EUROPEAN
COMMISSION

Brussels, 24.11.2026
SWD(2026) 1215 final

COMMISSION STAFF WORKING DOCUMENT

Mind the Gap 2026: Country fiche – Italy

Accompanying the document

COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS

Mind the Gap 2026: Boosting public finances through joint efforts to reduce tax gaps and improve compliance

{COM(2026) 630 final} - {SWD(2026) 1201 final} - {SWD(2026) 1202 final} - {SWD(2026) 1203 final} - {SWD(2026) 1204 final} - {SWD(2026) 1205 final} - {SWD(2026) 1206 final} - {SWD(2026) 1207 final} - {SWD(2026) 1208 final} - {SWD(2026) 1209 final} - {SWD(2026) 1210 final} - {SWD(2026) 1211 final} - {SWD(2026) 1212 final} - {SWD(2026) 1213 final} - {SWD(2026) 1214 final} - {SWD(2026) 1216 final} - {SWD(2026) 1217 final} - {SWD(2026) 1218 final} - {SWD(2026) 1219 final} - {SWD(2026) 1220 final} - {SWD(2026) 1221 final} - {SWD(2026) 1222 final} - {SWD(2026) 1223 final} - {SWD(2026) 1224 final} - {SWD(2026) 1225 final} - {SWD(2026) 1226 final} - {SWD(2026) 1227 final} - {SWD(2026) 1228 final}

Country fiche: Italy

Summary box: Areas of Strength and Areas for Improvement

Areas of Strength

- **Italy's highly integrated tax system is well digitalised** with pre-filled Personal Income Tax (PIT) and Value Added Tax (VAT) returns using e-invoices and transaction data, and automated alerts flagging missing VAT returns. An e-commerce pilot led to improved enforcement. Also, other areas of the tax administration are increasingly data-driven and rely on the use of AI such as compliance risk management (CRM) and audits. In CRM, predictive models are used for risk segmentation and fraud detection.

- **Italy has built up strong know-how and capacity relating to compliance gap estimates** across the major tax types and integrates the insights from tax gap estimates into the broader tax compliance framework to support long-term improvement in tax compliance. Italy has a formalised and fully-fledged tax-gap programme, powered by a multi-disciplinary team which, together with a Commission appointed by the Minister of Economy and Finance, prepares an annual report quantifying the compliance gap. Italy has also led an EU-wide expert group on tax gaps since 2020.

Areas for Improvement

- **Italy's VAT compliance gap was among the highest in the EU in 2023, at 15% of the VAT Total Tax Liability (VTTL).** Several measures have contributed to driving this figure down since 2019, including the expansion of mandatory e-invoicing and the *Superbonus 110* tax incentive scheme, and the flat-rate regime for small businesses is expected to contribute to improving VAT compliance in the future.

- **Moreover, while estimates indicate that the corporate income tax (CIT) compliance gap has decreased in recent years, it remains considerably above the EU average at 17% of potential CIT revenues in 2021.** These results suggest that non-compliance continues to be a significant source of forgone corporate tax revenue. The high estimates for tax gaps are also corroborated by the large size of the shadow economy.

- **Italy has a high number of tax expenditures that also have a bearing on their budget.** For 2025, 573 tax expenditure measures were reported, slightly down from 575 in 2024. However, total estimated forgone revenues increased significantly (+13.2%). Revenues forgone due to reduced VAT rates stand at more than 2% of GDP, although Italy does not consider them as a tax expenditure. While reforms to simplify the tax system and rationalise tax expenditures have been put in motion, introducing a system to evaluate tax expenditures for their cost effectiveness and to subsequently streamline them could also have a positive impact on tax complexity.

- **Italy's stock of uncollected tax debt is a significant structural fiscal challenge.** The stock of tax arrears in Italy remains very high. The closing stock of arrears at year-end represented 178.6% of total tax revenue collected in 2024.

1. Introduction and policy context

1.1. Snapshot of the tax system

Italy has a relatively high tax-to-GDP ratio. In 2024, tax revenue (including social contributions) increased to 42.4% of GDP (from 41.2% in 2023), 3.0 percentage points (pps) above the EU average ([1]). Labour taxes account for almost half of total revenue (48.6% in 2024), slightly below the EU average of 51.5%. The other half of the pie is split almost symmetrically by consumption taxes (25.9% of total, compared to 26.8% in the EU) and capital taxes (25.5%, significantly above the EU average of 21.6%). Looking into specific tax types, VAT revenues are relatively low (6.6% of GDP, 0.5 pps below the EU average) in a context of high compliance gap (see section 2.2). Revenues from property taxes (2.2% of GDP) outpace the EU average (1.8%), and so revenues from environmental taxes do (2.7% of GDP, 0.6 pps above the EU average).

Despite a progressive labour tax system and an elevated tax wedge on labour, the redistributive capacity of Italy's tax-benefit system is relatively low. The structure of personal income tax in Italy is progressive, with a very high tax wedge ([2]) for above-average incomes ([3]). At 22.5 pps in 2025, the difference in the tax wedge between high-income (167% of average wage) and low-income earners (50% of average wage) is among the largest in the EU (average: 12.5 pps). Despite this, the effect of the tax and benefit system on reducing the Gini coefficient ([4]) was of 7.3 pps in 2024, slightly below the EU average (7.8 pps). Income inequality, measured by the income quintile share ratio (S80/S20), is relatively high in Italy (5.13 in income reference year 2024, compared to 4.62 in the EU) ([5]). Likewise, the at-risk-of-poverty and social exclusion – AROPE rate is, at 22.6%, 1.7 pps above the EU average ([6]).

In 2026, Italy has received the following country-specific recommendations (CSRs) in the area of taxation ([7]):

[1] Data on tax revenues are based on European Commission: Data on Taxation Trends, edition 2026 (reference year 2024), which are produced by DG Taxation and Customs from ESA table 9 and National Tax List data, as collected and validated by Eurostat. The 2027 edition (reference year 2025) will be published in the first quarter of 2027. Recent Eurostat release shows a tax-to-GDP ratio of 42.8% in 2025, compared to an EU average of 39.7% (data of 30/10/2026 on [GOV_10A_TAXAG]).

[2] The tax wedge is an indicator of the tax burden on labour that can be assessed at different earnings levels. It is calculated as the sum of personal income tax, employee social-security contributions, employer social-security contributions and other mandatory contributions, net of cash family benefits where relevant, expressed as a percentage of total labour costs (composed of the gross wage plus employer social-security contributions). Data are based on the EUROMOD model, calculated by the Joint Research Centre of the European Commission. Unless indicated differently, values indicated in this country fiche refer to single earners.

[3] The tax wedge for an earner of 50% of the average wage is 30.0%, 1.6 pps below the EU average; it is 42.5% for earners of 100% of the average wage (2.5 pps above the EU average); and it is 52.5% for earners of 167% of the average wage (8.4 pps above the EU average).

[4] European Commission, DG ECFIN calculations based on EU-SILC survey data. A Gini coefficient of 0 expresses perfect equality where everyone has the same income, while a coefficient of 100 expresses full inequality where only one person has all the income. The difference between the "gross" (excluding pensions from social transfers) and the "net" Gini coefficient, i.e. before and after application of the tax-benefit system, reflects the difference between market income and disposable income.

[5] The income quintile ratio (S80/S20) is a headline indicator in the EU Social Scoreboard used to monitor income inequality. It measures the ratio between the total equivalised disposable income received by the top 20% of the population and the bottom 20%.

[6] Share of people living in households experiencing at least one of the three poverty and social exclusion risks: risk of poverty, severe material and social deprivation, and/or living in a household with very low work intensity.

[7] https://data.consilium.europa.eu/doc/document/ST-11124-2026-INIT/en/pdf

- *In line with fiscal sustainability objectives, make the tax system more conducive to sustainable growth, while ensuring fairness, including by further fighting tax evasion and reducing remaining tax expenditures, including those related to value added tax and environmentally harmful subsidies. Update cadastral values, building on the medium-term fiscal-structural plan commitment, as part of a broader review of housing-related policies.*

Italy is under the Excessive Deficit Procedure (EDP) since July 2024, with a Council recommendation to put end to it by 2026 ([8]). Italy had a government deficit of 3.1% of GDP in 2025 (down from 3.4% in 2024) and a government debt of 137.1% (up from 134.7%), both above the reference values of 3% and 60%, respectively.

Italy is among the Member States with an extended adjustment period in its Medium-Term Fiscal Sustainability Plan (MTFSP). The set of reforms and investments underpinning the extended adjustment period include the progressive reduction of VAT repayment times, improvements in prevention and enforcement activities, the review of the scope of tax expenditures, the reduction of the labour tax wedge and the update of the cadastral register ([9]).

1.2. Tax complexity and simplification measures

1.2.1. Measures of tax complexity

Italy's tax system appears highly complex by EU standards, both from the perspective of tax professionals and individual taxpayers. Survey-based evidence from the Tax Complexity Index (TCI) places Italy among the most complex systems in the EU, ranking 20th among Member States. The underlying components of the TCI suggest that complexity arises from both the tax code and the administrative framework ([10]). Citizen perceptions point in the same direction: only 31% of respondents report that completing their tax return is easy, significantly below the EU average of 49%, while reliance on professional assistance is exceptionally high at 24%, by far one of the highest shares in the EU ([11]).

