



International Comparisons 2022

This report considers how UK households are taxed compared with their counterparts in other developed countries.

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1. This report considers how UK households are taxed compared with their counterparts in other developed countries. It compares the UK with the OECD as a whole and with three other individual members (France, Germany and the US).
2. We focus on personal taxes paid by different household types, aiming to establish how the tax burden is shared. We limit our comparisons to direct taxation; we do not take account of VAT or any indirect tax. It is beyond the scope of this report to consider overall levels of tax in relation to GDP.
3. We use statistics published by the OECD in *Taxing Wages 2023*¹ relating to income taxes, social security contributions (SSCs) and cash benefits of various households in the 38 OECD member countries. The 2023 edition of *Taxing Wages* shows estimates for 2022 and definitive results for 2021. Since the UK tax year starts in April, the calculations for the UK are ‘forward-looking’: the tax rates reported for 2022 are those for the tax year 2022-23.
4. Our main conclusion is that the UK is an outlier in respect of its unfavourable tax treatment of one-earner families compared with single people without children. This anomaly is explored in more detail in Don Draper’s analysis of the taxation of UK families.²

UK compared with the OECD as a whole

5. Using tables in Part I of *Taxing Wages 2023*³, we compare UK personal tax rates with unweighted average rates for the OECD as a whole. We do so for four households (three with one earner, one with two earners) at various percentages of the OECD average wage. The OECD estimate of the average wage in the UK in 2022 is £44,300.⁴
6. We look at
 - the overall tax rate (including employer SSCs) – the ‘tax wedge’
 - the overall tax rate (excluding employer SSCs)
 - the income tax rate
 - the effective marginal tax rate.

Overall tax burden (including employer SSCs) – the ‘tax wedge’

7. Table 1 compares overall UK tax rates (including employer SSCs) with those for the OECD as a whole. Taxes (income tax plus employee and employer SSCs) less cash benefits are expressed as a percentage of labour costs, defined as gross wage earnings plus employer SSCs. By showing the difference between the labour cost of employing a worker and that worker’s disposable income, this ‘tax wedge’ indicates the impact of tax on employment.

¹ *Taxing Wages 2023*, OECD, Paris

² <https://www.taxandthefamily.org/news/2023/10/27/taxation-of-families-report>

³ *Taxing Wages 2023*, Part 1 chapter 3, Tables 3.1, 3.3, 3.4 and 3.7

⁴ *Taxing Wages 2023*, Part 2 United Kingdom

Table 1 – Overall tax rates (including employer SSCs) 2022

household type	single no children	single two children	married two children	married two children
gross earnings as % of OECD average wage	100	67	100	100 + 67
United Kingdom	31.5	17.7	27.2	27.3
OECD average	34.6	16.6	25.6	29.4
difference	-3.1	1.1	1.6	-2.1
difference as % of OECD average	-9%	7%	6%	-7%

8. For a single person with two children at 100% of average wage, the tax wedge is 31.5% in the UK, 9% less than the OECD average. For a two-earner married couple with two children at 100% + 67% of average wage, it is 27.3%, 7% less than the OECD average. But for the one-earner households with children, the UK tax wedge is greater than the OECD average: 7% greater for the single person family, 6% greater for the married couple with two children.

Overall tax burden (excluding employer SSCs)

9. Table 2 compares overall UK tax rates (excluding employer SSCs) with those for the OECD as a whole. Taxes (income tax plus employee SSCs) less cash benefits are expressed as a percentage of gross wage earnings.

Table 2 – Overall tax rates (excluding employer SSCs) 2022

household type	single no children	single two children	married two children	married two children
gross earnings as % of OECD average wage	100	67	100	100 + 67
United Kingdom	23.6	9.4	18.8	19.3
OECD average	24.6	3.8	14.1	18.5
difference	-1.0	5.6	4.7	0.8
difference as % of OECD average	-4%	147%	33%	4%

10. The UK tax burden on one-earner families is much greater than for the OECD as a whole: 147% greater for a single person with two children at 67% of average wage, 33% greater for a married couple with two children at 100% of average wage. By contrast, the burden on single people without family responsibilities is 4% less than the OECD average at 100% of average wage.
11. Comparing Table 2 with Table 1, it is apparent that one-earner families in the UK are at a much greater relative disadvantage when employer SSCs are excluded. Employer SSCs are generally applied at a flat rate regardless of household type, and their exclusion serves to highlight the disproportionately large burden on one-earner UK families arising from income tax.

