

# EUROPEAN ECONOMICS

INCOME TAX

JUAN VILLAMIL 

AARON HESSER 

ARTHUR GILG 

INCOME	TAX	BAND	PROGRESSIVE
90K EUR +	35%		
70K- 90K EUR	25%	17.750 EUR	3000 EUR
50K – 70K EUR	15%		250 EUR
0 – 50K EUR	0%		0

### EXAMPLE BAND

IF YOUR INCOME IS 71K EUR =  $71K * 25\% = 17.750$  EUR

### EXAMPLE PROGRESSIVE

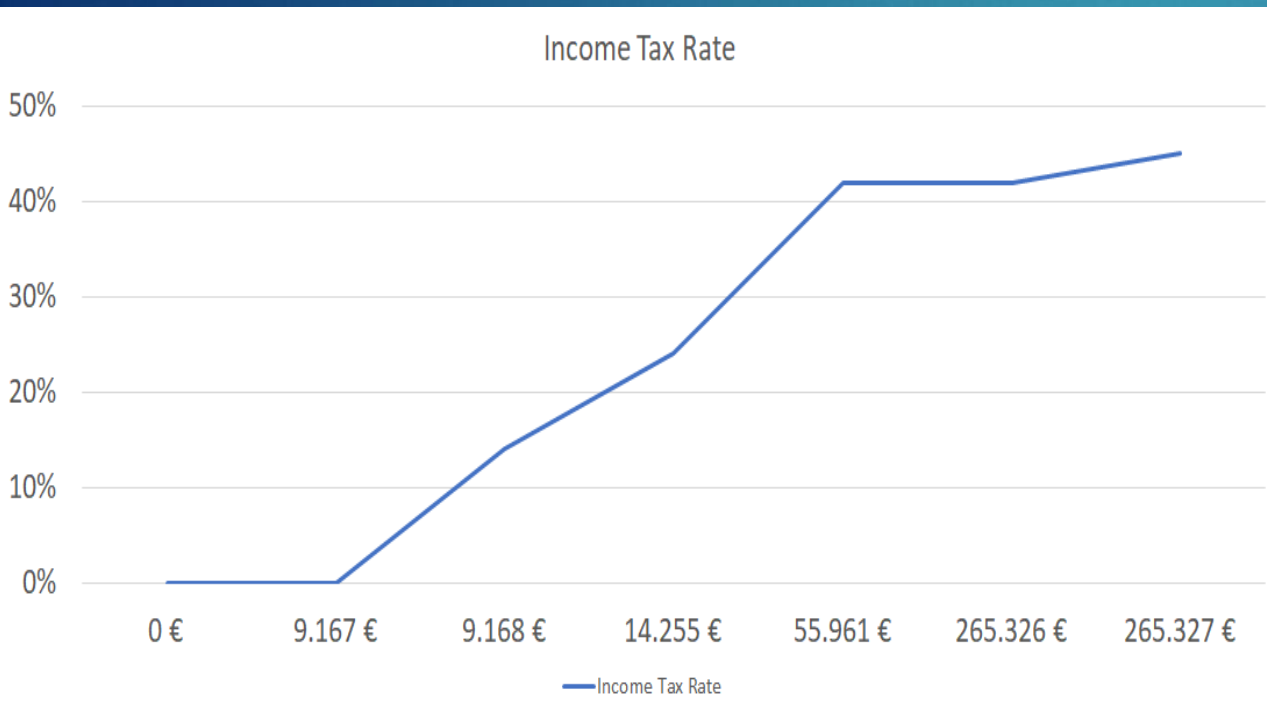
IF YOUR INCOME IS 71K EUR =

- 50K \* 0%
- 20K \* 15%
- 1K \* 25%

# GERMANY



Band tax on global personal income of persons residing in Germany and German income of foreign residents



- Taxation threshold: 9167€/ year
- Directly deducted from paycheck
- Allowances: for people aged 64+, per child, for single parents, for farmers (agriculture), household-near expenses...
- Exempt from taxation: retirement provisions, donations
- Spouse-splitting: Married people's combined income is taxed by double the threshold
- Special: Church tax and Soli

- Tax income divided between local (15%), state (42.5%), and federal (42.5%) level
- Total gov income from income tax: 268 billion € (2018)

# FRANCE



Income Share	Tax Rate
Up to €10,064	0%
Between €10,065 - €27,794	14%
Between €27,795 - €74,517	30%
Between €74,518 - €157,806	41%
Above €157,807	45%

Five tax rates and bands on net taxable income earned in 2019 (taxable in 2020). The band levels are a 1% increase on 2018 (2019 income). The income is charged progressively, on the basis of the household amount.

Formulae to calculate the (approximate) amount of tax. Only suitable for resident. Provided by the French tax authority.

With :

- I = Net taxable income
- N = Number of parts in the household

Income	Tax Rate	Calculation
Up to €10,064	0 %	
€10,065 to €27,794	14%	$(I \times 0.14) - (1,408.96 \times N)$
€27,795 to €73,517	30%	$(I \times 0.30) - (5,856 \times N)$
€73,518 to €156,806	41%	$(I \times 0.41) - (14,052.87 \times N)$
€156,807+	45%	$(I \times 0.45) - (20,365.11 \times N)$

# COLOMBIA



Rank	Marginal Rate
0 to 9.400EUR	0%
9.400EUR to 14.600EUR	19%
14.600EUR to 35.200EUR	28%
35.200EUR +	33%

The rents received by individuals should be separated in “baskets” depending on the type of income:

1. Labor Income;
2. Capital income (interests or financial yields, rentals, royalties, etc.);
3. Non-labor income;
4. Pensions; and
5. Dividends.

# ESSCAland



- ▶ Located in Europe – Island off Spain.
- ▶ Member of EU, NATO, and OECD.
- ▶ Population: ~23 million.
- ▶ Industrial Country. GDP per capita > \$50.000.
- ▶ Rich in oil/ other natural resources --> revenue invested in a state fund. No need for high income tax.
- ▶ Advanced industrial & services sectors, wealthy country
- ▶ Progressive tax
- ▶ If a country's tax rate is too high, it will drive investment elsewhere, leading to slower economic growth. In addition, high marginal tax rates can lead to tax avoidance.

# ESSCAland



Income	Tax Rate
+ 84	42%
- 84	35%
- 55k	30%
- 42k	23%
- 24k	15%
0 - 16k	0%

**Directly deducted from paycheck. Allowances for children, donations, pension investments. Pensions are tax free**

## **EFFECTS:**

- ▶ **PUBLIC:** Attractive tax situation for medium to high earning individuals
- ▶ **INDUSTRY:** Less wage expenses
- ▶ **INT COMMERCE:** Attracts companies in high class services and IT, ...