

★ The Tax Burden of Typical Workers in the EU 28—2019

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Tenth Edition

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Abstract

The purpose of this study is to compare the tax and social security burdens of individual employees earning typical salaries in each of the 28 member states of the European Union and, in doing so, to determine a “tax liberation day” – measuring how much of each year’s work is devoted to paying taxes – for workers in each country.

In addition, the study tracks year-to-year trends in the total cost, including taxation, of hiring salaried employees in the EU-28.

Background

Numerous studies rank political systems by various measures of “economic freedom”. While valuable to economists, the aggregate data in these studies fail to shed light on the working individual’s role in financing their state and social security.

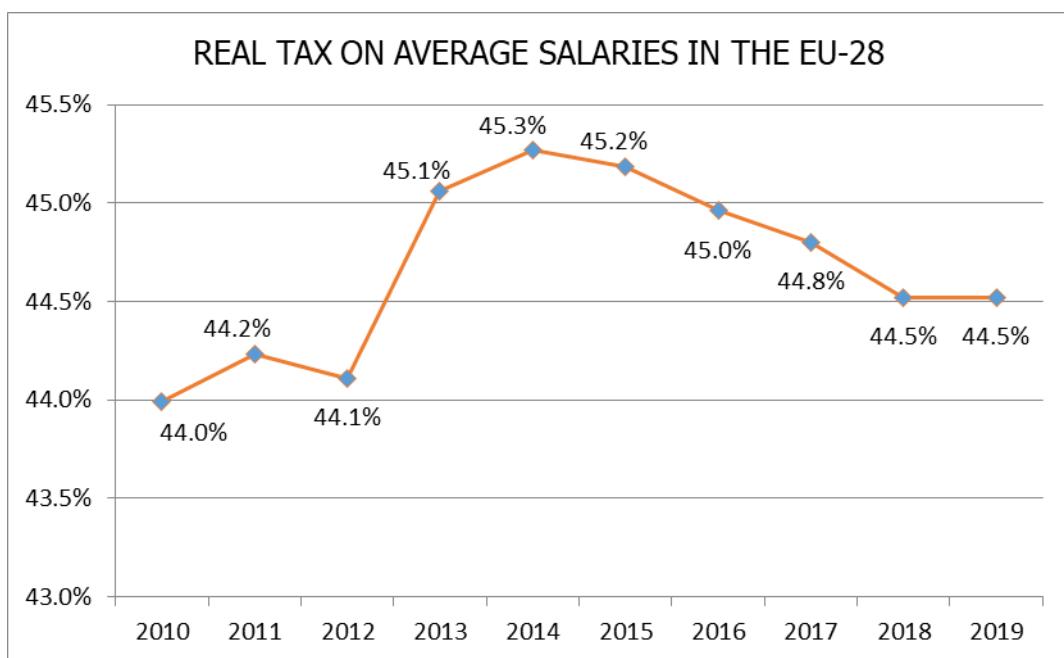
In addition, many organizations determine an annual “tax freedom day” for their countries. Unfortunately, conflicting approaches to this calculation make cross-border comparisons difficult.

This study aims to create an “apples to apples” comparison of tax rates, with data that reflect the reality experienced by real, working people in the European Union. Finally, it serves as a guide to the true cost of hiring employees in each member state.

Main Results

Over ten years, EU workers' taxes are higher...

For the first time in this study's ten years of publication, the average "real tax rate" for typical workers in the European Union was unchanged, at 44.5%, versus the previous year. This follows four consecutive years (2015-2018) of slight decreases, yet workers' tax rates remain 0.5% higher than in 2010 – largely due to VAT increases in 20 of the 28 member states during this period.



...while prevalence of "hidden" tax contributions continues

Employer contributions to social security are paid "on top" of gross salaries and do not appear on workers' payslips in many EU countries. These "invisible" taxes currently represent 43% of all payroll taxes collected in the EU – down from 44% five years ago, due principally to Belgium's gradual reduction of these rates since 2016.

