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UniCredit  
Economic Policy  
Position Paper

# PM Renzi's policies, reforms and measures to foster sustainable growth

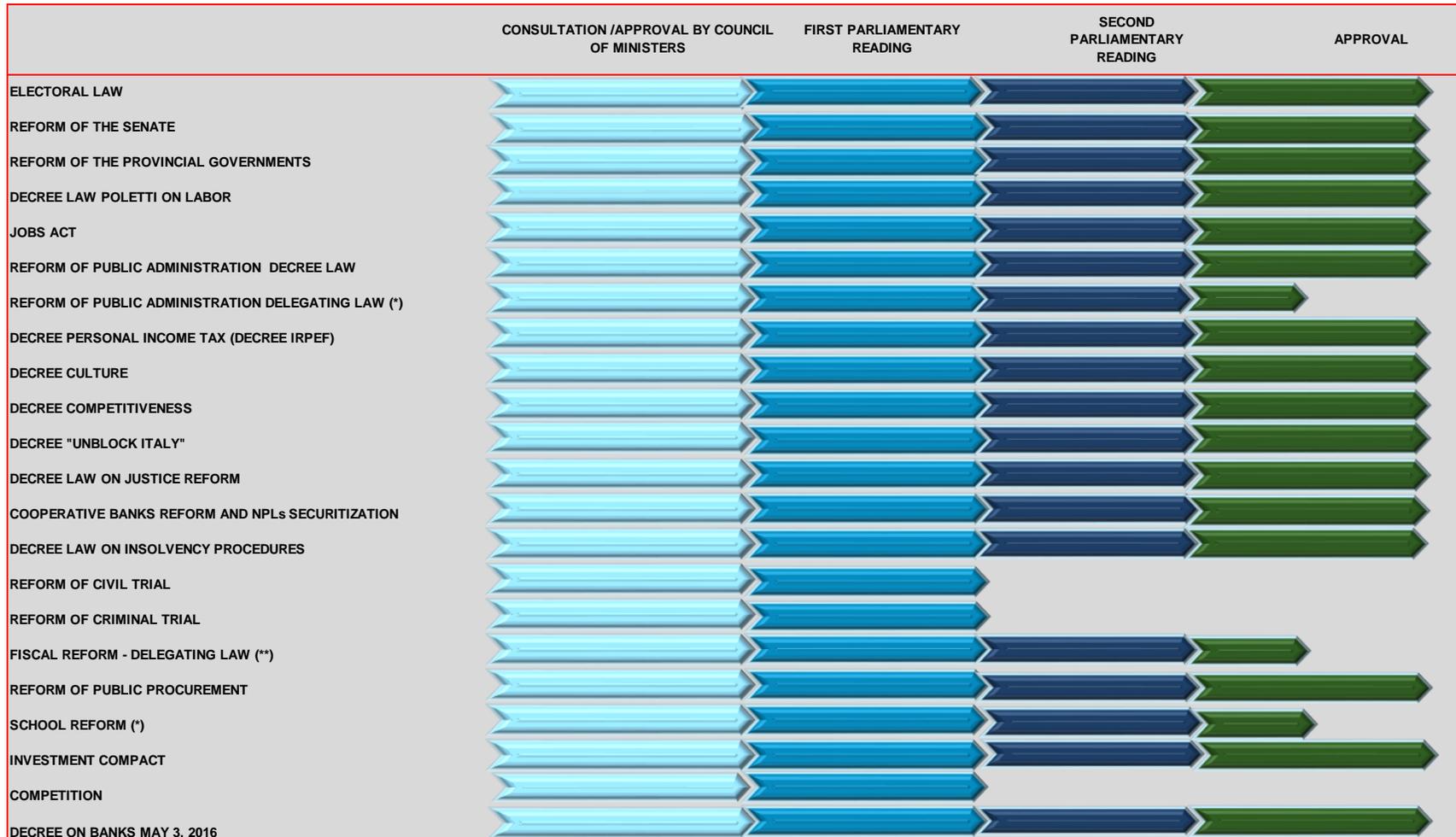
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Sources: Bank of Italy, Budget Parliamentary Office, Cer, Istat, Italian Government, Prometeia, REF.ricerche, UniCredit Research, Institutional Affairs in Italy and Germany UniCredit, Il Sole 24Ore

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# IMPLEMENTATION OF GOVERNMENT PROGRAM – SUMMARY



(\*) WAITING FOR THE FULL ISSUANCE OF THE LEGISLATIVE DECREES

(\*\*) WAITING FOR THE FULL IMPLEMENTATION

## WHAT HAS BEEN DONE

## WHAT IS TO BE DONE

### CHANGE IN ELECTORAL LAW

#### THE "ITALICUM"

The new electoral law for the Lower House, approved by the Parliament on May 4, 2015, provides for a proportional system with a minimum threshold of 3% to enter Parliament, a majority bonus for the party that gains at least 40% of the vote and the run-off for the first two lists if no party reaches the threshold of 40%.

#### IMPLEMENTATION FROM JULY 1, 2016

The implementation of the new electoral law will be applied from July 1, 2016.

### REFORM OF THE SENATE

#### DEFINITIVE APPROVAL

After a long process the Parliament definitively approved the constitutional reform of the Senate and the Title V of the Constitution on April 12, 2016. The Senate will stop having the same role as the Lower House: it will no longer be entitled to vote neither the confidence to the government nor the budget. The direct elections of senators is abolished and their total number is reduced from 315 to 100.

#### CONFIRMATIVE REFERENDUM IN OCTOBER 2016

The process will be completed by a referendum, foreseen in October 2016. Moreover, a new electoral law for the election of the representatives of Regions in the Senate must be approved.

### LABOR

#### DECREE LAW POLETTI, JOBS ACT AND SELF-EMPLOYMENT

In May 2014 the decree law Poletti has been converted into law by the Parliament. In October 2014 the Parliament approved the Jobs Act, that rules the contract at increasing protection for new employees, the unemployment-benefit system, the establishment both of the National Employment Agency and National Labor Inspectorate. On January 28 2016 the government approved a draft delegating law on self-employment.

