THE OECD TAX-BENEFIT DATABASE

Description of policy rules for Italy 2022

OECD

BETTER POLICIES FOR BETTER LIVES

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Description of policy rules for 2022

OECD contact: Daniele Pacifico, Jobs and Income Division, Directorate for Employment, Labour and Social Affairs. Email: Tax-Benefit.Models@oecd.org

National team:
Mariella Cozzolino (National Statistical Institute)
Fernando Di Nicola (National Institute for Social Provisions)

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BETTER POLICIES FOR BETTER LIVES

Jobs and Income Division
Directorate for Employment, Labour and Social Affairs

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Preface

This report provides a detailed description of the tax and benefit rules in Italy as they apply to working-age individuals and their dependent children. It also includes output from the OECD Tax-Benefit model (**TaxBEN**), which puts all these complex legal rules into a unified methodological framework that enables international comparisons of how tax liabilities and benefit entitlements affect the net disposable income of families in different labour market circumstances, .e.g. in employment versus unemployment.

The **main body** of the report describes the rules that are relevant for the family and labour market characteristics that are within the scope of the **TaxBEN** model (see below for the methodology and user guide). The **annex** provides information on other cash benefits and taxes on employment income that are relevant for other groups of the working-age population, but are outside the scope of the **TaxBEN** model.

TaxBEN is essentially a large cross-country calculator of tax liabilities and benefit entitlements for a broad set of *hypothetical* families ("vignettes"), e.g. a married couple of 40-years-old adults with two children aged 4 and 6 (click here for a quick overview of the **TaxBEN** model). **TaxBEN** incorporates rules on the main taxes on employment income, social contributions paid by employees and employers, as well as the main cash and near-cash benefit programmes, including unemployment benefits, family and childcare benefits, guaranteed minimum-income benefits, cash housing benefits, and employment-conditional benefits. Disability benefits, maternity and parental leaves benefits are included in the model for a sub-set of countries and years. The main policy instruments that are currently not included in the **TaxBEN** model are taxes on wealth (e.g. taxes on immovable and unmovable properties), indirect taxes (e.g. VAT), early-retirement benefits, short-time work compensation schemes, sickness benefits, and in-kind benefits (e.g. subsidised transport and free health care).

Useful online resources for the OECD tax-benefit model (TaxBEN)

TaxBEN web calculator

Methodology and user guide

OECD tax-benefit data portal

Network of national experts

Guidelines for updating this report (for national experts)

General guidelines

Detailed **guidelines for updating Section 5** "Net costs for Early Childhood Education and Care"

Reading notes and further details on the content of this report

- **Reference date** for the policy rules described in this report: **January 1, 2021**.
- The symbol ⓘ in the text provides a link to the 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.
- **TaxBEN** variables are indicated in the text using the format `[variable name]`.
- Text in blue font colour identifies COVID-related measures that were still in place on the reference policy date of this report.

The OECD tax-benefit model for Italy: Policy rules in 2021

1. Reference wages and other reference monetary amounts

Average wage **[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 **[MIN]**: Italy did not have a national statutory minimum wage in 2021.

2. Unemployment benefits

In Italy, the 2021 unemployment benefit system is characterised by the following schemes:

i) Unemployment insurance benefit for private sector employees (*Nuova assicurazione per l'impiego, NASPI*) and

ii) Unemployment allowance for dependent self-employed workers, postdoctoral research fellows and PhD students with scholarships (*DISS-COLL*);

Section 2.1 describes the NASPI. The DISS-COLL scheme is outside the scope of the OECD tax-benefit model and is briefly described in the Annex.

2.1. Unemployment benefit (Nuova assicurazione per l'impiego - NASPI)

Variable names:[3] **[UI_p; UI_s]**

This is an unemployment insurance benefit. It is contributory, not means-tested and taxable.

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.

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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.

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

- Registered with the public employment service ("*Centri per l'impiego*");
- Not working;
- Involuntarily unemployed;[5]
- 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 1250.87. Maximum amount is EUR 1360.77. 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.

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 Citizenship Income (see section 3).

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

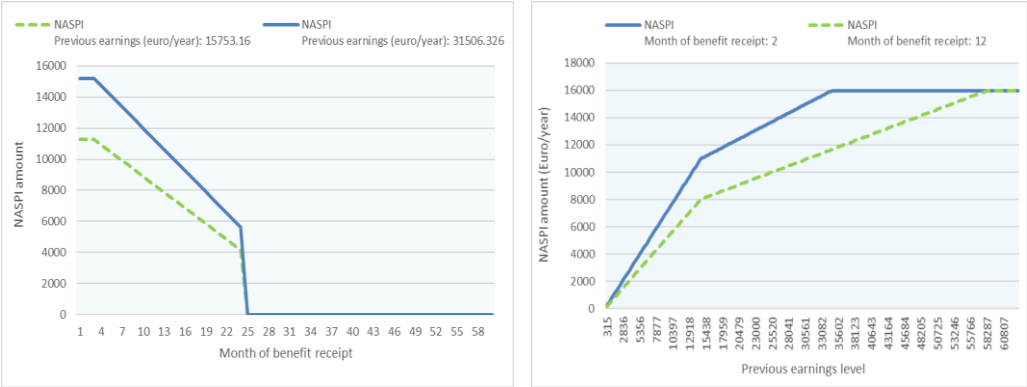
NASpI payments are suspended if the jobseeker takes up a temporary employment of no more than 6 months and the expected annual taxable earnings from this job are above EUR 8,000. If taxable earnings are below EUR 8 000 a *reduced* benefit amount is still payable *independently of the contract duration*. The reduced benefit amount is equal to

[4] Details on behavioural requirements and sanction provisions for unemployment benefits are reported in regularly updated companion reports, see www.oecd.org/social/strictness-benefit-eligibility.htm for details.

