Council of the European Union

Brussels, 12 December 2025
(OR. en)

16801/25
ADD 15

FISC 371
ECOFIN 1739

COVER NOTE

From:	Secretary-General of the European Commission, signed by Ms Martine DEPREZ, Director
date of receipt:	11 December 2025
To:	Ms Thérèse BLANCHET, Secretary-General of the Council of the European Union
No. Cion doc.:	SWD(2025) 421 annex
Subject:	COMMISSION STAFF WORKING DOCUMENT Mind the Gap Report Challenges and opportunities for tax compliance and tax expenditure in the EU - Italy

Delegations will find attached document SWD(2025) 421 annex.

Encl.: SWD(2025) 421 annex

EUROPEAN
COMMISSION

Brussels, 11.12.2025
SWD(2025) 421 final

PART 16/29

COMMISSION STAFF WORKING DOCUMENT

Mind the Gap Report
Challenges and opportunities for tax compliance and tax expenditure in the EU

Italy

Country fiche: Italy

Summary box: Areas of Strength and Areas for Improvement

Areas of Strength

- **Italy has made important steps with respect to the digitalisation of the whole tax administration**, with high adaption rates for the digital indicators and the existence of a digital transformation strategy facilitating also the interaction with the taxpayer. Furthermore, the tax administration has put in place systems allowing for the use of artificial intelligence to analyse and cross-reference a wide range of taxpayer financial data. Altogether, these improvements have proved beneficial to the overall tax compliance environment.
- **The Italian tax administration has invested substantially in capacity building in terms of tax gap estimations and estimates the tax gap annually using complementary methods.** Moreover, different to most of the Member States that engage in tax gap estimations, Italy publishes their tax gap estimations every year. Prevention and enforcement activities are positioned at the highest levels of the decision-making hierarchy and are used to identify priorities within the overall tax compliance strategy.

Areas for Improvement

- **While the personal income tax compliance in Italy is continuing to improve slightly**, **tax evasion propensity remains high.** In particular, self-employed individuals account for the largest part of the tax evasion presenting a tax income gap of 59.8% in 2022 (60.9% in 2021). According to estimates, they evade more than half of their tax burden for an estimated value of around EUR 37 billion. In 2025, Italy received a country-specific recommendation that includes further fighting tax evasion.
- **Despite improvements, the stock of tax arrears in Italy remains among the highest in the EU**, **while the overall recovery capacity remains ineffective.** The revenue collected in 2022 by the Italian tax administration amounted to 53.5% of total government revenue. To increase the efficiency of the audit's functions, Italy could for instance exchange experiences and good practice in the use of different tools and collaborate (joint audits) with the corresponding authorities of other Member States. At the same time, of the EUR 72.3 billion in tax evasion assessed in 2024, the actual recovered amount stood at EUR 12.8 billion (17.7%). According to 'Corte dei Conti' (Court of Audit), the widespread expectation of future amnesties might be pushing many taxpayers to postpone payments, hoping for subsequent amnesties or the possibility of evading government enforcement action.
- **While Italy has a comprehensive monitoring and reporting system on tax expenditures (TEs), their number is still very high and their impact in terms of forgone revenues is larger than in previous years**. Although the total number of TEs decreased in 2024 compared to 2024, according to the Commission for Fiscal Expenditures, significant revenues are foregone due to TEs. In 2025 these are budgeted to result in foregone revenues of EUR 119

billion, representing about 11.4% of total government tax revenues collected and 5.8% of GDP. In 2025, Italy received a country-specific recommendation to make the tax system more conducive to growth including by reducing remaining tax expenditures.

1. Snapshot of Tax System: Tax Revenues and their Sources

In Italy, tax revenues as a percentage of the country's GDP are above the EU average. In 2023, total tax revenues amounted to 41.4% of GDP compared to the EU-27 average of 39% ([1]). The largest source of tax revenues were labour taxes (48.8% of tax revenues vs. EU average of 51.2%), followed by consumption taxes (26.0% of tax revenues vs. EU average of 26.9%) and capital taxes (25.1% of total revenues vs. EU average of 21.9%). Among the different tax types, VAT revenue amounted to 15.9% of total tax revenues (EU average of 18.3%) and 6.6% of GDP (EU average of 7.1%).

Italy is currently under an Excessive Deficit Procedure. The Council has recommended that Italy puts an end to the excessive deficit situation by 2026. According to that Recommendation ([2]), Italy should ensure that net expenditure growth does not exceed 1.3% in 2025 and 1.6% in 2026.

Progressivity of labour taxation contributes to reducing income inequality in Italy. In 2024, 23.1% of people in Italy were at risk of poverty or social exclusion, which is 2.1 percentage points higher than the EU average ([3]). Furthermore, the 2024 Gini Index for equivalised disposable income is also above the EU average (32.2% vs 29.3%) ([4]). Overall, the tax and benefit system reduced income inequality (measured as the difference in Gini coefficients before and after taxes and benefits) by 7.6 percentage points in 2023, broadly in line with the EU average ([5]). Finally, labour taxation is quite progressive in Italy. The difference in the tax wedge ([6]) between high-income earners (167% of average wage) and low-income earners (67% of average wage) was the second largest in the EU (15.9 percentage points) in 2024, compared to an average of 7.8 percentage points.

2. Monitoring of Compliance Gaps

2.1. Overview

Italy reports to have tools in place to estimate its tax gap. 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), which quantifies the shortfall in revenue related to the main State, regional and

---

[1] Data on tax revenues are based on European Commission: Data on Taxation Trends, edition 2025 (reference year 2023). The 2026 edition (reference year 2024) will be published in the first quarter of 2026. Preliminary data point to a downward revision of tax revenue data for 2023 (to 41.2% of GDP), followed by an increase of total tax revenues to 42.4% of GDP in 2024: https://doi.org/10.2908/GOV_10A_TAXAG.

[2] https://www.consilium.europa.eu/en/press/press-releases/2025/01/21/stability-and-growth-pact-council-adopts-recommendations-to-countries-under-excessive-deficit-procedure/

[3] European Commission, Eurostat [ilc_peps01n]

[4] European Commission, Eurostat [ilc_di12]

[5] European Commission, DG EMPL calculations based on EU-SILC survey data.

[6] The tax wedge is defined as the sum of personal income taxes and employee and employer social-security contributions net of family allowances, expressed as a percentage of total labour costs (the sum of the gross wage and social-security contributions paid by the employer). Data are based on European Commission, DG ECFIN: Tax and Benefits Database.

municipal taxes. This report is submitted to the Parliament and made public. Prevention and enforcement activities are positioned at the highest levels of the decision-making hierarchy and are used to identify priorities within the overall tax compliance strategy to be pursued. The Italian's Revenue Agency tax compliance strategy includes: 1) the Policy Guidelines issued by the Minister of Economy and Finance ([7]), the three-year Agreement and the Agency's Strategic Plan; 2) risk analysis to determine the frequency and likelihood of the risk and the related consequences, typically involving both central and regional offices; 3) prioritisation linking the results of the previous analysis with an assessment of constraints and available resources; 4) risk Treatment tools made available to regional offices (such as analytical applications, selective lists, and control directives) to enable the selection of taxpayers and the initiation of audit activities; 5) monitoring and evaluation aimed at monitoring both the activities carried out (e.g., number of audits) and their outcomes (e.g., amount recovered), as well as assessing the effectiveness of the actions taken in reducing the risk factor.

