

Italy	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2012	
A. Structure of revenues	% of GDP													Ranking (1)	€ bn
Indirect taxes	15.1	14.6	14.6	14.2	14.3	14.4	15.0	14.9	14.0	13.8	14.3	14.3	15.2	7	238.1
VAT	6.5	6.2	6.2	5.9	5.8	5.9	6.2	6.2	5.9	5.7	6.3	6.2	6.1	26	95.5
Excise duties and consumption taxes	2.6	2.4	2.3	2.4	2.2	2.2	2.2	2.1	1.9	2.1	2.0	2.1	2.4	24	37.2
Other taxes on products (incl. import duties)	2.7	2.5	2.6	2.5	2.9	2.7	3.0	3.0	2.9	3.0	2.9	2.9	2.8	2	43.5
Other taxes on production	3.4	3.5	3.5	3.4	3.3	3.5	3.6	3.6	3.2	3.0	3.0	3.0	4.0	3	61.9
Direct taxes	14.4	14.7	14.0	14.7	13.9	13.3	14.3	15.0	15.2	15.4	14.8	14.8	15.2	5	239.0
Personal income	11.4	11.0	10.6	10.5	10.4	10.4	10.9	11.3	11.7	11.7	11.7	11.5	12.2	5	191.8
Corporate income	2.4	3.2	2.7	2.3	2.4	2.3	2.9	3.3	3.1	2.4	2.4	2.3	2.3	15	35.3
Other	0.6	0.6	0.7	1.8	1.1	0.6	0.5	0.5	0.5	1.3	0.7	1.0	0.8	14	11.9
Social contributions	11.9	11.8	11.9	12.1	12.3	12.3	12.3	12.8	13.4	13.7	13.4	13.4	13.5	8	212.2
Employers	8.3	8.3	8.3	8.6	8.6	8.6	8.5	8.8	9.2	9.3	9.2	9.2	9.3	4	145.7
Employees	2.3	2.3	2.3	2.2	2.2	2.2	2.2	2.3	2.4	2.5	2.4	2.4	2.4	22	37.6
Self- and non-employed	1.4	1.2	1.3	1.3	1.4	1.5	1.6	1.7	1.8	1.8	1.8	1.8	1.8	7	28.9
Less: amounts assessed but unlikely to be collected	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		
Total	41.5	41.1	40.5	41.0	40.4	40.1	41.7	42.7	42.7	42.9	42.5	42.4	44.0	6	689.3
B. Structure by level of government	% of total taxation														
Central government	55.7	55.2	54.3	53.7	53.2	52.7	54.3	53.6	52.5	53.4	53.2	52.9	52.8	17	364.3
State government (2)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Local government	14.4	14.9	15.5	16.1	15.8	15.9	15.6	15.8	15.4	14.2	14.6	15.0	15.7	5	108.5
Social security funds	28.7	28.6	29.3	29.5	30.3	30.8	29.5	30.0	31.4	31.8	31.6	31.5	30.8	14	212.1
EU institutions	1.2	1.3	0.9	0.7	0.7	0.7	0.6	0.6	0.8	0.6	0.6	0.6	0.6	17	4.4
C. Structure by economic function	% of GDP														
Consumption	11.3	10.7	10.6	10.3	10.4	10.4	10.8	10.6	10.2	10.3	10.8	10.8	10.9	21	170.3
Labour	19.9	20.2	20.2	20.3	20.2	20.4	20.4	21.0	21.8	22.2	22.2	22.1	22.5	7	352.4
Employed	17.8	18.0	18.0	18.1	18.0	18.1	18.1	18.7	19.3	19.5	19.4	19.2	19.6	7	306.4
Paid by employers	9.9	10.0	10.1	10.3	10.3	10.4	10.3	10.6	10.7	10.9	10.7	10.8	10.8	3	169.7
Paid by employees	7.9	8.0	7.9	7.8	7.7	7.7	7.8	8.1	8.6	8.6	8.6	8.5	8.7	13	136.7
Non-employed	2.1	2.2	2.2	2.1	2.2	2.3	2.3	2.3	2.5	2.7	2.8	2.8	2.9	3	46.0
Capital	10.2	10.2	9.7	10.4	9.7	9.3	10.5	11.1	10.6	10.5	9.6	9.6	10.6	2	166.6
Capital and business income	8.1	8.2	7.3	8.3	7.4	7.1	8.2	8.8	8.6	7.6	7.4	7.2	7.6	2	119.2
Income of corporations	2.9	3.7	3.1	3.5	3.1	2.9	3.5	4.0	3.7	3.0	2.9	2.8	2.8	9	44.7
Income of households	1.9	1.3	1.2	1.1	1.0	1.0	1.2	1.3	1.3	1.3	1.1	1.0	1.3	4	20.8
Income of self-employed (incl. SSC)	3.3	3.2	3.0	3.7	3.4	3.2	3.5	3.6	3.5	3.4	3.4	3.3	3.4	2	53.7
Stocks of capital wealth	2.2	2.1	2.4	2.1	2.3	2.2	2.3	2.3	2.0	2.8	2.2	2.4	3.0	4	47.4
D. Environmental taxes	% of GDP														
Environmental taxes	3.2	3.0	2.9	3.0	2.8	2.8	2.8	2.7	2.5	2.7	2.6	2.7	3.0	6	47.3
Energy	2.6	2.4	2.3	2.4	2.2	2.2	2.2	2.0	1.9	2.1	2.0	2.1	2.3	4	36.6
of which transport fuel taxes	:	:	:	1.8	1.6	1.6	1.6	1.5	1.5	1.5	1.5	1.5	1.8	9	
Transport (excl. fuel)	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	11	10.2
Pollution/resources	0.04	0.04	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	21	0.5
E. Property taxes	% of GDP														
Property taxes	1.9	1.8	1.9	1.8	2.1	2.0	2.1	2.0	1.8	2.2	1.8	2.1	2.6	4	40.4
Recurrent taxes on immovable property	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.6	0.6	0.6	0.7	1.6	4	24.8
Other property taxes	1.1	1.0	1.1	1.0	1.2	1.2	1.2	1.2	1.1	1.5	1.2	1.5	1.0	6	15.6
F. Implicit tax rates	%														
Consumption	18.5	17.9	17.8	17.3	17.6	17.4	18.0	17.9	17.2	16.9	17.6	17.4	17.7	22	
Labour employed	42.1	42.1	41.9	41.7	41.7	41.2	40.9	42.4	43.0	42.6	42.6	42.3	42.8	2	
Capital	27.6	27.2	26.9	29.5	27.7	27.3	31.7	33.6	33.4	35.2	32.2	32.4	37.0		
Capital and business income	21.7	21.7	20.3	23.5	21.1	20.9	24.8	26.7	27.0	25.6	24.7	24.1	26.5		
Corporations	18.3	22.6	20.0	23.6	20.5	19.8	25.5	28.8	30.9	27.0	24.3	24.3	25.9		
Households	16.1	13.9	13.4	15.6	14.2	14.2	15.8	16.4	16.6	16.9	16.8	16.4	18.6		
Real GDP growth (annual rate)	3.7	1.9	0.5	0.0	1.7	0.9	2.2	1.7	-1.2	-5.5	1.7	0.5	-2.5		

