



37. Income tax expense

The Group's income tax expense for the year is €84.6 million as follows:

(€'000)	2015	2014	Variation
Current taxes (income taxes)	36,976	28,287	8,689
Net deferred tax expense	33,436	12,492	20,944
Prior year taxes	9,531	(6,455)	15,986
Total income taxes	79,943	34,324	45,619
IRAP	4,634	5,283	(649)
Total	84,577	39,607	44,970



An analysis and reconciliation of the theoretical income tax rate, calculated under Italian tax

legislation, and the effective tax rate are set out below:

	Income tax expense	
	€m	%
Profit before tax	183.4	
Theoretical tax expense	50.4	27.5%
Effect of permanent differences	15.0	8.2%
Net effect of foreign taxes	10.5	5.7%
Adjustment to deferred taxes for reduction in IRES rate	3.5	1.9%
Prior year and other taxes	0.5	0.3%
Total	79.9	43.6%

The effective tax expense is affected by the following:

- permanent differences;
- the tax asset for taxes paid abroad by the consolidated companies' branches to the extent the Group believes the conditions exist for its recovery in Italy in 2015 or subsequent years;

- the adjustment to deferred tax assets to consider the new IRES rate, which will decrease to 24% on 1 January 2017 as per Law no. 208/2015.

An analysis and reconciliation of the theoretical IRAP tax rate and the effective tax rate are set out below:

	IRAP	
	€m	%
Operating profit	272.6	
Personnel expenses	537.6	
Operating profit for IRAP tax purposes	810.2	
Theoretical tax expense	31.6	3.9%
Tax effect of foreign companies' production	(10.0)	(1.2%)
Tax effect of foreign production	(14.5)	(1.8%)
Tax effect of permanent differences	(2.5)	(0.3%)
Total	4.6	0.6%

The net deferred tax expense contributes negatively to the consolidated profit for €33.4 million as shown below:

(€'000)	
Deferred tax expense for the year	149,722
Reversal of deferred tax liabilities recognised in previous years	(54,819)
Deferred tax income for the year	(149,805)
Reversal of deferred tax assets recognised in previous years	88,339
Total	33,436