Available official data ([8]) reports that fiscal evasion in 2022 was estimated at EUR 102.7 billion ([9]), of which approximately EUR 90.3 billion in lost tax revenue and EUR 12.3 billion in lost social contributions revenue. This represented an increase of EUR 3.6 billion (+3.6%) compared to 2021, of which EUR 2.87 billion resulted from the evasion of taxes (+3.3% compared to 2021) and EUR 0.73 billion from the evasion of social contributions (+6.3% compared to 2021). The tax gap reduction is more marked over a longer time span. In fact, in the period 2018-2022, the tax gap decreased from 19.6% to 17%, with a drop of 2.6 percentage points and approximately EUR 3.1 billion in absolute value.

In recent years, the Italian tax authorities have put in place several actions to fight tax evasion. These include: 1) strengthening the exchange of information and international cooperation tools; 2) strengthening coordination and complementarity among tax administration's sectors; 3) strengthening legal certainty and improving the relations between tax authorities and taxpayers; 4) optimizing the quality of controls ([10]). The guidelines contained in the National Recovery and Resilience Plan (RRP) aim to reduce the tax gap through different actions, such as improving the quality of the information available to the tax administration; strengthening compliance by adopting a customer-oriented approach; reviewing the organizational and functional structure of the tax administration and recruiting specific professionals.

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. As part of the RRP, the Government set the goal of reducing the "propensity to evade" by 5% in 2023 compared to the figure forecasted for 2019. Conversely, this target was raised to 15% for 2024. These results, according to the Government's intentions, should be achieved by June 2026.

[7] Economic and Financial Document (DEF), https://www.mef.gov.it/en/documenti-pubblicazioni/doc-finanza-pubblica/def/index.html.

[8] MEF - Relazione sull'economia non osservata e sull'evasione fiscale e contributiva - Anno 2025, https://www.mef.gov.it/export/sites/MEF/documenti-pubblicazioni/rapporti-relazioni/documenti/Relazione-evasione-fiscale-e-contributiva-2025_2310_ore1230.pdf

[9] It was EUR 85.6 billion in 2020 and EUR 108.4 billion in 2017.

[10] Ministero dell'Economia e delle Finanze, Relazione sull'economia non osservata e sull'evasione fiscale contributiva - anno 2023, available at https://www.mef.gov.it/ministero/commissioni/rel_ev/index.html

Furthermore, according to recent findings, ([11]) by the fourth quarter of 2024, the reform process envisaged by the RRP, as it concerns the tax system, would have reached approximately 45% completion. In 2024, the objective of improving the operational capacity of the Financial Administration (in accordance with the 2021-2023 Performance Plan) was achieved by hiring approximately 8000 new resources. Operational capacity was improved by also reviewing the public spending for this purpose ([12]).

2.2. Monitoring VAT Compliance Gap

In Italy, the VAT compliance gap ([13]) has declined almost continuously between 2019 and 2023, falling by more than 4 percentage points from 19% to 15% ([14])amounting in 2023 to EUR 25 billion**.** Despite the steady improvements over the last 5 years, Italy still ranked only 20th among EU Member States in 2023, with a VAT compliance gap still considerably higher than the EU average of 9.5%.

Several sectoral and economic developments may help explain why the VAT compliance gap did not continue to decline in 2023. Household final consumption in recreational services, restaurants, and accommodation services grew by almost 12%, although the growth rate was stronger in 2022. Similarly, overall demand for tourism, measured by nights spent in tourist accommodations, grew by 8.5% in 2023. These sectors are typically associated with lower compliance levels, so that their expansion may have offset some of the positive structural effects on compliance. In addition, bankruptcy rates increased by 7% in 2023, reflecting the phasing out of COVID-19 support measures. Since the VAT compliance gap also captures VAT revenues lost due to bankruptcies and insolvencies, these developments may also have contributed to the stagnation of the VAT compliance gap between 2022 and 2023.

At the same time, structural reforms have supported the longer-term improvement in compliance. Since 2019, Italy has progressively expanded mandatory e-invoicing (Sistema di Interscambio). Initially introduced for business-to-business transactions, it has been extended systematically to business-to-consumer transactions. 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

---

[11] Fondazione Openpolis, Open PNRR - Fisco e revisione della spesa https://openpnrr.it/tema/fisco-e-revisione-della-spesa/ (visitato il 19 novembre 2024).

[12] Pwc, Stato del Sistema Fiscale Italiano 2024.

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

[14] 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.

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 ([15]).

Moreover, as a specific feature, in 2021, Italy experienced a very substantial reduction in the VAT compliance gap, by almost 5 percentage points, which was continued by a further decline in 2022. This coincided with extraordinary growth in Italy's housing construction sector, largely driven by government support in the form of the *Superbonus 110* tax incentive scheme, which allowed a 110% deduction for energy efficiency and other home improvement expenditures. Since the construction sector is widely perceived to be susceptible to shadow economy activity, government financial assistance, which incentivizes the reporting of activity in this sector, may have leaded to reduction in VAT evasion. While the impact of the *Superbonus* on VAT compliance in the construction sector was likely substantial ([16]), this is not necessarily the case for overall VAT compliance, as the share of the gross fix capital formation in the VTTL is relatively low in Italy. In 2019, before the introduction of the *Superbonus*, this share for Italy was 11%, as compared with the EU average of 16% ([17]). The progressive phasing out of the *Superbonus* tax incentive after 2022 may explain the raising of the VAT compliance gap registered in 2023 as compared the previous years ([18]). In the context of the VAT compliance gap, it is worth noting that recreational services, restaurants, and accommodation services grew in nominal household final consumption in 2023 (12%), although their growth rate was higher in 2022. Similarly, overall demand for tourism, as measured by nights spent in tourist accommodations, grew at a significantly lower rate in 2023 (8.5%) compared to 2022 (42.5%).

In 2023, VAT losses in Italy due to Missing Trader Intra-Community (MTIC) fraud ([19]) were estimated at around EUR 1 billion ([20]). They displayed an overall decreased trend. The average forgone revenue for the period between 2010 and 2023 due to MTIC fraud was estimated at 0.5–1.5 percentage points of the actual VAT revenue. The central estimate accounted for approximately 4% of the VAT compliance gap.

2.3. Corporate and Personal Income Tax Compliance Gaps and Measures of the Shadow Economy

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 (with the cooperation of the National

---

[15] 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 from 2023.