Legislative activity appears moderate in recent years. Italy recorded 13 tax changes entering into force or announced in 2025, slightly below the EU average of around 14 ([12]). This follows 9 tax changes in 2024 and 8 in 2023, with legislative activity remaining below the corresponding EU average in each of the three years. The available multi-year evidence therefore points to a comparatively stable pace of tax policy change. The reforms adopted in 2025 cover a broad range of taxes, including personal income taxation (PIT) and corporate income taxation (CIT), environmentally related taxes, transaction taxes and investment incentives. Several measures are directly relevant for businesses, including enhanced depreciation allowances for digital and green

[8] https://data.consilium.europa.eu/doc/document/ST-5035-2025-INIT/en/pdf
[9] See Council Recommendation of 21 January 2025, https://economy-finance.ec.europa.eu/document/download/c51ec30a-3c8f-4218-ac14-69880268f8d4_en?filename=MTFSP_2025_IT.pdf
[10] The Tax Complexity Index (TCI), developed under the Global MNC Tax Complexity Project, measures the complexity of countries' corporate income tax systems as faced by multinational firms. Based on survey data from tax professionals, it captures both the complexity of tax rules (tax code) and administrative procedures (tax framework), with values ranging from zero (not complex) to one (extremely complex).
[11] European Commission (2025), Flash Eurobarometer 562: Citizens' attitudes towards taxation, fieldwork conducted between 9 and 17 April 2025. Available at: https://europa.eu/eurobarometer/.
[12] The information is based on the tax measures reported by national administrations in the Joint OECD-European Commission Annual Tax Policy Reform Questionnaire, by aggregating and processing the responses received to the 2026 questionnaire. Responses to the 2026 questionnaire are relative to tax policy measures self-reported by the Member States that were implemented, legislated, or announced in each country between 1 January and 31 December 2025. While comprehensive, the list of tax measures is non-exhaustive.

investments, changes to the dividend exemption regime for corporate income tax purposes and higher regional business tax (IRAP) rates for banks and insurance companies. Other reforms concern labour taxation and environmental policy, including the phase-out of the excise duty differential between diesel and petrol as committed under the Repower EU initiative. While many of these measures pursue objectives related to investment, employment and the green transition, they nevertheless require businesses and individual taxpayers to adapt to a range of new tax provisions, contributing to ongoing compliance and adjustment costs in the short-run.

Demand-side indicators strongly support this assessment. The accounting, bookkeeping and tax consultancy sector accounts for around 1.6% of gross operating surplus, substantially above the EU average of 0.9% ([13]). While this indicator is influenced by several factors, it points to a comparatively sizeable professional services sector and is consistent with a particularly strong demand for specialised tax and accounting expertise ([14]). Taken together, the evidence suggests that Italy's tax system combines high structural complexity with significant compliance and adjustment burdens in practice.

1.2.2. National simplification efforts

In 2023, Italy launched an overall tax reform through an enabling law ([15]) authorizing the government to overhaul the tax system via legislative decrees over a set period of 24-months, further extended ([16]) to 29 August 2026 for the main decrees and to 29 August 2028 for corrective or supplementary decrees. 21 implementing decrees have been published, covering the substantive core of the reform: PIT (IRPEF), restructuring, international tax rules, the biennial preventive settlement scheme, gambling sector reorganization, and the penalty system overhaul. The simplification and rationalisation of fragmented tax rules through consolidation into "*testi unici*" and, ultimately, a unified tax code has progressed with eight Consolidated Acts. The deadline for completing this process is now 31 December 2026 ([17]).

The PIT (IRPEF) reform aimed at simplifying the tax system and reducing the tax burden. It reduced the tax brackets from 4 to 3 (23%, 35%, then 33% as 2026, 43%) and extended to the employees the "no tax area" up to EUR 8 500 already set for - pensioners. Initially applied for the 2024 tax year only, the 2025 and 2026 Budget Laws have confirmed and refined this structure without further fundamental change.

The 2025 Budget Law ([18]) put forward a list of measures which aimed to rationalise tax expenditures. The law introduced a cap on PIT deductions for higher-income taxpayers, modulated by family composition; progressively reduced the rates of building and energy efficiency bonuses

[13] The share of gross operating surplus generated by the accounting, bookkeeping and tax consultancy sector provides an indication of the sector's economic importance. While not a direct measure of tax complexity, a comparatively large share may point to a relatively important professional services sector and, indirectly, to greater demand for specialised tax and accounting expertise.

[14] While some cross-border provision of accounting, tax consultancy and related services may be captured through imports and exports of services, available evidence suggests that such flows are relatively limited. In particular, data from the Eurostat's EU inter-country supply table at basic prices (reference year 2023) indicate that cross-national transactions in these services represent only a small share of overall activity, if any, suggesting that their impact on the interpretation of domestic sector size is likely to be limited.

[15] Law 9 August 2023, n. 111, "Delega al Governo per la riforma fiscale," entered into force on 29 August 2023

[16] By a subsequent amending law n. 120/2025

[17] The reform's progress can be tracked through MEF's dedicated pages and the Camera dei Deputati's parliamentary documentation dossier, both of which are updated as each decree moves through the legislative process.

[18] Law n., 207/2024.

(Ecobonus); and applied the standard 22% VAT rate to waste disposal operations, in place of the previously applicable reduced 10% rate ([19]).

A new Tax Code ([20]) (TUIR) consolidating the IRPEF and IRES rules into 377 articles will enter into force on 1 January 2027. The decree brings together and updates in a single regulatory framework the rules governing PIT (IRPEF) and CIT (IRES), overcoming forty years of accumulated layers and fragmented legislation. Although the measure is compilatory in nature (i.e., it consolidates existing law rather than introducing substantive changes), the Consolidated Code represents a large regulatory reorganization effort., ensuring consistency and legal certainty.

1.3. Measures of the non-observed economy and the shadow economy

Estimates of economic activities outside the formal economy are relevant for gauging tax gaps. The non-observed economy (NOE) is an official figure provided by national statistical authorities estimating all economic activities that may not be captured in the basic data sources used for compiling national accounts. It includes underground, informal, illegal, and household self-use production, as well as activities missed due to imperfect data collection ([21]). The shadow economy is an analogous but narrower concept— used in the economic literature and measured via macroeconomic models — that usually encompasses only legal, market-based productive activities deliberately concealed from public authorities to evade taxes or regulations. Due to limitations and methodological differences between the two approaches, model-based estimates of the shadow economy paradoxically often turn out to be considerably higher than NOE-based estimates.

Specifically, recent data from official sources ([22]) allow to estimate the size of the non-observed economy (NOE) in Italy at 13% of GDP for 2021 ([23]). The NOE comprises the underground economy (8.3%), while the contributions of the other components are much lower: 1.9% comes from the informal economy, 1.8% from the statistical deficiency and 1% from the illegal economy. Italy thus records a NOE above the EU average (7.4% of GDP) ([24]). The largest part of NOE is concentrated in 'Wholesale and retail trade' (2.9% of total GVA), 'Manufacturing' (1.9%) and 'Professional, scientific and technical activities' (1.9%). At industry level, the highest shares of NOE are presented by 'Accommodation and food service activities' (47.2% of its GVA), 'Other service activities' (46.7%), and 'Activities of households as employers' (46.8%).

Different models produce substantially different estimates for the shadow economy, reflecting the complexity of such estimation. As in most EU Member States, model-based estimates of the shadow economy for Italy are higher than the non-observed economy estimate

[19] This was part of the measures for the Medium-Term Fiscal-Structural Plan (MTP 2025-2029).
[20] Legislative Decree 117/2026.

[21] Statistical deficiencies (N7) are related to incomplete, not collected or not directly collectable data. See Fernandes, A. (2025), The non-observed economy in the national accounts: New evidence for EU and EFTA Member States - available at https://www.sciencedirect.com/science/article/pii/S0313592625000712 - for the definitions of the other components of NOE: Producers deliberately not registering (N1); Illegal economy (N2); Producers not required to register (N3); Registered legal persons not surveyed (N4); Registered entrepreneurs not surveyed (N5); Producers deliberately misreporting (N6). Informal economy = N3+N4+N5. Underground economy= N1+N6. In other words, the informal economy specifically covers unregistered or small-scale unincorporated enterprises run by households.
[22] For data and documents used for calculations by TAXUD, see Section 1.3 "Measures of the non-observed economy and the shadow economy" in Annex A to this report (Methods, Data and Assessment Framework of the Country Fiches)n.
[23] However, according to the latest estimates by the Italian Statistical Institute (ISTAT), the non-observed economy in 2023 was 10,2% of GDP. See https://www.istat.it/comunicato-stampa/economia-non-osservata-nei-conti-nazionali-anni-2020-2023/.
[24] The (unweighted) EU average does not include Luxembourg.

discussed above. In 2022, the shadow economy in Italy represented 20.3% of GDP, according to estimates by Schneider and Asllani for the European Parliament ([25]). This ratio is 2.4 percentage points above the EU-27 unweighted average and it has decreased compared to 2003 (26.5% of GDP in 2003). The report also indicates that self-employed workers, indirect taxes, personal income taxes and the level of unemployment are the main drivers of the shadow economy in Italy. Several other studies provide estimates of similar magnitude for the size of the shadow economy ([26]). However, using a currency demand approach (CDA), a recent study by EY ([27]) reports lower estimates for the Italian shadow economy at 7.8% of GDP in 2023 (EU average 7.9%), down from 10.2% in 2000 (EU average 13.2%).

2. Compliance tax gaps

2.1 Overview

Since the early 2000s, Italy has put in place dedicated tools to estimate various dimensions of the tax gap. A first tax gap team was created in the year 2000 and a fully-fledged tax-gap programme was formalised around 2016, powered by a multi-disciplinary team ([28]) of data scientist and economists. The work of the team does not rely on third party support, and the Italian tax gap is estimated annually by a Commission appointed by the Minister of Economy and Finance, with the participation of the Italian tax administration (*Agenzia delle Entrate* - Revenue Agency). The Commission prepares the "Report on the Unobserved Economy and Tax and Social Security Evasion" (commonly referred to as the Evasion Report) ([29]), which quantifies the shortfall in revenue related to the main State, regional and municipal taxes. To establish the tax gap, Italy reports using a hybrid methodology combining mainly top-down macroeconomic analysis – oriented at estimating the total tax liability and comparing it to the actual tax revenue collected - and bottom-up microdata modelling for robustness and distribution analysis purposes ([30]).

