credit.

Other tax credits apply to individual retirement savings (20% of the savings, with the limit set at EUR 400 for taxpayers under 35 years of age, at EUR 350 for taxpayers between 35 and 50, and EUR 300 for those older than 50), social security individual accounts (20% of the savings, limited to EUR 350), 25% of donation amounts (for schools, libraries, museums, etc., limited to 15% of the taxpayer's tax base), and 15% of VAT paid to certain services (restaurants, hair salons, car mechanics, etc., limited to EUR 250). There is no limit for tax bases up to EUR 7,000 and the limit is EUR 100 for tax bases amounting to between EUR 7,000 and EUR 20,000. The limit is set lower as the tax base increases – for a tax base exceeding EUR 80,000, the limit is set to 0, i.e. there is no tax credit.

To determine the tax band that applies to the taxpayer, income is divided by 2 (table 11). The tax base is calculated by taking the gross wage, deducting standard allowances and tax reliefs, and adding social benefits included in the tax base (if applicable). There are five tax bands, their rates being 14.5%, 28.5%, 37%, 45%, and 48%, applied to respective tax bases. According to OECD (2014), in the case of taxpayers whose income stems primarily from employment, disposable income after the application of the tax rates may not be less than 120% of the national minimum wage (EUR 8,147 in 2013).

TABLE 11
Tax rates and allowances (Portugal, 2013)

Tax base (EUR)	Rate (%)	Allowance (EUR)
<7,000	14.5	–
7,000 – 20,000	28.5	980
20,000 – 40,000	37	2,680
40,000 – 80,000	45	5,880
>80,000	48	8,280

Source: OECD (2014).

A special “solidarity tax” amounting to 2.5% applicable to the tax base between EUR 80,000 and EUR 250,000, and 5% if the tax base exceeds EUR 250,000 was introduced in 2012. A local government surtax has also been introduced, amounting to 3.5% if the tax base exceeds the minimum wage (EUR 6,790), with a tax credit of 2.5% of the annual minimum wage per dependent (EUR 170).

According to OECD (2014), monthly benefits for dependent children fall into one of 4 bands, depending on the family's income, which is determined by dividing

the family's annual gross income by the number of dependent children. If the income per child does not exceed EUR 2,935, the monthly benefit amount for a child under 12 months is EUR 141, or EUR 35 for a child older than 1. For families with two children, each next benefit for children between 1 and 3 is EUR 35, and the same benefit for a family with three or more children is EUR 70. Benefit amounts decrease progressively as we go up the band scale. When one reaches the final, fourth, band – families with income per child exceeding EUR 8,804 – the benefit reaches 0. The above benefits increase by 20% for single parents.

3.4.2 Net average tax rate and net average tax wedge in Portugal

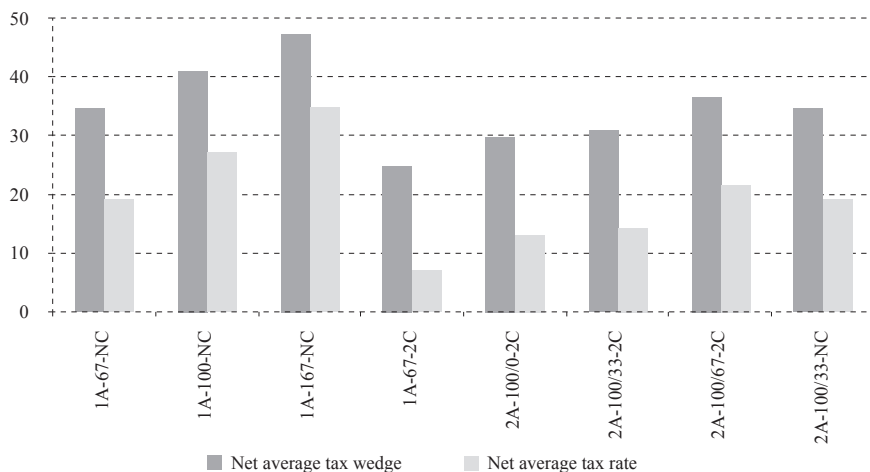
Figure 4 shows the net average tax rate and the net average tax wedge for the eight hypothetical units in Portugal. For detailed calculations, see tables A7 and A8 in the annex.

The taxation system proves to be progressive for single workers without children since the net average tax rate and net average tax wedge increase as the gross wage increases. The net average tax wedge for 1A-167-NC exceeds that of 1A-67-NC by 13 percentage points. The system is also progressive for couples with two children: net average tax wedge for 2A-100/0-2C is 7 percentage points higher than that for 2A-100/67-2C.

