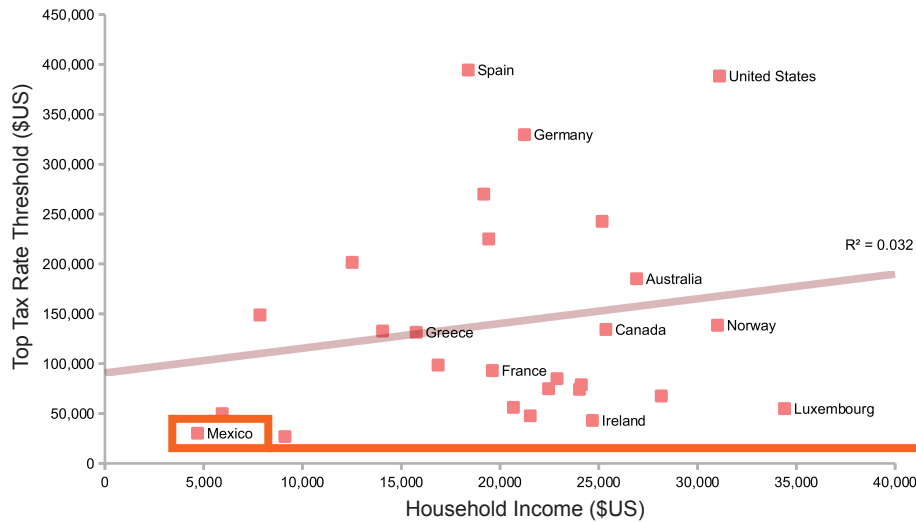


HOW RICH IS RICH?

Understandably, countries with lesser average average incomes impose their highest rate of tax for lower \$ amounts. But when standardized for income, how do these definitions of the “richest” compare?

HOUSEHOLD INCOME VERSUS TOP TAX RATE THRESHOLD

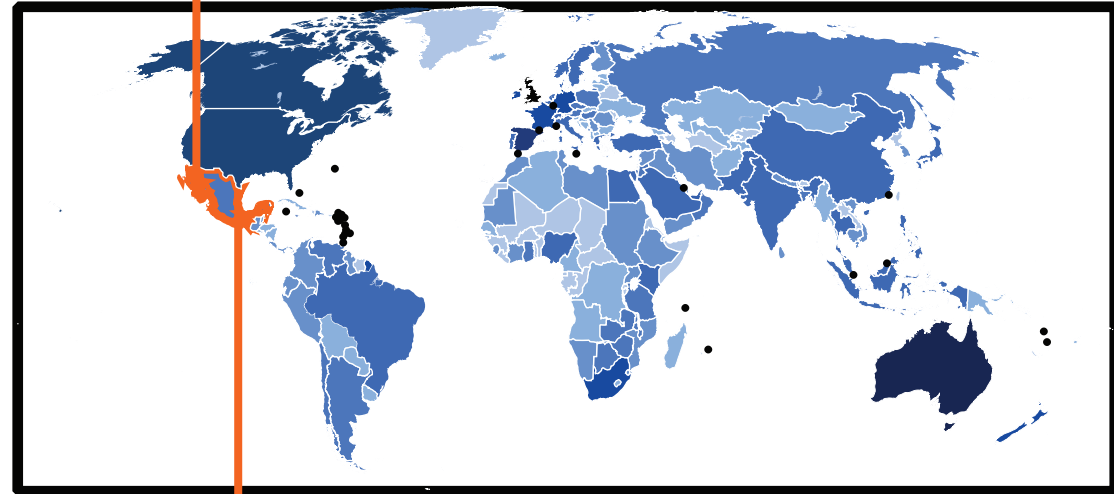


MEXICO

Population: 115,296,767

Household Income: \$4,689

The top marginal tax rate kicks in at approximately MXP32,737 per month (MXP392,842 per annum) taxable income. That's equivalent to \$30,288.



Top Tax Rate Threshold (\$)

Household Income

TTRT/HI

The scatter plot shows that there is little relationship between the median income of a household and where the top tax rate begins. The low value of R^2 shows that one variable does little to explain the other. Countries above the line tend to have a proportionally higher top tax rate threshold relative to the median household income (so even with a 'large' income, a citizen might not pay the top rate). Countries below the line tend to have a proportionally lower top tax rate threshold: even with a moderate income, the chances of paying at the top rate are higher. This could be perceived as an effort by the country to reduce the gap between rich and poor. Of course, a major factor not shown here is the number of tax rates. Highly graduated systems such as those in Germany are likely to have a very high starting threshold for the top rate even though in general high earners are taxed highly. And countries with a flat tax (along with many other countries) are not shown here.

Of those countries shown, a selection have been labelled: those around the line, and those far from it. Interestingly, France, which has been in the news lately for wanting to tax high-earners even more, is indeed on what might be called the more 'socialist' side of the line, but is not extremely far from it.

Use the buttons under the world map to see colorized maps of the different variables used. Clicking on a data point highlights the country and shows some additional information. The TTRT/HI value describes the strength of the relationship described above: darker colors indicate that you would have to earn a lot of money by that country's standards to fall into the top tax rate.