

## **ITALY** **1997**

### **1. Overview of the system**

Unemployed persons can receive a contributory unemployment insurance benefit for a maximum period of six months. A local social assistance scheme (*Minimo Vitale*) exists, but benefits are available in some municipalities only and on a case-by-case basis in the absence of national guidelines. There are no housing benefits, but there are income-tested family benefits. The tax unit is the individual, partners are taxed separately. The 1997 APW earnings level is L 38 078 450.

### **2. Unemployment insurance**

There are three main types of unemployment benefits: a) Ordinary unemployment benefit, b) CIG – *Cassa Integrazione Guadagni* – (Ordinary and Special) and c) Mobility benefit. Only the Ordinary unemployment benefit is included in the calculations.

#### **2.1 Conditions for receipt**

Unemployment insurance is compulsory for a worker.

- a) Ordinary unemployment benefit is paid to a worker who has paid contributions for at least 52 weeks during the two-year period preceding the unemployment (ordinary requirement), or has worked at least 78 days in the last year (reduced requirement). The person must be fit for work and must be available for work.
- b) CIG (CIGo and CIGs – Ordinary and Special Wage Supplementation Funds). Ordinary benefit is paid to workers for non-worked hours due to temporary reduction or suspension of activity. Special benefit is paid when the suspension of activity is not temporary, as a consequence of sector-or area- specific restructuring of firms. Benefits from these Funds exclude workers of small manufacturing firms and most service activities. Recipients are not counted as unemployed, because their work contract has not been terminated.
- c) Mobility benefit is provided in case of collective dismissals by firms allowed to benefit from the CIGs or under bankruptcy proceedings. A special unemployment indemnity is paid to workers after the period of CIGs and Mobility is elapsed or to unemployed workers. Moreover, the recipients are entitled to the Social Useful Jobs - *Lavori Socialmente Utili* - and most of whom are unemployed.

## **2.2 Calculation of benefit amount**

### **2.2.1 Calculation of gross benefit**

- a) Ordinary unemployment benefit is 30 per cent of the average gross earnings received in the last three months, with a maximum benefit of L 1 500 000 net per month, or L 18 000 000 per year.
- b) CIG (Ordinary and Special) is 80 per cent of the average gross earnings paid for non-worked hours.
- c) Mobility benefit is of the same amount of CIGs for 12 months. It is reduced by 20 per cent after one year.

### **2.2.2 Income and earnings disregards**

These three benefits are not means-tested. Family benefits can be paid on the top of this benefit. It is not possible to receive a certain amount of earnings from work and still be receiving unemployment benefits.

## **2.3 Tax treatment of benefit**

These benefits are taxable, but they are exempted from social security contributions.

## **2.4 Benefit duration**

- a) Ordinary unemployment benefit is paid on a 7-day week basis, for a maximum of 180 days, after a 7-day waiting period.
- b) CIGo is paid for three months for a maximum of 12 months. CIGs is paid for 12-24 months for a maximum of 48 months in special cases of restructuring of firms.
- c) Mobility benefit is paid for a maximum of 36 months. The special unemployment indemnity is paid for a maximum of 24 months.

## **2.5 Treatment of particular groups**

### **2.5.1 Young persons**

None.

### **2.5.2 Older workers**

None.

### 3. Unemployment assistance

None.

### 4. Social assistance

The local general social assistance (*Minimo Vitale*) is operated at municipal level, and both conditions of entitlement and amounts of benefits paid vary considerably between different areas.

#### 4.1 Conditions for receipt

Minimum age of 18 years old.

#### 4.2 Calculation of benefit amount

##### 4.2.1 Calculation of gross benefit

The minimum average recommended benefit across cities is as follows (in thousands L per month):

City	Household size			
	1 person	2 persons	3 persons	4 persons
<b>Average</b>	<b>622</b>	<b>1 045</b>	<b>1 323</b>	<b>1 586</b>
Torino	626	1 254	1 504	1 755
Trento	482	704	905	1 106
Milano	650	1 073	1 378	1 651
Bologna	686	1 297	1 859	2 422
Piacenza	650	1 105	1 430	1 755
Firenze	650	1 034	1 333	1 573
Ancona	600	900	1 098	1 242
Pesaro	600	900	1 098	1 242
Catania	650	1 138	1 300	1 528

##### 4.2.2 Income and earnings disregards

None.

#### 4.3 Tax treatment of benefit

Not taxable.

#### 4.4 *Benefit duration*

It is only paid for three months maximum.

#### 4.5 *Treatment of particular groups*

None.

### 5. **Housing benefits**

None.

### 6. **Family benefits**

#### 6.1 *Conditions for receipt*

The benefit is means-tested against the total family taxable income. A family is defined as the recipient, his/her spouse, and his/her dependent child aged under 18. Note that a low-income couple with no children is eligible to the benefit.

