



TAXING WAGES 2026

The progressivity
of labour taxation
in OECD countries



Taxing Wages 2026

The OECD's *Taxing Wages 2026* report provides unique information for each of the 38 OECD countries on the income taxes paid by workers, their social security contributions (SSCs), the transfers they receive in the form of cash benefits, as well as the SSCs and payroll taxes paid by their employers. Results reported include the marginal and average tax burden for one- and two-earner households, and the implied total labour costs for employers. This brochure summarises the main results of this edition by:

- Presenting an analysis of the average tax wedge in OECD countries in 2025, the changes from the previous year and the trends between 2000 and 2025 for a selection of household types that are covered in *Taxing Wages 2026*.
- Presenting a brief analysis of the net personal average tax rate for a single average worker across OECD countries for 2025.

Box 1: The tax wedge

Taxing Wages 2026 presents several measures of taxation on labour. Most emphasis is given to the **tax wedge** – a measure of the difference between labour costs to the employer and the corresponding net take-home pay of the employee – which is calculated by expressing the sum of personal income tax, employee and employer social security contributions plus any payroll taxes, minus any benefits received by the employee, as a percentage of labour costs. Employer social security contributions and (in some countries) payroll taxes are added to gross wage

earnings of employees in order to determine a measure of total labour costs. However, it should be recognised that this measure may be less than the true labour costs faced by employers because, for example, employers may also have to make *non-tax compulsory payments* (NTCPs)¹. The average tax wedge measures that part of labour costs which is taken in tax and social security contributions net of cash benefits. In contrast, the marginal tax wedge measures that part of an *increase* in total labour costs that is paid in taxes and social security contributions less cash benefits.

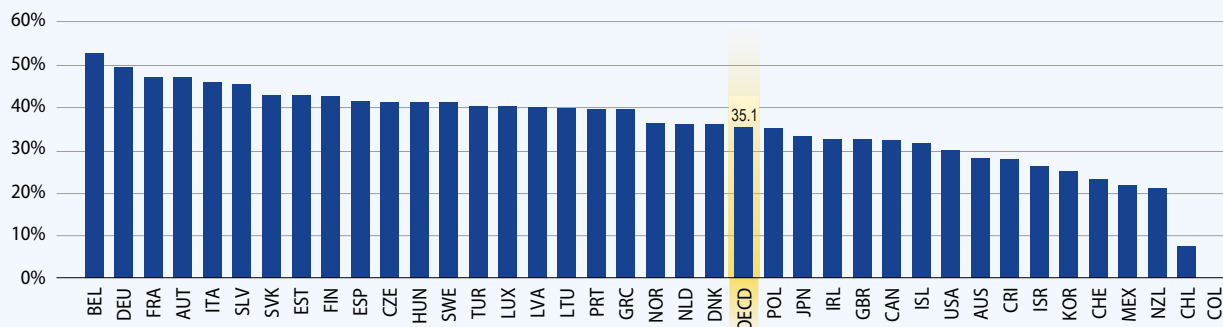
1. Non-tax compulsory payments are required and unrequited compulsory payments to privately-managed funds, welfare agencies or social insurance schemes outside general governments and to public enterprises (<https://www.oecd.org/content/dam/oecd/en/topics/policy-issues/tax-policy/non-tax-compulsory-payments.pdf>).

TRENDS IN LABOUR TAXES ACROSS OECD COUNTRIES



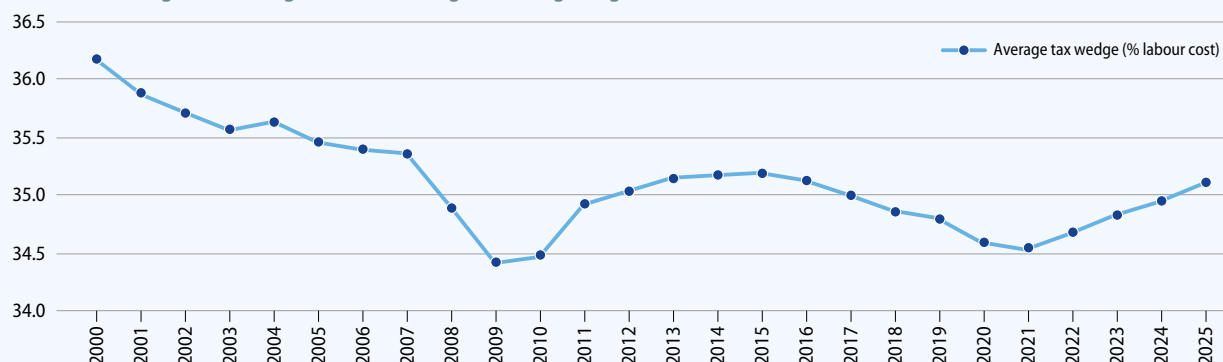
Labour taxes vary greatly across OECD countries, with the tax wedge for the average single worker ranging from 0% in Colombia to 52.5% in Belgium

