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A new Italian tax regime on remittances

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Italy has decided, from the 1st of January 2019, Law no.23.10.2018, n. 119, to tax all transfers of money to countries outside the European Union with a rate of 1.5%. According to the Italian government the taxable earnings are financial flows generated in Italy that are transferred abroad. The opinion of the government is that it is right this money is spent in Italy and that, in case it is transferred abroad,

it is also correct to tax it . Italy is not the only country to tax outgoing money, but there are also other wealthy countries with large numbers of migrants which are considering to tax transfers of remittances in order to increase their revenue and to discourage illegal immigration. These countries include: Saudi Arabia, Bahrain, the United Arab Emirates, the United States, Kuwait and Oman. In the United States, Oklahoma already taxes remittances up to $ 5 for the first $ 500 and 1% beyond; two other states, Georgia and Iowa, are considering taxes that could have a wider scope, since they would not only concern remittances but also other forms of transfer.

The total volume of remittances from Italy in 2017 has to some extent exceeded 5 billion euros. The italian new tax could bring about € 60 million a year into the Italian public coffers but this amount will not ameliorate the precarious Italian public finances. In fact, this would be 0.004% of GDP in 2017. Or again 0.0034% of the Italian public debt (October 2018).
On the other hand, it will further penalize the cost of remittances, already quite high. The law is going to damage migrant workers, a very fragile population, and their families living in generally poor countries that depend on the regular transfer of remittances for their livelihoods. Poor migrant workers are generally very sensitive to the cost of remittances.

A tax on remittances will divert these flows into informal and unregulated channels. Reducing tax revenues and increasing tax administration costs the new italian law seems to encourage the use of informal financial channels, thus increasing security risks. Romania is confirmed at the top of the list of countries that received money flows from Italy. The Romanian community in the Peninsula has sent home about 708 million euros. These remittances will not be taxed because Romania is part of the EU.
In second place is Bangladesh with 532 million euros, while the third position is held by the Philippines with 325 million euros.

Last but not least, the enormous risk is that the higher tax will increase the illegal remittances made through

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informal and criminal channels that are beyond any control.
http://blogs.worldbank.org/peoplemove/why-taxing-remittances-bad-idea
In 2016, remittances from migrant workers to developing countries in the world reached $ 440 billion, more than three times the amount of official development assistance. For many countries, these money transfers are the main source of foreign exchange. In India and Mexico, they exceed foreign direct investment. In Egypt, they exceed the revenues of the Suez Canal. And in Pakistan, they exceed the country's international reserves.

Since migrant incomes have in principle already been taxed in the country of origin, the taxation of remittances is similar to a double taxation for taxable migrants. And since these money transfers are generally intended for the poor families of migrant workers who have remained in the country of origin, they are the ones who will bear the burden of the taxes in the end. A remittance tax will increase the cost of these transactions, which goes completely against the G20's commitments as well as the Sustainable Development Goal of reducing the costs of remittances. Taxation of remittances would have an impact on the volume of activity of service providers in the sector, which would result also in a reduction in the taxes paid by them.

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