

The Tax Burden on Global Workers

A Comparative Index

Sixth Edition | October 2026



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Institut Économique Molinari | Paris-Bruxelles

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Author's Note

In response to global interest generated by *The Tax Burden of Typical Workers in the EU* (2010-2020), the scope of its 12th edition (in 2021) was expanded to include Australia, Brazil, Canada, Japan, South Africa, the United Kingdom (no longer a European Union member since Brexit), and the United States of America – and was retitled as *The Tax Burden on Global Workers*. As a group, the 34 countries studied represent 58.2% of the global economy¹.

This year, a 35th country has been added to represent Central America: Costa Rica.

This study's methodology remains unchanged from previous editions.

Abstract

How long do you work each year to pay your taxes?

The purpose of this study is to compare the taxes imposed on individual employees earning **typical** salaries in different countries around the world; and, in doing so, to determine a “Tax Liberation Day” for workers in each of these countries – measuring, in effect, how many days of each year's work are devoted to paying taxes.

Background

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

Further, many organizations calculate an annual “tax freedom day” for their countries. Unfortunately, inconsistent 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** around the world. Finally, it serves as a reference to the **true cost of hiring** employees in each country and to the **real purchasing power** of their employees.

¹ Measured by GDP, according to World Bank figures (2017).

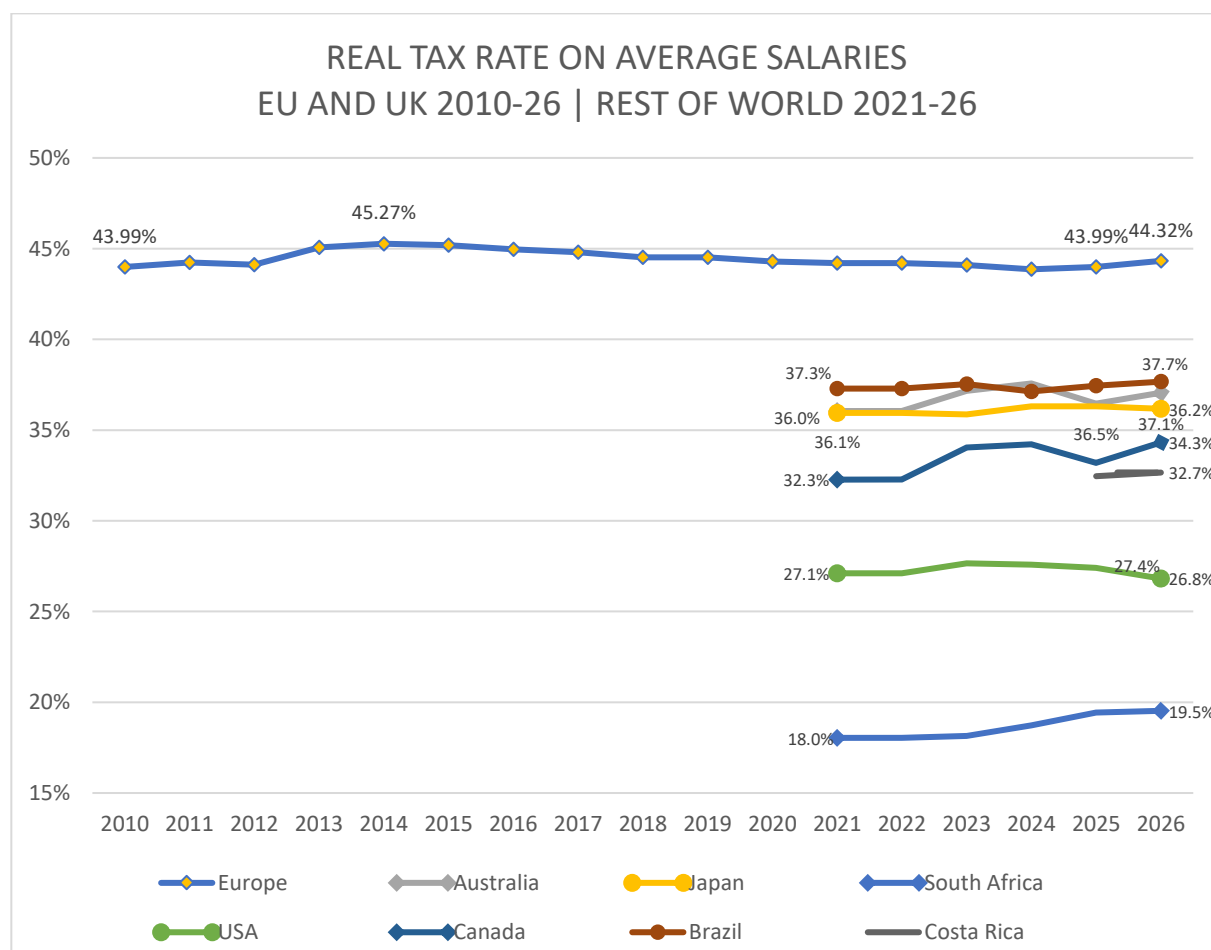
Main Results

Taxes on workers' salaries tick up slightly in Europe and worldwide; global coverage continues with expanded list of countries

This year in Europe, defined here as the EU countries plus the United Kingdom², the average “real tax rate” on workers ticked up by 0.34% this year to 44.32% – the second consecutive increase after an 11-year downward trend.