The overall compliance tax gap in Italy has been stable over the last years. According to official data ([31]), underground economy (*economia sommersa*) increased by 0.1 pps in 2023, standing at 9.2% of GDP. The compliance tax gap (the so-called "evasion propensity") was around 17.2% in 2023, a figure very close to that of the previous year (17.4%). In 2023, tax and social

[25] This study uses a MIMIC approach (Multiple Indicator Multiple Cause). European Parliament (2022), Taxation of the informal economy in the EU. Study available at: https://www.europarl.europa.eu/RegData/etudes/STUD/2022/734007/IPOL_STU(2022)734007_EN.pdf.

[26] See Fernandes op. cit. (2025) for an overview of various studies.

[27] Ministry of Economy and Finance (2026). Relazione sull'economia non osservata e sull'evasione fiscale e contributiva – Anno 2026.

[28] The program combines the efforts of the Department of Finance (MEF) -the central ministry responsible for economic modelling, formulating tax policies, and publishing the annual report on non-observed economy and tax evasion; the Italian Revenue Agency (Agenzia delle Entrate) -the agency responsible for risk analysis, developing data-driven frameworks to identify irregularities, and carrying out targeted audits; Guardia di Finanza (GdF) - Italy's specialized economic and financial police, acting as the primary enforcement arm for fraud investigation, tax evasion, and audits; the Italian National Institute of Statistics (ISTAT), which provides the macroeconomic benchmarks and data on the underground economy used in the gap calculations.

[29] Commissione per la redazione della Relazione sull'economia non osservata e sull'evasione fiscale e contributiva - MEF

[30] The team utilizes multi-sector Computable General Equilibrium (CGE) models, like ITAXCGE-DF, alongside the European Commission VAT Gap top-down methodologies to pinpoint evasion in irregular labour, corporate income tax (IRES), and personal income tax (IRPEF). The CGE model is utilized for behavioural analysis. The evasion rates employed within the CGE model effectively utilize a hybrid approach to account for distributional effects by household income deciles and by economic activity sector across branches.

[31] MEF – Relazione sull'economia non osservata e sull'evasione fiscale e contributiva, Aggiornamenti per gli anni 2019-2023 a seguito della revisione dei conti nazionali apportata dall'ISTAT, Commissione per la redazione della Relazione sull'economia non osservata e sull'evasione fiscale e contributiva - MEF.

security contribution evasion ranged between EUR 107.9 billion and EUR 112.8 billion, representing an increase of around 15 billion compared to 2022. This figure comprises approximately EUR 98.7–100.1 billion in lost tax revenues (around +6.8% compared to 2022) and EUR 9.2–12.7 billion in lost social security contributions (around +10% compared to 2022). The difference in the gap propensity between 2023 and 2022 (-0.2 pps) is due to a significant improvement in IRPEF (PIT) compliance regarding income from self-employment and business, which contributes approximately by 0.7 pps to the positive outcome. This result is partially offset by a negative impact on compliance for IRES (CIT) and VAT, which account for -0.3 and -0.2 pps, respectively. However, the evasion propensity has reduced by approximately 2.4 pps if compared to 2019, in line with the established target under the National Resilience and Recovery Plan.

Italy embarked on a number of structural reforms aimed at integrating the insights from tax gap estimation into the broader tax compliance framework and processes, thereby supporting long-term improvement in tax compliance. Since 2019, Italy has taken several measures to improve tax compliance, also under its recovery and resilience plan (RRP). These include extending mandatory e-invoicing (*sistema di interscambio*), which now covers all transaction types; increasing the data and analytical tools available for targeting audits and controls (including using daily data from electronic payments); and introducing penalties for refusing electronic payments. In 2022, different IT tools were introduced to promote tax compliance, improve audits, and improve controls by the tax authorities, while the pre-filled VAT return form was adopted in 2023 (see also Section 4). In recent years, Italy has taken significant steps towards promoting transparency, risk management, and collaborative relationships between taxpayers and the tax administration via the implementation of a "Cooperative Compliance programme" ([32]). Additionally, under successive Budget Laws, new enforcement timelines, digital retailer connections ([33]), and cooperative compliance rules have been rolled out to narrow the VAT-gap.

Italy leads the TADEUS/Fiscalis project on estimating tax gaps. The Fiscalis Project Group on Tax Gap Estimation, a collaborative initiative launched with the support of the European Commission, aims to develop a harmonised approach to estimating tax gaps across EU Member States. Italy has been in the lead of the first cycle of the project, which concluded in 2025, as well as its second cycle, launched in 2026 ([34]).

Despite these efforts, and a declining trend, the revenue loss related to tax evasion remains high. Italy successfully achieved the RRP target to reduce its compliance tax gap by 10% on average in years 2022-2023 compared to the reference value for year 2019. Nevertheless, the latest national estimates ([35]) put revenue loss from tax evasion in 2023 at between EUR 108-113 billion. The 2026 Budget law ([36]) includes the adoption of three additional measures planned under the RRP: data from electronic invoicing have been made directly available to the collecting agent; tax offsetting is now only allowed in cases where unpaid tax liabilities do not exceed EUR 50 000; a new fast-track VAT assessment procedure has been introduced in cases where

[32] In order to broaden the range of entities that can adopt a Tax Control Framework – regardless of their size – the Ministerial Decree of July 9 2025 implements the rules governing the optional regime for the adoption of a tax risk control system (a so-called optional TCF).
[33] The 2026 Budget Law, in line with one of the measures for the MTP extension, has established the transmission in real time to the Revenue Agency of digital payments via automatic cash register. This has led to EUR 11 billion of additional potential revenues in the first 8 months of 2026.
[34] For details, please refer to the TADEUS website, the FISCALIS programme website and the Final Report of the Project.
[35] Relazione-evasione-fiscale-e-contributiva-2025_Aggiornamento_11_12.pdf
[36] Law 199/2025

electronic invoices were issued but no annual VAT returns were filed. The 2026 Budget law also introduced a mandatory 1% withholding tax on PIT and VAT in B2B transactions aimed at incentivising tax compliance. This tax will take effect from 2029.

2.2 Compliance tax gaps in VAT

According to Italy's own national estimates, the VAT compliance gap in Italy was estimated at 20.3% of potential tax revenue in 2023 ([37]). Comparing to the previous year's national estimate, in 2023, a widening gap in absolute terms was recorded, driven by overall economic growth, and a slight increase in the propensity for VAT evasion was observed (+0.9 pps). However, compared to the 2019, the figure decreased by 2.3 pps.

For 2023, the VAT compliance gap ([38]) in Italy was estimated at around 15% of the VAT Total Tax Liability (VTTL) ([39]), or approximately EUR 25 billion, according to DG TAXUD's VAT gap in Europe study ([40]). After falling from around 19% in 2019 to 14.5% in 2022, it increased slightly again in 2023; however, remaining well below the 2019 level. Italy's VAT compliance gap was higher than the EU average of 9.5% in 2023. This small increase was linked to a decline in the growth in consumption of easily taxable, low risk goods (such as food and non-alcoholic beverages) and a rise in bankruptcy declarations.

At the same time, structural reforms included in the RRP for Italy have supported the long-term improvement in VAT compliance. The 2025 edition of the Mind the Gap report highlighted the contribution of structural reforms such as the expansion of mandatory e-invoicing and government support in the form of the *Superbonus 110* tax incentive scheme. Namely, mandatory e-invoicing, initially introduced for business-to-business transactions, has been extended systematically to business-to-consumer transactions, with a positive impact on tax compliance. Moreover, as of January 2024, taxpayers who adopt the flat-rate tax regime (the SME exemption scheme) are also subject to e-invoicing obligations. These measures have played a key role in improving compliance over recent years and are expected to continue to strengthen VAT collection in the future.

Another contributing factor to the reduction in the VAT compliance gap was the rising share of digital payments. According to ECB payment data, in Italy, unlike in some other Member States, this share did not decline in the post-COVID period but has been steadily rising every year. The value of card payments in Italy increased from 12% of GDP in 2019 to 14% of GDP in 2023 ([41]). To strengthen further this pattern, from January 2026, a new law requires Italian retailers

[37] Ministry of Economy and Finance (2025). Relazione sull'economia non osservata e sull'evasione fiscale e contributiva - Aggiornamenti per gli anni 2019-2023 a seguito della revisione dei conti nazionali apportata dall'ISTAT, Ministry of Economy and Finance (2026). Relazione sull'economia non osservata e sull'evasione fiscale e contributiva – Anno 2026.

[38] The VAT compliance gap is an estimate of revenues lost due to vat fraud, evasion and avoidance, bankruptcies and financial insolvencies, or miscalculations.

[39] The VAT Total Tax Liability (VTTL) is the theoretical tax revenue that would be collected in a situation of perfect taxpayer compliance, assuming an unchanged net VAT base.

[40] See European Commission, Syntesia, Poniatowski, G., Bonch-Osmolovsky, M., Śmietanka, A. et al., VAT gap in Europe – Report 2025, Publications Office of the European Union, Luxembourg, 2025, https://data.europa.eu/doi/10.2778/7868422.

[41] In correlation to this, the legal upper limit for cash transactions in Italy had been progressively lowered: from EUR 3 000 to EUR 2 000 in July 2020, and then to EUR 1 000 in January 2022, but was raised again to EUR 5 000 in 2023.

to report daily sales and the corresponding digital payments to tax authorities, cutting opportunities for VAT evasion and off-the-books sales ([42]).

2.3 Compliance tax gaps in corporate and personal income tax

As mentioned in Section 2.1, estimates on the size of the Italian PIT and CIT gap are regularly computed and published. The Italian Ministry of Finance and the Italian Revenue Agency (in cooperation with the National Institute of Statistics) jointly estimate the overall compliance tax gap using a top-down approach based on the size on the non-observed economy. Tax gap estimations are regularly published according to the different tax types. For both the CIT (IRES) and PIT (IRPEF), the Italian authorities conduct estimation of the filing, reporting and payment gaps, however in terms of measurement only the gross gap is calculated.

