BORDER TAX ADJUSTMENTS

Information Supplied by Contracting Parties

Addendum

In response to the requests set out in L/3039, page 5, paragraph 1, a further reply which is attached hereto has been received from the Government of Italy, a member State of the Organisation for Economic Co-operation and Development, supplementing OECD documentation.

Further replies will be circulated in addenda to this document.
Italy

Revenue

<table>
<thead>
<tr>
<th>Nature of tax</th>
<th>Calendar year</th>
<th>Revenue (Lit '000 million)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Central Government</td>
<td>Local authorities</td>
</tr>
<tr>
<td>(a) Indirect taxes</td>
<td>1964</td>
<td>4,208</td>
<td>393</td>
</tr>
<tr>
<td></td>
<td>1965</td>
<td>4,489</td>
<td>420</td>
</tr>
<tr>
<td></td>
<td>1966</td>
<td>4,946</td>
<td>455</td>
</tr>
<tr>
<td>of which:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- sales taxes, turnover taxes and excise taxes</td>
<td>1964</td>
<td>2,350</td>
<td>285</td>
</tr>
<tr>
<td></td>
<td>1965</td>
<td>2,587</td>
<td>303</td>
</tr>
<tr>
<td></td>
<td>1966</td>
<td>2,863</td>
<td>335</td>
</tr>
<tr>
<td>- net income of State monopolies</td>
<td>1964</td>
<td>587</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>1965</td>
<td>607</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>1966</td>
<td>650</td>
<td>-</td>
</tr>
<tr>
<td>- customs duties</td>
<td>1964</td>
<td>282</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>1965</td>
<td>278</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>1966</td>
<td>325</td>
<td>-</td>
</tr>
<tr>
<td>- other indirect taxes</td>
<td>1964</td>
<td>989</td>
<td>108</td>
</tr>
<tr>
<td></td>
<td>1965</td>
<td>1,017</td>
<td>117</td>
</tr>
<tr>
<td></td>
<td>1966</td>
<td>1,108</td>
<td>120</td>
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<tr>
<td>(b) Income taxes</td>
<td>1964</td>
<td>1,358</td>
<td>287</td>
</tr>
<tr>
<td></td>
<td>1965</td>
<td>1,611</td>
<td>298</td>
</tr>
<tr>
<td></td>
<td>1966</td>
<td>1,614</td>
<td>321</td>
</tr>
<tr>
<td>(c) Taxes on capital and on estates and inheritance; gift taxes</td>
<td>1964</td>
<td>224</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>1965</td>
<td>249</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>1966</td>
<td>270</td>
<td>-</td>
</tr>
<tr>
<td>(d) Property taxes</td>
<td>1964</td>
<td>27</td>
<td>151</td>
</tr>
<tr>
<td></td>
<td>1965</td>
<td>26</td>
<td>165</td>
</tr>
<tr>
<td></td>
<td>1966</td>
<td>30</td>
<td>173</td>
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### Nature of tax

<table>
<thead>
<tr>
<th>Nature of tax</th>
<th>Calendar year</th>
<th>Revenue (Lit '000 million)</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Central Government</td>
<td>Local authorities</td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td>(e) Social security charges</td>
<td>1964</td>
<td>3,456</td>
<td>-</td>
<td>3,456</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1965</td>
<td>3,502</td>
<td>-</td>
<td>3,502</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1966</td>
<td>3,705</td>
<td>-</td>
<td>3,705</td>
<td></td>
</tr>
<tr>
<td>of which:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- employers' contributions</td>
<td>1964</td>
<td>3,4565</td>
<td>-</td>
<td>3,456</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1965</td>
<td>2,809</td>
<td>-</td>
<td>2,809</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1966</td>
<td>2,945</td>
<td>-</td>
<td>2,945</td>
<td></td>
</tr>
<tr>
<td>- employees' contributions</td>
<td>1964</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1965</td>
<td>693</td>
<td>-</td>
<td>693</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1966</td>
<td>760</td>
<td>-</td>
<td>760</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>1964</td>
<td>9,273</td>
<td>831</td>
<td>10,104</td>
<td></td>
</tr>
<tr>
<td>(a), (b), (c), (d), (e)</td>
<td>1965</td>
<td>9,877</td>
<td>883</td>
<td>10,760</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1966</td>
<td>10,565</td>
<td>949</td>
<td>11,514</td>
<td></td>
</tr>
</tbody>
</table>

1. Tax on the consumption of tobacco, salt, matches and cigarette paper.
2. Registration fees, stamp duty, fees for Government permits, transport documents stamp duty, advertising tax, etc.
3. Including "tax on company profits".
4. Source: "Relazione Generale sulla situazione economica del Paese".
5. Including employees' contributions.
RATES OF TAX

