



## Global Tax Rates

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Tax day in the U.S. has come and gone, along with the usual complaints about the complexity and financial burden that federal and state taxes (and FICA) impose on our lives. But have you ever wondered how U.S. taxes compare with what citizens in other countries have to pay?

Recently, the accounting firm PricewaterhouseCooper calculated the tax burden, for the 2013 tax year, for people living in 19 of the G20 nations. (The 20th member is the European Union, which has a variety of tax regimes.) The report looked first at people who are in the upper-income levels -- a person with a salary equivalent of \$400,000, with a home mortgage of \$1.2 million. After all income tax rates and Social Security (or equivalent) contributions have been taken out, what percentage of the taxpayer's income would be left over?

The people we should have the most sympathy for live in Italy, where this person would get to keep \$202,360 of that \$400,000 income--or 50.59%. A comparable person living in India would keep 54.9%, while someone living in the United Kingdom would keep 57.28%. Here's the full list. Notice that the U.S. is about in the middle of the pack:

### **Percent of \$400,000 Kept After Taxes Paid**

19. Italy - 50.59%
18. India - 54.90%
17. United Kingdom - 57.28%
16. France - 58.10%
15. Canada - 58.13%
14. Japan - 58.68%
13. Australia - 59.30%
12. United States - 60.45%
11. Germany - 60.61%
10. South Africa - 61.78%
9. China - 62.05%
8. Argentina - 64.02%
7. Turkey - 64.64%
6. South Korea - 65.75%
5. Indonesia - 69.78%
4. Mexico - 70.60%
3. Brazil - 73.32%
2. Russia - 87%
1. Saudi Arabia - 96.86%

Before you conclude that the U.S. is below average on this list, you should know that PricewaterhouseCoopers applied New York state (13.3%) and New York city (maximum 3.9%) taxes on the American calculation. If it had used Texas or Florida state tax rates instead, the U.S. would easily have ranked somewhere in the top ten.

And this list is somewhat skewed because so many European countries are left off it, because they are lumped into the EU. It also doesn't include Canada, which imposes a 29% top federal tax rate on its citizens, and then tacks on a maximum 25.75% rate at the province level.

PricewaterhouseCoopers did include many of the EU countries when it calculated the tax burdens on people with average incomes, and here the list looks somewhat different. The accounting firm assumed that a hypothetical married couple, with two children, earned the average income in each nation, and then calculated the overall tax rate the family would have to pay.

Denmark - 34.8%

Austria - 31.9%

Belgium - 31.8%

Finland - 29.4%

Netherlands - 28.7%

Greece - 26.7%

United Kingdom - 24.9%

Germany - 21.3%

United States - 10.4%

South Korea - 10.2%

Slovak Republic - 10%

Mexico - 9.5%

Chile - 7%

Czech Republic - 5.6%

(China, Russia, South Korea, Indonesia and Brazil would assess 0% taxes on this hypothetical family)

Does this mean that the U.S. tax system is fair? Or equitable? It depends on your perspective. Tax rates in the U.S. have been as high as 94% on all income over \$200,000 (1944-45), and as low as 28% (1988-1990), with the bulk of years coming in between 40% and 70%. Meanwhile, some countries assess more taxes from corporations than from their citizens, while some have it the other way around. And some nations are evolving. At the beginning of World War II, individuals and families paid 38% of the total federal tax burden, and corporations picked up the other 62%. Today, thanks to aggressive lobbying, corporations have turned that around and then some. Individuals and families pay 82% of today's total federal income tax haul, and corporations pay 18%.

We should also remember that high taxes don't necessarily correlate with economic misery or poverty. Consistently, Belgium, which had the highest tax burden on average wage-earners (and imposes a top 50% rate on upper-income citizens) also consistently scores as one of the happiest countries in the world.