Based on recently published national figures ([43]), the Italian economy features a sizeable CIT compliance gap. The CIT gap in Italy increased by 1.2 pps between 2022 and 2023, from 18.6% to 19.8% of potential CIT revenue, although it is lower if compared to 2019 (-4 pps). In addition, the tax gap in relation to the regional tax on production activities (IRAP), which is also collected from corporate entities, increased from 9.9% in 2022 to 10.4% in 2023, and from EUR 2.9 billion to EUR 3.3 billion in nominal terms.

European Commission estimates also suggest a relatively high CIT compliance gap in Italy. Based on a methodology developed by the Joint Research Centre which relies on a top-down approach using national accounts data and estimates of the non-observed economy produced by national statistical offices, the CIT compliance gap of Italy is estimated at around 17.0% of collected CIT revenues based on 2021 data ([44]). Based on the same methodology, the (unweighted) average CIT compliance gap is 9.2% of collected CIT revenues across all Member States. Compared to an earlier estimate of around 19.9% in 2016, this indicates a decline over time, though remaining well above the EU average.

The PIT compliance gap in Italy increased slightly in 2023 according to national estimates, remaining very high. Compared to the previous year, in 2023, tax evasion of PIT increased both in terms of the share of the potential revenue ("evasion propensity" or gap) and in nominal values. The results for 2023 point to a PIT gap of 2.3% for irregular employees, 5.8% for employees subject to a regional PIT surcharge and 60.6% for self-employed ([45]). In particular, the tax gap for self-employed individuals decreased by 1.7 percentage points, compared to 2022, however it decreased in absolute terms by EUR 1 billion, reaching EUR 39.3 billion. Nevertheless,

[42] Introduced under Italy's 2025 Budget law – and in line with the MTP extension provisions - the new rule requires retailers to fully integrate all forms of accepted e-payment methods – including physical point-of-sale (POS) systems, mobile payment apps and online payment methods – with their electronic cash registers and to report digital payments alongside sales data to the tax authority.

[43] Ministry of Economy and Finance (2026). Relazione sull'economia non osservata e sull'evasione fiscale e contributiva – Anno 2026

[44] European Commission estimates are based on a top-down methodology for approximating CIT compliance gaps using national accounts data. The approach relies on exhaustiveness adjustments made by national statistical offices to Gross Operating Surplus, Gross Value Added and Gross Domestic Product in order to account for non-observed economic activity in the compilation of GNI. The method provides a harmonised proxy for domestic underreporting of corporate income, but does not capture all sources of CIT revenue losses, in particular those related to international profit shifting or other forms of legal tax optimisation. For further information on the data sources, underlying assumptions and methodological caveats, see Annex A to this report (Methods, Data and Assessment Framework of the Country Fiches).

[45] Upper bound estimates are here reported, see Table I.2 in Commissione per la redazione della Relazione sull'economia non osservata e sull'evasione fiscale e contributiva - MEF.

these data should be viewed in the context of a decline in the PIT compliance gap between 2019 and 2023 across all categories of taxpayers.

2.4 Other compliance tax gaps

The Commission continues its work on excise gap estimation, developing and scrutinising methodologies with experts from over 20 Member States, with the aim of delivering more robust estimates that better support policy and operational work. This work also illustrates Member States' growing engagement in the field.

The Italian Customs Authority estimates and publishes excise tax gaps for energy products as part of its broader annual tax-gap framework. Further, the country demonstrates an interest in strengthening EU cooperation on excise matters through its participation in the FISCALIS project group on Excise gap and Risk. In its 2025 Report Italy covered years 2019-2023. Its excise-gap analysis pertained to gasoline, diesel, automotive LPG, natural gas and electricity. The Report applies a top-down methodology: for fuels and LPG, it compares quantities released for consumption upstream in the supply chain with quantities supplied or dispensed downstream to end users; for natural gas and electricity, it compares volumes declared by distribution operators with volumes invoiced by sellers to final consumers. The resulting quantity differences are treated as potentially untaxed consumption. For 2023, the report shows that the excise gap was close to zero for gasoline, 9.8% for diesel, 2.1% for LPG, 6.5% for natural gas, and 14.4% for electricity ([46]).

Italy regularly estimates and publishes other compliance tax gaps. According to the latest available figures, the tax gap for the rental of estates has recorded a decrease of 1.5 pps compared to 2022, reaching 8.6% in 2023. Compared to 2022, there was a slight decrease in the tax gap for property taxes, which stood at 20.8% (-0.1 percentage points) in 2023, amounting to EUR 4.9 billion. At the regional level, it shows higher values in the southern regions, ranging from 39.2% of theoretical revenue in Calabria to 10.8% in Valle d'Aosta. In 2023, the national public broadcasting (RAI) fee gap was 10.9%, reporting an increase of 0.5 pps compared to the previous year.

3. Policy Tax Gaps

3.1 Tax expenditure reporting and evaluation

Italy publishes an overall tax expenditures report covering all taxes ([47]), according to which Italy had 573 tax expenditure measures in 2025 ([48]). Compared to 2024, forgone revenues due to tax expenditures have increased from EUR 105 billion (4.8% of GDP) to EUR 118.9 billion (5.6% of GDP) in 2025, despite a slight decrease in the overall number of reported tax expenditure measures ([49]). For 2025 measures, the largest share of tax expenditures (34%) is allocated to PIT (IRPEF) corresponding to EUR 83,8 billion of forgone revenues in 2026 (68% of total tax expenditures), followed by CIT (15.7% of forgone revenues). According to the Global Tax

[46] Ministry of Economy and Finance (2026). Relazione sull'economia non osservata e sull'evasione fiscale e contributiva – Anno 2026

[47] Italy defines tax expenditures from the legal perspective. As the VAT law explicitly foresees reduced rates, reduced VAT rates are not considered tax expenditures in Italy.

[48] RSF-2025-bis.pdf

[49] Only the financial impact on the following year (t+1) is taken into consideration. However, the overall impact of 2025 measures on the subsequent three-year period amounts to EUR 305.5 billion.

Expenditure Database, Italy's tax expenditures stood at 4.8% of GDP in 2024 and 3.9% in 2023, when they represented 15.49% of total tax revenues, down from 16.94% in 2022.

Italy's policy tax gap is substantial. The widespread use of special regimes and the large number of tax expenditures, including reduced rates and exemptions in value added tax as well as environmentally harmful subsidies, erode the tax base, resulting in significant revenue losses ([50]).

The tax reform process is still ongoing and includes the unresolved review of tax expenditures. While the Delegation Law expired in August 2026, the tax reform process is still ongoing, and certain aspects remain to be defined, including the comprehensive review of tax expenditures.

For 2026, the Council of the European Union recommended Italy to make its tax system more growth friendly. Among other things, it was suggested to cut remaining tax expenditures, including VAT-related ones as the number of tax expenditures (TEs) in Italy is still very high and their impact in terms of forgone revenues is larger than in previous years ([51]). This is also stressed both by the IMF and the OECD in their respective recent reports where it is recommended to rationalise tax expenditures also with a few to reducing tax complexity ([52]).

Italy's relatively high VAT policy gap is driven largely by the widespread use of reduced VAT rates and exemptions. Together with relatively low compliance, this further contributes to keeping VAT revenue as a share of GDP relatively low in Italy (6.6%) compared with the EU average (7.1%). Both the VAT rate gap (VAT revenue forgone due to reduced rates) and the national policy-driven VAT exemption gap (VAT revenue forgone due to VAT exemptions influenced by national policies) in Italy are higher than the respective EU averages (see section 3.2).

Compared to other Member States, tax expenditure reporting in Italy is well developed (overall ranked 5th according to the GTETI score) ([53])**.** According to the GTETI analysis, transparency in TE reporting in Italy is above the EU average overall. Figure 1 depicts the GTETI results for the five dimensions analysed in comparison to EU averages. Maximum value for each dimension is 20. Italy performs above the EU average on 'Institutional Framework', 'Methodology and Scope', 'Descriptive Tax Expenditure Data', and 'Tax Expenditure Assessment'. Italy is on par with the EU average on 'Public Availability' (9.33 vs 10.26). The strong performance on 'Tax Expenditure Assessment' reflects backward estimates, forward projections. The strong performance on 'Descriptive Tax Expenditure Data' reflects comprehensive policy objective information, beneficiary information, information on legal duration and sunset clauses, legal references for most tax expenditures. The strong performance on 'Institutional Framework' reflects a clear legal

[50] 2026 Italy Country report EU Semester: https://economy-finance.ec.europa.eu/document/download/508668f7-40b0-4a50-a473-339df4f93dbd_en?filename=IT_SWD_2026_212_1_EN_autre_document_travail_service_part1_v5.pdf

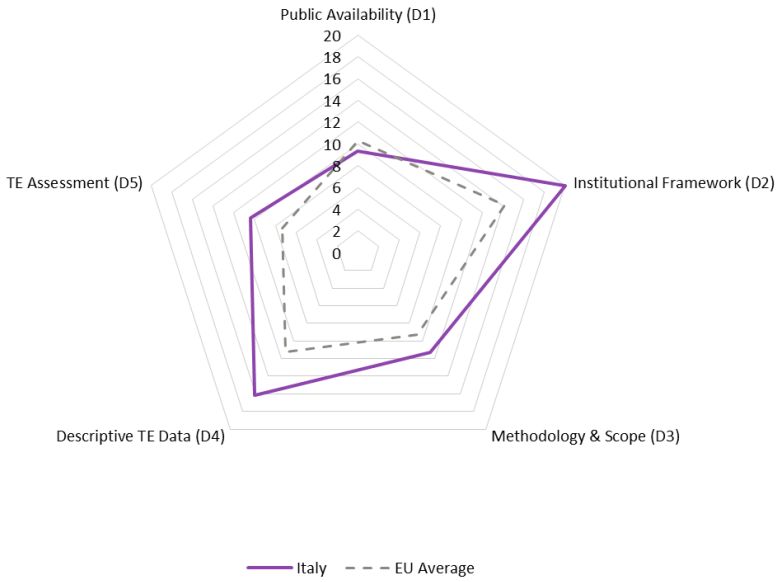
[51] See above https://economy-finance.ec.europa.eu/document/download/508668f7-40b0-4a50-a473-339df4f93dbd_en?filename=IT_SWD_2026_212_1_EN_autre_document_travail_service_part1_v5.p

[52] See IMF Staff Country Reports 2024, 240; 10.5089/9798400283963.002.A001 and OECD (2024), OECD Economic Surveys ITALY, OECD Economic Surveys: Italy 2024 (EN).

