

## The tax and social security burden at individual and households level in Italy

### Year 2011

The tax and social security burden indicators are estimated by a microsimulation model which uses data from Istat survey “Income and living conditions” (Eu-Silc European Statistics on Income and Living Conditions) and data provided by the Italian Revenue Agency and Inps (the National Social Security Institute). These indicators allow to estimate the weight of the tax burden by various characteristics of individual and households in Italy.

### Main results

In 2011, the average labour cost, defined as the sum of gross wage and social security contributions paid by employers, is of 31,049 euros per year (Table 1). The disposable net income which remains available to the worker reaches 16,666 euro, or just over half of the total labour cost (53.7%) and the tax wedge, which is the sum of personal income tax and social security contributions of the employee and the employer, reaches an average value of 14,383 euro, or 46.3% of labour costs.

The largest component of the high tax wedge is represented by the social security contributions of employers (25.6%), while the remaining 20.8% is paid by the workers: 14.1%, in the form of direct taxes and 6.7% of social contributions (Graph 1).

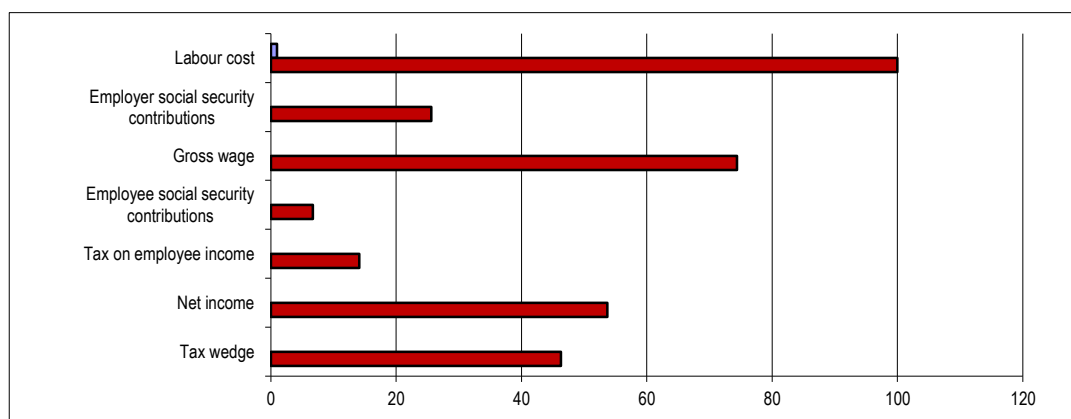
All components of labour costs are on average higher in the North-west, with a consequent decline in the share of net income to the worker. Gender differences are noticeable: the cost of labour of female employees is on average equal to 75% of the male employees and the net income is 78% of that of men.

**Table 1 - Labour cost components (a) by sex and geographical areas. Year 2011 (average in euros)**

	Labour cost	Employer social security contributions	Gross wage	Employee social security contributions	Personal income tax	Net income	Tax wedge
<b>SEX</b>							
Male	34,914	9,047	25,867	2,333	5,091	18,443	16,471
Female	26,280	6,563	19,718	1,758	3,486	14,474	11,807
<b>GEOGRAPHICAL AREAS</b>							
Nord-west	34,554	8,898	25,656	2,312	5,100	18,243	16,311
Nord-east	32,645	8,411	24,234	2,184	4,605	17,446	15,200
Centre	31,673	7,989	23,684	2,092	4,636	16,956	14,716
South and Islands	25,949	6,588	19,361	1,750	3,292	14,319	11,630
<b>Italy</b>	<b>31,049</b>	<b>7,935</b>	<b>23,114</b>	<b>2,076</b>	<b>4,373</b>	<b>16,666</b>	<b>14,383</b>

