

# Comparative Income Taxation Database\*

## — Codebook —

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# 1 General Description

## 1.1 Dataset Overview

The Comparative Income Taxation Database consists of yearly data on the top marginal income tax rate for a legal individual, and includes the amount from which the top marginal rate applies, what law governs the taxation, and the source of this information (law or consulted literature).<sup>1</sup> The sample included in the data set consists of 20 countries. The time period covered for each country is 1800 (or independence) to 2010. A country is considered to have adopted a modern income tax system if an independent national government levies taxes yearly on comprehensive and directly assessed forms of personal income.

If you use this data please include the following citations:

- Genovese, Federica, Kenneth Scheve, and David Stasavage. 2016. “Comparative Income Taxation Database.”
- Scheve, Kenneth, and David Stasavage. 2016. *Taxing the Rich: A History of Fiscal Fairness in the United States and Europe*. Princeton and New York: Princeton University Press and Russell Sage Foundation.

The data set is in the Excel spreadsheet file at <http://data.stanford.edu/citd>.

Data for each country appear in separate tabs and include six common columns or data fields. These fields are:

(i) **Year** — The calendar year. When a law was passed in the first half of the year (i.e., from January 1 to June 30), we have coded the law as applying to the entire year in which it became effective. If a law was passed in the second half of the calendar year, i.e., from July 1 to December 31, we have coded it as taking effect only in the subsequent year. For instance, a law of June 12, 1885 is coded as in effect for all of 1885, while a law that was passed on August 6, 1892 is coded as coming into effect at the beginning of 1893 only. In the case in which we have information

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<sup>1</sup>The top marginal rate is the rate that applies on the highest income category. This is typically also the highest marginal rate although there are a few exceptions for which the highest rate is on high but not the highest incomes. We note such exceptions below and provide additional data.

on a rate but no access to the law that enforced such rate (e.g. when our knowledge is limited to secondary literature that does not report the enforcement date) we assume that this law was passed in December of the previous year, as it is tradition in many countries where financial legislation occurs at the end of the year before a financial bill is enacted.

(ii) **Top rate in %** – The top rate in percent is the marginal rate of the direct tax that an independent government levies yearly on comprehensive and directly assessed forms of personal income for the highest income category.<sup>2</sup> We concentrate on the statutory rate. For countries with specific features that make the effective tax rates more reflective of the fiscal burden imposed on the top income, we report the effective marginal rate and provide a detailed argumentation of our reasoning. We still refer to the formal tax rates in order to let the user assess the data choices we made. Cases with tax laws that are similar to a modern income tax but do not meet our definition are noted in our discussions of each country’s tax legislation.

If there are several taxes that affect income taxation (say, when there are mixed capital and income revenue duties or when there are surcharges), the top rate reflects the combined burden arising from all these taxes taken together. However, the rate does not include annual net wealth taxes. The top marginal rate refers only to the national (or federal) tax. We report additional information on local rates and sub-central tax policies in the footnotes of this codebook.

(iii) **Top rate applies from** – The level at which the top marginal tax rate becomes effective.

(iv) **Applicable law** – Name of the law(s) that governs income taxation or introduces changes. Laws that do not affect the top marginal rate (e.g. revisions to the income brackets to adjust tax to inflation) or laws already in “top rate applies from” column are not listed.

(v) **Source** – Source where the information provided in (i)-(iv) can be found.

(vi) **Comments** – Provides relevant additional information, if any.

Deviations from this pattern, i.e., information beyond the “comments” section or additional columns, are indicated in section “B. Description of Excel spreadsheet” in the respective countries’ descrip-

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<sup>2</sup>Generally we try to identify the top rate on the individual income. However, for several of our countries the household revenue of a married couple was initially counted as a single tax unit. In such cases we use this rate as the only individual income tax rate available at the time. If joint income filing applies, we report the specifics in the country-specific footnotes.

tions.<sup>3</sup>

## 1.2 Secondary Sources with Multi-Country Information

Two comprehensive sources of information on historical income tax rates are A. B. Atkinson and T. Piketty’s edited volumes: *Top Incomes over the 20th Century* (2007) and *Top Incomes: A Global Perspective* (2010).

Two detailed sources of cross-country information on early income taxes are Seligman (1911) and Webber and Wildavsky (1986). An overview of personal income taxation between 1815 and 1941 can be found in Aidt and Jensen (2009). Additionally, in 1966 the National Bureau of Economic Research published a collection of papers as the book *Foreign Tax Policies and Economic Growth*.

## 2 Country-Specific Information

### 2.1 Australia

#### A. General Overview

The dataset includes information on Australia’s national income taxes from 1916 to 2010. The Australian government passed the first federal income tax law in September 1915. The year 1919 saw a radical increase of rates due to surcharges that raised the top tax rates to 42.6%. The Income Tax Assessment Act of 2 June 1936 capped the tax liability at 28% (legally at 48 pence per 1 £, but with a reduction of 20% in the following year). The rate was further increased with the law of 7 June 1942 (effective 1943), which introduced a “Pay-As-You-Earn” system that allowed income tax collection from wage earners in lower income groups. From 1942 the scope of the personal income tax was regressively broadened such that by the early 1980s the share of personal income tax paid by the top income quintile had fallen to around half. Australia’s top marginal tax rate has decreased over the past 50 years from over 75% in 1953 (law of 4 March 1953) to 57% in 1986 (law of 1 January 1986) to 45% as of 2008.<sup>4</sup>

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<sup>3</sup>While we have a complete series of top marginal rates for 20 countries, the information in the other fields is not always complete. Even though we have made an effort to compile as complete a data set as possible, lack of access to source material especially in earlier periods made it impossible to fill in every cell for every country and year.

<sup>4</sup>Atkinson and Leigh (2007) report that between 1912 and 1942 income taxes were levied also at the state level

## B. Description of Excel Spreadsheet

The Excel spreadsheet for Australia features a seventh column that includes calculations for determining the top rate for 1941-1950 using the applicable formulas reported in the Year Book.

## C. Description of Sources Used

Australia's national income tax rates were retrieved from the Australian Year Book. The Year Book can be found on the website of the Australian Bureau of Statistics, <http://www.abs.gov.au/>. Note that for the years 1950-2008 we provide a hyperlink to the the Australian Taxation Office (ATO), <http://www.ato.gov.au/>, which published the "Overview of the individual tax system: 1950-51 to 2007-08" based on the Year Book.

We additionally consulted the Reserve Bank of Australia, which reports data on Direct Tax Rates and Ratios at Section 2.23-2.24 of the Occasional Paper n. 8 of the Australian Economic Statistics, <http://www.rba.gov.au/statistics/frequency/occ-paper-8.html>. Secondary sources that we used to cross-check the validity of the rates include Reinhardt and Steel (2006). For the years 1981 to 2010 we checked our data with the OECD Tax Database (Table I.1).

## D. Key Legislation

- 1916 – Year Book (No. 9)
- 1936 – Year Book (No. 29)
- 1940 – Year Book (No. 33)
- 1942-43 – Year Book (No. 35)
- 1944-45 – Year Book (No. 36)
- 1946-47 – Year Book (No. 37)
- 1951 – Year Book (No. 38)

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(in fact, Western Australia had levied its income tax since 1907). Until World War I the state taxes are estimated to be around 10% for top incomes; during the wars they reached levels around 20%. As a result of the complexity and inconvenience of paying tax on the same base to two levels of government, there were a number of attempts to harmonize federal and state taxation: In 1919 the federal government offered to withdraw from income tax as an alternative to providing grants to the states, but this option was strongly rejected by some states; in 1936, similar legislation was enacted in all jurisdictions but over time further changes eroded the uniformity; in 1942 the federal government introduced legislation that increased the federal government income tax rates to raise more revenue. The legislation offered reimbursement grants to the states provided that they ceased to levy their own income taxes. Although a state could legally continue to impose its tax, doing so would impose an increased burden and also disqualify that state from receiving federal grants. The uniform taxation arrangements were initially only meant to apply for the duration of the Second World War and one year thereafter. At the end of the War, the states sought to regain their income taxing powers but were unsuccessful (Reinhardt and Steel 2006).

- 1950-2008 – ATO Overview, Table 22

## 2.2 Austria

### A. General Overview

The dataset includes information on Austria’s national income taxes from 1897 to 2010.<sup>5</sup> The first income tax law of 25 October 1896 (effective 1897) established a top rate of 5%.

The first large income tax reform took place in 1914, when the highest burden was raised up to 6.7% (Grünwald 1918). Subsequently, in 19 December 1916 the tax for incomes above 12,000 Kronen increased to 15%. The rates were critically raised in June 1918, going beyond 45% until the political breakdown of 1938. Additionally, in September 1931 the government introduced a crisis supplement (which in 1934 became the “Besoldungssteuer”).

In 1938 Austria became part of the German empire and the Reich’s tax rates were enforced, with top incomes above 55%.<sup>6</sup> The German income tax law was kept after the war, though the rates were lowered in the 1950s. The law of 12 December 1972 (effective 1973) introduced important features to the fiscal system: it changed the tax unit from family to individual, and set the top rate at 62%. Finally the law of 29 July 1988 (effective 1989) dropped the marginal rate to the current level of 50%.<sup>7</sup>

### B. Description of Excel Spreadsheet

The Excel spreadsheet for Austria features the six standard columns.

### C. Description of Sources Used

Austria’s national income tax rates were retrieved from the following sources. The rate for 1897 (law of 25 October 1896) is reported in the yearly federal tax-book (*Heft*) of 1899. We collected the rates between 1897 and 1918 from Grünwald (1918, p. 144). We retrieved the rates between 1919

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<sup>5</sup>Austria adopted an income “tax” in 1849, but this was a charge on income from capital rather than a separate personal income tax (Grünwald 1918). We then ignore this tax for the purposes of our database.

<sup>6</sup>Because Austria’s tax policies were not independently determined from 1938 to 1945, users may want to exclude these years.