[53] See the Global Tax Expenditures Transparency Index (GTETI) companion paper (2026) and Annex A to this report (Methods, Data and Assessment Framework of the Country Fiches) for details. The GTETI summarises information in five dimensions. These are (1) Public availability — whether a TE report exists and is accessible; (2) Institutional framework — its legal mandate, periodicity, and integration into the budget process; (3) Methodology and scope — the benchmark definition, estimation method, and coverage of taxes; (4) Descriptive tax expenditure data — the granularity and classification of reported provisions; and (5) Tax expenditure assessment — the quality of revenue-forgone estimates and whether TEs are evaluated for effectiveness.

requirement to report, mandatory parliamentary submission, integration in the budget proposal, integration in the medium-term strategy, clear institutional responsibility.

Figure 1: Italy vs EU average — GTETI v2.1 dimension scores (max 20 per dimension)



Source: GTETI v2.1.

Italy has no formal, institutionalised framework for the ex-post effectiveness evaluation of tax expenditures. The governing legal basis established an obligation of annual monitoring and reporting and does not compel systematic assessment of whether measures achieve their objectives, nor a multiyear evaluation cycle. Beyond the statutory reporting channel, Italy's ex-post effectiveness evaluation of tax expenditures is conducted on an ad-hoc, measure-specific basis. The principal actor is the *Ufficio parlamentare di bilancio* (UPB), the independent fiscal council, which produces evaluative analysis through hearings, focus papers, and dedicated chapters of its budget-policy reporting. The *Corte dei conti*, the supreme audit institution, contributes issue-specific audits of individual reliefs. These outputs are analytically substantive but selective.

Italy has undertaken several ad hoc evaluations in recent years. Italy's independent fiscal council (*Ufficio parlamentare di bilancio*) has for example evaluated Industria/Transizione 4.0 tax incentives and found the effectiveness to be greater for smaller firms. The results however are explicitly not generalisable to the whole population ([54]). UPB has also reviewed the superbonus for buildings and energy relief and identified reasons for cost-overruns. Ex post monitoring has been suggested ([55]). The president of UPB in a hearing in 2023 emphasised the importance of ex post evaluation for tax measures with considerable fiscal implications ([56]).

According to the Italian Court of Auditor and the European Commission ([57]), the growing use of substitute and flat-rate regimes weaken progressivity and erode the tax base, resulting in significative loss. In particular, the flat-rate regime (*regime forfettario*) for VAT-

[54] UPB, 2025.
[55] Memoria sul DL 39/2024, UPN, 2024.
[56] Full report and website, UPB, 2023.
[57] See 2026 Country Specific Recommendations, recital 19, and European Semester: Country Report - Italy (Brussels: Directorate-General for Economic and Financial Affairs, 2026).

registered sole traders has reached over two million beneficiaries, with an estimated cost in terms of lost revenue of approximately EUR 3.4 billion for 2025, significantly higher than the original projections, and with a progressive growth of 24.7% in the number of people using the regime compared to 2019 ([58]).

Italy has a strong legal framework for the systematic assessment of tax expenditures. The annual reporting obligation, the five-year review mechanism, and the mandate of the enabling act (Law no. 111/2023) together provided a solid basis for an organic reform of TE. However, with the delegation deadline set at 29 August 2026, the window for a comprehensive overhaul is now closed. In practice, the revision has not yet been adopted. The commitments made in the Medium-Term Fiscal-Structural Plan — targeting a reduction of approximately EUR 7.5 billion by 2028 — point to a more limited and selective ambition, clearly falling short of what the legal framework originally envisaged and what the scale of the problem — EUR 119 billion in forgone revenue, or 5.3% of GDP — would require.

3.2 Policy tax gaps in VAT

Rather than changing the headline VAT rates (still 22%/10%/5%/4% since 2023), Italy has mostly adjusted the base. Italy has done so by narrowing the base in some instances (more exemptions and reduced rates), especially for non-profits and social enterprises ([59]). A reduced VAT rate was introduced for art sales, flagged as a notable easing for that market.

The VAT policy gap in Italy (national policy-driven VAT exemption gap and VAT rate gap) is slightly above the EU average in 2023. Revenues forgone due to the application of reduced rates and national policy-driven exemptions reached nearly EUR 110 billion in 2023 ([60]). The national policy-driven VAT exemption gap ([61]) was estimated at around EUR 45 billion in 2023, or 12% of the notional ideal revenue ([62]), while the EU average was 11%. The VAT rate gap ([63]) was estimated at around EUR 65 billion in 2023, or 17% of the notional ideal revenue, higher than the EU average of 12%.

Food and beverages account for over 40% of forgone revenue from reduced VAT rates in 2025 in Italy, followed by Restaurants and accommodation ([64]). Specifically, according to

[58] Summary of the Financial State report 2025, published on 26 June 2026, available at: https://www.corteconti.it/HOME/Documenti/DettaglioDocumenti?Id=10ebb9b4-11cd-4613-a1e1-700006d9484a.

[59] Legislative Decree No. 186/2025 extended and clarified VAT exemptions for "third sector" entities (non-profits/social enterprises), covering healthcare, education, and social welfare services, with exemptions running until 2036, and applied a reduced 5% rate to social services provided by social enterprises.

[60] See European Commission, Syntesia, Poniatowski, G., Bonch-Osmolovsky, M., Śmietanka, A. et al., VAT gap in Europe – Report 2025, Publications Office of the European Union, Luxembourg, 2025, https://data.europa.eu/doi/10.2778/7868422.

[61] The national policy-driven VAT exemption gap represents the part of the VAT policy gap that can in principle be influenced by national policies on VAT exemptions. In practice, it consists of revenue forgone from services falling under Article 137 (such as real estate and certain financial services), from the SME scheme, and from national exemptions applied under standstill clauses or derogations. The VAT policy gap refers to the revenue lost due to the application of VAT exemptions and reduced, super-reduced, and zero VAT rates on selected products.

[62] The notional ideal revenue is the benchmark VAT revenue that assumes perfect taxpayer compliance in a situation where the current standard VAT rate is applied to all final consumption and household, government, and NPISH investment.

[63] The VAT rate gap refers to the portion of the VAT policy gap resulting from revenues lost due to the application of reduced, super-reduced, and zero VAT rates on selected products.

[64] The VAT rate gap is analysed here using EUROMOD's household consumption tool. No behavioural adaptation is considered. Note that VAT rates are mostly not an efficient tool for redistributive policies, in part due to incomplete pass-through to consumer prices, in part due to limited targeting of reduced rates. For more details on assessing the impacts of reduced VAT rates with EUROMOD, see Turrini et al. (2024), Tax Expenditures in the EU: Recent Trends and New Policy

microsimulations 'Food and beverages' accounts for the largest share of forgone revenues at 40.6%, close to the EU mean share of 39.8%. 'Restaurants and accommodation' is ranked second at 21.6%, close to the EU mean share of 20.4%. 'Housing, water and electricity' ranks third at 13.7%, well above the EU mean share of 8.5%. These three categories account for 75.9% of Italy's total forgone revenues from reduced rates.

The estimated redistributive effect of Italy's reduced VAT rates is mostly driven by those for food and beverages. Overall, Italy's reduced VAT rates lower inequality as measured by the Gini coefficient by 0.85 pps and, above the EU average reductions of 0.50 pps**.** More specifically, the category 'Food and beverages' explains 56.9% of the redistributive effect, contributing 0.48 pps, above the EU mean contribution of 0.32 pp. This is followed by the category of 'Housing, water and electricity', representing 16.4% of the total effect, and contributing 0.14 pps, above the EU mean contribution of 0.07 pp.

3.3 Policy tax gaps in corporate income tax

A small number of large tax expenditure programmes account for the bulk of competitiveness-related tax support in Italy ([65]). The largest measure is the Transition 4.0 investment tax credit, with an estimated fiscal cost of EUR 5.75 billion in 2025. The scheme provides tax credits for investments in new capital goods, namely tangible and intangible Industry 4.0 assets, with the generosity of the credit varying according to the type of investment and investment period. It constitutes the central tax instrument supporting business investment and digitalisation. The second largest measure is the Transition 5.0 investment tax credit, estimated to cost EUR 3.12 billion in 2025, which supports investments contributing to both digital transformation and energy efficiency improvements as part of Italy's green transition strategy. A further major measure is the special deduction for new permanent employment, with an estimated fiscal cost of EUR 1.34 billion in 2025. Under this temporary scheme, firms hiring additional employees on permanent contracts can deduct 120% of the eligible labour cost from their taxable income, with even higher deductions available for certain disadvantaged worker categories ([66]).

Similarly, on the policy side, **Italy did introduce a temporary CIT rate reduction (Mini-IRES).** This represents a 20% reduced corporate income tax rate as an alternative to the standard 24% IRES, only for the financial year (FY) 2025, conditional on companies reserving 80% of the FY 2024 profits and investing them in qualifying assets while maintaining employment. This policy choice, which reduces effective CIT revenue, has not been prolonged in 2026.