Worldwide, 2026's Tax Liberation Days arrived earlier in 6 countries, later in 23, and on the same day in 6. The average “real tax rate” among the 35 countries studied is 41.9%, up 0.3% this year – pushing the global average Tax Liberation one day later, to June 2nd.

The chart below shows the progression in Europe since 2010, plus data points for the seven new countries added to our research since 2021:



² Removing the United Kingdom from the equation, the average rate in the EU-27 is 44.6%, up 0.1% since 2021.

Noteworthy in 2026

The podium: France “celebrates” again as world champion of labour taxation; Belgium and Austria again round out the podium; all three celebrate later

Workers in **France** are, again, the last to celebrate their Tax Liberation Day (TLD) this year, on July 22nd – four days later than in 2025. Increases in employer social security contributions and personal income tax rates outpaced gains in gross salaries, pushing more earned income into higher brackets. France has held this dubious distinction since 2016 – when the Belgian government’s “tax shift” ended that country’s five-year streak at the top of the table – and has held it for 9 of the past 11 years.

Belgium’s newly-seated government, dubbed the “Arizona coalition” for the colours of its parties, moved quickly to rein in the country’s famously generous automatic wage indexation: a new 2026 law caps the first 2 points of any indexation adjustment for workers earning above €4,000 a month — a threshold Belgium’s average worker clears. Additional promises by the coalition to reduce labour taxes and increase net pay have yet to come into force; with 2.6% wage growth, Belgian workers waited an extra day this year to celebrate their “TLD” on July 17th (a few hours before Austria).

In **Austria**, whose workers were the highest-taxed in 2021 and 2022, the automatic bracket indexation meant to shield workers from “bracket creep” (fiscal drag) again failed to keep pace. Thresholds rose just 1.73% in 2026 — only two-thirds of the 2.6% inflation rate used to calculate the adjustment — while average salaries climbed 8.1%. The mismatch pushed personal income tax on a typical Austrian worker up nearly 14%, outpacing every other component of the tax bill and driving Austria’s TLD three days later, from July 14th to July 17th — enough to pull into a virtual tie with Belgium for second place.

United States: Trump and Congress give workers a tax cut

Americans retained their title as the lowest-taxed workers in the developed world and celebrated two days earlier, on April 8th, as annual inflation adjustments to tax brackets and the standard deduction lowered the income-tax bite. Passed in July 2025, the “One Big Beautiful Bill Act” made the 2017 tax brackets permanent — sparing workers a scheduled tax increase — and raised the standard deduction.

Portugal: Good news and bad news

Luís Montenegro's minority, centre-right government delivered real relief this year, cutting IRS³ rates by 0.3 points across four income brackets (roughly €8,300–€29,400 of taxable income) and widened the brackets themselves by 3.51% to keep pace with inflation. That's the main story behind Portugal's TLD moving four days earlier, from June 7th to June 3rd – the largest improvement of any country in this year's study. One caveat: OECD figures show Portugal's average wage came in lower this year too, so part of the improvement reflects a smaller pay check, not just a smaller tax bill.

Slovakia: “consolidation” hits workers’ paychecks

After losing 4 days to a VAT hike in 2025, Slovak workers lost further ground this year: Their TLD moved three days later, from June 24th to June 27th as Robert Fico's left-wing populist coalition used its 2026 "consolidation package" to shore up public finances at workers' expense. The employee health-insurance contribution rose one full point, from 4% to 5% of gross pay; while wages were up roughly 10%, employee social contributions climbed nearly twice as fast.

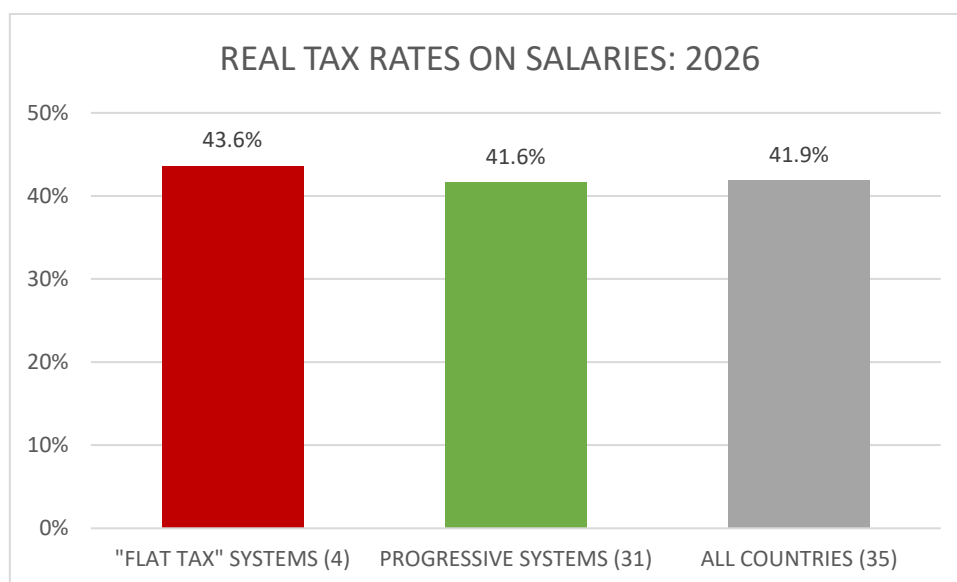
United Kingdom: the stealth tax continues hiding in plain sight

