

Fiscal policies to increase fertility: the effects of applying the French tax-benefit system to Italy

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Context and aims of the work

- In Italy the problem of de-natality is more concerning than other European countries.
- For many years scholars and politicians have been discussing what policies to implement to increase natality.
- Among EU countries France is one of those with the highest fertility rates.
- The aim of our work is to evaluate the effects of applying in Italy the French tax-benefit system on:
 - ① income re-distribution
 - ② labor supply
 - ③ fertility
- Today, we focus on the assesment of the distributive effects through a static microsimulation model (MicroReg, IRPET).

The fiscal treatment of families in Italy and France

Fiscal feature	Italy	France
Tax unit	Individual	Fiscal family (FF)
Tax base	Personal gross income (y)	FF gross income (y) / quotient (q)
Tax deductions	Social contributes for pensions, cadastral income of the dwelling house, others	By source of income
Tax rates	23% until 15,000 27% 15,000 - 28,000 38% 28,000 - 55,000 41% 55,000 - 75,000 43% over 75,000	0% 0 - 9,700 14% 9,701 - 26,791 30% 26,792 - 71,826 41% 71,827 - 152,108 45% over 152,108
Tax credits	By source of income For the spouse and dependent children Others	Fiscal discounts (<i>Décote</i>), others
Tax	$y * \text{tax rates} - \text{tax credits}$	$(y/q) * \text{tax rates} * q - \text{tax credits}$ [a]

[a] Note: for families with children the s.c. *Plafonnement du quotient familial* puts a limit to the fiscal advantage given by the quotient.

Type of family/children	Share
Couple (married or not)	2
Single	1
Lone parents	1.5
Widow/er with at least 1 child	2
First child	0.5
Second child	0.5
For the third and every subsequent child	1

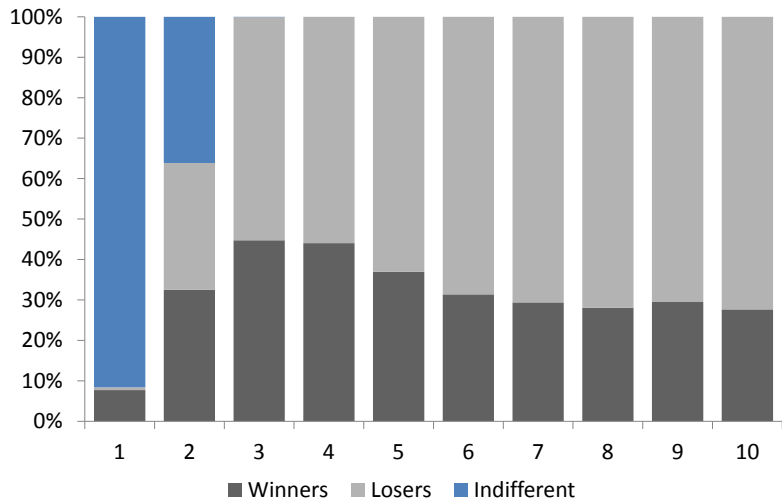
How to translate the French tax system to Italy?

- The French tax system could be translated to Italy in a variety of ways. The choice is not neutral and it can influence the results of the analysis.
- Rapallini (2006), Brunori, Maitino, Sciclone (2018) applies the quotient, eliminates Italian tax credits for the spouse and dependant children and leaves Italian legal rates. They found regressive effects.
- Di Nicola (2009) applies the quotient, reshapes Italian tax rates and leaves small tax credits for children. He found progressive effects.

Our simulation

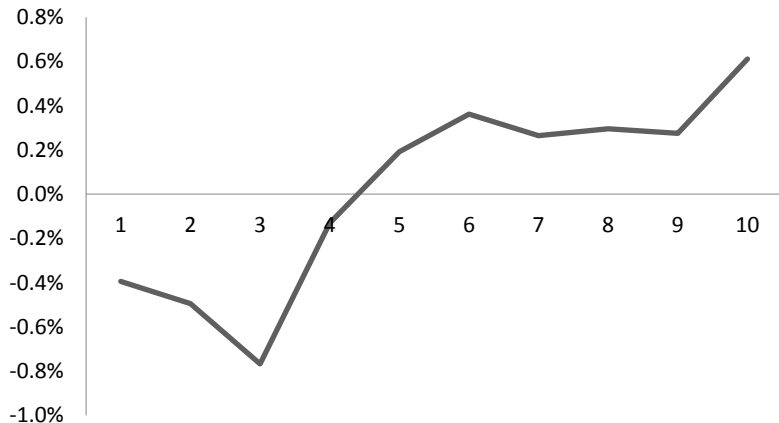
- We apply to Italy the entire French tax-benefit system.
- Strong loss of revenue with a direct application. We obtained constant revenue by re-shaping French income brackets.

