

ITALY 2009

1. Overview of the tax-benefit system

The Italian unemployment benefit system is a complex one, given the differences in eligibility conditions, amount and duration of the treatments existing among the various schemes. Unemployed may receive a contributory unemployment insurance benefit which in most cases amounts to 60 per cent of previous earnings for the first 6 months, increased to 80 per cent in specific cases, of the average gross earnings paid for non-worked hours. The main innovation introduced in recent years regarded the ordinary unemployment benefit – the general insurance based scheme – as since December 2000 the amount of this benefit has been increased from 30 per cent of the previous earning to 60 per cent and, and the benefit duration has been extended from six to 12 months for recipients aged over 50,.

Apart from an income support scheme addressed to individuals aged over 65 (*Assegno Sociale*, basically a social pension scheme), the Italian system does not provide a general minimum income scheme. In 1998-2001 a pilot-scheme (*Reddito Minimo di Inserimento*) was tested in some municipalities but then terminated by the Parliament. Due to changes in the national Constitution enhancing the power of Regional governments in the social field, a new system of minimum income can be initiated only at regional level, unless the Parliament defines a national minimum standard. However, the measure envisaged in the 2004 Budget Law – the so called *Reddito di Ultima Istanza* – was ruled out by the Constitutional Court, being considered an illegitimate limitation of the Regional authority. In 2005 Regione Campania was the only region that offered a basic income scheme, although other Regions are working on the possibility to launch similar or more limited initiatives.

In 2009 two new temporary measures basically devoted to fighting poverty have been introduced: an income support scheme (*Bonus Famiglie*) and a voucher in the form of pre-paid credit card (indeed called *Social Card*) to be used by poor households to buy groceries and to pay energy bills.

Family benefits – *Assegni per il Nucleo Familiare* – are means tested against household income and only devoted to dependent workers (or benefit recipients, including pensioners and unemployed covered by unemployment insurance schemes, who were former dependent workers). The Italian system also provides universal family benefits – the maternity allowance and the allowance for households with at least three children – introduced in 1998 and reinforced with the 2001 Budget Law; these benefits are means-tested through an income and wealth measure known as the Indicator of Economic Situation (*Indicatore della Situazione Economica* or, shortly, ISE) introduced in 1998 as a general instrument to evaluate social benefit eligibility.¹

1. ISE is used only by municipalities in order to grant family and maternity allowances. This indicator is based on household taxable income (including a “notional” income from financial assets minus a deduction for households living in rented houses) and family net wealth, obtained by summing up real estate values (home ownership could be excluded up to a maximum of EUR 51 645,69) and financial assets (minus a deduction of EUR 15 493,71) of all family members. Family net wealth is multiplied by a coefficient of 0.20. The resulting value is corrected through the equivalence scale presented in Table 4, and the indicator is called ISEE (*Indicatore della Situazione Economica Equivalente*). ISEE is also used by institutions granting benefits as scholarships, school refectory services, etc. or some public utility services (reduction

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The tax unit is the individual (partners are taxed separately). Family related tax allowances however play an important role in the tax system.

National currency is the Euro. All net incomes, replacement rates and other figures in this report are based on the Italian tax and benefit system in effect as of 1 st January 2009 up to 31 December 2009.

Information on the Italian tax-benefit parameters uses the model ECONLAV implemented within a project funded by the Ministry of Economics and started in 2005.

1.1. Average Worker wage (AW)

Average worker wage is EUR 27608 in 2009.

of telephone fees). Data base related to such indicators is managed by the National Social Security Institute (INPS) that evaluates social benefit eligibility.

2. Unemployment insurance

There are three main types of unemployment benefits: a) Ordinary unemployment benefits, b) Wage supplementation funds (known as *Cassa Integrazione Guadagni* – henceforth CIG, either ordinary or special), and c) Mobility benefits.

2.1 Conditions for receipt

Unemployment insurance is compulsory for private sector employees. Unemployment benefits are paid only to workers who were hired with permanent or fixed term contracts, while ‘atypical workers’ who pay social security contributions to a special fund known as ‘gestione separata’ are not eligible for these benefits.

Ordinary unemployment benefits are paid to workers individually laid off in the private sector or collectively laid off but not eligible for other benefits - excluding young workers in vocational training - who have paid contributions for at least 52 weeks during the two-year period prior unemployment (ordinary requirement). Some benefits may also be reaped by those who worked at least 78 days over the last year (reduced requirement). The latter variant actually represents a peculiar scheme, as the duration of the benefit is unrelated to the current labour market status – the allowance is paid the year subsequent to that of reduced work – and is equal to the duration of the employment spell up to a maximum of six month. All in all, the reduced requirement scheme resembles an *ex-post* compensation for those who have worked a limited amount of time (provided a 78 days-in-the-year threshold has been overcome). Particular and more favourable conditions hold for workers in the agricultural and in the building sector. In agriculture, to some extent the actual use of the benefits very much resembles that of the reduced requirement scheme. In the building sector, on top of the ordinary scheme there is a special scheme to a large extent resembling the mobility benefits (see later). Eligible individuals must be fit and available for work (see above for the reduced requirement scheme).

