

**Galli, E., Profeta, P. (eds.) Problems and perspectives of the Italian fiscal system: from theory to policy, *Economia italiana*, 1/2020.**

The structure of current tax systems and their reforms have been a highly debated topic in the last decades in which effective tools are being sought to promote balanced growth in most countries, seeking to pursue both objectives of equity and efficiency on the one hand and of effective contrast to tax evasion on the other.

The last special volume of *Economia Italiana*, edited by Emma Galli and Paola Profeta, aims to address some issues of crucial importance for Italian public finance by analyzing different aspects and dimensions of the complex Italian tax system which draws its origins as a natural and physiological result of the political process.

The volume's contributions propose to critically assess the Italian institutional design and the implementation of some tax reforms. In particular, in this brief review we focus on some of the contributions that concentrate on Personal Income Tax (in Italy called IRPEF) and some specific reforms aimed at reducing their distorting effects, proposing an analysis of the possible consequences of these proposals.

In "*The Italian Personal Income Tax Reforms: a look through 45 years of history*", Simone Pellegrino and Paolo Panteghini approach the Italian personal income tax reforms in a historical key, analyzing the fundamental stages of this tax since its establishment in 1974 today. In particular, they emphasize how these 45 years have been characterized by frequent changes, often mainly for political reasons and revenue needs, and highlight a marked process of erosion of the tax base due on the one hand to the proliferation of tax expenses and on the other the disordered growth of numerous substitute forms of taxation. The authors dwell, concisely but exhaustively, on the numerous critical issues of the reforms that have followed and which have led to the many controversies of the Italian system today to conclude with a warning of structural revision of the tax.

In the following contribution, "*Distributional impact of the flat tax: the Italian case*", Massimo Baldini and Leonzio Rizzo focus on the effects of a possible reform aimed at simplifying the current tax system based on the transition to the flat rate tax as strongly desired by some political parties in recent years. The authors first describe the characteristics and implementation of the flat tax in some countries belonging to Eastern Europe where it has been recently applied, to understand from different points of view what might be its potential impact if applied to the Italian context. Although the authors argue that a reduction in the personal income tax rates would be necessary to boost economic growth, to reduce the tax wedge and for reasons of equity between subjects who receive different types of income, their analysis shows that such a reform would cause a shock to the Italian system, which would face a trade-off between a reduction in tax revenues and redistribution. Instead, they propose to proceed gradually and promote reforms in order to widen the tax base of the tax more uniformly than the current version, with a lower incidence on average incomes, and to reduce the number of brackets while maintaining a certain degree of progressivity which, although to a lesser extent than the current one, is higher than that obtainable from a flat rate tax.

In a third essay, "*How to reduce the tax burden on labour income and strengthen work incentives: the case of Italy*", Piergiorgio Carapella, Giovanna Labartino, Francesca Mazzolari and Lorena Scaperrotta focus on the current IRPEF tax structure from a different point of view: they look at its distorting effects on labour supply due to the high marginal rates of taxation also following the introduction of the "80 euro" bonus. Thanks to a EUROMOD micro-simulation model, the authors present different taxation scenarios following various hypotheses for the reform of the personal income tax aimed at strengthening incentives to work. In particular, they suggest two types of interventions: a re-modulation of the personal income tax rates in particular for employees with

medium-to-low incomes and the extension of the bonus with the simultaneous merging of the first two income tax brackets to stimulate participation to the labour force for individuals with low-income prospects and for second earners.

Finally, a further reflection on the need for a revision of the current personal income tax, but also on VAT, and decentralized taxes, is offered by Paolo Liberati in "*Some thoughts on the Italian tax system*". With regard to the personal income tax, he dwells on the difficult maintenance of the current profile of tax progressivity given the violations of the criterion of horizontal equity due, on the one hand, to the excessive weight of earned incomes and pensions in the tax base and, on the other, to the degree of tax erosion and tax evasion. Liberati therefore proposes a revision of the personal income tax as required and highly desirable. As regards VAT, however, it proposes to evaluate a remodeling both in terms of the number of rates and targeting and in terms of relative weight on GDP compared to the personal income tax. Finally, it offers a consideration on the stability of the decentralized withdrawal system, with particular regard to municipal taxation on the main home, the compatibility between the regional IRAP and the central IRES, and the use of the surcharges to the personal income tax at both government levels.