

STANDARD OF LIVING VS TAX RATES IN EUROPEAN COUNTRIES 2020-2024

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AGENDA

STANDARD OF LIVING VS TAX RATES
IN EUROPEAN COUNTRIES 2020-2024

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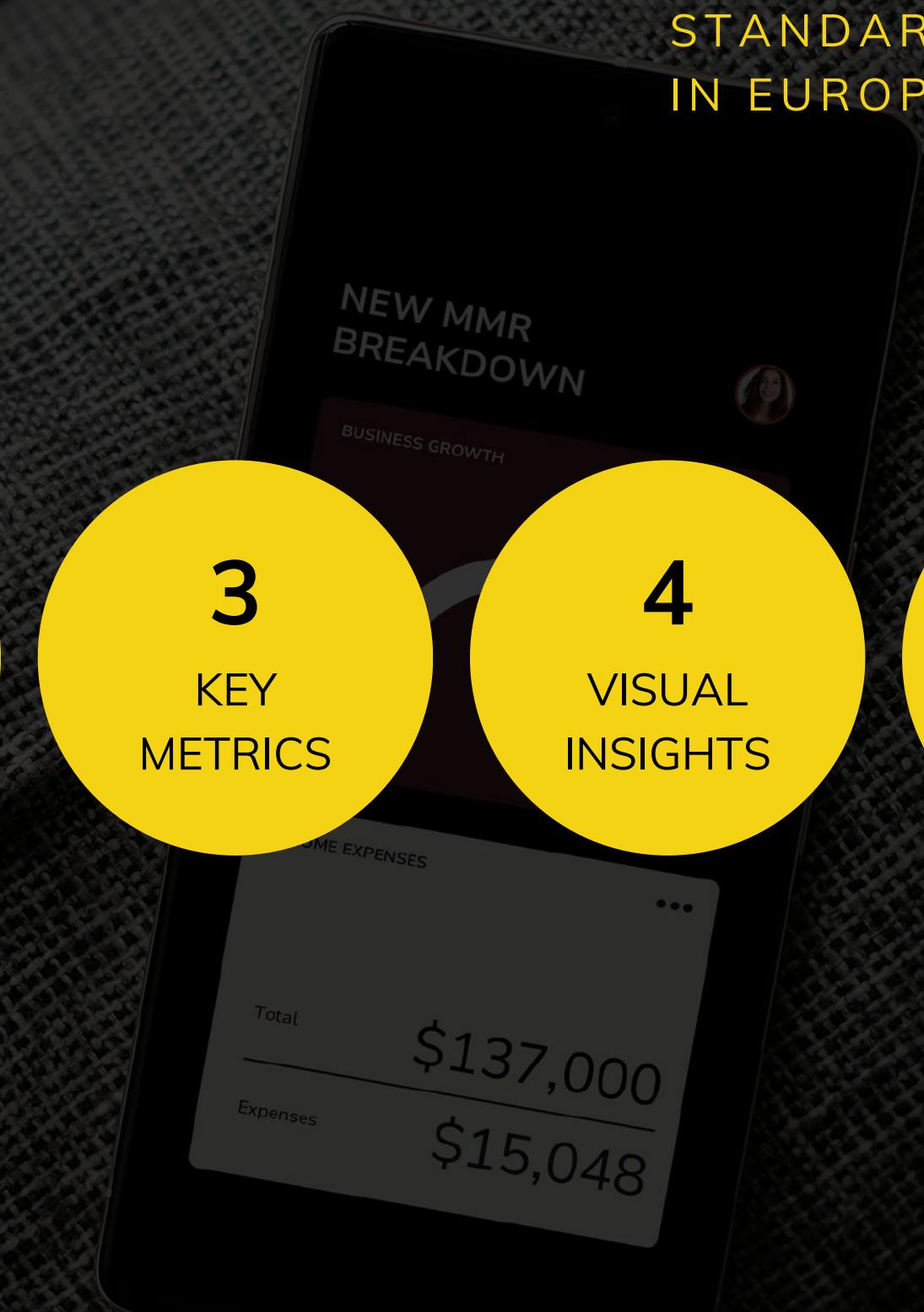
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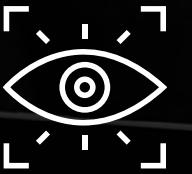
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1. OBJECTIVE