[16] Based on simplified assumptions, of this investment being fully reported for VAT purposes and fully subject to a 10% VAT rate, it has been estimated that for the period 2021-2023, the impact of the increased housing investment lowered the VAT compliance gap by an average of 0.5 percentage points per year.

[17] This low share was partly a consequence of the lower-than-average share of GFCF in GDP.

[18] https://www.ilsole24ore.com/art/casa-il-taglio-detrazioni-rischio-evasione-aumento-10-miliardi-piccoli-lavori-AHDVWEdB.

[19] Missing Trader Intra-Community (MTIC) fraud is a form of VAT fraud that exploits VAT-free cross-border trade within the EU. Fraudsters purchase goods VAT-free from another Member State, sell them domestically, charge VAT to their customers, and disappear before paying this VAT to the tax authorities.

[20] European Commission, CASE, Poniatowski, G., Śmietanka, A., and Skowronek, A., *VAT compliance gap due to Missing Trader IntraCommunity (MTIC) Fraud – Final Report Phase II*, Publications Office of the European Union, Luxembourg, 2024, https://data.europa.eu/doi/10.2778/6433841.

Institute of Statistics) jointly estimate the overall tax compliance gap using a using a top-down approach based on the size on the non-observed economy ([21]). Tax gap estimations are regularly published according to the different tax types.

Based on recently published figures, the Italian economy features a sizeable CIT compliance gap. According to the most recent estimations ([22]), the CIT gap in Italy increased by 1.4 percentage points between 2021 and 2022, from 18.1% to 19.5% of potential CIT revenue, and by EUR 2.7 billion in nominal terms (EUR 7.6 billion in 2021 vs EUR 10.3 billion in 2022) ([23]). In addition, the tax gap in relation to the regional tax on production activities (IRAP), which is also collected from corporate entities, declined from 16.4% in 2021 to 12% in 2022, and from EUR 4.9 billion to EUR 3.6 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 (European Commission, 2025) which relies on a top-down approach using national accounts data, the CIT compliance gap in Italy was at around 20% of collected CIT revenues in 2016 (using the GVA-based methodology), the fourth highest figure among available Member States' estimates ([24]). Based on the same methodology, the (unweighted) average for the CIT compliance gap is 10.9% of collected CIT revenues based on available estimates for 23 Member States. According to the same methodology, industry-specific CIT gap is particularly high in the following sectors: accommodation and food service activities (more than four times of the economy-wide CIT gap), arts and entertainment (around two and half times), wholesale and retail trade, as well as professional and scientific activities (around two times). Construction, transportation and administrative activities also display a higher-than-average sectoral CIT gap.

The PIT compliance gap in Italy is slightly declining but remains very high. Compared to the previous year, in 2022, tax evasion of PIT decreased as a share of the potential revenue (the so-called "evasion propensity" or gap) for all categories, although in nominal values it has slightly increased. The results for 2022 point out to a PIT gap of 2.1% for irregular employees, 5.7% for employees subject to a regional PIT surcharge and 59.8% for self-employed. In particular, the tax gap for self-employed

[21] For the methodology, see https://www.mef.gov.it/export/sites/MEF/documenti-allegati/2024/Relazione-2024.pdf section II.1

[22] MEF – Relazione sull'economia non osservata e sull'evasione fiscale e contributiva, anno 2025., https://www.mef.gov.it/export/sites/MEF/documenti-pubblicazioni/rapporti-relazioni/documenti/Relazione-evasione-fiscale-e-contributiva-2025_2310_ore1230.pdf

[23] CIT gap figures refer to *imposta sul reddito sulle società* (IRES).

[24] European Commission: Directorate-General for Taxation and Customs Union (2025), *The Corporate Income Tax Gap, A European approach to measuring losses in corporate tax revenues*, Publications Office of the European Union, https://data.europa.eu/doi/10.2778/0541549. The JRC has recently developed a novel approach to estimate the CIT gap based on National Accounts and existing data on the undeclared economy, providing approximations of the CIT gap for a majority of EU Member States. JRC's estimations are based on the exhaustiveness adjustments made to Gross Operating Surplus (GOS), Gross Value Added (GVA) and Gross Domestic Product (GDP), that national statistical offices perform to account for non-observed economy. The JRC approach does not capture CIT gaps associated with tax avoidance and (international) profit shifting, which would require other estimation methods.

individuals decreased by 1.1 percentage points, compared to 2021, but remained very high at around EUR 37 billion ([25]).

The size of the shadow economy in Italy is above EU average. In 2022, the shadow economy in Italy represented 20.2% of its GDP, according to estimates by a report for the European Parliament ([26]). This ratio is almost 3 percentage points above the EU-27 unweighted average (17.5%) and has been following a slight decline over the past decade (21.6% of GDP in 2012). According to the study, the most significant drivers of the shadow economy in Italy can be attributed to self-employment, followed by indirect taxes and unemployment. According to estimates from the Italian national statistical institute (ISTAT), in 2023 the overall shadow economy ([27]) was worth EUR 198 billion (around 10.2% of GDP), with an increase of EUR 15.1 billion compared to 2022. ([28]). The large difference among estimates can depend on the methodological approach chosen. Italy has been implementing several policy measures to detect and prevent households and businesses to enter the shadow economy activities. In addition, various tax and regulatory reforms have been implemented to incentivise the exit from the informal sector.

2.4. Other Compliance Gaps

Italy regularly estimates and publishes other compliance gaps. According to the latest available figures, the tax gap for rental of estates has recorded an increase of 2.3 percentage points compared to 2021, reaching 10.1% in 2022. Compared to 2021, a decrease is reported for excise duties on energy products, at 5.1% (-4.4 percentage points), and property taxation, at 20.9% (-0.5 percentage points) in 2022 ([29]).

3. Monitoring of Policy Gaps

3.1. Tax Expenditures

Italy has a comprehensive reporting system on tax expenditure (TEs). The tax expenditure monitoring procedure (Legislative Decree 160/2015) provides two instruments with distinct characteristics. On the one hand, the programmatic report, which is published at the end of September with the Economic and Financial Document (Nota di aggiornamento *Documento di Economia e Finanza* – NADEF) under the exclusive responsibility of the Government, and that is of a purely political nature. On the other hand, the Annual Tax expenditure review Report, which is entrusted to the Commission for Fiscal Expenditure (CFE) as a technical body, published later in the year, as an annex to the Budget

[25] MEF – Relazione sull'economia non osservata e sull'evasione fiscale e contributiva, anno 2025., https://www.mef.gov.it/export/sites/MEF/documenti-pubblicazioni/rapporti-relazioni/documenti/Relazione-evasione-fiscale-e-contributiva-2025_2310_ore1230.pdf
[26] European Parliament (2022), Taxation of the informal economy in the EU. https://www.europarl.europa.eu/RegData/etudes/STUD/2022/734007/IPOL_STU(2022)734007_EN.pdf
[27] The shadow economy estimate does not include illegal activities, which are estimated at EUR 20 billion in 2023.
[28] Report-ECONOMIA-NON-OSSERVATA-NEI-CONTI-NAZIONALI_ANNO2023.pdf
[29] MEF – Relazione sull'economia non osservata e sull'evasione fiscale e contributiva, anno 2025, available at https://www.mef.gov.it/export/sites/MEF/ministero/commissioni/rel_ev/documenti/pdf1_Relazione-evasione-fiscale-e-contributiva-2025_2310_ore1230.pdf

Law. It is worth noting that the reform of European economic governance necessitates the alignment of national legislation, currently under development, through revisions to public finance documents; consequently, the publication procedures for the Programmatic Report will undergo changes.