Tax wedge for a single worker earning the average wage in OECD countries, as % of labour costs, 2025



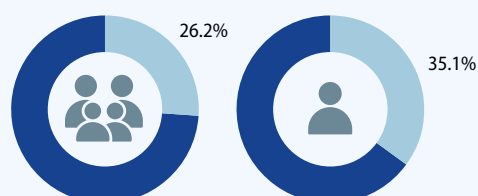
The tax wedge for the single worker earning the average wage has increased since 2021

Tax wedge for the single worker earning the average wage in OECD countries, as % of labour costs, 2000-25



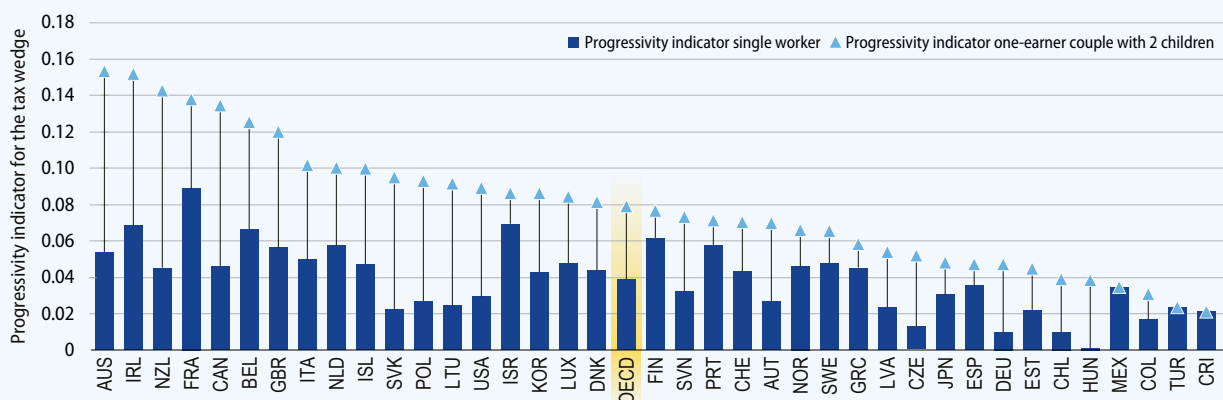
One-earner married couples with two children face a lower tax wedge than the average single worker

Tax wedge for one-earner married couple with 2 children vs single worker, as % of labour costs, 2025



The tax wedge tends to be more progressive for one-earner married couples with children

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



Note: The principal earner of the one-earner married couple is assumed to be working at the average wage.

Source: Data from *Taxing Wages 2026* (OECD), www.oecd.org/en/publications/taxing-wages_20725124.html.

TABLE 1. **COMPARISON OF TOTAL TAX WEDGE FOR THE AVERAGE WORKER IN OECD COUNTRIES IN 2025**

As % of labour costs

Country ¹	Total tax wedge 2025 (1)	Annual change, 2025/24 (in percentage points) ²			
		Tax wedge (2)	Income tax (3)	Employee SSC (4)	Employer SSC ³ (5)
Belgium	52.5	0.08	-0.02	-0.01	0.11
Germany	49.3	1.34	0.28	0.53	0.52
France	47.2	0.06	0.06	0.00	0.00
Austria	47.1	0.29	-0.01	0.00	0.00
Italy	45.8	-1.21	-1.21	0.00	0.00
Slovenia	45.3	0.63	-0.06	0.32	0.37
Slovak Republic	42.7	0.20	0.20	0.00	0.00
Estonia	42.6	1.95	1.95	0.00	0.00
Finland	42.5	0.35	-0.09	0.09	0.35
Spain	41.4	0.31	0.25	0.00	0.05
Czechia	41.2	0.24	0.24	0.00	0.00
Hungary	41.2	0.00	0.00	0.00	0.00
Sweden	41.1	-0.37	-0.37	0.00	0.00
Türkiye	40.3	0.76	0.29	-0.08	0.55
Luxembourg	40.2	0.24	-0.54	-0.11	0.88
Latvia	40.1	-1.44	-1.44	0.00	0.00
Lithuania	39.8	0.38	0.38	0.00	0.00
Portugal	39.3	-0.24	-0.24	0.00	0.00
Greece	39.3	-0.16	0.54	-0.36	-0.34
Norway	36.4	-0.07	0.02	-0.09	0.00
Netherlands	35.9	0.04	0.23	-0.41	0.22
Denmark	35.8	-0.41	-0.48	0.00	0.06
Poland	35.0	0.28	0.32	0.01	-0.04
Japan	33.1	0.39	0.46	-0.04	-0.04
Ireland	32.6	-0.63	-0.79	0.06	0.10
United Kingdom	32.4	2.45	0.98	-0.31	1.77
Canada	32.1	0.13	-0.38	0.28	0.23
Iceland	31.5	-0.05	-0.04	-0.01	0.00
United States	30.0	-0.09	-0.08	0.00	-0.01
Australia	27.9	-1.67	-1.70	0.00	0.02
Costa Rica	27.7	0.00	0.00	0.00	0.00
Israel	26.1	1.09	0.26	0.43	0.39
Korea	24.8	0.13	0.18	0.00	-0.05
Switzerland	23.0	0.02	0.02	0.00	0.00
Mexico	21.7	0.36	0.37	0.00	-0.01
New Zealand	20.8	0.03	0.03	0.00	0.00
Chile	7.5	0.46	0.11	-0.03	0.37
Colombia	0.0	0.00	0.00	0.00	0.00
OECD Average	35.1	0.15	-0.01	0.01	0.15

Notes: Single individual without children at the income level of the average worker.

