

SPRING 2017 REFORM BAROMETER – ITALY

European Semester - Overall assessment of 2016 cycle

	To what extent do you agree with these statements:		Detailed comments
1.	The National Reform Programme submitted by your Government (February/November 2016) is appropriate.	To a large extent	<p>Public administration: this reform is one of the most important points of the Government’s Plan, because it improves the background for doing business. Civil justice: the objectives identified to enforce effective case-management are appropriate, in particular: specialization of judges; rationalization of times of the civil justice proceedings; enhancement of ADR tools; monitoring of reforms. Criminal justice: the objectives identified are appropriate in part (in particular, we highlight the following: specialization of judges concerning only civil system but not also the criminal one; the NRP does not deal deeply with the reform of the administrative liability of legal entities -Legislative Decree n. 231/2001). Competition: the objectives identified are appropriate and they shall be pursued by the measures introduced in the 2015 annual competition law. However, after 20 months, the law has not yet been approved and for this reason the annual competition law cannot aim for becoming a structural instrument to introduce pro-competitive measures in a perspective of continuity and medium-long term. Taxation: The NPR is to a large extent appropriate. Within the framework of the NPR, we substantially agree with the tax proposals. In detail, we consider particularly positive the measures (including tax incentives) aimed to promote growth and innovation of Italian enterprises. In addition, we agree with the announced cadastral reform, provided that does not result in an increase in the taxation on production factors. Furthermore, we support the plan for the revision of the tax expenditures. In our opinion, all tax expenditures should be regularly and systematically reviewed: however, some forms of tax support are structural and cannot be eliminated; on the contrary, we believe that many measures should be enhanced (i.e. research and development incentives). However, despite the positive actions described above, it should be also noted that the NRP foreshadows the enactment of an amending decree of Legislative decree no. 175/2014 relating to tax simplification: on this floor, Confindustria took part in round tables to process simplification measures many of which are still not implemented. Access to credit and finance: 1) measures to reduce the stock of non-performing loans; 2) increase efficiency in banking sector, in terms of bank system consolidation, improvement of rating models and implementation of ongoing corporate governance reforms to sustain the credit supply first of all for SME’s, even by local banks; 3) refinance and strengthen the national guarantee fund for SME’s. Insolvency system: 1) reform the insolvency law, in order to enable the restructuring while allowing debt collection to some extent; 2) introduce an out-of-court procedure (so called <i>procedura di allerta e composizione assistita della crisi</i>), aiming at bringing out crisis situation at an early stage and facilitating arrangements with creditors, with the objective of avoiding debtors’ insolvency.</p>

	To what extent do you agree with these statements:		Detailed comments
2.	The Commission's country specific recommendations for your country are appropriate.	To a large extent	Confindustria, however, does not agree with the fiscal adjustment required from Italy in 2017. Our judgement is grounded on both technical and economic reasons.
3.	The Commission assessment of reform implementation the year before is appropriate.	To a large extent	The Commission assessment about the public administration reform, statute of limitations and civil justice is appropriate. Furthermore, Confindustria agree with the Commission's comments on limited progress made towards fostering competition in services. As regards the tax system , Confindustria finds that the Commission assessment is appropriate to a large extent.
4.	The Commission assessment of excessive imbalances (in-depth review) is appropriate.	To some extent	

Assessment of Country Specific recommendations 2016 in detail

		Q1: The recommendation is:	Q2: implementation on effort is:	Detailed comments
CSR 1	<p>In 2016, limit the temporary deviation from the required 0,5 % of GDP adjustment towards the medium-term budgetary objective to the amount of 0,75 % of GDP allowed for investments and the implementation of structural reforms, subject to the condition of resuming the adjustment path towards the medium-term budgetary objective in 2017. Achieve an annual fiscal adjustment of 0,6 % or more of GDP towards the medium-term budgetary objective in 2017. Finalise the reform of the budgetary process in the course of 2016 and ensure that the spending review is an integral part of it. Ensure the timely implementation of the privatisation programme and use the windfall gains to accelerate the reduction of the general government debt ratio. Shift the tax burden from productive factors onto consumption and property. Reduce the number and scope of tax expenditures and complete the reform of the cadastral system by mid-2017. Take measures to improve tax compliance, including through electronic invoicing and payments.</p>	<p>Contrary to Federation Advice as regards the fiscal adjustment required in 2017</p>	<p>Mixed</p>	<p>Confindustria does not agree with the fiscal adjustment required of Italy in 2017. Our judgement is grounded on both technical and economic reasons.</p> <p>Confindustria, however, thinks the recommendation is appropriate as regards to the reform of the cadastral system and the measures to improve tax compliance</p> <p>Taxation: recent developments on VAT obligations and fulfilments are not satisfactory as they create disincentives to the use of electronic invoicing which, however, also based on the EU recommendations, should be encouraged.</p> <p>We support the plan for the revision of the tax expenditures. In our opinion, all tax expenditures should be regularly and systematically reviewed: however, some forms of tax support are structural and cannot be eliminated</p>