Understand relationship between Standard of Living and Tax Rates in European countries between 2020-2024

Compare European countries based on Purchasing Power (PP) and Tax Efficiency between 2020-2024

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2. DATA SOURCES



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GDP per Capita in PPS (Eurostat)

*GDP - Gross Domestic Product | PPS - Purchasing Power Standard

Price Level Indices (Eurostat)



Tax Rates based two persons with two children (Eurostat)



3. KEY METRICS



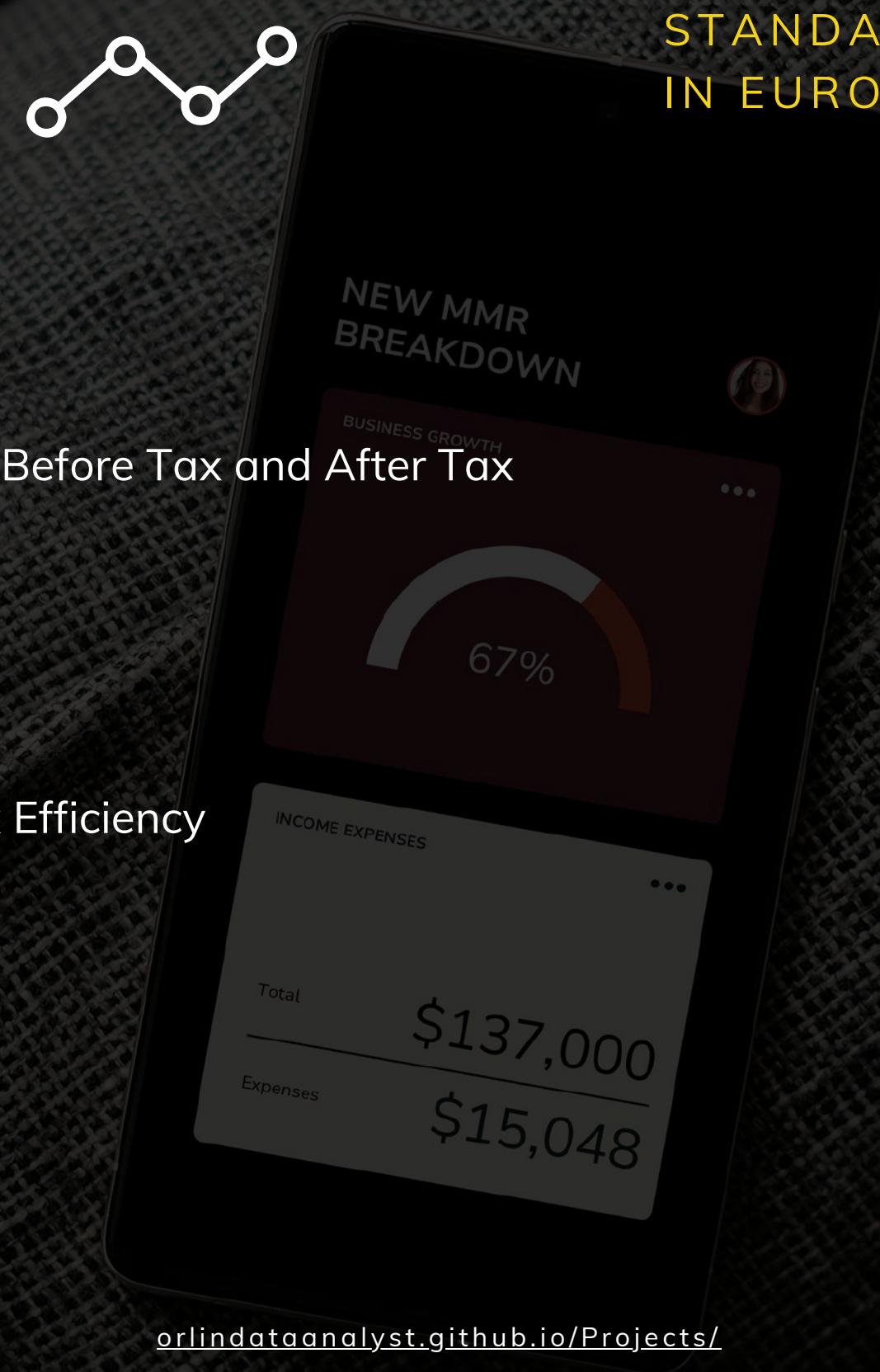
Purchasing Power Before Tax and After Tax



