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**EXPLORING THE IMPACT OF TAX MEASURES ON THE
(INFORMAL) DOMESTIC WORK***

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ABSTRACT

During the past 20 years, beside the exponential rise in demand and offer of household services caused by changes in demographic and employment trends, Western European countries have experienced a significant increase in informal domestic work. Aware of the negative impact that informality may have on employees, households and revenue, some legislators have taken specific actions against the informal employment in the domestic sector. Many of these normative interventions involve the field of Tax Law and their nature is persuasive rather than repressive, since they include fiscal incentives to formalisation. With the purpose of finding out if this kind of instruments can be effective against informality, the present paper addresses the tax measures implemented by Sweden, France, Belgium, Italy and the Netherlands for reducing the informal domestic work. Through a theoretical-qualitative analysis it can be observed that some tax measures may change the status quo without eliminating the detrimental effects of the informal employment, while others can solve the problem only partially. Nevertheless, it has been also found that one of these tax measures —the French one— has the potential to promote a stable and long-term inclusion of domestic employment relationships into the legal dimension. Due to the merge of adequate tax reliefs and full observance of the principle of equality, the French tax measure is potentially effective against the informal domestic work and able to contribute to the fulfilment of an important objective sought by the ILO: “Decent work for domestic workers”.

KEYWORDS: domestic work, informal economy, tax measures, tax morale, tax reliefs

LIST OF ABBREVIATIONS

| | |
|-----------|--|
| CEDEFOP | European Centre for Development of Vocational Training |
| CES | Chèque Emploi Service |
| CESU | Chèque Emploi Service Universel |
| EC | European Commission |
| EU | European Union |
| EUR | Euro |
| EUROFOUND | European Foundation for the Improvement of Living and Working Conditions |
| ILO | International Labour Office |
| OECD | Organisation for Economic Co-operation and Development |
| PACS | Pacte Civil de Solidarité (civil unions) |
| ROT | Renovering, Ombyggnad, Tillbyggnad (renovation, reconstruction, extension) |
| RUT | Rengöring, Underhåll och Tvätt (cleaning, housekeeping and laundering) |
| SEK | Swedish Crown |
| TES | Titre Emploi Service |
| UK | United Kingdom |
| VAT | Value Added Tax |

1. Introduction

The domestic work, namely the activity of assistance and/or maintenance performed in or for a household is, in Europe, a fast-growing labour sector. During the last 20 years, the demand of domestic work has sharply increased due to important changes in demographic and employment trends involving ageing population and rise in women's participation in the labour market. The private dimension of the domestic work, which years ago was carried out mainly by family members, has been therefore replaced by the external aid of employees engaged in tasks such as childcare, eldercare or housekeeping for facing with the challenges of the modern European society (Fauve-Chamoux, 2004). In line with the growing demand of domestic work, the offer of services provided within the household also increased, due to the raising number of immigrant work force and to high levels of unemployment, especially in low-skilled occupations, which peaked after the economic recession of 2008. According to the report "Building on skills forecast" of the European Centre for Development of Vocational Training (CEDEFOP, 2012), the European domestic sector was expected to increase by 10% during the 2010-2020 decade due to the raise in demand and offer of domestic services. The most recent statistics show that, in countries such as Belgium, France, Italy, the Netherlands and Sweden this occupation got to cover more than 4% of total employment (EC, 2018).

This scenario has been predicted, by the European Commission in the White Paper on "Growth, competitiveness, employment", as it recommended to elaborate new policies for supporting the domestic sector for decreasing unemployment and meeting the needs of the society (EC, 1993). Two years later, the employment potential of the domestic sector has been again highlighted by the EC, which proposed the implementation of financial and fiscal instruments for encouraging households to access domestic services (EC, 1995). The EC reiterated its position in 2012 and confirmed that the domestic sector was overwhelmingly important for combating unemployment and conferring wellbeing to families and individuals (EC, 2012; Morel, 2012; Webb, 2009), while the main efforts for raising awareness towards domestic workers' labour rights have been made by the International Labour Office (ILO, 2011, 2012). The special attention paid by the ILO in promoting "decent" labour standards for domestic workers reveals the absence of proper regulations and the need to specifically address the issue (ILO & Ramirez-Machado, 2003).