Distributive effects by income deciles



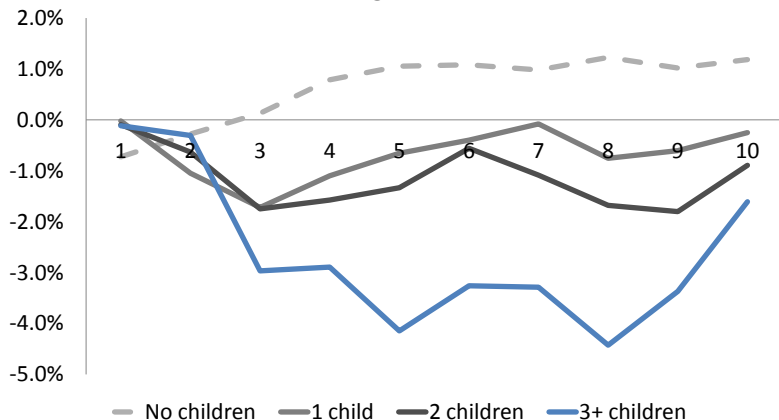
Distributive effects by income deciles

**Difference between French and Italian
average tax rates**



Distributive effects by income deciles and number of children

Difference between French and Italian average tax rates



Monetary direct transfers to families with children: Italy

Transfer	Requirements	Means test and amount	Duration
<i>Assegni familiari</i>	HH with children with employee or retirement income	Amount by type of HH, HH size, gross income class	Unlimited
<i>Bonus bebè</i>	New born	Access and amount by ISEE	For 3 years after the birth
<i>Premio alla nascita</i>	New born	Universal, same amount	Una tantum
<i>Assegno famiglie con 3 figli</i>	HH with 3+ children	Access by ISEE	Unlimited

Monetary direct transfers to families with children: France

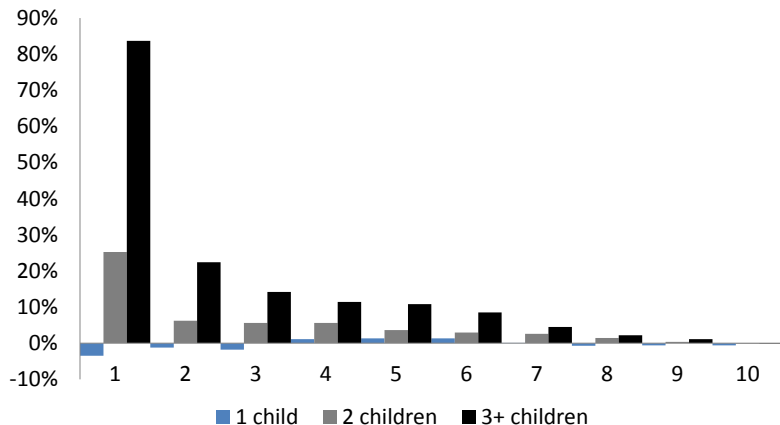
Transfer	Requirements	Amount	Duration
<i>Allocation Familiale</i>	2+ dependant children	Amount by income and number of children	Unlimited
<i>Prestation d'Accueil du Jeune Enfant</i>	HH with children under 3 years	Amount by income, number of earners, of children	Unlimited
<i>Prime de naissance</i>	New born	Amount by income, number of earners, of children	Una tantum
<i>Allocation de rentrée scolaire</i>	HH with children at school between 6 and 18	Amount by income and children age	Unlimited
<i>Allocation de soutien familial</i>	Children with lone parents or grandparents	Universal, same amount	Unlimited
<i>Complément familial</i>	HH with 3+ children higher than 3 years	Amount by income and number of earners	Unlimited

Beneficiaries and costs by number of children, before and after

		1	2	3+	Total
Italian system	Average benefit (euro)	926	1,523	3,274	1,478
	Beneficiaries (thousand)	1,904	1,799	540	4,243
	Expenditure (thousand euro)	1,763,697	2,740,831	1,766,968	6,271,497
French system	Average benefit (euro)	984	2,607	7,003	2,645
	Beneficiaries (thousand)	1,749	3,220	695	5,664
	Expenditure (thousand euro)	1,721,514	8,395,254	4,863,344	14,980,113

Distributive effects by income deciles and number of children

Difference between French and Italian incidence of transfers on income



General distributive effects

Index	Variable	Italian system	French system
Gross income	Gini	0.39741	0.39741
Gross income - tax	Gini	0.3511	0.3489
Tax	Kakwani	0.18859	0.19034
Gross income + transfers	Gini	0.3932	0.3892
Transfers	Kakwani	-0.67825	-0.74704
Gross income - tax + transfers	Gini	0.3463	0.3397
Gross income	logarithmic deviation	0.39766	0.39766
Gross income - tax	logarithmic deviation	0.30732	0.30345
Gross income - tax + transfers	logarithmic deviation	0.29475	0.28545

- The translation of the French tax system in Italy can produce progressive distributive effects.
- The decrease in taxes would be high for families with 3+ children but lower for families with only 1 or 2 children.
- French cash transfers applied to Italy requires a strong increase in expenditure.
- The French system of monetary transfers for families is even more progressive than the Italian.
- But only families with more than 1 child would be really advantaged.
- More generally, a direct application of the French system in Italy is not possible. A re-adaption of the French system to the Italian context is necessary.