Noteworthy in 2019

Workers in **France** celebrate their tax liberation day on July 19th – 8 days earlier than last year and earlier than ever in the 10-year history of this study. Despite this progress by the Macron government, France retains its position as the EU member state that taxes labour at the highest rate, with 54.73% of the cost of a worker's salary going to the government.

A difference of minutes, not days

Austria's (outgoing) Kurz government did not keep its promise to reduce the tax burden on working people; instead, the real tax rate for workers there has risen to 54.72% - only 0.01% lower than in France, a difference that results in a tax liberation day that is not a day later than France's but the equivalent of only 57 minutes later. The new Bierlein government has, so far, promised only to cut corporate taxes.

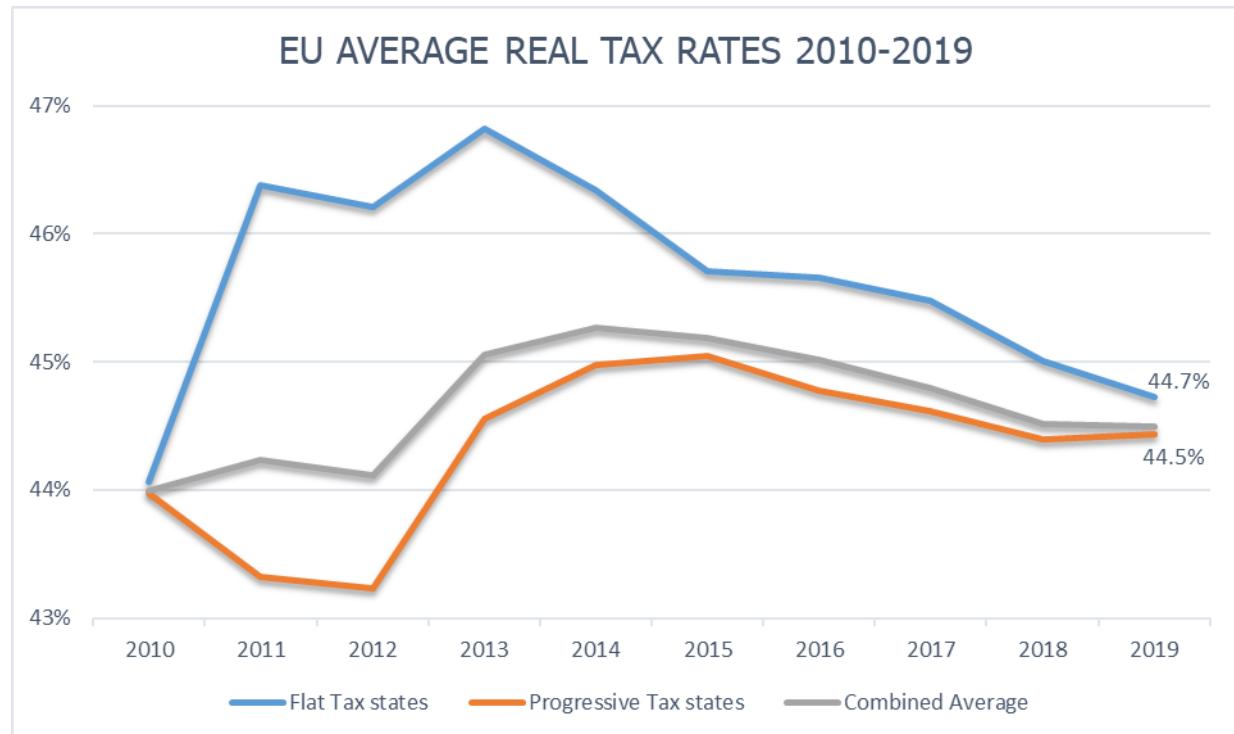
The outgoing Michel government's "tax shift" in **Belgium** has fulfilled its promise to increase workers' take-home pay. After cutting employers' costs over the previous three years, employees' income tax rates have dropped due to an increase in the tax-free allowance; consequently, the tax liberation day for workers in **Belgium** is now July 15th, two days earlier than last year and 24 days earlier than its latest historical point (August 8th, 2013) under the Di Rupo government.