[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"

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: OECD tax-benefit model 2022.

2.2. *Unemployment Assistance*

OECD note: In many OCED countries, jobseekers who do not qualify for Unemployment Insurance (UI – Section 2.1), or whose entitlement to UI is low or has expired, can claim Unemployment Assistance (UA – this section) and/or Social Assistance benefits (SA – Section 3). UA and SA benefits have different purposes (and reach different target groups). While the main purpose of UA is to encourage the labour market reintegration of jobseekers who have exhausted or are not eligible to the standard UI benefit, the purpose of SA programmes is to provide an acceptable standard of living for families unable to earn sufficient incomes from other sources. Conditions for UA typically include requirements to register with the public employment service and participate in active job search in a similar way as for UI. This is *not always* the case for SA benefits, for which low income is the key entitlement criterion and activation requirements exist only for those who are capable of work.

Based on this definition, Italy does not currently provide an Unemployment Assistance programme. Nevertheless, a Social Assistance programme is available for those who are unable to earn sufficient incomes from other sources (described in Section 3).

3. Social assistance and housing benefits

3.1. ***Social assistance*** *(Reddito di Cittadinanza, RdC)*

Variable name: **[SA]**

The 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*" (PdC - "Citizenship Pension"). As the OECD tax-benefit model focuses on the working age population, this section focuses on the rules for the RdC.

3.1.1. *Eligibility conditions*

- Capable adult members without employment who are not in full-time education are asked to be available for work and ready to take up employment. They have

to register as unemployed at the Public Employment Service and to sign off an 'activation plan'.

- Household with a jobseekers who voluntarily quite their job are not eligible for this benefit for a period of 12 months.
- No members of the household should have vehicles registered in the six months before the claim (24 months for vehicles with an engine capacity exceeding 1,600 cc or motorcycles above 250 cc registered).
- Claimants must have an Italian or EU citizenship, otherwise the requirement is to be resident in the country for at least ten years (the last two continuously).

3.1.2. Benefit amount

Benefit entitlements are calculated as follows:

RdC= max (0, (6000*EQ + min (Rent, 3360) – Total household income)

PdC = max (0, (7560*EQ + min (Rent, 1800) – 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 1).

The maximum benefit amount cannot be higher than [9360*EQ – 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 1) before any ISEE deductions (e.g. the deduction of 20% of earnings up to EUR 3000 – see Box 1 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').

3.1.3. Benefit duration

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

TaxBEN note: As waiting periods are not simulated in TaxBEN, the calculations assume unlimited RdC duration as long as the other eligibility and income requirements hold.

3.1.4. Means test

- ISEE indicator below EUR 9360 (see Box 1);
- Total household income below the following value: EUR 6000*EQ (or EUR 7560*EQ for the PdC);
- Value of real estate properties, with the exclusion of the main home, below EUR 30000 at the value used as tax base for municipal tax IMU. This value is the first part of the 'asset component' of the ISEE (see Box 1).
- Annual average of the financial stock (the second part of the 'asset component' of the ISEE indicator) 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.

3.1.5. Tax treatment

RdC is not taxable.

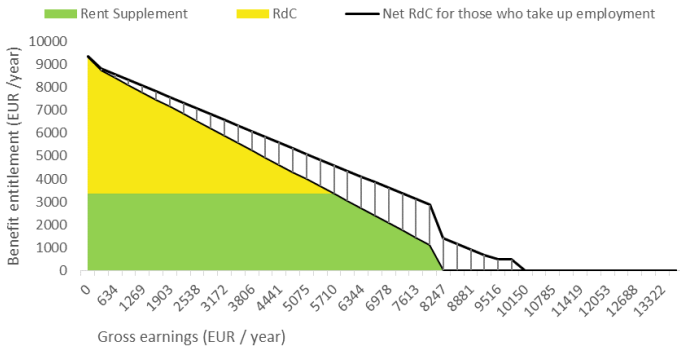
3.1.6. Interaction with other components of the tax-benefit system

RdC is compatible with the receipt of unemployment benefits (NASPI) and any other benefit described in this report.

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

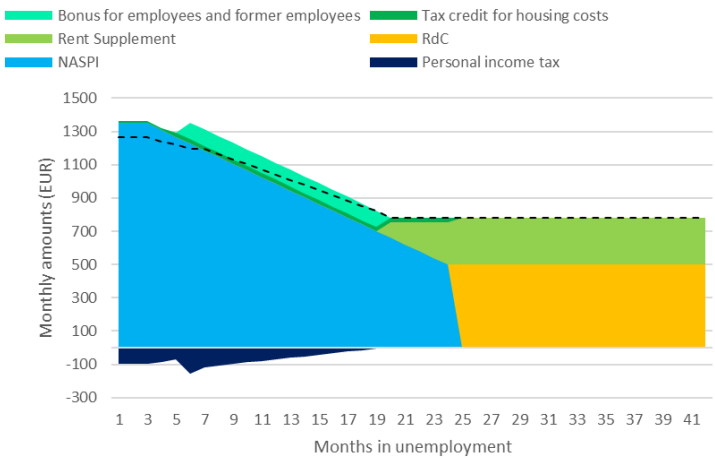
The benefit is compatible with work activities. For those who take up employment 20% of earnings are disregarded when calculating benefit entitlements. The duration of these disregards applies after the first months of employment until the new household economic condition has been incorporated in the next annual ISEE declaration, i.e. within a maximum of 12 months from the in-work transition. For instance, if a single person receiving the maximum RdC amount takes up employment in February with a gross monthly wage of 400 EUR, the new monthly income considered for the calculation of the RdC entitlements would be 400*0.8 EUR, i.e. 320 EUR per month, until December. See the annex for the financial incentives for employers who hire RdC recipients.