According to the Commission for Fiscal Expenditures ([30]), significant revenues are foregone due to TEs: for 2025 ([31]) these are budgeted to result in foregone revenues of EUR 119 billion ([32]), representing about 11.4% of total government tax revenues collected and 5.8% of GDP ([33]). According to the Annual Tax Expenditures Report ([34]), the largest tax expenditures for 2025 are under the heading "Housing and Urban Planning" with approximately EUR 63.5 billion, followed by "Competitiveness and Business Development" (EUR 19.6 billion) and "Social Rights, Social Policies, and Family" (EUR 8.3 billion). The CFE's analysis also highlights that the Italian system of tax expenditures is characterized not only by the significant amounts of expenditure and uncollected revenues — as deviation from the normal regime and legal standards — but also by the very high number and variety of expenditure measures ([35]). However, the number of measures decreased from 625 in 2024 to 575 in 2025. Although, the number of tax expenditures decreases compared to 2024, their impact in terms of forgone revenues is larger. Furthermore, according to the Global Tax Expenditure Database (GTED) ([36]), the TEs were 4.79% of GDP in 2024 ([37]) and 3.89% in 2023, when they also represented 15.49% total tax revenues compared to 16.94% in 2022 ([38]).

3.2. VAT Policy Gap

The VAT policy gap in Italy remains above the EU average. In 2023, it was estimated at 55% of the notional ideal revenue (EUR 209 billion) ([39]), compared with around 51% for the EU as a whole ([40]). This marked a minimal increase of 0.2 percentage points compared to 2022, and around 1 percentage point compared to 2019.

The VAT exemption gap amounted to EUR 144 billion in 2023, equivalent to 38% of the notional ideal revenue, broadly in line with the EU average. This represents a decrease by approximately

---

[30] In 2015, Italy established the Commission for Fiscal Expenditures with the aim of analysing and reporting on fiscal expenditures.

[31] Financial effects of 2024 measures on 2025 revenues.

[32] RAPPORTO ANNUALE SULLE SPESE FISCALI 2024.

[33] European Commission calculations based on: i) the estimations of tax revenues (including social security contributions) by Ministry of Economy and Finance (MEF) presented in the "Documento di Finanza Pubblica" (April 2025) and ii) 2025 GDP forecasted by ISTAT in the Economic outlook 2025-2026.

[34] RAPPORTO ANNUALE SULLE SPESE FISCALI 2024.

[35] https://www.mef.gov.it/export/sites/MEF/documenti-allegati/2024/RSF-2024.pdf.

[36] It is important to remark that, differently from official sources, GTED considers the spent amounts instead of the budgeted amounts.

[37] Data for 2025 are not available.

[38] TEs as percentual of total tax revenues for 2024 is not available.

[39] 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.

[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.

1 percentage point from 2022 (39%). Over the longer term, however, the VAT exemption gap in Italy has fluctuated and increased by about 0.5 percentage points since 2019.

The VAT rate gap at EUR 64 billion in 2023, or 17% of the notional ideal revenue, is considerably higher than the EU average of 12%. It rose by 1 percentage point compared to 2022 (16%), and by between 0.6 and 2 percentage points over the period 2019 to 2023.

These increases reflect VAT statutory rates decisions introduced in 2020, many of which remained in place. In 2023, Italy reduced VAT on feminine hygiene products and baby products (reduction then repealed in 2024), and face masks; extended the 5% VAT on natural gas until September 2023; and maintained a reduced 10% VAT on pellet sales. Furthermore, the reduced VAT rate of 5% on district heating services was extended for the first quarter of 2023. Together, these measures resulted in an increase of the VAT rate gap by 1.1 percentage points in 2023.

The national policy-driven VAT exemption gap ([41]) was estimated at EUR 46 billion in 2023, equivalent to almost 12% of the notional ideal revenue, compared with an EU average of 11%. This means that the national policy-driven VAT exemption gap remained relatively stable between 2022 and 2023, although this represents an increase of more than EUR 16 billion since 2019.

Overall, Italy's VAT policy gap has remained relatively stable in recent years, estimated values around 55%. However, the composition of its elements – VAT rate gap, national policy-driven VAT exemption gap – has shifted somewhat over the analysed period. While revenues from consumption taxes as a share of GDP were close to the EU aggregate in 2023, VAT revenues as share of GDP are relatively low (6.6 percentage points) in Italy as compared to 7.1 percentage points in the EU, due to the widespread use of reduced VAT rates and VAT exemptions. In 2025, the Council has recommended in its Country Specific Recommendations (CSR) to Italy to make the tax system more conducive to growth, by further fighting tax evasion, reducing the labour tax wedge and the remaining tax expenditures, including those related to value added tax and environmentally harmful subsidies.

4. Effectiveness of Tax Collection and Recovery Systems

4.1. VAT Collection

Despite the Commission's advice, Italy did not introduce any changes related to registration, deregistration and identification of taxpayers since 2022. Contrary to most of the other MS, Italy has not yet in place a practice to inform taxpayers online about their VAT-related obligations and provide for online registration. It also fails to keep records of applicants whose registration requests have been denied, and it does not have in place processes to detect taxpayers who fail to register and focus on specific economic sectors with a significant number of unregistered businesses. Nevertheless,

[41] 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 reduced VAT rates and 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 information held in the VAT registration database is cross-checked against third-party information sources and it integrates a risk assessment procedure in the registration process ([42]).

Italy implemented measures to relieve the tax and administrative burden on small and medium-sized enterprises. It has raised its VAT registration thresholds, allowing micro businesses to benefit from VAT exemption. In 2024, in the context of the implementation of the VAT SME Directive (2020/285), Italy also increased the turnover thresholds determining the VAT payment periods. The changes increased the turnover threshold to EUR 500 000 for supplies of services instead of EUR 400 000 and for supplies of goods to EUR 800 000 instead of EUR 700 000.

To improve the efficiency of the tax system as recommended by the CSR, Italy has recently substantially reorganised the national tax, including VAT collection system ([43]). There has been continuous progress in helping taxpayers comply with tax laws. Services have become more efficient and better adapted to internal challenges. A major focus has been on making compliance easier, largely through a better use of IT, prefilled tax declaration and online services. A legislative decree ([44]) on collaborative fulfilment, tax compliance and biennial arrangement with creditors has been approved to rationalize tax assessment framework, with a view to encourage spontaneous tax compliance and to improve relations between taxpayers and tax administration. The Revenue Agency has also implemented segmentation and modern risk-assessment tools to improve efficiency. These efforts have shown concrete results, with a reduction in the overall tax gap for taxes under the Agency's management.