The domestic work is a *sui generis* employment relationship, characterised by strong personal involvement and by a particular, but not necessarily exclusive workplace: the home (Anderson, 2003; Burnham & Theodore, 2012; Neetha, 2009). Due to these features, it is hard to regulate the domestic work with the same rules that commonly apply to other employment sectors and it is even harder to enforce them. As a matter of fact, public authorities cannot access at any time the private and inviolable space in which household services are carried out and there are small chances to detect and punish noncompliant conducts (Mundlak & Shamir, 2008). Consequently, this labour sector can become an inexhaustible source of informal employment and abusive practices (Du Toit et al., 2013; Razavi & Staab, 2010).

Nevertheless, in the case of the informal domestic work, opportunity does not always make the thief. In Western European countries and in many other states, among the main reasons leading to the increase in informal domestic work there is the wish to avoid the burden imposed by taxes and social security contributions (Chen, 2011; Suleman, 2015). The labour costs' reduction entailed by the informal domestic work is, on the one hand, the lure of households lacking the economic capacity—and public subsidies—to hire “formal” domestic services and, on the other, a source of savings for well-off employers. Conversely, employees are less motivated to work informally and renounce to social security safeguards, still is not uncommon that some of them purposely seek informal occupations for avoiding income tax payments, working despite their status of irregular immigrants or preserving the right to public subsidies—e.g. jobseeker allowance— (Sargeant, 2014).

According to the *“Etude sur les services à la personne dans sept pays européens”* of the French Ministry of Economy and Finance, in 2010 the share of informal—and semi-informal—domestic work was dramatic and amounted to 70% in Italy, 40% in the Netherlands, 30% in France and Belgium and 15% in Sweden (DGCIS, 2011), while EUROFOUND (European Foundation for the Improvement of Living and Working Conditions) estimated that in Europe one in five informal activities involved the domestic sector (Williams & Renooy, 2008).

The mentioned estimates confirm that the informal domestic work is a serious problem to be solved, but for this purpose specific measures are needed. General policies aimed at countering the informal economy, in fact, are likely to result ineffective against the informal domestic work, since they do not consider the peculiarities of this employment relationship (McCann & Murray, 2014).

2. Tax measures for countering the informal domestic work

By following the suggestions of the EC (1995), some Western European legislators have taken action against the informal domestic work by introducing specific tax measures that incentivise the spontaneous access to formal household services (Koettl & Weber, 2012; Morel & Carbonnier, 2015). Therefore, instead of totally concentrate their efforts in repressing the employers' abusive conducts, these countries opted for encouraging the formalisation of the domestic work and focused their attention in enabling households to hire non-informal domestic services. Accordingly, it has been considered that decreasing the costs of the formal employment was of primary importance and, with the aim of promoting the sustainable growth of this labour sector, states have introduced fiscal incentives like tax credits, tax amnesties and exemptions on social security contributions.

2.1. Tax credits

Tax credits are fixed amounts or percentages which taxpayers are allowed to subtract from the gross tax for reducing the owed income tax. These tax instruments are commonly used as incentives to tax compliance and to provide preferential tax treatment to groups of taxpayers deserving special protection.

There are two categories of tax credits: non-refundable and refundable tax credits. The first cannot exceed the gross tax liability and can be applied to the point that no more taxes are owed. Conversely, refundable tax credits can exceed the amount of tax due and the surplus is returned to the taxpayer¹. These tax reliefs are always implemented for responding to social and economic needs and have long been used for discouraging the resort to the informal economy all over the world. Nowadays, most of the European measures aimed at fostering the growth of the domestic sector provide for tax credits².

¹ Countries use different denominations for referring to tax credits and often the meaning may appear unclear. In French the refundable tax credit is considered as a "*credit d'impôt*" (transl. tax credit) while the non-refundable tax credit is a "*réduction d'impôt*" (transl. tax reduction) and in Italy the "*credito d'imposta*" (transl. tax credit) refers only to the amount deriving from the difference between "*imposta lorda*" (gross tax liability) and "*detrazione fiscale*" (which according to the international definition is a tax credit).

² Denmark was among the first in adopting this kind of measure. In 1994 the tax credit for domestic service expenses has been introduced in the Danish legal system, in 1999 it became permanent and in 2004 it has been transformed into an elderly care benefit, while in Finland, where the same tax credit exists since 1997, there have not been substantial changes (Kvist, Carbin, & Harjunen, 2009). In other countries, like Italy and Spain, tax credits for domestic work expenses have been applied at the local level (Simonazzi, 2009).