(a) Employee income recipients

**Graph 1 - Labour cost components. Year 2011 (percentage values)**

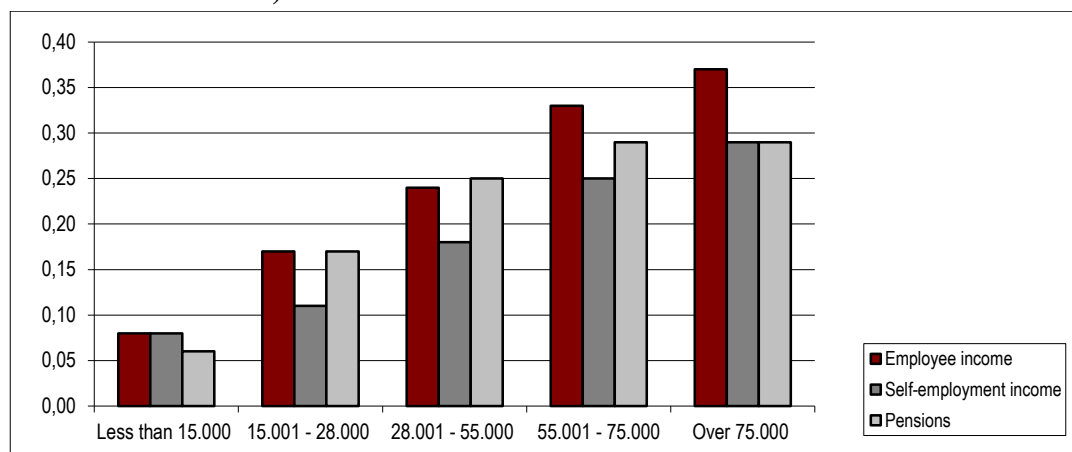


The average self-employment income, gross of taxes and social contributions, amounted to 24,644 euros per year, net income represents 69.6% of the total (17,148 euros). Personal taxes on self-employment income, including the estimation of Irap (Regional Tax on Productive Activities), accounting for 14.9% of gross income, while social security contributions for 15.5%. The gender differences are quite significant: self-employed women make up more than a third (35%) of recipients, while their incomes amount to only a quarter of the total.

The taxes incidence on the total individual gross income is equal to 19.1%. The direct tax incidence is lower for pensions (16.8%) and rises to 17.7% for self-employment income (while it is 15.2% excluding Irap); finally reaches 20.8% for employee income.

Given the progressivity of the Italian tax system, the average rate of tax increases more than proportionally as income rises, for all income sources (Graph 2). If we exclude the first income bracket, the average rate is always higher than for employment income or pensions, compared to self-employment income. In particular, in the higher bracket (incomes above 55,000), the average tax rate applied to employment income is seven percentage points higher than the component from self-employment.