British workers moved two days later this year, from May 8th to May 10th, as wages rose faster than the frozen tax thresholds that have squeezed pay packets since 2021. The personal allowance and higher-rate threshold — locked by the Conservatives and left untouched by Keir Starmer's government — keep pulling more income into tax each year wages rise. Starmer's Chancellor, Rachel Reeves, could have let the freeze lapse in 2028 as planned; instead, her November 2025 budget extended it to 2031, ensuring this "stealth tax" keeps working in the Treasury's favour for years to come.

³ IRS: *Imposto sobre o Rendimento das Pessoas Singulares* — literally "Tax on the Income of Individual Persons," Portugal's personal income tax.

Four “flat tax” countries remain – and their workers’ real tax rates remain higher

The scope of this study has now expanded from 28 to 35 countries, but the number whose governments have “flat tax” policies remains at 4. Although the purported “flat” rates are attractively low – 10% in Bulgaria, 10% in Romania, 15% in Hungary, and 22% in Estonia – such rates only apply to income tax; these countries’ social security contributions make *real* tax rates for workers higher than in progressive tax systems.



Flat tax regimes impose a fixed rate on income tax, but not other taxes: Social security rates in flat tax countries are, on average, higher than in progressive states. In 2026, social contributions comprised 77% of payroll taxes collected in flat tax countries, versus 66% in progressive systems.

While the real tax rate across all countries studied rose slightly, from 41.6% to 41.9% in 2026, it climbed further still for workers in flat tax countries, to 43.6% – driven in large part by Estonia, which piled a new, temporary 2% “defense tax” on top of its already-raised 22% flat income tax rate, while a mid-2025 VAT hike to 24% showed its first full year of effect.

Outlook

"Someone always pays for borrowed money"

Workers' taxes fund not only their governments' day-to-day operations, but also their debts, and the bill keeps growing: total annual borrowing by OECD governments (28 of the 35 countries surveyed here are now members, following Costa Rica's accession) more than doubled between 2008 and 2024.⁴ Whichever way interest rates move, higher debt eventually has to be repaid out of tax revenue — and rates are always higher for weaker credit.

The debt of five of the 35 countries studied here has been downgraded since 2020 — including, remarkably, the world's benchmark borrower. Moody's stripped the United States of its last AAA rating in May 2025, cutting it to Aa1; no country in this study now holds a perfect rating from all three major agencies. France has been cut further still, to A+ with both S&P and Fitch (Moody's holds it at Aa3, for now); Belgium followed in April 2026, when Moody's cut it to A1; Finland lost its own AA+ to Fitch in 2025, its first downgrade in nearly a decade; and South Africa's debt remains at junk status with two of the three agencies. JPMorgan flagged in January 2026 that France, Belgium, and Austria each face roughly even odds of a further downgrade.

There are fewer clouds on the horizon, however, in sunny Portugal, Greece, and Cyprus — where fiscal prudence earned rating *upgrades* this year: Fitch took Portugal to A+, its best rating in 15 years.

Defense spending adds to the pressure. At the Hague summit in June 2025, 24 of the 35 countries studied committed as NATO members to raise defense spending to 5% of GDP by 2035. Belgium has since moved from talk to action, enacting a new capital-gains tax on securities (effective January 2026) rather than raising income taxes directly; other governments have not ruled out reaching for workers' paychecks instead.

Demographics

Aging populations remain the slower-moving threat. In 20 of the 35 countries studied, more than 20% of the population is already over 65 — and most of the rest are headed the same way: the US alone is projected to climb from 18% today to 23% by 2050, in line with Europe's overall trajectory (21% today, 29% by 2050).⁵ The clearest exceptions are the handful of younger economies in this study — South Africa, Costa Rica, and Brazil — where the demographic clock runs slower. Fewer working-age taxpayers will be left to fund more retirees' pensions and healthcare, at a time when only 47% of the EU's population is in the labour force (compared to 50% in the US and 56% in Japan).

⁴ <https://www.weforum.org/agenda/2024/03/oecd-government-bonds-and-other-economic-stories-to-read/> (update June 2025)

⁵ World Bank, World Development Indicators (2023 data); Visual Capitalist, Global Senior Population Forecasts: 2025 vs. 2050 (UN-sourced projections).

Workers who cannot "vote with their feet" against excessive taxation — whether by relocating abroad or simply choosing where to live within their own country — should continue to worry most in the near future.