Table 1: Refundable tax credit, France

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|--------------------------------------|---|
| Name of the measure | <i>Crédit d'impôt.</i> |
| Year | 2006, modified in 2017. |
| Legal source | <i>Loi 2006-1771 of the 30th of December 2006 and Art. 199 sexdecies of the Code général des impôts</i> |
| Overlying policy | Borloo-Plan 2005 introduced the CESU (<i>Chèque Emploi Service Universel</i>) for regulating the domestic sector in substitution of the previous programmes (CES <i>Chèque Emploi Service</i> and TES <i>Titre Emploi Service</i>). The plan provided a service voucher system and the simplification of procedures for hiring domestic services. Even if CESU accompanies the tax measure and regulate the domestic sector, the tax relief is not conditioned to the use of the service vouchers. |
| Purposes | Reducing the unemployment rate of low-skilled workers and responding to the society's demand of domestic services. |
| Tasks covered | Housework, domestic tasks, small-scale gardening and maintenance, child-minding (also provided by specific childcare assistants outside the home space, care structures or out-of-hours care in schools), help with school homework, preparing meals, assisting older people or other individuals needing personal assistance at home (except for medical services), assisting people with disabilities, caring for pets, helping with home-based administrative tasks carried out inside or around the household. |
| Household-worker relationship | The domestic service can be purchased from a company which is the domestic worker's employer or can be provided by a domestic worker who is directly employed by the household. |
| Relief | 50% refundable tax credit on the costs deriving from the employment of domestic workers. The expenses' ceiling for obtaining the tax credit is EUR (Euro) 15.000 for the first tax year and EUR 12.000 for the following years (thus, the maximum tax credit is EUR 7.500 for the first year and EUR 6.000 for the following years). The expenses' ceiling can be increased by EUR 1.500 per dependent child and family member older than sixty-five until a maximum of EUR 15.000 (EUR 18.000 for the first tax year). In specific cases the limit is raised to EUR 20.000. |
| Beneficiaries | Individuals employing domestic workers or purchasing domestic services by professional providers are eligible for a refundable tax credit. |
| Operating mode | People can apply for refundable tax credits by including the expenses for domestic services in yearly income tax declaration. |
| Estimated impact | The estimates on the reduction of the informal domestic work after the introduction of the tax measure are unreliable and most of the times the assessment has been made on the entire strategy (the Borloo-Plan) rather than on the outcomes of the tax reliefs. By way of example it can be reported that the predictions of Marbot (2008) —according to which the informal domestic work was expected to decline to around 70% even before the reform of 2017— have been wrongly used as estimations, hence numerous misunderstanding in the evaluation of the impact of the tax measures arose. Some media that are against the recent proposal of the French government to reduce the tax credit, reported that the non-refundable tax credit decreased the informal domestic work by 30% in a decade (Renault, 2019). |

Table 2: Non-refundable tax credit, Sweden

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| Name of the measure | <i>RUTavdrag</i> - refund of expenses related to cleaning, housekeeping and laundering ³ . |
| Year | 2007, modified in 2009, 2015 and 2017. |
| Legal source | <i>Lag 2007:346 om Skattereduktion för Hushålls Arbete</i> (Law No. 346 of 2007 on tax credits for housework). |
| Overlying policy | <i>RUTavdrag</i> and <i>ROTavdrag</i> (<i>Renovering, Ombyggnad, Tillbyggnad</i> is a similar tax credit for the expenses related to home repairs and maintenance) are part of the same strategy aimed at decreasing unemployment and informality. |
| Purposes | Reducing the expenses related to the formal employment of domestic workers for decreasing the high unemployment rate, breaking down the existing barriers to social and gender equality and combating the informal economy. |
| Tasks covered | Simple cleaning tasks, clothes care, snow removal, gardening and childminding ⁴ . |
| Household-worker relationship | The domestic service is provided by a company (professional provider) which is the domestic worker's employer. The household purchases the domestic service from the company without contractual responsibilities towards the domestic worker. |
| Relief | 50% non-refundable tax credit on the domestic services' price up to SEK (Swedish Crown) 50.000 for over-65 and SEK 25.000 for the other tax payers ⁵ . The non-refundable tax credit is applied to the point that no more income tax is owed. |
| Beneficiaries | Individuals subject to income taxation who purchase domestic services from a domestic service company. |
| Operating mode | In the original version of the <i>RUTavdrag</i> purchasers of the domestic services had to pay to the professional provider the total price of the service and apply for the tax credit in their income tax declaration form. Due to a reform of the measure, since 2009 domestic service providers charge the purchasers half of the service price, including VAT (Value Added Tax). The providers are then allowed to ask the remaining sum to the Swedish Tax Agency. |
| Estimated impact | According to the survey conducted by Almega (Employer and Trade Organisation for the Swedish Service Sector) in 2009 and by the Swedish Tax Agency in 2011, the informal domestic work decreased by about 10% between 2005 and 2010, but the percentage might be lower if the numerous frauds which affected the <i>RUTavdrag</i> were considered (Skatteverket, 2011). |

³ The term "expenses" refers to the OECD (Organisation for Economic Co-operation and Development) definition of labour costs: "the sum of gross wage earnings, employer's social security contributions and payroll taxes" (Taxing Wages 2015, OECD publishing, Paris).