#### DDL ON SELF-EMPLOYMENT BEFORE THE PARLIAMENT

After completing the legislative decrees on the Jobs Act, some ministerial decrees to implement the reform are being issued. Among them the decree on the new National Labor Inspectorate. The government also approved preliminarily on June 10, 2016 a legislative decree on vouchers that is now before the Parliament. The draft delegating law on self-employment must be approved by the Parliament.

### PUBLIC ADMINISTRATION

#### APPROVAL OF THE REFORM

The Parliament approved on August 4 2015 the Draft Delegating Law on the Public Administration reform. Subsequently, the government adopted on January 20 2016 11 the legislative decrees concerning new rules on disciplinary dismissal for public employees, the certified signaling of the start of activities, the services' conference, the cut of companies owned by local governments, the restructuring of police functions, the digital citizenship and the PA transparency.

#### OTHER LEGISLATIVE DECREES ARE EXPECTED

The government definitively approved the legislative decrees on the PA transparency, the dismissal of public employees, the certified signaling of the start of activities and the services' conference. The legislative decrees on local public services and the reform of the chambers of commerce have not yet been issued.

### UNBLOCK ITALY

#### THE DECREE LAW FOR INFRASTRUCTURE

The Parliament on November 5th 2014 approved the decree law "Unblock Italy", which provides €3.9 billion for infrastructure. The decree also includes measures for housing, internazionalization, project financing, interventions in energy and environment and a stronger role of Cassa Dd. Pp.

#### ALLOCATION OF FUNDS

The decree provides the opening of the yards during 2015 and 2016, with different deadlines depending on the works contracted. The paying out of the funds will be phased: €26 mln in 2014, €231 mln in 2015, €159 mln in 2016, €3,5 bln from 2017 to 2020.

## STABILITY LAW 2016

### MEASURES FOR FAMILIES AND FIRMS

On December 23 2015, the Parliament approved the Stability Law 2016 with an overall budget for next year that amounts to €34 bln. The law abolishes the local-property and service tax on first homes and provides a stimulus package for firms, which includes tax incentives for investment in machinery and the extension, although in a reduced form, of fiscal incentives for employers that hire on permanent contracts in 2016.

### APPROVAL BY THE EUROPEAN COMMISSION

The European Commission approved the Draft Budgetary Plan 2016, submitted by the government, in May 2016. Many implementing decree are being issued.

## INVESTMENT COMPACT

### URGENT MEASURES

The decree law, approved by the Parliament on March 24 2015, provides for urgent measures for banking sector and for investment, including the reform of the cooperative banks, the establishment of a joint stock company to support the capitalization of healthy firms in a temporary liquidity crisis, the extension of the patent box to trademarks and subsidies in favour of innovative firms.

### OTHER EXPECTED MEASURES

The decree doesn't include all expected measures. A law to reform the Central Guarantee Fund - opening up its operations to other financial intermediaries - and new rules to attract large foreign investments are expected in future provisions. Likewise the birth of the new Agency for the support of the made in Italy and the renewal of government subsidies for business networks have been postponed.

## JUSTICE

### THE GOVERNMENT APPROVED THE LAW ON BANKRUPTCY

The Parliament so far approved a decree law to reduce the backlog of the civil trials, a draft bill on the civil liability of the judges, a draft bill on corruption and a decree law on insolvency procedures. The Lower House approved at first reading the draft bill on the limitation period and the reforms of the civil and criminal trial. The government approved on February 10 2016 a delegating law on bankruptcy.

### STILL LONG THE ROAD OF THE REFORM

The delegating law on bankruptcy is under discussion in Parliament, while the Senate must approve the draft bill on the limitation period and the reform both of the civil trial and the criminal trial.

## FISCAL REFORM

### TEN LEGISLATIVE DECREES ISSUED BY THE GOVERNMENT

The Parliament delegated the government on March 27, 2014 to revise the Italian fiscal system. So far the government approved ten legislative decrees on the simplification of the tax system, the function of cadastre committees, the abuse of rights, corporate internationalization, electroning invoicing, the revision of administrative and criminal sanctions, tax collection, conciliation, tax expenditures, tax agencies.

### MEASURES MISSING

Some important measures expected - such as the cadastre reform, the tax on gambling, the taxation of small businesses, the Irap exclusion for self-employed people - have not been included in the legislative decrees approved by the government. They could be, however, included in next legislative provisions.

## SCHOOL

### THE REFORM

The Parliament approved on July 9, 2015 a draft bill on the school reform. The main issues are digitization, the hiring of the temporary workers, the reform of the teachers' salaries, the new role of the principals, the strengthening of the training plans, the greater autonomy of the schools, the transparency of the school budgets.

### LEGISLATIVE DECREES WITHIN 18 MONTHS

The government is delegated by the draft bill to issue within 18 months nine legislative decrees on national education system, access to profession, inclusion in school, vocational education, right to education, student skills, humanistic culture, kindergartens, education abroad.

## COMPETITION

### THE DELEGATING LAW FOR MARKET AND COMPETITION

The government approved on February 20, 2015 a package of liberalization measures including insurance, professions, energy and pharmacies. The government has faced a lot of resistances, that has reduced the bill articles from 50 of the first drafts to 33.

### BEFORE THE SENATE

The delegating law, approved by the Lower House, is now before the Senate, where new changes are expected. In the future new measures are envisaged about local public transport, taxis, ports and pharmacies again.

## DIGITAL AGENDA

### ULTRA-BROADBAND

The government presented on March 3, 2015 a €7 bln plan to extend the ultra-broadband with the aim of achieving the targets set by the EU by 2020. The government released on August 6 2015 the first tranche of €2.2 bln for investments in market risk areas. A first call for interventions in six regions was published on June 3, 2016. The EU Commission approved on June 30, 2016 the €4 bln Italian investment plan.