1. Countries ranked by decreasing total tax wedge.

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

3. Includes payroll taxes where applicable.

Source: Data from *Taxing Wages 2026* (OECD), www.oecd.org/en/publications/taxing-wages_20725124.html.

The highest tax wedge is observed in Belgium (52.5%) and the lowest in Colombia (0.0%). The OECD average tax wedge was 35.1% of labour costs in 2025.

Tax wedge for the average worker in OECD countries

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

Changes in the tax wedge as a percentage of labour costs between 2024 and 2025 for a single worker earning the average wage without children are shown in column 2 of Table 1. The OECD average tax wedge for this household type increased by 0.15 percentage points (p.p.) in 2025, having increased by 0.11 p.p. in 2024 and by 0.16 p.p. in 2023. Between 2024 and 2025, the tax wedge increased in 24 OECD countries, fell in eleven and remained the same in three.

In 2025, all OECD countries introduced changes to the thresholds, rates and amounts for personal income tax, SSCs or cash transfers. Changes in the tax wedge reflected not only these policy adjustments (whether reforms or parametric changes) but also changes in the average wage, making it difficult to ascribe with certainty

Box 2: The progressivity of labour taxation in OECD countries

The Report includes a Special Feature examining the statutory progressivity of labour taxation in OECD countries. Building upon the statutory progressivity indicator introduced in the 2013 edition of *Taxing Wages*, it examines how the tax wedge on labour income varies according to the earnings and composition of working households in OECD countries. While the progressivity of labour taxation varies across the OECD, the analysis identifies commonalities in a majority of

countries. For instance, progressivity tends to be higher for households with children and at lower earnings intervals, as tax reliefs and cash transfers reduce the average tax burden more for low earners than for workers higher up the earnings distribution. The Special Feature also finds that statutory progressivity has increased on average across the OECD since 2000, largely due to increases in the progressivity of the tax wedge below the average wage.



Taxing Wages examines how the tax wedge on labour income varies according to the earnings and composition of working households in OECD countries.



Between 2024 and 2025, the tax wedge increased in 24 OECD countries, fell in eleven and remained the same in three.

movements in the tax wedge in a specific country to either factor, especially since some policy rates might be automatically indexed to wage growth.

The increase in the tax wedge between 2024 and 2025 was larger than 1.0 p.p. in four countries: the United Kingdom, Estonia, Germany and Israel. In the United Kingdom, an increase of 2.45 p.p. was mainly driven by higher personal income taxes due to fiscal drag (gross earnings increased while tax allowances and the thresholds for the tax schedule remained unchanged) and an increase in employer SSCs that resulted from an increase in the National Insurance contribution rate and a lowering of the minimum earnings threshold for contributions. In Estonia, the 1.95 p.p. increase was mainly due to an increase in the personal income tax rate from 20% to 22%, while the 1.34 p.p. increase in Germany was attributable to an increase in employee and employer SSC rates for sickness and long-term care insurance, the discontinuation of the inflation compensation premium, and gross earnings increasing by more than the adjustments to PIT thresholds. Finally, a 1.09 p.p. increase in the tax wedge in Israel was mostly caused by an increase in SSC rates for employees and employers as well as fiscal drag.

In thirteen out of the 24 countries where the tax wedge increased, the rise was driven by higher personal income tax as a percentage of labour costs (see column 3 of Table 1). In the countries where the tax schedule did not change, such as Korea and Poland, this was due to increases in the nominal average wage between 2024 and 2025. Higher average wages increase personal income tax rates through the progressivity of income tax systems if