Income tax burden

12. Table 3 compares UK income tax rates with those for the OECD as a whole.

Table 3 – Income tax rates 2022

household type	single no children	single two children	married two children	married two children
gross earnings as % of OECD average wage	100	67	100	100 + 67
United Kingdom	14.3	11.5	13.8	13.2
OECD average	15.0	6.0	10.1	11.7
difference	-0.7	5.5	3.7	1.5
difference as % of OECD average	-5%	92%	37%	13%

13. The UK income tax burden on one-earner families is much greater than the OECD average. On the two-earner family it is only slightly greater. The burden on single people without children is 5% less than the OECD average.

Marginal rates

14. Table 4 compares UK marginal rates for overall tax (excluding employer SSCs) with those of the OECD as a whole.

Table 4 – Effective marginal tax rates 2022

household type	single no children	single two children	married two children	married two children
gross earnings as % of OECD average wage	100	67	100	100 + 67
United Kingdom	32.7	69.7	32.7	32.7
OECD average	35.3	36.6	33.8	34.6
difference	-2.6	33.1	-1.1	-1.9
difference as % of OECD average	-7%	90%	-3%	-5%

15. UK marginal rates are in line with the OECD average for three of the four households, but 90% higher for the single person with two children at 67% of average wage. *Taxing Wages* does not show an OECD average for a married couple with two children at 67% of average wage, but there is data for individual countries for this household at this income point.⁵ The rate for the UK married couple with two children is 69.7%, the same as the rate for the single person with two children.
16. The UK figures do not take account of the universal credit housing element or the High Income Child Benefit Charge. For many UK families, both single parents and married couples, the effective marginal rate is 69% or higher on incomes above 100% of the OECD average wage.

⁵ *Taxing Wages 2023*, Part II chapter 4, StatLink tables

UK compared with France, Germany and the US

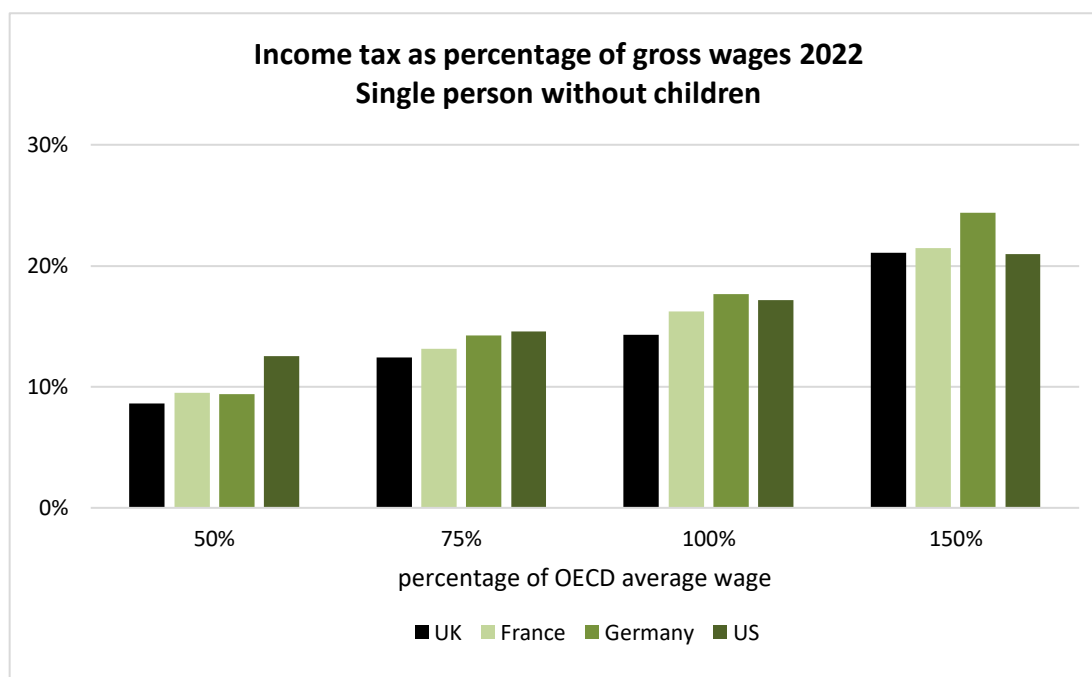
17. We use OECD data for 2022 (UK tax year 2022-23) to compare UK tax rates with those of France, Germany and the US for three one-earner household types:
- singles without children
 - singles with two children
 - one-earner married couples with two children.
18. *Taxing Wages* includes StatLinks to data for individual countries for a wide range of income points. We consider tax rates at 50%, 75%, 100% and 150% of the OECD average wage. The 75% income point for the UK is approximately equal to the median wage⁶. Unlike the mean, the median is not influenced by differentials in the upper part of the wage distribution.