⁴ From 2017, repairs of appliances at home, IT services and removal services for relocation are also included.

⁵ VAT included. The Value Added Tax is always due when a service is purchased by a service provider, as in the Swedish case.

Table 3: Refundable tax credit, Belgium

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| Name of the measure | <i>Réduction d'impôt</i> (in French) or <i>Belastingvermindering</i> (in Flemish). |
| Year | 2008. |
| Legal source | Reform of the Belgian Tax Code introduced by the art. 70-72 of the <i>Loi-programme</i> of the 8 th of June 2008 and Sixth Reform of the Belgian State of 2015. |
| Overlying policy | The 2008 reform modifies only partially the tax relief provided since 2004 to households purchasing domestic services through the system of <i>titre service</i> (service voucher), by transforming the existing non-refundable tax credit into a refundable one, while the Sixth Reform of the Belgian State of 2015, shifted the taxing—and subsidizing— authority to Regional Governments. Due to this reform the voucher system has not changed in the Flemish Regions, while in Wallonia and Brussels the tax credit has been reduced. |
| Purposes | Favouring the employment of low-skilled workers, discouraging the informal domestic work and helping every citizen to achieve a better work-life balance by delegating certain household chores. |
| Tasks covered | Domestic services carried out both inside the house (cleaning, ironing, preparing food and doing occasional sewing work) and outside (ironing, shopping, supervised transport of persons with reduced mobility). |
| Household-worker relationship | The domestic service is provided by a company (professional provider) which is the domestic worker's employer. The household purchases the domestic service from the company without contractual responsibilities towards the domestic worker. |
| Relief | 30% refundable tax credit on the vouchers' price applied on the personal income tax, up to EUR 440,10 (EUR 2,70 per voucher for the first 163 vouchers purchased) in the Flemish Regions. In Wallonia and Brussels, the maximum tax relief has been reduced after the Sixth Reform of the Belgian State of 2015 and now it is, respectively, EUR 135 (EUR 0,90 per voucher for the first 150 vouchers) and EUR 220,05 (EUR 1,35 per voucher for the first 163 vouchers purchased). |
| Beneficiaries | Individuals, subject to income taxation, purchasing domestic services through service vouchers. |
| Operating mode | The tax credit is strictly related to a system of subsidized vouchers that allows the purchase of domestic services for 9-10 EUR/hour, with a saving of 40% with respect to the total cost of one hour of service. The amount of tax credit is calculated on the price of these titles (9 EUR/voucher for the first 400 vouchers, 10 EUR/voucher for the other vouchers), which can be freely acquired, up to a maximum of 500 per person (2.000 in the case of single-parent families or with elderly/disabled members) through Sodexo, a private intermediary company. People can apply for refundable tax credits by including the expenses for domestic services in yearly income tax declaration. |
| Estimated impact | The GAW (Austrian Association for Applied Economic Research) estimated that between 10% and 15% of the informal domestic work has been formalised after the introduction the refundable tax credit into the <i>titre service</i> system. The evaluation is confirmed by the survey of Idea Consult, a Belgian research-based consultancy company, which estimates that the employment relationships which have been formalised were 10% minimum and 20% maximum (Pacolet, De Wispelaere, & Cabus, 2010). However, in the most recent reports, the same consultancy company tends to be less optimistic, especially with reference to the regions in which the tax credit has been drastically reduced (Goffin, Schooreel, Mertens, Valsamis, & Van der Beken, 2018). |

2.2. Tax amnesty

The tax amnesty is an instrument of Tax Law aimed at regularising the noncompliant status of taxpayers during a specific time-frame. Through tax amnesties, in exchange of forgiveness, the state charges a lump-sum of money which compensates the unpaid tax.

The application of this type of measure in the ambit of formalisation strategies responds to the objective of regularising informal activities or employment relationships by freeing the parties involved from the responsibility of their previous noncompliance with tax duties.