Indirect taxes

- Registration fee

The rates may be progressive, proportionate, graded or fixed. Transfers of real estate against payment, irrespective of how made or described, are subject to the following fees:

- irrespective of value 4%
  except for:
  - transfers of recently constructed low-rent dwellings 1.5%
  - renting of house property:
    on the cadastral rent 6%
    on the revenue from renting (if not registered in the cadastral plan) 4%
  - loan bonds, etc. 1.5%
  - If the transfer takes place within three years after a previous transfer of the same property against payment, the rate is reduced by one quarter:
    - for property located abroad 1%
    - for transfers of movables and commodities 2%
    - between traders 0.5%

- General taxes on revenue (IGE)

The standard rate is 3.3 per cent, which is at present being temporarily raised to 4 per cent. There are, however, a number of special rates for various products, ranging from 0.60 to 30 per cent (at present temporarily 0.80 to 36 per cent).

- Equalization tax on imported industrial goods

Rate: from 0.4 to 7.8 per cent on the c.i.f. value plus the customs duty.

- Stamp tax

The rates may be fixed, graded or proportionate. The fixed rates range from Lit 10 to Lit 5,000.

- Stamp duty on transport documents

Fixed rates from Lit 2 to Lit 600 ) according to the article being transported
Proportionate taxes from 1 to 6 per cent )
- **Mortgage tax**
  
  Rates vary according to value.
  
  From 0.5 to 2.5 per cent: proportionate rate
  From Lit 1,000 to Lit 2,000: fixed rate
  Lit 5 for every Lit 1,000: graded rate.

- **Tax on playing cards**
  
  Per package: Lit 300, Lit 500, Lit 600 or Lit 1,000, according to the type of paper or other substance.

- **Entertainment tax**
  
  From 5 to 45 per cent according to the type of entertainment.

- **Broadcasting tax**
  
  5 per cent of the selling price charged by the manufacturer of television or wireless sets.

- **Tax on gramaphone records**
  
  Ten per cent of the selling price charged by the producer or of c.i.f. import value.

- **Fees for Government permits**
  
  The rates vary according to the nature of the contract, permit, instrument, licence or other administrative document.

- **Vehicles tax**
  
  The rates vary according to the type of vehicle and its horse-power.

- **Advertising tax**
  
  This tax may be fixed, graded or proportionate. The rates vary with the type of advertising (posters, wireless, etc.), the duration and other factors.

- **Spirits tax ("imposta sugli spiriti")**

  1. Manufacturing tax (per hectolitre of pure alcohol):
     - normal rate: Lit 60,000 at a temperature of 15.56°C.
     - reduced rates: varying from Lit 19,500 (manufacture of vinegar) to Lit 58,000.
2. Normal State tax (per hectolitre of pure alcohol):

<table>
<thead>
<tr>
<th>Alcohol Type</th>
<th>Lire</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alcohol (general rate)</td>
<td>60,000</td>
</tr>
<tr>
<td>Molasses alcohol</td>
<td>27,000</td>
</tr>
<tr>
<td>Sorghum alcohol</td>
<td>24,000</td>
</tr>
<tr>
<td>Alcohol from sugar cane (&quot;canna gentile&quot;)</td>
<td>23,000</td>
</tr>
<tr>
<td>Alcohol from carob beans or figs</td>
<td>8,000</td>
</tr>
<tr>
<td>Alcohol from fruits other than dates, raisins, carob beans or figs</td>
<td>4,000</td>
</tr>
</tbody>
</table>

Second grade alcohol is exempt, apart from the exceptions listed above.

3. Special State tax (per hectolitre of pure alcohol):

- As a rule Lit 6,000; methyl-alcohol Lit 2,000.

  - **Tax on oil-gas** ("imposta sul gas di petrolio")
    - under pressure in bottles (liquid oil-gas fuel): Lit 20 per kilogramme
    - fed directly into municipal distribution channels: Lit 36 per cubic metre
    - liquid oil-gas for use as automobile fuel: Lit 43.5 per kilogramme

- **Tax on bananas**
  - Lit 90 per kilogramme.

- **Tobacco tax** (monopoly)
  - The tax is levied on a scale under which the retail selling price is divided into four elements:
    - wholesale price
    - retailers profit
    - distribution costs
    - proportion collected as tax (about 70 to 80 per cent of the retail selling price for cigarettes)

- **Salt tax** (monopoly)
  - The tax represents about 70 per cent of the retail selling price.