3.4 Policy tax gaps in personal income tax

The largest personal income tax provisions reported in Italy's 2025 tax expenditure report is the aggregate of building bonuses, at roughly EUR 38.0 billion in 2026. It is

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Challenges, European Commission, European Economy Discussion Paper 212; Ricci et al. (2026), Fiscal Costs and Redistributive Effects of Reduced VAT Rates in the EU, European Commission, European Economy Discussion Paper 244; Trzcinski and Amores (2026), The VAT Policy Gap and Redistribution in the European Union 2025, European Commission, Seville, JRC14876; and Annex A to this report (Methods, Data and Assessment Framework of the Country Fiches).

[65] While Missione 11 – Competitività e sviluppo delle imprese includes some measures outside the corporate income tax system, the largest programmes broadly correspond to CIT-related tax expenditures supporting business investment, innovation and firm competitiveness.

[66] See tax expenditure provisions No. 147 (Transition 4.0), No. 158 (Transition 5.0) and No. 156 (enhanced deduction for new permanent employment)in Tavola 1 – Spese fiscali erariali per missione di spesa, Missione 11: Competitività e sviluppo delle imprese.

followed by the additional deduction for employees, at EUR 8.6 billion, and the exclusion of the single allowance (*Assegno unico*) from taxable income, at EUR 5.6 billion. The fourth largest provision is the deduction of 19% of health, medical, and specific-assistance expenses, at EUR 4.9 billion. Together these four provisions account for the bulk of the EUR 83.9 billion forgone revenues related to PIT in 2026, illustrating how a small number of measures drive most of the reported revenue loss ([67]).

The cost of building bonuses will strongly decline. The building bonuses (comprising the Superbonus, Ecobonus, Sismabonus, and the renovation bonus) are the single largest driver of the IRPEF total. Their financial effect falls from about EUR 38.0 billion in 2026 to EUR 27.5 billion in 2027 and EUR 12.4 billion in 2028. The decline reflects the closing of the windows for the enhanced reliefs, as the system returns to ordinary regimes and more contained percentages.

Several of the largest personal income reliefs do not appear in the tax expenditure report as they are considered structural provisions. The base deduction for employee income, the deduction for pension income, and the detractions for family dependants are treated as structural components of IRPEF (PIT) rather than as tax expenditures. These base detractions represent a substantial amount of forgone revenue, estimated at around EUR 55 billion per year ([68]).

Tax simulations suggest that PIT-related tax expenditures in Italy in 2025 have a progressive effect ([69]). PIT-related tax expenditures imply revenue forgone equal to 20.6% of actual PIT revenues (above the EU average of 19.1%) ([70]). PIT-related tax expenditures reduce the Gini coefficient by 1.20 pps compared to an EU average reduction of 0.46 pps. The reduction of the tax burden implied by those tax expenditures profits poorer households relatively more. Overall, tax expenditures related to PIT in Italy are progressive and result in good distributional outcomes at relatively moderate costs.

Work-related tax expenditures account for the largest share of revenue forgone (16.9% of PIT revenue). Work-related tax expenditures (16.9% of PIT revenue) reduce the Gini coefficient by 1.14 pps. Tax expenditures related to family, pensions, housing, health, education and other (3.5% of PIT combined) have a negligible distributional effect. The measures related to work are progressive, providing relatively higher disposable income increases for low-income households compared to richer households.

[67] Commissione per le spese fiscali, Rapporto annuale sulle spese fiscali 2025, Ministero dell'Economia e delle Finanze, Rome, June 2026.

[68] Osservatorio sui Conti Pubblici Italiani (Università Cattolica del Sacro Cuore), Le spese fiscali: effetti finanziari e redistributivi di una possibile revisione, April 2023.

[69] Simulations are based on EUROMOD and do not account for behavioural changes. For more details on assessing the impacts of tax expenditures in the PIT with EUROMOD, see Turrini et al. (2024), Tax Expenditures in the EU: Recent Trends and New Policy Challenges, European Commission, European Economy Discussion Paper 212; Leventi et al. (2026), Personal Income Tax Expenditures in the EU, European Commission, Seville, 2026, JRC148748; and Annex A to this report (Methods, Data and Assessment Framework of the Country Fiches).

[70] According to the European Commission's taxation trends data, PIT revenues in Italy amounted to approximately EUR 273.6 billion in 2024. This would imply revenue forgone of approximately EUR 56.4 billion due to PIT tax expenditures according to the microsimulation (20.6% of EUR 273.6 billion).

4. Effectiveness of tax administration

4.1 Registration/identification of taxpayers

Italy applies a partially integrated tax identification framework. The *Codice Fiscale* (CF) constitutes the primary identifier for individuals and some entities, while businesses, freelancers, and self-employed individuals receive a separate Partita IVA (VAT number) - creating a distinct but linked framework for personal and business taxation ([71]).

Italy has implemented a fully digitalised and automated registration process. It allows taxpayers - including non-EU entities - to self-register online via the Revenue Agency's portal. The fiscal letter box", a personalised taxpayer portal, provides real-time access to essential tax information, such as domicile details, refund statuses, payment records, compliance with VAT (including VIES validation) or other taxes, and administrative communications - thereby simplifying interactions and reducing administrative burdens ([72]).

Italy maintains highly accurate taxpayer databases through real-time third-party data integration. For personal income tax (PIT), records are automatically updated via employer reports (CU Form), financial disclosures (Modello 770), property transactions (Land Registry), and healthcare data (Tessera Sanitaria). Corporate income tax (CIT) data is dynamically refreshed through mandatory e-invoicing (SDI system), Chamber of Commerce filings, and payroll submissions. The VAT database, accessible via a public interface, allows instant verification of VAT numbers, business status, and group affiliations, while internal systems cross-check financial reports, tax registries, and customs data to ensure consistency and fraud prevention ([73]).

Italy maintains a dedicated e-commerce register, supporting streamlined oversight of online sellers through direct, automatic, and electronic registration under the OSS/IOSS schemes. The system leverages the existing VAT number for consistency while partial and manual cross-referencing data with VIES, DAC7 and CESOP ([74]) data is carried out to detect undeclared activities. Collaboration with customs authorities, formalised via inter-agency agreements, further enhances data validation, though full automation of cross-checks remains under development ([75]).

Italy adopts a proactive risk assessment framework to prevent fraudulent registrations and ensure tax compliance. The system integrates structured pre-registration due diligence, including manual verification checklists, open-source data screening, and validation of the applicant's business role, particularly for non-EU taxable persons and IOSS intermediaries. While no sector-specific mechanisms target unregistered businesses, the VAT database is systematically cross-checked against third-party sources, such as local business registers and open-source intelligence, to identify inconsistencies. Applicants deemed high-risk may receive follow-up

[71] Business - Agenzia delle Entrate

[72] Findings based on Member States' annual reporting (mostly 2025-2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection.

[73] Idem and https://www.agenziaentrate.gov.it/portale/730-2026/che-cos-cittadini, https://www.agenziaentrate.gov.it/portale/imprese/dichiarazioni

[74] The Central Electronic System of Payment Information (CESOP) is an EU-wide system established under Directive (EU) 2020/284 to support the fight against VAT fraud in e-commerce. It requires payment service providers to report cross-border payment data on a quarterly basis to national tax authorities, which then transmit the information to CESOP. The system centralises and analyses this data, enabling Member States to detect undeclared online sales, identify fraudulent traders, and enhance administrative cooperation in combating cross-border VAT fraud.

[75] Findings based on Member States' annual reports (mostly 2025-2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection.

questionnaires, with credential issuance conditionally denied if responses are not provided, reinforcing ex-ante compliance controls.

Italy's VAT identification number qualification and invalidation processes are rather slow. Follow-up actions to EUROFISC ([76]) fraud risk alerts or signals on potential missing traders may be slowed down by the national administrative procedure, in conformity with legislative provision for the safeguard of the operators. This is particularly the case for invalidation, which can limit the rapid reaction needed to contain MTIC fraud and prevent further VAT losses. In particular, before any invalidation decision is taken, the taxable person is given a period to provide evidence that its activities are genuine and non-fraudulent, which can delay the swift withdrawal of the VAT identification number.

4.2 Tax filing and assessment

Italy has advanced digitalisation in tax filing and assessment, with near-universal e-filing adoption and targeted pre-filling for PIT/VAT, though CIT pre-filling remains absent and integration of third-party data is still developing ([77]).

Italy's filing processes are increasingly digitalised, underpinned by RRP reforms. Structural reforms under the Recovery and Resilience Plan (RRP) have expanded mandatory e-invoicing (covering since recently all transactions), enhanced data analytics for audits (using electronic payment data), and introduced penalties for refusing digital payments. These measures aim to enhance compliance and reduce revenue loss (estimated at EUR 107–112 billion in 2023 from tax evasion) ([78]).

Pre-filling relies on transactional data but excludes CIT and some third-party sources. Italy automatically pre-fills PIT and VAT returns (using e-invoices, cross-border transaction and telematic cash-register data) ([79]). However, broader integration of third-party platform and online marketplace data remains an area of ongoing development. Real-time compliance checks include automated alerts for missing VAT returns (with a 90-day regularisation window) and compliance letters flagging anomalies (e.g. mismatches between invoices and declared turnover or deducted VAT).

E-filing adoption is universal, reducing compliance burdens. Italy achieved 100% e-filing rates for CIT, PIT, and VAT in 2024 ([80]), reflecting advanced digitalisation that lowers administrative costs and enables automated fraud detection. This efficiency gain allows reallocation of resources to targeted enforcement.

Taxpayer support combines digital tools with assisted services. The Revenue Agency provides multi-channel assistance, including video-assisted appointment and a virtual tax counter, alongside self-service options like tax calculators, deadline extensions, and secure document uploads via mobile app or personalised portal. The system prioritises accessibility, offering tailored support for taxpayers with disabilities or complex queries. Italy does currently not use Artificial

[76] EUROFISC is the European network of national tax officials and anti-fraud experts established to combat cross-border Value Added Tax (VAT) fraud.
[77] International Survey on Revenue Administration data. https://data.imf.org/en/datasets/ISORA:ISORA_LATEST_DATA_PUB
[78] Relazione-evasione-fiscale-e-contributiva-2025_Aggiornamento_11_12.pdf
[79] International Survey on Revenue Administration data. https://data.imf.org/en/datasets/ISORA:ISORA_LATEST_DATA_PUB
[80] Ibidem

Intelligence directly for taxpayer services. However, in the agreement between the Revenue Agency and the Ministry of Economy and Finance for the years 2026-2028, the agency committed itself to gradually introduce AI based systems to provide taxpayers with simpler and more efficient services.