The tax amnesty implemented by Italy in 2009 for favouring employees and employers' compliance with tax and social security duties, is probably one of the clearest examples of this regularisation measure in the domestic sector (Table 4).

2.3. Exemption on social security contributions

Tax exemptions are fiscal reliefs dispensing totally or partially from a tax payment. They are statutory exceptions to tax rules concerning taxable incomes on which, for specific purposes, no tax is levied. Exemptions can be objective, and refer to a particular type of tax, or subjective and apply to specific group of taxpayers, as well as temporary or permanent (Rosembuj, 2007).

Although tax exemptions are commonly used for favouring the access to the legal enjoyment of resources otherwise hard to reach, the resort to these instruments for reducing the personal income tax base is unusual and they have been scarcely implemented in the ambit of formalisation policies, but many countries apply this tax relief in order eliminate, totally or partially, the duty to pay social security contributions.

The Netherlands introduced a subjective and permanent exemption on social security contributions with the *Regeling dienstverlening aan huis* (Table 5).

Table 4: Tax Amnesty, Italy

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| Table 4: Tax Amnesty, Italy | |
| Name of the measure | <i>Sanatoria per colf e badanti.</i> |
| Year | 2009. |
| Legal source | <i>Legge</i> 102 of the 3rd of August 2009. |
| Overlying policy | None. The policy is the tax measure itself. |
| Purposes | Reducing the informal domestic work and the employment of irregular immigrants in the household. |
| Tasks covered | Activities carried out by <i>badanti</i> , in charge of the care of non-self-sufficient people, and by <i>colf</i> engaged in housekeeping activities. |
| Household-worker relationship | The domestic worker is directly employed by the household. |
| Relief | One-month time-span (September 2009) for regularising the informal employment relationship with one or two domestic workers and obtaining forgiveness from past noncompliant conducts. The tax amnesty also provided the regularisation of illegal immigrants employed as domestic workers. |
| Beneficiaries | Italian, EU citizen and immigrants residing in Italy with a regular residence permit, who were employers of maximum of two <i>badanti</i> or one <i>colf</i> , declaring an income exceeding EUR 20.000, or families declaring more than EUR 25.000. |
| Operating mode | Domestic employers had to declare to the public labour office or to the immigration office that they had employed an informal domestic worker during —at least— the three months preceding the demand of <i>sanatoria</i> . For regularising the status of domestic workers, the payment of a lump-sum of EUR 500 was required as a compensation for the social security contributions that had not been paid during the three months of informal employment, but higher amounts would have been collected if the employer had declared a duration of the informal employment relationship exceeding three months. The formal labour contract which attested an employment relationship of at least 20 hours per week was also compulsory for obtaining the <i>sanatoria</i> . |
| Estimated impact | The 294.774 applications received for regularising informal workers by Italian authorities cannot give a precise evaluation on the effectiveness of the <i>sanatoria</i> because reliable estimations on the size of the informal domestic work in Italy before the introduction of the tax measure are not available. Additionally, it has been found that the tax amnesty has been used for fraudulent purposes, because most of the applications submitted was not compiled by domestic employers but by fraudsters ensuring the regularisation of illegal immigrants - —who were not domestic workers— upon the payment of staggering fees (Barbieri, 2009; Pasquinelli & Rusmini, 2010). |

Table 5: Exemption on social security contributions, The Netherlands

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| Name of the measure | <i>Vrijstelling voor de loonheffingen voor deeltijd huishoudelijk personeel</i> (payroll taxes exemption for part-time domestic workers). |
| Year | 2007. |
| Legal source | <i>Regeling dienstverlening aan huis</i> (Regulation of domestic services) of the 1st of January 2007. |
| Overlying policy | <i>Regeling dienstverlening aan huis</i> is a policy that simplifies employment procedures for households employing domestic workers. The payroll taxes exemption for part-time domestic workers is included in this measure. |
| Purposes | Expanding the domestic sector and reducing the informal work by introducing fiscal incentives. |
| Tasks covered | Cleaning, housekeeping, simple care, shopping, childminding, car driving or gardening. |
| Household-worker relationship | The domestic worker is directly employed by the household. |
| Relief | The informal employment relationship is considered as formal if the domestic work does not exceed three days a week and there is a total relief from the employer's obligation to pay employee's social security contributions. |
| Beneficiaries | Individuals employing a domestic worker for a maximum of four days a week. |
| Operating mode | None. Absence of a duty to communicate to the Dutch authorities the existence of a domestic work relationship. A contract between the parties is required in order to establish working time, tasks and salary, but there is no obligation to report it to public authorities. |
| Estimated impact | The elimination of employment formalities and duties may result in a massive regularisation of the informal domestic sector by the mere fact that the domestic work carried out for a maximum of three days a week for the same employer is always —and without the need to provide any evidence— considered formal. Evaluations on the impact of the tax measure on the informal economy cannot be done, because the lack of communication between public authorities and parties involved in a part-time employment relationship in the domestic sector impedes to differentiate between formal and informal work. |

