B4: Recognise tax policy as part of long-term care policy

Long-term care choices are influenced not only by dedicated care policies, but also by broader tax-system design. BB-Future evidence shows that moving from individual to joint household taxation shifts up to 8 percentage points of families towards informal care in Germany, an effect larger than that of a EUR 200 monthly caregiving subsidy. Policymakers should evaluate whether existing tax arrangements create incentives that support or undermine broader long-term care objectives.

Recommendations:

- **Review whether joint taxation implicitly subsidises informal care.** In countries with joint household taxation, the tax system may encourage greater reliance on informal care even though caregiving was not the intended target of the policy. Policymakers should evaluate whether these incentives align with broader long-term care, employment and gender-equality objectives.
- **Target the tax provisions that matter for caregiving decisions.** Not all tax reforms affect care provision equally. While the choice between joint and individual taxation can significantly alter incentives for informal care, adjustments to tax rates or progressivity within a system appear to have much smaller effects. Policymakers should focus on the features of tax design that directly shape caregiving and labour-supply decisions.
- **Use targeted caregiver allowances rather than broad tax reforms to support caregiving.** Direct support reaches caregivers more efficiently than reforms to household taxation, which affect many households that provide no care. Policymakers seeking to support caregivers should therefore consider targeted allowances before using broader tax instruments, as discussed in Policy Recommendation B1.
- **Treat equity considerations as a central criterion in the design of caregiving incentives.** The support provided through joint taxation tends to increase with income because higher-income households face higher marginal tax rates. As a result, implicit caregiving support delivered through the tax system may be concentrated among households with greater resources. Policymakers should therefore evaluate the equity implications of tax-based caregiving incentives alongside their effects on care provision.
- **Consider the caregiving implications of moving towards individual taxation.** Countries pursuing individual taxation for employment, gender-equality or fiscal reasons should assess how the reform may affect households that currently receive implicit support for informal care through joint taxation. Where significant support would be withdrawn, policymakers should consider whether direct caregiver allowances or other targeted measures are needed to avoid unintended reductions in caregiving capacity.

Why this matters

Joint taxation is not designed as a caregiving instrument, yet it can strongly influence caregiving decisions. When couples are taxed jointly, the financial gain from additional work by a secondary earner is often lower than under individual taxation. This changes the trade-off between paid work and unpaid care, making informal caregiving more attractive for some families. As a result, tax policy can affect care provision even when long-term care is not the intended target of the policy.

Country	Informal care share, status quo	Change in informal care share	Equivalent monthly informal care subsidy	Current tax system
France	28.6%	+7.8 pp	EUR 174	Joint
Germany	27.2%	+8.0 pp	EUR 206	Joint
Italy	70.8%	+4.7 pp	EUR 91	Individual
Sweden	8.7%	+3.8 pp	EUR 67	Individual

Table 1: Estimated increase in informal care when switching from individual to joint household taxation. Source: Barczyk, Kredler and Yang (2026), BB-Future Digest 16.

The effect is stronger for higher-income households, by design rather than by accident

Joint taxation creates larger incentives for informal care among households facing higher marginal tax rates. As a result, the implicit support it provides tends to be greatest for higher-income caregivers. This contrasts with most explicit caregiving support programmes, which are designed to direct resources towards those with greater financial need.

The choice between joint and individual taxation matters far more than tax progressivity

Not all tax reforms have the same implications for caregiving behaviour. BB-Future evidence shows that the distinction between joint and individual taxation has a substantially larger effect on informal care provision than realistic changes in tax progressivity. For policymakers, this means that the overall structure of household taxation is likely to matter more for caregiving decisions than adjustments to tax rates within an existing system.

Not all tax reforms influence caregiving behaviour.

The effect identified for joint taxation should not be generalised to taxation as a whole. BB-Future evidence suggests that some tax instruments can substantially affect caregiving decisions, while others have little effect because households adapt in different ways. Effective policy design therefore requires attention to the specific mechanisms through which taxes influence family behaviour.

What the evidence does not tell us

This evidence is based on France, Germany, Italy and Sweden and cannot automatically be extended to countries with different tax systems, labour markets or caregiving arrangements. Country-specific analysis would therefore be needed before drawing conclusions for other Member States. In addition, the results focus on how tax-system design affects caregiving behaviour and do not assess the fiscal costs or revenue implications of alternative tax regimes. Policymakers considering tax reform for reasons such as equity, efficiency, simplicity or public finances would therefore need a separate fiscal assessment alongside any evaluation of caregiving effects.

The analysis in this document is based on the following BB-Future sources:

- Barczyk, D., M. Kredler and F. Yang (2026) 'Universal versus means-tested long-term care subsidies', BB-Future Digest 12, 7 August, BB-Future, available at: https://www.bb-future.eu/wp-content/uploads/2026/08/BB-Future-Digest-12_07082026.pdf

- Barczyk, D., M. Kredler and F. Yang (2026) ‘How joint taxation of couples boosts informal care’, BB-Future Digest 16, 4 September, BB-Future, available at: https://www.bb-future.eu/policy-recommendations/.