THE OECD TAX-BENEFIT MODEL FOR ITALY

Description of policy rules for 2019
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The OECD Tax-Benefit model (TaxBEN) incorporates detailed policy rules for tax liabilities and benefit entitlements as they apply to individual families across OECD member countries. Its main use is to calculate the amount of taxes that people are liable to pay, and the government transfers they are likely to receive, in different family and labour-market circumstances. The model includes legal policy rules that are relevant for people of working age (from 18 years old until the statutory retirement age) and their dependent children. Income tax liabilities and benefit entitlements are calculated for a broad set of stylised families (“vignettes”, e.g. a married couple of 40 years old adults with two children aged 4 and 6 respectively). Model users are free to change many of these characteristics, including the age and number of children, activity status of adult members, hours of work, current and past earnings levels, unemployment duration, social contribution records, and housing-related costs. The model has been updated annually since the early 2000s for most OECD countries.

TaxBEN’s policy scope includes the main taxes on employment income (earnings), social contributions paid by individuals and by employers, as well as the main cash and near-cash benefit programmes, including unemployment benefits, family benefits, guaranteed minimum-income benefits, cash housing benefits, and employment-conditional benefits. Disability benefits are included for a sub-set of countries and years. Policy areas that are outside the scope of the model include taxes on wealth (e.g. taxes on immovable and unmovable properties), indirect taxes (e.g. VAT), early-retirement benefits, sickness benefits and in-kind transfers (e.g. free school meals, subsidised transport and free health care).

This report describes the taxes and benefits that are simulated in the TaxBEN and focuses on rules that are relevant for family, individual and labour-market circumstances that are within its scope. The Annex provides information on other cash benefits and taxes on employment incomes that can be relevant for some members of the working-age population, but which are not included in the TaxBEN model.

Reading notes and further details on the scope and content of this report

- The reference date for policy rules described in this report is January 1, 2019.
- Guidelines for completing and updating this report are provided here.
- Further information on the model, model results, and references to reports and analytical uses is available on the project website. A methodology document provides a full description of the assumptions underlying TaxBEN as well as the model choices that users can make. The symbol in the text provides a link to a glossary of technical terms.
- Section titles provide the names of taxes and benefits as they are known in the country: first, direct translation into English, then (in brackets) the name in the national language.
- In order to facilitate transparency between the policy descriptions and the associated code in the model, the variable names are indicated in the text in square brackets using the following format: [variable name], for instance: [AW] for the average wage.
The OECD tax-benefit model for Italy: Policy rules in 2019

1. Reference wages and other reference monetary amounts

Average wage $[\text{AW}]$: The OECD tax-benefit model uses Secretariat estimates of the average full-time wage (available here)\(^1\). If Secretariat estimates are not available yet, the model uses wage projections obtained by applying forecasted wage growth\(^2\) to the latest available wage estimate.

Minimum wage $[\text{MIN}]$: Italy does not have a national statutory minimum wage in Italy in 2019.

2. Unemployment benefits

In Italy the 2019 unemployment benefit system was characterised by the following schemes:

i) An unemployment insurance benefit for private sector employees ($\text{Nuova assicurazione per l’impiego, NASPI}$)

ii) An unemployment insurance benefit for dependent self-employed workers, postdoctoral research fellows and PhD students with scholarships ($\text{DISS-COLL}$);

iii) Wage supplementation funds ($\text{Cassa Integrazione Guadagni, – henceforth CIG, either ordinary or special}$);

Section 2.1 describes the NASPI. The other schemes are outside the scope of the OECD tax-benefit model and are described in the Annex.

2.1. Unemployment benefit ($\text{Nuova assicurazione per l’impiego - NASPI}$)

Variable names:\(^3\) $[\text{UI}_p; \text{UI}_s]$

This is an unemployment insurance benefit. It is contributory, not means-tested and taxable.\(^i\)

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\(^1\) Average Wages are estimated by the Centre for Tax Policy and Administration at the OECD. For more information on methodology see the latest Taxing Wages publication.

\(^2\) Wage growth projections are based on OECD Economic Outlook and EU economic forecasts (for non-OECD countries).

\(^3\) The variable names ending with “_p” refer to the first adult (so-called “principal” adult) whereas those ending with “_s” are related to the spouse.
2.1.1. Eligibility conditions

NASPI is intended for all workers who have involuntarily lost their jobs. The only excluded categories are permanent public employees and temporary and permanent agricultural workers.

 Contribution/employment history: 13 weeks of contributions in the four years preceding the unemployment event and at least 30 days of work in the 12 months prior to the beginning of the period of unemployment.

 Behavioural requirements and related eligibility conditions: TaxBEN assumes that the benefit claimant satisfies the following compulsory conditions:4

 o Registered with the public employment service (“Centri per l’impiego”);
 o Not working;
 o Involuntarily unemployed;5
 o Actively seeking employment, ready to enter into employment relationships without delay or to take up any active labour market programme.

2.1.2. Benefit amount

The amount payable for the NASPI is 75% of prior monthly wage for wage levels below EUR 1221 per month; for higher wages benefit is increased by 25% of the difference between the last monthly wage and EUR 1221. Maximum amount is EUR 1328. The benefit is reduced by 3% per month from the first day of the fourth month.

2.1.3. Benefit duration

Waiting period is typically eight days. Benefit duration is equal to half the number of weeks for which social contributions were paid in the four years before the start of unemployment. The maximum duration is 24 months. Weeks that have already given rise to the payment of unemployment benefits are excluded from the computation of the NASPI duration.

2.1.4. Means test

The benefit is not means-tested.

2.1.5. Tax treatment

NASPI benefit is subject to the income tax. The benefit is exempt from social security contribution payments although imputed contributions are attributed to the benefit recipients.

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4 Details on behavioural requirements and sanction provisions for unemployment benefits are reported in regularly updated companion reports, see Immervoll and Knotz (2018), Langenbucher (2015) and Venn (2011).

5 Workers who quit their job voluntarily are not entitled to the NASPI unless: i) there is a “consensual resolution” of the employment contract; ii) the resignation are made during the protected maternity period, i.e. from 300 days before the presumed date of childbirth until the child’s first year of life, or for “just-cause”
2.1.6. Interactions with other components of the tax-benefit system

Unemployment benefit payments are suspended for the duration of the parental leave. Payment of the unemployment benefit is suspended also for the duration of the sickness benefit but only when the sickness started within 60 days from the dismissal. NASPI is compatible with the new 2019 Citizenship Income (see section 3).

2.1.7. Combining benefit receipt and employment/starting a new job

NASpI payments are suspended if the jobseeker takes up a temporary employment of no more than 6 months and the expected annual taxable earnings from this job are above EUR 8,000. If taxable earnings are below EUR 8,000 a reduced benefit amount is still payable independently of the contract duration. The reduced benefit amount is equal to the original benefit amount minus 80% of the taxable earnings that are earned between the beginning of the new job and the end of the fiscal year (or the end of the NASpI if the benefit ends before the end of the new job).

Figure 1. Unemployment insurance by time of receipt and previous earnings

Note: Results for single person of 40 years old without children and with a ‘long’ and continuous previous employment.
Source: Results based on the OECD tax-benefit model.

2.2. Unemployment Assistance (Assegno Sociale di Disoccupazione, ASDI)

Variable names: \([UA_p; UA_s]\)

As of 1 January 2018, ASDI has been replaced by the “Reddito di inclusione” (ReI, Section 3.1). From April 2019, a new Guaranteed Minimum Income programme called “Reddito di Cittadinanza” (RdC) has replaced the ReI and the ASDI.