3. Theoretical-qualitative analysis on the effectiveness of the tax measures

The five tax measures seek to promote compliance through incentives to the formal employment of domestic workers and, even in those cases in which countering the proliferation of informal practices is not a primary purpose, these instruments can have a

significant impact on the informal economy's decline. This assumption arises from a compelling correlation that is, at the same time, a logical causal nexus: incentives to compliance tend to produce disincentives to noncompliance.

At this point, it is worth questioning to what extent the implementation of tax measures may reduce the informal domestic work in an inclusive way. Throughout the descriptive tables of the five measures implemented in Western Europe, some information regarding their estimated impact on the informal economy has been mentioned. Nevertheless, these surveys and estimations have not been able to provide a clear framework about the extent to which tax measures contributed to reduce the informal domestic work. While awaiting more precise assessments, the tax measures' effectiveness can be only theorised, and this is the reason why legal and practical aspects of each tax measure have been subject to a theoretical-qualitative exam. Such an analysis does not deal with the "quantum" but on "how" a normative intervention belonging to the field of Tax Law may promote an inclusive formalisation in the domestic sector. For this purpose, tax measures' subjective and objective ambits —namely beneficiaries involved, and the relief provided— have been specifically addressed.

3.1. France

From an objective point of view, the French measure is highly inclusive because it offers the possibility to contract formal domestic services and enjoy all the legal guarantees provided in the sphere of the official economy at an affordable price —which is very similar to that of informal services.

The opportunity to regain half of the money spent on domestic services up to EUR 7.500 during the first year represents an important incentive to formalization. Additionally, from the second year onwards all taxpayers can continue to benefit from a refundable tax credit not lower than EUR 6.000. As a consequence, the link between households and formality is likely to become strong and stable.

With regard to the subjective aspect, the French measure has proved very effective and this is due both to the provision of more favourable treatments for households in need, and to the implementation of a series of reforms to expand the number of potential beneficiaries.

The original version of the French measure entered into force in 1991 and consisted of non-refundable tax credits. The effectiveness of the tax measure was partial, and the informal domestic work remained the preferred option for those taxpayers who could not discount the tax credit from their income tax. In 2006, the introduction of the refundable tax credit conferred a higher redistributive potential to the tax relief, because it gave to taxpayers the opportunity to obtain a refund of the tax credit that exceeded the owed income tax. Nevertheless, for being eligible for a refundable tax credit, individuals had to —actively and formally— work or be registered in the public jobseeker lists since at least 3 months. Thus, the access to the tax relief was practically denied to retired people and to individuals not included —or included since less than 3 months— in jobseeker lists. The exclusive effect of the norm foreseeing the refundable tax credit was even increased in the case in which married couples or civil unions (PACS) were subject to joint income taxation, because both individuals had to comply with the mentioned conditions. It can be argued that individuals not inscribed into jobseeker lists were excluded only temporally from the benefit provided by the tax measure, but such a limitation looks anyway contrary to the principle of equality. Older people, however, could be considered the most penalised category of taxpayers because, being retired, they would never be authorised to apply for refundable tax credits (Carbonnier, 2009; Morel, 2012, 2015).

The subjective limitations of the French refundable tax credits have been overcome in 2017, since the legislator reformed the tax code to allow every citizen to benefit from the refundable tax credit. Accordingly, the inclusive effectiveness of the tax relief has become very high and so are the country's chances to eliminate the informal domestic work.

3.2. Sweden

Being a non-refundable tax credit, the measure introduced by the Swedish legislator is apt to promote the purchase of domestic services through formal mechanisms to the extent that purchasers have a sufficient amount of due income tax on which the tax credit can be discounted⁶. Consequently, the measure raises some criticism in the light of the principle of equality, because it may not apply to low income people. Thus, in spite of being designed

⁶ The only way to obtain the part of tax credit that exceeds the owed tax is through redistribution, that is, by transferring this amount to the spouse or de facto partner who has enough owed tax to deduce it.

to favour a vulnerable group—a higher deduction ceiling is allowed to people over 65—the Swedish measure cannot aspire to be totally inclusive from a subjective point of view.