CIG (CIGo and CIGs – Ordinary and Special wage supplementation funds, respectively). Ordinary benefits are paid to workers for non-worked hours due to temporary reduction or suspension of the activity. Special benefits are paid when suspension of the activity is not temporary, but is due to sector - or area - specific firm restructuring. Workers of small manufacturing firms (below 15 employees) and of most service activities are excluded from CIG. However, firms of some services sectors are eligible to CIGs if they employ more than 250 workers. In both cases, people on these schemes have (at least formally) an on-going work relationship, as their contracts have not been terminated.

Mobility benefits are provided in case of collective dismissals by firms eligible for benefit from the CIGs and in case of individual dismissal of workers already in CIGs or under bankruptcy proceedings.²

Workers receiving mobility benefits and CIGs are eligible for Socially Useful Jobs (*Lavori Socialmente Utili* or LSU), usually lasting 12 months (albeit prorogation for other 12 months is possible). Workers receiving mobility benefits have to compulsorily accept these jobs if they are asked to, otherwise they will lose their benefit. After 2002 LSU programs are under progressive dismantling.

If employed in LSU, workers receiving CIGs and mobility benefits maintain their benefit until it elapses. Afterwards, if they are still employed in LSU, they will receive a benefit of EUR 503.92 per month, which is the amount paid for LSU if the workers involved are not receiving any other benefit. Workers on mobility and CIGs are not the only ones eligible for LSU. Unemployed workers with an

2. Generally, mobility benefits are limited to collective dismissals (firms that have dismissed at least 5 workers in 120 days) in the manufacturing sector excluding firms with less than 15 workers.

unemployment spell of at least two years which usually do not receive any income support are also eligible.

2.2 Calculation of benefit amount

2.2.1 Calculation of gross benefit

- a) The benefit is 60 per cent of the average gross earnings received over the last three months for the first 6 months, 50 per cent for the following two months, 40 per cent for the remaining period (for recipients aged over 50). The maximum amount of the benefit is EUR 886.31 per month, raised to EUR 1,065.26 for gross earnings exceeding EUR 1.917,48 per month.
- c) The ordinary unemployment benefits with reduced requirements amounts to 35 per cent of the average daily wage for the first 120 days, 40% of the average daily wage for the following days, with a maximum benefit of EUR 858.58 per month, increased to EUR 1,031.93 for gross earnings exceeding EUR 1,857.48 per month.
- d) CIG (both Ordinary and Special) is 80 per cent of the average gross earnings paid for non-worked hours, with a maximum level of the benefit equal to that of unemployment benefits. In the construction sector, when reduction of the activity is due to specific events, the amounts are increased by 20% and therefore become EUR 1,063,57 and EUR 1,278,31
- e) Mobility benefits equal CIGs for the first 12 months. They are reduced by 20 per cent after one year, with a maximum level of benefit equal to that of unemployment benefits.

2.2.2 Income and earnings disregards for benefit recipients and those starting a new job

See below (income and earnings disregards)

2.2.2 Income and earnings disregards

Unemployment benefits are not means-tested and family benefits can be paid on top of them. It is not possible to receive a certain amount of earnings from work and still be receiving unemployment benefits except for the CIG schemes which intervene for work interruptions.

2.3 Tax treatment of benefit and interaction with other benefits

Tax treatment of benefit

All these benefits are taxable; concerning social security contribution, the general rule is that benefits replacing less than 80 per cent of previous income are exempt. Hence, only unemployment benefits and mobility benefits after the first year are exempt from social security contributions (although imputed contributions are attributed to the benefit recipients; this imputed contributions are not affected by the temporarily increase in the ordinary unemployment benefit, which concerns just the benefit paid to workers).

2.4 Benefit duration and waiting periods

- a) Ordinary unemployment benefits are paid on a 7-day week basis, for a maximum of 8 months after a 7-day waiting period. For unemployed aged over-50 the duration is extended to 12 months. In the case of reduced requirements, duration is equal to the number of days previously worked for

a maximum of 180 days. Different durations hold for workers in the agricultural and in the building sector.

- b) CIGo (ordinary CIG) is usually paid for 13 weeks but it is possible to obtain some prorogation if the firm remains in a reduction of activity for a longer period. In any case, CIGo cannot be paid for more than 12 months, whether consecutive or non-consecutive, over a period of two years.
- c) CIGs (special CIG) is normally paid for 12 up to 24 months (the length depending on the type of difficulties that the firm faces as well as on the restructuring strategy). It is possible to obtain prorogation if restructuring lasts more than 24 months. In any case, CIGs cannot be paid for more than 36 months over 5 years.
- d) The duration of mobility benefits depends on the age of the recipient and on the location of the job. For instance, workers under 40 are entitled to this benefit for 12 or 24 months, respectively, according to whether they had been working in the Centre-North or the South of Italy. Conversely, the benefit duration is extended up to 36 or 48 months respectively for workers over 50 (see Table 1 below).