3. Social assistance and housing benefits

Since January 1st 2018, there was a national income support measure called “Reddito di Inclusione” (REI). This benefit replaced the previous social assistance programme known as “Sostegno per l’Inclusione Attiva” (SIA), which had been in place since September 2nd 2016. From April 2019, a new Guaranteed Minimum Income scheme called “Reddito di

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\(6\) The variable names ending with “_p” refer to the first adult (so-called “principal” adult) whereas those ending with “_s” are related to the spouse.
"Cittadinanza" (RdC) has replaced the ReI. This scheme is described in Box 1 but is not part of the 2019 TaxBEN model as the model’s reference date is January 2019. The RdC will be part of the 2020 TaxBEN model.

Box 1 The new “Reddito di Cittadinanza” (RdC – “Citizenship Income”)

RdC is a non-contributory benefit, means-tested and not taxable.

For ‘elderly’ households, i.e. households where there are only persons of 67 years old or above, the RdC takes the name of “Pensione di Cittadinanza” (RdP – “Citizenship Pension”). RdP is more generous than the RdC. As here the focus is on programmes for the working age population, the box describes the rules for the RdC.

Eligibility conditions

Income conditions: see section ‘means test’.

Other conditions: Participation in the activation measures described in the personalised “activation plan” compiled by the public employment service. Work availability for the capable adult household members without employment who are not in full-time education. Household with a jobseekers who voluntarily quite their job are not eligible for a period of 12 months. No vehicles registered in the 6 months preceding the claim, or with an engine capacity exceeding 1,600 cc or motorcycles above 250 cc registered in the 24 months preceding the claim. Italian / EU citizenship, otherwise residency in the country for at least ten years (last two continuously).

Benefit amount

Benefit entitlements are calculated as follows:

\[
\text{RdC} = \max(0, (6000*EQ + \min (\text{Registered Home Rent}, 3360) - \text{Total household income})
\]

\[
\text{PdC} = \max(0, (7560*EQ + \min (\text{Registered Home Rent}, 1800) - \text{Total household income})
\]

The Equivalence Scale (EQ) is 1 for the first component, 0.4 for each other adult, 0.2 for each component aged less than 18 years. The EQ cannot be higher than 2.1 (2.2 for household with a heavy disabled person). The registered home rent is the rent paid for the main accommodation declared in the ISEE declaration form (see Box 2).

The maximum benefit amount cannot be higher than \([9360*EQ - \text{Total household income}]\) for both the RdC and RdP. The amount for eligible households cannot be lower than EUR 480/year.

The “Total household income” is the household income used for the calculation of the income component of the ISEE indicator (‘ISR’ – See Box 2) before any ISEE deductions (e.g. the deduction of 20% of earnings up to EUR 3000 – see Box 2 for details). The calculation of the benefit amount requires subtracting from the Total household income the disability allowance for those with maximum disability (‘Assegno di accompagnamento’) as well as any social assistance benefits that will be replaced by the RdC (e.g. the former ReI, ASDI and SIA benefits) and are still received while claiming the new RdC.

Benefit duration

18 months, renewable for other 12 months after a waiting period of 1 months (no waiting period for PdC).

Means test

- ISEE indicator below EUR 9360;
- Total household income below EUR 6000*EQ for the RdC (EUR 7560*EQ for the PdC)
- Value of real estate properties, with the exclusion of the main home, below EUR 30000.
  This value is the first part of the ‘asset component’ of the ISEE (see Box 2).
- Value of financial assets (i.e. the second part of the asset component of ISEE) below EUR 6000. This value is increased of EUR 2,000 for each household member after the first one,
up to a maximum of euro 10000. The EUR 10000 threshold is increased of EUR 1000 for each child after the second. The 6000 and 10000 thresholds are increased of EUR 5000 if there is a household member with disability.

**Tax treatment**
RdC is not taxable.

**Interaction with other components of the tax-benefit system**
REI is compatible with the receipt of unemployment benefits (NASPI).

**Combining benefit receipt and employment/starting a new job**
The benefit is compatible with work activities. For those who take up employment there is an earnings disregard of 20%.

### 3.1. Social Assistance *(Reddito di Inclusione, REI)*

Variable name: [SA]

REI is a non-contributory benefit, means-tested and not taxable. It comes in the form of a prepaid card, which can be used as a normal debit card to buy goods or withdraw money from any ATM.

#### 3.1.1. Eligibility conditions

- **Family requirements.** At least one household member in one of the following conditions: under 18 years of age, disable, pregnant, unemployed members over the age of 55. From 1 July 2018, these requirements do not apply anymore: eligibility is based only on the household economic condition.

- **Economic requirements.** See section 3.1.4

- **Other requirements:** participation in the activation measures described in the personalised “activation plan” compiled by the public employment service; work availability for the capable adult household members without employment who are not in full-time education; no vehicles registered in the 24 months preceding the claim, or with an engine capacity exceeding 1,300 cc or motorcycles above 250 cc; Italian / EU citizenship, otherwise residency in the country for at least two years. All these requirements are assumed to be always met when simulating this benefit in TaxBEN.

#### 3.1.2. Benefit amount

Benefit entitlements are calculated as follows:

\[
\text{REI} = 0.75 \times (\text{Guaranteed Minimum Income for a single person} \times \text{Equivalence Scale} - \text{Reference Household Income})
\]

The GMI for a single person in 2019 is EUR 3000 per year. The Equivalence Scale (EQ) is the ISEE scale (see box 2) without the increases a), b) and c) described in Box 2. In practice, the EQ scale used to calculate the REI is equal to the number of household members \((N)\) to the power of 0.65, i.e. \(N^{0.65}\).

During the period between January 2018 and June 2018, the maximum benefit amount could not exceed the amount of the ‘social pension’, i.e. EUR 5 824 per year (EUR 5954 in 2019). However, in 2019 the maximum benefit amount is increased up to EUR 6477.84 for households with six or more members. The 0.75 parameter above refers to the
proportion of the Guaranteed Minimum Income that REI will cover during the first period of application. According to the REI decree, this parameter as well as the GMI threshold of EUR 3000, are revised on a yearly basis with the aim to increase benefit coverage and generosity. The 0.75 parameter as well as the GMI threshold of EUR 3000 apply throughout the entire 2018 and for 2019 until the full roll in of the new GMI programme (Box 1).

The reference household income used for the calculations is the ISR indicator described in Box 2. When calculating the ISR, the non-taxable income components (and therefore the related EUR 1000 deduction, see Box 2) are not considered. However, non-taxable incomes received during the period of REI are subtracted directly from the REI amount. See section 3.1.6 for the non-taxable income component that are deducted from the REI amount.

3.1.3. Benefit duration

18 months, renewable for other 12 months after a waiting period of 6 months.

3.1.4. Means test

- ISEE indicator below EUR 6,000 (see Box 2 for the ISEE indicator);
- Income component of ISEE (‘ISR’, see Box 2) below EUR 3,000
- Nonfinancial assets below EUR 20,000 and financial assets below EUR 10,000. Financial and non-financial assets are taken from the ‘ISP’ part of the ISEE.

3.1.5. Tax treatment

REI is not taxable.

3.1.6. Interaction with other components of the tax-benefit system

REI is not compatible with the receipt of unemployment benefits (NASPI). Former NASPI recipients can claim the REI only after a waiting period of 3 months. If REI benefit recipients are entitled to other non-taxable means-tested benefits these benefits are not considered in the calculation of REI entitlements but are subtracted directly from the final benefit amount. In practice, this means that the following income components: fiscal bonus (Section 8), the means-tested part of the “bonus bebé” (i.e. the higher benefit amount granted to low-income families, see Section 4.1 for details), the family allowance (section 4.1) and the family allowance for large families (Section 4.2), do not enter the ISR calculations needed to calculate the REI amount but are subtracted directly from the final amount.