Figure 2: Social Assistance by earnings levels



Note: Results for a single person without children. The sharp reduction of the RdC benefit for those who take up employment for earnings above EUR 8146 is due to the effect of the supplement for employees (Section 6), which enters the means test of the RdC benefit.
Source: OECD tax-benefit model 2022.

Figure 3. Net income support over the unemployment spell
Single person with a 'long' employment record before becoming unemployed



Note to Figure 3:
- Results for a 40-years-old single person without children and with 20 years of social security contributions before becoming unemployed. The previous gross annual earnings considered for the calculation of the unemployment insurance benefit ("NASPI") are equal to the 2022 average wage (EUR 34738). Calculations of the housing benefits (rent supplement and tax credit for housing costs) assume a rent equal to 20% of the average wage. After 18 months of RdC receipt, TaxBEN assumes that the person claims again the benefit and is still eligible (the one-month waiting period between the two claims is not considered in the TaxBEN model).
- The reason why the bonus for employees and former employees is zero during the first months of unemployment is due to the 2022 reform of this bonus (see section 6). For taxable incomes above 15000 EUR/year, the bonus is paid only if the sum of selected income tax credits (section 8.1) is higher than the 'gross' tax liability, i.e. the liability that results after the application of the relevant tax rates to the taxable income. In the example above, the bonus is zero because the sum of the relevant tax credits is below the gross tax liability and because the taxable income is above 15000 during the first months of unemployment.
Source: OECD tax-benefit model 2022.

Box 1. The ISEE Indicator

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

ISEE = (ISR + 20% ISP)/EQ

Where ISR ('Indicatore della Situazione Reddituale') 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 ISE indicator is the sum of all household gross incomes as defined above *minus* a series of 'deductions':

ISR = max(0, gross household incomes – deductions)

The main deductions are: a) Alimonies 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:

ISP= (total wealth – 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** (Contributi 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 policies for rented accommodations are described in this report.

In Italy, housing assistance for rented accommodations can take the following forms: tax credits; *ii)* rent subsidies for low-income households; *iii)* restrictions to rent increases; *iv*) controlled rents for State-owned dwellings.

OECD note: 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 in Italy are conditional on the availability of national and regional 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 regional fund is then distributed among the local municipalities, which manage its delivery.

OECD note: considering the discretionary nature of the national and local decisions regarding the financing and activation of these local support measures for tenants, the OECD Tax-benefit model does not include the rent subsidies available in the reference municipality of the Italy module (Rome).

In 2022, the main housing-related transfers for families living in rental accommodations are the means-tested tax (Section 8.1) and the housing supplement for social assistance recipients (Section 3.1)

4. Family benefits

*4.1. **Universal child allowance** (Assegno Unico e Universale ai Figli)*

Variable name: **[FAMBEN1]**

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

Italy in 2022 implemented an important reform of the support for families with children. A new universal child allowance replaced most of the previous family-related benefits, including the previous family allowances, the so called "*Assegni al Nucleo Familiare*" (see the 2021 report for details), as well as the tax credits for dependent children (under the age of 22). The new benefit replaced other income support measures for families with children, namely the "allowance for large families", the "baby bonus" ("*Bonus bebé*"), the "birth premium", and the "natality fund" for loan guarantees. The "nursery bonus" ("*Bonus nido*" – see section 5.2) and the "municipality family allowances" remain. Importantly, the 'old' system that was in place until 2021 remains fully active for dependent children over 21 (including income tax credits and the former ANF allowances). Similarly, the old system remains fully in place for families without dependent children, e.g. for couples without children with/without family components other than children.

4.1.1. Eligibility conditions

The benefit is universal. Hence, all families with dependent children under the age of 22 are eligible, independently of their income. However, the level of income (and wealth) defines the amount received.

4.1.2. Benefit amounts

The benefit is characterised by a maximum and a maximum amount that decreases linearly until it reaches a minimum amount. The "ISEE" indicator (Box 1 above) defines when the maximum amount stops and the minimum amount starts. Benefit amounts depend on a series of family characteristics through a series of supplements that are added to the 'basic' maximum and minimum amounts.

Basic benefit maximum amounts apply between ISEE values between EUR 0 and 15000. Minimum benefit amounts apply for ISEE values above EUR 40000.

	Maximum monthly amounts (for incomes between EUR 0 and EUR 15000)	Minimum monthly amounts (for incomes above 40000) per year
For each minor (under 18)	175	50
For each child between 18 and 21 (included)	85	25
For each disable child aged 21 and above	85	25

Basic monthly amounts are increased by the following monthly supplements:

	Supplements to the monthly maximum amounts (EUR)	Supplements to the monthly minimum amounts (EUR)
For each minor after the second	85	15
For families where either parents or the sole parent have incomes from work	30	0
For families where the mother is under 21	20	20
For families with 4 or more children	100	100
For each non self-sufficient minor	105	105
For each minor with 'severe' disability	95	95
For each minor with 'medium' disability	85	85
For each disable child between 18 and 21	80	80

When maximum and minimum amounts in the tables above differ, the actual amounts are a linear function of the household's economic condition measured via the ISEE indicator (Box 1). See Section 4.1.4 for details.