(1) The ranking is calculated in descending order. A '1' indicates this is the highest value in the EU-28. No ranking is given if more than 10% of data points are missing.

(2) This level refers to the *Länder* in AT and DE, the *gewesten en gemeenschappen / régions et communautés* in BE and *comunidades autónomas* in ES.

Source: DG Taxation and Customs Union and Eurostat (online data codes: [gov_a_tax_ag](#), [gov_a_tax_str](#) and [gov_a_tax_itr](#))

Italy

Overall trends in taxation

Structure and development of tax revenues

In 2012, the total tax-to-GDP (including social contributions) ratio increased to 44% (1.6 percentage points higher than 2011) Italy's overall tax burden ranked sixth highest in the EU, exceeding the EU-28 average by 4.6 percentage points and the average for the euro area by 3.6 percentage points.

The share of indirect taxes out of total taxation (34.5%) is in line with the EU-28 average in 2012, with a reliance on direct taxes (34.7% vs. 33.4% for EU-28) similar to the share in 2011. The share of social contributions in total taxation was lower than the EU average (30.8% vs. 32.4% for the EU-28). Revenues from VAT reached 6.1% of GDP which represents the third lowest level in the EU. In contrast, the comparatively high revenue from 'other taxes on production' is due to the IRAP business tax (see below). Local government collects a fairly elevated share of revenue (15.7%, the fifth highest in the EU). The social security funds received by local governments as a share of total taxation is just under the EU average.

Taxation of consumption, labour and capital; environmental taxation; property taxation

The ITR on consumption was the sixth lowest in the EU in 2012, due to a favourable VAT regime for housing⁽¹⁰⁾. In contrast, Italy's 2012 ITR on labour is at 42.8%, still the second highest in the EU and slightly higher than in 2011 (41.6%). In 2012 capital taxes, at 10.6% of GDP, yielded the second highest revenue in the EU. The ITR on capital stood at 37%. Furthermore, under the methodology used here, taxes and social contributions paid by the self-employed, a large group in Italy, are booked as capital income taxes. Taxes on the stocks of capital or wealth, at 3% of GDP, are in line with the EU-28 average (2.8%). Italy had one of the highest levels of environmental taxation in the EU in the late 1990s, mainly on account of energy taxes. Environmental tax revenues subsequently declined markedly, as a percentage of GDP, reaching a level slightly above the EU average in 2010. Because of the 2011 and 2012 increases in excise duties, the environmental taxation-to-GDP ratio increased by 0.3 percentage points in 2012 to reach 3%.