Tax Rates and Tax Efficiency



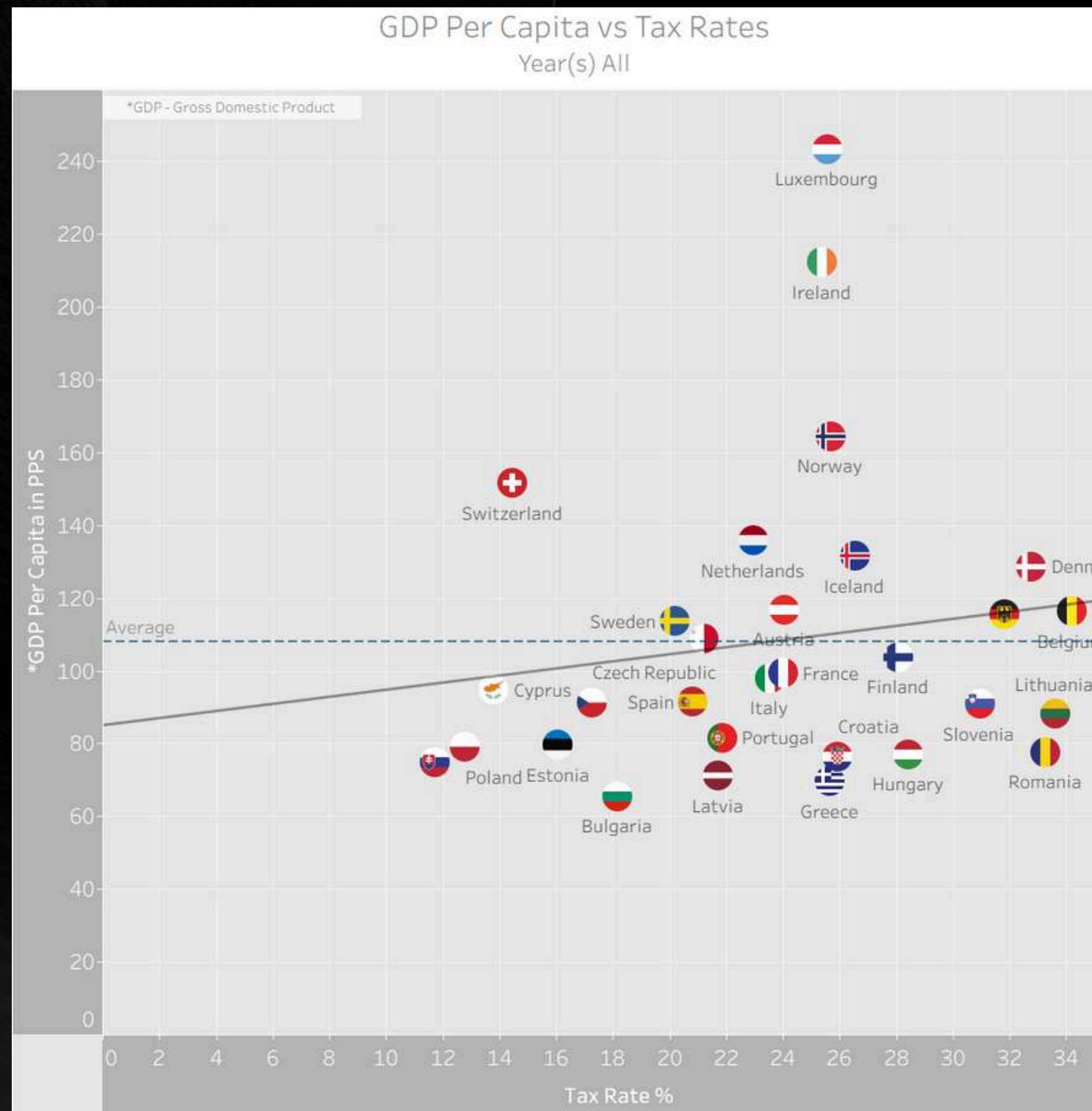
GDP per capita



4. VISUAL INSIGHTS