Unit 1A-67-2C's net average tax wedge is 10 percentage points lower than unit 1A-67-NC's, while the tax wedge for unit 2A-100/33-2C is 4 percentage points lower than for unit 2A-100/33-NC.

FIGURE 4

Net average tax wedge and net average tax rate for hypothetical units (Portugal, 2013), in %



Source: Author's calculations based on OECD (2014).

3.5 SLOVENIA

3.5.1 Basic components of labour income taxation in Slovenia in 2013

The taxable amount on which employee SICs are levied in Slovenia is the gross wage including vacation payments and the remuneration of work-related expenses. Table 12 shows the percentage of employee SICs paid for pension insurance, health insurance, employment insurance, and parental leave insurance. The above items make up 22.1% of employee SICs.

TABLE 12
Employee SIC rates (Slovenia, 2013)

Contribution	Rate (%)
Pension insurance	15.5
Health insurance	6.36
Unemployment insurance	0.14
Parental leave insurance	0.1
Total	22.1

Source: OECD (2014).

Employer SICs are levied on the gross wage amount. Employer SICs are paid to the same schemes, with a difference in rate as shown in table 13. The total employer SIC rate is 16.1%.

TABLE 13
Employer SIC rates (Slovenia, 2013)

Contribution	Rate (%)
Pension insurance	8.85
Health insurance	7.09
Unemployment insurance	0.06
Parental leave insurance	0.1
Total	16.1

Source: OECD (2014).

The tax unit in Slovenia is the individual. An annual basic allowance of EUR 3,302 was deductible from income in 2013. When the annual income is lower than EUR 10,866, an additional basic allowance of EUR 3,217 is deductible, and for incomes between EUR 10,866 and EUR 12,571 the amount of EUR 1,116 is deductible. According to Kump, Čok and Majcen (2014), all children under 18 or unemployed children over 18 without own income or if their income is lower than the tax relief applicable to dependent children, as well as children who are still getting a (regular) education and are under 26, are considered to be dependents in Slovenia. The personal allowance applicable to the first child is EUR 2,437, and EUR 2,649 is applicable to the second child.⁴ If one of the spouses is unemployed,

⁴ The tax reliefs applicable to the third, fourth, fifth, and each next child are EUR 4,419, EUR 6,188, EUR 7,957 and EUR 1,769, respectively, and EUR 8,830 for disabled children.

the other spouse will be entitled to a personal allowance of EUR 2,437 for the dependent family member. Like in all EU members, Slovenian additional pension insurance premiums are not included in the tax base. In 2013, such allowances were limited to an annual EUR 2,819, i.e. 24% of employee SICs paid for compulsory pension insurance. Moreover, taxpayers are entitled to tax-reliefs for various work-related reimbursements, such as those for meals, transportation, business travel, the use of own tools and equipment, as well as bonuses and severance pay.

PIT base is calculated by deducting the total amount of standard allowances and tax reliefs from the gross wage and adding social benefits included in the tax base (if applicable). Tax bands and applicable rates are shown in table 14. The rates applied to the four tax bands, depending on the tax base, are 16%, 27%, 41%, and 50%. There are no regional, local, or payroll taxes (the latter were abolished in 2009).

TABLE 14

Tax bands (Slovenia, 2013)

Tax base (EUR)	Rate (%)
<8,021	16
8,021 – 18,960	27
18,960 – 70,907	41
>70,907	50

Source: OECD (2014).

According to OECD (2014), as per legislation introduced in 2012, there are benefits for dependent children (up to 18 years of age) if the family's average monthly net income in the previous year did not exceed average net wage. Income in this case comprises net wages, as well as the imputed value from the use of immovable and movable property assessed annually. Child benefits fall into one of the eight income classes, depending on total income: the first class includes families with income under 18% of average net wage; the eighth class includes families with income between 82% and 99% of average net wage. Minor changes were introduced in 2012 (benefits for classes 5 and 6 were reduced by 10%, and those for classes 7 and 8 were abolished). Each child falls into one of three classes (benefits grow as the class increases): the first child pertains to class 1, the second to class 2, while the third child and all subsequent children pertain to class 3. If the child lives in a one-parent family, the benefit is increased by 10%; for a pre-school child who does not attend kindergarten, the amount of the benefit is increased by 20%.