Income tax burden

19. Table 5 and the accompanying chart compare income tax rates for a single person without children. At all four income points, the income tax burden is least in the UK.

Table 5 – Income tax rate for single person without children 2022

	percentage of OECD average wage			
	50%	75%	100%	150%
UK	8.7%	12.4%	14.3%	21.1%
France	9.5%	13.1%	16.2%	21.5%
Germany	9.4%	14.3%	17.7%	24.4%
US	12.5%	14.6%	17.2%	21.0%

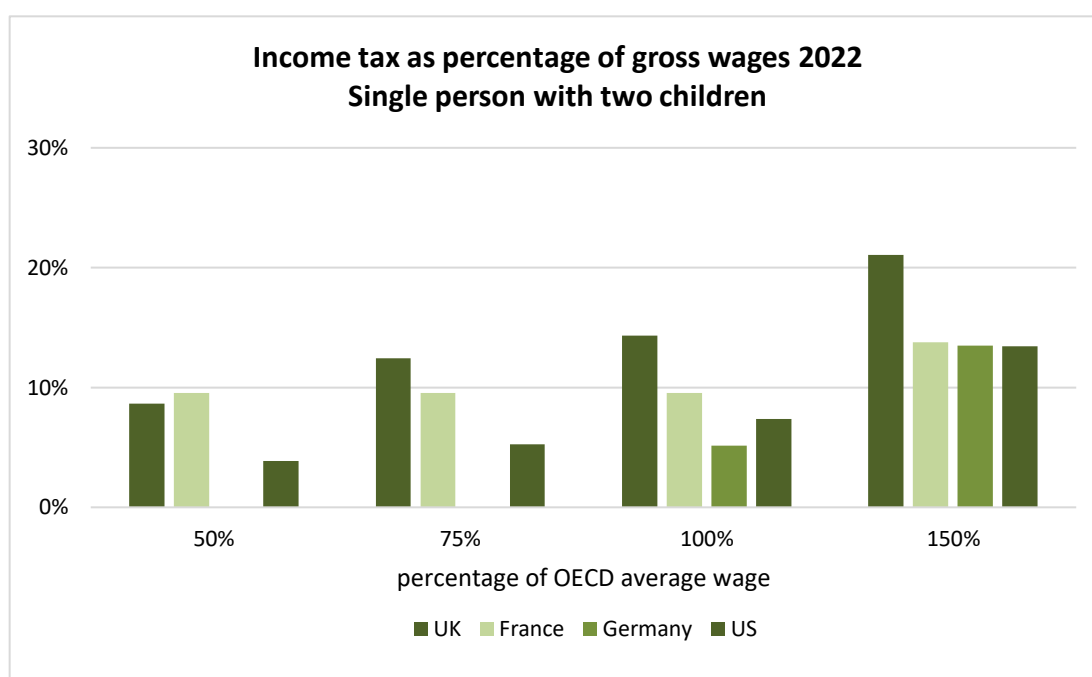


⁶ Annual Survey of Hours and Earnings, Table 1.7a – Median gross earnings of full-time employees in the UK in 2022 were £33,000

20. Table 6 and the accompanying chart compare income tax rates for a single person with two children. With only one exception (France at the 50% income point), the income tax burden is greatest in the UK.