### ENACTING MEASURES

The next steps in the plan call for other interventions to complete the ultra-broadband network. Additional private investments must also be attracted for the full implementation of the plan.

## REFORM OF PUBLIC PROCUREMENT

### THE DELEGATING LAW

After the approval by the Parliament of the delegating law that transposes the European directives on public procurement, the government approved definitively the new procurement code on April 15 2016. It expands the powers of the Anti Corruption Authority, simplifies regulations and curbs both derogations and variants.

### IMPLEMENTATION BY DECEMBER 31 2016

The reform comes into force immediately, but the guidelines of the new procurement code, that must be issued by the Anti Corruption Authority, will require a few months time. Therefore there will be a transitional phase. The maximum deadline for the implementation of the guidelines is the end of December 2016.

## COOPERATIVE BANKS REFORM AND BAD LOANS DISPOSAL

### URGENT MEASURES FOR BANKING SECTOR

The government approved on February 10, 2016 a decree law on the cooperative banks reform, that also includes a regulatory definition of the agreement reached in Europe on the state guarantee on securitization of non performing loans. The Parliament approved on April 6, 2016 the decree.

### POSTPONED THE REFUND OF SUBORDINATED BONDS

The refund of subordinated bondholders, who suffered losses in the rescue of the four regional banks recently saved by the government (Banca Etruria, Banca Marche, CariFerrara, CariChieti), was taken out of the decree.

## DECREE LAW ON BANKS

### MEASURES ON NON PERFORMING LOANS RECOVERY

The government approved on April 29, 2016 a decree law on banks with measures that should speed up non performing loans recovery. The decree, that includes indemnities to bondholders of Banca Etruria, Banca Marche, CariFerrara, CariChieti, was approved by the Parliament on June 29, 2016.

### WAITING FOR THE IMPLEMENTING DECREES

It is expected soon a ministerial decree on the arbitration for the indemnities to bondholders of the four banks.

## THE REFORMS FROM 2015 TO DATE

### A) INSTITUTIONAL REFORMS

#### A1) Reform of the Senate (approved)

After a long process **the Parliament definitively approved on April 12, 2016 the constitutional reform of the Senate** and the Section V of the Constitution, which deals with the autonomy of regions. **The process will be completed by a referendum, foreseen in October of this year.** Moreover, a new electoral law for the election of the representatives of Regions in the Senate must be approved.

- **The Senate will stop having the same role as the Lower House:** it will no longer be entitled to vote the confidence to the government;
- **It will no longer vote the budget.** The legislative power of the new Senate will mainly be restricted to the Constitutional amendments, the State-Regions relationship, the ratification of international treaties and the government-EU commission relationship;
- **Direct election of senators will be abolished:** the reform envisages the new Senate as an elected body of second degree composed of 100 members: 95 elected by the local bodies and 5 appointed by the President of Republic;
- **The total number of senators will be reduced from 315 to 100** and local representatives will not receive any additional pay as senators.

#### *Comments:*

*The reform of Senate aims to reduce the cost of the politics, strongly simplify the role of the Senate and make Italy's legislative process more efficient, giving wider legislative power to the Lower House. As far as reform of section V is concerned, the government aims to reduce the over-lapping of competencies between different levels of government and to return legislative supremacy to the central government. This should ensure better management of issues such as environment and infrastructure, which have been braked in recent years by too many conflicts of jurisdiction.*

#### A2) Electoral Law (approved)

The bill on the **reform of the electoral law** for the Chamber was finally approved by the Parliament on May 4, 2015. It provides for:

- **Proportional system with a majority bonus** of 340 seats out of 630 for the winning party that gains at least 40% of the vote;
- **Run-off for the two parties that receive the most votes** (two-round system) if none of the two parties reaches a threshold of 40%;
- **Electoral threshold of 3% to enter Parliament;**
- **Regions divided into 100 constituencies** with list headers partially blocked;
- **Gender equality** ensured by electoral rolls.

#### *Comments:*

*the new electoral law introduces a winner-take-all system based on single party's list and not on parties' coalition. With the threshold to 40% of the premium of majority run-off is expected to become the rule. The new law, that should allow for greater system stability, will be applied as of July 1, 2016.*

### B) ECONOMIC STIMULUS PACKAGE

#### B1) Decree law on banks (approved)

**The government approved on April 29, 2016 a decree law on the banking sector whose measures should speed up non performing loans recovery.** The decree also includes indemnities to subordinated bondholders of four banks that were "bailed-in" last year - Banca Etruria, Banca Marche, CariFerrara, CariChieti. **The decree was approved by the Parliament on June 29, 2016.**

#### **Measures on bankruptcy procedures:**

- **non-possessory lien over movable assets:** a new norm allows borrowers to **pledge non-real estate assets as collateral for loans without taking actual possession.** A debtor who gives a movable property in pledge like a machinery can continue to use it in the production process;
- **enlargement of the so-called "patto marciano":** in the loan agreements between financial institutions and firms with **real estate as collateral** (which must not be the entrepreneur's residence) the parties may sign a contract for the sale of the asset that becomes automatically effective in case of default of the borrower;
- **new rules to reduce the debt collection times:** the amount of time accorded to the debtor to raise objections is reduced. In addition the decree allows courts to make a provisional injunction on uncontested sums in case of partial opposition to the credit from the debtor;
- the use of **telematics technologies** is introduced **for the hearings and meetings of creditors** in order to make bankruptcy procedures more rapid.

### Indemnities to subordinated bondholders of four banks:

- those who bought the bonds before June 12, 2014 can apply for **automatic compensation or access to arbitration**;
- **the payment of indemnities is automatic** if the investor's personal property is less than €100.000 at December 31 2015 or if the amount of gross income for the investor's income tax is less than €35.000 in 2015;
- **the automatic compensation is fixed, equal to 80%** of the amount paid for the purchase of financial instruments, but excluding fees and expenses linked to the purchase and the difference between the return earned and the BTP rates.