Several measures have been adopted to encourage tax compliance and improve the effectiveness of the targeting of audits and controls, including: (i) the creation of the database and the dedicated IT infrastructure for the release of pre-populated VAT tax return; (ii) completion of the process of data pseudonymization and analysis of big data, with a view to increase the effectiveness of the risk analysis underlying the selection process for audits. The Revenue Agency annually stipulates an agreement with the Ministry with which it undertakes to achieve specific objectives relating to the number of audits to be carried out (desk audit, single issue audits, limited scope audits, comprehensive audits, avoidance and evasion investigations) as well as the rate of increase in controls. Annually, the administration draws up an annual audit report published on the MEF website which reports all the results achieved in combating tax evasion and provide services to taxpayers, in order to monitor the improvement of administrative action. In the Agreement for the period 2025-2027, the targets set for the controls are equal to 370.000 for 2025, 375.000 for 2026 and 380.000 for 2027, while the rate of increase for ordinary controls goes from 15% during 2025 to 18% during 2026. To increase the efficiency of the audit's functions, Italy could exchange experiences and good practice in the use of different tools and collaborate (join audits) with the corresponding authorities of other Member States.

---

[42] Commission's Ninth Report on VAT registration, collection and control procedures following Article 12 of Council Regulation (EEC, EURATOM) No 1553/89, EUR-Lex - 52022DC0137 - EN - EUR-Lex. / Answers to the survey sent to the Member States in June 2025 in view of the Tenth Report on the same subject matter.

[43] Italy's 2025 Draft Budgetary Plan: https://economy-finance.ec.europa.eu/document/download/f0d459e2-ecfd-425b-b2ca-622cebe08663_en?filename=2025_dbp_it_it.pdf

[44] Legislative decree dated 29 July 2024 n. 108b https://www.programmagoverno.gov.it/it/approfondimenti/riforme-di-rilievo-del-governo/riforme-di-rilievo-del-governo/riforma-fiscale/d-lgs-norme-integrative-in-materia-di-adempimento-collaborativo/?utm_source=chatgpt.com

In practice, the RRP investments have been used to enhanced digital tax processes (digitising tax filings, notices, and communication systems—reducing errors and delays in collection and enforced disruption), faster legal enforcement mechanisms (reforming tax justice to cut procedural delays, improving timeline for issuing and enforcing "cartelle di pagamento" (payment orders) and recovery through courts and, to improve administrative capacity (designing new training, selection procedures, and simplified workflows to reduce bureaucracy, enhance audit effectiveness, and better target enforcement actions).

To implement these reforms and strengthen the operational capacity of the Revenue Agency, its staff has been increased by 7028 units during the period 2002-2024. In addition, the government has undertaken a review of possible actions to reduce tax evasion from omitted VAT invoicing in the most exposed sectors, including through targeted incentives to consumers, and will take effective actions based on the findings of the review, with an ambitious commitment to reduce propensity to evade.

Italy uses risk assessment analysis extensively in both tax collection and supervision as part of its modernisation strategy, especially since the implementation of reforms under the RRP to increase the - digital transformation of the tax administration - Italy employs data-driven risk analysis to identify non-compliant taxpayers ([45]), prioritize audits and inspections, improve collection and enforcement efficiency, prevent VAT fraud and underreporting.

The 2025 EU Semester Country Report confirms Italy's use of advanced analytics for compliance risk management and progressive digitalisation of tax monitoring tools. RRP Milestone (M1C1-64) introduces risk-based models for tax collection, supported by analytics and big data platforms. With the support of the TSI ([46]), various tools have been developed including the Anagrafe Tributaria (Tax Registry): Centralized database of financial/taxpayer data; Spesometro / e-fattura: Electronic invoicing and transaction tracking to detect discrepancies; Risk Scoring Models: Algorithms to flag high-risk taxpayers based on income, declarations, etc. and cross-database analytics: Integration of data from banks, INPS (social security), customs, etc.

4.2. Tax Recovery

The actual tax recovery rate remains quite low. Of the EUR 72.3 billion in tax evasion assessed in 2024, the actual recovered amount stands at EUR 12.8 billion, or 17.7% of the total**.** The situation regarding tax bills ("cartelle esattoriali") is even more critical, with collections stagnating at 3.1% of the EUR 40.7 billion assessed. According to 'Corte dei Conti', the widespread expectation of future amnesties might be pushing many taxpayers to postpone payments, hoping for subsequent amnesties or the possibility of evading government enforcement action ([47]).

The Italian tax recovery system has undergone substantial reorganization. As of 2022, with a view to simplifying the tax system, the Revenue Agency — as the authority responsible for tax collection — has the role of providing operational guidance and oversight of the Collection Agency (AdER). This

[45] To aid with its compliance work, the Italian Revenue Agency has developed a predictive model which ranks taxpayers according to how well they comply with their obligations
[46] In particular, the TSI project 'A data driven approach to tax evasion risk analysis in Italy'.

reform fosters the synergic coordination of the operational processes of both entities, also with a view to enhancing the effectiveness and efficiency of recovery actions.

In Italy, the same rules and practices for recovery apply to all types of taxes ([48]). The tax recovery authorities are allowed to exchange information with the administrator of the insolvency proceedings concerning assets that could be used for the recovery of the unpaid claims in the insolvency proceedings. This possibility also covers information obtained by the tax authorities from other Member States e.g., under the legislation governing the exchange between tax authorities (Directive on Administrative Cooperation in the field of taxation - DAC49). In Italy, creditors must lodge their claims in insolvency proceedings using a special procedure that requires an Italian Tax Identification Number (TIN). While this works for domestic creditors, foreign tax authorities usually do not have an Italian TIN, making the process overly burdensome and costly for them to lodge claims in insolvency procedure in Italy.

Italy's tax-recovery performance is also shaped by a major RRF-backed reform agenda under the national RRP. It is driven to modernise tax-administration infrastructure, digitise processes and judicial enforcement, increase administrative capacity, and gradually move toward greater fairness in taxation.

With the adoption of the Legislative Decree n.110 of 29 July 2024 ([50]), a significant reorganisation of the national tax collection system affecting the core activities of the AdER has been introduced. With this Decree, new rules have been provided for the management of loads entrusted to the collection agent. For loads entrusted until 31 December 2024, the establishment of a special Technical Commission has been set up with the task of analysing the receivables warehouse and reporting to the Minister of Economy and Finance, proposing possible solutions, to be implemented with subsequent legislative measures, to achieve the discharge of all or part of the mentioned warehouse. As of 1 January 2025, it is required to the tax collection authorities to notify taxpayers of collection notices within nine months of assignment. The automatic write-off of qualifying tax receivables that remain uncollected by 31 December of the fifth year following the introduction of their assignment, along with the possibility of an early write-off of the same receivables in the event of bankruptcy or judicial liquidation, or where the debtor has no attachable assets, or where no new assets have been identified beyond those on which, in the previous two years, recovery actions have been exhausted with partially or entirely unsuccessful outcomes; specific regulations for the collection of EU own resources and State aid recovery are in place; the administrative procedures and obligations concerning the offsetting between refunds and amounts registered in the tax roll against the refund beneficiaries have been simplified ([51]).