Italy makes relatively efficient use of data obtained through the automatic exchange of information (AEOI), however there is scope for improvement. Under the Directive on administrative cooperation in the field of taxation (DAC) ([81]), there are notable differences in how data is used depending on its nature. While DAC2 ([82]), and DAC7 ([83]) information is thoroughly used in the fields of personal and corporate income taxation, and VAT where relevant, the situation is different regarding DAC1 ([84]) data which is only partly used ([85]). The identification of taxpayers concerned in Italy is very efficient for DAC2 and DAC7: in 2025, the matching rate measuring success in identifying registered taxpayers with DAC data ([86]) is 97% for DAC2 and 94% for DAC7 (over the EU-average, 92% and 86% respectively). However, it is only 70% for the main categories of DAC1 ([87]), below the EU average (84%). In this respect, the TIN validation tool proposed in the recast of the Directive on Administrative Cooperation will provide a strong basis for Italy (and other Member States) to approach a 100% automatic matching rate, ultimately allowing for a more efficient and targeted deployment of resources. Once the taxpayers have been identified, Italian tax authorities use the available data for a various range of activities: awareness campaigns, tax risk assessment to detect possible undeclared income ([88]) and, if relevant, tax assessments or general audits. In Italy, this use is not only relevant for personal income tax, but also for risk analysis, as tax authorities make use of the most recent exchange of information on income from digital platforms (DAC7). Overall, Italy monitors the outcome of the use of data, which leads to increase in tax base assessed and tax assessed.

Italy is relatively less active in VAT administrative cooperation ([89]). In 2024, Italy sent 1 754 requests for information to tax authorities of other Member States, representing a decline from 2023 (-21.4%) ([90]). Italy received 1 603 requests in 2024. Based on a standardised measure,

[81] Sources: Yearly Assessment 2026

[82] Council Directive 2014/107/EU of 9 December 2014 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation: automatic exchange of information on financial accounts

[83] Council Directive (EU) 2021/514 of 22 March 2021 amending Directive 2011/16/EU on administrative cooperation in the field of taxation: automatic exchange of information on income from digital platforms

[84] Council Directive 2011/16/EU of 15 February 2011 on administrative cooperation in the field of taxation and repealing Directive 77/799/EEC: automatic exchange of information on income from employment, pensions, director's fees, immovable properties, life insurance products, royalties

[85] Italy uses data on income from employment, but it is unclear whether Italy makes a systematic use of DAC1 information on income from and ownership of immovable property (IP), whereas it could be relevant for detecting taxpayers concerned by the tax on the ownership of property held abroad.

[86] The matching rate indicates to what extent a Member State has been able to identify their taxpayers in their national tax databases with information received from other Member States under the DAC. Such matching is necessary to ensure that the data can be used for tax compliance purposes. The matching rates mentioned in this report are based on the metrics approved by the tax authorities in the TADEUS meeting of December 2024.

[87] Income from employment, pensions, director's fees, immovable properties.

[88] Tax risk assessment is a key element of modern tax administration. It allows tax authorities to identify situations where specific taxpayers or arrangements may pose an increased risk to their jurisdiction and require further actions in terms of compliance. In general, EU tax authorities use automated methods based on domestic data and information received from other jurisdictions.

[89] Based on Council Regulation (EU) No 904/2010 of 7 October 2010 on administrative cooperation and combating fraud in the field of value added tax (VAT), as subsequently amended, the EU and Member States' national tax authorities cooperate to help ensure the correct application of VAT rules on cross-border transactions.

[90] The data is assessed based on the annual statistics, provided pursuant to Commission Implementing Regulation 79/2012 (Annex IV) and presented to the Standing Committee on Administrative Cooperation (SCAC)

taking into account the relative size of the Italian economy, Italy is below the EU weighted average on both the number of requests sent and the number of requests received ([91]).

Italy records limited results in automatic exchange of VAT information. Italy reported 1 739 VAT identification numbers allocated to taxable persons not established in the Member State. Based on a standardised measure, taking into account the relative size of the Italian economy, Italy is well below the EU weighted average on the VAT identification numbers allocated to taxable persons not established in IT ([92]).

4.3 Compliance risk management

Italy's compliance risk management system is increasingly data-driven and integrated, though persistent evasion in high-risk sectors demands ongoing attention. The revenue agency operates under a centralised compliance strategy that prioritises digitalisation and data-informed risk assessment. Annual VAT gap estimates guide targeted interventions, with segmentation focusing on high-risk sectors like self-employed professionals (59.8% income gap in 2022). Risk management is embedded at the highest decision-making levels, using national data sources (e-invoicing, electronic payments, POS linkages ([93]) and EU tools (DAC7, VIES, OSS/IOSS), though CESOP integration remains manual and case-based due to data quality constraints and limited functionalities. Audit follow-up is systematic, with EUROFISC coordination supporting cross-border cases (e.g. a 2025 e-commerce pilot recovering EUR 11 million in VAT) ([94]).

Advanced data analytics and AI enhance risk segmentation and fraud detection. Italy deploys predictive models (supervised/unsupervised) and network analysis to detect sophisticated non-compliance, including VAT carousel fraud and shell company schemes. The VeRa AI system cross-references financial data, while social network analysis visually maps taxpayer connections to identify missing trader fraud. Since 2024, Italy has strengthened its VAT compliance risk assessment through advanced analytics that identify and cluster taxpayers by risk of VAT evasion. It has also developed TaxnetVA, a network analysis tool that integrates multiple data sources to visualise relationships between economic entities, helping detect suspicious transaction chains associated with intra-Community VAT fraud ([95]). Ethical safeguards (data protection compliance, anonymised data, 10-year retention limits) ensure transparency, with AI outputs serving not as automated triggers but as decision-support tools. Textual analysis algorithms classify e-invoices by goods/services descriptions, further refining risk segmentation ([96]).

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[91] The standardised measure normalises the number of requests per EUR 1 billion of GDP, allowing for comparison relative to the size of the economy. In 2024, Italy sent 0.80 requests per EUR 1 billion of GDP compared to an EU weighted average of 1.60 requests sent per EUR 1 billion of GDP; and received 0.73 requests per EUR 1 billion of GDP compared to an EU weighted average of 1.59 requests received per EUR 1 billion of GDP.

[92] The standardised measure normalises the number of requests per EUR 1 billion of GDP, allowing for comparison relative to the size of the economy. In 2024, Italy reported 0.79 VAT identification numbers allocated to taxable persons not established in the Member State per EUR 1 billion of GDP compared to an EU weighted average of 7.77 VAT identification numbers per EUR 1 billion of GDP.

[93] It refers to Italy's recent requirement to create a logical connection between electronic payment instruments (POS terminals and similar payment systems) and RTs (Registratori Telematici, i.e., fiscal cash registers/receipt-reporting systems). The linkage allows the Italian Revenue Agency to correlate electronic payments with the corresponding reported sales receipts.

[94] Findings based on Member States' annual reports (mostly 2025-2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection.

[95] OECD (2025), Tax Administration 2025: Comparative Information on OECD and other Advanced and Emerging Economies, OECD Publishing, Paris, https://doi.org/10.1787/cc015ce8-en.

[96] Ibidem.

Italy's compliance strategy is increasingly based on behavioural insights and proactive tools to foster voluntary adherence. Italy applies nudging techniques e.g. tailored communication and proactive tools such as near real-time e-invoice/e-payment monitoring, automated alerts for filing inconsistencies (e.g. VAT turnover mismatches), and pre-filled PIT and VAT returns. The 2026 Budget Law introduced a 1% B2B withholding tax (in effect from 2029) and fast-track VAT assessments for non-filers to act as a deterrent against non-compliance. It also introduced the possibility for the Revenue Agency to determine the annual VAT settlement in case the taxpayer failed to file his/her VAT return. Further, since 2025 tailored communication is also used to improve tax compliance in the cadastral sector.

CESOP data is used for targeted investigations - thereby uncovering tax evasion - but faces operational challenges. Italy manually cross-references CESOP data with national/EU databases (VIES, DAC7, OSS/IOSS) to investigate high-value e-commerce traders (e.g. 2025 pilot targeting traders with more than EUR 50 million in payments, uncovered EUR 11 million in VAT evasion). However, data quality issues, such as inconsistent PSP reporting or non-standardised payee IDs and IT/resource constraints limit scalability. A dedicated anti-fraud team (business/IT specialists) is working to improve automation and real-time fraud detection, with EUROFISC coordination supporting cross-border recoveries ([97]).

Italy also uses reports exchanged automatically under the DAC, i.e. DAC3 ([98]), DAC4 ([99]) and DAC6 ([100]) for risk-analysis purposes in the field of CIT. The Italian tax authorities identified successfully 91% of the taxpayers concerned by DAC3 and 92% of the entities concerned by DAC4 reports (the EU average being 97% and 92% respectively), and 100% of the taxpayers concerned by DAC6. DAC3 and DAC4 reports are broadly used for risk-assessment purposes (e.g. to identify risks related to transfer pricing, base erosion and profit shifting, harmful tax practices) and possible follow-up actions as general tax audits, therefore supporting the fight against tax evasion and avoidance. As regards more specifically the use of DAC6 data, while there is a strong focus on hallmarks category D (circumvention of automatic exchange of information and concealment of the beneficial owner), Italy continues to further develop and improve its systems with a view to integrate in a more comprehensive manner all the data.