### Other measures:

- **Bank Solidarity Fund:** in order to facilitate the management of banks' overstaffing, the income support allowance is increased from five to seven years;
- **Deferred taxes:** the companies may continue to apply the tax provisions on deferred tax assets provided that they pay an annual fee equal to 1.5% of the difference between the deferred tax assets and taxes paid.

### Comments:

*The decree aims to restore the confidence of savers towards banks and to solve the problem of bad debts, which continue to weigh heavily on the recovery. The law should allow an acceleration of the times of claims' recovery, aligning Italy with international best practices. The solution for the compensation to the holders of subordinated bonds is the best result that the Italian government could get from negotiations with the European Commission.*

## B2) Reform of public procurement (approved)

After the approval by the Parliament of the delegating law that transposes the European directives on public procurement, **the government approved definitively the new procurement code on April 15 2016**. The reform comes into force immediately, but the guidelines of the new procurement code, that must be issued by the Anti Corruption Authority, will require a few months time. Therefore there will be a transitional phase. The maximum deadline for the implementation of the guidelines is the end of December 2016. The main measures are related to:

- **ANAC:** the Anti-Corruption Authority issues the general guidelines of the new procurement code. It can stop irregular tenders and asks their canceling.

- **Derogations:** the reform prohibits the assignment of contracts through procedures derogating from those indicating by the new public procurement code.
- **Variants:** they will become more difficult to ask. The EU rules will be worth, distinguishing small changes by remarkable variations, that will require a new tender.
- **Contracting stations:** they will be reduced from the current 36,000, forcing the aggregation of many municipalities.
- **Simplification:** the number of articles of the new procurement code will be drastically reduced from more than 600 to 220.
- **Maximum drawdown:** the tenders over €1 million will no longer awarded based only on price, but on the best price/quality ratio.

### Comments:

*The reform aims at making more streamlined, but not less effective the rules on public procurement, with the target of fostering efficiency and fighting corruption. A great responsibility lies with the Anti-Corruption Authority, which is the pivot of the reform.*

## B3) Cooperative banks reform and bad loans disposal (approved)

The government approved on February 10 2016 a decree law on the cooperative banks reform, that also includes a regulatory definition of the agreement reached in Europe on the state guarantee on securitization of non-performing loans. **The decree was approved definitively by the Senate on April 6 2016.**

### Cooperative banks reform:

- the decree law foresees the creation of a joint-stock parent company with a minimum capital requirement of €1 billion. Single banks can join it through a cohesion pact that sets the rules for the direction and coordination of the holding company;
- the holding will propose strategies, direction and coordination, based on the risk level of participating banks, and will have the power to appoint or reject the appointment of one or more board members;
- the capital of the holding is majority-held by the cooperative banks themselves;
- the cooperative banks not willing to join the holding company can decide within 60 days to transform their statutes into a joint stock company, redeeming their assets and paying a 20% tax. However, the "way out" is only banks with more than €200 million in assets.

### State guarantee on securitization of non-performing loans (NPLs):

- the State guarantees on NPLs can be requested by banks which securitize and sell NPLs, in return for a

regular commission to be paid to the Treasury and calculated on an annual percentage of the guaranteed assets. The State guarantee will be also for registered financial intermediaries;

- the State will guarantee only the tranches of securitization operations rated as senior, i.e. the more secure ones. The riskiest tranches (i.e. junior and mezzanine) shall not be repaid until the senior tranches guaranteed by the State have been fully repaid;
- the Treasury will issue the guarantee only after the notes have received a rating equal to or higher than Investment Grade from an independent rating agency included in the list of credit rating agencies accepted by the European Central Bank.

**Comments:**

*The reform of cooperative banks reflects in large part a regime of self-regulation drawn up by the banks themselves. The creation of a single group with roles of control, supervision and strategy and with €20 billion of capitalization is aimed at achieving a healthy management of the cooperative system, more efficiencies, lower costs and more competitiveness. The measure on bad loans disposal meets the requirements set by the European Commission regarding state aid. Under the state guarantee scheme chosen by the government, the State will be remunerated in line with the market conditions for the risk it will assume. According to the government, the measure should encourage the development of the Italian market for NPLs, facilitating the matching of supply and demand. The refund of subordinated bondholders who suffered losses in the rescue of the four regional banks recently saved by the government (Banca Etruria, Banca Marche, CariFerrara, CariChieti) was taken out of the decree.*

## B4) Stability Law 2016 (approved)

On December 23 2015, the Italian government approved the Stability Law 2016 with an overall budget for next year that amounts about to €34 bln. The government has submitted the Draft Budgetary Plan 2016 to the European Commission, which has postponed the final judgement until the spring, inviting the Italian authorities to take the necessary measures within the national budgetary process to ensure that the 2016 budget will be compliant with the Stability Pact. The main measures are related to:

- the **removal of safeguard clauses**, which would cost about €16 bln in 2016, avoiding a potential increase in excise duties and VAT;
- the **abolition of the local-property and service tax on first homes**, excluding luxury homes, and property-tax cut on farmland and on plants;
- the **threshold for cash payments that increases from €1.000 to €3.000**;
- the **extension of fiscal incentives for employers that hire on permanent contract in 2016** – although the

size of the incentives is reduced by 60% and will only apply for two years;

- a stimulus package for firms, which includes:
  - **tax incentives for investment** in machinery which will allow firms to amortize 140% of the value of investment;
  - **incentives for encouraging the second level bargaining**;
- the **refinancing of the Guarantee Fund for the payment of Public Administration debts** (€1.5 bln in 2016 and 2017, €1.7 bln in 2018 and €2 mld in 2019);
- the **simplification of tax procedures for self-employed and small businesses**;
- the **protection of unemployed people approaching the retirement age**:
  - **safeguard measures** for part of the so called “esodati” (people who have lost their jobs and don’t receive their pension);
  - **enlargement of “no-tax area”**;
  - measures to favor the retirement of women having 35 years of contribution against a reduction of their pension (“**option woman**”);
  - intervention to enhance the generational turn over through a **part time scheme for workers close to retirement**;
- a scheme to **reduce on structural basis child poverty** (€600 mln in 2016 and one million in 2017);
- the €80 bonus in 2016 for police and armed forces and extraordinary funds for cyber security and anti-terrorism activity.