		Q1: The recommendation is:	Q2: implementation on effort is:	Detailed comments
CSR 2	<p>Implement the reform of the public administration by adopting and implementing all necessary legislative decrees, in particular those reforming publicly-owned enterprises, local public services and the management of human resources. Step up the fight against corruption including by revising the statute of limitations by the end of 2016. Reduce the length of civil justice proceedings by enforcing reforms and through effective case-management.</p>	Extremely important	Mixed	<p>Public Administration: last year, the Government adopted most of the legislative decrees which affect the enterprises. In particular, Confindustria appreciates the decrees about <i>Conferenza di servizi, SCIA, Camere di Commercio and Regolamento per la semplificazione e l'accelerazione dei procedimenti amministrativi</i>. These new rules can change the organization of the public administration and its way to act. Italian Constitutional Court in its ruling, case n. 251/2016, has halted implementation of legislative decrees related to local public services and public administration management because these legislative decrees have not satisfied the necessary former requirement of the State-Regions Agreement. On the contrary, the legislative decree on publicly-owned enterprises has been adopted; however, as requested by the Italian Constitutional Court, it will need a "corrective decree" in order to satisfy the necessary former requirement of the State-Regions Agreement.</p> <p>Statute of limitation: the draft law n. AS 2067 foresees some changes but its legislative process (i.e. approval process), started at the beginning of 2015, is still in progress. Civil justice: the draft law n. AS 2284 aims to reform the civil procedural rules but its legislative process is too long (in fact, it started at the beginning of 2015 and is still in progress). Furthermore, about the last measures - aimed at the rationalization and modernization of the civil justice system – it is necessary a serious monitoring on their implementation and the functioning.</p>

		Q1: The recommendation is:	Q2: implementation on effort is:	Detailed comments
CSR 3	Accelerate the reduction in the stock of non-performing loans, including by further improving the framework for insolvency and debt collection. Swiftly complete the implementation of ongoing corporate governance reforms in the banking sector.	Extremely important	Satisfactory	
CSR 4	Implement the reform of active labour market policies, in particular by strengthening the effectiveness of employment services. Facilitate the take-up of work for second earners. Adopt and implement the national antipoverty strategy and review and rationalise social spending.	Extremely important	Unsatisfactory	
CSR 5	Swiftly adopt and implement the pending law on competition. Take further action to increase competition in regulated professions, the transport, health and retail sectors and the system of concessions.	Important	Mixed	In the 2015 annual competition law, few measures are indeed pro-competition. The majority is instead for consumers' protection, like those on insurance and communication. According with the Council recommendation, a number of areas are still over-protected or regulated, in particular the regulated professions, the health sector, local public transport and taxis, ports and airports. The annual competition law is not very courageous, especially in some sectors such as professional services (e.g. the notary reserves for the establishment of simple Ltd.)

Reform Progress in your Member State in 2016

How would you assess reform progress in 2016, for the following broad areas:?

Taxation and Public Finances	Satisfactory
Business environment (regulation/access to markets)	Mixed
Labour market	Satisfactory
Innovation and skills	Satisfactory
Access to finance and Financial stability	Satisfactory

Is there any example of an economic reform, specific to your country that BUSINESSEUROPE could highlight in its 2017 Reform Barometer?

- 1) The **reform of public administration** but it is necessary to adopt and implement legislative decrees related to local public services and public administration management, in order to increase efficiency and quality in the public sector.
- 2) The 2015 annual **competition** law but it is necessary to adopt and implement it and strengthen some measures useful to increase competition in regulated sectors (e.g. professions)
- 3) **Tax burden**: particularly significant is the reduction, by 3.5 percentage points, of the Italian Corporate Tax (IRES) starting from 1 January 2017.
- 4) Measures to deal with the problem of **NPL**: a mechanism for providing state guarantees at market cost, to facilitate the securitization of bank non-performing loans (GACS); the creation of a private fund, called Atlante, which includes the same banks and other investors, with the objective of facilitating the recapitalization of distressed credit institutions and buying packages of non-performing loans.
- 5) Measures to shorten and strengthen the **recovery procedures**, in particular those concerning foreclosure procedures, including: the so-called *Patto Marciano and Pegno non possessorio* (the first aims to facilitate the recovery of the collateral in case of default by the debtor, the second aims at enlarging the volume of goods that the debtor can use as collateral with no impact on the current activity); insolvency system (whose reorganization, which is still in progress, aims to: bring out crisis situation at an early stage in order to ensure a real restructuring; accelerate liquidation in insolvency status).
- 6) **Italian banking system reforms**: one for the so-called BCC (*Banche di Credito Cooperativo*) and another for the *Banche Popolari*.
- 7) Recent measures adopted by the Italian Government to solve the crisis of some specific financial institutions, exploiting the flexibility margins allowed by state aid and recovery and resolution rules in case of a threat to financial stability.
- 8) **Tax incentives** to individuals and pension funds that invest in SMEs

Reform priorities for 2017

	I. Policy Area	II. Concrete Recommendations	III. Are the proposed recommendations already in the agenda of your Government?
Priority 1	Active labour market policies	Strengthen ALMPs through the launch of the activities of ANPAL, the newly created Agency for active policies.	yes
Priority 2	Public investment	Increase public investments (with special focus on R&D and innovation) and improve the investment environment.	yes
Priority 3	Public sector efficiency	Implement simplification measures, also regarding taxing matters. Improvement of the relationship between tax payers and tax administration.	yes
Priority 4	Tax reforms	Reduction of the overall tax burden on firms	no
Priority 5	Business Environment - Regulatory barriers to entrepreneurship	Keep on improving the business environment	yes