Property tax revenues in Italy in relation to GDP (2.6%) in 2012 is the fourth highest in the EU-28 (2.4%). The share

of revenues from recurrent taxes on immovable property in 2012 amounted to 1.6% of GDP, almost in line with the EU-28 average which stood at 1.5%.

Main recent reforms implemented, on-going or announced

Reforms introduced by the Italian government between 2012 and 2013 mainly aimed at alleviating the tax burden on labour and productivity.

Increased on September 2011 by 1%, the standard VAT rate has been further increased by another 1% up to 22% as from October 2013. As from January 2014 a consumption tax for electronic cigarettes, equal to 58.5% of the sale price, was introduced. Finally, after a sharp increase in 2012, excise duties on gasoline and fuel oil have been further increased as from January 2013, with an additional hike in 2014 (of 0.24%). Excise duties on alcohol were also increased. However, the tax on private ships up to 14 meters (introduced in 2012) was abolished and the tax rates for private ships between 14 and 20 meters was halved.

Local tax on immovable property (IMU), including on main residences, has been increased (cadastral value revaluated x 0,76%) on an experimental basis in 2012 pending an overall reform of property taxation, now in force as from 2014 (see below). Properties held abroad have also been subjected to a 0.76% tax on their cadastral value. The regional PIT surcharge has been raised by 0.3% and a temporary 3% solidarity contribution on high incomes has been introduced. The withholding tax on capital income has been unified at 20% and stamp duties (1.5%) on financial products apply. A tax on financial activities held abroad has been introduced (IVAFE see below). The notional yield of the allowance for new corporate equity (ACE) has been increased (4% for 2014, 4.5% for 2015 and 4.75% for 2016). ACE applies to capital *increases* of corporations and even unincorporated businesses and could play an important role to reinforce firms' capitalisation, and thus boost investment. In addition, IRAP deductions for entrepreneurs have been increased for women and employees below 35 years old hired on permanent basis.

In 2014 IRAP deductions of labour costs have been further increased (up to EUR 15 000) for any additional employee hired on a permanent basis, while employees (having income no higher than EUR 55 000) benefit from increased PIT allowances and lower social security contributions.

The Parliament is in the process of adopting a tax reform enabling law which aims among other things to reform the cadastre, simplify the tax code (also with regard to tax expenditures) and establish greater certainty and transparency for taxpayers and tax authorities.

⁽¹⁰⁾ Strictly speaking, VAT paid on housing should not be counted in the ITR on consumption but as a tax on the capital stock. However, owing to statistical limitations, the data presented in this report attribute VAT paid on housing, for all countries, to consumption taxes. This tends to reduce the ITR on consumption for countries with a more favourable regime for housing (see methodology for details).

Main features of the tax system

Personal Income Tax

PIT rates range from 23 to 43%; the top rate applies to incomes above EUR 75 000; the 3% surcharge on income above EUR 300 000 applied until 2013 has been extended by the Stability Law for 2014, 2015 and 2016. Regions levy surcharges on the PIT, ranging from 1.23 to 1.73% (which can be further increased in the event of a regional health-care deficit). Finally, most municipalities levy an additional surcharge of up to 0.9%. PIT is withheld at source for salaried workers. The tax credit on home restructuring expenses has increased from 36% to 50% (of up to EUR 96 000 per property) until 30 June 2013 and further extended till 2014. In addition a tax credit of 65% applies to energy saving installations for 2014. Individuals earning professional and business income are also subject to the IRAP (see below). Professional fees paid by businesses and professionals are subject to a 20% withholding tax. From 2012, all categories of capital income are subject to a 20% final withholding tax except Government bonds taxed at a 12.5%. From 2009, 49.72% of the earnings realised on qualified shareholdings are taxed at basic PIT rates; while capital gains on non-qualified shareholdings and bonds are taxed at 20%. Stock options are taxed as ordinary professional income. As from 2012, individuals setting up a new business or professional activity may choose a 5% substitute tax regime for the first five years or up to the age of 35. Also from 2012, following the entry in force of the new municipal property tax (IMU), PIT is no longer charged on the immovable property used as the main residence of the owner and, with some exceptions, on that at his disposal (and not rented).