For the third consecutive year, the Tax Liberation Day in **Greece** is July 10th, 27 days later than in 2010 (13 June). While salaries are recovering, they remain lower than in 2010, and tax rates have risen. Consequently, a typical Greek worker's annual take-home pay has dropped 18%, (approximately 2,900 €) from 2010-2019, and he pays 24% VAT (vs. 19% in 2010).

For the first time since this study was published in 2010, none of the 28 EU members altered **VAT rates** in 2018.

Gap between flat-tax and progressive-tax countries continues

EU governments with “flat tax” policies continue to tax workers at higher rates than those in progressive tax countries. Six EU member states – including the five with the lowest average gross salaries – have flat tax policies.



Generally, flat tax policies impose a fixed income tax rate. The EU’s lowest “flat” rate (10%) is imposed in the country where workers have the lowest average gross salaries: Bulgaria. Flat income tax rates are not necessarily lower rates, however: Of the 10 countries assessing the lowest income tax rates on a typical worker’s salary, 8 have progressive income tax systems.

Social security contribution rates in flat tax countries are, on average, higher than in progressive states; social contributions make up 74.9% of payroll taxes collected in flat tax countries.

Outlook

Higher pension and health care expenditures are among the primary effects of the ageing of Europe's population, and there are fewer workers to pay for these costs; despite a decrease in the unemployment rate since the first publication of this study (from 9.7% in 2010 to 6.5% in 2019), only 239 million (46.5%) of the EU's 513 million citizens are in the labour force¹; this figure has risen only 0.8% since 2011.

Economic growth remains European workers' best hope against tax increases in the near term.

¹Estimates of EU population (2018) from Eurostat and labour force (2016) from CIA World Factbook.

Definitions and Methodology

The following terms are used in this study:

Real Gross Salary represents the total cost of employing an individual, including social security contributions made on top of an employee's salary.

Real Net Salary is the "bottom line" figure: How much cash a worker has left over to spend that will not be paid to the state. (Other additional taxes – such as those on petrol, airline tickets and alcohol – are not considered in this study.)

An individual's **Real Tax Rate** is:

$$\frac{\text{Social Security Contributions} + \text{Income Tax} + \text{VAT}}{\text{Real Gross Salary}}$$

This percentage of 365 (days) determines the **Tax Liberation Day**, the calendar date on which an employee (beginning work, in theory, on January 1st), would earn enough to pay his annual tax burden.

2019 Tax Liberation Day Calendar

APRIL	8	Cyprus
	17	Malta
	26	Ireland
MAY	8	United Kingdom
	24	Bulgaria
	27	Estonia
JUNE	1	Denmark
	2	Luxembourg
	8	Spain
	10	Portugal
	11	Slovenia
	11	Croatia
	14	Finland
	15	Poland
	18	Latvia
	18	Netherlands
	19	Romania
	20	Lithuania
	21	Slovakia
	22	Czech Republic
	22	Sweden
JULY	2	Hungary
	5	Germany
	8	Italy
	10	Greece
	15	Belgium
	19	Austria
	19	France

