

The distribution of tax and social security burden at individual and households level

Year 2012

The tax and social security burden indicators at individual and household level 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.

In 2012, the average labour cost, defined as the sum of gross wage and social security contributions paid by employers, was 30,953 euros per year (Table 1). The disposable net income which remained available to the worker reached 14,455 euros, or just over half of the total labour cost (53.3%) and the tax wedge, which is the sum of personal income tax and social security contributions of the employee and the employer, reached an average value of 14,455 euros, or 46.7% 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 21.1% is paid by the workers: 14.4% as direct taxes and 6.7% as social contributions (Graph 1).

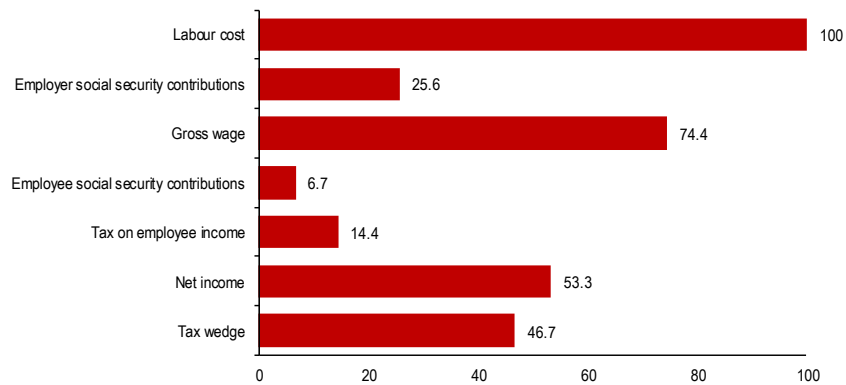
All components of labour costs were on average higher in the North-west area, with a consequent decline in the share of net income to the worker. Gender differences are noticeable: the cost of labour of female employees was on average equal to 76% of the male employees and the net income was 79% of that of men.

TABLE 1 - LABOUR COST COMPONENTS (a) BY SEX AND GEOGRAPHICAL AREAS. Year 2012. Average in euros

	Labour cost	Employer social security contributions	Gross wage	Employee social security contributions	Personal income tax	Net income	Tax wedge
SEX							
Male	34,752	8,980	25,772	2,309	5,252	18,211	16,541
Female	26,281	6,612	19,669	1,773	3,505	14,391	11,890
GEOGRAPHICAL AREAS							
Nord-West	34,714	8,918	25,796	2,313	5,284	18,198	16,516
Nord-east	32,712	8,433	24,279	2,194	4,759	17,327	15,385
Centre	32,177	8,156	24,021	2,133	4,850	17,037	15,140
South and Islands	24,885	6,332	18,553	1,676	3,137	13,740	11,145
ITALY	30,953	7,918	23,035	2,068	4,468	16,498	14,455

(a) Employee income recipients.

GRAPH 1 - LABOUR COST COMPONENTS. Year 2012 (percentage values)