<sup>7</sup>Regarding local income taxation, the detailed discussion in Sieghart (1898) suggests that this was not existent until the 1896 reform. Sub-national taxes were adopted during the interwar period but were abandoned under the Nazi regime. Lang (2009) indicates that municipalities in Austria from 1949 did not levy income taxes. In 2007 the central government proposed states to adopt a surcharge on the national tax but the states rejected it.

and 1954 consulting the tax department of the Austrian Federal Ministry of Finance (*Abteilung für Steuerschätzung und Steuerpolitik, Bundesministerium für Finanzen (BMF)*).<sup>8</sup> For the rates from 1954 onwards, we relied on Schratzenstaller and Wagener (2009) and the federal laws of 1955, 1967, 1972, and 1988.<sup>9</sup> Finally, for the years from 1981 to 2010 we consulted the OECD Tax Database.

The most useful sources on Austrian income tax rates belong to the secondary literature because neither the federal law database, <http://www.ris.bka.gv.at/>, nor the judiciary archives, <http://www.jusline.at/gesetze.html>, go back far back in time. Detailed secondary sources on Austria’s income tax rates until 1916 are Sieghart (1898), Grünwald (1918), Van Sickle (1931), and Szombathy (1915). For the inter–wars years, we cross-checked the BMF values with the historical data from Aidt and Jensen (2009, p. 173). We refer to Schratzenstaller and Wagener (2009) for the figures from 1955 onwards. The authors report data originally collected by Auer (2008), who gathered it from the monthly book of the Austrian Institute of Economic Research (*Österreichisches Institut für Wirtschaftsforschung*), <http://www.wifo.ac.at/bibliothek/archiv/MOBE/>. Additionally, for the years 1981 to 2010 we checked our data with the OECD Tax Database (Table I.1).

#### D. Key Legislation

- 25 October 1896 – Österreich Direkte Steuern “Spezielles Buch” (1898, p. 405)
- 10 February 1938 – Reichgesetzblatt (No. 12)<sup>10</sup>
- 14 December 1946 – Bundesgesetzblatt (No. 203)
- 29 January 1952 – Bundesgesetzblatt (No. 2)
- 17 January 1955 – Bundesgesetzblatt (No. 13)
- 28 July 1967 – Bundesgesetzblatt (No. 268)
- 12 December 1972 – Bundesgesetzblatt (No. 440)
- 29 July 1988 – Bundesgesetzblatt (No. 400)

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<sup>8</sup>Special thanks to Anton Rainer (BMF) for clarifying the rates from 1920 to 1954.

<sup>9</sup>The statutory top tax rate of the law of 1967 differs from the one reported in our dataset, because we use Schratzenstaller and Wagener’s values after the tax credit. Schratzenstaller and Wagener argue that statutory rates were inflated in the time between 1967 and 1972 because they integrated ex ante the effect of fiscal grants (employees tax credit, traffic tax credit) and a range of bonuses (holiday and Christmas bonuses). So we use their effective rates for those years because they are overall more “realistic”, although they may “inflate” the progressivity of the Austrian income tax until 1972 (Schratzenstaller and Wagener 2009, p. 315).

<sup>10</sup>Retrievable at <http://www.ns-quellen.at/>.



## 2.3 Belgium

### A. General Overview

The dataset includes information on Belgium’s national income taxes from 1920 to 2010.<sup>11</sup> Belgium established its first comprehensive income tax system as a result of a law of 29 October 1919. This created the “*taxe professionnelle*” levied on all revenues in addition to the “*impôt complémentaire personnel*” referred to as the “*supertaxe*” until 1933.<sup>12</sup>

The 1919 *taxe professionnelle* hit all wages, salaries, and benefits of agricultural, industrial, or commercial profits. It went up to 10% for income exceeding 48,000 Francs. The *supertaxe* was progressive and went up to 10% above 50,000 Francs. The top *supertaxe* was raised to 30% in 1925 but lowered to 15% in 1932. The law of 30 December 1932 gave the Belgian government the right to collect a “*contribution nationale de crise*”. This was initially supposed to last only one year starting in 1933, however subsequent legislation allowed this tax to be maintained. The laws between 1947 and 1951 updated this income tax system and pushed the top marginal rates to 80%.

The biggest reform in the post-World War II period occurred in 1962, when the central government abolished the three separate income taxes and established the new “*Impôt sur les Personnes Physiques*” (IPP). For the first time Belgium had a unique tax on income rather than the more complicated system that had prevailed up to this date. No significant change has been applied since. The top marginal rate for 1963 of 55% was only slightly increased in the 1980s with the Eyskens reform (Savage 2011, p. 161) and then decreased again in 1988 and 2002.<sup>13</sup>

### B. Description of Excel Spreadsheet

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<sup>11</sup>Taxes in Belgium have always been filed jointly, so the tax unit is the household. In the modern system there is a policy for income splitting between a married couple, but this does not affect the statutory top rate. For the years 1969 to 1988, Belgium’s income tax system did not apply its highest rates on the highest income category. The dataset provides additional values for any years in which the highest rate was not the rate on highest incomes.

<sup>12</sup>Note that the laws of 28 June 1822 and 6 September 1895 had attempted to levy an income tax. However, they were not levied on a direct assessment of income, but rather “perceived” income (Ingenbleek 1908). Hence, we exclude these events from our dataset.

<sup>13</sup>Before the creation of a national income tax Belgian cities were collecting their own taxes independently. In 1919 the federal government started collecting both the national tax and the municipal ones, the latter being redistributed to the municipalities (*Communes*) with credit schemes (Meunier et al 2007). According to the national tax law, cities are allowed to set a surcharge on the national rate between 0% and 10% (Gerard et al 2010). This system is still in place today. Additionally, in the 1990s regions and the federal government started debating a new tax at the regional level. This was finally implemented in 2001, although only Brussels-Capital is imposing its rate at a flat rate of 1%.

The Excel spreadsheet for Belgium features ten columns. Beside the six standard columns, we report the three tax rates that make up the final top rate: the *taxe professionnelle*, the *supertaxe*, and the *contribution nationale de crise*. Further, we report in the final column the highest rate for any years in which the highest rate was not the rate on the highest incomes.

### C. Description of Sources Used

Belgium's national income tax rates were retrieved from the following sources. The rates from 1920 (law of 29 October 1919) to 1962 (law of 28 February 1962) were collected from the Belgian official government gazette (*Moniteur Belge*), which we accessed from the Belgian State Archives in Bruxelles. The rates for the years between 1963 and 1980 come from the *Bulletin Usuel des Lois et Arrêtés*, which collects all the laws and decrees enforced in Belgium from the 1962 reform. We accessed this from the New York University Law Library. For the years 1981 to 2010 we used the rates in the OECD Tax Database (Table I.1).

We additionally checked a few more sources: the original fiscal laws from 1960 until today on the website of the Belgian Senate, <http://www.senate.be/>, and the Belgian National Legislation Repository, <http://www.ejustice.just.fgov.be/> (the latter provides access to the *Moniteur Belge* for the last twenty years). Secondary sources that were consulted include Ingenbleek (1908), Putnam (1950), and Van Houtte (1950) for the first income tax. Meunier et al (2007) and Savage (2011) discuss the modern evolution of income tax rates from 1962 onwards.

### D. Key Legislation

- 1919 – Loi du 29 octobre 1919
- 1920 – Loi du 30 décembre 1920
- 1924 – Loi du 28 février 1924
- 1930 – Loi du 4 juillet 1930
- 1933 – Arrêté royal du 13 janvier 1933
- 1933 – Loi du 23 décembre 1933
- 1934 – Arrêté royal du 15 octobre 1934
- 1935 – Arrêté royal du 22 février 1935
- 1935 – Arrêté royal du 13 mai 1935
- 1936 – Arrêté royal du 30 mars 1936
- 1937 – Arrêté royal du 22 septembre 1937

- 1938 – Loi du 17 juin 1938
- 1938 – Loi du 28 juillet 1938
- 1939 – Arrêté royal du 3 juillet 1939
- 1939 – Arrêté royal du 30 novembre 1939
- 1947 – Loi du 20 août 1947
- 1948 – Loi du 15 janvier 1948
- 1948 – Loi du 24 décembre 1948 (1) and 24 décembre 1948 (2)
- 1950 – Loi du 27 décembre 1950
- 1951 – Arrêté royal du 12 juillet 1951
- 1951 – Loi du 8 mars 1951
- 1953 – Loi du 23 juillet 1953
- 1953 – Loi du 27 juillet 1953 (1) and 27 juillet 1953 (2)
- 1953 – Loi du 10 novembre 1953
- 1954 – Loi du 23 février 1954
- 1955 – Loi du 28 mars 1955
- 1955 – Loi du 16 juin 1955
- 1955 – Loi du 14 juillet 1955
- 1956 – Arrêté royal du 12 septembre 1956
- 1957 – Loi du 26 juin 1957
- 1959 – Loi du 24 mars 1959
- 1959 – Loi du 13 juillet 1959
- 1960 – Loi du 11 juillet 1960
- 1962 – Loi du 28 février 1962
- 1962 – Loi du 10 novembre 1964
- 1964 – Arrêté royal du 26 février 1964
- 1965 – Loi du 27 décembre 1965
- 1969 – Arrêté royal du 19 Mars 1969
- 1975-80 – Supplément au Bulletin usuel des lois et arrêtés (selected pages)

## 2.4 Canada

### A. General Overview

The dataset includes information on Canada's national income taxes from 1918 to 2010. In July 1917, the federal government imposed the first general tax on personal income, which soon after

reached 70%, only to be lowered in 1927. Between 1930 and 1939 the amount of taxes doubled: the federal government added a non-resident withholding tax in 1933 and a gift tax in 1935.<sup>14</sup> The top rates stayed high above 80% until the second half of the 1950s. Indexing started in the 1960s: by consequence, the personal exemptions increased and each bracket of taxable income was changed each year according to an inflation factor.

## **B. Description of Excel Spreadsheet**

The Excel spreadsheet for Canada features the six standard columns.

## **C. Description of Sources Used**

Canada's income tax rates were retrieved from the following sources. For 1918 we use the rate in the 1917 Income War Tax Act, chapter 28. For 1919–1920 we refer to the statutory marginal tax rates in Perry (1955, ch. 10). We use Saez and Veall's values for the years from 1920 to 1972, but do not resort to them for 1973 onwards because those figures include the provincial percentage that the federal tax administration collected on behalf of the province on top of the nominal federal income tax (Saez and Veall 2007, pp. 302-303). Instead, for the period between 1972 to 1979 we rely on the applicable laws (Income Tax Acts of 1971 and 1973). For the years from 1981 to 2010 we use the statutory marginal rate reported in the OECD Tax Database (Table I.1).