While tax arrears remain very high, the new measures adopted are expected to enhance the efficiency of tax collection. The net revenue collected in 2022 by the Italian tax administration

---

[48] The Customs and Monopolies Agency is competent for excise, the Revenue Agency is competent for VAT, incomes taxes and other taxes levied at national level.
[49] Council Directive 2011/16/EU of 15 February 2011 on administrative cooperation in the field of taxation and repealing Directive 77/799/EEC, as subsequently amended.
[50] With law n. 111 dated 9 August 2023 (published in the Official Gazette, General Series, n. 189 of 14 August 2023), the Italian Parliament approved a set of general principles and criteria enabling the Government to implement a full reform of the Italian tax system (Enabling Law).
[51] www.agenziaentrateriscossione.gov.it/export/.files/it/gruppo/D.lgs-110_2024_gu_n_184_del_7_8_24.pdf

amounts to 53.5 percent of total government revenue. The stock of tax arrears in Italy remains one of the highest stock of arrears among the EU Member States, despite the positive trend registered in recent years. In 2023, the total year-end arrears as a percentage of total net revenue amounted to 180.8 (compared to the EU average at 30,7), most of which seems to be considered as non-collectible because collectable tax arrears as a percentage of total year-end arrears amount to only 5.0 % ([52]). The 2024 financial year was marked by a record level of tax recovery, amounting to a total of EUR 33.4 billion, of which EUR 5.4 billion derived from extraordinary measures facilitating settlement procedure (so-called 'Rottamazione-quater') and EUR 4.5 billion as the result of compliance promotion activities ([53]). In recent years, Italy has undertaken reforms aimed at generating significant behavioural change, by both taxpayers and tax administration, to rationalise resources, provide increasingly high-quality services to taxpayers and secure improved voluntary compliance by taxpayers at large.

Italy monitors the costs and efficiency of tax recovery actions through the Tax 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 Tax Agency uses KPIs extensively in tax recovery. Examples include: i) recovery ratio: % of assessed taxes collected; ii) cost per euro collected: administrative cost compared to taxes recovered; iii) average time to recovery: time between tax due and payment/collection; iv) enforcement efficiency: number of successful enforcement actions. The Annual Performance Plan and Performance Report of the Tax Agency include quantitative and qualitative indicators that reflect recovery efficiency and cost-effectiveness.

Since 2025, Italy has introduced internal controls within Central Liaison Office CLO-recovery to ensure the timely and effective execution of recovery assistance requests in conformity with the Council Directive 2010/24/EU ([54]). Replies within six months are often delayed due to the volume of cases. To address this, a performance target system was introduced, which has improved the timeliness of responses. Only about 1% of claims in which Italy requests recovery from other Member States are contested. However, no systematic data are available on the average duration of administrative or judicial decisions on contested claims, which makes it difficult to assess the overall impact of disputes on recovery.

In 2023, Italy experienced an increase in bankruptcy rates (7.0%). This trend can be attributed to a combination of factors, including persistent cost pressures from high energy prices and wages, as well as weaker consumer demand. The impact varied across sectors, with IT and industry experiencing relatively higher rates than other parts of the economy. It is worth noting that the situation worsened

---

[52] Source: ADB, CIAT, IOTA, IMF, OECD, International Survey on Revenue Administration, Indicators: "Closing stock of arrears at year end as percentage of total revenue collected." and "Closing stock of collectable arrears as percentage of closing stock of arrears", http://isoradata.org

[53] Press communication by Agenzia delle Entrate: https://www.agenziaentrateriscossione.gov.it/export/.files/it/comunicati/009_Com.-st.-Risultati-2024-Agenzia-Entrate-e-Agenzia-entrate-Riscossione_18.02.2025.pdf. 2024 Social Responsibility Report of AdER. www.agenziaentrateriscossione.gov.it/export/.files/it/gruppo/Bilancio_di_Responsabilita_Sociale_2024.pdf?utm_source=chatgpt.com;

[54] In 2024 Italy made 1503 (+ 427 as compared to 2023) requests to other EU MS and it has received 129 (- 183 as compared in 2023) requests to collect taxes for/from other EU member states via standardized instruments.

in 2024, with bankruptcies increasing by 19.0% ([55]). In this context, the implementation of systems to enable a rapid, secure, and structured exchange of information between the administrator of insolvency proceedings and tax (recovery) authorities, while ensuring direct but appropriately limited access, may prove advantageous. Furthermore, strengthening operational guidelines and standardised protocols would help ensure consistent and uniform access to relevant information, through the active involvement of all relevant stakeholders.

4.3. Use of Directive on Administrative Cooperation (DAC) ([56]) Instruments and Data ([57])

Italy has a coherent and efficient use of DAC1 ([58]) and DAC2 ([59]) data for assessing taxation on individuals. DAC1 (categories of income) ([60]) and DAC2 (financial accounts) data is currently used in the field of personal income tax for notifications to taxpayers to prompt disclosure, and domestic risk assessment analysis ([61]). It generates every year an important increase in the tax assessed, even after the taxpayers have filed their tax returns and particularly the RW form of tax declaration that also covers a range of assets held abroad not exchanged through DAC for which it is crucial for tax authorities to receive relevant information. However, Italy does not use the information from DAC1 and DAC2 for tax recovery purposes, which could be particularly relevant to reduce tax gap.

DAC data matching rates concerning individuals ([62]) are different for DAC1 and DAC2. For the year 2024, the average matching rate measuring success in identifying taxpayers with DAC data is close to 69% for DAC1 ([63]), below the EU-average (84%), and to 93% for DAC2, higher than the EU-average (87%). This situation reflects a difference in the priorities given to data from DAC1 compared with DAC2. It could be corrected in the future to provide a better coverage of the taxpayers concerned and facilitated by more accurate Tax identification numbers in the data sets received.

---

[55] https://www.dnb.com/content/dam/web/risk/finance/content/global-bankruptcy-report/DnB_Global-Bankruptcy-Report_2025.pdf.

[56] Council Directive 2011/16/EU of 15 February 2011 on administrative cooperation in the field of taxation and repealing Directive 77/799/EEC, as subsequently amended.

[57] Source: Yearly Assessment 2025, EU AIAC Statistics 2024 – Subject to confidentiality clause on DAC art. 23a.

[58] Council Directive 2011/16/EU of 15 February 2011 on administrative cooperation in the field of taxation and repealing Directive 77/799/EEC

[59] 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

[60] Income from employment, Director's fees, Pensions, Immovable properties.

