Taxing Wages - Italy

Tax on labour income

The ***tax wedge*** is a measure of the tax on labour income, which includes the tax paid by both the employee and the employer.

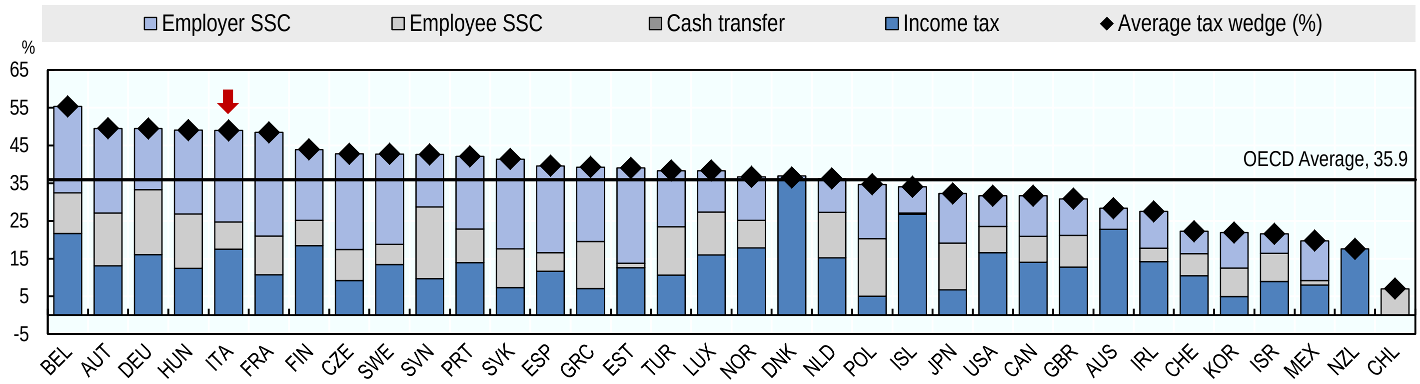
TAX WEDGE ON LABOUR INCOME

$$\frac{(\textbf{Personal income tax} + \textbf{ employee and employer social security contributions (SSCs)}) - \textit{\textbf{Family Benefits}}}{\textbf{Total labour costs (gross wages} + \textbf{ employer SSCs)}}$$

Single worker

- Italy has the 5th highest tax wedge among the 34 OECD member countries in 2015, compared with the 6th highest position in 2014. The average single worker in Italy faced a tax wedge of 49.0% in 2015, compared with the OECD average of 35.9%.
- In Italy, income tax and employer social security contributions combine to account for 85% of the total tax wedge, compared with 77% of the total OECD average tax wedge.

Average tax wedge: average single worker, no children

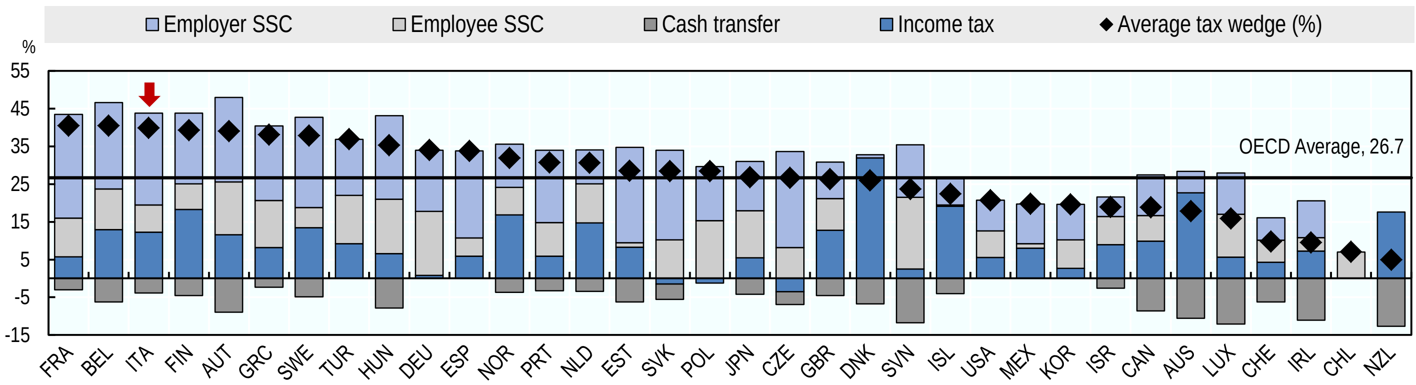


One-earner married couple with two children

The tax wedge for a worker with children may be lower than for a worker on the same income without children, since many OECD countries provide benefits to families with children through cash transfers and preferential tax provisions.

- Italy has the 3rd highest tax wedge in the OECD for an average married worker with two children at 39.9% in 2015, which compares with the OECD average of 26.7%. The country occupied the 4th position in 2014.
- Child related benefits and tax provisions tend to reduce the tax wedge for workers with children compared with the average single worker. In Italy in 2015, this reduction (9.1 percentage points) was very close to the OECD average (9.2 percentage points).