Table 6 – Income tax rate for single person with two children 2022

	percentage of OECD average wage			
	50%	75%	100%	150%
UK	8.7%	12.4%	14.3%	21.1%
France	9.5%	9.5%	9.5%	13.8%
Germany	0.0%	0.0%	5.1%	13.5%
US	3.9%	5.2%	7.4%	13.4%



21. Table 7 and the accompanying chart compare income tax rates for a married couple with two children. As with the single parent family, the tax burden is greatest in the UK with only one exception (France at the 50% income point).

Table 7 – Income tax rate for married couple with two children 2022

	percentage of OECD average wage			
	50%	75%	100%	150%
UK	7.5%	11.7%	13.8%	21.1%
France	9.5%	9.5%	9.5%	10.9%
Germany	0.0%	0.0%	0.0%	9.0%
US	3.0%	4.6%	5.7%	10.0%



22. At the OECD average wage, a UK one-earner married couple with two children pays 44% more than the French family and 143% more than the US family. The German family pays no income tax at all. The high rates faced by French families at the lower income points are due to flat rate 'contributions' which are treated as income tax in the *Taxing Wages* statistics. Most of the income tax paid by the US family at the average wage is in the form of state and local taxes; federal income tax is negligible at this income point.⁷
23. It is unfortunate that OECD data on two-earner families is limited, because most households with children have two incomes. Table 3.4 in *Taxing Wages* shows that the UK income tax burden is greater than the figures for France, Germany and the US at a combined income of 167% (100% + 67%) of average wage: 13.2% compared with 11.9%, 9.7% and 10.9% respectively.

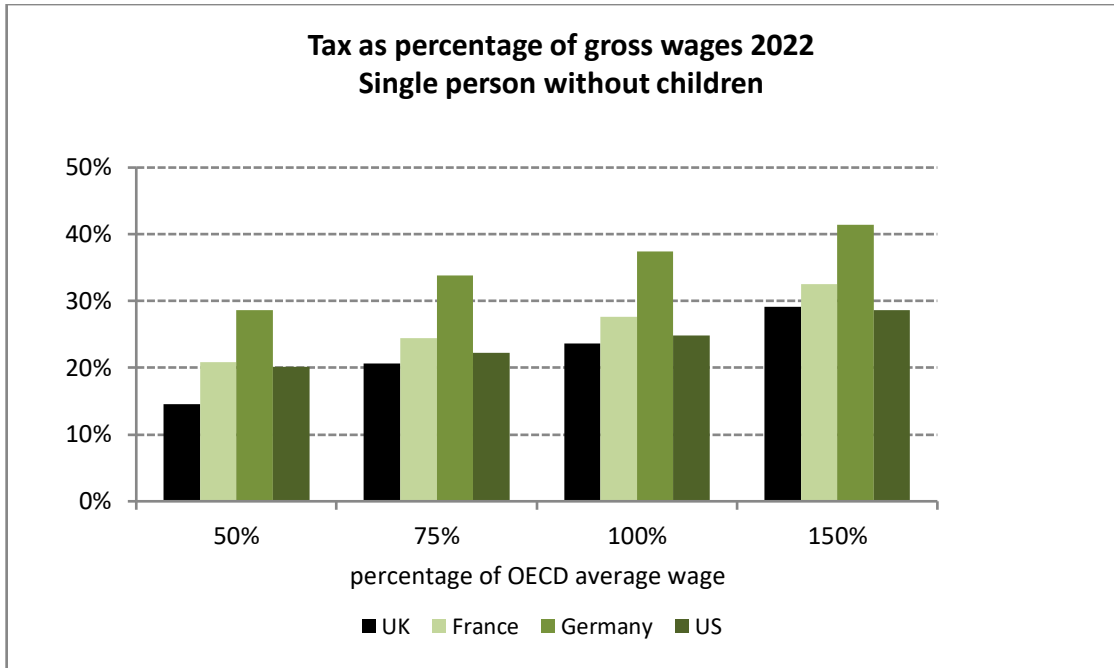
Overall tax burden (excluding employer SSCs)

24. Table 8 and the accompanying chart compare the overall tax rates (excluding employer SSCs) on a single person without children. With only one exception (the US at the 150% income point), the overall tax burden is least in the UK.