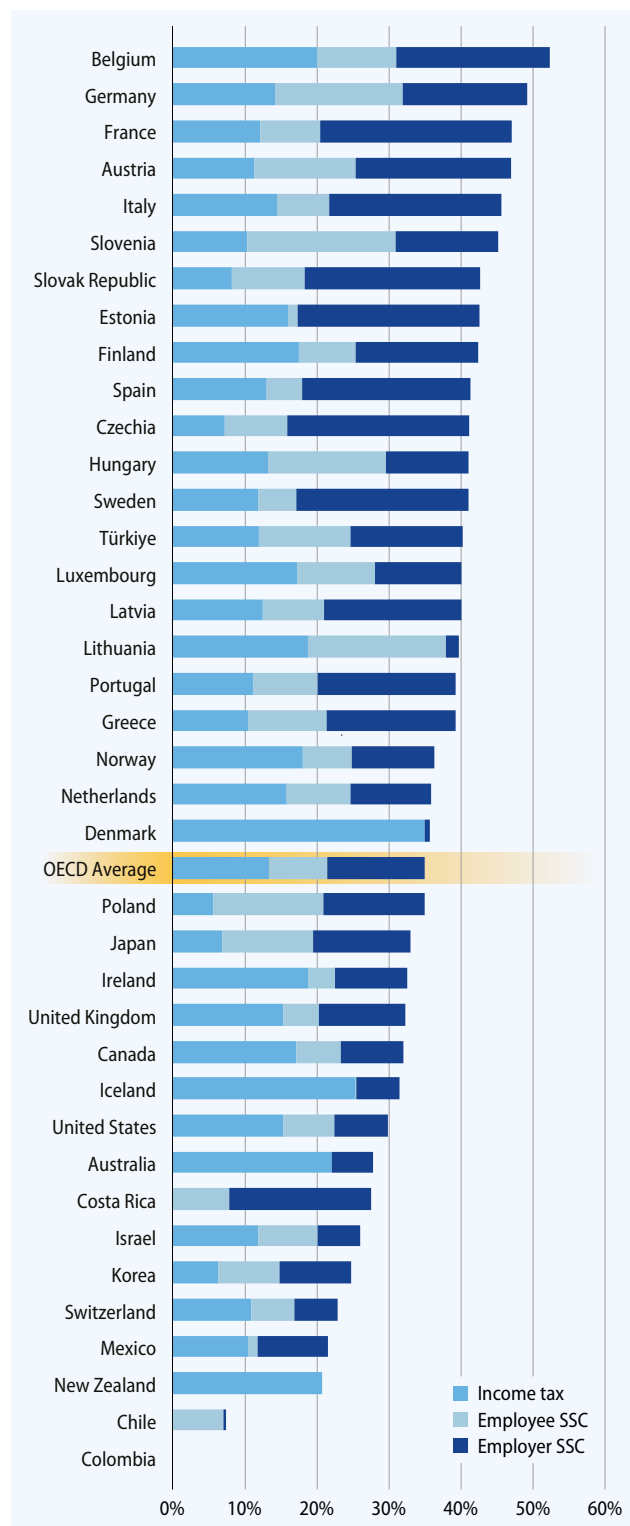
income tax thresholds rise by less than average earnings. Similar to the case of Israel, the higher personal income taxes in Korea and Poland were primarily the result of a higher proportion of earnings becoming subject to tax while the value of tax allowances and tax credits fell relative to earnings.

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

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

FIGURE 1. INCOME TAX PLUS EMPLOYEE AND EMPLOYER SOCIAL SECURITY CONTRIBUTIONS, OECD COUNTRIES, 2025

As % of labour costs



Note: Single individual without children at the income level of the average worker. Includes payroll taxes where applicable.

Source: Data from *Taxing Wages 2026* (OECD), www.oecd.org/en/publications/taxing-wages_20725124.html.

income of the single worker earning the average wage. In Italy, the main driver of the decrease was the replacement of the temporary reduced rate for employee SSC by two new tax credits.

Figure 1 shows the components of the tax wedge in 2025: personal income tax, employee SSCs and employer SSCs (including payroll taxes where applicable) as a percentage of labour costs for a single worker without children earning the average wage.

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

Combined employee and employer SSCs exceeded 20% of labour costs in 23 countries and represented at least one-third of labour costs in Austria, Czechia, France, Germany, the Slovak Republic and Slovenia.



TABLE 2. **COMPARISON OF TOTAL TAX WEDGE FOR SINGLE AND ONE-EARNER COUPLE TAXPAYERS, OECD COUNTRIES, 2025**

As % of labour costs

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

Notes:

1. Countries ranked by decreasing tax wedge of the family.
2. One-earner married couple with two children and earning the average wage.
3. Single individual without children earning the average wage.

Source: Data from *Taxing Wages 2026* (OECD),
www.oecd.org/en/publications/taxing-wages_20725124.html.

On average across OECD countries, the fiscal preference for a family with two children relative to a single worker (both earning the average wage) decreased by 0.31 percentage points, as the tax wedge for the family increased more than for the single worker in 2025.

Single compared to one-earner couple taxpayers in OECD countries

Many OECD countries provide a fiscal benefit to households with children through advantageous tax treatment or cash benefits. Table 2 compares the tax wedge as a percentage of labour costs for a one-earner married couple with two children with that of a single worker without children, at average wage levels. The tax wedge for the couple with children is generally smaller than that observed for the individual without children: the OECD average tax wedge as a percentage of labour costs for the one-earner married couple with two children was 26.2% in 2025, compared with 35.1% for the single worker. However, this gap narrowed by 0.31 p.p. between 2024 and 2025 because the average tax wedge for the one-earner married couple with two children increased slightly more than the tax wedge for the single worker without children.

