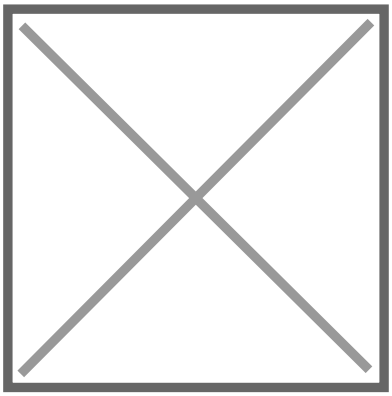

Italy Tax system

Descrizione

Understanding Taxes in Italy: A Simple Guide

Italy has a complex tax system with different taxes at the national, regional, and local levels. If you live or work in Italy, it's essential to understand how taxes work, what rates apply, and when you need to pay. Let's break it down in an easy-to-understand way.

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1. Main Types of Taxes in Italy

There are two major categories of taxes in Italy: **direct taxes** (on income and assets) and **indirect taxes** (on goods and services).

A. Direct Taxes (Taxes on Income and Business)

1. **IRPEF (Personal Income Tax)**
   - Paid by individuals based on their earnings.
   - Uses a **progressive system**, meaning the more you earn, the higher your tax rate.
2. **IRES (Corporate Income Tax)**
   - A flat tax of **24%** paid by companies and businesses.
3. **IRAP (Regional Business Tax)**
   - Paid by businesses and professionals.
   - The rate depends on the region but is typically around **3.9%**.
4. **IMU (Property Tax)**
   - Applied to properties (except for primary residences in most cases).
   - The rate varies by municipality.

B. Indirect Taxes (Taxes on Goods and Services)

1. **IVA (Value-Added Tax – VAT)**

- Applied to the sale of goods and services.
- Standard rate: **22%**
- Reduced rates: **10%** (e.g., food, hotels) and **4% – 5%** (e.g., essential items).

2. **Other Indirect Taxes**
   - Registration taxes, stamp duties, and real estate transaction fees.

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2. Personal Income Tax Rates (IRPEF)

IRPEF is **progressive**, meaning higher incomes are taxed at higher rates:

Income Bracket (€)	Tax Rate (%)
0 – 28,000	23%
28,001 – 50,000	33%
Over 50,000	43%

There are also deductions and allowances that reduce the total amount of tax you owe.

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3. How and When to Pay Taxes in Italy

Taxes are usually paid through **withholding, advance payments, and direct declarations.**

For Employees & Pensioners

- Taxes are automatically deducted from salaries and pensions.
- Employers and pension funds take care of payments.

For Freelancers & Self-Employed Workers

- Must file a tax return and **pay in advance** based on the previous year's income.
- Payments are made in **two installments**:
  - **First installment**: June 30
  - **Second installment**: November 30

For Companies (IRES, IRAP)

- Companies pay in advance, similar to personal income tax.
- The final balance is settled the following year.

For VAT (IVA)

- Businesses must collect VAT from customers and pay it to the tax authorities.
- Payments are usually **quarterly or monthly**.

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4. How to Pay Taxes

Taxes in Italy are paid through:

- **F24 Form** (submitted online via banks or the Italian Tax Agency).
- **Direct debit payments** (for recurring taxes).
- **Online banking and tax portals.**

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5. Tax Returns and Deadlines

- **Personal Tax Returns (Modello 730 or Modello Redditi PF):**
  - **Employees & pensioners**: By **September 30**.
  - **Freelancers & self-employed**: By **November 30**.
- **Business Tax Returns:**
  - Usually filed by **April 30** for the previous year.

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6. Additional Local Taxes

- **TARI (Waste Collection Tax)** – Paid to local municipalities for garbage services.
- **Regional and Municipal Surcharges** – Additional small taxes applied to IRPEF, varying by location.

Final Thoughts

Italy's tax system may seem complicated, but understanding the basics can help you manage your payments effectively and avoid penalties. Whether you're an employee, freelancer, or business owner, staying informed about your tax obligations is key.

Tag

1. Retiring in Italy
2. Self-employed in Italy
3. U.S. citizens
4. Working in Italy

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