The most relevant tax reforms in Canada were passed in 1917, 1948, 1971, and 1985, all of which were edited and changed in the course of the years. Legislation documents for the historical income tax laws and their reforms can be found at the "Justice Laws" website of the Government of Canada, <http://laws-lois.justice.gc.ca/eng/>. Saez and Veall (2007) report the rates for the top income level since 1920 (p. 301, column 10). Their top marginal tax rates were calculated on the maximum income threshold that the authors estimated from interpolation methods.

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<sup>14</sup>At the sub-national level, in 1930 only three provinces – Prince Edward Island, Manitoba, and British Columbia – taxed personal income. By 1939, seven provinces, excluding Ontario and Quebec, were collecting personal income tax. During World War II the provinces agreed to stop raising income taxes and let the federal government collect all income taxes. After World War II and up to 1961, all provinces (except Quebec) worked on a tax rental agreement whereby the federal government would collect all income taxes and redistribute part of income tax collections to each province. Starting in 1962 and up to 1971 provinces would receive in provincial taxes amounts equal to abatements granted from federal income taxes. Starting in 1972, the nominal federal tax rate was lowered but each province defined a given percentage that the federal tax administration would collect on behalf of the province on top of the nominal federal income tax. In some cases, these provincial taxes were as high as federal taxes.

## D. Key Legislation

- 1917 – Income War Tax Act, ch. 28
- 1948 – Income Tax Act, ch. 148
- 1971 – Income Tax Act, ch. 63
- 1981 – House of the Commons Budget Papers
- 1985 – Income Tax Act, ch. 1 (consolidated annually, current version of 1 June 2009)

## 2.5 Denmark

### A. General Overview

The dataset includes information on Danish national income taxes from 1903 to 2010.<sup>15</sup> Denmark introduced its first income tax with the Tax Reform Act of 15 May 1903. The first rise in the statutory marginal rate came in 1917, during World War I. Later with the law n. 149 of 10 April 1922 the national fiscal system was reformed in a number of areas including the scales and thresholds of progressivity. This also changed the maximum income tax rate. During the 1930s and 1940s, the rates were substantially increased and held steady during the 1950s and 1960s. In 1970 the introduction of taxation at the source changed the tax system profoundly: the withholding tax system was supplemented with a provisional tax system. Thus, the tax became a pay-as-you-earn levy. Starting with the tax reform no. 148 of 19 March 1986 (effective 1987), there was a long secular decline in national rates, though at the same time local income tax rates were increased.<sup>16</sup>

### B. Description of Excel Spreadsheet

The Excel spreadsheet for Denmark features the six standard columns. The year 1969 was “tax free” due to the shift from family to personal taxation. Atkinson and Sogaard (2013) also do not report a top marginal rate figure for 1968. We left the rates blank (as missing) for both of these years.

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<sup>15</sup>The Danish tax unit was the household until 1970, at which point it was changed to the individual (Atkinson and Sogaard 2013).

<sup>16</sup>Sub-national income taxes are much older and were, for many years, more burdensome than the national one. The first proper tax on earned income at the municipal level was the tax levied in Copenhagen in 1861. In the years preceding World War I two thirds of the burden on top income was on local taxes. Municipal tax rates stayed below 10% until 1954, when they increased together with federal taxes. Following the 1987 tax reform, while national rates have been significantly lowered, the municipal taxes have never gone below 25%. The OECD Tax Database, Table I.2, reports the marginal (flat) rates for Danish municipalities for the years from 1981 onwards.

### C. Description of Sources Used

Denmark’s income tax rates were retrieved from Atkinson and Sørensen (2013), who collected them from the original laws at <https://www.retsinformation.dk>. Atkinson and Sørensen (2013) report “equilibrium” marginal tax rates. The equilibrium rates refer to the marginal tax rate that takes into account the effect of the tax allowance under the assumption of a constant income level. We use this value instead of the statutory rate because the latter followed very specific calculations that do not lend themselves to the scope of our dataset. More specifically, until 1967 Danish citizens were able to deduct their taxes on a years income from their following annual tax declaration. In order to track both incomes in one tax rate, the government had to inflate the statutory rate. This means that formal rates were necessarily double the effective ones, and it explains why it was possible to have statutory rates exceeding 100% (for example, between 1951 and 1966). The “equilibrium” marginal tax rate of Atkinson and Sørensen (2013) then precisely nets out the effect of this deduction.

Additionally, we cross-checked our values from 1986 to 2002 with Jensen (2002). We finally compared the Atkinson and Sørensen (2013) values with the OECD Tax Database. Since the law of 19 March 1986 dropped the assumption of contract income levels, one can compare the datasets only for the years from 1987 onwards. The two series are overall similar.<sup>17</sup>

### D. Key Legislation

- 1903 – Law No. 104
- 1912 – *Nationaløkonomisk Tidsskrift*, 3(20):2
- 1922 – Law No. 149
- 1927 – Law No. 304
- 1933 – Law No. 102
- 1950 – Law No. 144
- 1954 – Law No. 193
- 1986 – Law No. 148
- 1989 – Law No. 825

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<sup>17</sup>We have compared Atkinson and Sørensen’s (2013) series with the 1980–2010 years in the OECD Tax Database (Table I.1). The rates do not correspond perfectly, given that the former is data computed at the income equilibrium while the latter is data that takes into account basic tax credits. However, their difference is no more than 2 percentage points and they follow the same trend.

- 1994 – Law No. 850

## 2.6 Finland

### A. General Overview

The dataset includes information on Finland’s national income taxes from 1917 to 2010.<sup>18</sup> The year 1917 corresponds to Finland’s independence and constitutes the first year of the country’s national income tax. However, income taxation in Finland dates from the mid-1800s. The Finnish Diet introduced a surcharge of 1.5% on high incomes with the law of 2 March 1865. Its tax structure remained similar during 1865–1885. In 1886, the Council decided to abolish the tax.<sup>19</sup>

After the Finnish declaration of independence the “Big Incomes” Tax Act was enacted for the years 1918–1919. This was a so-called temporary wartime tax to balance the state budget. The historical income tax law of 1920 (No. 207) entered into force from the beginning of 1921. The tax included 14 tax brackets ranging up to a maximum rate of 20%. This rate stayed in place until 1923. In 1924, the Income and Wealth Tax Act No. 306 introduced some deductions and revised the rate structure, though highest incomes remained taxed at 20%. The first significant increase occurred in 1943 (Income Tax Act No. 888) when the top marginal rate was increased to 32% and raised to 58% in 1946. Rates were eventually lowered in the 1950s and kept at 46% from 1954 through 1966.

Between 1967 and 1974, Finland’s income tax laws set the rates at around 51%. In 1988, the income tax law No. 1240 moved the system toward tax simplification and the rate was lowered to 44%. The same trend was integrated in the income tax reforms of the law No. 1535 of 1992, which was still in force in 2010.<sup>20</sup>

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<sup>18</sup>The Finnish tax unit was the household until 1970, at which point it was changed to the individual (Alm and Melnik 2004). For the years 1935 to 1944 and 1946, Finland’s income tax system did not apply its highest rates on the highest income category. The dataset provides additional values for any years in which the highest rate was not the rate on highest incomes.

<sup>19</sup>Since these events prepared the ground for Finland’s modern income tax system, we provide reference to these texts in the “D. Legislation” section.

<sup>20</sup>Local income taxes have also played an important role in Finnish history. Rates went up from 3% in the early 1900s to 10% in 1948. In the post-war era the rates stuck at around 12%. Turkkila (2011) reports that local tax rates have risen continuously to nearly 19% in 2008 with the so-called PARAS reform. Simultaneously, deductions have lowered the real tax burden in recent years (see also the OECD Tax Database, Table I.2, for local taxation).

## B. Description of Excel Spreadsheet

The Excel spreadsheet for Finland features seven columns. The additional seventh column reports the highest rate for any years in which the highest rate was not the rate on the highest incomes.

## C. Description of Sources Used

Finland's income tax rates were collected from the applicable legislation published under the title *Suomen Asetuskokoelma* from 1917–1980, and then named *Suomen Säädöskokoelma* from 1981 onwards. The publisher is Valtioneuvoston Kanslia, Helsinki, and the printer Valtioneuvoston Kirjapaino for 1917–1965, Valtion Painatuskeskus for 1966–1996, and Edita from 1996 onwards.

We also consulted Turkkila (2011). Frände and Hellsten (2010) review the policy decisions of the Ministry of Finance with respect to income taxation in recent years. Additionally, for the years 1981 to 2010 we checked our data against the OECD Tax Database (Table I.1).

## D. Key Legislation

### *Charges of the Russian Principality*

- 1865 – Tax Act No. 10
- 1868 – Tax Act No. 2
- 1878 – Tax Act No. 17
- 1883 – Tax Act No. 4

### *Tax Laws after the Declaration of Independence*

- 1918 – Tax Act No. 4
- 1918 – Tax Act No. 180
- 1919 – Tax Act No. 133
- 1920 – Tax Act No. 211
- 1924 – Tax Act No. 306
- 1943 – Tax Act No. 888
- 1946 – Tax Act No. 822
- 1947 – Tax Act No. 951
- 1948 – Tax Act No. 838
- 1950 – Tax Act No. 328
- 1951 – Tax Act No. 344
- 1952 – Tax Act No. 381
- 1953 – Tax Act No. 519



- 1954 – Tax Act No. 426
- 1963 – Tax Act No. 607
- 1967 – Tax Act No. 614
- 1975 – Tax Act No. 1008
- 1988 – Tax Act No. 1110
- 1989 – Tax Act No. 1334
- 1990 – Tax Act No. 1250
- 1991 – Tax Act No. 1671
- 1997 – Tax Act No. 1262
- 2001 – Tax Act No. 1243
- 2002 – Tax Act No. 1161
- 2003 – Tax Act No. 1005
- 2004 – Tax Act No. 1274
- 2005 – Tax Act No. 1127
- 2006 – Tax Act No. 1217
- 2007 – Tax Act No. 1140
- 2008 – Tax Act No. 945
- 2009 – Tax Act No. 1250
- 2010 – Tax Act No. 1409

## 2.7 France

### A. General Overview

The dataset includes information on France’s national income taxes from 1915 to 2010.<sup>21</sup> The law of 15 July 1914 constitutes the beginning of the modern legislation on income taxes in France.