[61] Risk assessment: tax risk assessment is a key element of modern tax administration. It allows tax authorities to identify indicators that suggest 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. Yet, a manual element may remain, as (i) tax authorities vary in terms of whether tax risk assessment is conducted centrally by a specialist risk assessment team incorporating input from the compliance function, or locally by the compliance team (or tax inspector); (ii) some data types remain challenging to be automatically processed, e.g. literal summaries.

[62] 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.

[63] Average rate for data related to Income from employment, Director's fees, Pensions, Immovable properties

Italy uses DAC3 ([64]) (rulings) and DAC4 ([65]) (country-by-country report) data systematically for risk-analysis purposes in the field of corporate income taxation. The percentage of reports identified successfully in 2024 is very high: 98% for DAC3 and 93% for DAC4, leading to an extensive use of information. In accordance with the goals of DAC3, notifications of an existing advanced pricing agreement or a ruling are included in the desk analysis carried out by the dedicated units, focusing on certain aspects of the information received ([66]). Similarly, DAC4 reports are systematically processed to feed the risk assessment tool based on specific algorithms. The reports including DAC3 and DAC4 data are used for identifying tax risks on transfer pricing, base erosion and profit shifting matters, harmful tax practices, risk of non-compliance by certain entities. Data feeds also economic and statistical analysis. Regional and provincial units carry out audits, mostly limited to specific categories of transactions (e.g. transfer pricing).

Although the procedures in place are less advanced for DAC6 ([67]), the use of data from this exchange follows a similar logic as that of DAC3 and DAC4: the whole data set available for identifying the relevant taxpayers is used by Italy, leading to a total matching rate of 92% in 2024. DAC6 data is mainly used for risk assessment, including assessing high-level risk of tax-harmfulness of arrangements reported, notification to generate disclosure, general audit, or audit limited to specific categories of transactions (e.g. transfer pricing). However, Italy would benefit from implementing more systematic procedures regarding the use of information from DAC6.

Italy is a regular user of the advanced instruments provided for in DAC to facilitate cooperation on specific cross-border issues, such as simultaneous audits. 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. Italy was involved in 2024 in 12 cases initiated by other Member States, but did not initiate any multilateral control. In conclusion, Italy uses the data obtained from the automatic exchange of information in coherence with the objectives of the DAC, based on good practices in terms of risk analysis which lead to additional revenues. Italy is particularly advanced in processing and using data related to financial accounts, with a view to identifying critical situations that could affect its tax base. Italy also makes a systematic use of data related to transfer pricing, base erosion and profit shifting and tax harmful arrangements to improve the impact of these exchanges of information on corporate income tax. Given Italy's economic importance within the E.U., the services concerned could initiate more coordinated audits to play a fully active role in advanced cooperation instruments across the European Union.

5. Digitalisation and Compliance

Italy has made important steps with respect to the digitalisation of the whole tax administration, with high adaption rates for the digital indicators and the existence of a digital

[64] 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

[65] 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

[66] E.g. countries, corporate structure or business model involved.

[67] 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

transformation strategy. Altogether, these improvements have demonstrated beneficial to the overall tax compliance environment.

5.1. Digital Transformation Strategy, Skills, and Culture

As part of the 2023-2025 Integrated Activity and Organization Plan, the Italian tax authority has set a number of objectives and targets to be achieved, also through the resources generated by the Integrated Recovery and Resilience Plan. These include progressive expansion of pre-filled tax returns, including the pre-filled VAT return, and expanding a series of digital flows for the registration of private sales and rental contracts, management of taxpayer interactions with a single operational flow, including compliance invitations, expansion of the personal tax account system ([68]), including the expansion of delegations and certificates that can be managed digitally, and enhancement of services through "PagoPa" ([69]), including payment services.

Italy requires individuals and businesses to use an approved digital identity to access secure digital services ([70]). For example, it helps increasing the accuracy of taxpayer identification, thereby reducing the potential of identity fraud, duplication of records and administrative errors.

5.2. Front-end Digitalisation

5.2.1. Pre-filling

As regards pre-filling for PIT, Italy performs above other Member States. In line with most EU Member States ([71]), in 2022, Italy provides prefilling facilities for personal income tax returns, and, in addition, certain taxpayers are not required to change the tax return. This contributes to reducing the burden of tax compliance and provides high tax certainty for individual taxpayers.

Since 2023, Italy automatically prefills value added tax returns with data that it has collected. Although value added tax returns are automatically prefilled with information on both sales and purchase transactions, Italy is still subject to development regarding the use of providers' data (i.e. online marketplaces, e-invoicing systems, online cash registers, etc.) and the implementation of other simplified tax rules.

Italy does not offer pre-filling for CIT returns. However, it should be noted that only 6 Member States reported prefilling for CIT in 2022. According to a recent Eurobarometer survey, only 31% of

[68] 'Cassetto fiscale' comprising – inter alia – a) anagraphic data; b) tax declaration data; c) data on refunds; d) data on payments made via F24 and F23 models; e) data on wealth; f) data on the VIES subscription status.
[69] PagoPa is the national platform that allows you to choose, according to your preferences, how to pay taxes, duties or fees to the Public Administration.
[70] OECD Inventory of Tax Technology Initiatives 2024. https://data-explorer.oecd.org/, Note that data is self-reported by tax administrations and therefore not 100 % objective or comparable.
[71] OECD Inventory of Tax Technology Initiatives 2024 (OECD Data Explorer • Inventory of Tax Technology Initiatives).

citizens in Italy find it very easy or fairly easy to complete their tax return, placing them 23rd among EU Member States ([72]).

5.2.2. E-filing

The e-filing rates for PIT returns are very high (100% in 2023) and above the EU average (87.1%) ([73]). The fact that all individuals in the Italy file their taxes electronically, likely indicates that the e-filing facility is easy to navigate and has clear, straightforward instructions.

Italy has e-filing rates for CIT returns above the EU average ([74]). In 2023, Italy reported an e-filing rate of 100% for CIT, higher than the EU average of 97.1%. This indicates that every company in Italy files taxes electronically. Italy is one of the 8 Member States reporting a 100% e-filing rate for CIT in 2023.

Lastly, Italy had e-filing rates for VAT returns (100%) above the EU average (99.2%) in 2023 ([75]). This high rate gives Italy a better ability to analyse trends and detect VAT fraud, as well as achieve higher accuracy and efficiency.

The high e-filing rate in Italy is an indication of the fact that the country is well advanced in the digitalisation process. It likely results in a lower compliance burden for Italian taxpayers compared to the EU average. It is also beneficial to the tax administration, as e-filing reduces manual work and administrative costs, which frees up resources that can be allocated to other functions and allows for a quicker or automatic detection of potential fraud or tax evasion.