- **Matches tax** ("imposta sui fiammiferi")
  - (a) matches: from Lit 3.64 to Lit 87 per box or book
  - (b) lighters: Lit 300 per year; flints: from Lit 25.30 to Lit 230 each.

- **Beer tax** ("imposta sulla birra")
  - Lit 400 per hectolitre and per degree of sugar content measured by the official saccharometer at a temperature of 17.50°C.
- **Coffee tax** ("imposta sul caffè")
  - raw coffee (in beans or unpulped) Lit 50,000 per 100 kilogrammes
  - roasted coffee, even if ground Lit 69,000 per 100 kilogrammes

- **Tax on coffee substitutes** ("imposta sui surrogati del caffè")
  Lit 4,000 per 100 kilogrammes.

- **Cocoa tax** ("imposta sul cacao")
  - unroasted cocoa beans, cocoa skins or husks Lit 25,000 per 100 kilogrammes
  - roasted but unhusked beans Lit 27,500 per 100 kilogrammes
  - roasted and husked cocoa; cocoa butter Lit 31,250 per 100 kilogrammes

- **Sugar tax** ("imposta sullo zucchero")
  - normal rate:
    - first class Lit 3,300 per 100 kilogrammes
    - second class Lit 3,168 per 100 kilogrammes
  - molasses Lit 1,585 per 100 kilogrammes of sugar content in molasses "intended for human consumption"
  - reduced rates: applicable to sugar to be used in the manufacture of certain products (jam, etc.).

- **Tax on sweetening substances** ("imposta sulle materie zuccherine")
  - solid glucose and maltose Lit 1,650 per 100 kilogrammes
  - liquid glucose and maltose Lit 825 per 100 kilogrammes
  - solid glucose to be used in the manufacture of crystallized fruit Lit 1,045 per 100 kilogrammes
  - liquid glucose and fruit pastes Lit 525 per 100 kilogrammes
  - liquid invert sugar obtained from any substance Lit 2,475 per 100 kilogrammes
  - obtained from grape juice or carob beans Lit 2,062 per 100 kilogrammes
  - invert sugar obtained from any solid substance Lit 2,387 per 100 kilogrammes

- **Tax on methane gas** ("imposta sul metano")

  Tax:
  - Lit 1 per compressed cubic metre, taken at a temperature of 15°C and at normal pressure.

  State duty:
  - for methane gas in bottles: Lit 5 per cubic metre
  - for methane gas in bottles, intended as automobile fuel: Lit 3 per cubic metre.
Tax on mineral oils ("imposta sugli olii minerali")

- natural crude mineral oil

- light oils and preparations:
  (a) white spirit ("acqua ragia minerale")  Lit 6,000 per 100 net kilogrammes
  (b) special petrol other than white spirit
  (c) petrol

- medium oils and preparations:
  (a) lamp oil  Lit 6,000 per 100 net kilogrammes
  (b) paraffin other than lamp oil  Lit 11,990 per 100 net kilogrammes

- heavy oils and preparations:
  (a) gas-oils ("olii da gas")  Lit 12,400 per 100 net kilogrammes
  (b) special fuel oils  Lit 5,400 per 100 net kilogrammes
  (c) fuel oils  Lit 4,000 per 100 net kilogrammes
  (d) white lubricating oil  Lit 15,700 per 100 net kilogrammes
  (e) other lubricating oils  Lit 12,400 per 100 net kilogrammes

- crude vaseline  Lit 2,500 per 100 net kilogrammes
- other vaseline  Lit 5,680 per 100 net kilogrammes
- crude mineral wax (crude ozocerite)  Lit 180 per 100 net kilogrammes
- refined mineral wax (excluding that manufactured with ozocerite which has already been taxed)  Lit 680 per 100 net kilogrammes
- paraffin, paraffin wax or wax from shale oil  Lit 680 per 100 net kilogrammes
- aromatic essences and similar products  Lit 12,400 per 100 net kilogrammes

Reduced rates and exemptions are granted according to the use to which the substance is to be put.

- Margarine tax ("imposta sulla margarina")  
  Lit 3,000 per 100 kilogrammes

- Olive oil tax  
  Lit 1,400 per 100 kilogrammes
- **Tax on seed oils**

  Crude: Lit 700 per 100 kgs.
  Refined: Lit 760 per 100 kgs.

- **Tax on yarns**

  There is a wide range of rates for different types of yarns.
  The rates depend on the type and grade of the yarn.

- **Tax on lighting appliances**

  Electric, gas or vapour lamps for lighting:

  from Lit 200 to Lit 300 according to the power in watts.

- **Tax on gas and electrical energy**

  Electrical energy: rates vary according to use (lighting or industrial power).