3.1.7. Combining benefit receipt and employment/starting a new job

This benefit is compatible with work activities. As earnings are part of the ISR used to calculate the REI amount (see section 3.1.2), benefit entitlements are lower for families with positive earnings.

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7 This provision takes into account that the non-taxable income components used to calculate the ISR typically refer to the income period T-2.
Figure 2. REI amounts

Note: Results for a one-earner couple with two children of two years old. Amounts are shown as a function of the taxable income. The family allowance, the means tested part of the natality allowance as well as the fiscal bonus are subtracted from the REI calculated using an ISEE indicator that does not take into account any non-taxable income components. Housing costs affect the ISEE indicator. Results with positive housing costs assume a constant rent of EUR 6 229 / year.

Source: Results based on the OECD tax-benefit model.

Box 2. The ISEE Indicator

The Equivalent Economic Situation Indicator (Indicatore della Situazione economica Equivalente - ISEE) is calculated as follows:

\[
\text{ISEE} = \frac{\text{ISR} + 20\% \text{ ISP}}{\text{EQ}}
\]

Where ISR (‘Indicatore della Situazione Redduttuale’) is the “Income Situation Index”; ISP (‘Indicatore della Situazione Patrimoniale) is the Asset Situation Index, and EQ is the equivalence scale.

The Income Situation Index (ISR) is the sum of the household incomes (nearly any source, including incomes from financial assets and non-taxable incomes). These incomes enter the ISR after social security contribution payments but before income tax payments. Note: incomes from employment include Unemployment Insurance (UI) benefits. Similarly to other employment incomes, also UI benefits enter the ISR index net of the employee social security contributions and before income tax payments.

The final ISR indicator that enters the more general ISEE indicator is the sum of all household gross incomes as defined above minus a series of ‘deductions’:

\[
\text{ISR} = \max(0, \text{gross household incomes} - \text{deductions})
\]

The main deductions are: a) Alimones paid to a separate or divorced spouse; b) Health expenses for disabled relatives (up to EUR 5000); c) 20% of incomes from employment or similar/related sources, up to a EUR 3000; d) Alternative to (c), 20% of the income from non-taxable benefits or pensions, up to a EUR 1000; e) Annual rent for family living in rental accommodations, up to EUR 7000 (this amount is increased of 500 EUR for each child after the second); f) EUR 4000 EUR for each person with “average” disability (EUR 5500 EUR in case of disabled children); EUR 5500 EUR for each person with “severe” disability (EUR 7500 EUR in case of disabled children); EUR 7000 EUR for
fully incapacitated persons (EUR 9500 EUR in case of disabled children). These allowances can be deducted up to the maximum limit of the value of the ISR (the ISR cannot be negative).

The Asset Situation Index (ISP) is the sum of the household wealth, which includes both movable and immovable properties, net of the respective deductions and allowances:

\[
\text{ISP} = (\text{total wealth} - \text{credits})
\]

As wealth is assumed to be zero in the OECD tax-benefit model, the ISP is not described. The indicator is equal to zero if the sum of ISR + 20% ISP is negative.

The Equivalence Scale (EQ) is equal to the number of household members at the power of 0.65 for households with less than 6 members. For household with 6+ members the parameter is increased by 0.35 for each additional member. The following increases applies to the EQ rates:

a) 0.2 increase for households with 3 children, 0.35 for 4 children, 0.5 for at least 5 children; 
b) 0.2 for households with children below 18 years (0.3 if there is at least one child aged less than three) in which both parents or the only parent have worked for at least six months during the year; 
c) the increase described in letter b) applies also to households composed exclusively of one non-working parent with children below 18 years.

### 3.2. Housing benefit (Contributo per l’affitto)

Variable name: **[HB]**

In Italy housing policies are for owners of the main residence - usually in the form of tax credits related to mortgage loan interests, 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 for those who live in rental accommodations. Considering the TaxBEN scope, only housing policies for rental accommodations are considered in this report.

Housing assistance for rental accommodations can take different forms: tax credits; ii) rent subsidies for low-income households; iii) restrictions to rent increases; iv) controlled rents for State-owned dwellings. Only tax credits and rent subsidies for low-income households are within the scope of the OECD tax-benefit model. Restrictions to rent increases and controlled rents for State-owned dwellings are described in the annex.

Rent subsidies are conditional on the availability of funds. The central government allocates every year resources to the National Fund for Rental Support (**Fondo nazionale di sostegno alle locazioni**). These resources are then distributed across regions, which can also contribute with their own founds. Regions define the eligibility conditions, benefit amounts and duration. The fund is then distributed among municipalities in each region that manage its delivery. The 2018 budget law allocated EUR 10 million per year for the fiscal years 2019 and 2020. The government has not yet allocated the 2019 fund across the regions and therefore the local housing benefit programmes have not started yet in many regions, including the reference one for the TaxBEN model (Lazio). As a result, no rent subsidies are modelled for 2019.
Also for 2019, the main national housing policy for families living in rental accommodations remains the means-tested tax that is described in Section 8.

4. Family benefits

4.1. Family allowance (Assegni al Nucleo Familiare)

Variable name: [FAMBEN]

This is a contributory benefit, means-tested and not taxable.

4.1.1. Eligibility conditions

The family allowance scheme grants cash transfers to employees, unemployment benefit recipients, project workers, and former-employee pensioners. It does not cover self-employed. The household definition includes the benefit claimant, 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. Note that families without children are also eligible.

Eligibility to the benefit requires the household income to be made for at least 70 per cent by income from employment. As unemployment benefits in Italy are considered earnings from employment they are part of the 70% share. Household income include all incomes that are subject to the income tax minus the employee social security contributions, as well as incomes that are exempted from the income tax (with the exception of benefits for those with severe disabilities and other family-related benefits).

4.1.2. Benefit amount

Family allowances vary with: 1) household type; 2) the number of family members and 3) household income (see section 4.1.4). Benefit amounts and household income bands are adjusted yearly to the consumer price index. The Excel workbook available from this webpage (in Italian) provides the amounts applied between July 2018 and July 2019 (click on “Allegato 1” at the bottom of the webpage to download the Excel file). Worksheets are organized by family type as follows (only potentially-relevant worksheets are listed using the original Italian names translated in English):

- “Tab. 11”: Married couples with at least one minor and without household members with disabilities
- “Tab. 12”: Lone parents with at least one minor and without household members with disabilities
- “Tab. 14”: 2-adult families with at least one minor and one household member with disabilities.
- “Tab. 15”: 1-adult families with at least one minor and one household member with disabilities.
- “Tab. 21A”: Married couples without children and without disabilities
- “Tab. 21C”: Married couples without children and with at least one disable partner

In each worksheet benefit amounts vary by number of family members (columns) and by family taxable income (by rows).
Part-time employees can receive a lower benefit amount if they work less than 24 hours per week. In this case the amount depends on the days of effective work paid rather than the number of hours worked per day. For instance, if one works more than 24 hours during the week, the benefit is paid fully independently of the number of days worked during that week (the full amounts are those included in the Tables above). However, if the number of weekly working hours is less than 24, then the amount depends on the number of effective days worked during that week: if the employee worked only 3 days out of 6, then the amount is given by the corresponding value in the Table above divided by 26 (i.e. the number of working days of the month) and multiplied by 3 (i.e. the number of effective days worked in this example).

4.1.3. Benefit duration

As long as the eligibility conditions hold.

4.1.4. Means test

The benefit is a step-wise decreasing function of household income (see Figure 3). The reference income is the taxable income (gross earnings minus employee social security contributions plus unemployment insurance benefits as applicable) plus any other non-taxable income component. To avoid a ‘circularity’ in the calculation of benefit entitlements, TaxBEN defines a precise sequence of benefit claims (see section 9). In the case of the family allowance the benefits considered in the means test are unemployment insurance (Section 2) and the fiscal bonus (section 8). All the other benefits are assumed to be zero.