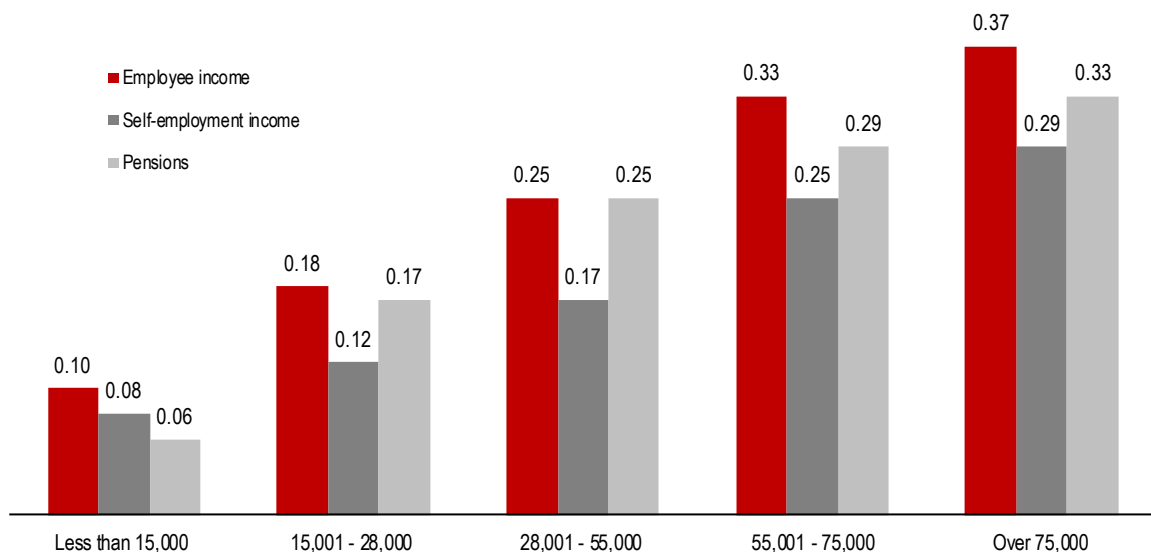


The average income of self-employment, gross of taxes and social contributions, amounted to 23,432 euros per year, net income represented 69.3% of the total (16,237 euros). Personal taxes on self-employment income, including the estimation of Irap (Regional Tax on Productive Activities), accounted for 14.3% of gross income, while social security contributions for 16.4%. The gender differences are quite significant: self-employed women made up more than one third (36%) of the total recipients, while their incomes amounted to little more than a quarter of the total.

The taxes incidence on the total individual gross income was equal to 19.4%. The direct tax incidence was lower for self-employment income, that is 17.1% (while it was 14.7% excluding Irap tax) and for pension income (17.5%), and rose to 21.3% for employed labour income.

Given the progressivity of the Italian tax system, the average rate of tax increases more than proportionally the rise of income, for all sources of income (Graph 2). If we exclude the first income bracket, the average tax rate is always higher than for employment labour income or pensions, compared to self-employment income. In particular, in the higher bracket (incomes above 55,000 euros), the average tax rate applied to employed labour 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 2012 (percentage values and in euros)