  Gas: Lit 0.2 per cubic metre of gas.

**INCOME TAXES**

- **Tax on the income from movable assets** ("imposta sui redditi dei ricchezze mobile")

  **Category A** (income from capital) 27 per cent: this rate applies to all taxable income.

  **Category B** (income in part from capital and in part from employment) 9 per cent: this rate applies to the first Lit 720,000 of taxable income (after deducting the first Lit 240,000, which are exempt).

  18 per cent: on the next Lit 3,280,000 (i.e. the portion between Lit 720,000 and Lit 4 million)

  20 per cent: from Lit 4 million to Lit 10 million

  22 per cent: from Lit 10 million to Lit 50 million

  23 per cent: from Lit 50 million to Lit 100 million

  25 per cent: beyond Lit 100 million
Category C\(^1\) (income from self-employed activity):

4 per cent: for the first Lit 720,000 of taxable income (after deducting the first Lit 240,000, which are exempt)
8 per cent: for the next Lit 3,280,000 (i.e. up to 4 million)
10 per cent: from Lit 4 million to Lit 10 million
12 per cent: from Lit 10 million to Lit 20 million
15 per cent: for any amount in excess of Lit 20 million

Category C\(^2\) (income from wage-paid employment): the rates are the same as for Category C\(^1\) except that no tax is payable on income from "subordinate" activities or on pensions which, in themselves or added to other income from movable property or real estate, do not exceed the taxable minimum of Lit 300,000.

The rates are subject to a number of additional charges up to a total of 25 per cent.

- **Progressive supplementary tax on the total income ("imposta complementare progressiva sul reddito complessivo")**

  This ranges from 2 per cent on income below or equal to Lit 240,000 to 65 per cent on incomes of Lit 500 million or over.

- **Tax on agricultural income ("imposta sul reddito agrario")**

  Ten per cent on the cadastral income.

  The rate is increased by several additional charges up to 10 per cent.

- **Normal inheritance tax ("imposta normale di successione")**

  The rate ranges from a minimum of 1 per cent on transfers between ascendants and descendants to a value of not more than Lit 1 million to a maximum of 80 per cent on transfers between relatives beyond the fourth degree, or between connexions or non-relatives to a value of over Lit 500 million.

- **Tax on the total value of an estate ("imposta sull'asse ereditario globale")**

  On estates exceeding Lit 500,000 in value: from 1 per cent on estates of up to Lit 1 million to 35 per cent on those exceeding Lit 500 million.
- **Tax on bonds** ("imposta sulle obbligazioni")

  The tax is 5 per cent of the taxable value of the securities.

  This is subject to various additional charges up to a total of 25 per cent.

- **Company taxes**

  0.75 per cent on the taxable estate and 15 per cent on that fraction of the total income exceeding 6 per cent of the estate.

  These rates are subject to various additional charges up to a total of 20 per cent.

- **Tax on income from buildings** ("imposta sul reddito dei fabbricati")

  5 per cent on the net income

  To this must be added:

  - the supplementary municipal and provincial taxes
  - the supplementary tax for the Chamber of Commerce, which may not exceed 0.055 per cent

  The rate is subject to various additional charges up to a total of 25 per cent.

- **Special tax on income from luxury buildings** ("imposta sul reddito dei fabbricati di lusso")

  20 per cent on the taxable income

  This is subject to an additional charge of 10 per cent.

- **Tax on the income of landowners** ("imposta sul reddito dominicale dei terreni")

  5 per cent on the cadastral income

  To this must be added:

  - the supplementary municipal and provincial taxes
  - the supplementary tax for the Chamber of Commerce, at the rate of Lit 0.02 per Lit 100 of the taxable cadastral income.

  This is subject to various additional charges up to a total of 10 per cent.
- **Tax on stock exchange operations** ("imposta sulle operazioni di borsa")

(a) Operations with securities and shares: the amount of the tax is based on the value of the transaction but varies according to the persons involved, the nature of the securities negotiated and the duration of the contract, ranging from Lit 1 to Lit 75 for every Lit 100,000 involved in the operation. The tax is reduced by half in the case of certain types of cash trading of State bonds or securities guaranteed by the State.

(b) Operations involving commodities or produce: the rates are based on the value of the transaction and on whether it is in cash or a time-bargain (of a certain duration); they vary according to whether the operation is concluded:

- directly between persons authorized to operate on the official market (brokers) from Lit 20 to Lit 900
- directly between persons authorized to operate by auction from Lit 40 to Lit 1,800
- through the intermediary of persons of either of these two groups from Lit 60 to Lit 2,700.