Table 1. Duration of mobility benefits by age of the worker and geographical location*

Age	Location	
	Centre - North	South
< 40	1 year	2 years
40 – 49	2 years	3 years
> 49	3 years	4 years

* In any case, duration cannot be longer than length of tenure in the last occupation.

2.5 *Treatment of particular groups*

None

2.5.1 *Young persons*

2.5.2 *Older workers*

Longer durations of the benefits are established for older workers (see section 2.4).

2.5.3 *Others if applicable*

3. **Unemployment assistance**

None

3.1 *Conditions for receipt*

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3.1.1 *Employment conditions*

3.1.2 *Contribution conditions*

3.2 *Calculation of benefit amount*

3.2.1 *Calculation of gross benefit*

3.2.1.1 *Irregular additional payments* **[NEW ITEM]**

3.2.1.2 *Obligations of family members* **[NEW ITEM]**

3.2.2 *Income and earnings disregards for benefit recipients and those starting a new job*

3.3 *Tax treatment of benefit and interaction with other benefits*

3.4 *Benefit duration and waiting periods*

3.5 *Treatment of particular groups*

3.5.1 *Young persons*

3.5.2 *Older workers*

3.5.3 *Others if applicable*

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4. Social assistance

Italy does not provide a universal income support scheme, except for a social benefit (the so-called *Assegno Sociale* – “social allowance” – previously known as *pensione sociale* – “social pension”) covering people aged over 65 without other sources of income. At local level there can be some provisions for people in need, but these initiatives do not follow national guidelines.

In 2009 two new temporary measures basically devoted to fighting poverty have been introduced: the *Bonus Famiglie* and the so-called *Social Card* (see the conditions in the section 6.1 and 6.2)

4.1 Conditions for receipt

Assegno sociale: the benefit amounts to EUR 409.05 per month (thirteen payments in one year) for income not exceeding EUR 5,317.65 (in case of non married recipients) and EUR 10,635.30 (if related to a couple). The benefit is paid on a differential basis, is exempted from taxation, .

4.2 Calculation of benefit amount

4.2.1 Calculation of gross benefit

4.2.1.1 Irregular additional payments [NEW ITEM]

4.2.1.2 Obligations of family members [NEW ITEM]

4.2.2 Income and earnings disregards for benefit recipients and those starting a new job

Assegno sociale: eligibility is based on individual or income of the couple when individuals are married, after income tax and social insurance contributions. Imputed income from the main house of residence (cadastral rent) is excluded from income, as well as severance payments, while any non-taxable source of income and family benefits (*Assegni al nucleo familiare*, see below) are included in this income base. The benefit is tax-exempt.

4.3 Tax treatment of benefit and interaction with other benefits

4.4 Benefit duration and waiting periods

4.5 Treatment of particular group

4.5.1 Young persons

4.5.2 Older workers

4.5.3 *Others if applicable*

5. **Housing benefits for rented accommodation**

In Italy housing policies are addressed both to those who buy the main house of residence (usually in the form of tax allowances related to mortgage loan interests up to a threshold of EUR 4,000, rebates on property transfer taxes; low interest loans which are means-tested and regulated by local legislation, all in the case of first-time buyers) as well as to those who rent a house.

The rent assistance provisions usually take the form of :

- a) Means-tested tax reliefs.
- b) Rent subsidies for low-income people. These subsidies are provide at local level but have a very low coverage. They are discussed in this report.
- c) Rent-limiting legislation, mainly regulated at local level.
- d) Controlled rents for State-owned dwellings.

There is no difference between national rules for pensioners and recipients in their income ages, with the exception of some benefits provided at local level and addressed to the poor and the elderly (over 65).

5.1 *Conditions for receipt*

- a) Tax credits are granted to people on rent for the main hose of residence; these reliefs are means-tested against taxable income.
- b) Rent subsidies are granted whenever household taxable income falls short of twice the amount of the statutory minimum pension (EUR 5,760.56 x 2 = 11,521.12 per year) and the rent exceeds 14 per cent of this income. Such requirements can be modified at local level.
- c) Limited rents - known as social rents - for people with low-income (below twice the amount of the statutory minimum pension), are set for some categories of State-owned dwellings. Eligibility is based on the family size and claimants are ranked in a list set by the municipalities. It is also important to add that most of the stock of buildings so rented have been attributed in the past, and the new additions are relatively small.
- d) State-owned dwellings, specifically those owned by the Social Security State Agencies, are generally rented at preferential prices, usually below market rents.