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HOW TAXES CORRELATE TO GDP PER CAPITA?

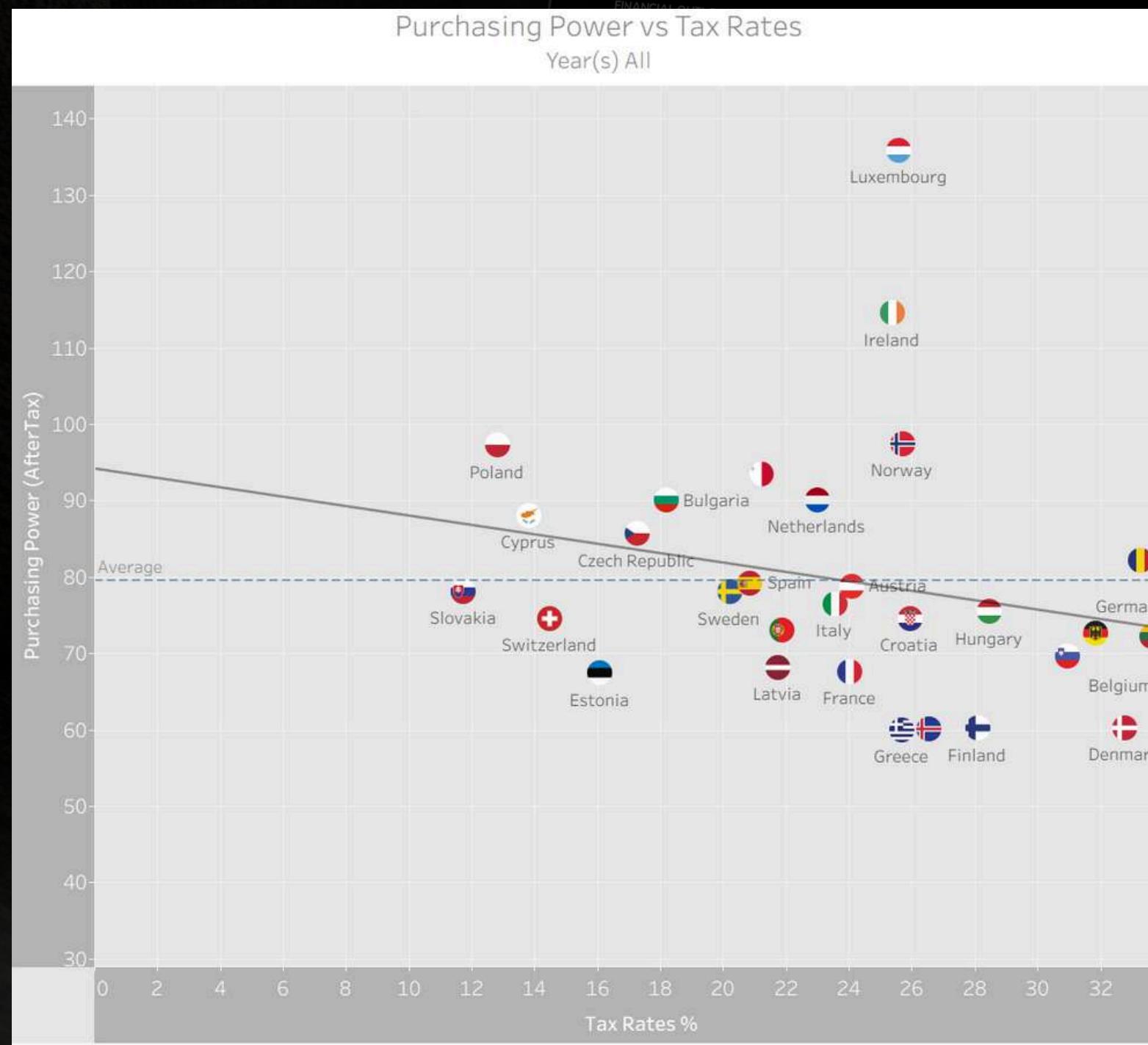
Key Takeaways:

- Slight positive trend: Higher taxes → Higher GDP
- General Trend: Most countries with tax rates <25% have a GDP per capita below or around the average, e.g. Poland, Bulgaria, Czech Republic
- General Trend: Most countries with tax rates >25% have a GDP per capita at or above the average, e.g. Denmark, Belgium, Austria
- For any given tax rate, there is a large variation in GDP per capita (and vice versa)

4. VISUAL INSIGHTS



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DO HIGHER TAXES REDUCE PURCHASING POWER?

Key Takeaways:

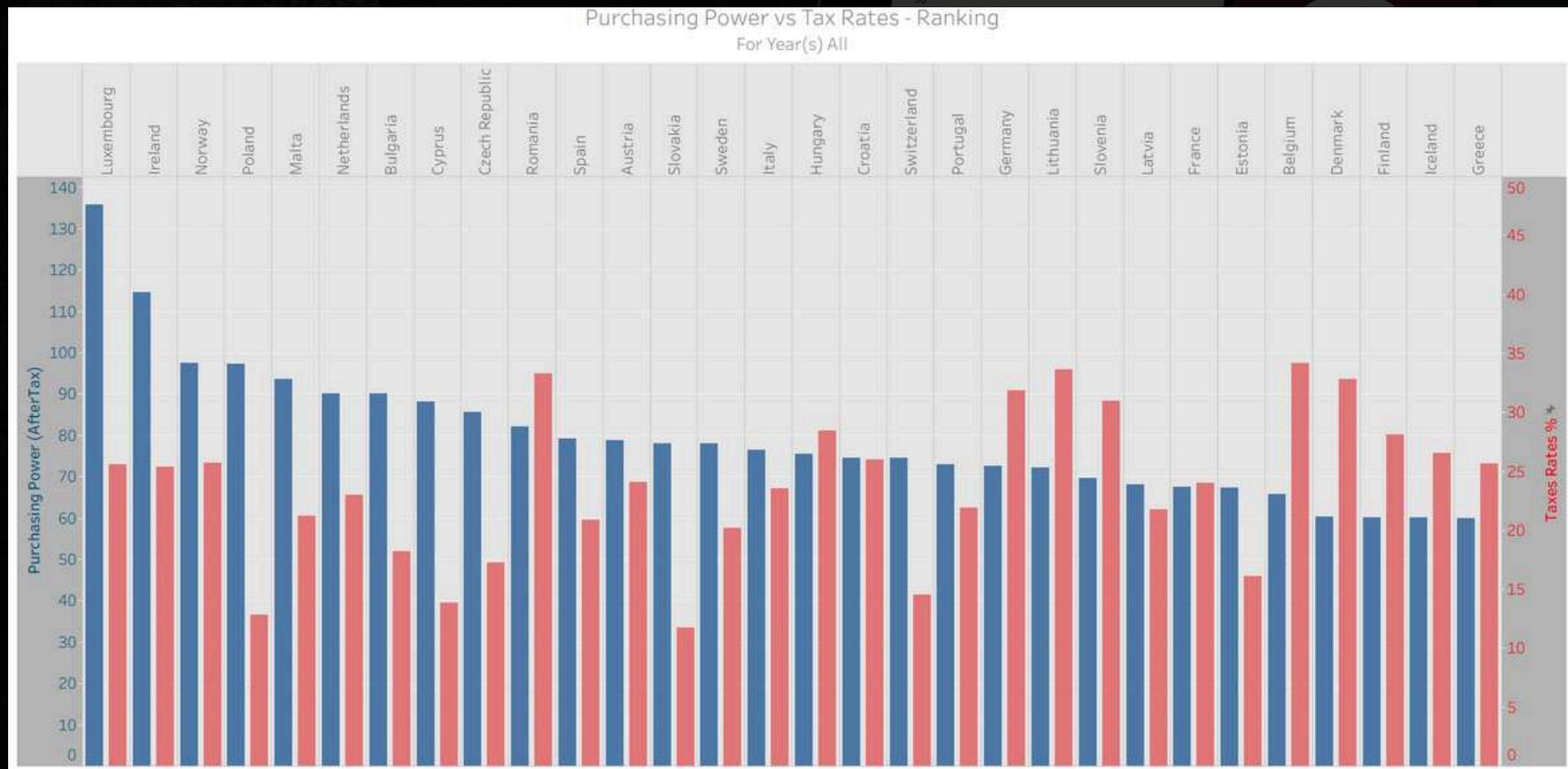
- Slight negative trend: Higher Taxes → Lower PP
- General Trend: Most countries with tax rates <25% are above the average after-tax PP, e.g. Poland, Cyprus, Czech Republic
- General Trend: Most countries with tax rates >30% are below the average after-tax PP, e.g. Germany, Belgium, Denmark
- While the negative trend is clearer than the GDP chart, there is still substantial variation