4.1.5. Tax treatment

The benefit is not taxable.

4.1.6. Interaction with other components of the tax-benefit system

The benefit can be received together with other benefits as long as the family meets the eligibility criteria and passes the means test.

4.1.7. Combining benefit receipt and employment/starting a new job

Employment is a pre-requisite for benefit eligibility. Unemployed benefit recipients can also claim the benefits as they have the status of “former employees”. Starting of a new job does not affect eligibility but can have effects on entitlements.

4.1.8. 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 (see section 4.1.2).

4.1.9. Combining benefit receipt and employment/starting a new job

Employment doesn’t affect benefit receipt.
**Figure 3. Amount of the family allowance by taxable income and number of children**

<table>
<thead>
<tr>
<th>Taxable Income</th>
<th>1 child of 2 years old</th>
<th>2 children of both 2 years old</th>
<th>3 children of 2, 2 and 3 years old</th>
<th>4 children of 2, 2, 3 and 4 years old</th>
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**Notes:** Results for a 2-adult family. Points in the horizontal axis refer to different levels of taxable incomes of the 'first adult' member. The second adult member is economically inactive. Results assume that the first adult is working full-time (40 hours per week) / full-year (5 days per week throughout the year).

**Source:** Results based on the OECD tax-benefit model.

### 4.2. Allowance for large families (Assegno per famiglie numerose)

This benefit is paid by the municipalities but then reimbursed by the National Social Security Institute (INPS).

Variable name: [A3F]

This is a non-contributory benefit, means-tested and not taxable.

#### 4.2.1. Eligibility conditions

Eligible households must have at least three children younger than 18.

#### 4.2.2. Benefit amount

The benefit amount in 2019 was EUR 144.42 per month. Families with more than 4 children are eligible for a second allowance of EUR 500 per months.

#### 4.2.3. Benefit duration

13 months, renewable. The total amount is paid in two lumps at the end of the first semester and after the end of the second semester.

#### 4.2.4. Means test

ISEE indicator below EUR 8745.46 for families.

#### 4.2.5. Tax treatment

Non-taxable.
4.2.6. Interaction with other components of the tax-benefit system

The benefit cannot be combined with other maternity benefits.

4.2.7. Combining benefit receipt and employment/start a new job

Employment does not affect benefit receipt.

Figure 4. Amount of the allowance for large families by ISEE amounts

Source: Results based on the OECD tax-benefit model.

4.3. Natality allowance (Bonus bebé)

Variable name: [bonus_bb]

This is a non-contributory benefit, means-tested and not taxable.

4.3.1. Eligibility conditions

This benefit is paid to those families where there is a child born between 1 January 2015 and 31 December 2019.

4.3.2. Benefit amount

The amount is EUR 80 per month for each eligible child (born or adopted) living in households with an ISEE indicator (Box 2) below EUR 25 000. The amount increases to EUR 160 per moth / child if the ISEE is below EUR 7 000. Starting from the second eligible child, i.e. for those born between 1 January 2019 and 31 December 2019, amounts are increased by 20%, i.e. EUR 96 for families with ISEE between EUR 7 000 and EUR 25 000, and EUR 192 for families with ISEE below EUR 7 000 (not simulated in the TaxBEN model, as the current settings do not allow to calculate benefits for children who below the first year of age, see also the TaxBEN note in section 4.3.3).

4.3.3. Benefit duration

For children born between the 1st of January 2015 and 31st December 2017, the benefit is paid monthly until the 36th month of the new born. From the 1st of January 2018 the benefit is paid until the 12th month of the new born.
TaxBEN note: the model assumes that children turn the age inserted in the model (in years) on the 1st of January of the selected policy year. For instance, for a family with 2 children of 1 and 2 years old respectively, the model for 2019 assumes that they turn 1 and 2 respectively on the 1st of January 2019. This implies that only the oldest child is eligible in 2019 for the bonus bebé as s/he receives the benefit for 36 months according to the rule that apply to that cohort. Similarly, a family with 2 children of 1 and 3 years old is not entitled to the bonus in TaxBEN 2019 as the benefit has expired for both children. Finally, note that TaxBEN does not allow currently to calculate benefits for children who are born on the 1st of January of the selected policy years.

4.3.4. Means test

ISEE indicator below EUR 25 000.

4.3.5. Tax treatment

Non-taxable.

4.3.6. Interaction with other components of the tax-benefit system

The benefit can be received together with any other benefit, but is counted as income in the means tests for other benefits as relevant.

4.3.7. Combining benefit receipt and employment/starting a new job

Employment doesn’t affect benefit receipt.

![Figure 5. Amount of the “Bonus bebé” by ISEE amounts](image)

Note: Results for a one-earner couple. The allowance is a function of the ISEE indicator (Box 2), which in the results above takes into account the household taxable income as well as the family allowance (as applicable). The ISEE indicator can be zero at low earnings levels due to the effect of the ISEE deductions (see Box 2). The family is assumed to live in a rented accommodation paying an annual rent of EUR 6 211.

Source: Results based on the OECD tax-benefit model.

5. Childcare for pre-school children

Childcare provisions for children 0-3 years old are administered at the municipal level. They have a high degree of variability at national level, as well as at regional level and
even for the same province or municipality. Below is reported the case of the municipality of Rome.

5.1. Gross childcare fees

Variable name: [ITcc_cost]

In Rome only children who were born between the 1st of January 2016 and the 31st of May 2018 can attend the municipal crèche for the school year 2018/2019.

Gross childcare fees are set every year by the municipality and depend on two variables: the household income and the hours of childcare. The table below shows the monthly fee for full-time childcare (from 8:00 am to 5:00 pm – i.e. 9 hours) as a function of the ISEE indicator (see Box 2).

