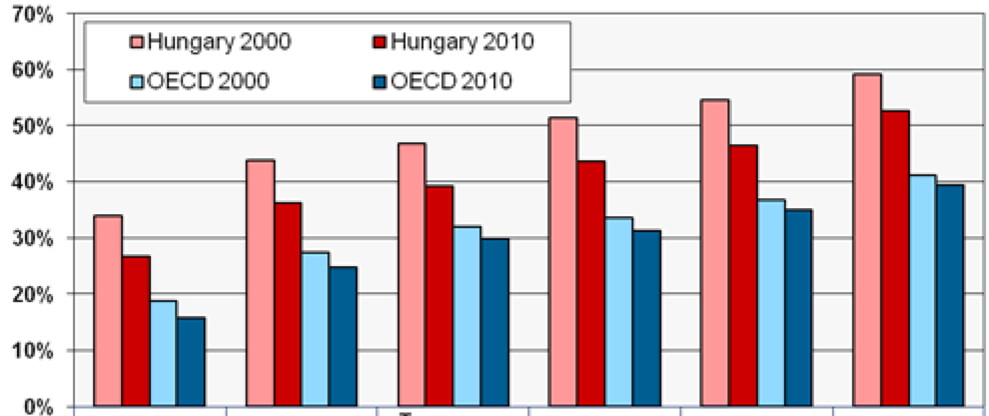
Taxing Wages: Country note for Hungary

Hungary is one of the countries where taxes and social security contributions on labour income have declined the most over the past 11 years. The average tax wedge (income taxes plus employee and employer social security contributions minus cash transfers as a percentage of total labour costs) narrowed by about 6 to 8 percentage points for every family type over this period. Nonetheless, the tax wedge is still about 9 to 13 percentage points higher than the OECD average for each of the families analysed in the Taxing Wages Report. Single taxpayers with average earnings take home less than 54% of what they cost to their employe ("total labour costs"); single taxpayers with high earnings take home less than 48%.

Tax Wedge in % of labour costs for different wage levels and household types, 2000 and 2010



	Lone parent 2 children 67% of average wage	One-earner couple 2 children average wage	Two-earner couple 2 children 100% + 67% of average wage	Single 67% of average wage	Single average wage	Single 167% of average wage
Hungary 2000	33.8%	43.9%	46.9%	51.4%	54.6%	59.1%
Hungary 2010	26.6%	36.3%	39.2%	43.6%	46.4%	52.7%
OECD 2000	18.8%	27.4%	32.0%	33.5%	36.7%	41.1%
OECD 2010	15.8%	24.8%	29.8%	31.3%	34.9%	39.4%

The tax wedge has decreased for all family types over the past 11 years. Single taxpayers earning the average wage benefited most from the tax cuts implemented over this period.

download the above graph and data for all OECD countries (xls/729kB)

The overall tax burden decreased considerably from 2009 to 2010 for all types of households in the Taxing Wages Report as a result of personal income tax reform. For most types of households the tax wedges declined more in Hungary than in any other OECD country. The tax wedge narrowed the most for one-earner couples with 2 children and average earnings; their tax wedge decreased by 6.9 percentage points to 36.3% of total labour costs. Single taxpayers with the average wage saw their tax wedge narrow by 6.6 percentage points, to 46.4%. Single employees with 67% of the average wage experienced the smallest reduction to their tax wedge; it narrowed by 2.6 percentage points to 43.6%.

The tax wedge in Taxing Wages is calculated on the basis of the average gross wage earnings of full-time employees in the private sector (including employees at management level). The corresponding 2010 annual average gross wage for Hungary was HUF 2 445 172.

Special Feature: Wage Income Tax Reforms and Changes in Tax Burdens in Hungary: 2000-2009

The Special Feature of the 2010 edition of the Taxing Wages report calculates the changes over time in the tax burden on wage income ranging from 50% to 250% of the average wage by comparing the tax burden in 2009 with the tax burden in 2000 and calculates the respective contributions of changes in income taxes, employee social security contributions, employer social security contributions and cash benefits. The analysis focuses on changes in the average and marginal tax wedge as well as changes in the net personal average and marginal tax rate.

Change in the average tax wedge (2000 - 2009) (xls/1.5Mb)
Change in the marginal tax wedge (2000 - 2009) (xls/1.2Mb)
Change in net personal average tax rate (2000 - 2009) (xls/1.5Mb)
Change in net personal marginal tax rate (2000 - 2009) (xls/1.2Mb)

A guide for interpreting the attached special feature country charts (doc/350kB)

More Information
A detailed description of the tax system in Hungary and the associated calculations for the tax wedge are included in Taxing Wages 2010.
Comparative analyses comparing country data can be found on our free online database OECD.StatExtracts, under: Public Sector, Taxation and Market Regulation > Taxation > Taxing wages.
Access to the complete dataset shown in the Taxing Wages report, including detailed country information, is through subscription. For details on how to subscribe please visit our "Getting Online Access" page at the OECD Library website.

How to obtain this publication
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