**Graph 2 – Average tax rate by gross income type and income brackets. Year 2011 (percentage values and in euros)**

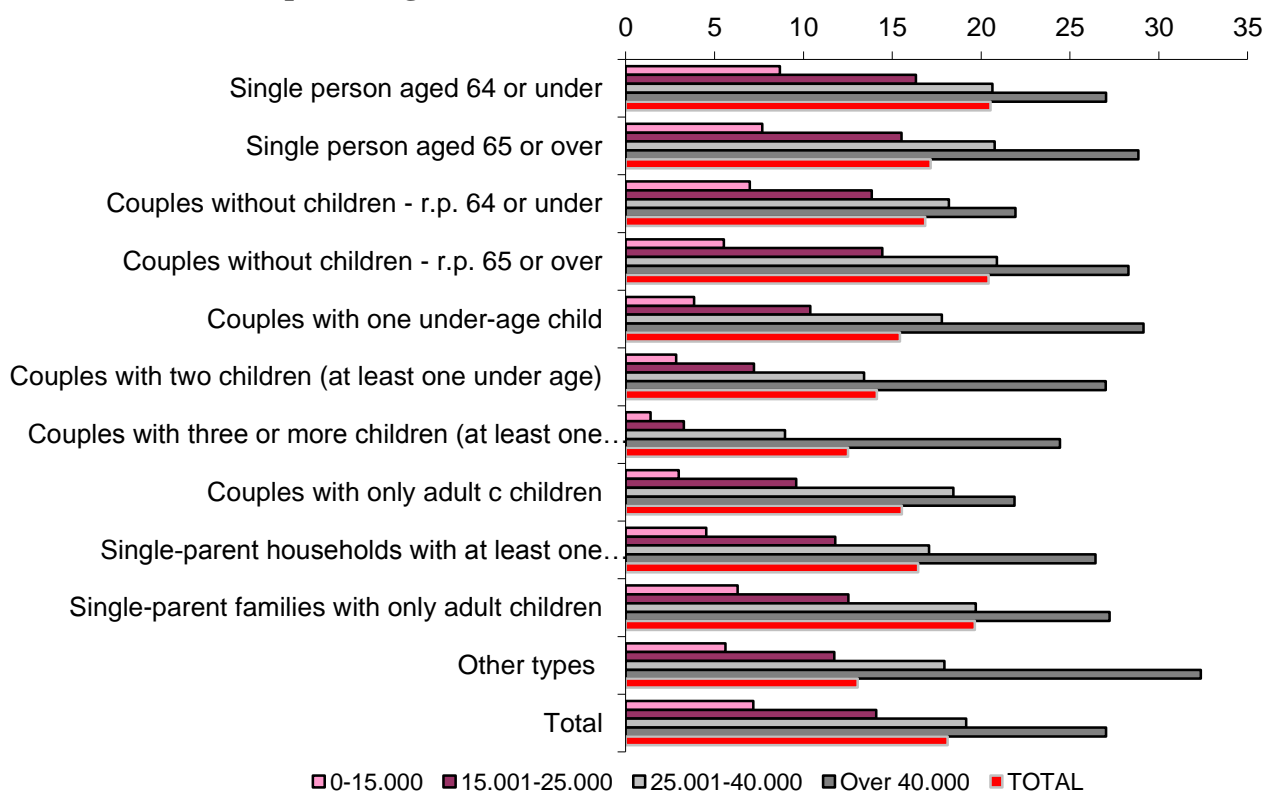


## The tax burden on households

In Italy, the taxation of income is on an individual basis, with tax benefits that reflect only part of the family conditions of the taxpayer. To fully understand the effects of taxation on material well-being and living conditions of the households it is necessary to assess the tax burden of overall household income.

In 2011, the average tax rate at the household level is 19%, slightly lower than the previous year (-0.2%). Due to tax credits for dependents, families with children, with the same income, benefit from a more favorable tax treatment, even with the increase in the number of income recipients. Single people under the age of 64 are the type of family who bear the greatest burden, with an average rate equal to 20.5% (Graph 3).

**Graph 3 - One-earner households: average rate by household type and gross income brackets. Year 2011 (percentage values and in euros)**



For families with only one earner, the lowest level of income determines average tax rate of less than one percentage point (18.1%) than that of families with two or more earners (19.3%).

From 2010 to 2011, among families with only one income earner, the average tax rate fell from 23.2% to 17.9% if it is a self-employment income (as a result of the effects of certain measures on taxation of business income and the downward revision of the parameters of sector studies, which were adopted in 2011), while growing by half a percentage point in the case of employment income or non-earner income.

The reduction in the average among households with a single earner and main source of income from self-employment is particularly significant in the first class of income (0-15000 euros) and marks a reversal of two years earlier (Graph 4).

Finally, the tax burden is lower among families of the South and Islands, being the lowest average income and number of dependents higher and amounted on average to 16.4%, compared to 19.4% of households in the North-East, 19.6% in the Centre and 20.3% of the North-west.

**Graph 4 - Average tax rate by income structure and gross income class 0-15,000. Year 2011**  
(percentage values and in euros)



**For more detailed information please refer to the Italian version**

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