Slovenian taxpayers are also entitled to monthly benefits for children living in two-parent families from birth to the end of primary school – in 2013, the maximum annual amount for children living with both parents was EUR 1,372 for the first child, EUR 1,509 for the second child, and EUR 1,646 for the third and each subsequent child.

3.5.2 Net average tax rate and net average tax wedge in Slovenia

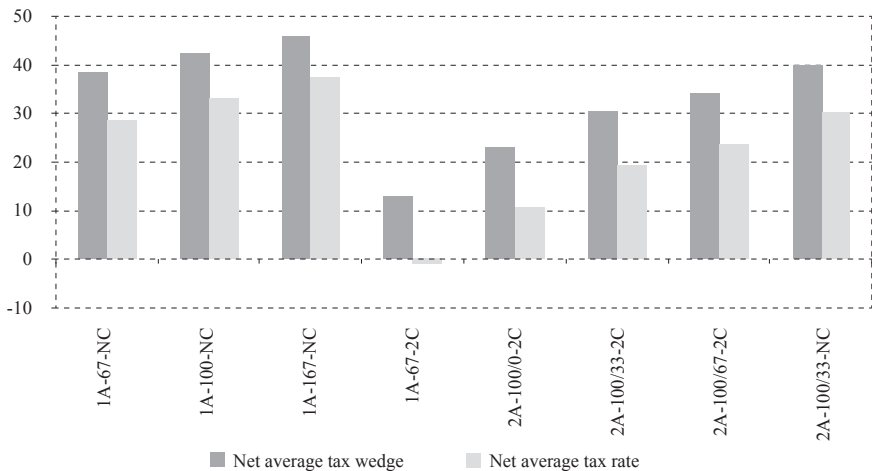
Figure 5 shows the net average tax rate and the net average tax wedge for the eight hypothetical units in Slovenia. For detailed calculations, see tables A9 and A10 in the annex.

The taxation system proves to be progressive for single workers without children since the net average tax rate and net average tax wedge increase as the gross wage increases. The net average tax wedge for 1A-167-NC exceeds that of 1A-67-NC by 8 percentage points. The system can also be said to be progressive for couples with two children: net average tax wedge for 2A-100/0-2C is 11 percentage points higher than that for 2A-100/67-2C.

Unit 1A-67-2C's net average tax wedge is 26 percentage points lower than unit 1A-67-NC's, while the tax wedge for unit 2A-100/33-2C is 10 percentage points lower than for unit 2A-100/33-NC.

FIGURE 5

Net average tax wedge and net average tax rate for hypothetical units (Slovenia, 2013), in %



Source: Author's calculations based on OECD (2014).

4 COMPARISON OF TAX BURDEN ON LABOUR INCOME IN SELECTED COUNTRIES

This chapter compares the net average tax wedge in all five analysed countries. Four of the eight hypothetical units are taken into account: single earners without children earning either 100% of AGW (1A-100-NC) or 167% of AGW (1A-167-NC), and couples where one spouse earns 100%, and the other 33% of AGW, either without children (2A-100/33-NC) or with two children (2A-100/33-2C). Figure 6 outlines parallel results for all hypothetical units.

The lowest net average tax wedge for 1A-100-NC is found in Croatia: 35.2%. Portugal's 41.1% tax wedge is second-lowest, while Slovenia's (42.3%) is third.

The Czech Republic with 42.4% comes fourth, while France has the highest tax wedge: 48.9%.

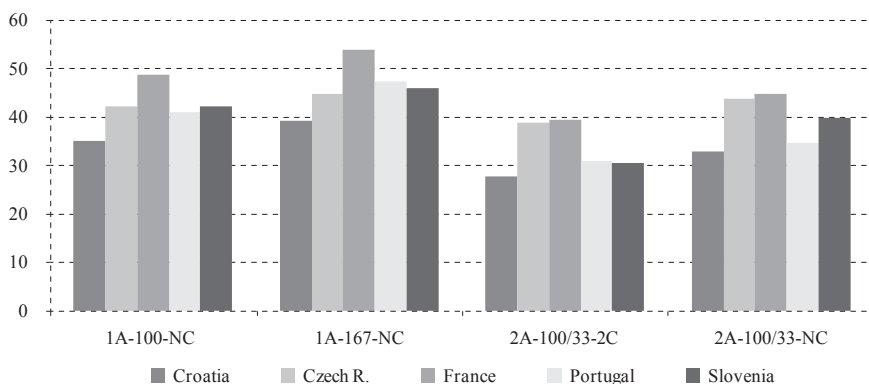
Regarding unit 1A-167-NC, the order is similar to that above: the lowest net average tax wedge, 39.4%, is found in Croatia, with the Czech Republic with 44.9% coming up second, Slovenia with 46.1% third, and Portugal with 47.4% fourth. France has the highest tax wedge in this group, 54.1%. The tax wedge for 1A-167-NC exceeds that for unit 1A-100-NC by several percentage points, showing the progressive nature of the labour taxation system. The smallest difference in tax wedges for 1A-167-NC and 1A-100-NC is found in the Czech Republic (2.5 percentage points), followed by Slovenia (3.8 percentage points), and Croatia (4.2 percentage points). France (5.2 percentage points) is fourth, and Portugal (6.3 percentage points) has the biggest difference.