**Comments:**

*The Stability Law 2016 enhances the growth-oriented stance of the Italian government’s fiscal policy in order to support the economic activity. The most important source of financing the tax cuts is the government request for fiscal flexibility to the EU (worth about €17 bln). In addition, the government expects to achieve €7.8 bln by implementing the spending review via cuts to the ministries (worth €4.2 bln, included application of standard costs for the purchase of goods and services) and to Regions and health spending (€3.6 bln). Additional resources will come from the fight against tax evasion (the voluntary disclosure, worth €2 bln), the taxation of gambling (€1 bln) and other measures. The public debt/GDP ratio is projected to decline from 132.8% in 2015 to 131.4% in 2016.*

## B5) Competition (in progress)

On February 20, 2015, the government passed a delegating law, that was approved by the Lower House on October 7 and is now before the Senate:

- **Insurance:** the insurance company is obliged to offer discounts to the motorist who accepts clauses to contain costs or fight frauds, such as the installation of the black box and the detectors of the BAC (*Blood Alcohol Concentration*), preventive inspections of vehicles and repairs in agreed garages.
- **Professions:** compulsory estimates are provided for lawyers, who can set up multiprofessional companies and open the entry to equity shareholders. The types of acts for which the notary is required are reduced.
- **Energy:** from 2018 is expected the phasing out of "protection" contracts for families and SMEs who have not yet chosen free market operators.
- **Pharmacies:** the limit of ownership of four licenses in relation to a single person is removed and the entry of equity shareholders is allowed.

**Comments:**

*After five years a government faces up to liberalization measures. The government has faced a lot of resistances, that reduced the number of the bill articles from 50 of the first drafts to 33, and even more resistances are expected in the Parliament. Among the measures skipped, there are the sale of drugs not only in pharmacies as well as the deregulation in the local public transport, taxis and ports.*

*According to government's estimates, the impact of liberalization on GDP in 2020 is 0.4%.*

## B6) Ultra broad band (in progress)

On March 3, 2015 the government presented a €7 bln plan to extend the ultra-broadband with the aim of achieving the targets set by the EU by 2020:

- Coverage of broadband at 100 Mbps for 85% of population;
- Internet diffusion at 100 Mbps between 50% of population;
- Coverage of broadband at 30 Mbps for 100% of population.

€4,9 bln will come from the Cohesion and Development Fund and €2,1 bln from EU funds assigned to the regions (the FESR and FEASR Funds). Other resources are expected from private operators in order to reach the total amount of €12 bln. The government released on August 6 2015 the first tranche of €2.2 bln for investments in market risk areas (6,800 municipalities). Subsequently, a first call for interventions in six regions was published on June 3, 2016. The EU Commission approved on June 30, 2016 the €4 bln Italian investment plan. The next steps in the plan call for other interventions to complete the ultra-broadband network. Additional private investments must also be attracted for the full implementation of the plan.

**Comments:**

*The Plan aims to bridge the Italian digital divide and defines ultra-broadband as "the fundamental resource to develop the country's future competitiveness." Its implementation will require cooperation between the*

*public sector and the private operators, and can be an important benchmark for other actions in infrastructure. The goal, quite ambitious, is to guarantee by 2020 that 85% of Italians have guaranteed access to basic broadband.*

## B7) Investment Compact (approved)

On January 20, 2015 the government approved a decree law named "Urgent measures for the banking sector and for investments", containing some important provisions. On March 12 the decree has been approved by the Lower House and on March 24 by the Senate:

- **Popular cooperative banks:** the popular banks with assets worth more than € 8 bln will have to be transformed into joint-stock companies within 18 months from the publication of the enacting measures to be prepared by the Bank of Italy. This changes the current governance of the popular banks whereby each shareholder is entitled to one vote, in spite of the number of shares held.
- **Current accounts:** the portability of current accounts will be free, with no charge to the customer who decides to switch banks.
- **Cassa Depositi e Prestiti** can exercise lending activity in support for exports directly or by SACE Group (Italian Export Credit Agency).
- **Establishment of a joint stock company** to support the capitalization and restructuring of healthy firms experiencing a temporary liquidity crisis. The capital will be subscribed by both public (Cassa Depositi e Prestiti) and private partners.
- **Patent box:** the tax credit on income derived from the use of patents and other intangible assets is extended to all the trademarks.
- **Innovative firms:** This new category of companies will have access to most of the simplifications and facilitations today reserved for startups created by no more than four years. To fall within this category SMEs must possess at least two of these three requirements: expenditure on R&D of 3%; workforce for at least one-fifth formed by highly qualified personnel; ownership of at least a patent or trademark in industrial or biotechnological field.

**Comments:**

*The new law provision, called "Investment compact", is focused on fewer articles than expected. The provision doesn't contain the reform of the Central Guarantee Fund, opening up its operations to other financial intermediaries. In addition, the government has decided to postpone new rules to attract large investments from abroad as well as the birth of the new Agency for the made in Italy. The most important measure is the reform of the cooperative banks. Economy Minister Pier Carlo Padoan*

said that “the quantitative choice”, through the implementation of measures for ten bigger mutual banks, “reconciles the necessity of giving a strong boost to the sector while preserving in some cases a form of governance that has served the country well.” Now a long wave of M&As is expected.

## C) LABOR MARKET REFORMS

### C1) Draft Delegating Law on self-employment (in progress)

The government approved on January 28 2016 a Draft Delegating Law that includes measures to support self-employment and to encourage reconciliation between life time and working time.