As regards the objective ambit, it looks clear that this measure is by far less generous than the French one, as the deduction ceiling is very narrow. However, it cannot be overlooked that the list of “deductible” services of the *RUTavdrag* is more succinct than the one that appears in the regulation of *crédit d'impôt*. Hence, it could be assumed that the limitation of the objective scope of the Swedish measure is motivated both by a lower demand for aid in the domestic ambit and by the presence of other support programmes for families. The veracity of this hypothesis can be supported by alleging that services for old and not self-sufficient people, as well as pre-school and extracurricular activities, are highly subsidised according to the income level of the household. In addition, it has been proven that the reduction of the deduction limit for persons under 65 introduced by the 2015 reform has not had a negative impact on the number of tax credits demanded and granted in subsequent years⁷.

3.3. Belgium

The recent modifications of the Belgian Constitution prevent the tax measure from passing with resounding success the theoretical-qualitative examination on the inclusive effectiveness. What stands out, especially at the subjective level, is that this is not in line with the principle of equality, because the amount of deductible expenses varies significantly from one region to another, thus, from person to person. This fact, strictly related to the different financing capacity of each region, could lead to a greater concentration of informal domestic work in the less wealthy areas of the country. In addition, it should be noted that, although the measure allows the purchase of more subsidised vouchers to single-parent families and to families with elderly/disabled members, the tax credit is fixed and does not provide for any preferential criteria to favour those who require greater assistance.

Regarding the objective area, it is important to recall that the incentive offered by the Belgian legislator consists of two elements: a subsidy of 40% on the price of one hour of

⁷ Updated statistics are available at: <https://abouttime.se/rutbarometern/>, retrieved the 21st of February, 2019.

domestic services and a refundable tax credit that, depending on the region, can be 30%, 15% or 10% of the expenses in service vouchers, up to 163/150 vouchers. Thus, families residing in Flanders have the possibility to pay 3-4 hours of domestic services per week at 6,30 EUR/hour, those in the Brussels Region at 7,65 EUR/hour and those in Wallonia at 8,10 EUR/hour. In addition, if households need more domestic services, they can continue to hire them at the subsidised price of EUR 9 or 10 up to 500 vouchers (or more if household's members have special needs). Therefore, all those people seeking cleaning services, ironing of clothes, preparation of meals, sewing, shopping and assistance in the transport of persons with reduced mobility at an economic price, can find in the Belgian measure a valid alternative to the informal domestic work. Conversely, those who need different domestic services or greater flexibility with regard to tasks, may continue to hire informal workers, as the voucher system can only be used for specific services. In particular, this could be the case for older and/or people who need more care, assistance in medication and help with their personal hygiene, and in the case of bad-off families with minor children⁸.

3.4. Italy

Unlike the other tax measures, the Italian *sanatoria* provided an economic benefit which was not a discount related to the cost of household services. The tax measure, specifically designed for stimulating the formalisation of informal domestic workers employed in private households, may apparently look as one of the most effective, but this is not the case.

From a subjective point of view, the Italian tax measure cannot be considered totally effective and some criticism on the grounds of the principle of equality can be raised, because only individuals declaring an income exceeding EUR 20.000 —or families declaring more than EUR 25.000— could regularise their informal domestic employees. It should be pointed out, however, that the Italian legislator, provided for an increased horizontal equity because both residents and immigrants had been included into the tax measure, with the result that the tax amnesty became also an additional mechanism for

⁸ To subsidize expenses related to the care of the elderly there is no other measure and for the care of minors there is only a non-refundable tax credit for deducting 45% of the expenses.

regularising those who did not hold of a valid residence permit —irregular immigrants. Nevertheless, in spite of this praiseworthy characteristic, it cannot be underestimated that the possibility to regularise informal domestic workers was precluded to the poorest employers and that, by reason of their low ability-to-pay, these individuals had no other chances than resorting to the informal labour market.

If the analysis is shifted to the objective ambit of the tax measure, the evaluation on the effectiveness of the tax amnesty for solving the problem of the informal domestic work encounters further causes of criticism. The main reproaches to the Italian *sanatoria* regard its inaptitude to be a valid instrument for countering the informal domestic work and its inability to promote a stable inclusion of the informal domestic work into the formal economy. The first critique can be easily exhausted by reminding that the tax measure has been applied only during one-month, thus it may be considered as a long-term solution only in the hypothetical situation in which, since the 30th of September 2009, no more households would have employed informal domestic workers. The unlikelihood of this prediction in reality concerns the second critique to the tax measure and in particular its inadequacy to confer to domestic employers some incentives for remaining compliant with the duties related to the formal employment. The formalisation of the employment relationship provided by the tax measure eliminated the risk of being sanctioned for the noncompliance with labour and tax rules, but this cannot be regarded as a direct benefit. In point of fact, the sanction is not a deterrent nor an obstacle to the informal domestic employment, since —as said— the chances to be detected are very small.