4.1.3. Tax treatment

The benefit is not taxable.

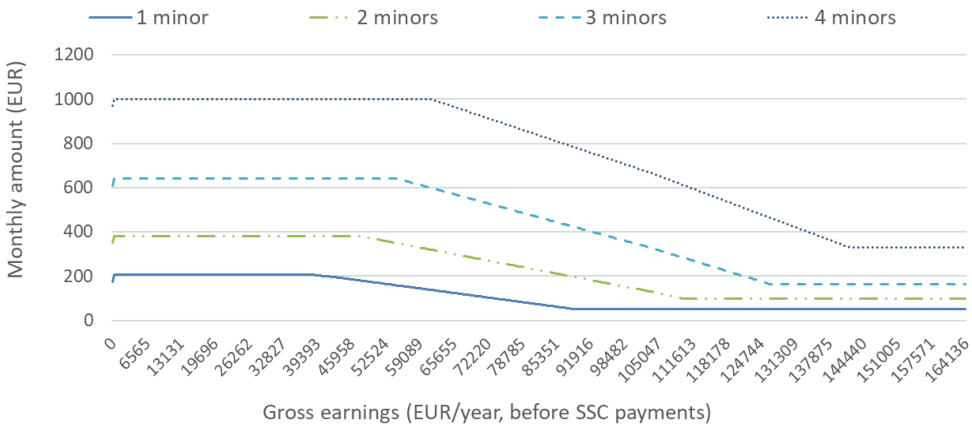
4.1.4. Means test

The calculation of benefit amounts for ISEE amounts between 15000 and 40000 is calculated as follows:

FB = BMAX – ((ISEE – 15000)/(40000 – 15000))*(BMAX – BMIN)

Where: BMAX is the maximum benefit (including income dependent supplements) and BMIN is the minimum benefit (including income-dependent supplements). Supplements that are independent of the income level, i.e. those for children with disabilities, families with 4 or more children and families with mothers under 21, are added to the final FB amount (and o not enter the equation above). Details on the ISEE indicators are available in Box 1.

The next Figure shows amounts for selected family types and earnings levels.



Source: OECD tax-benefit model 2022.

4.1.5. Benefit duration

As long as the eligibility conditions described above hold.

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. Social Assistance recipients (Section 3.1) receive the universal child allowance if they have dependent children under the age of 22. However, the SA amount is recalculated taking into account only the adult component of the equivalence scale.

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

Starting of a new job does not affect eligibility. However, it can effect benefit amounts through the change of the ISEE indicator (box 1).

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

Employment does not affect benefit receipt. Starting of a new job does not affect eligibility. However, it can effect benefit amounts through the change of the ISEE indicator (box 1). Working parents receive a supplement if they both work, or the sole parent works. See the table above for this supplement.

4.2. ***Family allowance*** *(Assegni al Nucleo Familiare)*

Variable name: **[FAMBEN2]**

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

4.2.1. Eligibility conditions

With the implementation of the new universal child allowance in 2022 (Section 4.1), the role of the Family Allowance is limited to families with dependent children above 21 years of age, or without dependent children but with other family components (e.g. a relative or a spouse).

This benefit is available only to families where at least 70% of the reference income is from employment or assimilated incomes. See Section 4.2.4 for details on the reference income that is consider for both the eligibility assessment and the income test.

4.2.2. Benefit amounts

The amounts for married couples without dependent children are as follows:

Reference income from	Reference income to	Monthly amount (EUR)
0	14 228.97	46.48
14 228.98	17 785.43	36.15
17 785.44	21 341.90	25.82
21 341.91	24 896.98	10.33
24 896.99		0

Note: amounts and income thresholds for 2022 for this family type as well as other family types that are outside the scope of the OECD tax-benefit model (e.g. families with family members other than children) are available from this table (in Italian).

Part-time employees may receive a lower benefit amount if they work less than 24 hours per week. However, in this case, amounts will depend on the effective days of work rather than the number of hours worked per day. For instance, if an employee 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 Table above). If the number of working hours is *less* than 24 per week, amounts will depend on the number of days worked during that week. For instance, if the employee worked 3 days out of 6, the entitlements will be 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). However, if the weekly working hours are less than 24 but the employee works 6 days out of 6, s/he will receive the full benefit amount independently of the reported hours worked.

4.2.3. Benefit duration

As long as the eligibility conditions hold.

4.2.4. Means test

The reference income includes gross incomes from employment as well as incomes from unemployment benefits (section 2). Employee social security contributions paid on earnings and unemployment benefits should be subtracted from the gross amounts. Other tax liabilities are not subtracted from the gross amounts. Incomes that are exempted from the income tax, e.g. non-contributory benefits, should be declared in the application form but do not enter the reference income.

4.2.5. *Tax treatment*

The benefit is not taxable.

4.2.6. *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.

4.2.7. *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.

4.2.8. *Combining benefit receipt and employment/starting a new job*

Employment does not affect benefit receipt.

5. Childcare costs and benefits 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: `[cc_cost]`

Gross childcare fees are set every year by the municipality of Rome 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 18:00 pm) as a function of the ISEE indicator (Box 1). More information on childcare fees in Rome are available at this link.