5.2 *Calculation of benefit amount*

- a) The Italian tax system provides the following type of housing tax reliefs for individuals on rent: (1) for the main house of residence; (2) for specific rent contracts (*contratti convenzionali*); (3) for people aged between 20 and 30, in the first three years of residence; (4) for dependent workers who move to a different place because of work, in the first three years of residence. In all cases two specific thresholds must be considered: EUR 15,493.71 (y_1) and EUR 30,987.41 (y_2), and no credit is provided if income is greater than y_2 . The tax allowance amounts to EUR 300.00 (a); EUR 495.80 (b); EUR 991.60 (c) if income ranges between is lower than y_1 , EUR 150.00 (a);

EUR 247.90 (b); EUR 495.84 (c) if income ranges between y_1 and y_2 . The housing tax credit for people aged between 20 and 30 amounts to EUR 991.60 if income before taxation is lower than y_1 . Tax payers can claim for the total credit in the same year (although it usually takes several years before the credit is actually paid from the Department) or carry it forward and deduct it from the next year's income tax.

- b) Rent subsidies differ in eligibility conditions and benefit amounts at the regional and municipality level. For instance in the Lazio region (in particular in Rome), rent subsidies are topping-up transfers for those who pay a rent exceeding 14 per cent of their income, up to a given threshold of EUR 3,098,74 per year. For households with disabled or old people (over 65) and with needs implying a significant risk of social exclusion, both the ceiling-related and the income-related eligibility conditions are increased by 25 per cent. These subsidies are non-taxable.

The maximum amount varies with the size of the city population. For example, in Lombardia the maximum amount varies according to the municipalities number of residents. Moreover, in some municipalities eligibility depends but also on the household wealth and resources can be meanstested through a partially modified ISE.

Rent-limiting legislation varies according to regional provisions. For example, in Tuscany social rent corresponds to 7 per cent of the household income (taxable income, merely including tax credits for all dependent relatives) stemming from labour, pensions, unemployment benefits, social assistance benefits.

The rent paid for State-owned dwellings varies according to the house characteristics, but they are generally set under the market-value, although not according to explicit social policy criteria.

5.2.1 Calculation of gross benefit

5.2.2 Income and earnings disregards

5.2.3 Costs eligible for housing benefits

5.3 Tax treatment of benefit and interaction with other benefits

5.4 Treatment of particular groups

5.4.1 Young persons

5.4.2 Older workers

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5.4.3 Others if applicable

6. Family benefits

6.1 Conditions for receipt

- a) Family allowances. The benefit is means-tested against total household taxable income. A household is defined as the recipient, his/her spouse, and his/her dependent child/children under 18. The benefit is not only devoted to families with children and for instance a low-income couple with no children is eligible for the benefit. The family allowance scheme grants cash transfers to employees and former-employee pensioners and unemployment benefit recipients, but does not cover self-employed..
- b) Maternity allowances, enacted in 1999, are granted by municipalities and are addressed to mothers with children below 1 year of age. The benefit is means-tested and ISE must be below a given threshold. Generally speaking, beneficiaries are unemployed housewives or job seekers.
- c) Allowances to households with at least three children under 18, enacted in 1999, are addressed to households with at least three children younger than 18, whose ISE lies below a given threshold.

In 2009 two new temporary measures basically devoted to fighting poverty have been introduced: the *Bonus Famiglie* and the so-called *Social Card*

Bonus famiglie: the benefit varies between EUR 200 and EUR 1,000 a year, depending on the family income and composition. The unit relevant for the benefit follows the one relevant for the income tax and includes the recipient, his/her spouse, dependent children and other dependent individuals. Individuals are fiscally dependent when their income before deductions is lower than EUR 2,840.51.

Social card: this is actually a voucher (in the form of a pre-paid credit card) amounting to EUR 40 per month that can be used to buy groceries and pay the energy and gas bills. Recipients can be either aged over 65 or less than 3 years old (in this case actually the benefit recipient is the parent). Eligibility is based on very strict conditions (see table 2).

Table 2. Eligibility rules for the Social card.

	Recipients aged over 65	Recipients aged less the 3
Recipients must be below the tax threshold (their income must not be chargeable to the income tax)	X	
Pension and social assistance benefits (lower than EUR 6,000 if aged less than 70, EUR 8,000 if aged over 70)	X	
Equivalent household income lower than EUR 6,000.00 (computed using the ISE equivalence scale, see table 4).	X	X

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Holder of electricity and gas contracts	X	X
Car owners	X	X
Owner (by at least 25%) of house of residence	X	X
(equivalent) Financial wealth (computed using the ISE equivalence scale) below EUR 15,000	X	X

6.2 Calculation of benefit amount

6.2.1 Calculation of gross benefit

Family allowances are cash transfers that vary with the number of family members and household taxable income. The benefit is paid by employers on behalf of the National Social Security Institute (*Istituto Nazionale per la Previdenza Sociale*, INPS) and the income brackets are adjusted yearly to the consumer price index. The scheme covers different household typologies, ranging from households where both spouses are present (with or without children), to orphaned individuals, to divorced, separated, widowed recipients, or individuals with spouse living in a foreign country. Eligible households include the recipient, his/her spouse, children if aged less than 18 or 21 when they are students (or 26 if living in households with at least 4 children), dependent grandchildren, brothers or sisters. Household income includes taxable as well as non-taxable income. Eligibility to the benefit requires that income be at least 70 per cent of income from dependent work or pensions from dependent work.