For unit 2A-100/33-NC, we find that the lowest tax wedge is in Croatia (32.9%) followed by Portugal (34.7%), Slovenia (40%), the Czech Republic (43.9%), and France (44.9%) at the end. For 2A-100/33-2C, the lowest tax wedge is in Croatia (27.8%), followed by Slovenia (30.5%), Portugal (30.9%), and the Czech Republic (38.9%), with France (39.5%) at the end.

As noted above in country analysis, couples and single earners with children are entitled to personal allowances and tax credit for children in the PIT system, plus cash child benefits. This makes their tax liability lower from that of hypothetical units with equal gross income, but without children. The differences in net average tax wedge for 2A-100/33-NC and 2A-100/33-2C are also comparable. The largest difference is found in Slovenia (10 percentage points), followed by France (5 percentage points), Croatia (5 percentage points), and the Czech Republic (5 percentage points). The smallest difference, 4 percentage points, is found in Portugal.

FIGURE 6

Comparison of net average tax wedge in 2013 for hypothetical units 1A-100-NC, 1A-167-NC, 2A-100/33-NC and 2A-100/33-2C, in %



Source: Author's calculations based on OECD (2014).

5 CONCLUSION

This paper analyses the tax burden on labour income in Croatia, the Czech Republic, France, Portugal and Slovenia. A detailed account of the wage taxation system in all observed countries was made to point out the specific features of their tax systems regarding personal income tax (personal tax allowances, tax credits, tax bands, and tax rates) and social insurance contributions (bases and rates). The methodology and data from OECD's publication *Taxing Wages* (OECD, 2014) were then applied to each of the countries to analyse net average tax rate and the net average tax wedge.

Tax burden indicator comparison has been made both between and within various countries for the eight hypothetical units which are differentiated according to the number of adults, income level, and number of children. The tax systems of all the chosen countries are progressive: relatively speaking, the tax burden grows as gross wages grow. However, differences in the tax burden between hypothetical units with higher and lower gross income differ among countries.

It was also found that countries alleviated the tax burden for hypothetical units with children relative to hypothetical units without children by introducing allowances, tax credits, and cash family benefits.

Regarding the level of the net average tax wedge, it was found to be highest in France and lowest in Croatia, across all observed hypothetical units.

This analysis has shown that there exists a possibility to “import” some elements from the tax relief and family benefit system in force in other countries into the Croatian system. For instance, Urban (2014) has shown that families earning an average income are not entitled to child benefit, and at the same time, cannot profit from allowances for children, i.e. lower PIT. This problem could be resolved, for instance, by introducing tax credit instruments such as those found in the Czech Republic, where the final tax amount can be negative if the tax credit exceeds the original tax liability (so-called refundable tax credit).

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PERSONAL INCOME TAXATION TABLES FOR HYPOTHETICAL UNITS
IN ALL OBSERVED COUNTRIES

TABLE A1

Personal income taxation for hypothetical units: single earners (Croatia, 2013)