Table 1: Gross full-time childcare fees in Rome (school year 2021/2022)

ISEE		*Gross fee (month)*	ISEE		*Gross fee (month)*
From	**to**		**From**	**to**	
0	5165	49.58			
5166	5682	55.15	23242	23758	274.69
5683	6198	60.73	23759	24274	280.54
6199	6714	66.31	24275	24790	286.73
6715	7231	71.58	24791	25307	292.93
7232	7747	77.16	25308	25823	299.13
7748	8263	82.74	25824	26340	304.98
8264	8780	88.61	26341	26856	311.18
8781	9297	93.58	26857	27373	317.37
9298	9813	99.16	27374	27889	323.23
9814	10330	104.74	27890	28406	329.41
10331	10846	122.2	28407	28922	335.61
10847	11363	128.39	28923	29439	341.46
11364	11879	134.59	29440	29955	347.66
11880	12395	140.44	29956	30471	353.86
12396	12912	146.64	30472	30988	396.25
12913	13428	152.83	30989	31504	402.69
13429	13945	158.68	31505	32021	409.5
13946	14461	164.88	32022	32537	416.32
14462	14978	171.08	32538	33054	422.76
14979	15494	177.28	33055	33570	429.58
15495	16011	183.13	33571	34087	436.4
16012	16527	189.33	34088	34603	442.84
16528	17044	195.51	34604	35120	449.66
17045	17560	201.36	35121	35636	456.49

17561	18076	207.56	35637	36152	463.29
18077	18593	213.76	36153	36669	469.73
18594	19109	219.61	36670	37185	476.55
19110	19626	225.81	37186	37702	483.38
19627	20142	232.01	37703	38218	489.82
20143	20659	238.19	38219	38735	496.64
20660	21175	244.05	38736	39251	503.46
21176	21692	250.24	39252	39768	509.9
21693	22208	256.44	39769	40284	516.71
22209	22725	262.29	40285	40801	523.53
22726	23241	268.49	40802	end	530.35

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.

OECD note: 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.[6]

Table 2: Conversion coefficients for part time use of childcare

Daily hours	From 7:00 to 18:00	From 7:30 to 18:00	From 8:00 to 18:00	From 8:00 to 17:00	From 8:00 to 16:30	From 7:00 To 14:30	From 7:00 To 14:30	From 7:30 to 14:30	From 8:00 to 14:30	From 9:00 to 14:30
Hours of childcare	(11h)	(10h)	(9h30)	(9h)	(8h30)	(8h)	(7h30)	(7h)	(6h30)	(5h30)
Coefficient	1.240	1.184	1.057	1	0.944	0.902	0.867	0.809	0.754	0.638
Hours of work / day in TaxBEN*	9.1+	8.6-9.0	8.1-8.5	7.1-8.0	6.6-7.0	6.1-6.5	5.6-6.0	5.1-5.5	4.1-5.0	0.1-4.0

5.2. Childcare benefits

5.2.1. Fee discounts and free provision

Variable name: `[cc_subsidy]`

The municipality of Rome applies the following discounts:

a 30% rebate of the total fees if the family has two (or more) children attending the crèche.

b Full exemption 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 (6-16) and the ISEE indicator is below EUR 20 000.

c 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 (6-16) and the ISEE indicator is between EUR 20 000 and 40 000.

Rules for (b) and (c) applies also for families with 4 or more children. In such case, the school age is considered until the age of 18 (included).

The condition of being a recipients of unemployment benefits (section 2) and/or social assistance (section 3) does not automatically leads to the exemption from the childcare

[6] In case of couples, TaxBEN assumes that the second adult is working full time if the family is using childcare services. If one of the parent (or the only parent) is not working then TaxBEN assume that the child does not go to the crèche.

fees. However, the fee paid by these families will be low due to the definition of costs by income levels (Table 1, section 5.1).

5.2.2. Child-care allowance for children using centre-based services

Variable name: **[cc_benefit]**

As of 2017, a national measure called "*Bonus nido*" is available for parents of young children who use non-parental childcare.[7]

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 accredited private crèche.

Benefit amount

The maximum benefit amount is EUR 3000 per year *for each child* attending the playschool. The benefit can be paid in 11 or 10 instalments. Benefit entitlements cannot exceed the effective costs paid by parents to the playschool.

Benefit duration

The maximum duration is three years.

Means test

The benefit is means tested using the ISEE indicator (Box 1).

ISEE (EUR / year)	Maximum benefit
0 – 25 000	3000
25001 – 40 000	2500
40 001+	1500

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 cannot be cumulated with maternity and parental leave benefits. The bonus can be cumulated with the "*Voucher asilo nido and baby-sitting*" (see Annex) as long as the two benefits are used to cover childcare costs in different months.

5.2.3. Child care allowance for children NOT using child care centres

None.

5.2.4. Tax concessions for childcare expenditures

Families can benefit from a particular tax concession for expenditures in child care centres, see section 8.1 for details.

[7] "*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.

6. In-work benefits

Variable name: **[IW]**

6.1. Supplement for employees (trattamento integrative per occupati)

As of 2014, there is a supplementary payment for employees (and former employees). Eligibility for this supplement requires having positive earnings or incomes assimilated to earnings (including incomes form unemployment benefits). Eligibility requires a taxable income ("*reddito complessivo*") of at least EUR 8146.

For those with a taxable income between EUR 8 146 and EUR 15 000, the supplement takes the form of a fixed allowance of 100 EUR per month (1200 per year), exempted from taxes and social contribution payments.