Table A.1 in the Annex reports the amount of family allowances for married couples/lone parent with no children, and again for married couples/lone parent with one child.

For lone parents with 3 dependants it has been implemented a supplementary family allowance that is the following:

EUR 1,000.00 for families with income less than EUR 14,500.00.

- The amount decreases by EUR 8.60 for each EUR 100.00 over the threshold specified above.

For lone parents with 4 dependants it has been implemented a supplementary family allowance that is the following:

- EUR 1,000.00 for families with income less than EUR 14,500.00.
- The amount decreases by EUR 1.50 for each EUR 100.00 for incomes in the range EUR 14,500.00-53,000.00 and by EUR 1.40 for each EUR 100.00 for incomes over EUR 53,000.00.

For lone parents with 5 dependants it has been implemented a supplementary family allowance that is the following:

- EUR 1,550.00 for families with income less than EUR 21,300.00.
- The amount decreases by EUR 1.60 for each EUR 100.00 for incomes in the range EUR 21,300.00-56,000.00 and by EUR 2.50 for each EUR 100.00 for incomes over EUR 56,000.00.

Part-time workers receive the entire amount of the benefit if they work at least 24 hours per week, while if they work less than 24 hours the benefit is reduced depending on the number of days worked. For instance, if the recipient works only one day then the benefit is 1/6 of the full amount. It should be noted that if the recipient works a few hours every day of the week then no reduction applies since the reduction depends on the number of days worked rather than the number of hours.

Maternity allowances granted by municipalities amount to EUR 309.11 for five months (EUR 1,545.55 per year)³ and are granted to mothers whose ISE (see section 1, note 1) lies below a given threshold or do not earn income. In the case of insured mothers receiving maternity benefits smaller than this amount, the allowance is paid on a differential basis. For a three three-member family the threshold is EUR 32,222.60 while for households with different size the threshold is modified according to the equivalence scale in Table 4.

Another scheme of maternity allowance is provided at national level and is addressed to mothers who have resigned their job during their pregnancy and have paid contributions for at least three months over the period between 18 and 9 months preceding birth. Mothers who receive this benefit are not eligible for other maternity allowances.

Table 4. Equivalence scale to be applied to the Indicator of Economic Situation (ISE)

Number of family members	Parameters
1	1
2	1.57
3	2.04
4	2.46
5	2.85*

* For households with more than 5 members, the parameter is increased by 0.35 for each member above the fifth. Moreover, the parameters shown in Table 2 are increased by:

3. The amount was ITL 200 000 (EUR 103.29) per month till the end of 2000. It was increased to ITL 500 000 (EUR 258.23) from the beginning of 2001 and afterwards adjusted by the relevant price index.

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- 0.2 for lone parents with children.
- 0.5 for each disabled member of the household.
- 0.2 for couples with children, when both parents are working.

Source: Legislative Decree n. 109 of 18 June 1998.

The allowance for households with at least three children aged less than 18 amounts to EUR 128.89 per month (EUR 1,675.57 per year), and is granted to households whose ISE lies below a threshold. With reference to a five-member family this threshold is 23,200.30 and, as for the maternity allowance, is modified according to the ISE equivalence scale (table 4).

The total amount of the benefit is provided in the case whereby total ISE is smaller than or equal to the difference between the threshold and the value of the maximum benefit. The benefit is paid on a reduced base when total ISE lies between the difference between the threshold and the yearly amount and the threshold.

This benefit and the maternity allowance as well as the corresponding thresholds, are adjusted yearly to the consumer price index. Both benefits are administered at the local level and provided by INPS on behalf of municipalities.

Bonus famiglie: table 3 shows the benefit amount according to the household composition and income.

Table 3. Amount of the *Bonus famiglie* according to the the household income and composition.

Number of household members	Income threshold (EUR)	Amount (EUR)
Pensioners in households with 1 member	15,000	200
2 members	17,000	300
3 members	17,000	450
4 members	20,000	500
5 members	20,000	600
More than 5 members	22,000	1,000
At least (dependent) disabled present in the household	35,000	1,000

6.2.1.1 *Irregular additional payments*

6.2.2 *Income and earnings disregards*

As explained above in assessing family allowances total household taxable income is considered; however, the benefit is granted only if at least 70 per cent of the income stems from wages and salaries and former-employees' pensions.

Bonus famiglie: the income concept relevant for the benefit eligibility includes labour income, pension income, income from land with a threshold of EUR 2,500 for the whole unit. The benefit is tax-exempt.

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Social card: the income concept relevant for the benefit eligibility is taxable income. Income from the main house of residence is included in this base.

6.3 *Tax treatment of benefit and interaction with other benefits*

Family allowances, the maternity allowance, the allowance for households with at least three children under age are exempt from income taxation.

6.4 *Treatment of particular groups*

Both the income brackets and the amounts of allowances to dependent workers are modified whenever disabled people and/or lone parents are present within the family.