For the future, tax cuts are only half the job

Leslie A. Rubin and Daniel J. Mitchell explained the problem (and proposed some practical solutions to it) in their 2024 book *The Greatest Ponzi Scheme on Earth*⁶, noting that the US Treasury itself had warned in its Fiscal Year 2022 Financial Report: "The current fiscal path is unsustainable." Lower taxes are not the culprit: a growing economy can bring in more revenue even at lower rates. In the 1980s, after major rate cuts, federal revenue nearly doubled in dollar terms, from \$517 billion to \$991 billion. But deficits persisted and the debt roughly tripled, because spending was never brought into line. America's 2026 tax cut — a real and welcome one for workers — coincided with a deficit that widened by another 13% in a single year. As Rubin and Mitchell put it: "The debt bomb's fuse is lit, and it is burning rapidly."

We maintain, as ever, that lowering the cost of employing people – cutting the taxes levied on both workers and employers – does the most to put more people to work and let them keep, save and invest more of what they earn. Growth can narrow the gap, but only restraint on the other side of the ledger can close it. As Ronald Reagan was fond of reminding audiences, citing Milton Friedman, "there's no such thing as a free lunch." A tax cut financed by debt is not a free lunch; it's a bill with someone else's name on it.

⁶ Leslie A. Rubin and Daniel J. Mitchell, *The Greatest Ponzi Scheme on Earth: How the US Can Avoid Economic Collapse* (2024)

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. Because in either case, the state is taking from the budget used to hire the employee, we believe this is the fairest method of comparing payroll taxes. Consider two countries:

Country A		Country B	
Real gross (employer cost)	60,000	Real gross (employer cost)	60,000
Employer Social Security (40%)	(17,143)	Employer Social Security (20%)	(10,000)
Gross Salary	42,857	Gross Salary	50,000
Income tax (28%)	(12,000)	Income tax (35%)	(17,500)
Employee Social Security (10%)	(4,286)	Employee Social Security (10%)	(5,000)
Net pay	26,571	Net pay	27,500

In the example above, the Country A employee in the 28% income tax bracket actually receives less than the employee in Country B in the 35% bracket. In both cases, the employer spends 60,000 euros – and more half of it goes to the government.

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, tobacco, and alcohol – are not considered in this study.)

An individual's **Real Tax Rate (%)** is:

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

365 (days) × the Real Tax Rate = the number of days an employee works each year to pay taxes. Starting from New Year's Day and counting, the next calendar day is the **Tax Liberation Day** for workers in that country.

2026 Tax Liberation Day Calendar

MARCH	13		South Africa
APRIL	8		United States
	20		Malta
	26		Cyprus
	30		Costa Rica
MAY	6		Canada
	10		United Kingdom
	13		Japan
	16		Australia
	18		Brazil
	22		Ireland
	24		Bulgaria
	27		Denmark
June	3		Portugal
	3		Estonia
	4		Lithuania
	4		Croatia
	8		Luxembourg
	8		Latvia
	12		Poland
	12		Greece
	12		Finland
	14		Czech Republic
	14		Slovenia
	15		Spain
	15		Sweden
	16		Netherlands
	19		Hungary
	20		Romania
	27		Slovakia
July	4		Italy
	14		Germany
	17		Belgium
	17		Austria
	22		France

