

PERSONAL INCOME TAXES, SOCIAL SECURITY CONTRIBUTIONS AND PART-TIME WORK

Provisions for part-time work in the personal income tax system, social security contributions and/or case benefits are seldom. The Table shows that 19 out of

27 OECD countries have no special provisions for part-time work.

Very few countries have tax provisions that depend on the number of hours worked. In Belgium the earned income tax credit does not apply for someone working less than $\frac{1}{3}$ of normal weekly hours. In France the earned income tax credit is adjusted in the case of part-time work. In the UK the Working

Special hours-based tax, social security contributions and benefit provisions, 2003

	Personal income tax	Social security contributions	Cash benefits
Australia	No	No	Newstart Allowance is only applicable for someone working under 35 hours and who is seeking full-time employment.
Belgium	The earned income tax credit does not apply for someone working less than $\frac{1}{3}$ of normal weekly hours.	The reductions in social security contributions are based on the full-time equivalent wage and then reduced in proportion to hours worked.	No
Denmark	No	The fixed supplementary pension contribution is paid if the number of hours is at least 75% of normal hours. The rates are $\frac{2}{3}$ of those for between 50 and 75%; $\frac{1}{3}$ for between 25%–50% and 0 for below 25%. The fixed "unemployment contribution" may also be reduced to $\frac{2}{3}$, if the number of hours is less than 75% of normal hours. However, employees normally choose to pay the full amount to retain the right to full unemployment benefits.	No
France	The earned income tax credit (prime pour l'emploi) is adjusted in the case of part-time work.	The reductions in the employer SSC are adjusted in the case of part-time work. The effective ceiling for SSC and unemployment insurance is adjusted in the case of part-time work.	No
Italy	No	No	The family allowance is fully paid if the number of weekly hours is above 24, if below, it is based on the number of days in employment.
Spain	No	The lower and upper ceilings for employee SSC are proportional to the actual number of hours worked.	No
Turkey	No	There is a daily min. and max. wage threshold for employee and employer SSC, based on a working day of 7.5 hours.	No
United Kingdom	The Working Tax Credit for families where there is a person who works at least 30 hours a week. Families with children and people with a disability may claim this when working at least 16 hours a week. This is a non-wastable tax credit.	No	No
Note: Australia, Canada, Czech Republic, Finland, Germany, Hungary, Iceland, Japan, Korea, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Sweden and the United States have no special provisions for part-time work.			

Source: OECD, Taxing Wages 2004/2005, Paris, 39.

Tax Credit is based on family members working at least 30 hours a week (16 hours for families with children).

In some countries (Belgium, Denmark, France, Spain and Turkey) the Social Security Contributions (SSC) are adjusted for part-time work. In Belgium the reductions in the SSC are related to hours worked in such a way that, for example, someone working half time will only get half of the reduction computed on the basis of the (theoretical) wage if working full time. In Denmark the fixed supplementary pension contribution is paid if the number of hours is at least 75 percent of normal hours. The rates are $\frac{2}{3}$ of those for between 50 and 75 percent, $\frac{1}{3}$ for those between 25 percent and 50 percent and 0 for those working below 25 percent of normal hours. The fixed unemployment contribution may also be reduced to $\frac{2}{3}$ if the number of hours is less than 75 percent of normal hours. However, employees normally choose to pay the full amount to retain the right to full unemployment benefits. In France, Spain and Turkey there are special provisions regarding thresholds and lower and upper limits for SSC.

In some countries like Australia (Newstart allowance) and Italy (family allowance) some cash benefits can depend on the number of hours worked.

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Reference

OECD, *Taxing Wages* 2004/2005, Paris.