<table>
<thead>
<tr>
<th>ISEE From to</th>
<th>Gross fee (month)</th>
<th>ISEE From to</th>
<th>Gross fee (month)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 5165</td>
<td>43.97</td>
<td>23242 23758</td>
<td>244.19</td>
</tr>
<tr>
<td>5166 5682</td>
<td>48.89</td>
<td>23759 24274</td>
<td>249.66</td>
</tr>
<tr>
<td>6199 6714</td>
<td>58.73</td>
<td>24275 24790</td>
<td>255.12</td>
</tr>
<tr>
<td>6715 7231</td>
<td>63.65</td>
<td>24791 25307</td>
<td>260.23</td>
</tr>
<tr>
<td>7232 7747</td>
<td>68.57</td>
<td>25308 25823</td>
<td>265.89</td>
</tr>
<tr>
<td>7748 8263</td>
<td>73.50</td>
<td>25824 26340</td>
<td>271.16</td>
</tr>
<tr>
<td>8264 8780</td>
<td>78.42</td>
<td>26341 26856</td>
<td>276.62</td>
</tr>
<tr>
<td>8781 9297</td>
<td>83.00</td>
<td>26857 27373</td>
<td>282.1</td>
</tr>
<tr>
<td>9298 9813</td>
<td>87.94</td>
<td>27374 27889</td>
<td>287.57</td>
</tr>
<tr>
<td>9814 10330</td>
<td>92.86</td>
<td>27890 28406</td>
<td>293.03</td>
</tr>
<tr>
<td>10331 10846</td>
<td>108.61</td>
<td>28407 28922</td>
<td>298.5</td>
</tr>
<tr>
<td>10847 11363</td>
<td>114.08</td>
<td>28923 29439</td>
<td>303.6</td>
</tr>
<tr>
<td>11364 11879</td>
<td>119.54</td>
<td>29440 29955</td>
<td>309.07</td>
</tr>
<tr>
<td>11880 12395</td>
<td>125.01</td>
<td>29956 30471</td>
<td>314.53</td>
</tr>
<tr>
<td>12396 12913</td>
<td>130.47</td>
<td>30472 30988</td>
<td>325.17</td>
</tr>
<tr>
<td>12913 13428</td>
<td>135.58</td>
<td>30989 31504</td>
<td>335.18</td>
</tr>
<tr>
<td>13429 13945</td>
<td>141.04</td>
<td>31505 32021</td>
<td>346.2</td>
</tr>
<tr>
<td>13946 14461</td>
<td>146.51</td>
<td>32022 32537</td>
<td>370.23</td>
</tr>
<tr>
<td>14462 14978</td>
<td>151.99</td>
<td>32538 33054</td>
<td>376.24</td>
</tr>
<tr>
<td>14979 15494</td>
<td>157.45</td>
<td>33055 33570</td>
<td>381.85</td>
</tr>
<tr>
<td>15495 16011</td>
<td>162.92</td>
<td>33571 34087</td>
<td>387.87</td>
</tr>
<tr>
<td>16012 16527</td>
<td>168.38</td>
<td>34088 34603</td>
<td>393.89</td>
</tr>
<tr>
<td>16528 17044</td>
<td>173.85</td>
<td>34604 35120</td>
<td>399.9</td>
</tr>
<tr>
<td>17045 17560</td>
<td>178.96</td>
<td>35121 35636</td>
<td>405.92</td>
</tr>
<tr>
<td>17561 18076</td>
<td>184.42</td>
<td>35637 36152</td>
<td>411.93</td>
</tr>
<tr>
<td>18077 18593</td>
<td>189.89</td>
<td>36153 36669</td>
<td>417.95</td>
</tr>
<tr>
<td>18594 19109</td>
<td>195.35</td>
<td>36670 37185</td>
<td>423.96</td>
</tr>
<tr>
<td>19110 19626</td>
<td>200.82</td>
<td>37186 37702</td>
<td>429.58</td>
</tr>
<tr>
<td>19627 20142</td>
<td>206.28</td>
<td>37703 38218</td>
<td>435.6</td>
</tr>
<tr>
<td>20143 20659</td>
<td>211.76</td>
<td>38219 38735</td>
<td>441.61</td>
</tr>
<tr>
<td>20660 21175</td>
<td>217.23</td>
<td>38736 39251</td>
<td>447.63</td>
</tr>
<tr>
<td>21176 21692</td>
<td>222.33</td>
<td>39252 39768</td>
<td>453.66</td>
</tr>
<tr>
<td>21693 22208</td>
<td>227.8</td>
<td>39769 40284</td>
<td>459.67</td>
</tr>
<tr>
<td>22209 22725</td>
<td>233.26</td>
<td>40285 40801</td>
<td>465.68</td>
</tr>
<tr>
<td>22726 23241</td>
<td>238.73</td>
<td>40802 41318</td>
<td>471.70</td>
</tr>
</tbody>
</table>

5.1.1. Discounts for part-time usage

Fees in Rome vary depending on the hours of childcare and the time of the day. Table 2 shows the coefficients used to convert the full-time childcare fees of Table 1 into part-time or over-time fees. To calculate the fee families multiply the coefficient below by the
values in the table above. The last row of Table 2 shows how TaxBEN applies each coefficient depending on the hours of work per day of the first adult member.⁸

Table 2: Conversion coefficients for part time use of childcare

<table>
<thead>
<tr>
<th>Daily hours</th>
<th>From 7:00 to 10:00</th>
<th>From 7:30 to 10:00</th>
<th>From 8:00 to 9:00</th>
<th>From 8:00 to 10:00</th>
<th>From 8:00 to 11:30</th>
<th>From 8:00 to 12:30</th>
<th>From 8:00 to 13:30</th>
<th>From 8:00 to 14:30</th>
<th>From 8:00 to 15:30</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hours of childcare</td>
<td>(11h)</td>
<td>(10h)</td>
<td>(9h:30)</td>
<td>(9h:00)</td>
<td>(8h:30)</td>
<td>(8h)</td>
<td>(7h:30)</td>
<td>(7h)</td>
<td>(6h:30)</td>
</tr>
<tr>
<td>Coefficient</td>
<td>1.240</td>
<td>1.184</td>
<td>1.057</td>
<td>1.044</td>
<td>0.902</td>
<td>0.867</td>
<td>0.809</td>
<td>0.754</td>
<td>0.638</td>
</tr>
<tr>
<td>Hours of work / day in TaxBEN*</td>
<td>9.1</td>
<td>8.6-9.0</td>
<td>8.1-8.5</td>
<td>7.1-8.0</td>
<td>6.6-7.0</td>
<td>6.1-6.5</td>
<td>5.6-6.0</td>
<td>5.1-5.5</td>
<td>4.1-5.0</td>
</tr>
</tbody>
</table>

5.2. Childcare benefits

Variable name: [cc_benefit]

Childcare benefits are support measures that depend explicitly on the use of centre-based childcare: a family that does not use centre-based childcare is not eligible for this type of benefits. In general, childcare benefits take the following forms:

- Fee discounts / rebates (including fee provision) applied directly by the childcare centre to reduce the cost of the fees charged to parents in particular circumstances (e.g. for low-income families, large families, lone parents, etc.).
- Allowances related to the use of centre-based childcare (including the purchase of meals at the childcare centre);
- Top-ups or supplements to other cash benefits (e.g. social assistance or family benefits) in order to reduce the cost of centre-based childcare;
- Tax concessions related to family expenditures on centre-based childcare

5.2.1. Fee discounts and free provision

The municipality of Rome applies the following discounts:

- 30% rebate of the total fees if the family has two (or more) children attending the crèche.
- 30% rebate of the fees paid for the child attending the crèche if there are at least two children in the household who are in school age (i.e. above three years of age) and the ISEE indicator is between EUR 20 000 and 40 000. If the ISEE indicator is below EUR 20 000 the rebate reaches 100%, i.e. full exception for the child attending crèche. The same rule applies in case there are two (or more) children attending the crèche.

5.2.2. Child-care benefits for formal centre-based care (Bonus nido)

A national measure called “Bonus nido” is available for parents of young children who use non-parental childcare.⁹

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⁸ For two-adult families, TaxBEN calculations assume that both adults are working full time if the users select the option ‘use childcare services’. If one of the parent (or the only parent) is not working TaxBEN assumes that the child does not go to the crèche.
Eligibility

Bonus nido is available for parents with children under three years born or adopted from 1 January 2016 onwards. Children must be registered in a public or private crèche.

Benefit amount

EUR 1500 per year for each child of the family attending the playschool on a full time basis (the benefit is reduced in case of part-time attendance). The benefit is paid in 11 instalments of EUR 136.36 each. The instalments cannot exceed the costs paid by parents to the playschool.

Benefit duration

Three years

Means test

There is no means test.

Tax treatment

Non-taxable

Interaction with other benefits

The benefit cannot be cumulated with the tax rebate for childcare expenses described in Section 8. The benefit can be cumulated with other maternity-related benefits such as the “bonus bebé”. It can be also cumulated with the “Voucher asilo nido and baby-sitting” (see Annex) so long as the two benefits are used to cover childcare costs in different months.

5.2.3. Childcare support for children NOT using child care centres

There is no childcare cash support in Italy whose eligibility is conditional on NOT using childcare services, i.e. conditional on providing care at home (e.g. “home-care” or “child-rising” allowances).

5.2.4. Tax concessions for childcare expenditures

Families can benefit from a particular tax concession for expenditures in child care centres, see section 8 for details.