A first increase took place with the Act of 30 December 1916. The exemption for the levy was lowered to 3,000 francs and additional categories for very high incomes were created. The highest marginal rate on income above 150,000 francs reached 10%. This rate however did not last: the laws of 29 June 1918 and 25 June 1920 raised the top marginal rate to 20% and 50%, respectively.

The law of 22 March 1924 set the system of “double decimates” for which there was a general tax increase to 20% plus a supplemental tax, the *majoration*, for high earners. The left wing of the

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<sup>21</sup>Taxes in France have always been filed jointly, so the French tax unit is the household.

government became increasingly less powerful, and the right coalition was able to pass the law of 3 August 1926 that lowered the combined rate to 30%. Two years later, Prime Minister Poincaré agreed to include in the Act of 31 December 1928 an increase in the rate of the income tax to compensate for the increase in general allowances and deductions: this increased the top rate of income taxation from 30% in the years 1926-1927 to 33.33 % for 1928-1931. During the remainder of the 1930s, the top rate continued to vary significantly, increasing to 36.67% in 1932, decreasing to 24% in 1934, and again increasing to 40% in 1937. The Vichy regime did not change the general income tax system. The tax on individual revenues continued to be applied during the war years and was increased to 70% with the special law of 24 October 1942.

After the Liberation, the Act of 31 December 1945 imposed a 60% marginal rate for top incomes that lasted until the law of 29 December 1982. The fiscal policies of the Chirac government in the mid-1980s were the first ones that substantially lowered taxes on the rich, decreasing the rate to 58% in the tax act of 1986 and then 56.8 % in 1987. This trend continued until 2010, first with the law of 30 December 1996, and then with the law of 27 December 2006.<sup>22</sup>

## B. Description of Excel Spreadsheet

The Excel spreadsheet for France features the six standard columns.

## C. Description of Sources Used

France's income tax rates were collected from the following sources. For the years from 1915 to 1920 we rely on the full schedules in Table A2 in Piketty (2001, p. 566). For the years between 1921 and 1998 we constructed a top rate series based exclusively on the top marginal rates (*barème d'impôt*) in Tables 4.1–4.5 in Piketty (2001).<sup>23</sup> For the years 1981 to 2010 we checked the OECD Tax Database (Table I.1).

We also access several original legislative documents. We retrieved the laws passed before

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<sup>22</sup>Local taxes have existed from the 1917 fiscal law, but have concentrated mainly on capital revenue (“economic contribution” and property). All rates have been relatively low, as they are limited and controlled by the central government (Piketty 2001). The OECD Tax Database, Table I.2, does not report French sub-national taxes.

<sup>23</sup>We prefer the *barème d'impôt* measure to the top rates that Piketty reports in Table A2 because these take into account surcharges on the households in the most unfavourable position (*majorations*), and we are interested in taxes levied on the richest individuals. The main difference between the two series is that focusing exclusively on the *barèmes d'imposition* results in a lower tax rate for the period immediately after World War I and for World War II.

1933 from the digital archives of the *Bibliothèque nationale de France* (BNF) at the website <http://gallica.bnf.fr/>. For the legislative documents from 1947 onwards, we searched in the legislation database at [www.legifrance.gouv.fr](http://www.legifrance.gouv.fr). For the years between 1933 and 1945, although we did not have direct access to the original French legislation, we referred to the reports in the yearly *Bulletin législatif* at the BNF website.

## D. Key Legislation

- 1914 – 15 July
- 1916 – 30 December
- 1920 – 25 June
- 1926 – 03 August
- 1928 – 31 January
- 1945 – 31 December<sup>24</sup>
- 1982 – 29 December
- 1986 – 31 December
- 1987 – 30 December
- 1996 – 30 December
- 2006 – 27 December

## 2.8 Germany

### A. General Overview

The dataset includes information on Germany’s national income taxes from 1920 to 2010.<sup>25</sup> Germany has had a federal income tax since 29 March 1920. The laws of Weimar between 1921 and 1924 adjusted the scale but did not change the top rates, which remained at 60% until the Weimar Republic decided to lower it to 40% in 1925. In 1934, the top rate was changed again, this time raised to 50%. It remained at this level through 1938, and only minimally changed under the Nazi regime.

Under the Allied occupation of Germany, the tax regime was determined by individual occupiers in their zone with some extremely high rates in place. We therefore refrain from indicating one

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<sup>24</sup>See <http://gallica.bnf.fr/>.

<sup>25</sup>The German tax unit was the household until 1958, at which point the government decided to give couples the option of choosing their tax status (Dell 2008).

rate for the years between 1945 and 1953. Similarly, for the initial post-war years (1953-1958), there was no federal income tax until the constitutional revision (in West Germany) of 1958. For years after 1958 the top rate stayed stable, first at 53% for the years 1958–1974, and then at 56% for the years 1975–1980. After the reunification of 1989, the marginal tax rate on top income has been decreased, to the extent that during the important labor-market reforms of the 2000s it has gone down to 48% (2004) and then 45% (2007–2010).<sup>26</sup>

## B. Description of Excel Spreadsheet

The Excel spreadsheet for Germany features the six standard columns.

## C. Description of Sources Used

Germany's income tax rates were collected from the following sources. We used the top rate in the 1920 *Reichsgesetzblatt* (government gazette preceding the *Bundesgesetzblatt*) for the years 1920–1924. We rely on Dell (2008) for the rates in the Weimar period between 1925 and 1938 and for the occupation years between 1945 and 1953. For the years after the occupation, we use Häuser (1966, p. 147) and Corneo (2005, p. 161), who reports the rates for the period 1958–1974 and 1975–1980. Finally, we collect the rates for 1981 to 2010 from the OECD Tax Database (Table I.1). Legislative documents from 1949 onwards are available at the webpage of the *Bundesgesetzblatt*, [http://www.bgbl.de/Xaver/start.xav?startbk=Bundesanzeiger\\_BGBL](http://www.bgbl.de/Xaver/start.xav?startbk=Bundesanzeiger_BGBL).

## D. Key Legislation

- 1920 – Reichsgesetzblatt (29 March) Rr. 57
- 1939 – Reichsgesetzblatt (27 February) Rr. 35
- 1974 – Bundesgesetzblatt (15 August) Nr. 97
- 1989 – Bundesgesetzblatt (18 December) Nr. 59
- 2000 – Bundesgesetzblatt (23 December) Nr. 57
- 2007 – RGBl S. 1005 (as of 28 May)

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<sup>26</sup>In terms of sub-national taxes, the first state-level income tax was established in 1811 in Eastern Prussia. In the form of a Klassensteuer, this was extended to all of Prussia in 1820. In 1851, multiple rates for higher income groups were introduced in Prussia. Around the same time, other states moved to progressive universal fiscal systems, e.g. Bremen (1848), Hessen (1869), Sachsen (1874). Note that states no longer levied their own income taxes after the Weimar legislation of 29 March 1920 (Kuczynski 1923). After the world wars the state governments were never able to reimpose their own income taxes (Franzen 1994), as taxation was now regulated by federal law (Grossfeld and Bryce 1983).

## 2.9 Ireland

### A. General Overview

The dataset includes information on Ireland’s national income taxes from 1923 to 2010.<sup>27</sup> The first income tax of the Republic of Ireland was established by Section 21 of the Finance Act of 1922 (effective April 1923). From 1923 to 1974, a standard rate of income tax was charged, along with a “surtax” (its name initially set as “super–tax”). The surtax was adjusted to the standard rate of tax on income above a certain threshold. Thus, we added the income tax rate and surtax together to obtain the marginal rate. At the top rate, both charges went from levels below 50% in the 1930s to 80% with the Finance Act of 1952 and the Income Tax Act of 1967.

The surtax was abandoned at the end of the 1974 tax year, when a formal top marginal rate was introduced.<sup>28</sup> Since then the marginal top income tax rate has been lowered to 60% and 48% with the Financial Acts of 1977 and 1992, respectively. More recently, the Taxes Consolidation Act (1997) has lowered the rate below 42%.<sup>29</sup>

### B. Description of Excel Spreadsheet

The Excel spreadsheet for Ireland features eight columns. Beside the six standard ones, the two additional columns report the specific amounts for the standard tax and the super–tax, which we found in the statutory text and that we used to calculate the final top marginal rate for the years between 1923 and 1974.

### C. Description of Sources Used

Ireland’s income tax rates were collected directly from the relevant Irish legislation, which was made available in its entirety by the Library of the Office of the Revenue Commissioners, <http://www.revenue.ie/>. We checked the statutory values from Revenue Ireland with the OECD Tax Database (Table I.1).

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<sup>27</sup>The Irish government allows couples to choose their tax status (Alm and Melnik 2004).

<sup>28</sup>Tax years ran until April 6 up to 2001 when they changed to a calendar year basis of assessment.

<sup>29</sup>Callanan and Keogan (2003, p. 483) indicate that local governments in Ireland have never succeeded in implementing a local income tax.

## D. Key Legislation

- 1923-1979 – Annual Reports of the Revenue Commissioners (income taxes and surcharges)<sup>30</sup>
- 1980-2009 – Annual Reports of the Revenue Commissioners

### 2.10 Italy

#### A. General Overview

The dataset includes information on Italy’s national income taxes from 1865 to 2010.<sup>31</sup> The first set of fiscal decisions of the Kingdom of Italy go back to 1865 (law No. 1830 of 14 July 1864), when the first government passed a comprehensive package of fiscal policies that included taxes on the *Redditi di Ricchezza Mobile*, i.e. employment and all revenues that did not come from real estates. For the period between 1865 and 1923 we use the rate of the *Ricchezza Mobile* tax as the top rate of our series. This remained around 10% for most of these years. At the opening of World War I, the government decided to increase the fiscal burden by raising the flat income tax rate and, in 1919, levying a new *Imposta Complementare Straordinaria sui Redditi Superiori* (special surcharge on top incomes). These two instruments made the top marginal rate 27%.