#### Main measures on self-employment:

- tax relief on expenses incurred both for participation in conferences, congresses and training courses and for outplacement;
- equalization of self-employment to small entrepreneurs for the access to European Structural Funds;
- acknowledgement of maternity leave also to self-employment;
- in case of pregnancy, disease and injury the employment relationship continues, but remains suspended, without pay, for a maximum of 150 days.

#### Reconciliation between life time and working time:

- it is not a new type of contract, but a flexible mode of carrying out the employment relationship as regards workplaces and working times;
- the worker who performs such activities has the right to receive the same pay and conditions like the inside workers and to benefit tax incentives on productivity bonus.

#### Comments:

*The Draft Delegating Law on self-employment is a first step towards a welfare system that includes the self-employed as well as employees. A further extension of the protections and rights of self-employment should take into account the limits of the public budget. The measures for reconciliation between life time and working time are consistent with the implementation of the Jobs Act.*

### C2) Jobs Act (approved)

The Jobs Act, approved by the Parliament in October 2014, is the delegating law that reforms the Italian labor market. On **December 24, 2014** the government implemented the **first two legislative decrees**, that received the final

approval by the cabinet on February 20 2015, after the non-binding opinion of the Parliament.

- **Contract at increasing protections for new employees:** introduction of the permanent contract at increasing protections in relation to the length of service for all new hires. In such a contract the safeguards provided by the current permanent contracts will be obtained gradually. By the new rules, the reinstatement of the dismissed worker is possible just for dismissals based on discrimination and in very extreme cases - when the claim is deemed unfounded - on disciplinary action. For the dismissals due to economic or restructuring reasons, the reinstatement is no longer permitted and workers will get a severance package, whose monetary value will rise according to their seniority (two months' wages per year of service with a minimum of 4 and a maximum of 24 months' wages).
- **Unemployment benefit system:** the decree introduces four important changes:
  - **eligibility requirements to receive benefit payments are made less-restrictive**, and the maximum duration of the subsidy has been extended;
  - **a specific unemployment benefit is now also granted to the so-called project workers (co.co.pro)**, who were excluded from the previous unemployment benefit system;
  - **an additional unemployment subsidy is introduced for unemployed people** who after the expiring of the ordinary subsidy have not found a job and are **facing particular economic hardship**;
  - the new unemployment subsidy is subject to precise conditionality, meaning that the unemployed people can receive the benefit only until they are involved.

Moreover the government definitively approved **on June 11, 2015 two more legislative decrees:**

- **Rationalization of contractual arrangements:** the provision reviews the cooperation relationships with the strong restrictions of project workers (co.co.pro) and the job sharing. Since January 1, 2016 the rules of the contract at increasing protections will be applied to a large part of the collaborative relationships. School apprenticeships are made even simpler as to create a school-work link on the German dual model: the students can enter a company starting from their second year of high school with a contract that can last for a maximum of four years. Also, the new rules grant the employers more room to modify, even worsening, the tasks of workers in case of corporate restructuring. The transition from one task to another becomes easier, but this will require the workers' income to be kept unchanged.
- **Strengthening work-family conciliation:** the legislative decree enhances childcare services and

extends the maternity leave to all categories of workers, not only for employees. The period of paid maternity leave increases from three to six years of age of the child, while the period of unpaid leave increases from eight to twelve years of age of the child. The flexibility of maternity leave increases in special cases such as those of premature birth or hospitalization of the newborn.

Finally, in the cabinet meeting on **September 4, 2015** the government approved definitively the **last four legislative decrees of Jobs Act**:

- **Reform of the unemployment insurance (Cassa Integrazione Guadagni)**, that is extended to all companies more than 5 employees. The new unemployment insurance runs for twenty-four months, is extended to apprentices and can no longer be used in the event of cessation of activity.
- **Active policies**: a new National Employment Agency (Anpal) is established with the task of coordinating the activities of employment services. The various national and regional employment structures already operating converge in Anpal, that will start in 2016.
- **Inspection activities**: all inspection services are unified into a new agency called National Labor Inspectorate.
- **Remote controls**: the Article 4 of the Statute of workers is amended allowing to carry out remote controls on workers using video cameras, personal computers, tablets and business mobile phones. These controls may be used for disciplinary purposes.

Subsequently, **on June 10, 2016, the government approved preliminarily a legislative decree that amends the Jobs Act**:

- **Vouchers** used to pay freelance work: they become a "traceable" tool. The client, entrepreneur or professional who uses them will be required to communicate the personal data and tax ID number of the worker, in addition to the place and date of the work, to the National Labor Inspector, via sms or electronic mail, at least one hour before the voucher's use. Only for the agricultural sector the expiration date could go up to a week. Two ceilings are envisaged for the use of vouchers: the limit of €2,000 for each client (except for agriculture) and of €7,000 overall for the worker. In case of violations, a fine of between €400 and €2,400 will be issued for each worker.
- **Contracts of solidarity** can be transformed from defensive (to avoid layoffs) into expansionary (to hire).
- **Active policies**: Anpal (the new National Employment Agency) becomes responsible also for the vocational training of people who don't work.