	1A-67-NC	1A-100-NC	1A-167-NC	1A-67-2C
1. Gross wage (EUR)	8,202	12,303	20,506	8,202
2. Employer SICs	1,247	1,870	3,117	1,247
3. Payroll taxes	0	0	0	0
4. Employee SICs	1,640	2,461	4,101	1,640
4.1. Paid into the 1 st pension insurance pillar	1,230	1,845	3,076	1,230
4.2. Paid into the 2 nd pension insurance pillar	410	615	1,025	410
5. Employee PIT				
5.1. Standard allowances and tax reliefs				
5.1.1. Basic	3,486	3,486	3,486	3,486
5.1.2. For married taxpayers or primary earners	0	0	0	0
5.1.3. For children	0	0	0	4,183
5.1.4. Contributions allowance	0	0	0	0
5.1.5. Work-related expenses	0	0	0	0
5.1.6. Total	3,486	3,486	3,486	7,669
5.2. Cash benefits included in the tax base	0	0	0	0
5.3. Tax base	3,076	6,357	12,919	0
5.4. PIT before tax credit	369	1,136	2,777	0
5.5. Tax credit	0	0	0	0
5.6. PIT after tax credit	369	1,136	2,777	0
5.7. Local government surtax on PIT	44	136	333	0
5.8. Net total personal income taxes	413	1,272	3,110	0
6. Total taxes and employee SICs	2,053	3,733	7,211	1,640
6.1. Tax levies	1,643	3,117	6,186	1,230
6.2. Non-tax levies	410	615	1,025	410
7. Cash family benefits				
7.1. For family members	0	0	0	0
7.2. For children	0	0	0	727
7.3. Total	0	0	0	727
8. Net personal income	6,149	8,570	13,295	6,562
9. Net average tax rate (in %)	20.0	25.3	30.2	6.1
10. Net average tax wedge (in %)	30.6	35.2	39.4	18.5

Note: According to the Taxing Wages methodology (OECD, 2014), employee SICs paid into the 2nd pension insurance pillar are not tax levies. Item no. 6 is therefore divided into tax and non-tax levies, and only tax levies are included in tax burden indicator calculation.

Source: Author's calculations.

TABLE A2

Personal income taxation for hypothetical units: couples (Croatia, 2013)

	2A-100/ 0-2C	2A-100/ 33-2C	2A-100/ 67-2C	2A-100/ 33-NC
1. Gross wage (EUR)	12,303	16,405	20,506	16,405
2. Employer SICs	1,870	2,493	3,117	2,493
3. Payroll taxes	0	0	0	0
4. Employee SICs	2,461	3,281	4,101	3,281
4.1. Paid into the 1 st pension insurance pillar	1,845	2,461	3,076	2,461
4.2. Paid into the 2 nd pension insurance pillar	615	820	1,025	820
5. Employee PIT				
5.1. Standard allowances and tax reliefs				
5.1.1. Basic	3,486	6,972	6,972	6,972
5.1.2. For dependents	1,743	0	0	0
5.1.3. For children	4,183	4,183	4,183	0
5.1.4. Contributions allowance	0	0	0	0
5.1.5. Work-related expenses	0	0	0	0
5.1.6. Total	9,412	11,155	11,155	6,972
5.2. Cash benefits included in the tax base	0	0	0	0
5.3. Tax base	431	2,174	5,250	6,357
5.4. PIT before tax credit	52	261	630	1,136
5.5. Tax credit	0	0	0	0
5.6. PIT after tax credit	52	261	630	1,136
5.7. Local government surtax on PIT	6	31	76	136
5.8. Net total personal income taxes	58	292	706	1,272
6. Total taxes and employee SICs	2,519	3,573	4,807	4,553
6.1. Tax levies	1,903	2,753	3,782	3,733
6.2. Non-tax levies	615	820	1,025	820
7. Cash family benefits				
7.1. For family members	0	0	0	0
7.2. For children	632	0	0	0
7.3. Total	632	0	0	0
8. Net personal income	9,785	12,831	15,699	11,851
9. Net average tax rate (in %)	10.3	16.8	18.4	22.8
10. Net average tax wedge (in %)	22.2	27.8	29.2	32.9

Note: See note under table A1.

Source: Author's calculations.

TABLE A3

*Personal income taxation for hypothetical units: single earners
(the Czech Republic, 2013)*

	1A-67-NC	1A-100-NC	1A-167-NC	1A-67-2C
1. Gross wage (EUR)	7,637	11,455	19,091	7,637
2. Employer SICs	2,596	3,895	6,491	2,596
3. Payroll taxes	0	0	0	0
4. Employee SICs	840	1,260	2,100	840
5. Employee PIT				
5.1. Standard allowances and tax reliefs				
5.1.1. Basic	0	0	0	0
5.1.2. For married taxpayers or primary earners	0	0	0	0
5.1.3. For children	0	0	0	0
5.1.4. Contributions allowance	0	0	0	0
5.1.5. Work-related expenses	0	0	0	0
5.1.6. Total	0	0	0	0
5.2. Cash benefits included in the tax base	0	0	0	0
5.3. Tax base	10,233	15,350	25,582	10,233
5.4. PIT before tax credit	1,535	2,302	3,837	1,535
5.5. Tax credit	952	952	952	1,980
5.6. PIT after tax credit	583	1,350	2,885	-445
5.7. Local government surtax on personal income tax	0	0	0	0
5.8. Net total personal income taxes	583	1,350	2,885	-445
6. Total taxes and employee SICs	1,423	2,610	4,985	395
7. Cash family benefits				
7.1. For family members	0	0	0	0
7.2. For children	0	0	0	1,524
7.3. Total	0	0	0	1,524
8. Net personal income	6,214	8,845	14,106	8,766
9. Net average tax rate (in %)	7.6	11.8	15.1	-5.8
10. Net average tax wedge (in %)	39.3	42.4	44.9	14.3