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

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

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

In Poland, the increase (2.30 p.p.) was due to the combined effect of fiscal drag and the value of the child

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

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

A comparison of changes in the tax wedge between 2024 and 2025 for one-earner married couples with two children and single workers without children, at the average wage level, is shown in column 6 of Table 2. The fiscal preference for families decreased in 24 of the 38 OECD countries and increased in eleven countries: Colombia, Denmark, Finland, France, Hungary, Iceland, Latvia, Lithuania, Norway, Switzerland and the United States.



TABLE 3. **COMPARISON OF TOTAL TAX WEDGE FOR TWO-EARNER COUPLE WITH CHILDREN, OECD COUNTRIES, 2025**

As % of labour costs

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

Notes: Two-earner married couple, one earning 100% and the other earning 67% of the average wage, with two children.

1. Countries ranked by decreasing total tax wedge.

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

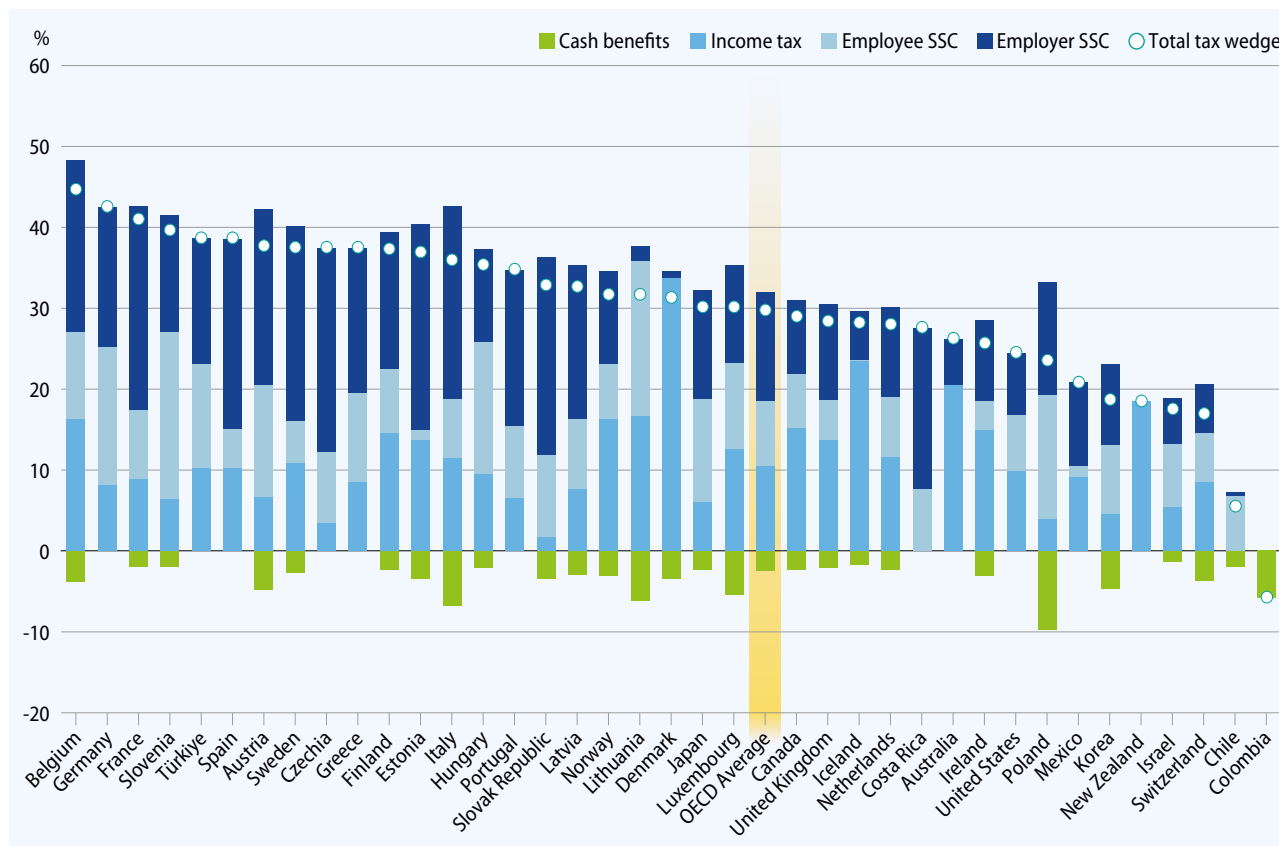
3. Includes payroll taxes where applicable.

Source: Data from *Taxing Wages 2026* (OECD), www.oecd.org/en/publications/taxing-wages_20725124.html.

On average, higher social security contributions were the main driver of increases to the tax wedge for this household type

FIGURE 2. INCOME TAX PLUS EMPLOYEE AND EMPLOYER SOCIAL SECURITY CONTRIBUTIONS LESS CASH BENEFITS, OECD COUNTRIES, 2025

For two-earner couple with two children, as % of labour costs



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

Source: Data from *Taxing Wages 2026* (OECD), www.oecd.org/en/publications/taxing-wages_20725124.html.