4. VISUAL INSIGHTS

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HOW COUNTRIES RANK ON PP VS TAXES?



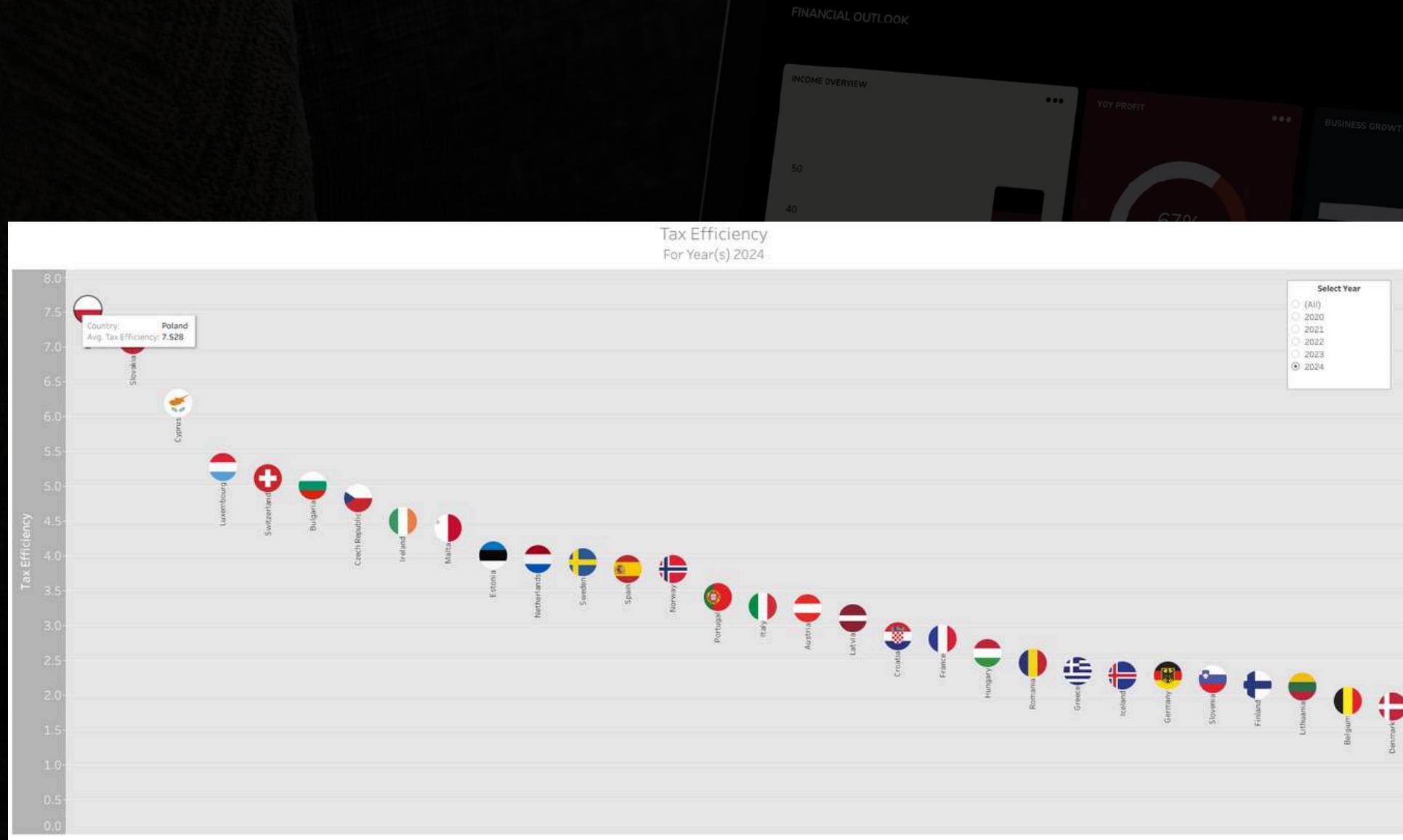
Key Takeaways:

- General Trend: Most countries with a high PP ranking (excl. top outliers) tend to have low to average tax rates, e.g. Poland, Malta, Cyprus
- General Trend: Most countries at the bottom of the PP ranking tend to have high tax rates, e.g. Denmark, Finland, Belgium
- Deviations in ranking confirm that a lower tax rate does not necessarily guarantee a higher PP

4. VISUAL INSIGHTS



STANDARD OF LIVING VS TAX RATES IN EUROPEAN COUNTRIES 2020-2024



WHICH COUNTRIES GIVE BEST & WORST VALUE FOR MONEY?

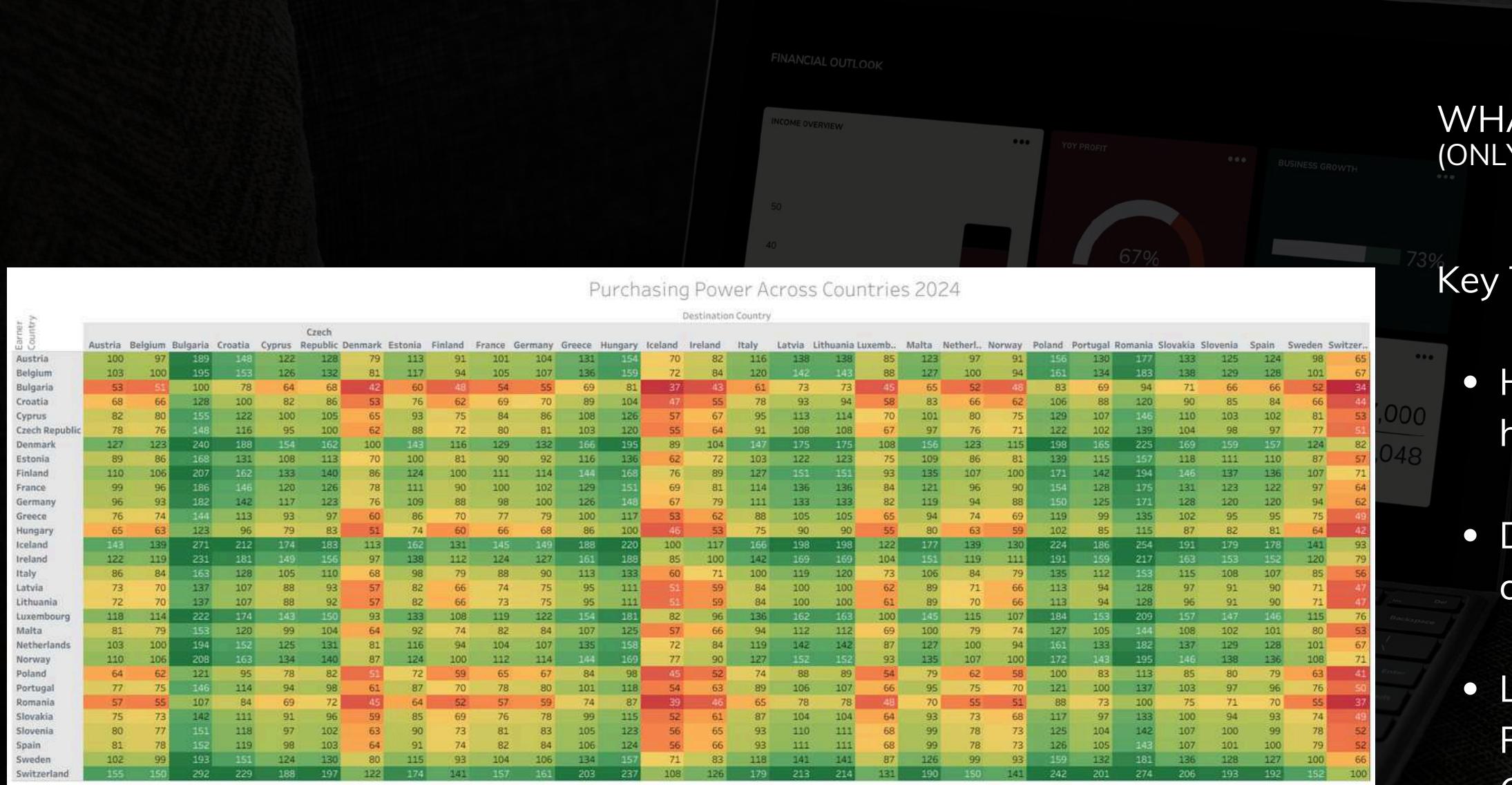
Key Takeaways:

- Ranking reveals a regional split between Eastern and Central Europe on tax efficiency
- Eastern countries give best value for money - Poland tops, followed by Slovakia and Cyprus
- Mid-tax financial hubs such as Luxembourg, Switzerland, Ireland and Malta feature in the top 10
- High-tax Nordic and Western countries lag behind - Denmark at the bottom, joined by Finland, Iceland, Germany and Belgium

4. VISUAL INSIGHTS



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Key Takeaways:

- High-tax countries like Germany, France, Belgium have mid-level PP across other countries
- Denmark and Finland show high taxes in comparison to the lower PP across other countries
- Luxembourg and Ireland break the pattern - high PP abroad despite moderate taxes (due to high GDP)
- Eastern Europe countries show lower taxes, but also lower PP abroad

5. CONCLUSIONS



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Tax Rates are not the primary driver of Standard of Living and have just a small negative effect on real PP.

GDP per capita explains most differences in Standard of Living. Tax Rates are only one of many factors influencing a country's GDP per capita.

While high taxes generally reduce PP, productivity, wages, and price levels matter more.

The extreme wealth generation and fundamental economic factors that generate high pre-tax income completely overshadow the effect of high Tax Rates.

As tax efficiency varies significantly between countries, low-tax countries have good value for money only at home. Abroad their PP reduce substantially.

6. RECOMMENDATIONS



STANDARD OF LIVING VS TAX RATES
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1

Focus on improving PP, not only reducing taxes. Priority should be overall productivity and income levels.

2

Reduce price pressure in lower-income countries. Improve competition and reduce market concentration to lower cost of living.

3

Target tax reductions where they improve real outcomes. Introduce targeted tax reforms for low-efficiency countries.

4

Protect household income in countries with high tax and low GDP. Prioritize income growth via wages subsidies and improved labor market productivity.

5

Benchmark policies against high-performing countries - social benefits efficiency, labor market flexibility and value of public services.

THANK YOU