Table 8 – Overall tax rate for single person without children 2022

	percentage of OECD average wage			
	50%	75%	100%	150%
UK	14.5%	20.6%	23.6%	29.1%
France	20.9%	24.4%	27.7%	32.5%
Germany	28.6%	33.9%	37.4%	41.4%
US	20.2%	22.2%	24.8%	28.6%

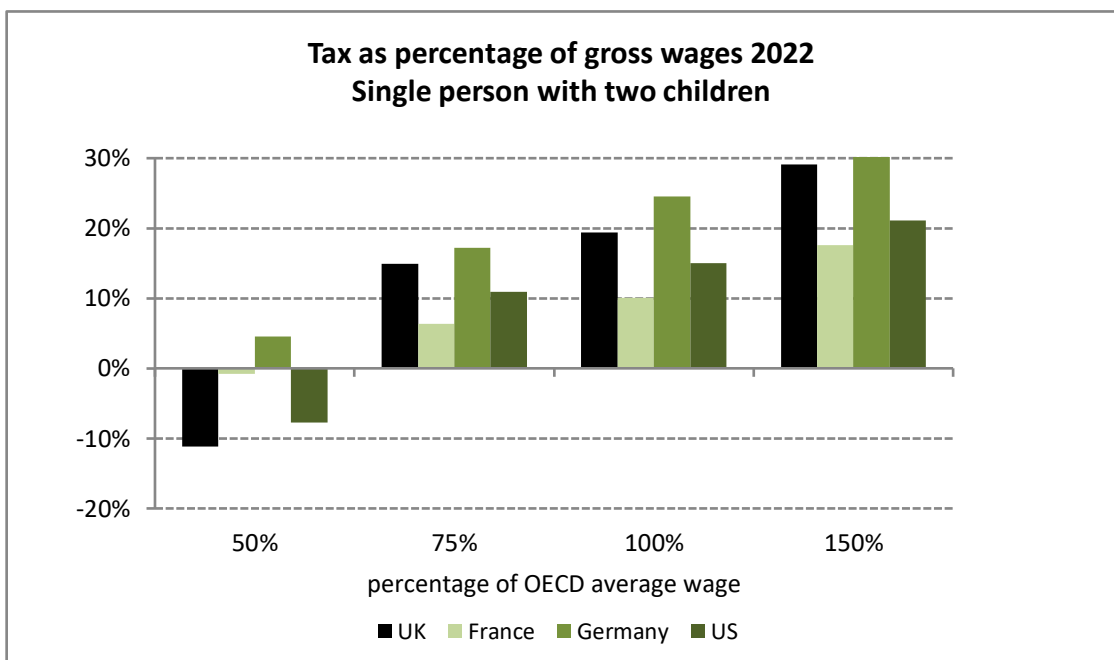
⁷ *Taxing Wages 2023*, Part II Country Details for the United States – In Detroit, Michigan, a one-earner married couple with two children at the OECD average wage (\$64,889) pays federal income tax of \$268 (0.4% of gross earnings) and state and local income taxes of \$3,408 (5.3% of gross earnings)



25. Table 9 and the accompanying chart compare overall tax rates (excluding employer SSCs) on a single person with two children. At 50% of average wage, cash benefits exceed income tax and employee SSCs in the UK, France and the US. At and above 75% of average wage, the UK tax burden exceeds that of households in France and the US but is less than in Germany.