A surcharge to the income tax rates was set up in 1923 (effective 1924) with the so-called *Imposta Complementare*. This replaced the *Imposta Complementare Straordinaria sui Redditi Superiori* (8% surcharge). It constituted a permanent supplementary tax added to the *Imposta sulla Ricchezza Mobile*. The additive rate stayed relatively low in the Fascist biennial but was significantly raised up to 90% at the end of World War II, with the first Financial Act of the new Republic (1945). Taxes stayed at high levels for most years after the war.

Italian income taxes were finally re-designed in the early 1970s (Alvaredo and Pisano 2007). The new tax that was introduced with the presidential decree of 29 September 1973, No. 597, is the *Imposta sul Reddito delle Persone Fisiche* (IRPEF). This got rid of old-fashioned charges (e.g. the Family Tax) and merged the *Ricchezza Mobile* and the *Imposta Complementare* into one marginal

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<sup>30</sup>Unfortunately the report for 1955 is missing from the Annual Reports collection, but the assistants at the Office of the Revenue Commissioners have looked at the legislation for that year and the rate was the same as for the preceding year.

<sup>31</sup>The Italian tax unit was the household until 1973, at which point it was changed to the individual (Alm and Melnik 2004).

rate. The top rate remained relatively high until 1984, when the first change to IRPEF occurred with the Visentini Reform. In the last decade of our series the rate goes below 45%, following the reforms in the Prodi and Berlusconi years.<sup>32</sup>

## B. Description of Excel Spreadsheet

The Excel spreadsheet for Italy features seven columns. Beside the six standard ones, we report the figures of the *Imposta Complementare* from 1924 to 1971.

## C. Description of Sources Used

Italy's income tax rates were collected from the following sources. Regarding the *Ricchezza Mobile*, the rates from 1865 to 1961 come from the minutes of the 'seduta' of the Senate in 21 March 1962, where the evolution of this tax is detailed. The rates from 1962 to 1972 are reported in different laws that we retrieved from the *Gazzetta Ufficiale*, <http://www.normattiva.it/>. Regarding the *Imposta Complementare*, top rates from 1924 to 1971 were retrieved from the reports of the Ministry of Finances (Bottarelli 2004) and original legislation in the *Gazzetta Ufficiale*. For the top rates of the *Imposta sul Reddito delle Persone Fisiche* from 1973 to 2010 we use the reports to the Ministry of Finances (De Vincenti and Paladini 2008) and the OECD Tax Database (Table I.1).

In addition, we consulted Einaudi (1927) for the pre-World War I taxes, and Steve (1947) for the charges until the end of World War II. For the years between 1960 to 1973 we also referred to Bottarelli (2004, p. 8) and Ricotti and Sanelli (2005, p. 375-8).

## D. Key Legislation

### *Ricchezza Mobile (1864-1961)*

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<sup>32</sup>Before 1973, local administrations had the responsibility to tax some types of income as surrogates of national taxes. The royal decree of 20 October 1925, n. 1944, allowed municipalities with less than 30,000 inhabitants to levy the Family Tax with respect to income not taxed by the complementary tax. So, while the majority of the Italian population saw the *Imposta Complementare* as their main tax, small local governments were able to impose an additional personal income tax with progressive rates ranging from 2% to 12%. This was revoked with the abolishment of the Family Tax (law of 29 September 1973, No. 597). The "Addizionale Regionale IRPEF" and the "Addizionale Comunale IRPEF" were introduced with article 50 of 15 December 1997, No. 446. They were subsequently modified in 1999 and 2007-09 by national legislation. In the 1999 system a surcharge with variable rate from 0.9% to 1.8% was levied in each of the twenty *Regioni*. The additional municipal tax was fixed at the local (*Comune*) level and could go beyond 0.8%. In 2009 the Italian parliament endorsed Law 42 on fiscal federalism, allowing slightly higher rates (Rome, for example, increased its rate to 2.2%). The thresholds stayed the same as for the national tax.

- Commissione Finanza e Tesoro, Seduta del Senato della Repubblica del 21 Marzo 1962

*Ricchezza Mobile (1962-1971) and Imposta Complementare (1951-1971)*

- Law of 11 January 1951 (No. 25)
- Gazzetta Ufficiale of 07 July 1958 (No. 162)
- Gazzetta Ufficiale of 18 April 1962 (No. 209)
- Law of 03 November 1964 (No. 1190)

*Imposta sul Reddito delle Persone Fisiche (IRPEF)*

- Law of 09 October 1971 (No. 825)
- 1973-2007 – Italian Academy of Economy and Finance, “White Book on Income Taxes” (Appendix)

## 2.11 Japan

### A. General Overview

The dataset includes information on Japan’s national income taxes from 1887 to 2010.<sup>33</sup> National-level individual income tax was first introduced in 1887, with the Imperial Ordinance No. 5 (23 March). Under the 1887 income tax law, income was defined comprehensively to include capital income, employment income, and other property income. It set low marginal tax rates over 5 income brackets, with the top marginal rate at 3%.

Moriguchi and Saez (2008) report that three major tax reform years, in addition to numerous revisions in income and estate tax laws, are worth pointing out in the history of Japanese taxation: 1899, 1940, and 1947. The 10 February 1899 law established an income tax on three classes of income: corporate income, interest income, and individual income not included in the first two classes. Individual income taxation during the fiscal years 1899–1939 is thus often called Class III income tax. It maintained moderate tax rates with a maximum burden of 5.5% on the 12th bracket. Over the following two decades, the rates were increased to 20.35% in 1905 with further increases in 1913 and 1918. The income tax then became increasingly progressive, with the highest marginal tax rate reaching 36% by 31 July 1920. The tax rates were raised further by the temporary tax increase law of 1937 and the revised temporary tax increase law in 1938.

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<sup>33</sup>The Japanese tax unit was the household (with dependents) until 1950, at which point it was changed to the individual (Moriguchi and Saez 2007).



The 1940 tax reform established a new form of income tax. Individual income was subject to both schedule tax and comprehensive tax. The comprehensive tax was imposed on individuals' aggregate income with a top tax rate that increased to 65%. After the war, the American occupational authority enacted the 1947 income tax reform. The law introduced an extensive withholding system for wage earners. As a result, for most wage earners, income tax was withheld at source, no longer required to be self-assessed. This income tax system also raised the marginal rates on the richest, increasing them to 85%.

The 1947 tax was replaced a few years later by the hybrid of comprehensive taxation, and separate taxation withheld partially or wholly at source. Under the hybrid system of 1950, instead of aggregating all incomes earned by an individual to apply a progressive tax rate, some incomes were taxed at flat rates separately from other incomes. Top income was taxed at 65%, while low incomes were tax-exempted entirely. Finally, various privileges that had been given to small-size personal saving since 1963 were abolished by the 1988 tax reform, which lowered the top marginal rate to 50%.

The top marginal rate fell further to 37% in 1999, when special tax relief measures were introduced in response to the bursting of the asset bubble earlier in the decade. The threshold for the top income bracket was also substantially lowered from 30 million to 18 million yen. The top marginal rate was lifted slightly to 40% by the 2006 income tax reform.<sup>34</sup>

## **B. Description of Excel Spreadsheet**

The Excel spreadsheet for Japan features the six standard columns.

## **C. Description of Sources Used**

Japan's income tax rates were collected from the following sources. For 1887 to 2005 we rely

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<sup>34</sup>Local income taxation was introduced in the post-war period with the 1947 Local Autonomy Law (Act No. 67). The 1950 Local Tax Law (Act No. 226) established specific provisions for prefectural and municipal level taxes. Municipal level income taxes took effect in 1950 and prefectural taxes in 1954. Progressive taxation was first adopted in 1957 and 1962 for municipal taxes and prefectural taxes, respectively. From 1962 into the late 1980s, the threshold for the top municipal tax bracket was set high, at around 50 million yen, with top income taxed at 14% (Shoven 1989). In addition, there was a surcharge (*kintou-wari*), which was levied since 1950 based on the size of the municipality's population. A 2004 revision of the local tax law standardized the surcharge for all municipalities. Finally, the 2006 reform established flat local income tax rates of 4% and 6% at the prefectural and municipal levels respectively (OECD 2013).

on Moriguchi and Saez (2007), who collected original tax laws and report the top rates for one couple with one income in their Appendix C. The national tax legislation can be accessed from the National Diet Library's online database, at <http://hourei.ndl.go.jp/>. For the years 1887-1912, digital archives can be accessed at the National Diet Library's Digital Library from the Meiji Era, at <http://kindai.ndl.go.jp/>, and for the Taisho years (1912-1926) from the National Archives of Japan, at <https://www.digital.archives.go.jp/index.e.html>. For 2005 to 2010 we use the rates in the OECD Tax Database (Table I.1).

Additionally, we referred to Takahashi (2009), who reports the top marginal tax rates and thresholds from 1899 to 1903, and Shiomi (1935, 1957), who reports marginal tax rates in 1914 and 1918 (we have referred only to rates on Class III income). The years 1950-1998 were compared with data from Atoda et al (1999). Data collected from legislation for the years 1989-2001 are also consistent with Yashio (2005), who reports statutory marginal tax rates and corresponding income brackets for this period.

#### **D. Key Legislation**

For a full overview of the relevant Japanese tax laws, please refer to the website of Japan's National Tax Agency, <http://www.nta.go.jp/>.

## **2.12 Netherlands**

### **A. General Overview**

The dataset includes information on the Netherlands' national income taxes from 1893 to 2010.<sup>35</sup> The first important legislation was the bill of 27 September 1892 (Staatsblad 223), followed by the complementary bill of 2 October 1893 (Staatsblad 149). The top marginal rate at the time was 3.20%. The first large revision occurred in 1914. Introduced by Minister Treub, the 1914 income tax (effective 1915) established a so-called 'synthetic' levy that added together the revenue from various sources of income. The total was then taxed at a uniform rate, where the highest rate went up to 4.8%.

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<sup>35</sup>The Dutch tax unit was the household until 1970, at which point it was changed to the individual (Salvedra and Atkinson 2007).