Data Summary

Country	Real Gross Salary ²	Employer Social Security	Gross Salary ³	Income Tax	Employee Social Security	Take-home Pay (Net Income)	VAT Rate	Estimated VAT	Real Net Salary	Real Tax Rate	Tax Liberation Day 2019
Austria	59,931	13,954	45,977	8,621	8,331	29,025	20.0%	1,887	27,138	54.72%	19-Jul
Belgium	58,373	11,049	47,324	12,122	6,154	29,048	21.0%	1,983	27,065	53.63%	15-Jul
Bulgaria⁴	7,550	1,238	6,311	544	870	4,898	20.0%	318	4,579	39.35%	24-May
Croatia⁵	15,192	2,152	13,040	1,212	2,608	9,220	25.0%	749	8,471	44.24%	11-Jun
Cyprus⁶	25,872	3,180	22,692	252	2,199	20,241	19.0%	1,250	18,991	26.60%	8-Apr
Czech Republic	18,507	4,696	13,811	1,810	1,519	10,482	21.0%	715	9,766	47.23%	22-Jun
Denmark	55,695	304	55,391	19,806	152	35,432	25.0%	2,879	32,553	41.55%	1-Jun
Estonia[†]	19,697	4,887	14,810	1,655	533	12,621	20.0%	820	11,801	40.09%	27-May
Finland	53,241	9,255	43,986	8,008	4,306	31,672	24.0%	2,470	29,201	45.15%	14-Jun
France	55,158	16,576	38,582	2,715	9,161	26,706	20.0%	1,736	24,970	54.73%	19-Jul
Germany	59,031	9,581	49,450	8,405	10,150	30,895	19.0%	1,908	28,987	50.89%	5-Jul
Greece	26,120	5,234	20,886	3,982	3,342	13,563	24.0%	1,058	12,505	52.13%	10-Jul
Hungary[†]	13,627	2,365	11,262	1,689	2,083	7,489	27.0%	657	6,832	49.86%	2-Jul
Ireland	40,339	3,981	36,358	5,142	1,454	29,762	23.0%	2,225	27,537	31.74%	26-Apr
Italy	40,046	9,208	30,838	7,029	2,927	20,882	22.0%	1,493	19,389	51.58%	8-Jul
Latvia[†]	13,686	2,781	10,905	1,797	1,200	7,908	21.0%	540	7,368	46.16%	18-Jun
Lithuania^{†7}	13,493	3,317	10,176	1,526	916	7,733	21.0%	528	7,206	46.60%	20-Jun
Luxembourg	67,355	8,791	58,565	9,858	7,204	41,502	17.0%	2,293	39,209	41.79%	2-Jun
Malta⁸	19,762	1,797	17,966	1,330	1,797	14,839	18.0%	868	13,971	29.30%	17-Apr
Netherlands	60,815	9,907	50,909	8,808	6,999	35,102	21.0%	2,396	32,706	46.22%	18-Jun
Poland	13,935	2,381	11,554	836	2,481	8,236	23.0%	616	7,621	45.31%	15-Jun
Portugal	22,266	4,273	17,993	2,517	1,979	13,497	23.0%	1,009	12,488	43.92%	10-Jun
Romania^{†9}	8,583	189	8,394	546	2,938	4,910	19.0%	303	4,607	46.32%	19-Jun
Slovakia	15,448	4,022	11,426	1,132	1,531	8,762	20.0%	570	8,193	46.96%	21-Jun
Slovenia	21,947	3,044	18,904	1,544	4,178	13,182	22.0%	943	12,239	44.23%	11-Jun
Spain	34,469	7,934	26,535	3,877	1,685	20,973	21.0%	1,431	19,541	43.31%	8-Jun
Sweden	54,919	13,130	41,789	10,295	0	31,494	25.0%	2,559	28,935	47.31%	22-Jun
United Kingdom	48,228	4,799	43,429	5,844	4,027	33,558	20.0%	2,181	31,377	34.94%	8-May

All figures in euros. Flat tax countries are marked with a dagger (†).

² Total cost of employment, social security, income tax and net income calculated by EY. Other calculations by Institut Économique Molinari.

³ Unless otherwise noted, Average Gross Salary figures are from OECD's *Taxing Wages* or Eurostat's *Annual gross earnings in industry and services*.

⁴ Average Gross Salary figure for Bulgaria from the national statistics office: <http://www.nsi.bg>

⁵ Average Gross Salary figure for Croatia from the national statistics office: <http://www.dzs.hr>

⁶ Average Gross Salary figure for Cyprus from the national statistics office: www.mof.gov.cy

⁷ Average Gross salary for Lithuania from the national statistics office: <http://osp.stat.gov.lt>

⁸ Average Gross salary for Malta from the national statistics office: <http://nso.gov.mt>

⁹ Average Gross salary for Romania from the national statistics office: <http://insse.ro>

Research Notes

Gross Salary

When available, salary figures come from the OECD's *Taxing Wages* and from Eurostat's *Average gross annual earnings in industry and services*. Others are sourced from government statistics offices (see footnotes on page 9).

In euros, gross salaries ranged from 6,311€ (Bulgaria) to 58,565€ (Luxembourg). The average gross salary among the 28 states was 27,831€.