Tax wedge for two-earner couples in OECD countries

For a two-earner married couple with two children where the principal earns the average wage and the spouse earns 67% of the average wage, the OECD average tax wedge was 29.8% of labour costs in 2025 (Figure 2 and Table 3). Belgium's tax wedge of 44.8% was the highest among OECD countries for this household type. The other countries with a tax wedge exceeding 40% were Germany and France (42.6% and 41.0%, respectively). The lowest tax wedge was observed in Colombia (-5.8%), where the tax wedge was negative because this household type did not pay income taxes at that level of earnings (although it paid contributions that are not considered taxes) and received cash benefits on top of their wages. The other countries where the tax wedge for this household type was below 20% were Korea (18.6%), New Zealand (18.5%), Israel (17.7%), Switzerland (17.1%) and Chile (5.5%).

Figure 2 shows the average tax wedge and its components as a percentage of labour costs for the two-earner married



For a two-earner married couple with two children where the principal earns the average wage and the spouse earns 67% of the average wage, the OECD average tax wedge was 29.8% of labour costs in 2025.



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

The OECD average tax wedge of the two-earner married couple increased by 0.34 p.p. in 2025 from the previous year, as indicated in Table 3 (column 2). For this household type, the tax wedge increased in 19 countries and decreased in 18. The increase exceeded one percentage point in nine countries: the Slovak Republic (3.22 p.p.), the United Kingdom (2.55 p.p.), Estonia (2.14 p.p.), Slovenia (1.76 p.p.), Germany (1.60 p.p.), Poland (1.38 p.p.), Chile (1.27 p.p.), Japan (1.26 p.p.) and Israel (1.18 p.p.). In the Slovak Republic, the increase was primarily driven by a reduction in the monthly tax credit and the introduction of an income-based phase-out. In the United Kingdom, the increase was due to a rise in the employer SSC rate coupled with a decrease in the minimum contribution threshold. In Estonia, the increase was mostly a result of an increase in the flat income tax rate. In Slovenia, the increase in the tax wedge was mainly driven by a fall in the value of cash transfers relative to earnings. In Germany, higher SSCs were the main driver

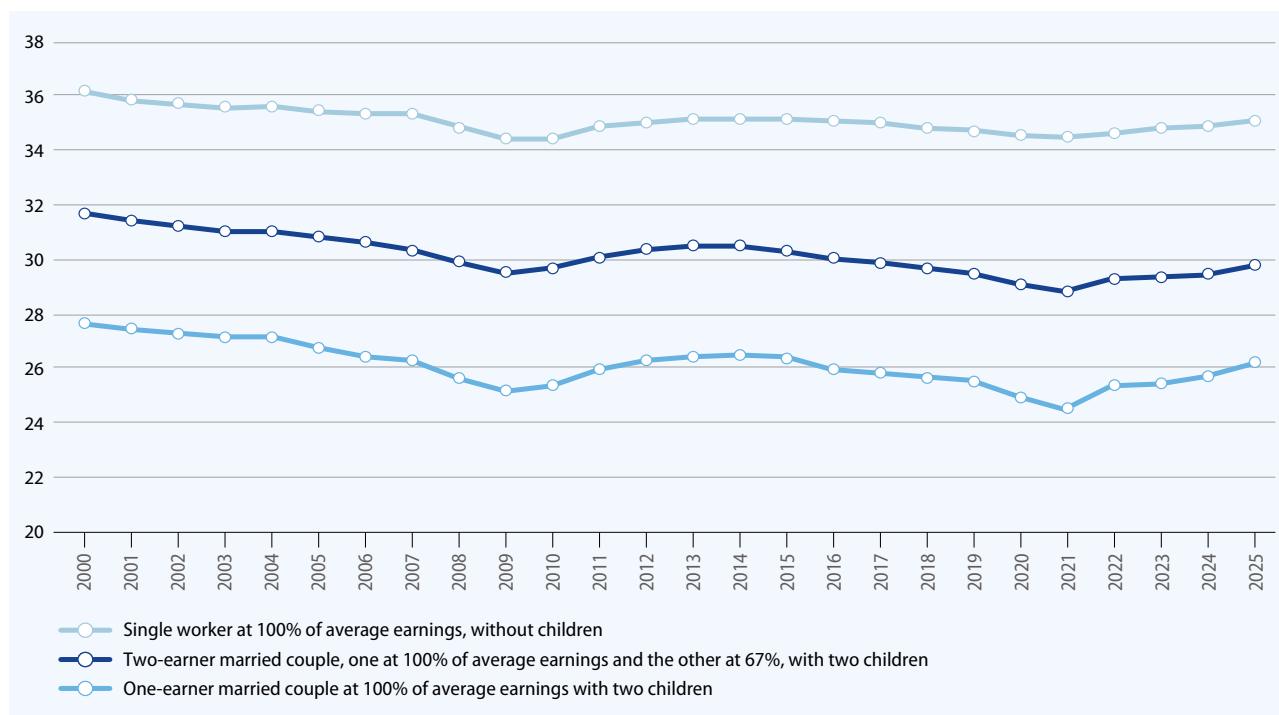
of the increase while in Poland and Chile it was mostly due to a decline in cash benefits as a proportion of total labour costs. In Japan, the central and local government income tax liability increased. Finally, in Israel, the increase can be attributed to increased employer and employee SSC rates as well as fiscal drag.