In 1937, a committee was set up for the revision of the income tax. However, the Germans invaded the country before the resulting bill could be discussed. During World War II the Germans adopted the revision proposals prepared by the Dutch committee, raising the top tax rate to 65%. After World War II the Dutch governments maintained these high rates. The next large reform occurred in 1964 with the “Wage Withholding” tax. This legislation altered how the tax was collected but did not change the top rate. In 1990, the Oort Commission revised the income tax and brought down the top marginal rate. The nine-band rate structure ranging up to 72% was replaced with a three-band structure ranging from 13% to 60% (Salverda and Atkinson 2007, p. 454). The law was changed in 2001 with the establishment of the contemporary Personal Income Tax Act for which the top marginal tax rate is 52%.<sup>36</sup>

## **B. Description of Excel Spreadsheet**

The Excel spreadsheet for the Netherlands features the six standard columns.

## **C. Description of Sources Used**

The Netherlands’s income tax rates were collected from the following sources. The top rates from 1894 to 1914 come from Kennan (1910, p. 140, Table A). We cross-checked this value with other secondary literature, in particular Seligman (1908, p. 54). The top rate from 1915 to 1940 comes from the Law of 19 December 1914 (Staatsblad 563, Art. 37) and Fritschy (1997, p. 1056). We refer to Fritschy (1997, p. 1060) for the figure for the beginning of German dominance years (1941). The values for the period between 1948 and 1963 comes from Goedhart (1966, p. 217, Table 4, “Income Tax Liability for Married Couple”), and can be checked with Detiger (1964). Finally, the values for the period between 1960 until today come from Jacobs et al (2013). We checked them with the OECD Tax Dataset (Table I.1).

We also provide the original documents of the earliest (1915) and latest (2001) income tax leg-

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<sup>36</sup>Local rates have existed in the past in the Netherlands. The 1914 act made municipalities free to levy surcharges on the income tax, at their discretion. Fritschy (1997) suggests that mid-size cities would have rates as high as 8% while Amsterdam had rates that did not exceed 15%. Similarly, Salverda and Atkinson (2007, p. 457, ft. 21) point out that in 1920/21 a family with an annual income of 5000 guilders would pay a tax rate between 4% and 19%. In the years of German occupation (1941-46), the municipal surcharges on the income tax were abolished. These were then integrated into national taxation until the modern days.

islation, and a document of the 1941 German decree that enforced the new fiscal system.<sup>37</sup> Relevant legislation after 1945 can be retrieved at the Ministry of Finance website, <http://www.rijksoverheid.nl/>, or directly at the Government online archives, <http://wetten.overheid.nl/zoeken/>. Older laws are published in the *Staatsblad (van het Koninkrijk der Nederlanden)*.

## D. Key Legislation

- [Law of 1915 – revision of 16 April 1915](#)
- [German Decree of 1941 – Staatsblad No. 426](#)
- [Law of 2001 – version of 11 May 2000](#)

## 2.13 New Zealand

### A. General Overview

The dataset includes information on New Zealand’s national income taxes from 1892 to 2010. New Zealand introduced a three–bracket income tax with the Land Tax and Income Tax Act of 1891 (effective 1 April 1892). This legislation lasted until 1909. At that time, a system with ten marginal rates was introduced, which also raised the top rate from 5% to 5.8%. A further legislative amendment in 1913 increased the maximum of the income tax from 5.8% to 6.65%. With the outbreak of World War I a lot of legislative activity was undertaken in the income tax realm. First, the tax schedule involved a ‘multi–slope tax function’ with an upwardly sloping marginal rate function between different income thresholds, although this generally did not apply at the highest income levels.<sup>38</sup> Moreover, the 1916 Land and Income Tax Act increased the rate to 37.5%, which lasted until 1921.

After the peak in World War I, there was a gradual decline of taxes on higher incomes (as well as companies and large landowners). This trend, however, was reversed by the additional tax levy that was introduced in 1931. The additional tax was removed in 1936 but re-introduced for 1939–

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<sup>37</sup>Thanks to Wantje Fritschy for this document.

<sup>38</sup>The multi–slope function worked so that as an individual’s income increased, the higher rate applied to all income (above an initial exemption where applicable), not just the increment (see Vosslander 2009, p. 304). Thus the apparent marginal rate in the schedule did not specify the ‘effective’ marginal rate because an additional pound of income brought with it an additional tax liability on that pound and all previous pounds above the initial exemption level (McAlister et al, 2012).

1953 period. At this same time, the multi-slope function was eliminated while the basic statutory rate was substantially increased. Overall, during World War II, the top rate of income taxation rose to nearly 80%. The general tax system remained unchanged, though at lower rates, until the Land and Income Tax Amendment Act of 1973 and the Income Tax Act of 1976 (effective 1977). Rates were sharply cut in a series of legislation in the late 1980s.<sup>39</sup>

## B. Description of Excel Spreadsheet

The Excel spreadsheet for New Zealand features nine columns. Beside the six standard columns, we report the statutory rate, the additional top effective rate due to multi-slope function, and the additional effective rate due to additional taxes from 1931 and 1953.

## C. Description of Sources Used

New Zealand's income tax rates were collected from McAlister et al (2012), who compiled them from governmental documents and the Official Yearbook collection, <http://www.stats.govt.nz/>. The collection of historical New Zealand income tax acts is <http://www.legislation.govt.nz/>. For detailed background information, we referred to the article by McKay (1978) and Vosslander (2009). Additionally, for the years 1981 to 2010 we checked our data with the OECD Tax Database (Table I.1).

## D. Key Legislation

- [1892 – Land Tax and Income Tax Act](#)
- [1900-1924 – New Zealand Official Yearbook](#)
- [1925-2010 – New Zealand Official Yearbook](#)

## 2.14 Norway

### A. General Overview

The dataset includes information on Norway's national income taxes from 1892 to 2010.<sup>40</sup> The *Stortinget* adopted the first comprehensive national income tax (*Alminnelig inntekt*) in 1892. Dur-

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<sup>39</sup>New Zealand has never levied significant sub-national income taxes.

<sup>40</sup>The Norwegian tax unit was the household until 1970, at which point it was changed to the individual.

ing the first fiscal years, the income tax was based on a low proportional rate (2%), but already in 1896 it was increased to 5%. Initially, only modest policy changes were made after independence in 1905. The Tax Acts of 1914 and 1915 further raised the top marginal rate, and towards the end of World War I, the Norwegian government increased income taxes for richer individuals up to 10.2%, in part due to a new additional “crisis” tax (*Kriseskatt*) that was introduced briefly in 1918–1920, and then again in the 1930s. The 1921 Tax Act substantially raised the top rate to 50% and the rate remained high, though with some fluctuation, over the next several decades.

In 1986 the government decreased the rates of the general *Alminnelig inntekt* significantly while simultaneously imposing a new “additional” tax (*Toppskatt*), which floated between 6 and 13.5% ever since. A major tax reform was introduced in 1992 but did not have a large impact on national rates.<sup>41</sup>

## B. Description of Excel Spreadsheet

The Excel spreadsheet for Norway features nine columns. Beside the six standard columns, we report three separate tax rates that together make up the final value of the national top tax rate of Norway: the *Alminnelig inntekt*, the *Toppskatt*, and the *Kriseskatt*.

## C. Description of Sources Used

Norway’s income tax rates were collected from the income tax laws in Norway’s Income and Property Statistics (*Inntekts og formuesstatistikk*), which we accessed through the Library of Parliament in Helsinki. We complemented these documents with the “*Inntekts og- formuesstatistikk for Oslo*” published by the *Oslo kommunale statistiske kontor* and the “*Statistik Sentralbyrå, Historisk oversikt over skattesatser*”, which can be found at <http://www.ssb.no/a/histstat/>.

Useful additional resources on Norway’s income tax are Kari (2002) and Ganghof (2006). The Royal Ministry of Finance published a report on the Norwegian historical tax system in October 2013.<sup>42</sup> Additionally, for the years 1981 to 2010 we checked our data with the OECD Tax Database

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<sup>41</sup>In terms of the sub-national government, the Tax Act of 1882 introduced the income tax at a municipal level. Municipal fiscal power was then mitigated with the Tax Act of 1911, which lowered all rates on average. The local rates reached a historical peak during World War II, when together with national taxes reach a 90% tax on the richest individuals. In the 1970s and the 1980s they supplemented the decreasing national rates. They have never gone below 14% since 1932 (Royal Ministry of Finance 2013).

<sup>42</sup>This is available at [http://www.statsbudsjettet.no/Upload/Statsbudsjett\\_2013/dokumenter/pdf/chapter2\\_tax\\_budget2013.pdf](http://www.statsbudsjettet.no/Upload/Statsbudsjett_2013/dokumenter/pdf/chapter2_tax_budget2013.pdf).

(Table I.1).

#### **D. Key Legislation**

- 1892 Tax Act
- 1895 Tax Act
- 1915 Tax Act
- 1921 Tax Act
- 1933-38 *Kriseskatt* and 1933-42 Tax Act
- 1938 Tax Act
- 1951 Tax Act
- 1952 Tax Act
- 1955 Tax Act
- 1959 Tax Act
- 1963 Tax Act
- 1965 Tax Act
- 1966 Tax Act
- 1967 Tax Act
- 1968 Tax Act
- 1969 Tax Act
- 1970 Tax Act
- 1974 Tax Act
- 1975 Tax Act
- 1978 Tax Act
- 1984 Tax Act
- 1988 Tax Act
- 1989 Tax Act
- 2005 *Statsbudsjettet*

## 2.15 South Korea

### A. General Overview

The database includes information on South Korea's national income taxes from 1948 to 2010.<sup>43</sup> The modern tax system was introduced in 1949 after the formation of the Government of the Republic of Korea in 1948. The enacted Income Tax Law had a top rate of 65%. After the Korean War, the top rate was revised up and down several times during the remainder of the decade.

In the 1960s economic reforms were targeted to reduce the tax burden of low-income earners. Limits on exemptions were eased and tax credits were instituted. At the same time, the tax burden on individuals with an annual income of more than 5 million won was raised to 50%. In December 1974, the government undertook comprehensive reform measures of the tax system primarily to equalize the income distribution. A new rate structure further reduced the tax obligations on low-income earners, but the rates increased for those in high-income brackets, reaching 70%.

Another tax law revision was made in 1982, which gave some relief to high incomes by lowering the top income tax rate to 60%. Domestic economic circumstances began to change in the latter half of 1988, with an adverse impact on growth, exports, prices, employment, and balance of payments. The major contents of the tax reforms from 1989 to 1992 included lowering the burden on top incomes to 50%.