#### **Comments:**

*The new rules of the labor market phase in the new open-ended contract, with increasing protection for dismissals based on the seniority of the employees. Under the new*

*open-ended contract, the article 18 of the Statute of workers has been amended: reinstatement in dismissals for economic reason is no longer possible. The new rules aim to give greater certainty to businesses on firing costs, severely limiting the discretion of judges.*

*As for the measures definitively approved on June 11, the legislative decree on rationalization of contractual agreements aims to remove all forms of cooperation relationships which actually hide an employment relationship. The permanent contract at increasing protections is considered as the main form of employment relationship. The introduction of measures for the protection of parenthood and for the work-family conciliation is very positive.*

*With the measures approved on September 4, the government completes the reform of labor market. About sixty ministerial decrees are now expected for the implementation of Jobs Act. The most discussed, among the latest provisions approved, is the measure on remote controls, that the parliamentary committees have tried to change by limiting the use for disciplinary purposes.*

*Finally, the goal of the measure on vouchers is to counter any illegal use of the vouchers, which have seen a strong surge recently.*

*According to government's estimates, the impact of labor market reforms on GDP in 2020 is 0.6%.*

## **D) PUBLIC ADMINISTRATION REFORM**

### **D1) Delegating Law (in progress)**

The Parliament approved on **August 4 2015** the **Draft Delegating Law on the PA reform**. Subsequently, the government adopted on **January 20 2016 11 legislative decrees**. The main lines of intervention are:

- **New rules on disciplinary dismissal**: in the case of a false attestation of attendance at work are envisaged obligatory suspension from service within 48 hours and the conclusion of the disciplinary proceedings within 30 days. It is also envisaged the disciplinary responsibility of the manager who doesn't proceed to the suspension of the service and the opening of procedure. The legislative decree was definitively approved on June 15 2016;
- **Companies owned by local governments**: public sector administrations will have to make a reconnaissance of the companies owned by local bodies and sell or shut down the ones that are not strictly necessary or those with a higher number of board members than employees. In addition, public sector administrations will have to get rid of the companies generating less than €1 million. The first

round of cuts should eliminate 2,000-3,000 companies. It is envisaged also the issue of a ministerial decree to set a new ceiling for management remuneration, excluding severance pay and awards in the presence of negative economic results;

- **Major public works projects:** a measure to slash bureaucracy cuts the time allotted for administrative procedures. It is envisaged a 50% reduction for the various practices that currently have deadlines between 30 to 180 days;
- **Forestry Corps and restructuring of police functions:** the State Forestry Corps will be absorbed into the Carabinieri Corps. The move concerns functions and personnel, with the exception of fire-fighting competencies, to be assigned to the National Firefighters Corps. Another measure includes a streamlining of the duties of all branches of law enforcement, with each being assigned a particular area of specialization and a specific geographic focus: the police force will oversee major metropolitan areas while the Carabinieri are entrusted with the rest of country;
- **Digital citizenship:** every citizen will have his own "digital address", an electronic code like an e-mail or home address. It's one of the major elements in a new code of digital administration. Other key measures include a strengthening of economic payment systems and the launch of a single security code, establishing a digital identity;
- **Anti-corruption and transparency:** the various divisions of the Public Administration will have to publish on their official websites every information about PA, included payments and staff remuneration. Bureaucratic procedures will be simplified and it will be much easier to access public archives under the Freedom Information Act, which gives citizens the right to access data they ask for within 30 days. The legislative decree was definitively approved on May 16 2016.

#### Comments:

*The government aims to make the Public Administration more efficient, reducing costs and making it more responsive to the needs of citizens and firms. The government's target is also to cut the public spending by reducing the number of companies owned by a public body from 8,000 to 1,000. Other legislative decrees are now expected. Among them, the reforms of local public services and the chambers of commerce, which will be reduced from 105 to 60 with the decreasing both of the number of the board members and the charges paid by firms.*

*According to government's estimates, the impact of Public Administration reform on GDP in 2020 is 0.4%.*

## E) JUSTICE REFORM

### E1) Reform of the civil trial (in progress)

**The Lower House approved on March 10, 2016 a delegating law that delegates the government to carry out a wide reform of civil trial**, in a perspective of specialization and simplification:

- strengthening of the companies court with the attribution of the class action and disputes relating to unfair competition;
- establishment of specialized sections at the courts and the courts of appeal for the disputes relating to the person, the family and children;
- acceleration of the times of civil justice by reforming the civil trial of first instance, the appeal proceedings and by strengthening.

The delegating law is now before the Senate.

### E2) Reform of bankruptcy (in progress)

**The government approved on February 10 2016 a Draft Delegating Law on insolvency and bankruptcy:**

- the delegating law focuses on the managing of insolvency crises, deleting the word "failure" and reviewing the arrangement with creditors;
- procedural rules are simplified by reducing the interpretation and application uncertainties that impair the speed of insolvency procedures;
- the role of judge specializing is introduced in order to make more efficient the management of bankruptcy proceedings;
- rules for the revision of extraordinary administrations (laws Prodi and Marzano) are inserted and the thresholds for the access to the procedure are raised, while the commissioners are chosen by an appropriate register.

#### Comments:

*The Delegating Law approved by the government aims to outline an organic design of the insolvency law reform, promptly addressing the corporate crises and limiting the impact on the local economy arising from a business crisis. The reform follows the decree law on insolvency procedures approved on August 5, 2015.*

### E3) Reform of the criminal trial (in progress)

**The Lower House approved on September 23, 2015 a delegating law on criminal trial and prison system.** The main contents include:

- revision of criminal trial
- new rules on wiretapping
- length of trial
- effective rehabilitative purpose of punishment

- review of the rules on criminal records  
The reform is now before the Senate.

#### E4) Decree Law on insolvency procedures (approved)

The Parliament approved on August 5, 2015 a decree law on bankruptcy, civil procedure and functioning of judicial administration issued by the government on June 23:

- **Deductibility of losses:** write downs on loans that become non performing (in default or close to default) from 2016 can be deducted during the same year (as is currently the case in France, Germany and UK) and no more in five years.
- **Access to credit during a corporate crisis:** the Court may authorize interim financing in favor of the borrower who applies for composition with creditors.
- **Competing offers:** in the arrangement with creditors the Court may authorize bids for the purchase of company assets by a third party too, as well as by the debtor, provided such bids are comparable.
- **Alternative proposals of composition with creditors:** one or more creditors can present during the arrangement with creditors alternative proposals to those of the debtor.
- **Restructuring of the debt:** the agreement can be concluded with 75% of the financial creditors, if they represent at least half of indebtedness.
- **Official receiver** must be different from the judicial commissioner and he has to be able to complete his obligations under the terms.
- **Operations of sale:** they are made faster to improve the value of sale.