Data Summary in €⁷

Country	Total employment cost	Social security employer	Gross income	Personal income taxes	Social security employee	Net income	Sales tax/ VAT rate	Estimated Sales tax (VAT)	Real net pay	Real tax rate	2026 TLD
Australia	74,177	11,400	62,776	13,261	1,256	48,260	10.0%	1,568	46,691	37.05%	16-May
Austria	80,141	18,442	61,699	11,106	11,180	39,413	20.0%	2,562	36,851	54.02%	17-Jul
Belgium	75,046	14,205	60,841	15,868	7,912	37,061	21.0%	2,529	34,532	53.99%	17-Jul
Brazil	8,615	2,318	6,298	16	598	5,684	17.0%	314	5,370	37.67%	18-May
Bulgaria	16,907	2,773	14,134	1,219	1,948	10,967	20.0%	713	10,254	39.35%	24-May
Canada	65,059	5,365	59,694	11,179	3,898	44,617	13.0%	1,885	42,732	34.32%	06-May
Costa Rica	22,534	4,767	17,767	0	1,924	15,843	13.0%	669	15,173	32.66%	30-Apr
Croatia	25,444	3,604	21,840	2,614	3,276	15,950	25.0%	1,296	14,654	42.41%	04-Jun
Cyprus	34,385	4,589	29,796	1,377	3,412	25,007	19.0%	1,544	23,463	31.76%	26-Apr
Czech Republic	30,416	7,683	22,732	2,135	2,637	17,961	21.0%	1,226	16,735	44.98%	14-Jun
Denmark	68,482	318	68,164	23,367	159	44,638	25.0%	3,627	41,011	40.11%	27-May
Estonia	31,828	7,897	23,930	3,106	862	19,963	24.0%	1,557	18,406	42.17%	03-Jun
Finland	63,900	11,007	52,893	9,010	5,318	38,565	25.5%	3,196	35,369	44.65%	12-Jun
France	65,777	20,809	44,968	3,026	10,678	31,264	20.0%	2,032	29,232	55.56%	22-Jul
Germany	77,591	14,303	63,288	9,998	14,683	38,607	19.0%	2,384	36,223	53.32%	14-Jul
Greece	30,689	5,491	25,198	3,376	3,369	18,453	24.0%	1,439	17,014	44.56%	12-Jun
Hungary	24,274	2,793	21,482	3,222	3,974	14,285	27.0%	1,254	13,032	46.31%	19-Jun
Ireland	71,376	7,218	64,158	14,321	2,695	47,142	23.0%	3,524	43,619	38.89%	22-May
Italy	46,301	10,685	35,616	7,804	3,148	24,664	22.0%	1,763	22,900	50.54%	04-Jul
Japan	39,150	5,605	33,544	2,532	5,183	25,830	10.0%	839	24,991	36.17%	13-May
Latvia	24,936	4,760	20,176	2,922	2,118	15,136	21.0%	1,033	14,103	43.44%	08-Jun
Lithuania	26,213	456	25,757	4,527	5,023	16,207	21.0%	1,106	15,101	42.39%	04-Jun
Luxembourg	85,277	10,981	74,296	13,975	9,139	51,182	17.0%	2,828	48,354	43.30%	08-Jun
Malta	25,951	2,359	23,592	1,908	2,359	19,325	18.0%	1,130	18,194	29.89%	20-Apr
Netherlands	80,905	15,123	65,782	12,079	6,561	47,142	21.0%	3,217	43,924	45.71%	16-Jun
Poland	27,552	4,683	22,868	1,429	4,911	16,528	23.0%	1,235	15,293	44.49%	12-Jun
Portugal	27,953	5,365	22,588	2,611	2,485	17,492	23.0%	1,308	16,184	42.10%	03-Jun
Romania	19,410	427	18,983	1,234	6,644	11,105	21.0%	758	10,347	46.69%	20-Jun
Slovakia	25,236	6,707	18,529	1,880	2,668	13,981	23.0%	1,045	12,935	48.74%	27-Jun
Slovenia	32,225	4,469	27,756	2,595	6,134	19,027	22.0%	1,360	17,666	45.18%	14-Jun
South Africa	17,357	280	17,077	2,285	109	14,682	15.0%	716	13,966	19.53%	13-Mar
Spain	41,413	9,715	31,698	5,362	2,060	24,276	21.0%	1,657	22,620	45.38%	15-Jun
Sweden	65,306	15,613	49,693	10,930	0	38,762	25.0%	3,149	35,613	45.47%	15-Jun
United Kingdom	70,560	8,687	61,873	9,594	3,655	48,624	20.0%	3,161	45,463	35.57%	10-May
USA (average)	64,706	4,598	60,107	6,878	4,598	48,631	8.0%	1,277	47,354	26.82%	08-Apr

⁷ All figures in euros.

Data Summary in \$⁸

Country	Total employment cost	Social security employer	Gross income	Personal income taxes	Social security employee	Net income	Sales Tax or VAT rate	Estimated Sales tax (VAT)	Real Net after payroll taxes+ VAT	Real tax rate	2026 TLD
Australia	87,158	13,395	73,763	15,582	1,475	56,706	10.0%	1,843	54,863	37.05%	16-May
Austria	94,167	21,670	72,497	13,050	13,137	46,311	20.0%	3,010	43,301	54.02%	17-Jul
Belgium	88,180	16,691	71,489	18,645	9,297	43,547	21.0%	2,972	40,575	53.99%	17-Jul
Brazil	10,123	2,723	7,400	18	703	6,679	17.0%	369	6,310	37.67%	18-May
Bulgaria	19,866	3,258	16,608	1,432	2,289	12,886	20.0%	838	12,049	39.35%	24-May
Canada	76,445	6,304	70,141	13,135	4,580	52,426	13.0%	2,215	50,211	34.32%	06-May
Costa Rica	26,478	5,601	20,876	0	2,261	18,616	13.0%	787	17,829	32.66%	30-Apr
Croatia	29,897	4,235	25,662	3,071	3,849	18,741	25.0%	1,523	17,219	42.41%	04-Jun
Cyprus	40,403	5,392	35,011	1,618	4,009	29,384	19.0%	1,814	27,569	31.76%	26-Apr
Czech Republic	35,739	9,028	26,711	2,508	3,098	21,104	21.0%	1,440	19,664	44.98%	14-Jun
Denmark	80,467	374	80,093	27,456	187	52,450	25.0%	4,262	48,188	40.11%	27-May
Estonia	37,398	9,279	28,119	3,650	1,012	23,457	24.0%	1,830	21,627	42.17%	03-Jun
Finland	75,083	12,933	62,150	10,587	6,249	45,314	25.5%	3,755	41,559	44.65%	12-Jun
France	77,289	24,451	52,838	3,556	12,547	36,736	20.0%	2,388	34,348	55.56%	22-Jul
Germany	91,170	16,806	74,364	11,748	17,253	45,363	19.0%	2,801	42,562	53.32%	14-Jul
Greece	36,060	6,452	29,608	3,967	3,959	21,682	24.0%	1,691	19,991	44.56%	12-Jun
Hungary	28,523	3,281	25,241	3,786	4,670	16,785	27.0%	1,473	15,312	46.31%	19-Jun
Ireland	83,868	8,481	75,387	16,827	3,167	55,393	23.0%	4,141	51,252	38.89%	22-May
Italy	54,404	12,555	41,849	9,170	3,699	28,980	22.0%	2,072	26,908	50.54%	04-Jul
Japan	46,001	6,586	39,415	2,975	6,090	30,351	10.0%	986	29,364	36.17%	13-May
Latvia	29,300	5,593	23,707	3,433	2,489	17,785	21.0%	1,214	16,571	43.44%	08-Jun
Lithuania	30,801	536	30,265	5,319	5,902	19,044	21.0%	1,300	17,744	42.39%	04-Jun
Luxembourg	100,201	12,903	87,298	16,421	10,738	60,139	17.0%	3,323	56,816	43.30%	08-Jun
Malta	30,493	2,772	27,721	2,242	2,772	22,707	18.0%	1,328	21,378	29.89%	20-Apr
Netherlands	95,064	17,770	77,294	14,193	7,709	55,392	21.0%	3,781	51,612	45.71%	16-Jun
Poland	32,373	5,503	26,870	1,679	5,771	19,421	23.0%	1,452	17,969	44.49%	12-Jun
Portugal	32,845	6,304	26,541	3,068	2,920	20,553	23.0%	1,536	19,017	42.10%	03-Jun
Romania	22,807	502	22,305	1,450	7,807	13,048	21.0%	891	12,158	46.69%	20-Jun
Slovakia	29,652	7,881	21,771	2,209	3,135	16,427	23.0%	1,228	15,199	48.74%	27-Jun
Slovenia	37,864	5,251	32,613	3,049	7,208	22,357	22.0%	1,598	20,758	45.18%	14-Jun
South Africa	20,394	329	20,065	2,685	128	17,252	15.0%	841	16,411	19.53%	13-Mar
Spain	48,661	11,415	37,246	6,300	2,421	28,525	21.0%	1,947	26,578	45.38%	15-Jun
Sweden	76,736	18,346	58,390	12,843	0	45,546	25.0%	3,701	41,846	45.47%	15-Jun
United Kingdom	82,909	10,207	72,701	11,273	4,295	57,134	20.0%	3,714	53,420	35.57%	10-May
USA (average)	76,030	5,403	70,627	8,082	5,403	57,142	8.0%	1,500	55,641	26.82%	08-Apr