Italy's tax gap analysis drives targeted compliance risk management (CRM) strategies, linking compliance improvements to specific reforms. Annual national VAT gap estimates (19.7% in 2023, down from 22.3% in 2019), published transparently by an independent expert commission, reveal that EUR 2 billion in reduced evasion (3.8% of VTTL) stemmed from traceability reforms (mandatory e-invoicing, electronic receipts, POS-RT linkages) and structural measures (split

[97] Ibidem

[98] Council Directive (EU) 2015/2376 of 8 December 2015 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation: automatic exchange of information on rulings and advanced pricing arrangements.

[99] Council Directive (EU) 2016/881 of 25 May 2016 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation: automatic exchange of information on country-by-country reports of multinational entities.

[100] Council Directive (EU) 2018/822 of 25 May 2018 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements.: automatic exchange of information on potentially tax-harmful cross-border arrangements.

payments, reverse charge). The analysis informs risk prioritisation, with economic cycles and taxpayer behaviour (e.g. response to digitalisation) shaping interventions ([101]).

4.4 Audits

Italy's audit system integrates AI-driven behavioural predictions to optimise enforcement strategies. The Revenue Agency conducts single-issue, comprehensive, and anti-evasion audits, alongside desk/limited-scope reviews, with annual targets set via agreements with the Ministry of Economy and Finance (MEF). Since 2025, AI-based indicators – trained on historical audit data, tax returns, e-invoices, and payment records – predict taxpayer responses to audits, enabling local offices to design targeted audit plans. These tools help prioritise cooperative taxpayers for swift resolution while focusing intensive enforcement on high-risk profiles, enhancing both efficiency and effectiveness ([102]). Annual audit reports (published on the MEF website) track progress in combating evasion and service improvements and ensure transparency. Recent RRP reforms, e.g. fast-track VAT assessments, further strengthen audit effectiveness, though a new mechanism to automatic discharge tax arrears after five years has been recently introduced.

Taxpayer segmentation focuses on high-impact areas such as large taxpayers. The Large Taxpayer Office (LTO), covering entities based on income, taxes, assets, sector, and associated entities, does not include a High-Net-Worth Individual (HNWI) programme. Despite representing only 2.6% of FTEs (2024), the LTO accounts for 30.7% of total revenue, though its audits yield just 13.4% of total audit revenue ([103]). Audits concerning online sales (e-commerce) seem to be part of the general risk frameworks, and data from DAC7/OSS or electronic payments used for that purpose ([104]).

Italy makes limited use of advanced instruments of administrative cooperation provided for in Directive on administrative cooperation in the field of taxation and Regulation 904/2010 to facilitate cooperation on specific cross-border issues. Such instruments entail multilateral controls (MLCs) such as simultaneous controls, joint audits and presence in administrative offices and administrative enquiries (PAOEs). The synergies between participating Member States derived from these coordinated activities usually lead to an increase in the tax assessed and, therefore, contribute to reduce the tax gap. Between 2023 and 2025 Italy has initiated 1 MLC and 4 PAOE, and has participated in 11 MLC and 4 PAOE, representing respectively 0.9%, 6.2%, 3.8% and 3.1% of the total of these operations ([105]).

4.5 Payment and collection

Italy's e-payment adoption is rising but remains below EU averages, with cash restrictions tightening. In 2024, 77.3% of payments were electronic (up from 66% in 2018), though still far below the EU average (94.4%) ([106]). While no 2024 data exist for on-time payment compliance, CIT, PIT, and VAT payments are typically made via traceable methods (banking/electronic channels), with cash restricted to transactions under EUR 5 000. Since 2022,

[101] Findings based on Member States' annual reports (mostly 2025-2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection).
[102] Ibidem
[103] International Survey on Revenue Administration data. https://data.imf.org/en/datasets/ISORA:ISORA_LATEST_DATA_PUB.
[104] Ibidem.
[105] EU AIAC Statistics -2023-2025
[106] Ibidem

electronic payment refusal incurs penalties, and since 2026, POS-cash register alignment (mandatory for retailers, professionals, and shared-terminal businesses) automatically matches payments to digital receipts, uncovering EUR 11 billion (up to August 2026) in undeclared revenue and boosting VAT collections by nearly EUR 1 billion in five months. Non-compliance (e.g. unlinked POS terminals) triggers 90% VAT penalties (min. EUR 500), business suspensions (15 days–2 months), or 6-month closures for repeat offenders (EUR 50k+ evasion) ([107]).

Italy's VAT refund system combines digital validation with reformed penalties. Refunds are processed via an online portal with automated IT validation to flag errors and ensure timely high-value payments, while the 2024 penalty reforms introduce a proportional, graduated system: 120%/75% for late/omitted declarations, 70% for inaccuracies (halved if self-corrected), and 25% for late payments (reduced for minor delays). Fraud penalties remain stringent, but safe harbours protect good-faith taxpayers, and criminal liability now triggers only for unresolved VAT debts (EUR 75k+ threshold) persisting past 31 December of the following year ([108]).

In 2024 ([109]), Italy enacted a reorganisation of the national collection system to make the national and local collection systems more efficient through the setting of performance targets and the simplification of recovery procedures, promoting the use of advanced technologies and interoperability of systems. The reform sought to reduce the role of the collection agent, concentrating on measures that, on one hand, encourage spontaneous compliance by taxpayers and, on the other, accelerate and limit the *Agenzia delle Entrate-Riscossione*'s remit to debts with higher prospects of recovery ([110]). The main measures introduced include i) annual planning of collection activities, including grouping of credits by taxpayer tax code, with specific performance targets; ii) extension of the maximum instalment plan from 72 to 120 instalments, with revised insolvency assessment criteria; iii) early discharge mechanism allowing creditor entities to reclaim uncollected credits from the collection agent; iv) a new compensation procedure enabling the offset of outstanding tax debts against tax refunds due to the same taxpayer; v) revised rules on collection from jointly and severally liable co-debtors, balancing Treasury credit protection with taxpayer defence rights, and vi) closer logistical integration between the *Agenzia delle Entrate* and the *Agenzia delle Entrate-Riscossione*.

4.6 Tax debt recovery

Italy's stock of uncollected tax debt is a significant structural fiscal challenge. The stock of tax arrears in Italy remains very high. The closing stock of arrears at year-end represented 178.6% ([111]) of total tax revenue collected in 2024, a slow but steady decline from 180.8% and 181% in the two preceding years. Of the total stock, only 5% is considered collectable, a share that has remained essentially stable since 2018 ([112]), reflecting the extent to which accumulated arrears consist of credits that are legally uncollectable, relate to deceased taxpayers or dissolved entities, or are subject to ongoing insolvency proceedings.

[107] Findings based on Member States' annual reports (mostly 2025-2026) under Article 12, Regulation (EEC, Euratom) No 1553/89 (VAT own resources collection)
[108] Ibidem
[109] By Legislative Decree n. 110 of 29 July 2024, adopted under Article 18 of the delegation law n. 111/2023.
[110] https://www.programmagoverno.gov.it/it/approfondimenti/riforme-di-rilievo-del-governo/riforme-di-rilievo-del-governo/riforma-fiscale/dlgs-riscossione/
[111] This figure includes also old tax arrears that cannot be cancelled due to legal constraints. A technical commission has officially been settled in 2024 to tackle this issue.
[112] International Survey on Revenue Administration data. https://data.imf.org/en/datasets/ISORA:ISORA_LATEST_DATA_PUB

Recently adopted measures are expected to enhance the efficiency of tax collection. The 2024 collection reform introduced structural mechanisms to reduce the historical huge amount of stock tax areas. An automatic five-year discharge mechanism for new credits where collection proves impossible, with creditor entities then deciding whether to attempt further recovery directly, entrust the debt to private operators, or re-entrust it to the agency if new assets emerge. A technical commission established by the MEF to examine the historical stock proposed writing off EUR 408.5 billion of credits deemed irrecoverable — accumulated across over 27.6 million tax bills affecting some 9.3 million taxpayers — largely relating to deceased individuals, dissolved companies, bankrupt entities, or positions that have prescribed. In parallel, the government has repeatedly used settlement schemes (*rottamazioni*) to encourage voluntary payment, the most recent being the *Rottamazione Quinquies* introduced by the 2026 Budget Law (L. 199/2025), which allows settlement of debts entrusted to the collection agency between 1 January 2000 and 31 December 2023, waiving penalties and interest, with instalment payments over up to nine years.

In Italy, the same recovery rules and practices apply across all tax types. Tax recovery authorities are permitted to exchange information with insolvency administrators regarding assets that may be used to satisfy unpaid claims in insolvency proceedings, including information obtained from other Member States under the DAC ([113]). However, a practical obstacle may arise for foreign tax authorities seeking to lodge claims in Italian insolvency proceedings: creditors are required to hold an Italian Tax Identification Number (TIN). While this requirement poses no difficulty for domestic creditors, foreign tax authorities typically do not hold an Italian TIN, making the process more burdensome and costly for them to participate as creditors in Italian insolvency proceedings.

Italy monitors the costs and efficiency of tax recovery actions through the Revenue Agency and the Court of Auditors. Cost-benefit analysis (CBA) in tax recovery is not formally required in most routine tax recovery operations. However, Italy has conducted ex-ante and ex-post assessments of tax enforcement strategies — for example, evaluating: i) whether deploying more auditors increases net revenue; ii) the efficiency of automated controls vs. human audits. Italy's Revenue Agency uses KPIs extensively in tax recovery.

Regarding cross-border recovery assistance within the EU, Italy submits compliant requests to other Member States. Italy's recovery requests to other Member States generally comply with requirements, focusing on well-established claims. Three recovery requests were suspended because of contestation of the claim in 2025, while 719 requests for recovery were sent to other Member States in the same year. Italy also use DAC data to identify debtors that hold assets or get income from abroad, which is a good practice.

[113] Reply from Italy to the Commission Survey on Article 27