Source: Author's calculations based on OECD (2014).

TABLE A4

Personal income taxation for hypothetical units: couples (the Czech Republic, 2013)

	2A-100/ 0-2C	2A-100/ 33-2C	2A-100/ 67-2C	2A-100/ 33-NC
1. Gross wage (EUR)	11,455	15,273	19,091	15,273
2. Employer SICs	3,895	5,193	6,491	5,193
3. Payroll taxes	0	0	0	0
4. Employee SICs	1,260	1,680	2,100	1,680
5. Employee PIT				
5.1. Standard allowances and tax reliefs				
5.1.1. Basic	0	0	0	0
5.1.2. For married taxpayers or primary earners	0	0	0	0
5.1.3. For children	0	0	0	0
5.1.4. Contributions allowance	0	0	0	0
5.1.5. Work-related expenses	0	0	0	0
5.1.6. Total	0	0	0	0
5.2. Cash benefits included in the tax base	0	0	0	0
5.3. Tax base	15,349	20,466	25,582	20,466
5.4. PIT before tax credit	2,302	3,070	3,837	3,070
5.5. Tax credit	2,933	1,980	1,980	952
5.6. PIT after tax credit	-630	1,090	1,857	2,118
5.7. Local government surtax on personal income tax	0	0	0	0
5.8. Net total personal income taxes	-630	1,090	1,857	2,118
6. Total taxes and employee SICs	630	2,770	3,957	3,798
7. Cash family benefits				
7.1. For family members	0	0	0	0
7.2. For children	1,378	1,118	818	0
7.3. Total	1,378	1,118	818	0
8. Net personal income	12,203	13,621	15,952	11,475
9. Net average tax rate (in %)	-5.5	7.1	9.7	13.9
10. Net average tax wedge (in %)	29.5	38.9	40.8	43.9

Source: Author's calculations based on OECD (2014).

TABLE A5

Personal income taxation for hypothetical units: single earners (France, 2013)

	1A-67-NC	1A-100-NC	1A-167-NC	1A-67-2C
1. Gross wage (EUR)	24,653	36,980	61,633	24,653
2. Employer SICs	8,685	14,851	27,020	8,685
3. Payroll taxes	0	0	0	0
4. Employee SICs	3,402	5,103	8,099	3,402
5. Employee PIT				
5.1. Standard allowances and tax reliefs				
5.1.1. Basic	0	0	0	0
5.1.2. For married taxpayers or primary earners	0	0	0	0
5.1.3. For children	0	0	0	0
5.1.4. Contributions allowance	4,637	6,956	11,188	4,637
5.1.5. Work-related expenses	2,002	3,002	5,045	2,002
5.1.6. Total	6,639	9,959	16,232	6,639
5.2. Cash benefits included in the tax base	0	0	0	0
5.3. Tax base	18,014	27,021	45,401	18,014
5.4. PIT before tax credit	3,110	5,402	12,854	1,938
5.5. Tax credit	0	0	0	72
5.6. PIT after tax credit	3,110	5,402	12,854	1,866
5.7. Local government surtax on personal income tax	0	0	0	0
5.8. Net total personal income taxes	3,110	5,402	12,854	1,866
6. Total taxes and employee SICs	6,512	10,506	20,953	5,268
7. Cash family benefits				
7.1. For family members	0	0	0	0
7.2. For children	0	0	0	1,538
7.3. Total	0	0	0	1,538
8. Net personal income	18,141	26,475	40,680	20,924
9. Net average tax rate (in %)	12.6	14.6	20.9	7.6
10. Net average tax wedge (in %)	45.6	48.9	54.1	37.2

Source: Author's calculations based on OECD (2014).