⁸ All figures in U.S. Dollars, using 2 January 2026 exchange rate of €0.8511 = \$1. "Flat tax" countries are marked with a dagger (†).

Research Notes

Gross Salary

When available, salary figures come from the OECD's *Taxing Wages*. Others are sourced from government statistics offices (see footnotes on pages 9 and 10).

Gross salaries ranged from a low of €6,298 (\$7,400) in Brazil, to a high of €74,296 (\$87,298) in Luxembourg. The average gross salary among the 35 countries was €39,046 (\$44,704).

Employer Contributions to Social Security

Averaging 19.9% across the countries studied here, these taxes vary to a great degree and are invisible to employees in many countries, where only the deductions taken from gross salary appear on pay slips. For typical workers, these costs range from less than 0.5% of gross salary in Denmark to 46% in France (where the employer's contributions are, at least, shown on French workers' payslips).

The prevalence of "hidden" tax contributions increases

This year, €41.52 out of every €100 of payroll taxes collected by governments are being paid "on top" of gross salaries as "employer contributions to social security" – up 3% from 2024.

Individual Contributions to Social Security

Visible on most employees' payslips, the lower and upper reaches of these deductions are set, respectively, by Sweden (zero) and Romania (35%), with a worldwide average of 12%.

Total Contributions to Social Security

The French government collects 70% of a typical worker's gross salary as "social security contributions" and was the only country taking more than half in this manner until Slovakia reached 50.6% this year. Five others have crossed the 40% threshold: Austria (48%), Brazil (46.3%), Germany (45.8%), Czech Republic (45.4%), and Poland (42%) – while in Denmark, these taxes again amount to less than 1% of the gross salary figure. The average figure is 32.7% – making the value of "social security" taxes, on average, more than double that of income taxes (see below).

Personal Income Taxes

On average, the income tax rate over the 35-country global spectrum is 13.9% of gross salary.

While Denmark can claim it imposes the lowest combined social security taxes, this is offset by the highest personal income tax rates in this global study, collecting 34.3% from a typical worker's salary this way. Typical workers in Costa Rica (0%), Brazil (0.25%) and Cyprus (4.6%) enjoy the lowest income tax rates.

Income tax rates in the United States (USA)

In addition to the income tax imposed by their federal government, Americans in 41 of its 50 states are subject to state-level income taxes. In this study, the figures appearing are an average of five highly-populated states – New York, California, Ohio, Texas, and Florida – the latter 2 being among the 9 with no state-level income taxes.

Estimated Value-Added Tax (VAT), also known as Sales Tax, HST, or GST

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.