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

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

FIGURE 3. **OECD AVERAGE TAX WEDGE FOR THREE HOUSEHOLD TYPES, 2000-25**

As percentage of labour costs



Source: Data from *Taxing Wages 2026* (OECD), www.oecd.org/en/publications/taxing-wages_20725124.html.

Trends in the OECD tax wedge since 2000

The OECD average tax wedge for a single worker earning the average wage, a one-earner married couple on the average wage with two children, and a two-earner married couple with total wage earnings at 167% of the average wage and two children have all declined since 2000 (Figure 3). Tax burdens for the three household types have followed a similar trend over this period, with the lowest tax wedge for each observed in 2009 during the Global Financial Crisis and in 2020-21 during the COVID-19 pandemic. For the single worker earning the average wage, the OECD average tax wedge decreased from 36.1% in 2000 to 34.4% in 2009, increased to 35.2% in 2015 then declined to 34.5% in 2021, since when it rose to 35.1% in 2025. For a one-earner married couple on the average wage with two children, the tax wedge declined from 27.7% in 2000 to 25.2% in 2009, increased to 26.5% in 2014 then declined to its lowest level (24.5%) in 2021, before rising to 26.2% in 2025. Finally, for a two-earner married couple on 167% of the average wage with two children, the tax wedge fell from 31.7% in 2000 to 28.8% in 2021 before rising to 29.8% in 2025.



The tax wedge for all three household types was lower in 2025 than it was in 2000 but it has been on the rise since 2021.

The net personal average tax rate in OECD countries

Taxing Wages 2026 presents a second main indicator, the **net personal average tax rate**, which measures income tax plus employee SSCs less cash benefits as a percentage of gross wage earnings. On average, the net personal average tax rate for a single worker at average earnings in OECD countries was 25.1% in 2025 (Figure 4). In other words, disposable or after-tax income² represented 74.9% of the gross wage earnings for the single average worker.

Belgium had the highest rate, at 39.5% of gross wage earnings; Denmark, Germany, Lithuania and Slovenia were the other countries with rates above 35%. The lowest personal average tax rates were in Mexico (13.2%), Costa Rica (9.8%), Chile (7.1%) and Colombia (0.0%). *Taxing Wages 2026* also shows the net personal average tax rates for other household types with or without children.

Box 3: Methodology

The analysis in *Taxing Wages 2026* focuses on full-time private sector workers in specific sectors of the economy. It is assumed that their annual income from employment is equal to a given percentage of the average full-time adult gross wage earnings for each OECD country, referred to as the average wage.

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

For most OECD countries, the tax year is equivalent to the calendar year, the exceptions being Australia, New Zealand and the United Kingdom. In the case of New Zealand and the United Kingdom, where the tax year starts in April, the calculations apply a ‘forward-looking’ approach. This implies that, for example, the tax rates reported for 2025 are those for the tax year 2025-26. However, in Australia, where the tax year starts in July, it has been decided to take a ‘backward-looking’ approach in order to present more reliable results. The year 2025 in respect of Australia has thus been defined to mean its tax year 2024-25.

