



# **Personal Income Taxation**

## **Italian perspective**

# Principles

**Art. 53** “*Taxpayer capacity*” (or *Ability to pay*) and **principle of progression**

**Art. 2** “*unalterable duty to social, economic, and political solidarity*”

**Art. 23** **Rule of Law** with regard to **Taxation**

**ABILITY TO PAY:**

How do we define it?

It's deduced from someone's economic capability


has to be **actual** and **current**

Annual **income** is sign of richness and is relative to the year in which is collected

Personalised taxation

# Income

Three types of income:

1. **Income-product**, that origins only from particular *sources of production*;  so none free profit is taxable (inheritance, gifts)
2. **Income-entrance**, which is everything increases the asset of a person (any entrance);
3. **Income-consumption**, when is taxed only what is spent.

In **Italy** income is defined by law as an earning originated from sources of production, so it's embraced the "*income-product*" definition

This is indeed extended in some specific situations:

- for companies and independent work is taxable any capital increase
- for private employees, scholarship or unemployment benefits are taxable

} Personalised taxation based on different categories of income (ex. agricultural or urban estates)



# Personal Income Taxation

**IRPeF**  
Imposta sul Reddito delle Persone Fisiche

Natural person,  
not Legal person (entity)



IRPeF & IRES are the 2 direct  
income taxes in the Italian Law

## Who is the taxpayer (in Italy):

- any resident for the entirety of their income (Global income);
- any non-resident, only for incomes produced in Italy;

..where “resident” is anyone who:

- 1) is registered in the Civil Registry
- 2) has a domicile in Italy
- 3) lived in Italy

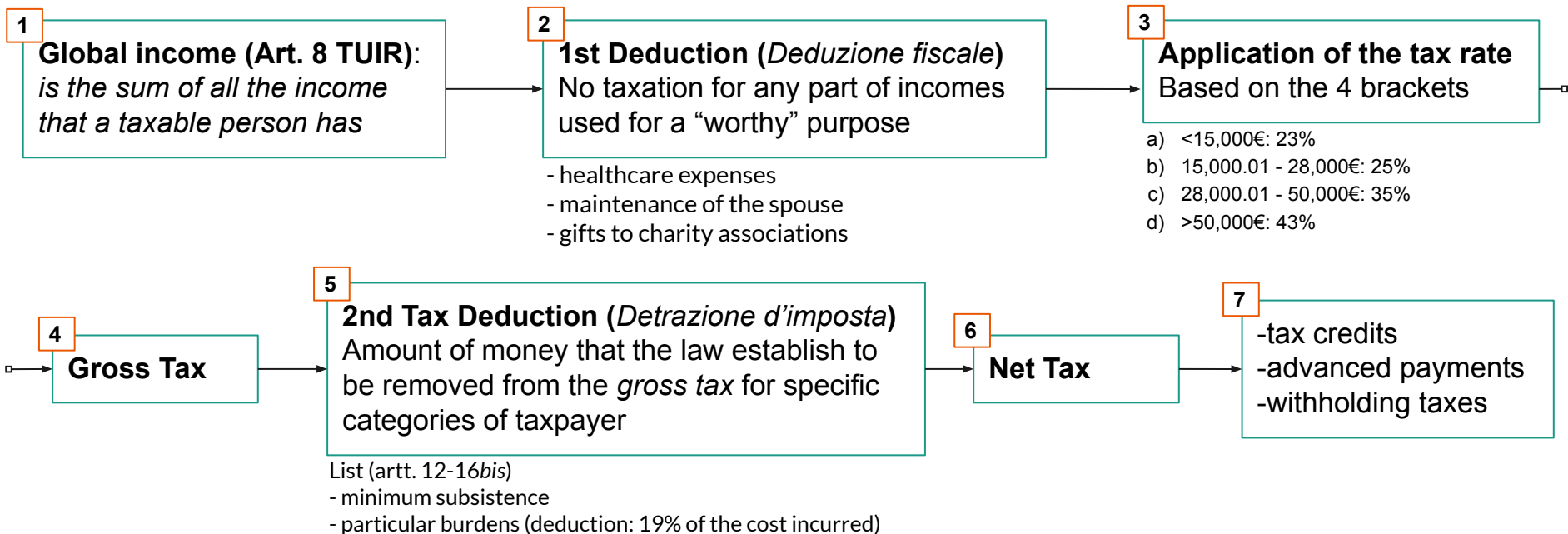
for the majority of the Fiscal Year

IRPeF is a progressive taxation in brackets,  
since 2022 there are 4 brackets:

- a) up to € 15,000 a 23% tax rate;
- b) from € 15,000.01 to € 28,000 a 25% tax rate;
- c) from € 28,000.01 to € 50,000 a 35% tax rate;
- d) over € 50,000 a 43% tax rate.

# Taxable amount

Iter on the *individual income tax return*





# Partnership companies

Despite being societies, therefore **entities**, legal persons, partnership are 'taxpayer' for the Personal Income Taxation (IRPeF)

*Partnership companies* are not *limited companies*, so they don't have **independent asset**.

↓  
Partners' assets are intermixed with company's asset ←  
No sign of actual distribution of goods between partners  
Partners are usually administrators, just like business entrepreneurs

**Principle of Transparency:** incomes made by a partnership are considered personal business incomes of every partner, proportionally to his/her shares in profits