#### 6.2 *Calculation of benefit amount*

##### 6.2.1 *Calculation of gross benefit*

#### **Family allowances for married couples (in thousands L per year)**

Family taxable income	Number of family members					
	2	3	4	5	6	7+ *
0 - 18 953	1 080	2 880	5 520	7 908	10 836	13 644
18 954 - 23 691	840	2 520	4 860	7 488	10 596	13 224
23 692 - 28 428	600	2 040	4 200	6 888	10 416	12 864
28 429 - 33 163	240	1 440	3 480	6 228	9 996	12 444
33 164 - 37 901		960	2 460	5 328	8 976	11 184
37 902 - 42 639		540	1 800	4 788	8 616	10 764
42 640 - 47 376		300	1 260	3 888	8 016	10 284
47 377 - 52 112		300	840	2 988	7 476	9 684
52 113 - 56 848		240	540	2 268	6 996	9 384
56 849 - 61 585		240	540	2 028	4 956	8 784
61 586 - 66 323		240	480	2 028	3 396	6 444
66 324 - 71 060			480	1 728	3 396	4 824
71 061 - 75 798			480	1 728	2 916	4 824

**Family allowances for lone parents  
(in thousands L per year)**

Family taxable income	Number of family members					
	2	3	4	5	6	7+ *
0 - 22 111	2 100	3 900	8 700	11 700	15 300	18 840
22 112 - 26 849	1 680	3 480	7 860	11 220	15 120	18 360
26 850 - 31 584	1 140	2 880	7 020	10 380	14 820	17 820
31 585 - 36 321	480	2 160	6 120	9 600	14 280	17 340
36 322 - 41 060	420	1 560	4 860	8 520	13 020	15 720
41 061 - 45 797	420	1 020	4 020	7 800	12 540	15 240
45 798 - 50 533		720	3 360	6 660	11 820	14 640
50 534 - 55 270		720	2 880	5 520	11 160	13 920
55 271 - 60 066		600	2 520	4 680	10 560	13 500
60 067 - 64 745		600	2 520	4 320	7 980	12 780
64 746 - 69 483		600	2 160	4 320	6 000	9 840
69 484 - 74 219			2 160	3 720	6 000	7 800
74 220 - 78 957			2 160	3 720	5 160	7 800

\* For families with more than 7 members, family allowances are increased by L 1 248 000 per subsequent child.

**6.2.2** *Income and earnings disregards*

Total family taxable income is taken into consideration.

**6.3** *Tax treatment of benefit*

Not taxable.

**6.4** *Treatment of particular groups*

None.

**7. Child-care benefits**

None.

**8. Employment-conditional benefits**

None.

**9. Lone-parent benefits**

See family benefits in Section 6.

## 10. Tax system

### 10.1 Income tax rate schedule

#### 10.1.1 Tax allowances and credits

Tax allowances:

- the entire social security contributions (see Section 10.3);
- rental payments.

Tax credits (wastable):

- basic, work-related expenses (none for an unemployed person):

Gross taxable income (L per year)	Credit (L per year)
0 - 9 000 000	1 097 000
9 000 001 - 9 100 000	1 059 634
9 100 001 - 15 000 000	1 029 630
15 000 001 - 15 100 000	991 943
15 100 001 - 15 200 000	916 538
15 200 001 - 15 300 000	831 719
15 300 001 +	785 000

- dependent spouse: if the partner's gross income does not exceed L 5 500 000 a tax credit is granted according to the following family income brackets:

Gross taxable income (in L)	Tax credit
0 – 30 000 000	1 058 000
30 000 000 – 60 000 000	962 000
60 000 000 – 100 000 000	890 000
100 000 000 +	818 000

- children:
  - both partners receive a tax credit according to the number of children they have. This credit amounts to L 94 000 for one child, L 189 000 for two children, and L 283 000 for three children. In the case of a lone parent, the above amounts are doubled;
  - for each other dependent relative: it is L 131 000 per person.

#### 10.1.2 The definition of taxable income

It is the gross earnings minus the tax allowances.

### 10.1.3 *The 1997 tax schedule*

Taxable income (L)	Marginal tax rate (%)	Tax on higher limit (L)
0 - 7 200 000	10	720 000
7 200 000 - 14 400 000	22	2 304 000
14 400 000 - 30 000 000	27	6 516 000
30 000 000 - 60 000 000	34	16 716 000
60 000 000 - 150 000 000	41	53 616 000
150 000 000 - 300 000 000	46	122 616 000
300 000 000 +	51	122 616 000+

### 10.2 *Treatment of family income*

The tax unit is the individual. Partners are taxed separately.

### 10.3 *Social security contribution schedule*

The average rate charged to a dependent worker is 10.19 per cent of gross earnings. An unemployed person does not contribute.

## 11. **Part-time work**

### 11.1 *Special benefit rules for part-time work*

There are reduced requirements for receiving unemployment benefits for part-time workers: at least 78 days in the last year preceding unemployment, and provided that the person has been registered on a placement list for at least two years. Note that:

- what is relevant is the number days worked, regardless the number of hours per day; of course the number of hours worked will affect the earnings, and as a consequence the unemployment benefit;
- the unemployment benefit cannot be paid for a number of days greater than those effectively worked.