The equivalence scale set for mother allowances and for allowance to households with at least three children is modified when there are disabled people and/or lone parents within the family and/or when both parents work (see Table 4). Moreover, households with disabled members and/or with children have a priority right for the minimum income support benefit.

Free books and scholarships are provided to students belonging to families with an ISEE below a given threshold, varying with the family size according to the ISE equivalence scale (Table 4).

6.4.1 *Young persons*

6.4.2 *Older workers*

6.4.3 *Others if applicable*

7. *Childcare for pre-school children*

Childcare provisions for children 0-3 years old are administered at the municipal level. They have a very high degree of variability at national level, as well as at regional level and even for the same province or municipality. Therefore it is not possible to identify a "representative" case. Furthermore, there is no guarantee that such services are actually provided (or financed) by the public administration depending on the amount of available resources.

7.1 *Out-of-pocket childcare fees paid by parents*

The rebates of out-of-pocket childcare fees paid by parents is not universally provided but eventually administered at municipal level. In some cases a means-tested voucher is paid by local administrations in order to cover such expenditures, under the condition of using it only in certified institutions. This holds for children 0-3 years old. In the pre-school years, childcare services are offered almost universally and are free of charge for the families.

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7.2 *Child-care benefits*

Child-care services are essentially nurseries for children below 3 years of age. They are provided according to rules set by regional laws and implemented at municipal level with different criteria. These provisions mainly consist of in-kind means-tested benefits. Generally speaking, the household income and composition are considered to rank eligibility and fees. Above 3 years of age, while not compulsory, the public system provides for an almost universal and free of charge coverage (except for food) through the State and municipal “maternal” schools.

7.2.1 *Conditions for receipt*

7.2.2 *Calculation of benefit amount*

7.2.2.1 *Calculation of gross benefit*

7.2.2.2 *Income and earnings disregards*

7.2.3 *Tax treatment of benefit and interaction with other benefits*

7.2.4 *Treatment of particular groups*

8. Employment-conditional benefits

Family allowances described in section 6 are actually employment-conditional benefit. Supplementary benefits (*Integrazioni al Minimo*) for low-income households are granted to recipients of old-age and survivors' pensions whenever their accrued benefits fall short of a statutory minimum, set to EUR 5,956.60 per year. Eligibility for the supplementary benefits requires that the claimant's personal taxable income - if married, both partners' cumulated incomes - be below a given threshold (respectively, EUR 11,913.20 and EUR 23,826.40). While the 1995 main pension reform abolished supplementary benefits for new enrolees, no changes were introduced for all the other cases.

Pensioners of 64 years old with annual income (from the income base family benefits, imputed income from the main house of residence, severance pay are excluded) smaller than EUR 8,926.32, are eligible to a supplementary benefit if worked as employed, varying according to the years of contributions:

- EUR 336.00 for pensioners with less than 15 years of contribution as employees;
- EUR 420.00 for pensioners with more than 15 and less than 25 years of contribution as employees;
- EUR 504.00 for pensioners with more than 25 years of contribution as employees;
- EUR 336.00 for pensioners with less than 18 years of contribution as self-employed;
- EUR 420.00 for pensioners with more than 18 and less than 28 years of contribution as self-employed;
- EUR 504.00 for pensioners with more than 28 years of contribution as self-employed.

For survivors' pensions the amount of the supplementary benefits is calculated with the same criteria described above.

8.1 *Conditions for receipt*

8.2 *Calculation of benefit amount*

8.2.1 *Calculation of gross benefit*

8.3 *Tax treatment of benefit and interaction with other benefits*

8.4 *Benefit duration*

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8.5 *Treatment of particular group*

8.5.1 *Young persons*

8.5.2 *Older workers*

8.5.3 *Others if applicable*

Reference date for all information is **July 1st 2009**

Country chapter for OECD series *Benefits and Wages* (www.oecd.org/els/social/workincentives)

9. Lone-parent benefits

Lone parents are entitled to the family allowances described in section 6.

9.1 *Conditions for receipt*

9.2 *Calculation of benefit amount*

9.2.1 *Calculation of gross benefit*

9.2.1.1 *Irregular additional payments [NEW ITEM]*

9.2.2 *Income and earnings disregards*

9.3 *Tax treatment of benefit and interaction with other benefits*

9.4 *Benefit duration*

9.5 *Treatment of particular group*

9.5.1 *Young persons*

9.5.2 *Older workers*

9.5.3 *Others if applicable*

10. Tax system

10.1 Income tax

10.1.1 Tax allowances and credits

Specific tax credits are provided for pensioners. The Italian income tax system allows tax credits decreasing in income and varying with the income source (dependent work, self-employment, pensions). Such credits actually play an important role as the maximum eligible amount defines the no-tax area, that is the tax exemption threshold. This amounts to EUR 8000 for employees, EUR 7500 for pensioners, EUR 7750 for pensioners aged over 75, 4800 for self-employed.

10.1.1.1 Standard allowances

Social security contributions due by law

10.1.1.2 Standard tax credits

All the tax credits in Italy are non-refundable.