Average tax wedge: One-earner married couple at average earnings, 2 children



OECD

Taxing Wages 2016

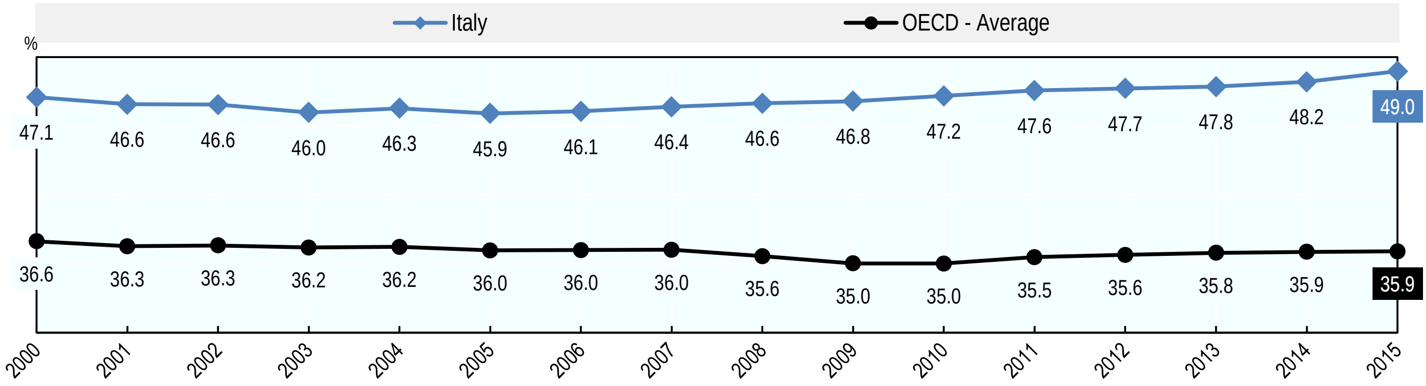
BETTER POLICIES FOR BETTER LIVES

Centre for Tax Policy and Administration

Tax wedge trends between 2000 and 2015

- In Italy, the tax wedge for the average single worker increased by 1.9 percentage points from 47.1 to 49.0% between 2000 and 2015. During the same period, the average tax wedge across the OECD decreased by 0.7 percentage points from 36.6 to 35.9%.
- Since 2009, the tax wedge for the average single worker increased by 2.2 percentage points in Italy. During this same period, the tax wedge for the average single worker across the OECD increased by 0.9 percentage points.

Average tax wedge over time for a single worker



Employee tax on labour income

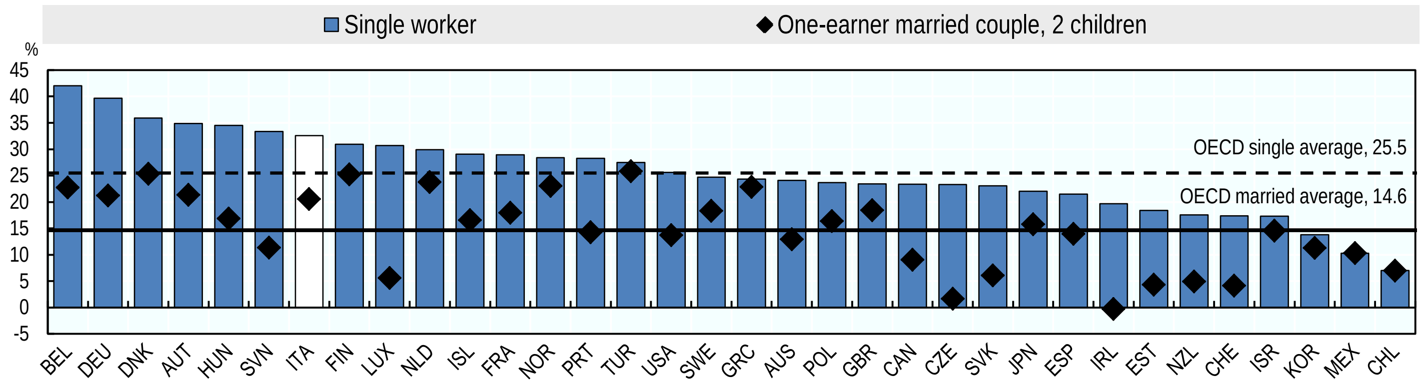
The employee net average tax rate is a measure of the net tax on labour income paid directly by the employee.

EMPLOYEE NET AVERAGE TAX RATE

$$\frac{(\textbf{Employee personal income tax and employee social security contributions}) - \textbf{\textit{Family Benefits}}}{\textbf{Gross wages}}$$

- In Italy, the average single worker faced a net average tax rate of 32.6% in 2015, compared with the OECD average of 25.5%. In other words, in Italy the take-home pay of an average single worker, after tax and benefits, was 67.4% of their gross wage.
- Taking into account child related benefits and tax provisions, the employee net average tax rate for an average married worker with two children in Italy was reduced to 20.6% in 2015, which is the 7th highest in the OECD, and compares with a reduction to 14.6% for the OECD average. This means that an average married worker with two children in Italy had a take-home pay, after tax and family benefits, of 79.4% of their gross wage compared to 85.4% for the OECD average.

Employee net average tax rate



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