For those with a taxable income between EUR 15 000 and EUR 28 000, the supplement is due only if the sum of selected income tax credits (section 8.1) is *higher* than the gross income tax liability, i.e. the liability that results after the application of the income tax rates to the taxable income. The relevant tax credits are the following ones (see also Section 8 for details): Family-related tax credits, income-related tax credits, tax credit for passive interests on mortgages, tax credits for health-related expenses. If the gross tax liability is lower than the sum of these tax credits, the supplement is still due, but at a lower amount, which is equal to the difference between the sum of the above-mentioned tax credits and the gross tax liability. The amount of this supplement cannot be higher than 1200 euro.

In line with the income-related tax credits described in Section 8.1.4, the bonus does not depend on whether the employee works less than 40 hours per week. However, for those who work only part of the year (i.e. less than 52 weeks), the bonus is adjusted by multiplying the amount outlined in the table above ('EB') by NW/365, where NW is the number of actual days worked during the fiscal year: Final bonus=EB*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

- For earnings up to EUR 48 279, the average rate is 9.19% (9.49% if burdened with CIG tax rate). The OECD tax-benefit model uses the 9.49% rate. For the year 2022 (only) and gross annual earnings up to EUR 34 996, there is a reduction of 0.8 percentage points. The contribution rate thus becomes 8.39 (8.69 if burdened with CIG tax rate).
- For annual earnings between EUR 48 279 and EUR 105 014, the average contribution rate is 10.49%
- For annual earnings exceeding EUR 105 014, the employee pays a fixed amount given by (0.0949 x 48 279) + 0.1019 x (105 014 – 48 279) if the employee started working *after 1996*. There is no ceiling for those who started working before 1997.

TaxBEN note: the model assumes a continuous employment record without interruptions since the age of 19. This means that in 2021, the employee who started working in 1997 has the following years of social security contributions: 2021–1997,

and the following age: 2021–1997+19. TaxBEN uses this latter age threshold to identify the social security contribution regime (i.e. whether to apply the ceilings).

Employees in Italy pay a minimum amount of social security contributions, even at very low earnings levels. These minimum contribution payments are calculated as follows:

- For full-time employees, the minimum daily earnings for the calculation of the minimum social contribution payments are equal to 9.5% of the minimum monthly pension (525.38 in 2022), i.e. EUR 49.91. Employees with a daily wage below this amount pay a fixed contribution of 0.0949*49.91 = EUR 4.74 / day. Thus, for a full-time and full-year employee, the minimum annual contribution is EUR 4.74*5*52 = 1232.4 (assuming 5 days of work per week and 52 weeks per year).
- For part-time employees, the minimum daily earnings for the calculation of the minimum social contribution is calculated as 49.91 times the number of working days per week, divided by the number of working hours per week. For instance for an employee working 36 hours / week for 5 days / week, the minimum earnings for SSC purposes are 49.91*5/36 = EUR 6.93.

TaxBEN note: These minimum SSC payments are not included in the calculations when they generate negative net earnings amounts.

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

7.2.1. Rates and ceilings

- The contribution rate is 31.58%.
- For earnings above EUR **105 014,** employees who started working after 1996 pay a fixed amount given by EUR 0.3158 x **105 014**. For employees who started working before 1997 there are no ceilings in the employer social security contributions.

TaxBEN note: the TaxBEN note of Section 7.1 applies also to the employer social security contributions.

Since 2015, Italy provides a series of exemptions in the employer social security contributions for selected population groups. These exemptions are outside the scope of the TaxBEN model and are described in the annex. Updated information on the current exemptions 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.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 (2022 rates):

Bracket (EUR)	Rate (%)
up to 15 000	23
over 15 000 up to 28 000	25
over 28 000 up to 50 000	33
over 50 000	43

8.1.4. Tax credits

Tax payers in Italy can subtract from the tax liability three main types of tax credits: 1) Income-related tax credits; 2) family tax credits; 3) Other tax credits. If total tax credits are greater than gross tax liability there is "*incapienza*", i.e. the taxpayer will lose part of the tax credits.

1. Income-related tax credits

Taxable income (EUR)	Income-related tax credit (EUR)
Up to 15000	1880
From 15001 to 28000	1910 +1190*(28000 – taxable income)/13000
From 28001 to 50000	1190*(50000 – taxable income)/22000
More than 50000	0

There is also an additional tax credit of EUR 65for those with taxable incomes over EUR 25 000 but not exceeding EUR 35 000.

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 pensions, are subject to different income-related tax credits.

2. Family tax credits

After the introduction in 2022 of the new Universal Child Allowance (Section 4.1), the family tax credits are granted only to taxpayers who live with the following dependents: spouse, children over 21, other relatives. To be considered a dependent, the annual taxable income does not exceed EUR 4000 for children, 2840.51 in the other cases.

Family tax credits (EUR)*	Amount (EUR)
Dependent children with 22+ years	950*(95 000–taxable income)/95 000
Other dependent relatives	750*(80 000–taxable income)/ 80 000
Dependent spouse Up to 15 000 From 15 001 to 29 000 From 29 001 to 29 200 From 29 201 to 34 700 From 34 701 to 35 000 From 35 001 to 35 100 From 35 101 to 35 200 From 35 201 to 40 000 From 40 001 to 80 000 More than 80 000	 800 – 110*taxable income/15 000 690 700 710 720 710 700 690 690*(80 000 – taxable income)/40 000 0

For families with more than one child, the amount of 95 000 in the children 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 each disable child the basic credit for children is increased by € 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.

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 model:

- **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.[8] This tax credit is refundable so long as the claimant's income tax 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

[8] 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 grated to university students who study away from their hometown as long as the rent is no higher than EUR 2,633. The TaxBEN model does not simulate cases a), b) and c) as well as the tax credit for university students

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, in order to maximise the amount of the tax credit (given that the credit is higher for lower earnings).