The next significant reform occurred in 2001. This was meant to encourage entrepreneurship of the self-employed. Global income tax rates were then cut by 10%, with the top rate going from 40% to 36%. The deduction for taxable income was also increased. The reforms in the mid-2000s have made small adjustments to the tax law.<sup>44</sup>

### B. Description of Excel Spreadsheet

The Excel spreadsheet for South Korea features the six standard columns.

### C. Description of Sources Used

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<sup>43</sup>The Korean tax unit was the household until 1954, at which point it was changed to the individual (Nyeyon and Kim 2013).

<sup>44</sup>As the OECD Tax Database, Table I.2, suggests, municipal taxation was in place since the 2000, at a rate that can reach 15% but that *de facto* was set at 10% across the country.



South Korea's income tax rates were collected directly from the original legislation documents. The rates for 1950–62 were collected from the Korean *National Law Code Information Center*, which makes information available at <http://www.law.go.kr>. The rates for 1962–2010 were obtained directly from the Korean National Tax Agency.

Gyeongdon (1997) presents a review of the evolution of Korean taxation from 1950. For a broad analysis of top marginal tax rates from 1960 onwards, we refer to Nyeyon and Kim (2013, see Figure 10). Additionally, for the years 1981 to 2010 we checked our rates with the OECD Tax Database (Table I.1).

#### **D. Legislation**

- Law of 15 July 1949 (No. 33)
- Law of 31 March 1954
- Law of 1 October 1954
- Law of 29 December 1958
- Law of 08 December 1961
- Law of 28 November 1962
- Law of 29 November 1967
- Law of 28 December 1971
- Law of 28 December 1979
- Law of 31 December 1981
- Law of 26 December 1988
- Law of 31 December 1994
- Law of 31 December 2001
- Law of 31 December 2004

## **2.16 Spain**

### **A. General Overview**

The database includes information on Spanish income taxes from 1933 to 2010.<sup>45</sup> The first personal

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<sup>45</sup>The Spanish tax unit was the household until 1988, at which point the government decided to give couples the option of choosing their tax status (Alvaredo and Saez 2007).

income tax (*Contribución General sobre la Renta*) was established in all the territory of Spain in 1932 (Law of 20 December 1932) during the Second Republic. This first law determined a high taxable income threshold (1,000,000 pesetas) together with low progressive rates, ranging to 11%.

The fiscal reform of 1940 (Law of 16 December 1940) made changes to the whole tax system, reduced the minimum taxable income, and substantially increased the progressivity of the rates, with a top marginal tax rate of 40% for incomes above 1,000,000 pesetas. Tax rates were further increased in 1942 (Law of 6 February 1943), when the minimum threshold was set to 60,000 pesetas. Reforms implemented in 1966 broadened the income tax base and raised the top rate to 61.4%. After the reforms of 1975 (Decree Law 13/1975) the top marginal rate was reduced to 58.1%.

The contemporary income tax was established in 1979 (Law 44/1978). In the initial years of this tax, the top marginal rate was 65.5%. In 1988 the tax scale was completely restructured downwards; the top marginal rate decreased from 66% to 56%. The reform of 1991 did not modify either the tax rates or the main deductions. It updated the legislation in terms of individual and joint filing after the Constitutional Court decided in 1989 that the obligation to file jointly for married couples was thereafter unconstitutional. It also introduced changes in the taxation of capital gains, which we briefly describe below.

Since the reform of 1998 (Law 40/1998), the system moved to taxing disposable rather than overall income, after the deduction of a personal and family minimum income threshold (family-related reductions existed before, but they were applied to the amount of the tax and not to the income). The reform also provided a general rate reduction in the marginal rates with the top rate moving from 56% to 48%. The downward trend was maintained with the reforms of 2002 (effective 2003) and 2006 (effective 2007), which lowered the top marginal rate to 27.13% in 2010.<sup>46</sup>

## **B. Description of Excel Spreadsheet**

The Excel spreadsheet for Spain features the six standard columns.

## **C. Description of Sources Used**

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<sup>46</sup>Municipal income taxes have never been significant in Spain, in contrast to regional taxes. The OECD Tax Database (Table I.2) reports regional income tax rates for Catalunya from 1998 onwards, since only then did regional governments in Spain receive fiscal autonomy. In the years before 1997, regional taxation consisted of simply revenue provided by the central government (Sollé–Ollé 2013).

Spain's income tax rates were collected from the following sources. For the years from 1933 to 1960, our series relies on Alvaredo and Saez (2007), who report top statutory marginal income tax rates for Spain for 1933-1973.<sup>47</sup> For 1960 to 1980, we retrieved the legislative documents of the *Boletín Oficial del Estado*, <http://www.boe.es/legislacion/>. Alternatively, the full text of the laws can be found at the database <http://noticias.juridicas.com/>. We use the OECD data (Table I.1) for the period between 1981 and 2010.

## D. Key Legislation

- [Ley – 11 June 1964](#)
- [Disposiciones generales – 1 December 1973](#)
- [Disposiciones generales – 17 November 1975](#)
- [Disposiciones generales – 16 November 1977](#)
- [Ley – 11 September 1978](#)
- [Ley – 26 December 1998](#)
- [Ley – 1 January 2003](#)

## 2.17 Sweden

### A. General Overview

The dataset includes information on Sweden's national income taxes from 1862 to 2010.<sup>48</sup> The state appropriation tax of 1862 was comprehensive and levied a 1% proportional tax rate on the wage-earning population. In 1903, a new income tax system was established and set the top rate at 5%.<sup>49</sup> Between 1903 and World War I, the marginal top rate generally stayed around 5%. It followed a period of increasing tax rates in connection with the tax reforms implemented in 1920

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<sup>47</sup>The first income tax was based on individual income from 1933 to 1939 and based on family income from 1940 onwards.

<sup>48</sup>The Swedish tax unit was the household until 1970, at which point it was changed to the individual (Du Rietz, Johansson and Stenkula 2013). For the years 1903 to 1938, Sweden's income tax system did not apply its highest rates on the highest income category. The dataset provides additional values for any years in which the highest rate was not the rate on highest incomes.

<sup>49</sup>Du Rietz, Johansson, and Stenkula (2013) indicate that collection of the income tax prior to 1903 depended on the current balance of the national budget. Roine and Waldenström (2010) identify the reform of 1902 (effective 1903), as the inception of modern income taxation in Sweden.

(effective 1921) and 1939. By 1940, the top marginal rate was 60.8%.<sup>50</sup>

The top income tax rate stayed high during the 1960s and 1970s. In the 1980s and 1990s, the top rate for national income taxation was substantially reduced. However, at this time, local income tax rates increased significantly to a top rate of about 30%.<sup>51</sup>

## B. Description of Excel Spreadsheet

The Excel spreadsheet for Sweden features seven columns. The additional seventh column reports the highest rate for any years in which the highest rate was not the rate on the highest incomes.

## C. Description of Sources Used

Sweden's income tax rates were collected from Du Rietz, Johansson, and Stenkula (2013), who review the Swedish statutes of the *Svensk Författningssamling* (SFS). The SFS issues after 1950 can be found at <http://www.notisum.se/>. For previous years, the official collection of Swedish statutes (1825–) is available in its entirety at the Harvard Law School Library. Note that the rates in Du Rietz, Johansson, and Stenkula (2013) take into consideration several surcharges that applied across time, which we include in our values.<sup>52</sup>

Additionally, we examined a number of studies including Söerberg (1996), Löwnertz (2003), and Johannsson (2004). Also, for the years 1981 to 2010 we checked our data with the OECD Tax Database (Table I.1).

## 2.18 Switzerland

### A. General Overview

The dataset includes information on Switzerland's federal income taxes from 1916 to 2010.<sup>53</sup> Two

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<sup>50</sup>The Swedish tax system before 1950 had some characteristic features. For one, combined wealth and income taxation was used in Sweden between 1911 and 1947. Another feature is that in addition to basic income tax laws of 1903-1919 and 1920-1947, there were also the defense taxes of 1913 and 1919 and the defense surcharge of 1918.

<sup>51</sup>Local income taxes in Sweden have constituted a significant portion of total income taxes. Du Rietz, Johansson, and Stenkula (2013) report the local aggregate rates throughout history. They show that the rates (generally flat beside a short progressive period between 1920 and 1938) stayed below 15% until 1960. Then they increased, hitting 21% in 1970 and then 30% from 1983 onwards.

<sup>52</sup>Among the peculiarities of marginal tax rates in Sweden note that joint taxation of families was used until 1971, and that part of wealth was included in the taxable income between 1911 and 1947.

<sup>53</sup>Taxes in Switzerland have always been filed jointly, so the tax unit is the household. For the years 1933, 1958 through 1973, and 1980 through 2010, Switzerland's income tax system did not apply its highest rates on the highest income category. The dataset provides additional values for any years in which the highest rate was not the rate on

main distinct taxes are levied: federal taxes and canton/municipal taxes. Swiss federal tax law is uniform throughout Switzerland, while each of the 26 cantons has a separate law for cantonal taxes. Municipal taxes are levied as a multiple of cantonal taxes.

The first income tax was enacted on 22 December 1915 (effective 1916), when the National Council adopted the (in French) *Impôt de Guerre*. The marginal rate initially was set at 8%.<sup>54</sup> In 1921, the Confederation adopted the *Nouvel Impôt de Guerre Extraordinaire* (law of 12 August 1919, effective 1921). This tax, which set the marginal top rate at 20%, was renewed 3 times at 3 year increments, until it was abrogated in 1930. The structure of the *Nouvel Impôt de Guerre Extraordinaire* was perpetuated from 1934 with the law of 13 September 1933. The federal tax, now called *Contribution Fédérale de Crise*, was transformed into a two-year levy that was collected until 1940. The rate on top incomes, however, was lowered to 10%.

The *Nouvel Impôt de Guerre Extraordinaire* was changed with the law of 9 December 1940, when it became the *Impôt pour la Defense Nationale*. This tax was levied every two years, and in 1983 (law of 24 November 1982) it changed its name to become today's *Loi fédérale sur l' Impôt Fédéral Direct* (LIFD). The LIFD went through regular reforms but the top rate has stayed constant at 11.5%. Since 1991 (law of 14 December 1990) Article 41 of the Swiss constitution grants the right of the Confederation to collect the Federal Direct Tax.<sup>55</sup>

## B. Description of Excel Spreadsheet

The Excel spreadsheet for Switzerland features seven columns. The additional seventh column reports the highest rate for any years in which the highest rate was not the rate on the highest incomes.