6. Employment-conditional benefits

6.1. Fiscal bonus (Bonus fiscale di 80 euro)

From 2014, there is bonus of EUR 640 for employees with income between EUR 8 146 and EUR 24 600, with a phase-out for income between EUR 24 600 and EUR 26 600. This bonus increased to EUR 960 in 2015. Only tax-payers with a positive income tax liability net of the income-related tax credit (see Section 8.1.4) can receive the bonus.

9 “Bonus nido” is available also for parents of young children with serious illnesses or disabilities who are unable to go to the crèche and need treatment at home.
In line with the income-related tax credits described in Section 8.1.4, the fiscal bonus do not depend on whether the employee works full time or part time in terms of working hours. However, for those who have worked only part of the year, the fiscal bonus is adjusted by multiplying the amount above (‘FB’) by NW/365, where NW is the number of actual days worked during the fiscal year: Final bonus=FB*NW/365

7. Social security contributions and payroll taxes

7.1. Employee social security contributions (Contributi Sociali a carico del lavoratore)

Variable names: [SOCSEC_p; SOCSEC_s; SSCR_p; SSCR_s]

7.1.1. Rates and ceilings

- The average rate is 9.49% on earnings up to EUR 47143;
- The average rate is 10.49% on earnings over EUR 47143 and up to EUR 102543;
- For earnings exceeding EUR 102543, the employee pays a fixed amount given by (0.0949 x 47143) + 0.1049 x (102543–47143).

7.1.2. Treatment of particular groups, e.g. youth, women, disabled, older workers

None.

7.2. Employer social security contributions (Contributi Sociali a carico del datore di lavoro)

7.2.1. Rates and ceilings

Contributions equal 31.58% on earnings up to EUR 102 543. For earnings exceeding EUR 102 543, the employer pays a fixed amount given by 0.3158 x 102 543.

In 2015 Italy introduced a 3-year 100% social security contribution exemption up to EUR 8,060 per year for employers hiring with open-ended contracts. In 2016, this exemption was limited to 40% of the employer social security contributions, the maximum exemption was up to EUR 3,250 and granted for two years. The exemption was not renewed in 2017, instead Italy approved a series of other exemptions for selected groups which are outside the scope of the TaxBEN model. The annex provide an overview of the main exemptions, the full list is available from this website: An update list of the current bonuses is available here: www.incentivi.gov.it/index.php/gli-incentivi (in Italian).
8. Taxes

Employment income is subject to an individual progressive income tax. The taxation period is the calendar year.

8.1. Personal income tax (Imposta sui Redditi delle Persone Fisiche, IRPEF)

Variable name: [IT_p; IT_s]

8.1.1. Tax base

Tax base is calculated as the sum of the following incomes: Employment income, business income, self-employment income, real estate income, investment income, capital gains. Income from unemployment insurance is considered employment income and is therefore part of the tax base. Family benefits, housing benefits and other non-contributory benefits are exempted from the income tax.

8.1.2. Tax allowances

The main deductions from the gross income are: 1) employee’s social security contributions; 2) Voluntary contributions paid to complementary pension funds up to EUR 5 164.57; 3) Voluntary contributions paid to mandatory pension schemes; 4) social security contributions paid for domestic workers (up to EUR 1 549.37); 5) Medical expenses for disabled individuals; 6) alimony paid to a separate or divorced spouse; 7) Contributions to certain religious entities (up to EUR 1 032.91)

8.1.3. Income tax schedule

The following tax schedule is applied to taxable income:

<table>
<thead>
<tr>
<th>Bracket (EUR)</th>
<th>Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>up to 15 000</td>
<td>23</td>
</tr>
<tr>
<td>over 15 000 up to 28 000</td>
<td>27</td>
</tr>
<tr>
<td>over 28 000 up to 55 000</td>
<td>38</td>
</tr>
<tr>
<td>over 55 000 up to 75 000</td>
<td>41</td>
</tr>
<tr>
<td>over 75 000</td>
<td>43</td>
</tr>
</tbody>
</table>

Between 2011 and 2016 (included) there was “solidarity contribution” (Contributo di Solidarietà) of 3% on the portion of income higher than EUR 300 000 (the amount paid is deductible from PIT base). From 2017 onwards the “Contributo di solidarietà” measure is not in force.

8.1.4. Tax credits

Tax payers in Italy can deduct from gross tax liability three main types of tax credits: 1) Income-related tax credits; 2) family tax credits; 3) Other tax credits.

1. Income-related tax credits

<table>
<thead>
<tr>
<th>Taxable income (EUR)</th>
<th>Income-related tax credit (EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 8000</td>
<td>1880</td>
</tr>
<tr>
<td>From 8001 to 28000</td>
<td>978 + 902*(28000 – taxable income)/20000</td>
</tr>
<tr>
<td>From 28001 to 55000</td>
<td>978*(55000 – taxable income)/27000</td>
</tr>
<tr>
<td>More than 55000</td>
<td>0</td>
</tr>
</tbody>
</table>
The income-related tax credits do not depend on whether the employee works full time or part time in terms of working hours. However, for those who have worked only part of the year, the tax credit is reduced by multiplying the amount above (TC) by NW/365, where NW is the number of actual working days during the fiscal year: Final tax credit = TC*NW/365. The tax credit cannot be lower than EUR 690 (EUR 1380 for temporary contracts).

Incomes from other sources, notably from self-employment and old-age pensions, are subject to different income-related tax credits.

2. Family tax credits

Family tax credits are granted to taxpayers with a dependant spouse, children, and other relatives living with the taxpayer, provided that each dependant’s annual taxable income does not exceed EUR 2,840.51.

Family tax credits are rated monthly and are applied as of the month in which the conditions verify and up to the month in which conditions stop. The family tax credit varies according to the type of dependant:

<table>
<thead>
<tr>
<th>Family tax credits (EUR)*</th>
<th>Amount (EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dependent children</td>
<td></td>
</tr>
<tr>
<td>Under three years of age</td>
<td>1220*(95 000–taxable income)/95 000</td>
</tr>
<tr>
<td>Over three years of age</td>
<td>950*(95 000–taxable income)/95 000</td>
</tr>
<tr>
<td>Other dependent relatives</td>
<td>750*(80 000–taxable income)/80 000</td>
</tr>
<tr>
<td>Dependent spouse</td>
<td></td>
</tr>
<tr>
<td>Up to 15 000</td>
<td>800 – 110*taxable income/15 000</td>
</tr>
<tr>
<td>From 15 001 to 29 000</td>
<td>690</td>
</tr>
<tr>
<td>From 29 001 to 29 200</td>
<td>700</td>
</tr>
<tr>
<td>From 29 201 to 34 700</td>
<td>710</td>
</tr>
<tr>
<td>From 34 701 to 35 000</td>
<td>720</td>
</tr>
<tr>
<td>From 35 001 to 35 100</td>
<td>710</td>
</tr>
<tr>
<td>From 35 101 to 35 200</td>
<td>700</td>
</tr>
<tr>
<td>From 35 201 to 40 000</td>
<td>690</td>
</tr>
<tr>
<td>From 40 001 to 80 000</td>
<td>690*(80 000 – taxable income)/40 000</td>
</tr>
<tr>
<td>More than 80 000</td>
<td>0</td>
</tr>
</tbody>
</table>

The child tax credit takes into account also the number of children:

- For families with more than one child the amount of 95 000 in the child tax credit is increased by 15 000 for each child beyond the first (so it is 95 000 for one child, 110 000 for 2 children, etc.)

- For families with more than 3 children the ‘basic’ tax credit amounts (i.e. EUR 950 and 1220) are increased by EUR 200 for each child from the first one. For instance, for two children under the age of 3 the basic amount becomes (950+200)*2, and if one of the two is under three years of age, the total amount becomes (950+200) + (1220+200). For each disable child the basic tax credit for children is increased by EUR 400.