3.5. The Netherlands

The Dutch tax measure is, apparently, a tax relief from the payment of the domestic workers social security contributions and applies to every individual employing a domestic worker in her/his household for less than four days per week, without exceptions. Consequently, at first sight it may be considered in line with the principle of equality in terms of access to the measure and subjectively effective for its ability to include a relevant number of domestic employers.

The effectiveness of the tax measure, however, is not confirmed by the in-depth exam of the tax relief. Provided that the Dutch exemption does not shift the duty to contribute to the

public authority, the economic burden of the tax measure is entirely borne by the domestic worker. Thus, the tax relief conferred to the employer becomes a potential tax burden for the employee who, for providing for her/his social security, has to pay special insurance plans. The benefit provided to employers is therefore detrimental to workers, because they are obliged to choose whether to pay for their social security or renounce to it as if they were informally employed. Unlike the other tax measures, the legislative intervention does not lead to the inclusion of all the parties involved in a domestic work relationship into a legal system granting and respecting the fundamental rights of every citizen, because from the application of the tax measure does not derive any enhancement to workers' conditions. As a matter of fact, it should be noted that, despite some criticism about the other tax measures arose, there has been no need to address or examine issues related to the consequences deriving from the application of tax reliefs, because improvements to domestic workers' conditions are implicit in the formalisation.

The Dutch legislator does not provide for an effective solution to the problem of the informal domestic work, since the tax measure cannot be considered as a proper tax relief nor as a formalisation procedure, but rather a method for laundering the informal domestic work. According to the objective ambit, in fact, it cannot be said that the benefits brought by the exemption on social security contributions create conditions which are different from those of the informal employment.

By eliminating every obligation to report to public authorities the existence of part-time domestic employment and to pay for employees' social security, the tax measure locates workers and households in a hypothetical "limbo" between informal and formal domestic work where there are all the cons of informality and no pros of formality.

4. Conclusions

The analysis of the five tax measures confirms the important role of Tax Law in designing solutions to the problem of the informal economy and highlights that, while combating the informal domestic work, tax measures can also balance and take into account all the essential interests involved in domestic employment relationships.

The use of tax reliefs as incentives to formalisation seems to be a valid option for stimulating the tax compliance of all parties, however, depending on the size of the benefit provided and on the number of beneficiaries who can access it, tax measures can reach

different degrees of effectiveness. The merger of an adequate benefit with an all-embracing range of beneficiaries determines the tax measures' maximum inclusivity and this will be probably demonstrated by France in future quantitative studies. As a matter of fact, it has been found that, by overcoming some of the subjective and objective limitations that the Swedish and the Belgian tax credits have, the French tax measure is potentially able to effectively tackle one of the most important determinants of the informal domestic work: the high costs of formal employment.

Conversely, in the case of the Italian tax measure, the potential to stimulate the access and the permanence into the formal domestic sector is low and may only derive from the expectation of a collateral advantage: reducing of the risk of being sanctioned for the noncompliance with regulations.

Similarly, the Dutch tax measure has been considered scarcely effective, as it has been observed that it modifies status quo without leading to real formalisations.

Theoretically speaking, it can be therefore concluded that for reaching the highest level of effectiveness in solving the problem of the informal domestic work, tax measures must involve adequate tax reliefs and observe the principle of equality, because this is the only way to turn formal household services into a valid alternative to cheap informal labour on a large scale.

Demographic trends suggest that, due to changes in the European social structure, the demand of domestic services is likely to increase; for this reason, in the absence of inclusive formalisation mechanisms, the informal economy will dramatically grow leading to a dreadful impact on both economy and society. Therefore, full efforts should be devoted in restoring the legality in the domestic sector and this implies real formalisation with real enhancement of both workers' labour conditions and households' ability to access to adequate services (IWAK 2011). These priorities, repeatedly expressed by the ILO in its claims for "Decent work for domestic workers", have to frame future budget policies; thus, tax measures are not exempted from complying with such recommendations while pursuing the elimination of the informal economy.

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