PIT is charged on immovable property rental income on the basis of the higher of cadastral income or the rent received (subject to 5% deduction); since 2011 landlords may opt for a substitute 21% tax on rents (19% in areas with a housing shortage).

Corporate taxation

The CIT (IRES) rate is 27.5%. Special regimes exist for investment and pension funds and for non-operating companies, for which a minimum taxable income is based on assets. IRAP is not deductible (except, from 2013, for the labour costs portion). For 2013 30% of IMU on instrumental real estate is deductible from CIT (20% as from 2014). A surcharge on the CIT of 10.5% until 2013 applies to companies operating in the energy sector. Resident companies are taxed on their worldwide income, non-resident entities (including partnerships) on income arising in Italy. Losses can be carried forward indefinitely and offset up to 80% of taxable income. However losses incurred during the first three years of business activity are fully deductible. As from January 2008, net interest expenditure is deductible only up to 30% of gross operating income (EBITDA); the

excess may, under certain conditions, be carried forward for deduction in following years.

Inbound and outbound dividends are exempt from tax for 95% of their amount. The 95% capital gains are exempted under certain conditions (one-year holding period) if the assets are covered by the PEX regime. Other types of capital gain are taxed as ordinary income, with an option to spread the tax due over four years. Both national and worldwide group consolidation can be opted for under some conditions. Finally, companies located in depressed areas of the *Mezzogiorno* may apply for a tax credit on investments carried out in the 2007–13 period.

The business tax (IRAP) is levied on net production value, that is, the difference between the value of production and production inputs *excluding* most personnel and interest costs as well as losses on bad debts. The basic 3.9% rate can be augmented or reduced by up to 0.92 percentage points by the Regions. IRAP raises more revenue than the CIT. Since 2007, social contributions, certain training costs on new employees, the costs of R&D and a basic amount for each employee have been made exempt. The 2013 Stability Law increased the deduction of labour costs for women and younger employees by EUR 13 500 and introduced a deduction of the labour costs portion of IRAP from CIT and PIT of employers. The 2014 Stability Law increased up to EUR 15 000 euros deductions for workers permanently hired. Special rules apply to SMEs and businesses in the *Mezzogiorno*.

VAT and excise duties

The standard VAT rate increased by one point to 21% in September 2011 and to 22% as from October 2013. A 10% rate applies to non-luxury housing, other foodstuffs, electricity, mineral oil, medicines and artistic performances while a super-reduced (4%) rate applies to staple foodstuffs, newspapers and residential housing.

Wealth and transaction taxes

No wealth taxes as such exist, but stamp duties are levied on bank and securities accounts (increased from 0.1% to 0.15% in 2013 and to 0.2% as from 2014). Savings accounts of individuals are exempted up to EUR 5 000. The replacement of the ICI by the new IMU resulted in significantly higher revenue owing to the hike in the cadastral values (+ 60%) and also to the repeal of the 2008 exemption of main residences. As from 2014 real estate properties located in Italy are subject to a Municipal Single Tax (IUC). IUC includes: (a) the municipal tax (IMU), payable by holders on real estate other than the main residence (except in special cases); (b) the waste tax intended to finance the costs of the waste collection and disposal; and (c) a tax for indivisible general services (TASI) (expenditure for pavements, public lighting etc.) payable by both holders and tenants of the real estate. Jointly, the rates of IMU and TASI may not be

higher than 10.6 per thousand (maximum rate of IMU to 31 December 2013). Municipalities may apply reduced rates to certain categories of property. For 2013, 30% of IMU on instrumental real estate is deductible from CIT and PIT on business income (20% as from 2014). Transaction taxes exist, applying, for example, on property transfers; stamp duties are due on official documents. As from 2012 two new taxes apply on the Value of the Immovable Property located abroad (IVIE) and on the Value of the Financial Activities held abroad (IVAFE) by Italian taxpayers. For properties located in the EU Member States and EEA countries, the IVIE is calculated on the cadastral value of the assets at the same rate and condition applicable to IMU. For properties in third countries, the tax is calculated on the value resulting from the contract or on the market value. IVAFE applies on the market value of the financial activity at the rate of 0.1% in 2012 and 0.15% in 2013 and 0.2 in 2014. As from

March 2013 the so-called 'Tobin-tax' on financial transactions applies on shares and derivatives on shares. In the case of shares, two rates of 0.1% and 0.2% are applied on the net value of the whole transaction, depending on whether the securities are traded on regulated (transparent) markets or 'over the counter' without any control by supervisory authorities. Only for 2013 the two rates will be respectively 0.12% and 0.22%. In the case of derivatives, fixed sums are due based on notional amount classes.

Social contributions

Several compulsory contributions exist, depending on the type and size of the business and the characteristics of the employee. The aggregate rates range approximately from 40% to 45%.