- Standard tax credits

The PAYE tax credit is defined as a function of net income:

Taxable income (EUR)	PAYE tax credit (EUR)
Up to 8 000	1 840
From 8 001 to 15 000	Maximum tax credit + $502 \times (15\,000 - \text{taxable income}) / 7\,000$
From 15 001 to 55 000	Maximum tax credit $\times (55\,000 - \text{taxable income}) / 40\,000$
More than 55 000	0

The maximum value for the tax credit depends on the level of taxable income:

Level of taxable income (EUR)	Maximum tax credit (EUR)
From 8 001 to 15 000	1 338
From 15 001 to 23 000	1 338
From 23 001 to 24 000	1 348
From 24 001 to 25 000	1 358
From 25 001 to 26 000	1 368

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From 26 001 to 27 700	1 378
From 27 701 to 28 000	1 363
From 28 001 to 55 000	1 338

- Tax credits for family dependents

The tax credits for family dependants, which have replaced the former tax allowances, are as follows:

Family tax credits (EUR) *	Amount (EUR)
Spouse	800 decreasing to 0 for net income over 80 000
Children	
Under three years of age	900 decreasing to 0 for net income over 95 000
Over three years of age	800 decreasing to 0 for net income over 95 000
Other dependent relatives	750 decreasing to 0 for net income over 80 000
(*) Tax credits are granted for family dependents earning less than EUR 2 840.51	

The spouse tax credit is calculated as a function of net income:

Level of taxable income (EUR)	Amount of tax credit (EUR)
Up to 15 000	$800 - 110 * \text{taxable income} / 15\,000$
From 15 001 to 29 000	690
From 29 001 to 29 200	700
From 29 201 to 34 700	710
From 34 701 to 35 000	720
From 35 001 to 35 100	710
From 35 101 to 35 200	700
From 35 201 to 40 000	690
From 40 001 to 80 000	$690 * (80\,000 - \text{taxable income}) / 40\,000$
More than 80 000	0

The child tax credit is calculated as a function of net income:

- for families with only one child: $800 * (95\,000 - \text{taxable income}) / 95\,000$;

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- for families with more than one child the amount of 95 000 is increased by 15 000 for each child other than the first, for every children (including the first one).

Families with more than 3 children receive an additional tax credit of EUR 200 per child.

A lone parent receives an actual tax credit for the first child equal to the maximum of the spouse tax credit and the child tax credit.

Tax credits for children have to be equally shared between the parents; different shares are no longer allowed.

If the spouse's tax liable net of the PAYE tax credit is less than his/her share (50 per cent) in the child tax credit, the entire child tax credit is provided to the principal earner.

10.1.2 *Income tax schedule (central government income tax)*

The following tax schedule is applied to taxable income:

	Bracket (EUR)	Rate (%)
up to	15 000	23
over	15 000 up to 28 000	27
over	28 000 up to 55 000	38
over	55 000 up to 75 000	41
over	75 000	43

10.1.3 *State and local income taxes*

10.1.3.1 *Regional surcharge tax*

This surcharge tax has been introduced in 1997. The tax is levied by each region on resident taxpayers' total taxable income at a discretionary rate, which must fall within an established range. As from the year 2000 this range is 0.9 per cent – 1.4 per cent.

The figure given in the 2009 Parameter values table under the heading “Regional and local tax” includes the regional surcharge tax paid in the most representative city (Rome, Lazio – rate 1.4 per cent for 2009).

10.1.3.2 *Local surcharge tax*

This surcharge tax has been introduced in 1999. The tax may be levied by each local government at an initial rate that cannot exceed 0.2 per cent. If the tax is levied, the local government can increase the initial rate, on a yearly basis, up to a maximum of 0.5 per cent. Each yearly increase cannot exceed 0.2 per cent.

The figure given in the 2009 Parameter values table under the heading “Regional and local tax” includes the local surcharge tax paid in the most representative city (Rome – rate 0.5 per cent for 2009).

10.2 *Treatment of family income*

Income tax is assessed on an individual basis. However presence of a dependent spouse as well as dependent children is taken into account through specific tax credits. Dependent individuals must earn income below EUR 2840.51, provided that live within the family and or receive alimony checks. The tax credit for dependent spouse decreases with before tax individual income net of cadastral rent from the main house of residence.

10.3 *Social security contributions and payroll taxes*

10.3.1 *Contributions payable by employees and benefit recipients*

- Rate and ceiling
 - The average rate is 9.49 per cent on earnings up to EUR 42 069.
 - The average rate is 10.49 per cent on earnings over EUR 42 069 and up to EUR 91 507.
 - For earnings exceeding EUR 91 507, the employee pays a fixed amount given by $(0.0949 \times 42\,069) + 0.1049 \times (91\,507 - 42\,069)$.
- Distinction by marital status or sex
 - None.

