

# Taxing Wages – Greece

## Tax burdens on labour income

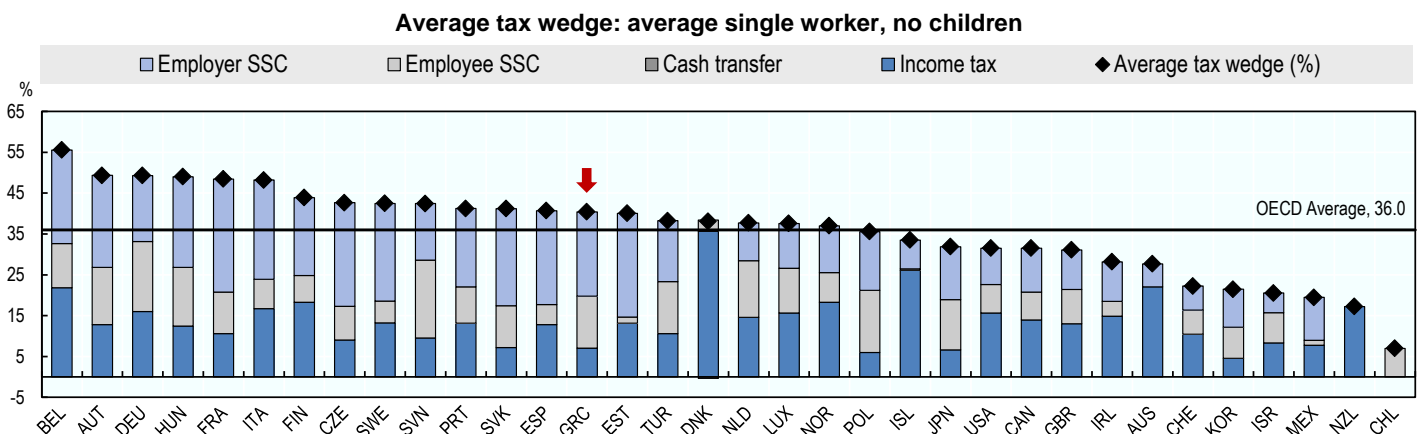
The tax burden on labour income is expressed by the **tax wedge**, which is a measure of the net tax burden on labour income borne by the employee and the employer.

**TAX WEDGE ON LABOUR INCOME**

$$\frac{(\text{Personal income tax} + \text{employee and employer social security contributions (SSCs)}) - \text{Family Benefits}}{\text{Total labour costs (gross wages} + \text{employer SSCs)}}$$

### Single worker

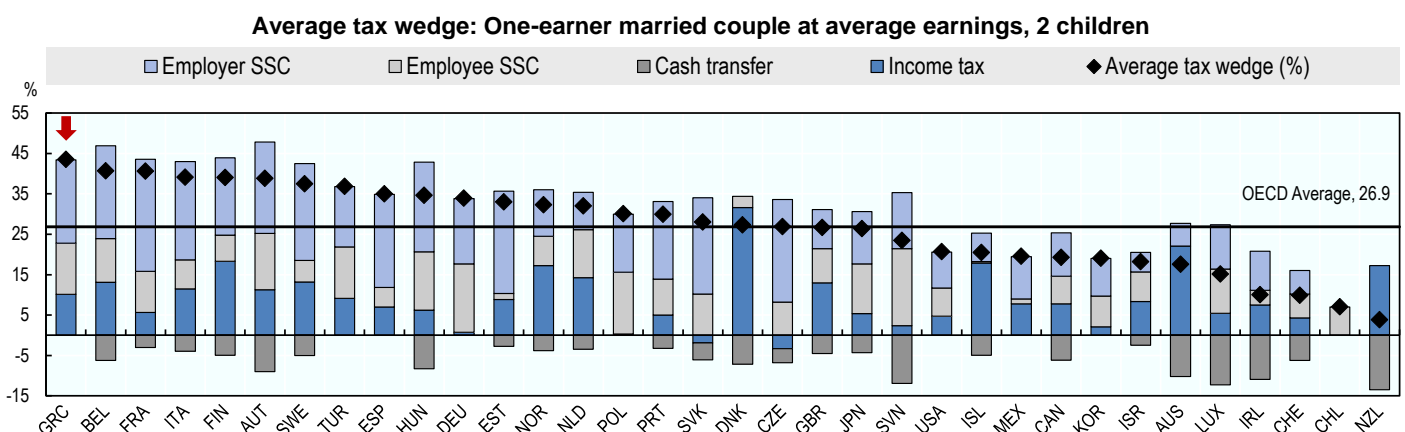
- Greece is ranked 14<sup>th</sup> among the 34 OECD member countries in decreasing order with a tax wedge for an average single worker at 40.4% in 2014, compared with the OECD average of 36.0%.
- In Greece, employee and employer social security contributions combine to account for 83% of the total tax wedge compared with 63% of the total OECD average tax wedge.



### One-earner married couple with two children

The tax wedge for a worker with children may differ from the tax wedge of a worker on the same income without children, since many OECD countries provide benefits to families with children through cash transfers and preferential tax provisions.