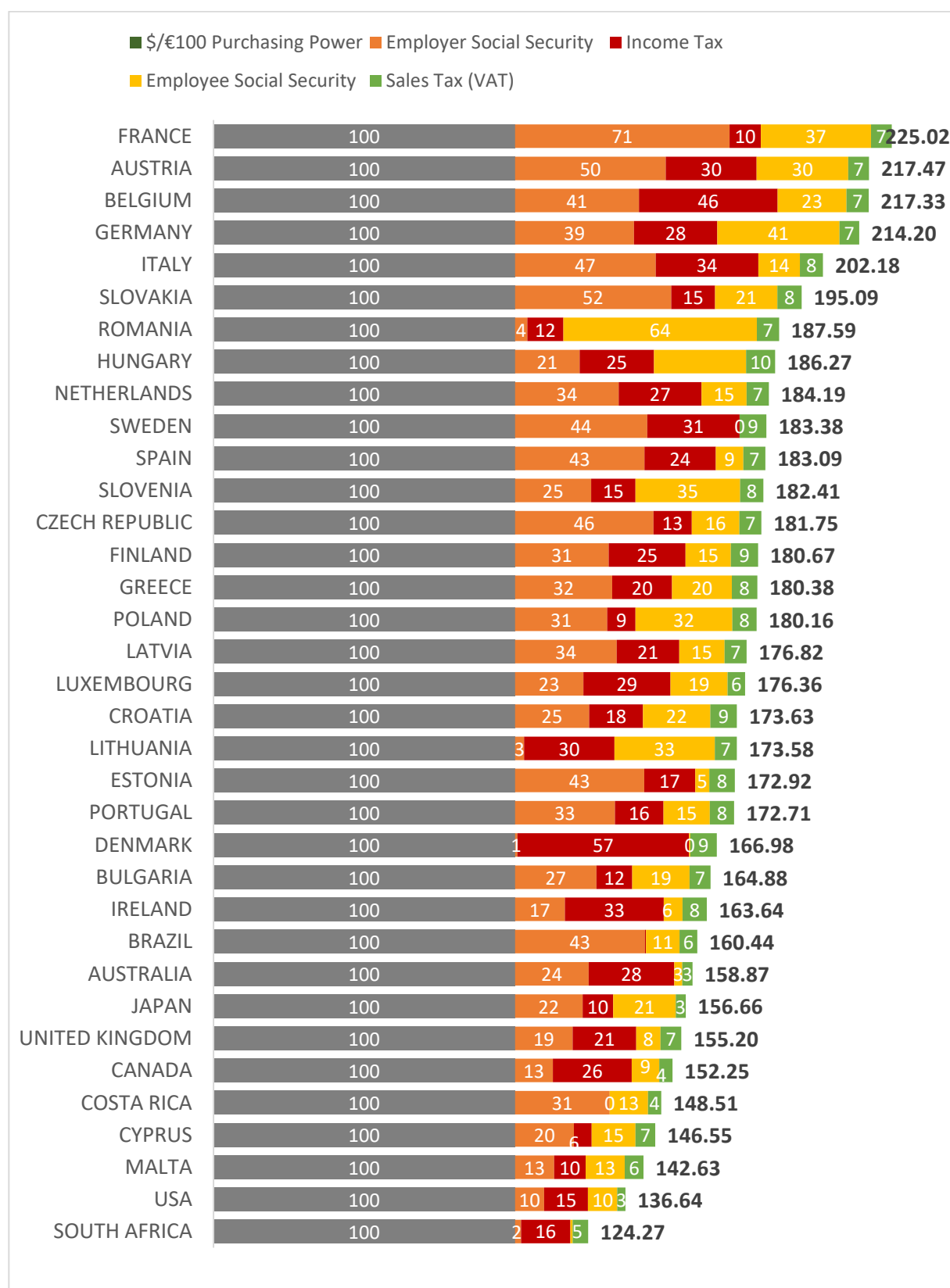
Since 2009, only 8 of the 28 European countries studied herein have not increased VAT rates: Austria, Belgium, Bulgaria, Denmark, Germany, Latvia, Malta, and Sweden. Two of the largest increases came recently: from 20% to 23% in Slovakia (2025), and from 24% to 25.5% in Finland (2024).

In recent years, other significant changes to these “sales tax” rates occurred 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%, then again up to 21% in 2025).

The USA stands out among our 35 countries as the only one whose workers do not pay federal sales tax on their retail purchases. Americans do, however, pay such taxes to local and/or state governments, depending where they live. In our sample of five populous states, the combined rates ranged from 7% in Florida to 8.8% in California.

Appendix 1: Cost to employer of €100 (or \$100) net to employee

The chart below shows what employers must spend to give 100 euros (or dollars) of real purchasing power to an employee earning an average salary in each country.