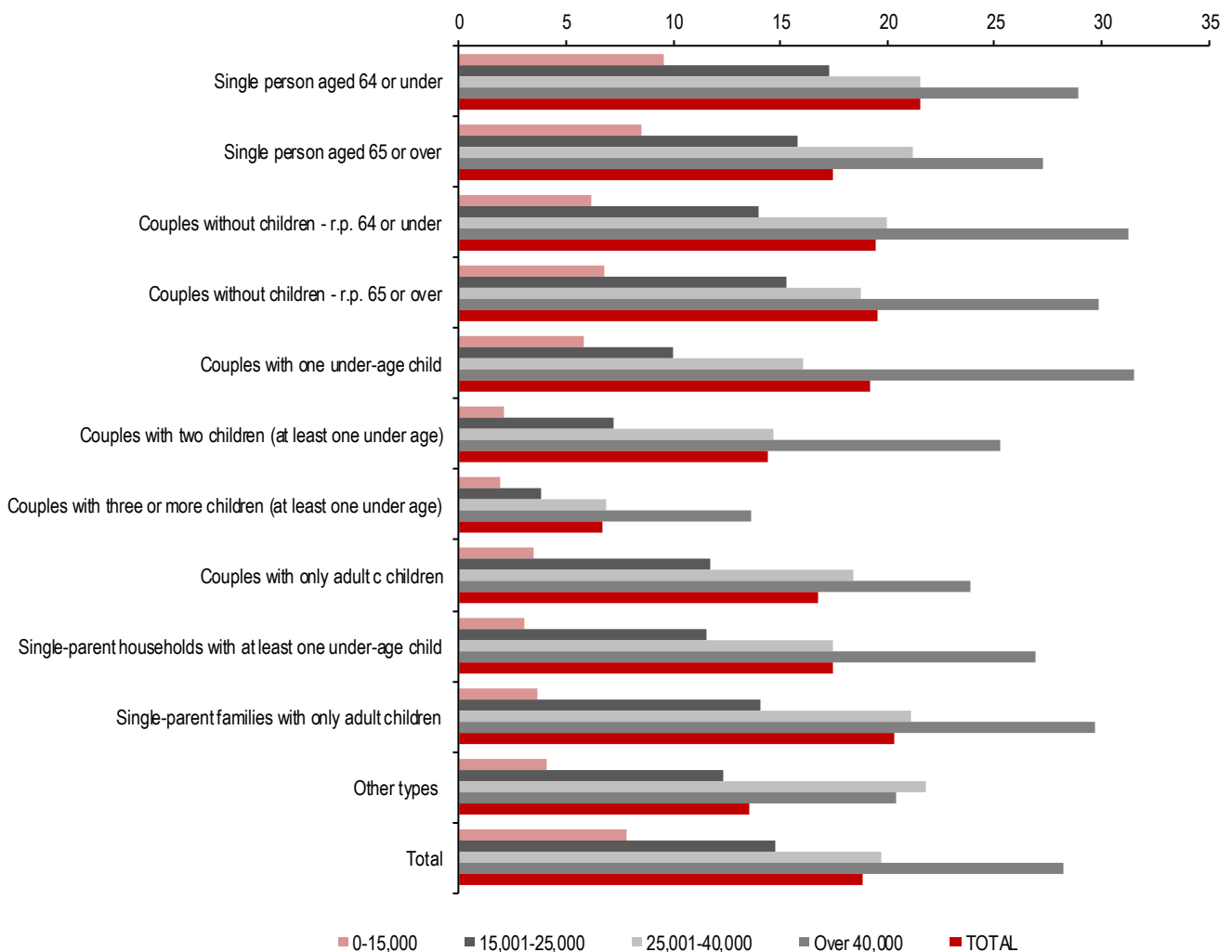


The tax burden on households

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 2012, the average tax rate at the household level was 19.4%, slightly higher than the previous year (+0.4%). Due to tax credits for employees, families with children, also at the same level of income, could benefit from a more favorable tax treatment even with the increase in the number of income recipients. Single people under 64 are the type of family bearing the greatest burden, with an average rate equal to 21.6% (Graph 3).

GRAPH 3 - ONE-EARNER HOUSEHOLDS: AVERAGE RATE BY HOUSEHOLD TYPE AND GROSS INCOME BRACKETS. Year 2012 (percentage values and in euros)



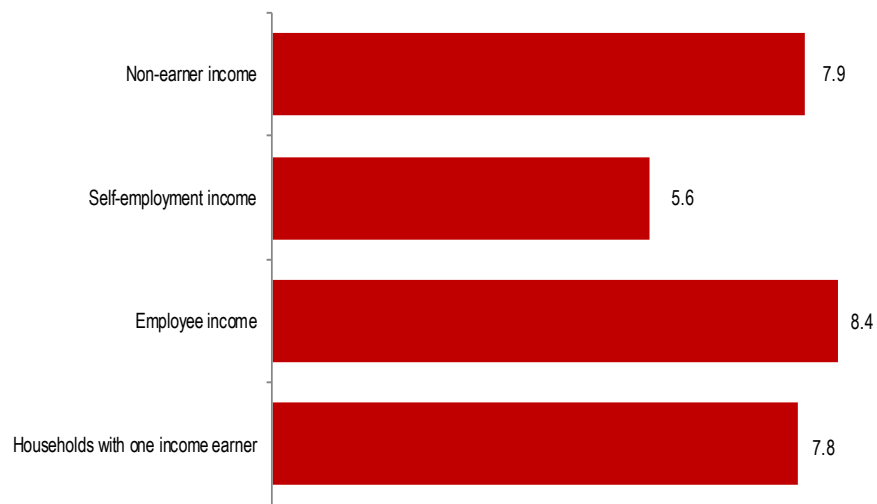
For families with only one income earner, the lowest level of income determines an average tax rate of less than half a percentage point (18.9%) compared with that of families with two or more income earners (19.6%).

From 2011 to 2012, among families with only one income earner, the average tax rate of self-employment income rose from 17.9% to 18.3%, with a lower growth compared to the dynamics of the other types of families with only one income earner (employees and non-labor income, respectively +1% and +0.6%).

The average lower tax burden among the households with a single earner and the main source of income from self-employment was particularly significant in the first class of income (0-15,000 euros), as a result of the effects of specific measures on taxation of business income and the downward revision of the parameters of sector studies, which were adopted in 2012 (Graph 4).

Finally, the tax burden was lower among families of the South and Islands area, due to the lower average income and to the higher number of employees and it amounted on average to 16.3%, compared to 19.9% of households in the North-east, 20.1% in the Centre and 21% of the North-west areas.

GRAPH 4 - AVERAGE TAX RATE BY INCOME STRUCTURE AND GROSS INCOME CLASS 0-15,000. Year 2012 (percentage values and in euros)



For more detailed information please refer to the Italian version

Contact persons:
Socio-Economic Statistics Directorate
Istat – Italian National Institute of Statistics
Gabriella Donatiello (donatiel@istat.it)
phone +39 06 4673.4579
Paolo Consolini (consolin@istat.it)
phone +39 06 4673.4580
Viale Oceano Pacifico 171 – 00144 Rome, Italy