For two-earner couples, the tax credits for dependent children have to be equally shared between the parents. However, if the spouse’s tax liability after the income-related tax
credit is less than his/her share (i.e. 50 per cent) of the child tax credit, the entire child tax credit is allocated to the other partner.

A lone parent receives a tax credit which is equal to the maximum of the spouse tax credit and the child tax credit.

Figure 6 shows the amounts of the family-related and income-related tax credits as well as the fiscal bonus (Section 6) as a function of the taxable income. Panel A shows the amounts for a one earner couple with one child of two years of age. Panel B shows the case of a one earner couple with two children of two and three years old respectively.

**Figure 6. Tax credit amounts by taxable income and type of tax credit**

Panel A: One child of 2 years old

Panel B: Two children of 2 and 3 years old

Source: Calculations based on the OECD tax-benefit model.

### 3. Other tax credits

Selected expenses entitle the taxpayer to a number of other tax credits whose rate is generally 19% of the total expense. These expenses include: mortgage interest, medical expenses, education-related expenses; university-related expenses rent-related expenses, childcare costs, life and accident insurance and sporting association’s fees. Below are described the tax credits that are relevant for the TaxBEN modelling purposes.

- **Tax credit for rented accommodations**: The Italian tax system provides a tax relief to households in rental accommodations. The amount depends on the household’s gross taxable income. Two income thresholds are used: EUR 15,493.71 (y1) and EUR 30,987.41 (y2). The tax credit is equal to EUR 300 if income is lower than y1 and EUR 150 if income is between y1 and y2; no credit is provided if income is greater than y2. A higher tax credit is granted to: (a) households with social-rent contracts (contratti convenzionati); (b) people aged between 20 and 30, but only for the first three years of residence; (c) employees who move to a different place because of work, again only for the first three years of residence. In these three cases, if the household gross taxable income is lower than y1, then the tax credit is equal to EUR 495.80 for case (a) and EUR 991.60 for cases (b) and (c). If the household gross taxable income is between y1 and y2 the tax credit is equal to EUR 247.90 for case (1) and EUR 495.84 for cases (b) and (c). A tax credit of 19% of the rent is also granted to university students who study away from their hometown as long as the rent is no higher than EUR

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10 A higher tax credit is granted to: (a) households with social-rent contracts (contratti convenzionati); (b) people aged between 20 and 30, but only for the first three years of residence; (c) employees who move to a different place because of work, again only for the first three years of residence. In these three cases, if the household gross taxable income is lower than y1, then the tax credit is equal to EUR 495.80 for case (a) and EUR 991.60 for cases (b) and (c). If the household gross taxable income is between y1 and y2 the tax credit is equal to EUR 247.90 for case (1) and EUR 495.84 for cases (b) and (c). A tax credit of 19% of the rent is also granted to university students who study away from their hometown as long as the rent is no higher than EUR
net of income and family-related tax credits is positive, otherwise the refundable tax credit is zero. Only the family member who has signed the rent contract can claim the tax credit. For two-earner couples, TaxBEN assumes that this person is always the adult with the lowest positive taxable income, so as to maximise the amount of the tax credit (given that the credit is higher for lower earnings). TaxBEN classifies this credit as a housing benefit. Variable name: \texttt{[HOUSCDT]}.

- **Tax credit for families with at least four children:** From 2007, an additional tax credit of EUR 1200 is granted to families with at least four children. This tax credit is fully refundable provided that the income tax minus the income-related tax credits, family-related tax credits and the tax credit for rented accommodations is still positive. For 2-earner couples, the credit is split in equal amounts between the two partners. If case of ‘dependent spouse’, i.e. the taxable income of the spouse is below EUR 2 840.51 per year, the credit is assigned entirely to the other partner. TaxBEN classifies this credit as a family benefit (Section 4). Variable name: \texttt{[bonus\_BF]}

- **Tax credit for child care-related expense:** the tax credit is 19% of the child-care related expenses. The maximum expense that can be declared for this tax concession is EUR 632 per child. This means that a household can receive a tax rebate of maximum EUR 120.08 per child. This tax credit is non-refundable. TaxBEN classifies this credit as a childcare benefit. Variable name: \texttt{[NCCTC]}

### 8.1.5. Regional surcharge tax

This surcharge tax is levied by each region on resident taxpayers’ total taxable income at a discretionary rate, which must fall within an established range. The OECD Tax and Benefits model calculates the regional surcharge tax paid in Lazio; in 2019 a progressive tax schedule is applied to taxable income:

<table>
<thead>
<tr>
<th>Bracket (EUR)</th>
<th>Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>up to 15 000</td>
<td>1.73</td>
</tr>
<tr>
<td>over 15 000 up to 28 000</td>
<td>2.73</td>
</tr>
<tr>
<td>over 28 000 up to 55 000</td>
<td>2.93</td>
</tr>
<tr>
<td>over 55 000 up to 75 000</td>
<td>3.23</td>
</tr>
<tr>
<td>over 75 000</td>
<td>3.33</td>
</tr>
</tbody>
</table>

However, if the taxable income is below the threshold of EUR 35 000 the rate applicable to the total amount of taxable income is 1.73%. These rates applies also if the taxable income is below EUR 500000 and there are at least three dependent children living with the tax payers. The income threshold is increased of EUR 5000 for each child beyond the third one.

### 8.1.6. Local surcharge tax

This surcharge is levied by each municipality at a standard rate of 0.2 per cent. Municipalities can increase the rate up to 0.8 (0.9 in the Capital - Rome). The OECD Tax and Benefits model simulates the local surcharge tax paid in Rome; the rate is 0.9 per cent in 2019.

2,633. The TaxBEN model does not simulate cases a), b) and c) as well as the tax credit for university students
9. Selected output from the OECD tax-benefit model (TaxBEN)

This section shows selected output of the TaxBEN model for Italy 2019 (Figure 7). TaxBEN by default produces the following output: 1) net household incomes (black lines) and 2) related income components (coloured stacked areas) for selected family and individual circumstances (e.g. a lone parent working at different earnings levels with two children aged 4 and 6 respectively – users are free to select many of these circumstances). The model and the related web calculator is accessible from the project website. Figure 7 shows outputs for four scenarios:

- By percentage of the average wage (Panel A);
- By unemployment duration (in months) for a jobseeker claiming unemployment benefits (Panel B);
- By previous gross earnings levels for a jobseeker claiming unemployment benefits (Panel C);
- By previous employment record, for a jobseeker claiming unemployment benefits (Panel D).

The stacked areas shows the household income components. Note that each component can contain more than one benefit. The table of content of this report describes which benefit is included in each category.

Results in Figure 7 refer to a couple with two children. Adults are both 40 years old whereas children are 4 and 6 years old respectively. Social assistance and housing benefit supplements are assumed to be available in all the four scenarios provided that the necessary income and eligibility requirements are met. Where receipt of social assistance or other benefits is subject to activity tests (such as active job-search or being available for work), these requirements are assumed to be met.

Panel A assumes that one of the two adult members (the ‘second adult’, using the TaxBEN terminology) is out of work and not eligible for unemployment benefits (e.g. because they have expired) whereas the other adult member (so-called ‘first adult’) is employed full-time and full-year at different earnings levels ranging between 0 and 200% of the Average Wage (AW). When earnings of the first adult are precisely 0% of the AW this person is assumed to be out of work without receiving unemployment benefits but claiming social assistance, as applicable.

Panels B to D assume that the second adult is out of work and not eligible to unemployment benefits whereas the first adult is also out of work and claiming unemployment benefits. In Panel B and C the first adult is assumed to have a ‘long’ employment record of 264 consecutive months before the job loss. The x axis in Panel B measures the time of benefit receipt, starting from the first month. The x axis in Panel C shows the amount of previous gross earnings (before any social contribution payments). Results in Panels C and D refer to the 2nd month of unemployment benefit receipt whereas Panel D consider the case of previous earnings equal to the average Wage. Previous earnings in Panel B are also equal to the average wage.