OECD note: TaxBEN classifies this tax credit as a housing benefit. Variable name: **[HOUSCDT]**.

- **Tax credit for childcare 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. Taxpayers have to chose between this tax credit and the childcare benefit described in Section 5.2.

  OECD note: TaxBEN classifies this tax credit as a childcare benefit. Variable name: **[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 regional surcharge tax is not due if the net personal income tax (IRPEF) is null. The OECD Tax and Benefits model calculates the regional surcharge tax paid in Lazio. In 2022, a progressive tax schedule is applied to taxable income:

Bracket (EUR)	Rate (%)
up to 15 000	1,73
over 15 000 up to 28 000	2,73
over 28 000 up to 50 000	2,93
over 50 000	3,33

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%.

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 municipal surcharge tax is not due if the net personal income tax (IRPEF) is null. The OECD Tax and Benefits model simulates the local surcharge tax paid in Rome; the rate is 0.9 per cent in 2021.

9. Selected output from the OECD tax-benefit model (TaxBEN)

This section shows selected output of the TaxBEN model for Italy 2021 (Figure 8). 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.

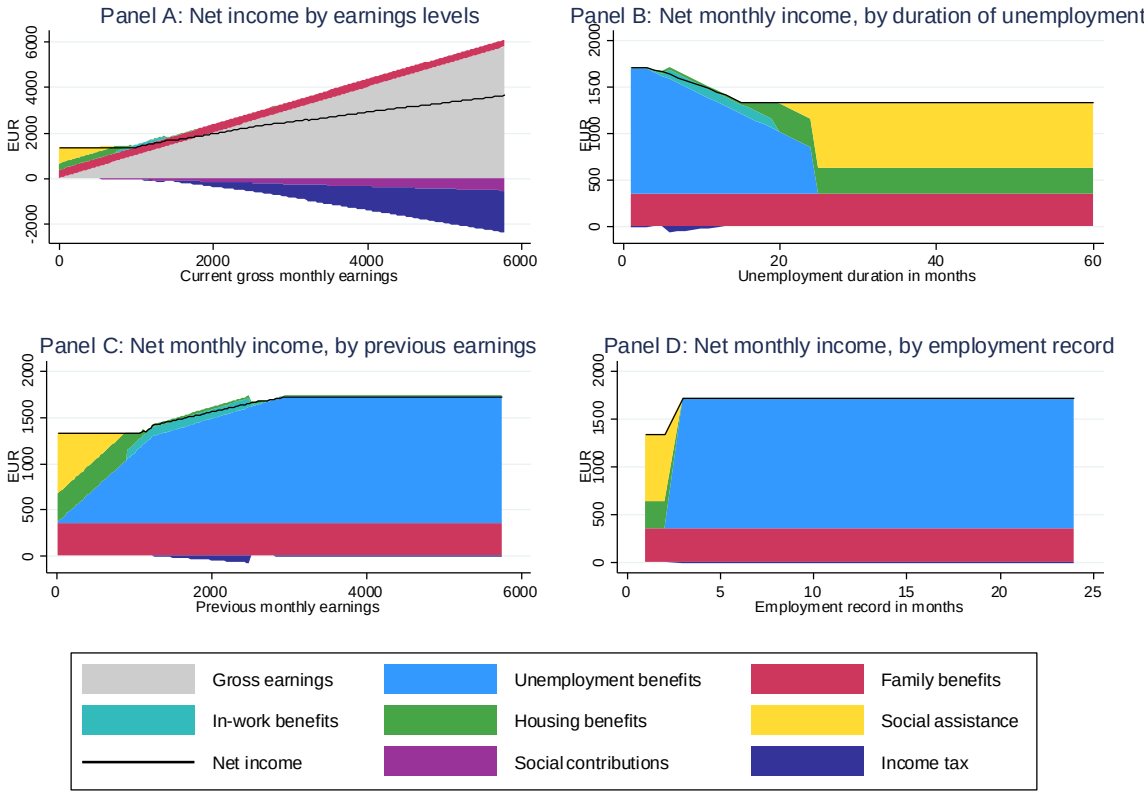
Panels B to D assume that the second adult is out of work and not eligible to unemployment benefits whereas the first adult is also out of work and claiming unemployment benefits. In Panel B and C the first adult is assumed to have a 'long' employment record of 264 consecutive months before the job loss. 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 1). 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: a) Unemployment Insurance (Section 2), b) supplement for employees and former employees (section 6), c) Family allowance (section 4.1), d) Allowance for large families (section 4.2), e) Natality allowance (section 4.3), f) Childcare benefit (section 5), g) Social Assistance (section 3). This implies 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 8. Selected output from the OECD tax-benefit model

Couple with two children



Source: OECD tax-benefit model 2022.

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)*

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

Eligibility conditions

'Ordinary' CIG (CIGo) is an income support programme for workers hired with an employment contract. To be eligible for CIGo the employer must be in one of the following circumstances:

- lack of orders / market crisis;
- end of construction site, end of work, end of work phase, variation and supplementary report to the project;
- lack of raw materials or components;
- weather events;
- strike by a department or other enterprise;
- fires, floods, earthquakes, collapses, lack of electricity, impracticability of the premises, also by order of the public authority - suspension or reduction of the activity by order of the public authority for reasons not attributable to the company or workers;
- machinery breakdowns - extraordinary maintenance.