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highest incomes.

<sup>54</sup>Basel was the first canton to levy an income tax in 1840, i.e. eight years before the foundation of the federal state with the 1848 constitution. The National Council passed a law in 28.06.1878 that imposed a tax with a slim marginal rate of 1.5 franc for any supplementary 600 francs over 1000 francs of income. However, this was a military service exemption tax and not a comprehensive, modern income tax.

<sup>55</sup>The federal tax has represented only one type of income taxation in Switzerland. Historically the degree of tax burden has varied from canton to canton and from commune (municipality) to commune. The combination of tax rates at the different levels of fiscal governance determine overall income tax obligations. Focusing on the Canton of Zurich, one should keep in mind that the marginal top rate of the canton was lower in the first decade of the 20th century (10%) than during the two world wars (20%), and that it gradually increased throughout the years to reach 30% in the 1990s. In the aggregate, the tax on highest incomes in Zurich was generally stable, from 34% during the two world wars to 40% today.

### C. Description of Sources Used

Switzerland’s income tax rates were collected directly from original legislation and statutes. For the whole period (1916–2010) we consulted the *Feuille Fédérale* (FF), <http://www.admin.ch/bundesrecht/>, and the documents of the *Charge Fiscale en Suisse*, available from 1919 in hard copy and from 1949 onwards at <http://www.estv.admin.ch/>. Finally, we referred to the Swiss federal publication (*Eidgenössisches Statistisches Amt*) entitled “Quarante ans d’impôts” (1974) for information on the income tax rates from 1916 to 1974.

For an overview on Switzerland income taxes we consulted Dell et al. (2007). Foellmi and Martinez (2012) also provide an important review for more recent years. Additionally, for the years 1981 to 2010 we checked our rates with the OECD Tax Database (Table I.1).

### D. Key Legislation

- FF 1878 – 28 June
- FF 1915 – 17 August
- FF 1919 – 2 August
- FF 1933 – 2 September
- FF 1935 – 12 November
- FF 1938 – 29 November
- FF 1940 – 19 January
- FF 1942 – 20 November
- FF 1948 – 22 January
- FF 1953 – 20 January
- FF 1954 – 26 October
- FF 1958 – 31 January
- FF 1963 – 27 September
- FF 1969 – 10 September
- FF 1970 – 24 June
- FF 1972 – 2 October
- FF 1974 – 3 April

- FF 1976 – 17 December
- FF 1977 – 7 March
- FF 1978 – 15 December
- FF 1980 – 8 December
- FF 1982 – 24 November
- FF 1987 – 9 October
- FF 1990 – 14 December
- FF 1994 – 2 November
- FF 1996 – 4 March
- FF 2004 – 8 March
- FF 2006 – 12 April

## 2.19 United Kingdom

### A. General Overview

The dataset includes information on the United Kingdom’s national income taxes from 1799 to 2010.<sup>56</sup> In 1799 William Pitt introduced the first income tax, which established a rate of 10% on a person’s total income above £60. In 1816 all tax records were burned after income tax was repealed a year after the Battle of Waterloo. The tax was brought back by conservative Prime Minister Sir Robert Peel in 1842. The tax was levied on incomes greater than £150, at the rate of 2.9%. In 1909, the “People’s Budget” introduced a super-tax that was increased the top rate to 8.33%. More significantly, the top rates were raised throughout World War I and in the years immediately following. Reforms in the 1920s pushed the top marginal rate down somewhat, but they were raised again in the 1930s. From the start of World War II, income tax rates were significantly raised, reaching 97.5% by 1941. During the decades after the war, rates were reduced somewhat but remained quite high. The Finance Bill of 1972 (effective 1973) removed the super tax (surtax) as introduced in 1909 and replaced it with a single tax with higher rates (e.g. 83% in 1974). In

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<sup>56</sup>The tax unit in the UK was the household until 1970, at which point the government decided to give couples the option of choosing their tax status (Alm and Melnik 2004).

1987 the Local Government Finance Bill significantly decreased income taxes, leaving the top rate at 40%.<sup>57</sup>

## B. Description of Excel Spreadsheet

The Excel spreadsheet for the United Kingdom features the six standard columns.

## C. Description of Sources Used

The United Kingdom's income tax rates were collected from the following sources. The top rate of the years between 1799 and 1919 comes from the standard rate as reported in Mitchell (1988) and the super tax rates as reported by Mallett and George (1929, p. 399). For the period between 1920 and 2002 Atkinson and Leigh (2010) provide an estimate of the total number of tax units, and Mallett and George (1929) provide information on marginal rates for income tax and super tax, as well as information on the number of individuals earning income above specific levels. Finally, we checked our data with the OECD Tax Database (Table I.1).

Additionally, we retrieved legislative acts from the National Archives, <http://www.legislation.gov.uk/>. For the years until 1973 we checked the applicable income tax laws at the website of *Hansard*, the printed transcripts of U.K. parliamentary debates (<http://hansard.millbanksystems.com/acts/>). For the period between 1974 and 2010, we consulted the report of the rates at Her Majesty's Revenue and Customs (HMRC) website, <http://hmrc.gov.uk/statistics/tax-statistics.htm>. Orhniel and Foldes (1975) also provide a detailed overview of the evolution of British income tax rates.

## D. Key Legislation

### *Income Tax Acts*

- [Income Tax Act 1920](#)
- [Income Tax Act 1925](#)
- [Income Tax Act 1931](#)
- [Income Tax Act 1937](#)
- [Income Tax Act 1948](#)
- [Income Tax Act 1952](#)

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<sup>57</sup>As for sub-national taxes, no local level income taxes were levied. At the beginning of the 20th century, there was local level capital taxation(see Dilnot and Emmerson 2000).



- [Income Tax Act 1962](#)
- [Income Tax Act 1967](#)

*Transcripts of parliamentary debates referring to income tax rates*

- [1918 – HC 28 February](#)
- [1925 – HC 15 June](#)
- [1930 – HC 03 June](#)
- [1952 – HC 11 March](#)
- [1972 – HC 20 April](#)

*Her Majesty’s Revenue and Customs (HMRC) tables*

- [1974-1990 – Her Majesty’s Revenue and Customs Table](#)
- [1990-2010 – Her Majesty’s Revenue and Customs Table](#)

## 2.20 United States

### A. General Overview

The dataset includes information on the United States’s federal income taxes from 1862 to 2010.<sup>58</sup> In 1862, in order to support the Civil War effort, Congress enacted the nation’s first income tax law, according to which a person earning above \$10,000 per year paid tax at the rate of 5%. This tax ceased to be collected in 1871. In 1913, the 16th Amendment to the Constitution resolved constitutional debate about the legality of income taxation and the Revenue Act of 1913 included an income tax with a top rate of 7%. With U.S. participation in World War I, the rates were increased with a top rate of 77% in fiscal year 1918. The rates were lowered in the post-war period, but were raised again during the Great Depression and World War II. The withholding tax on wages was introduced in 1943 and the top rate increased to 88%.

Top rates remained high during the 1950s and early 1960s. The Revenue Act of 1964 significantly decreased the top marginal rate, reducing it from 91% to 77%. In 1981, Congress enacted the largest tax cut in U.S. history of approximately \$750 billion (effective 1982). This tax reduction influenced

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<sup>58</sup>The tax unit in the U.S. was the individual until 1948, at which point the option of income splitting between spouses was introduced and couples could file taxes as household or separately.

the top rates, which were then taxed at 50%. The next large reform occurred in 1986. On October 22, President Reagan signed into law the Tax Reform Act of 1986. The top tax rate on individual income was lowered from 50% to 28%, the lowest it had been since 1916. What followed was a yearly tradition of new tax acts. Among the most important was the Revenue Reconciliation Act of 1993, which increased the progressivity of the fiscal system and raised the top rate rate to 39.6%. Finally, the Jobs and Growth Tax Relief and Reconciliation Act of 2003 accelerated the tax rate cuts that had been enacted in 2001, and decreased the rate to 35%.<sup>59</sup>

## **B. Description of Excel Spreadsheet**

The Excel spreadsheet for the United States features the six standard columns.

## **C. Description of Sources Used**

The United States's income tax rates were collected from the following sources. For the period between 1862-1872, we rely on Kennan (1910). In both cases the rates presented are statutory top marginal tax rates, and these include any surtax. Note that McCubbin and Scheuren (1989) also provide information on the number of individuals with income above specific levels. For the years from 1913 to 2010 we compiled our U.S. series with the rates from printed compilations of U.S. top rates, which are widely available in various formats. We use IRS top marginal tax rate for the years 1913-2010.<sup>60</sup>

Additionally, we consulted the secondary literature. Piketty and Saez (2007) give a comprehensive review of income taxation in the U.S. since 1913. Other relevant analyses covering marginal tax rates in the U.S. are Barro and Sahasakul (1986), Poterba (2004), and Saez (2004). We finally checked our data with the OECD Tax Database (Table I.1).

## **D. Key Legislation**

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<sup>59</sup>State income taxes are not homogeneous across the country. Similarly, municipal income taxation exists but it is not a phenomenon across all states. As an estimate of the highest possible sub-central taxes, we considered the case of New York. The New York state tax was introduced in 1919 and increasingly raised until 1969. Fiscal restructuring in the 1970s included the establishment of more income tax brackets and the readjustment of the top income threshold. In 1978 the top marginal rate started decreasing, although discussion in the late 2000s raised it again. As for the municipal tax, the New York City introduced its taxes in 1955. The top income rate was initially 2% and increased across the years, although minimally and never went over 4.5%.

<sup>60</sup>The same series are reported, for example, at the Tax Policy Center of the Brookings Institute, <http://www.taxpolicycenter.org/legislation/1940.cfm>.

*1863–1871*

- [Revenue Act of 1862](#)

*1913–2010*

Due to the length of numerous U.S. bills that can reach several hundred pages and are all available online, here we just refer to a report contracted on the U.S. Internal Revenue Service. Note that there are several other publicly available and annually updated reports that confirm these historical rates.

- [IRS Personal Exemptions and Individual Income Tax \(data release\)](#)

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