The ISEE indicator, when relevant, takes into account the main ISEE deductions for earned income and rented accommodation, as well as the relevant supplements in the equivalence scale (see Box 2). The ISEE indicator is calculated assuming private market rent plus other relevant charges amounting to 20% of the full-time wage in all the four scenarios.
TaxBEN assumes the following logical sequence of benefit claims: 1) Unemployment Insurance (Section 2), 2) Fiscal Bonus (section 8), 3) Family allowance (section 4.1), 4) Allowance for large families (section 4.2), 5) Natality allowance (section 4.3), 6) Childcare benefit (section 5), 7) Social Assistance (section 3). This means that, e.g., the means test of the allowance for large families assumes that the natality allowance, childcare benefit and social assistance are all equal to zero.

Figure 7. Selected output from the OECD tax-benefit model

Couple with two children.

*Source: Calculations based on the OECD tax-benefit model. 2019 policies*
Annex: Other benefits and direct taxes

This section provides a brief description of other cash benefits and taxes on employment incomes in Italy that are relevant for some members of the population below the statutory retirement age, but which are not included in the OECD tax-benefit model.

Wage supplementation funds (Cassa Integrazione Guadagni, CIG)

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 standard unemployment benefits. 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. 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 a prorogation if restructuring lasts more than 24 months. In any case, CIGs cannot be paid for more than 24 months over 5 years.

Workers receiving mobility benefits and CIGs are eligible for Socially Useful Jobs (Lavori Socialmente Utili, 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 578.98 per month, which is the amount paid for LSU if the workers involved are not receiving any other benefit. For the year 2019 the amount is EUR 592.97 per month (details here). Workers on mobility and CIGs are not the only ones eligible for LSU. Unemployed workers with an unemployment spell of at least two years which usually do not receive any income support are also eligible.

Baby sitter or nursery voucher (voucher baby sitter o asili nido)

Within the 11 months following the return after compulsory maternity leave, alternatively and in renunciation of the parental leave, mothers can use the baby sitter or nursery voucher to pay the costs of a baby sitter or a nursery school. The amount is maximum EUR 600 per month for six months in case of employees (three months in case of self-employed or entrepreneurs mothers). The contribution is paid directly to the school chosen by the mother. This measure was introduced experimentally for the years 2013-2015. The Budget Laws for 2016 and 2017 refinanced the vouchers until 2018. The Budget Law for 2019 has not refinanced the vouchers, but has introduced the Family Card (see below).


**Maternity allowances (Assegno di maternità)**

There are two types of maternity allowances: the so-called “State maternity allowance” (Assegno di maternità dello Stato) and the “Municipality maternity allowance” (Assegno di maternità del comune), which is paid by the municipalities but then reimbursed by the National Social Security Institute (Istituto Nazionale per la Previdenza Sociale, INPS). The main difference between the two allowances is about the eligibility conditions whereas benefit amounts and durations are the same. The two benefits cannot be cumulated. The State maternity allowance is a contributory benefit, means-tested and not taxable. The Municipality maternity allowance is a non-contributory benefit, means-tested and not taxable. Eligibility conditions: The State maternity allowance can be claimed by pregnant employed women who have paid at least 3 months of maternity contributions in the period from 18 to 9 months before childbirth. The benefit can be claimed also by women who meet the contribution requirements above but have lost their job while they were pregnant. For project (“atypical”) workers the 3 months of maternity contributions must be paid 12 months before the beginning of the compulsory ordinary maternity leave period. The Municipality maternity allowance is targeted to pregnant unemployed or economically inactive mothers who do not meet the eligibility requirements for the State maternity allowance. Both benefits are paid after the childbirth during the first year of the new born. The amount in 2019 was EUR 342.61 per month, paid for five months. Means test: for both the allowances the ISEE indicator must be below EUR 17142.46. Both benefits can be combined with other maternity benefits including the “bonus bebé”. However, recipients of parental leave benefits cannot receive any maternity allowances.

**Bonus at birth (Premio alla nascita / bonus “mamma domani”)**

This benefit is paid by the National Social Security Institute (INPS). This is a non-contributory benefit, not means-tested and not taxable. This benefit is aimed at mothers who meet any one of the following requirements from 1 January 2017: seventh month of pregnancy; childbirth, even before the beginning of the eighth month of pregnancy, national or international adoption of the child; national pre-adoptive assignment of a child. The benefit amount is EUR 800, paid in a single solution at childbirth. The benefit can be received together with other benefits, but is counted as income in the means tests for other benefits as relevant. Employment doesn’t affect benefit receipt. The Budget Law 2019 has confirmed this measure.

**Family card**

The family card is operative since January 2019. Only families with at least three children under 18 and an ISEE indicator (Box 2) below EUR 30000 can claim the card. Cardholders do not receive any direct financial support with the card but are entitled to discounts on purchases of basic goods as well as tariff reductions.

**Employer social security contribution exemptions**

- “Bonus for women”: 50% rebate for a period of 18 months when upon hiring women who have been out of work for more than 24 months (six months if the firm operates in disadvantaged areas). The full subsidy can be claimed for new open-
ended contracts or for conversions of short-term contracts into open-ended ones. Hiring with short-term contracts is also subsidised, but only for 12 months.

- **“Bonus for workers 50+”**: 50% rebate for a period of 18 months when upon hiring a person of 50+ years old who has been out of work for more than 12 months. The full subsidy can be claimed for new open-ended contracts or for conversions of short-term contracts into open-ended ones. Hiring with short-term contracts is also subsidised, but only for 12 months.

- **“Bonus for young parents”**: Another measure focuses on younger parents (up to 35 years) with dependent children and takes the form of a hiring bonus of EUR 5,000 for each new employee.

- **“Bonus for people living in the southern regions”**: an employment subsidy granted for hiring young (16-34) and an over 35 unemployed for at least six months in the southern regions (Basilicata, Calabria, Campania, Puglia, Sicilia, Abruzzo, Molise and Sardinia). The bonus consists of a contribution of up to EUR 8,060/year for each new open-ended (or apprenticeship) contract. Fixed-term contracts are also subsidised but the incentive is reduced of 50%. This bonus in not simulated in the TaxBEN model as it is not a national measure.

- **“Bonus for unemployment benefit recipients”**: 20% of NASPI benefit entitlement (see section 1), received for the remaining benefit duration.

- **“Bonus for individuals with disabilities”**: a rebate equal to a given fraction of the monthly gross earnings. The rebate and its duration depend on the level and type of disability (not simulated in the TaxBEN model).

- **“Youth Guarantee bonus”**: private sector employers hiring young NEET participating in the Youth Guarantee programme and aged between 15 and 29 are entitled to a reduction of up to EUR 8,060/year for each new open-ended (or apprenticeship) contract. Fixed-term contracts are also subsidised but the incentive is reduced of 50%. The actual amount depends on the profiling class of the NEET, which depends on their employability profile.

- **“Bonus Excellencies”**: a contribution exemption up to a maximum of EUR 8,060/year for those who assume in 2019 young people who have obtained a master's degree in the period January 2018 – June 2019 with an average of at least 108/110 and with a final vote of 110 and praise remaining in the course of studies and within the 30 years of age, as well as those who obtained a doctorate in the same period by 34 years of age (it is assumed, in that last case, without having graduated with a vote of 100 and praise).

- **“Bonus recruitment of RdC beneficiaries”** (RdC is the new 2019 social Assistance benefit): an exemption up to a maximum of EUR 780 over a period equal to the difference between 18 months and the number of months yet benefited, with a minimum of 5 monthly payments of exemption.