##### Comments:

*The measure approved helps banks to move the nearly €350 billion of bad loans off their balance sheets more quickly, thereby freeing up more capital to lend money to businesses. The Italian banks are now put on a par with the other European banks. The benefit of this measure also concerns the firms, whose non-performing loans amount to €210 bln, and the state, that is the largest creditor in the country.*

*According to recent studies, Italy could gain up to 1.5 – 2 percentage points in additional GDP growth over the next two or three years.*

#### E5) Draft Bill on corruption (approved)

The Draft Bill, approved by the Senate on April 1, 2015 and by the Lower House on May 20, 2015, provides for:

- **an increase of the penalties for the crimes against the public administration;**

- **reintroduction of the crime of false accounting**, with penalties that can reach up to 8 years in jail for listed companies and up to 5 years for unlisted companies;
- **tougher penalties for the crime of mafia association** (up to 26 years in jail);
- **more powers to the Anti-Corruption Authority**, that must be informed by the public prosecutor when he decides to institute criminal proceedings for the crimes of corruption.

#### E6) Draft Bill on the limitation period (in progress)

The Draft Bill, approved on March 24, 2015 by the Lower House, provides for a longer time of three years for the limitation period of many crimes. The provision is now in the Senate, where it could be modified.

#### E7) Civil accountability of judges (approved)

The Draft Bill, approved by the Parliament on February 24, 2015, provides for that the State refunds the citizen wrongly sentenced by judge. The State will be compensated by judges for a maximum amount of up to half of their salary.

##### Comments:

*A final assesment on the justice reform with regard to both efficiency and equity may be given only at the conclusion of process of reform, which still needs some important elements. Very important is the draft bill on corruption, that – according to Confindustria – costs the country 0.8% of GDP per year.*

*According to government's estimates, the impact of justice reform on GDP in 2020 is 0.1%.*

## F) FISCAL REFORM

The Parliament on March 27, 2014 delegated the government to revise, within 12 months, the Italian fiscal system. Afterwards, the delegating law was extended to June 26, 2015. Overall, the government approved ten legislative decrees.

#### F1) Legislative decree on the revision of administrative and criminal sanctions (approved)

**The government approved on September 22, 2015 a legislative decree that reduces the penalties for less serious cases of tax crimes**, while keeping a tough stance on fraud, especially when it involves documentation. The 3% punishment threshold is left out, along with the €1,000 criminal threshold for false invoices. As for missing VAT payments, the €50,000 minimum level for criminal charges is increased to €200,000.

## F2) Legislative decree on tax collection (approved)

**In the same cabinet meeting on September 22, 2015 the government approved a legislative decree that reduces the “aggio” (the premium that the agent receives for the collection of taxes) from 8% to 6%.** The sums collected will be directly paid to the state.

## F3) Legislative decree on conciliation (approved)

**The government also approved on September 22, 2015 a provision to reduce tax litigations** in two ways. The first is a boost to conciliation, that allows to close a dispute against tax authorities with lighter sanctions for the taxpayer. The conciliation is now extended to the appeal phase and could be activated either out of court or during the hearing. The second way is the reorganization of the so-called “interpello”, that can be used in five different ways. When the taxpayer asks the opinion of the tax administration before completing a certain act, if the administration does not reply within a certain deadline, “silence is consent” clause works.

## F4) Legislative decree on tax expenditures (approved)

**This decree approved by the government on September 22, 2015 provides a revision of tax expenditures.** Every year the government will have to indicate to Parliament the rules necessary to eliminate, reduce and change tax expenditures. All the sums collected will go to a fund to reduce taxes to be used primarily to lower labor costs.

## F5) Legislative decree on tax agencies (approved)

**The last legislative decree approved by the government on September 22, 2015 is on the reorganization of tax agencies.** Both public competitions and reduction of executives up to 5% are planned. The target is to improve

the digitization of tax agencies with the aim to cut the costs of firms.

## F6) Legislative Decree on Corporate internationalization (approved)

**The government on August 6, 2015 approved a legislative decree that includes clear and certain rules for Italian and foreign investors in Italy.** The bill allows companies looking to invest in Italy no less than €30 mln to ask the Italian Revenue Agency which fiscal treatment it would apply to their business plan, including possible corporate deals. The Agency will send a written response within 120 days that will be binding for five years. The “consent by silence” rule applies if the revenue agency does not respond with this term. The decree also contains a measure designed to provide tax incentives for the return of skilled workers in Italy.

## F7) Legislative Decree on Abuse of rights (approved)

**The government on July 31, 2015 approved a legislative decree on abuse of rights.** The bill aims at regulating the situations where a fiscal advantage achieved by a business transaction is illegitimate. The provision introduces also the **cooperative compliance between tax administration and firms** and includes a rule that limits the possibility to double the length of fiscal inspections in the case of criminal violations. The measure is designed to provide more certainty to those willing to adhere to voluntary disclosure of funds held abroad.

## F8) Legislative Decree on Electronic invoicing (approved)

**On the same date the government approved a legislative decree on electronic invoicing** that extends electronic invoicing to the private sector in addition to the public administration. From January, 1 2017 the taxpayer may issue electronic invoices, benefiting from certain simplifications in compulsory communications to the tax administration.

### *Comments:*

*The measures approved by the government should improve both the efficiency of the tax system and the relationship between tax authorities and citizens, allowing, as stated by the Economy Minister Pier Carlo Padoan, the “certainty of law for tax-payers.” However, some important measures expected - such as the cadastre’s reform, the tax on gambling, the taxation of small*

*businesses, the Irap exclusion for self-employed people – have not been included in the legislative decrees. However, they could be envisaged by next legislative provisions.*

*According to government's estimates, the impact of fiscal reform on growth in 2020 is 0.2%.*