### 11.2 *Special tax and social security contribution rules for part-time work*

None.

## **12. Policy developments**

### ***12.1 Policy changes introduced in the last year***

Selective labour policies, such as tax relief, cash transfers to firms, and special contracts for employment have been strengthened. In 1997 these selective measures have been combined with active policies (i.e. apprenticeships, etc.) to target high unemployment regions.

In 1996-1997 actions to increase wage and labour flexibility have been enacted, including: removal of automatic transformation of work contracts into indefinite duration contracts; part-time work opportunities; the proposed reduction in working hours from 40 to 35 hours per week.

The income benefits to workers at risk of unemployment provided by the Ordinary Wage Supplementation Fund (CIGo) have been extended to include banks, trade and public utility firms.

Actions were taken to promote further training subsidies (i.e. training credits, scholarships) via EU funding combined with local authorities to combat high unemployment among young people, mainly in the south of Italy.

The main revenue increasing measures included the “Europe” tax, implemented in 1997, which consists of a highly progressive surtax on personal income.

### ***12.2 Policy changes announced***

None.

## ITALY

### The annual tax/benefit position of an unemployed single person, 1997 (Lira)

	Unemployment insurance: 180 days	Social assistance: 3 months
<b>A. Taxable benefits</b>		
<b>Means-tested benefits</b>		
<b>Non-means tested benefits</b>		
Unemployment insurance	11 400	
<b>Total taxable benefits</b>	<b>11 400</b>	<b>0</b>
<b>B. Income tax and social security contributions</b>		
Income tax allowances*	0	
Taxable income	11 400	
Income tax	1 649	
Tax credits	0	
Social security contributions	0	
<b>Total income tax and social security     contributions</b>	<b>1 649</b>	<b>0</b>
<b>C. Non-taxable benefits</b>		
<b>Means-tested benefits</b>		
Social assistance		7 464
<b>Non-means tested benefits</b>		
Family benefits		
<b>Total non-taxable benefits</b>	<b>0</b>	<b>7 464</b>
<b>D. Net income out of work (A-B+C)</b>	<b>9 751</b>	<b>7 464</b>
<b>E. Net income in work</b>	<b>27 039</b>	<b>27 039</b>
<b>F. Net replacement rate (D/E) (per cent)</b>	<b>36</b>	<b>28</b>

\* House rent not included.

## ITALY

### The annual tax/benefit position of an unemployed married couple with two children, 1997 (Lira)

	Unemployment insurance: 180 days	Social Assistance: 3 months
<b>A. Taxable benefits</b>		
<b>Means-tested benefits</b>		
<b>Non-means tested benefits</b>		
Unemployment insurance	11 400	
<b>Total taxable benefits</b>	<b>11 400</b>	<b>0</b>
<b>B. Income tax and social security contributions</b>		
Income tax allowances*	0	
Taxable income	11 400	
Income tax	1 649	
Tax credits	1 435	
Social security contributions	0	
<b>Total income tax and social security contributions</b>	<b>214</b>	<b>0</b>
<b>C. Non-taxable benefits</b>		
<b>Means-tested benefits</b>		
Social assistance		13 500
<b>Non-means tested benefits</b>		
Family benefits	5 520	5 520
<b>Total non-taxable benefits</b>	<b>5 520</b>	<b>19 020</b>
<b>D. Net income out of work (A-B+C)</b>	<b>16 706</b>	<b>19 020</b>
<b>E. Net income in work</b>	<b>30 839</b>	<b>30 839</b>
<b>F. Net replacement rate (D/E) (per cent)</b>	<b>54</b>	<b>62</b>

\* House rent not included.

## ITALY

### The annual tax/benefit position of a lone parent with two children, 1997 (Lira)

	Unemployment insurance: 180 days	Social Assistance: 3 months
<b>A. Taxable benefits</b>		
<b>Means-tested benefits</b>		
<b>Non-means tested benefits</b>		
Unemployment insurance	11 400	
<b>Total taxable benefits</b>	<b>11 400</b>	<b>0</b>
<b>B. Income tax and social security contributions</b>		
Income tax allowances*	0	
Taxable income	11 400	
Income tax	1 649	
Tax credits	1 006	
Social security contributions	0	
<b>Total income tax and social security contributions</b>	<b>643</b>	<b>0</b>
<b>C. Non-taxable benefits</b>		
<b>Means-tested benefits</b>		
Social assistance		12 000
<b>Non-means tested benefits</b>		
Family benefits	3 900	3 900
<b>Total non-taxable benefits</b>	<b>3 900</b>	<b>15 900</b>
<b>D. Net income out of work (A-B+C)</b>	<b>14 657</b>	<b>15 900</b>
<b>E. Net income in work</b>	<b>30 926</b>	<b>30 926</b>
<b>F. Net replacement rate (D/E) (per cent)</b>	<b>47</b>	<b>51</b>

\* House rent not included.