Table 9 – Overall tax rate for single person with two children 2022

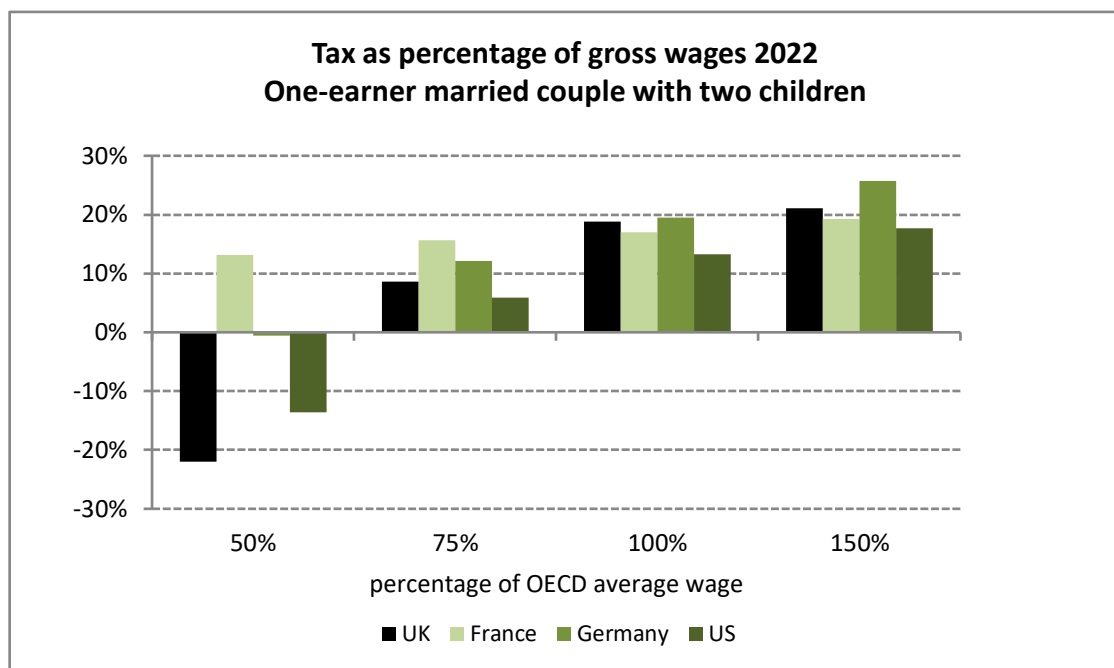
	percentage of OECD average wage			
	50%	75%	100%	150%
UK	-11.2%	14.9%	19.4%	29.1%
France	-0.8%	6.4%	10.1%	17.6%
Germany	4.6%	17.3%	24.6%	30.3%
US	-7.8%	11.0%	15.0%	21.1%



26. Table 10 and the accompanying chart compare overall tax rates (excluding employer SSCs) on a married couple with two children with those in France, Germany and the US. At 50% of average wage, one-earner married couples with two children fare comparatively well in the UK. This results from the relative generosity of UK tax credits.

Table 10 – Overall tax rate for one-earner married couple with two children 2022

	percentage of OECD average wage			
	50%	75%	100%	150%
UK	-22.0%	8.6%	18.8%	21.1%
France	13.1%	15.6%	17.0%	19.3%
Germany	-0.6%	12.2%	19.5%	25.8%
US	-13.6%	5.8%	13.3%	17.6%



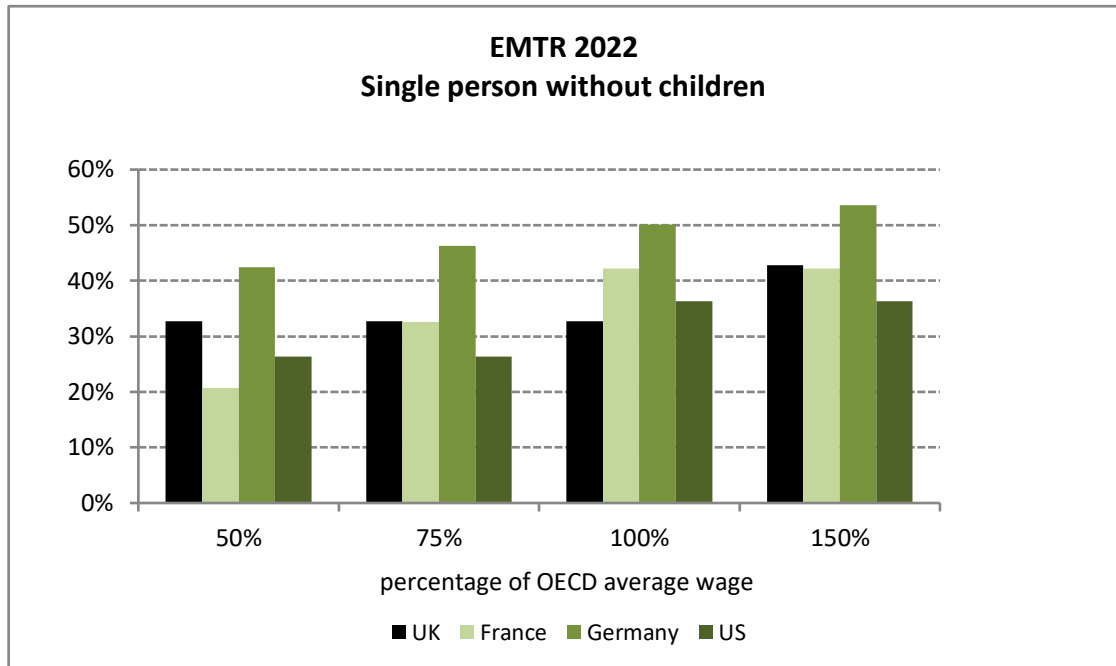
27. At low levels of income, the difference between the tax rate of one-earner families and that of single people without children is significantly greater in the UK than in France, Germany and the US. However, at higher incomes the gap between one-earner families and single people is narrower in the UK.