TABLE A6

Personal income taxation for hypothetical units: couples (France, 2013)

	2A-100/ 0-2C	2A-100/ 33-2C	2A-100/ 67-2C	2A-100/ 33-NC
1. Gross wage (EUR)	36,980	49,307	61,633	49,307
2. Employer SICs	14,851	16,597	23,536	16,597
3. Payroll taxes	0	0	0	0
4. Employee SICs	5,103	6,804	8,505	6,804
5. Employee PIT				
5.1. Standard allowances and tax reliefs				
5.1.1. Basic	0	0	0	0
5.1.2. For married taxpayers or primary earners	0	0	0	0
5.1.3. For children	0	0	0	0
5.1.4. Contributions allowance	6,956	9,275	11,594	9,275
5.1.5. Work-related expenses	3,002	4,003	5,004	4,003
5.1.6. Total	9,959	13,278	16,598	13,278
5.2. Cash benefits included in the tax base	0	0	0	0
5.3. Tax base	27,021	36,029	45,036	36,029
5.4. PIT before tax credit	3,140	4,859	7,100	6,220
5.5. Tax credit	0	722	0	0
5.6. PIT after tax credit	3,140	4,137	7,100	6,220
5.7. Local government surtax on personal income tax	0	0	0	0
5.8. Net total personal income taxes	3,140	4,137	7,100	6,220
6. Total taxes and employee SICs	8,243	10,942	15,605	13,024
7. Cash family benefits				
7.1. For family members	0	0	0	0
7.2. For children	1,538	1,538	1,538	0
7.3. Total	1,538	1,538	1,538	0
8. Net personal income	30,275	39,903	47,566	36,283
9. Net average tax rate (in %)	8.5	8.4	11.5	12.6
10. Net average tax wedge (in %)	41.6	39.5	44.2	44.9

Source: Author's calculations based on OECD (2014).

TABLE A7

Personal income taxation for hypothetical units: single earners (Portugal, 2013)

	1A-67-NC	1A-100-NC	1A-167-NC	1A-67-2C
1. Gross wage (EUR)	11,557	17,335	28,892	11,557
2. Employer SICs	2,745	4,117	6,862	2,745
3. Payroll taxes	0	0	0	0
4. Employee SICs	1,271	1,907	3,178	1,271
5. Employee PIT				
5.1. Standard allowances and tax reliefs				
5.1.1. Basic	4,104	4,104	4,104	4,104
5.1.2. For married taxpayers or primary earners	0	0	0	0
5.1.3. For children	0	0	0	0
5.1.4. Contributions allowance	0	0	0	0
5.1.5. Work-related expenses	0	0	0	0
5.1.6. Total	4,104	4,104	4,104	4,104
5.2. Cash benefits included in the tax base	0	0	0	0
5.3. Tax base	7,453	13,231	24,788	7,453
5.4. PIT before tax credit	1,144	2,791	6,492	1,144
5.5. Tax credit	214	214	214	760
5.6. PIT after tax credit	954	2,803	6,908	384
5.7. Local government surtax on personal income tax	0	0	0	0
5.8. Net total personal income taxes	954	2,803	6,908	384
6. Total taxes and employee SICs	2,225	4,710	10,086	1,655
7. Cash family benefits				
7.1. For family members	0	0	0	0
7.2. For children	0	0	0	841
7.3. Total	0	0	0	841
8. Net personal income	9,332	12,626	18,806	10,742
9. Net average tax rate (in %)	8.3	16.2	23.9	3.3
10. Net average tax wedge (in %)	34.7	41.1	47.4	24.9

Source: Author's calculations based on OECD (2014).

TABLE A8

Personal income taxation for hypothetical units: couples (Portugal, 2013)