10.3.2 *Contributions payable by employers*

- Contributions equal 32.08 per cent on earnings up to EUR 91 507. For earnings exceeding EUR 91 507, the employer pays a fixed amount given by $0.3208 \times 91\,507$.

10.3.3 *Payroll taxes*

10.4 *Treatment of particular group*

10.4.1 *Young persons*

10.4.2 *Older workers*

10.4.3 *Others if applicable*

Reference date for all information is **July 1st 2009**

Country chapter for OECD series *Benefits and Wages* (www.oecd.org/els/social/workincentives)

11. Part-time work

11.1 *Special benefit rules for part-time work*

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

12. Policy developments

12.1 *Policy changes introduced during 2009*

There were no major changes to the tax-benefit system either enacted or announced in 2009. The main changes regarded the social assistance system through the introduction on an experimental basis of the *Bonus Famiglie* and the *Social Card*. Both schemes are addressed to alleviating poverty especially among large households (*Bonus Famiglie*) and households with old-aged or children below 3 years old (*Social Card*).

The *Bonus famiglie* is an income support scheme with a benefit varying between EUR 200 and EUR 1,000 a year, depending on the family income and composition.

The *Social card* is actually a voucher (in the form of a pre-paid credit card) amounting to EUR 40 per month that can be used to buy groceries and pay the energy and gas bills. Eligibility is based on very strict conditions.

As it concerns the income tax system the only change regarded the increase of the tax allowances related to mortgage loan interests to a threshold of EUR 4,000, in response to the increase of the interest rates.

The refundable “bonus” for big families has been abolished.

12.2 Future policy changes announced in 2009

ANNEX

DEFINITION OF SOCIAL SECURITY CONTRIBUTIONS AND PAYROLL TAXES.

The following text has been adapted from Annex A of the OECD *Revenue Statistics*.

Social security contributions to general government

Classified here are all compulsory payments that confer an entitlement to receive a (contingent) future social benefit. Such payments are usually earmarked to finance social benefits and are often paid to institutions of general government that provide such benefits. However, such earmarking is not part of the definition of social security contributions and is not required for a tax to be classified here. However, conferment of an entitlement is required for a tax to be classified under this heading. So, levies on income or payroll that are earmarked for social security funds but do not confer an entitlement to benefit are excluded from this heading and shown under personal income taxes or taxes on payroll and workforce. Taxes on other bases, such as goods and services, which are earmarked for social security benefits are not shown here [...] because they generally confer no entitlement to social security benefits.

Contributions for the following types of social security benefits would, *inter alia*, be included: unemployment insurance benefits and supplements, accident, injury and sickness benefits, old-age, disability and survivors' pensions, family allowances, reimbursements for medical and hospital expenses or provision of hospital or medical services. Contributions may be levied on both employees and employers.

Social security contributions paid to institutions outside general government

Contributions to social insurance schemes which are not institutions of general government and to other types of insurance schemes, provident funds, pension funds, friendly societies or other saving schemes [are included here if they are compulsory or quasicompulsory (e.g., by virtue of agreement with professional and union organisations)]. Provident funds are arrangements under which the contributions of each employee and of the corresponding employer on his/her behalf are kept in a separate account earning interest and withdrawable under specific circumstances. Pension funds are separately organised schemes negotiated between employees and employers and carry provisions for different contributions and benefits, sometimes more directly tied to salary levels and length of service than under social security schemes.

Payroll taxes

This heading covers taxes paid by employers or employees either as a proportion of payroll or as a fixed amount per person, and which do not confer entitlement to social benefits. Examples of taxes classified here are the United Kingdom national insurance surcharge (introduced in 1977), the Swedish payroll tax (1969-1979), and the Austrian Contribution to the Family Burden Equalisation Fund and Community Tax.

Table A.1. Family allowances: lone parents without children with at least one brother, sister, nephew (in households with no disabled persons) (2009)
(EUR per month)

Household yearly income (EUR)		Number of persons present in the household						
		1	2	3	4	5	6	7 and
fino a	14,464.46		46,48					227,24
14,464.47	17,564.10							216,91
17,564.11	20,661.31		25,82					206,58
20,661.32	23,759.74							196,25
23,759.75	26,859.98							185,92
26,859.99	29,958.39							175,60
29,958.40	33,057.44							160,10
33,057.45	36,154.66							144,61
36,154.67	39,253.68							134,28
39,253.69	42,352.71							118,79
42,352.72	45,451.76							51,65

Table A.2. Family allowances: married couples without children with at least one brother, sister, nephew (in households with no disabled persons) (2009)
(EUR per month)

Household yearly income (EUR)		Number of persons present in the household						
		1	2	3	4	5	6	7 and
fino a	12.398,84			82,63				
12.398,85	15.497,88			72,30				
15.497,89	18.596,91			56,81				
18.596,92	21.694,73			41,32				
21.694,74	24.793,15			25,82				
24.793,16	27.892,78			10,33				
27.892,79	30.991,21							
30.991,22	34.089,03							
34.089,04	37.186,84							
37.186,85	40.285,87							
40.285,88	43.384,92							51,65