Effective Marginal Tax Rates

28. The marginal tax rate, which shows how much of an extra unit of income is retained, is an important influence on whether people work, whether they increase working hours, and whether they look for a better-paid job. The Effective Marginal Tax Rate (EMTR) that we consider takes account of income tax and employee SSCs payable and cash benefits foregone.
29. Table 11 and the accompanying chart compare EMTRs for a single person without children. The UK EMTR is lower than the German rate at all four income points, but higher than the rates for France and the US at 50%, 75% and 150% of OECD average wage.

Table 11 – EMTR for single person without children 2022

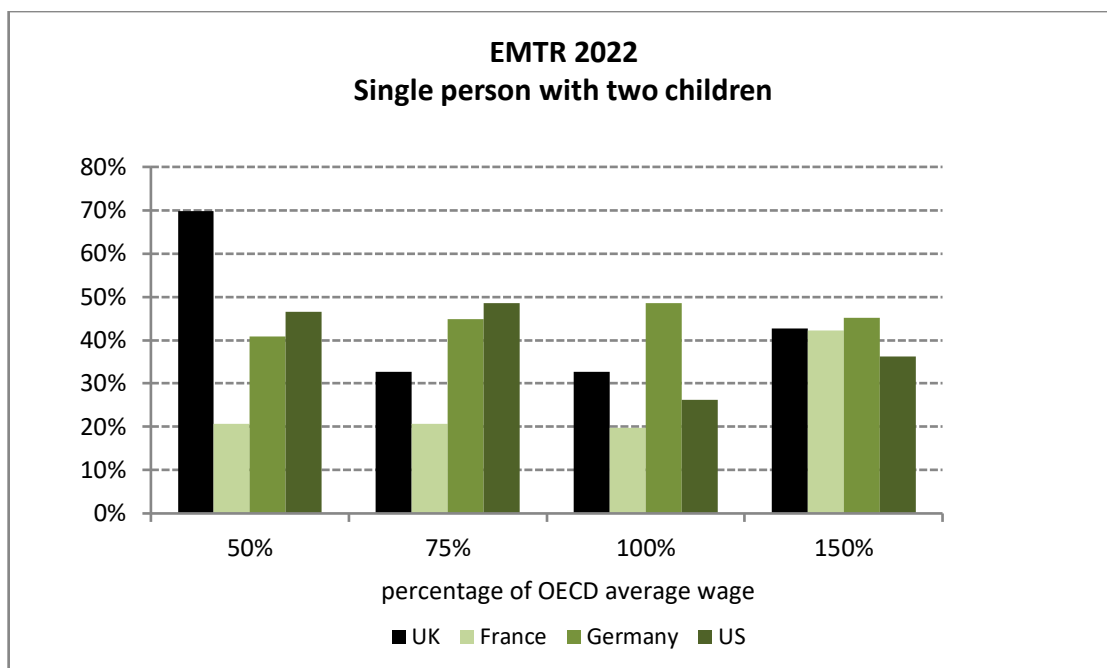
	percentage of OECD average wage			
	50%	75%	100%	150%
UK	32.7%	32.7%	32.7%	42.7%
France	20.7%	32.6%	42.2%	42.2%
Germany	42.5%	46.3%	50.1%	53.6%
US	26.3%	26.3%	36.3%	36.3%



30. Table 12 and the accompanying chart compare EMTRs for a single person with two children. The UK EMTR of 69.7% is by far the highest at the 50% income point.