	2A-100/ 0-2C	2A-100/ 33-2C	2A-100/ 67-2C	2A-100/ 33-NC
1. Gross wage (EUR)	17,335	23,114	28,892	23,114
2. Employer SICs	4,117	5,490	6,862	5,490
3. Payroll taxes	0	0	0	0
4. Employee SICs	1,907	2,543	3,178	2,543
5. Employee PIT				
5.1. Standard allowances and tax reliefs				
5.1.1. Basic	4,104	8,208	8,208	8,208
5.1.2. For dependents	0	0	0	0
5.1.3. For children	0	0	0	0
5.1.4. Contributions allowance	0	0	0	0
5.1.5. Work-related expenses	0	0	0	0
5.1.6. Total	4,104	8,208	8,208	8,208
5.2. Cash benefits included in the tax base	0	0	0	0
5.3. Tax base	13,231	14,906	20,684	14,906
5.4. PIT before tax credit	1,919	2,288	3,935	2,288
5.5. Tax credit	855	855	855	428
5.6. PIT after tax credit	1,064	1,433	3,080	1,907
5.7. Local government surtax on personal income tax	0	0	0	0
5.8. Net total personal income taxes	1,064	1,433	3,080	1,907
6. Total taxes and employee SICs	2,970	3,976	6,258	4,450
7. Cash family benefits				
7.1. For family members	0	0	0	0
7.2. For children	701	637	0	0
7.3. Total	701	637	0	0
8. Net personal income	15,065	19,775	22,634	18,664
9. Net average tax rate (in %)	6.1	6.2	10.7	8.3
10. Net average tax wedge (in %)	29.8	30.9	36.7	34.7

Source: Author's calculations based on OECD (2014).

TABLE A9

Personal income taxation for hypothetical units: single earners (Slovenia, 2013)

	1A-67-NC	1A-100-NC	1A-167-NC	1A-67-2C
1. Gross wage (EUR)	11,740	17,611	29,351	11,740
2. Employer SICs	1,890	2,835	4,725	1,890
3. Payroll taxes	0	0	0	0
4. Employee SICs	2,595	3,892	6,487	2,595
5. Employee PIT				
5.1. Standard allowances and tax reliefs				
5.1.1. Basic	4,419	3,303	3,303	4,419
5.1.2. For married taxpayers or primary earners	0	0	0	0
5.1.3. For children	0	0	0	5,086
5.1.4. Contributions allowance	2,595	3,892	6,487	2,595
5.1.5. Work-related expenses	0	0	0	0
5.1.6. Total	7,013	7,195	9,789	12,099
5.2. Cash benefits included in the tax base	0	0	0	0
5.3. Tax base	4,727	10,416	19,562	0
5.4. PIT before tax credit	756	1,930	4,483	0
5.5. Tax credit	0	0	0	0
5.6. PIT after tax credit	756	1,930	4,483	0
5.7. Local government surtax on personal income tax	0	0	0	0
5.8. Net total personal income taxes	756	1,930	4,483	0
6. Total taxes and employee SICs	3,351	5,822	10,970	2,595
7. Cash family benefits				
7.1. For family members	0	0	0	0
7.2. For children	0	0	0	2,716
7.3. Total	0	0	0	2,716
8. Net personal income	8,389	11,789	18,381	11,862
9. Net average tax rate (in %)	6.4	11.0	15.3	0.0
10. Net average tax wedge (in %)	38.5	42.3	46.1	13.0

Source: Author's calculations based on OECD (2014).

TABLE A10

Personal income taxation for hypothetical units: couples (Slovenia, 2013)

	2A-100/ 0-2C	2A-100/ 33-2C	2A-100/ 67-2C	2A-100/ 33-NC
1. Gross wage (EUR)	17,611	23,481	29,351	23,481
2. Employer SICs	2,835	3,780	4,725	3,780
3. Payroll taxes	0	0	0	0
4. Employee SICs	3,892	5,189	6,487	5,189
5. Employee PIT				
5.1. Standard allowances and tax reliefs				
5.1.1. Basic	3,303	7,876	7,721	7,876
5.1.2. For dependents	2,437	0	0	0
5.1.3. For children	5,086	5,086	5,086	0
5.1.4. Contributions allowance	3,892	5,189	6,487	5,189
5.1.5. Work-related expenses	0	0	0	0
5.1.6. Total	14,718	18,151	19,294	13,065
5.2. Cash benefits included in the tax base	0	0	0	0
5.3. Tax base	2,893	5,330	10,057	10,416
5.4. PIT before tax credit	463	853	1,609	1,930
5.5. Tax credit	0	0	0	0
5.6. PIT after tax credit	463	853	1,609	1,930
5.7. Local government surtax on personal income tax	0	0	0	0
5.8. Net total personal income taxes	463	853	1,609	1,930
6. Total taxes and employee SICs	4,355	6,042	8,096	7,119
7. Cash family benefits				
7.1. For family members	0	0	0	0
7.2. For children	701	637	0	0
7.3. Total	701	637	0	0
8. Net personal income	15,065	19,775	22,634	18,664
9. Net average tax rate (in %)	6.1	6.2	10.7	8.3
10. Net average tax wedge (in %)	29.8	30.9	36.7	34.7

Source: Author's calculations based on OECD (2014).