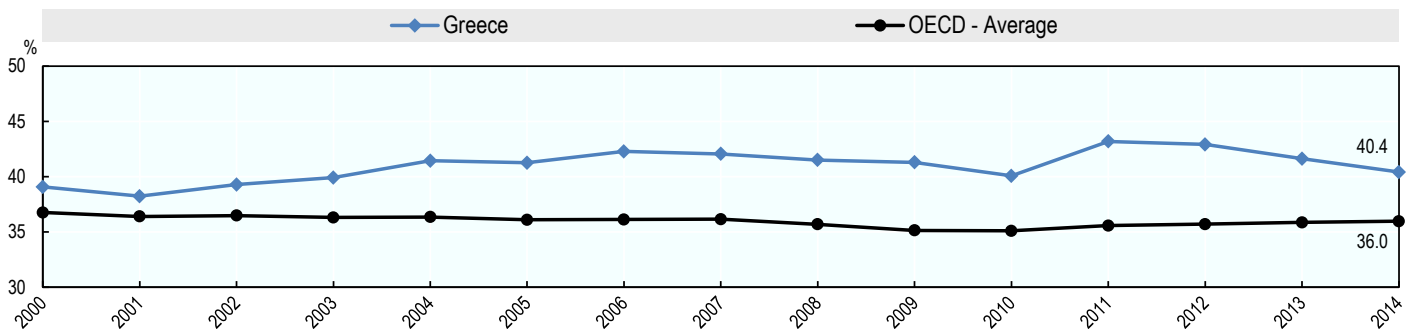
- Greece had the highest tax wedge in the OECD for an average married worker with two children at 43.4%. The OECD average was 26.9%.
- Child related benefits and tax provisions meant that in 2014 the OECD average tax wedge for married workers with two children was 9.1 percentage points less than for the average single worker. In contrast, Greece is the only OECD country where the tax wedge of a family with children is higher (3 percentage points) after cash transfers and tax provisions are taken into account.



### Tax burden trends between 2000 and 2014

- In Greece, the tax wedge for the average single worker increased by 1.3 percentage points from 39.1% to 40.4% between 2000 and 2014. During the same period, the average tax wedge across the OECD decreased by 0.7 percentage points from 36.7% to 36.0%.
- In Greece, there has been considerable volatility in the tax wedge for the average single worker since 2010. Most notably, there was an increase of 3.1 percentage points between 2010 and 2011 and there has been a subsequent decrease of 2.8 percentage points since 2011.

Average tax wedge over time for a single worker



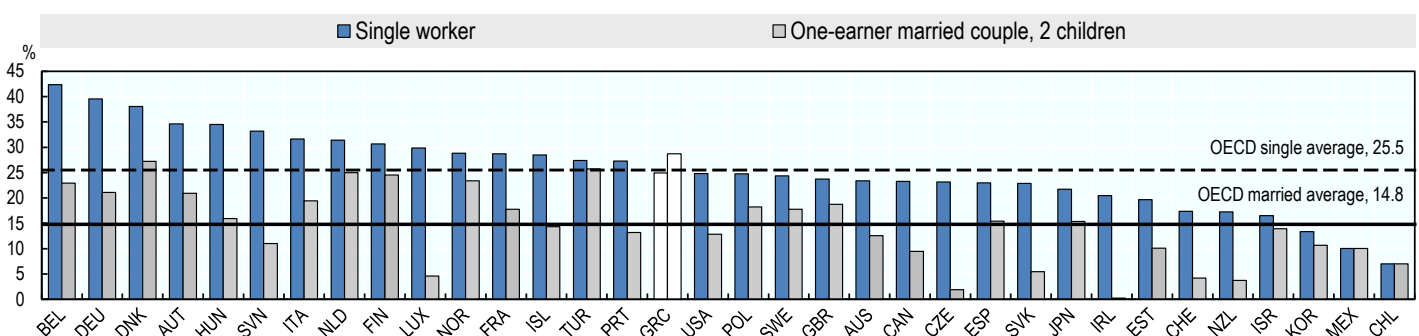
### Employee tax burdens on labour income

The employee net tax burden is a measure of the net tax burden on labour income borne directly by the employee.

$$\text{EMPLOYEE NET TAX BURDEN} = \frac{(\text{Employee personal income tax and employee social security contributions}) - \text{Family Benefits}}{\text{Gross wages}}$$

- In Greece, the average single worker faced a net tax burden of 24.9% in 2014 compared with the OECD average of 25.5%. In other words, in Greece the take-home pay of an average single worker, after tax and benefits, was 75.1% of their gross wage.
- Taking into account child related benefits and tax provisions, the employee net tax burden for an average married worker with two children in Greece was increased to 28.7% in 2014 (due to payments of taxable family benefits), which is the highest in the OECD. In contrast, there was a reduction to 14.8% for the OECD average. This means that an average married worker with two children in Greece had a take-home pay, after tax and family benefits, of 71.3% of their gross income compared to 85.2% for the OECD average.

Average employee net tax burden



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