Benefit amount

CIGo is 80 per cent of the average gross earnings paid for non-worked hours. The amount of the ordinary CIG cannot exceed the maximum monthly amounts, established by means of a specific regulation. The maximum amounts for 2021 are:

- EUR 998.18 (gross amount) when the reference monthly salary for the calculation of the treatment, including additional monthly accruals, is equal to or less than € 2,159.48;
- EUR 1,199.72 euro (gross amount) when the reference monthly remuneration for the calculation of the treatment, including additional monthly accruals, is greater than € 2,159.48

With effect from 1 January of each year, the monthly amounts of the treatment as well as the monthly reference remuneration referred above are increased by 100% of the increase deriving from the annual variation of the ISTAT consumption price index for the families of workers and employees.

Benefit duration

CIGo is 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.

Means test

CIG is not income or asset tested.

Tax treatment

CIG amounts are included in the personal income tax base and are subject to social security contribution payments.

Interaction with other components of the tax-benefit system

CIG can be received together with any other benefits, including the RdC (Section 3) and all the family benefits listed in Section 4. However, CIG amounts are counted as income in the means tests of other benefits.

Combining benefit receipt and employment/starting a new job

Workers receiving CIG (any type) who take up employment lose eligibility for the CIG.

Workers receiving CIGs are eligible for 'Socially Useful Jobs' (*Lavori Socialmente Utili, LSU*), usually lasting 12 months (albeit prorogation for other 12 months is possible). If employed in LSU, workers receiving CIGs 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 2021 the amount is EUR 592.97 per month (details here). Workers on 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.

Sickness Benefit

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

Eligibility conditions

To be eligible for the sickness allowance, the worker must obtain the sickness certificate from the attending physician who will transmit it electronically to INPS. Generally, there is no specific requirement related to the employment or social security contribution record. There is no benefit for reduced working time because of sickness.

The following categories of workers are eligible for the sickness benefit: industrial sector workers; employees in the tertiary sector and services; agriculture workers; apprentices; unemployed; workers suspended from work; show business workers, and maritime workers. Self-employed are not covered under this scheme.

Benefit amount

For employees: from 4th to 20th day of illness: 50% of the average daily wages. From the 21st to 180th days: 66.66% of the average daily wages.

For jobseekers and workers on suspended/reduced-hours work, the sickness allowance is reduced to 2/3.

There are no minimum or maximum amounts.

Benefit duration

The entitlement to sickness allowance starts (beginning of illness) from the 4th day of illness. The first three days are unpaid but, if provided by the employment contract, they can be paid by the company. Sickness allowance ceases with the expiry of the prognosis (end of illness). The disease can be certified with one or more certificates.

Means test

The benefit is not means tested.

Tax treatment

Sickness amounts are included in the personal income tax base. Benefit payments are not subject to social security contribution payments.

Interaction with other components of the tax-benefit system

Cumulation is possible only with certain social security benefits. However, the sickness benefit is counted as income in the means tests of these benefits.

The unemployment benefit (Section 2) and sickness benefit cannot be cumulated. The unemployment benefit is suspended while the beneficiary is in receipt of the sickness benefit to be retrieved after the end of the sickness benefit entitlement and granted for the remaining period.

The sickness benefit can be received together with the RdC in case the RdC recipient works and becomes sick.

The sickness allowance is compatible with the family benefits listed in Section 4.

Eligibility to the sickness allowance does not prevent eligibility to the fiscal bonus (Section 6).

Combining benefit receipt and employment/starting a new job

The sick worker cannot work when receiving the sickness benefit.

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 maternitá)*

There are two types of maternity allowances: the “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 edibility requirements for the State maternity allowance. Both benefits are paid after the childbirth during the first year of the new born. The amount in 2021 was EUR 348.16 per month, paid for five months. Means test: for both the allowances the ISEE indicator must be below EUR 17416.66. 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 2021 has confirmed this measure. for each child born or adopted from 1 January 2021 to 31 December 2021. The new amounts are the following:

- EUR 1920/ year (160 / month) for families with ISEE up to EUR 7000,

- EUR 1440 euros / year (120 / month) for families with ISEE between EUR 7000 and 40000;

- EUR 960 / year (80 / month) for families with ISEE above EUR 40000,

For children following the first, the amount increases by 20 percent.

Starting from 2020, a new contribution is introduced for milk substitutes' purchases for women unable to practice natural breastfeeding. The amount is up to the maximum amount of 400 euros per child.

Family card

The family card is operative since January 2019 and it has been confirmed also for 2021. Only families with at least three children under 18 and an ISEE indicator (Box 1) below EUR 30.000 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 2021 young people who have obtained a master's degree in the period January 2020 – June 2021 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).
- "Hiring bonus of RdC beneficiaries". The law provides a reduction of social security contributions to employers who hire RdC recipients (section 3.1). Until 2021, the reduction was granted only in case of full-time and permanent employment whereas from 2022 onwards, the exemption is granted also in case of temporary and/or part time employment. The exemption lasts for a period equal to the maximum duration of the RdC (18 months) less the number of months of

benefit receipt before taking up employment. The minimum duration of the exemption cannot be less than 5 months. The monthly amount of the exemption is the minimum between the monthly benefit entitlements received by the worker before the employment contract and the social security contributions payable by the employer and the employee. The monthly exemption cannot be higher than EUR 780 per month.[9]

TaxBEN note: hiring subsidies for recipients of earnings-replacement benefits are outside the scope of the OECD tax-benefit model.

[9] More information on the relationship between RdC and work is available here (in Italian): www.informazionefiscale.it/IMG/pdf/circolare_numero_43_del_20-03-2019.pdf