Employer Contributions to Social Security

These taxes – which are invisible to many employees, who see only deductions from their gross salaries on their pay slips – vary to a great degree. For typical workers, these costs range from less than 1% of gross salary (Denmark) to 43% (France).

Individual Contributions to Social Security

Visible on employees' payslips, the lower and upper reaches of these deductions are set, respectively, by Sweden and Denmark (less than 1 %) and Romania (35%).

Total Contributions to Social Security

France (67%) is the only country taking more than half of a typical worker's gross salary for social security contributions. Slovakia (49%) and its neighbour Austria (48%) collect the next-largest shares.

As a group, flat tax countries collected 37.5% of average gross salaries as social security contributions, 3.2% more than in progressive systems.

Personal Income Taxes

In Denmark, where combined social security contributions remain the lowest (as a percentage), personal income taxes are the highest (35.8%). At 1.1% of gross salary, typical workers in Cyprus have the lowest income tax rates in the EU.

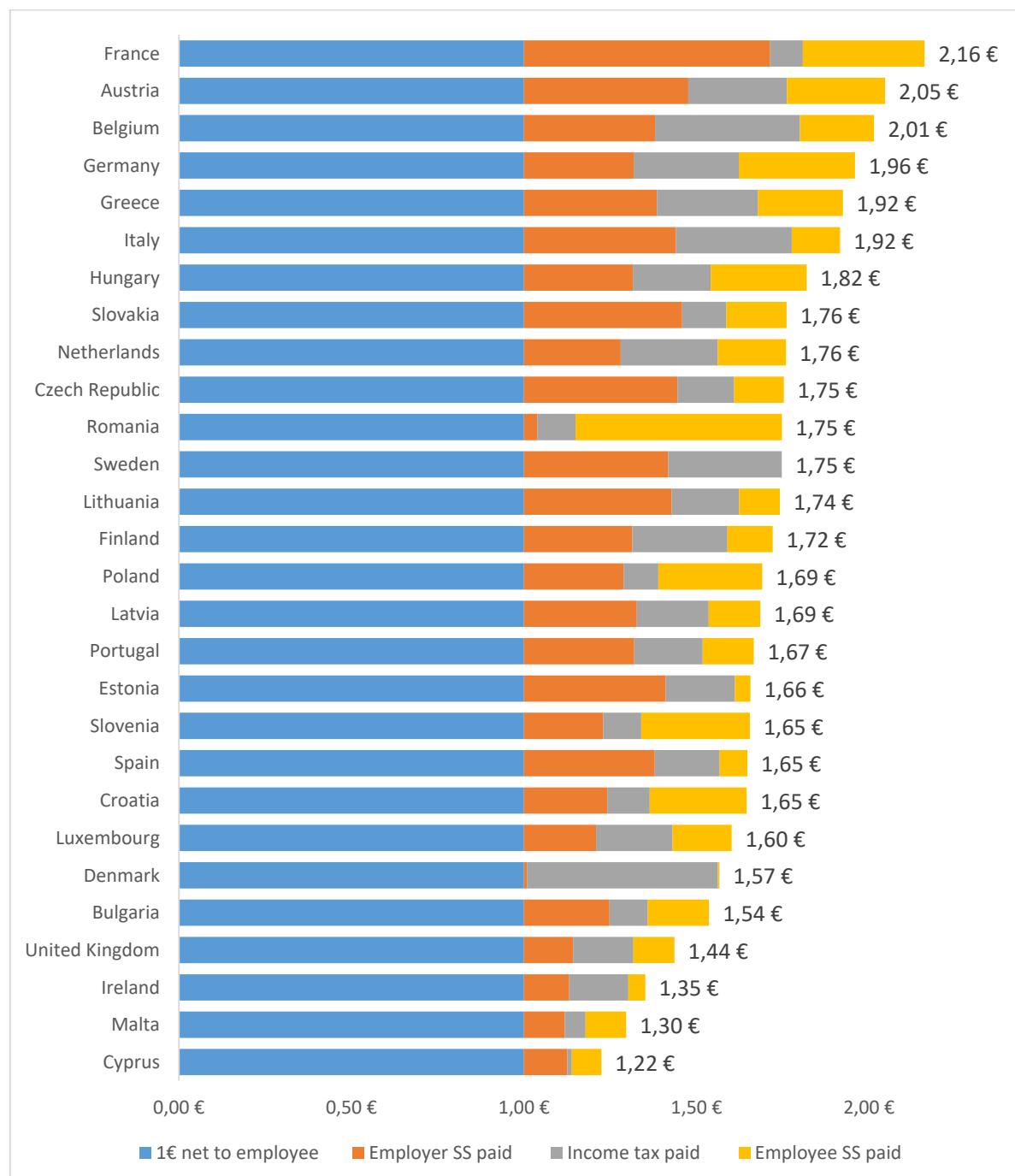
Estimated Value-Added Tax (VAT)