Appendix 2: Rankings by total cost of employment, total tax burden and real net salary (in euros)⁹

RANK	TOTAL EMPLOYMENT COST		TOTAL TAXES PAID		REAL SPENDING POWER	
1	Luxembourg	85,277	Austria	43,290	Luxembourg	48,354
2	Netherlands	80,905	Germany	41,368	USA	47,354
3	Austria	80,141	Belgium	40,514	Australia	46,691
4	Germany	77,591	Netherlands	36,980	United Kingdom	45,463
5	Belgium	75,046	Luxembourg	36,923	Netherlands	43,924
6	Australia	74,177	France	36,545	Ireland	43,619
7	Ireland	71,376	Sweden	29,693	Canada	42,732
8	United Kingdom	70,560	Finland	28,531	Denmark	41,011
9	Denmark	68,482	Ireland	27,758	Austria	36,851
10	France	65,777	Australia	27,485	Germany	36,223
11	Sweden	65,306	Denmark	27,471	Sweden	35,613
12	Canada	65,059	United Kingdom	25,096	Finland	35,369
13	USA	64,706	Italy	23,400	Belgium	34,532
14	Finland	63,900	Canada	22,327	France	29,232
15	Italy	46,301	Spain	18,794	Japan	24,991
16	Spain	41,413	USA	17,352	Cyprus	23,463
17	Japan	39,150	Slovenia	14,558	Italy	22,900
18	Cyprus	34,385	Japan	14,159	Spain	22,620
19	Slovenia	32,225	Czech Republic	13,681	Estonia	18,406
20	Estonia	31,828	Greece	13,675	Malta	18,194
21	Greece	30,689	Estonia	13,422	Slovenia	17,666
22	Czech Republic	30,416	Slovakia	12,300	Greece	17,014
23	Portugal	27,953	Poland	12,259	Czech Republic	16,735
24	Poland	27,552	Portugal	11,769	Portugal	16,184
25	Lithuania	26,213	Hungary	11,242	Poland	15,293
26	Malta	25,951	Lithuania	11,112	Costa Rica	15,173
27	Croatia	25,444	Cyprus	10,922	Lithuania	15,101
28	Slovakia	25,236	Latvia	10,833	Croatia	14,654
29	Latvia	24,936	Croatia	10,790	Latvia	14,103
30	Hungary	24,274	Romania	9,063	South Africa	13,966
31	Costa Rica	22,534	Malta	7,757	Hungary	13,032
32	Romania	19,410	Costa Rica	7,360	Slovakia	12,935
33	South Africa	17,357	Bulgaria	6,653	Romania	10,347
34	Bulgaria	16,907	South Africa	3,390	Bulgaria	10,254
35	Brazil	8,615	Brazil	3,246	Brazil	5,370

⁹ All figures in Euros (€). Total tax burden and real net salary figures include social charges, income taxes and estimated VAT (sales tax).

Appendix 3: Rankings by total cost of employment, total tax burden and real net salary (in U.S. Dollars)¹⁰

RANK	TOTAL EMPLOYMENT COST		TOTAL TAXES PAID		REAL SPENDING POWER	
1	Luxembourg	100,201	Austria	50,866	Luxembourg	56,816
2	Netherlands	95,064	Germany	48,608	USA	55,641
3	Austria	94,167	Belgium	47,605	Australia	54,863
4	Germany	91,170	Netherlands	43,452	United Kingdom	53,420
5	Belgium	88,180	Luxembourg	43,385	Netherlands	51,612
6	Australia	87,158	France	42,941	Ireland	51,252
7	Ireland	83,868	Sweden	34,890	Canada	50,211
8	United Kingdom	82,909	Finland	33,524	Denmark	48,188
9	Denmark	80,467	Ireland	32,616	Austria	43,301
10	France	77,289	Australia	32,296	Germany	42,562
11	Sweden	76,736	Denmark	32,279	Sweden	41,846
12	Canada	76,445	United Kingdom	29,489	Finland	41,559
13	USA	76,030	Italy	27,496	Belgium	40,575
14	Finland	75,083	Canada	26,235	France	34,348
15	Italy	54,404	Spain	22,083	Japan	29,364
16	Spain	48,661	USA	20,389	Cyprus	27,569
17	Japan	46,001	Slovenia	17,106	Italy	26,908
18	Cyprus	40,403	Japan	16,637	Spain	26,578
19	Slovenia	37,864	Czech Republic	16,075	Estonia	21,627
20	Estonia	37,398	Greece	16,069	Malta	21,378
21	Greece	36,060	Estonia	15,771	Slovenia	20,758
22	Czech Republic	35,739	Slovakia	14,453	Greece	19,991
23	Portugal	32,845	Poland	14,404	Czech Republic	19,664
24	Poland	32,373	Portugal	13,828	Portugal	19,017
25	Lithuania	30,801	Hungary	13,210	Poland	17,969
26	Malta	30,493	Lithuania	13,057	Costa Rica	17,829
27	Croatia	29,897	Cyprus	12,834	Lithuania	17,744
28	Slovakia	29,652	Latvia	12,729	Croatia	17,219
29	Latvia	29,300	Croatia	12,678	Latvia	16,571
30	Hungary	28,523	Romania	10,649	South Africa	16,411
31	Costa Rica	26,478	Malta	9,115	Hungary	15,312
32	Romania	22,807	Costa Rica	8,649	Slovakia	15,199
33	South Africa	20,394	Bulgaria	7,817	Romania	12,158
34	Bulgaria	19,866	South Africa	3,983	Bulgaria	12,049
35	Brazil	10,123	Brazil	3,814	Brazil	6,310

¹⁰ All figures in United States Dollars (\$), based on 2 January 2026 exchange rate of €0.8511=\$1. Total tax burden and real net salary figures include social charges, income taxes and estimated VAT (sales tax).

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