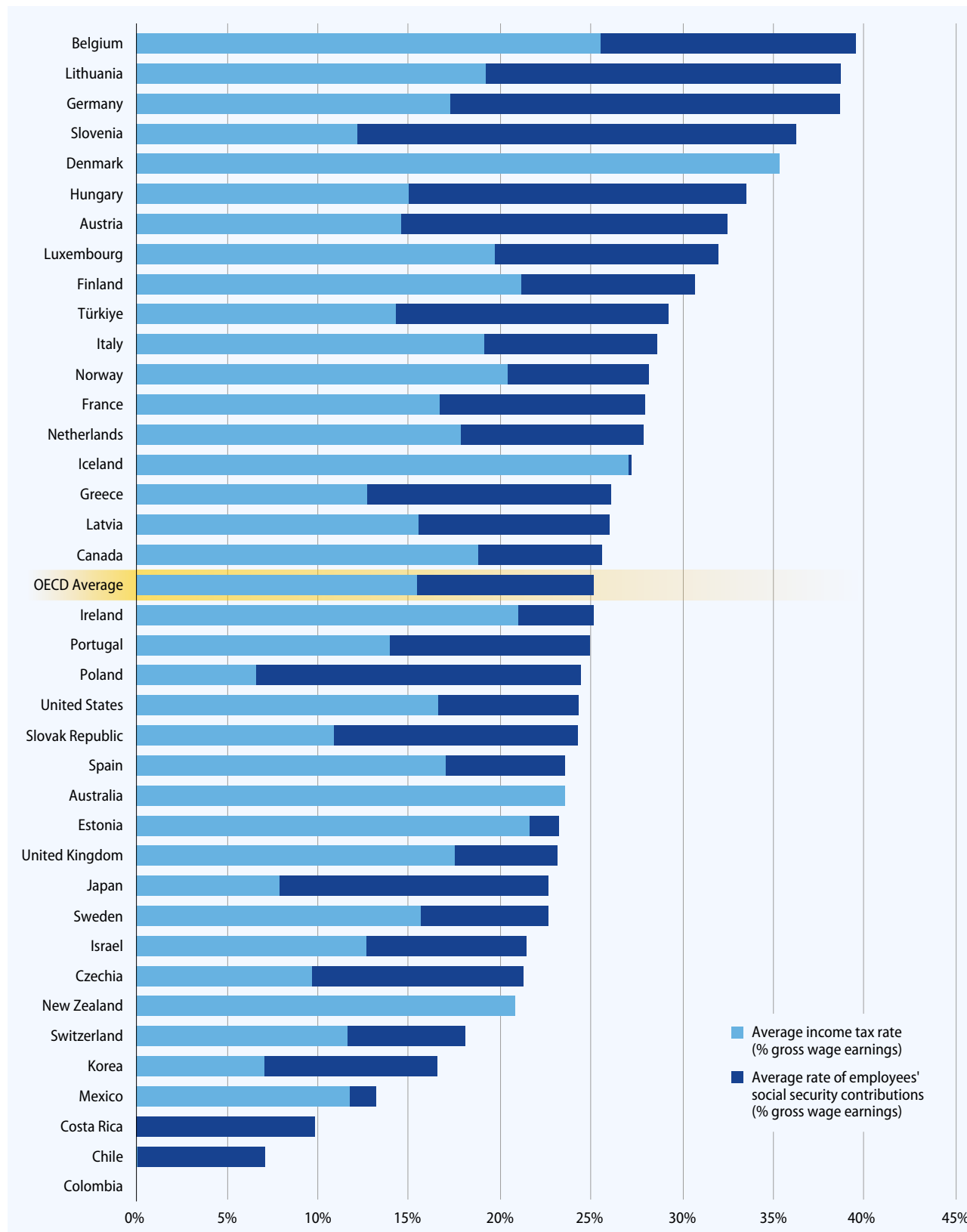
For information on the tax burden on other household types, please see *Taxing Wages 2026*. A full description of the methodology is set out in the *Taxing Wages 2026* Annex.



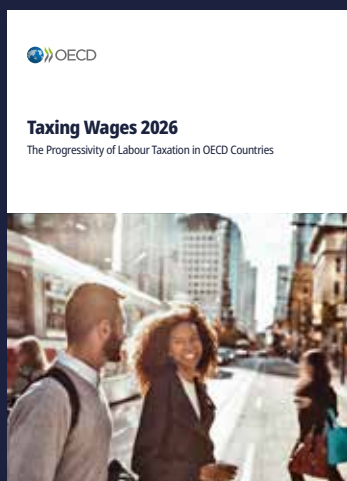
2. The *Taxing Wages* indicators focus on the structure of labour taxation. To assess the overall impact of the government sector on people's welfare, other factors such as indirect taxes (e.g. VAT) should also be taken into account, as should other forms of income (e.g. capital income). In addition, non-tax compulsory payments that affect households' disposable income are not included in the calculations presented in the publication, but analysis of those payments is presented in the online report: <https://www.oecd.org/content/dam/oecd/en/topics/policy-issues/tax-policy/non-tax-compulsory-payments.pdf>.

FIGURE 4. **INCOME TAX AND EMPLOYEE SOCIAL SECURITY CONTRIBUTIONS LESS CASH BENEFITS, OECD COUNTRIES, 2025**

For a single worker earning the average wage, as % of gross wage earnings



Source: Data from *Taxing Wages 2026* (OECD), www.oecd.org/en/publications/taxing-wages_20725124.html.



OECD (2026), *Taxing Wages 2026*, OECD Publishing, Paris,
<https://doi.org/10.1787/3a5169ef-en>.

FURTHER READING

OECD, Non-tax compulsory payments (NTCPs) as an additional burden on labour income in 2025,
<https://www.oecd.org/content/dam/oecd/en/topics/policy-issues/tax-policy/non-tax-compulsory-payments.pdf>.

NOTES & DISCLAIMERS

This work is published under the responsibility of the Secretary General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD Member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law. The use of this work, whether digital or print, is governed by the Terms and Conditions to be found at <http://www.oecd.org/termsandconditions>.

© OECD 2026
Images: © Getty and Shutterstock.com



For more information:



oecd.taxingwages@oecd.org



<https://oe.cd/TaxingWages>



OECD Tax



@OECDtax