20 of the 28 EU member states have increased VAT rates since 2009, with the largest hikes implemented in Hungary (from 20% to 27%), the United Kingdom (from 15% to 20%), Spain (from 16% to 21%), Greece (from 19% to 24%), and Romania (from 19% to 24%, then back to 19%). The eight countries without VAT increases since 2009 are: Austria, Belgium, Bulgaria, Denmark, Germany, Latvia, Malta, and Sweden.

To determine estimated VAT we assume, conservatively, that only 32.5% of a worker's net income will be subject to VAT. *Estimated Rent* is assumed to be 35% of the employee's net (take-home) income. After subtracting rent, remaining net income is divided in half to estimate the sum left over that will be subject to VAT when spent.

Appendix 1: Cost to employer of €1 net to employee

The chart below shows what employers must spend to pay 1€ net to an employee. The figures do not include VAT.



Appendix 2: Rankings by total cost of employment, total tax burden and real net salary¹⁰

Rank	TOTAL EMPLOYMENT COST	TOTAL TAX BURDEN	REAL NET SALARY
1	Luxembourg 67,355	Austria 32,792	Luxembourg 39,209
2	Netherlands 60,815	Belgium 31,308	Netherlands 32,706
3	Austria 59,931	France 30,188	Denmark 32,553
4	Germany 59,031	Germany 30,044	United Kingdom 31,377
5	Belgium 58,373	Luxembourg 28,146	Finland 29,201
6	Denmark 55,695	Netherlands 28,109	Germany 28,987
7	France 55,158	Sweden 25,984	Sweden 28,935
8	Sweden 54,919	Finland 24,039	Ireland 27,537
9	Finland 53,241	Denmark 23,142	Austria 27,138
10	United Kingdom 48,228	Italy 20,657	Belgium 27,065
11	Ireland 40,339	United Kingdom 16,851	France 24,970
12	Italy 40,046	Spain 14,927	Spain 19,541
13	Spain 34,469	Greece 13,615	Italy 19,389
14	Greece 26,120	Ireland 12,802	Cyprus 18,991
15	Cyprus 25,872	Portugal 9,779	Malta 13,971
16	Portugal 22,266	Slovenia 9,708	Greece 12,505
17	Slovenia 21,947	Czech Republic 8,740	Portugal 12,488
18	Malta 19,762	Estonia 7,896	Slovenia 12,239
19	Estonia 19,697	Slovakia 7,255	Estonia 11,801
20	Czech Republic 18,507	Cyprus 6,881	Czech Republic 9,766
21	Slovakia 15,448	Hungary 6,795	Croatia 8,471
22	Croatia 15,192	Croatia 6,721	Slovakia 8,193
23	Poland 13,935	Latvia 6,317	Poland 7,621
24	Latvia 13,686	Poland 6,315	Latvia 7,368
25	Hungary 13,627	Lithuania 6,287	Lithuania 7,206
26	Lithuania 13,493	Malta 5,791	Hungary 6,832
27	Romania 8,583	Romania 3,975	Romania 4,607
28	Bulgaria 7,550	Bulgaria 2,971	Bulgaria 4,579

¹⁰ All figures in Euros (€). Total tax burden and real net salary figures include social charges, income taxes and estimated VAT.

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