

ITALY - AN OVERVIEW OF EMPLOYEE BENEFITS

State and Mandatory Benefits	The normal retirement age in the private sector is 65 for men and 60 for women. These ages are being increased to 68 years and 4 months for men and 63 and five months for women. Employees with 35 years' contributions can retire at age 62 (being increased to 65 years and 4 months). From 1996, the retirement pension is determined on a notional defined contribution (NDC) basis. The new basis will become fully effective for all employees from 2035 and is estimated to provide a pension of around 40% to 65% of final earnings after a full career. For employees prior to 1996, there are transitional arrangements for the switch from the former defined benefit basis, which was broadly based on 2% of final earnings for up to 40 years' contributions. The state also provides survivors' and disability pensions. Managers in the commercial sector (Dirigenti) are entitled to additional retirement pensions and medical care. Managers of industrial companies are entitled to additional lump sum death and disability benefits. Medical care is provided for EU citizens resident in Italy.
Typical New Pension Plan	Benefits are often set by collective agreements between employers and unions. Pension funds are used to finance severance pay (TFR) and to supplement state and mandatory retirement benefits for higher paid employees. The funds operate on a defined contribution basis. 50% of the benefits can be taken as a lump sum. A lump sum death benefit of two to four times earnings may be provided together with accident benefits.
Typical Costs	Contributions for state and mandatory benefits vary according to the type of employer and the number of employees. For state retirement, survivors' and disability pensions employers typically pay 23.81% of gross earnings and employees pay 9.19%. For employees who joined the system before 1996, contributions are paid on all earnings. For employees who joined the system after 1995, earnings are subject to a ceiling of EUR 92,147 a year. Employers' contributions are also due for sickness and maternity benefits, work injury, unemployment and family allowances. The total employer contribution is around 32% to 38% of gross earnings.
Tax Implications	Employer and employee contributions are tax deductible up to 12% of total income or EUR 5,165 if less. Lump sum death and disability benefits are not taxable. Lump sums and pensions on retirement are taxed as income.
Labour Law Issues	A severance payment (TFR) is due on termination of employment for any reason. The payment is calculated as 1/13.5 of gross salary for each year of service, linked to the cost of living index. From 1993, TFR is accumulated in a pension fund.
Pooling Potential	Insured benefits can be included in multinational pooling arrangements.
International Financial Reporting	EU/EEA rules apply. For listed companies, International Financial Reporting Standards apply in both consolidated and separate company statements. For unlisted companies, IFRSs are generally permitted in consolidated and separate company statements.
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