Table 12 – EMTR for single person with two children 2022

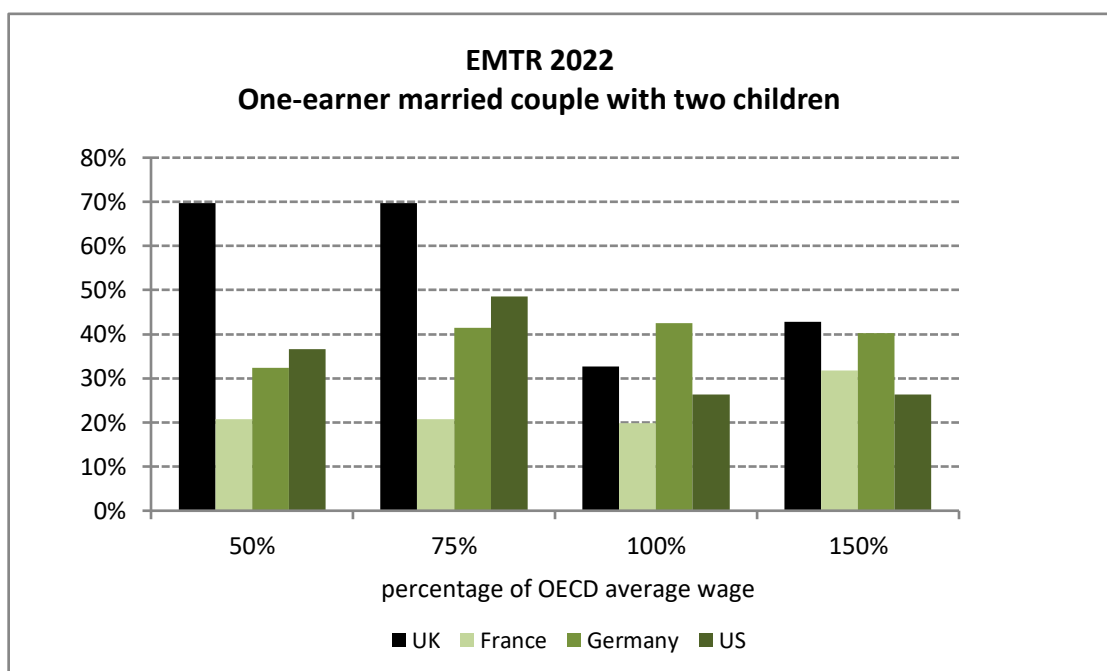
	percentage of OECD average wage			
	50%	75%	100%	150%
UK	69.7%	32.7%	32.7%	42.7%
France	20.7%	20.7%	19.8%	42.2%
Germany	40.9%	44.9%	48.5%	45.2%
US	46.6%	48.6%	26.3%	36.3%



31. Table 13 and the accompanying chart compare EMTRs for a one-earner married couple with two children. The UK EMTR is by far the highest at 50% and 75% of the OECD average wage.

Table 13 – EMTR for one-earner married couple with two children 2022

	percentage of OECD average wage			
	50%	75%	100%	150%
UK	69.7%	69.7%	32.7%	42.7%
France	20.7%	20.7%	19.8%	31.7%
Germany	32.3%	41.4%	42.5%	40.3%
US	36.6%	48.6%	26.3%	26.3%



Conclusion

32. These comparisons show that although personal tax burdens are not generally greater in the UK than in other developed countries, the UK's treatment of one-earner families compared with single people without families is clearly unfavourable by international standards. This is because UK income tax is based on the individual and takes little account of family responsibilities.
33. In the UK, universal credit and tax credits compensate many low income families for the heavy income tax burden, but their overall tax rates (which take account of cash benefits) are still greater than those of many other developed countries.
34. The withdrawal of benefits as incomes rise results in relatively high marginal tax rates. The UK is the only OECD country with high EMTRs for families across a wide range of modest incomes.

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