When designing tax policies, insight in the individual labour market responses to tax incentives is essential. This thesis consists of four empirical studies that analyze the impact of tax incentives on several labour market outcomes using different microeconometric methods. A common finding of these studies is that employees’ responses to tax incentives are relatively small. Individuals hardly adjust their hours or their income when facing a changing tax rate. In contrast, the self-employed do adjust their income, probably because of their increased possibilities. Their high responsiveness should be taken into account in designing tax policies with minimal efficiency costs. As a result, some degree of complexity in the tax-benefit system is inevitable.

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