5.2.3. Provision of Other Online Services

In Italy, the tax administration provides a variety of additional online tools and services to taxpayers to reduce compliance costs. These include tax calculators, facilities to request deadline extensions, payment arrangements and secure communication services through messaging; other channels of communication, such as video and phone are not available. Taxpayers can also upload files onto the administrations system, access a personalised taxpayer portal and use the tax administrations mobile application ([76]). All these facilities can foster tax-compliant behaviour, as well as allowing administration resources to be allocated more effectively indicating that the tax administration in Italy is using digital services to their advantage. According to a recent Eurobarometer survey, 43% of citizens in Italy believe that support for filing tax returns provided by the tax administration is either fully adequate or mostly adequate, placing them 18th among EU Member States ([77]).

---

[72] European Commission: Directorate-General for Taxation and Customs Union and Directorate-General for Communication, *Citizens' attitudes towards taxation – Eurobarometer report*, European Commission, 2025, https://data.europa.eu/doi/10.2778/6066713

[73] International Survey on Revenue Administration data. https://data.imf.org/en/datasets/ISORA:ISORA_LATEST_DATA_PUB

[74] Ibid.

[75] Ibid.

[76] 7. Taxpayer service - ISORA – tabs "Online services 1" and "Online services 2"

[77] European Commission: Directorate-General for Taxation and Customs Union and Directorate-General for Communication, Citizens' attitudes towards taxation – Eurobarometer report, European Commission, 2025, https://data.europa.eu/doi/10.2778/6066713.

5.3. Back-end Digitalisation

5.3.1. Use of Artificial Intelligence by the Tax Administration

In Italy, there are systems allowing for the use of artificial intelligence in the tax administration. In 2023, Italian tax authorities launched a three-year plan leveraging advanced tools, such as artificial intelligence (AI) and big data analytics, with the aim of increasing tax revenues and promoting greater compliance among taxpayers. At the heart of this digital transformation is VeRa (Financial Report Verification), a sophisticated AI algorithm designed to analyse and cross-reference a wide range of taxpayer financial data. VeRa uses information from the Italian Tax Registry, the Financial Report Archive, and other sources, including data from financial operators and digital transactions. The algorithm identifies anomalies between declared income and incurred expenses, generating lists of at-risk taxpayers that are then reviewed by the regional tax authority. In 2024, the tax authority recovered EUR 33.41 billion from tax evasion, an increase of EUR 2 billion compared to the previous year, which already represented an increase of EUR 4.5 billion with respect to 2022 ([78]). These figures suggest that AI and big data may strengthen the ability to identify and combat tax evasion. The Italian Data Protection Authority ('Garante per la protezione dei dati personali') has expressed concerns regarding the use of VeRa, emphasizing the need to ensure data anonymity during the preliminary analysis phases and to limit data retention to a maximum of ten years. Furthermore, the Revenue Agency has been asked to provide greater transparency on the databases used and to avoid the use of sensitive data not relevant for tax purposes. The tax administration also uses a social network analysis system, which visually represents a network of taxpayers and is used particularly to detect missing trader and carousel schemes.

Italy also provides several online services in support of the taxpayer. The Italian tax authority has embedded a number of touchpoints aiming to simplify the interaction with the taxpayer, such as virtual assistants responding to taxpayer queries based on both AI and APIs (application programming interfaces).

5.4. Compliance Risk Management

5.4.1. Compliance Risk Management Strategy

Italy has a formal compliance risk management strategy in place, **allowing for the identification, assessment and prioritisation of key compliance risks.** Almost all possible areas are covered by this strategy including return filing, payment processing, collection enforcement, verification/audit. The only area not covered by the strategy remains 'taxpayer service' ([79]).

[78] https://www.agenziaentrateriscossione.gov.it/export/.files/it/gruppo/Risultati-2024.pdf; https://www.agenziaentrateriscossione.gov.it/export/.files/it/comunicati/005_Com.-st.-Risultati-2023-Agenzia-Entrate-e-Agenzia-entrate-Riscossione_05.02.2024.pdf
[79] ISORA database, Table B.20 Compliance risk management Strategy.

5.4.2. Audit Types

The Italian tax administration performs single issue audits, comprehensive audits and avoidance and evasion investigations, as well as desk and limited scope audit (as reported in paragraph 4.1). The variety of intervention processes indicates the administration's capacity to target potential non-compliance and may be a result of the risk analysis done by their AI systems allowing the administration to apply the specific intervention based on the perceived risk reported by their systems.

5.4.3. Staff Dedicated to Audit, Investigation and Other Verification Functions

In Italy, the percentage of full-time equivalents (FTEs) assigned to audit, investigation and other verification functions has dropped from 36.1% in 2018 to 32.5% in 2023 (EU average of 32.2% in 2023) ([80]). The decline is mainly due to a drop in 2021 and 2022, with the figure again increasing thereafter. Although this figure is not a concrete indicator of the strategy of the tax administration, it could be related to the increasing use of AI and digital systems in the tax administration.

5.4.4. Additional Revenue from Audits as a Share of Total Revenue

In Italy, the additional revenues raised from audits was equal to 8.35% of total net revenue in 2018 and 5.66% of total net revenue in 2023 which is above the EU average for both years (respectively 2.77% and 1.6%), while the decrease from 2018 to 2023 follows a similar trend to the EU average ([81]). This indicator being far above the EU average could indicate an underlying trend of non-compliant taxpayer behaviour in Italy and the decrease in additional revenues from audits as a percentage of total revenue between 2018 and 2023 in Italy could be related to the decline in FTEs dedicated to audit functions in the same period. In 2023, the Italian tax administration started an extensive plan implementing new tools based on AI and digitalisation (see section 5.3.1) that have been improving the effectiveness of fighting tax evasion.

5.5. Tax Complexity

In 2024, Italy ranked 20 out of the 27 Member States in the Tax Complexity Index ('TCI') ([82]), where a higher rank corresponds to lower tax complexity. The TCI is based on the Global MNC Tax Complexity Project, a joint research project of Deborah Schanz (LMU Munich) and Caren Sureth-Sloane (Paderborn University). Italy scored 22nd among the Member States with respect to Tax Framework Complexity and was ranked 15th in the Tax Code Complexity. This suggests that Italy has room to improve its tax system both in terms of tax processes (notably, in the area of payment and filing, according to the authors) and tax regulations (particularly, in the area of investment incentives), thus making it more friendly and less burdensome for the taxpayer.

---

[80] ISORA database, Table D.7 Staff allocation by location and function: Registration, services, processing, and audit and verification.

[81] Own elaboration based on ISORA Database

[82] See: https://www.taxcomplexity.org/ The aim of the Global MNC Tax Complexity Project is to identify the determinants of tax complexity, to develop and maintain an index measuring the level of tax complexity across countries [Tax Complexity Index, TCI] and to examine the effects of tax complexity. The Tax Complexity Index measures the complexity of a country's corporate income tax system as faced by multinational corporations. The closer a country is to the first position of the ranking, the lower level of complexity it exhibits, and vice versa.