

SPRING 2018 REFORM BAROMETER – ITALY

European Semester - Overall assessment of 2017 cycle

	To what extent do you agree with these statements:		Detailed comments
1.	The National Reform Programme submitted by your Government (April 2017) is appropriate.	To a large extent	<p>Regarding taxation, the NRP is to some extent appropriate. We fully agree with the point regarding the reduction of the tax burden on the productive factors and we support the plan for the revision of the tax expenditures. In our opinion, all tax expenditures should be regularly and systematically reviewed, but not necessarily with the aim of reducing them. In fact, we believe that some measures are structural and some should indeed be enhanced; in this respect, we consider positive the renewal of tax incentives aimed at promoting investments and innovation by Italian enterprises. Within the framework of the NRP, we substantially agree with the proposals aimed to improve the relationship between tax administration and taxpayers and to fight tax evasion; however, despite of these positive actions, it should be also noted that we are critical of interventions that result in greater compliance burdens (in particular with reference to VAT fulfilments).</p> <p>Public administration: the objectives identified are appropriate (to complete public administration reform, to monitor public company reform, carry out reform of local public services, to improve public administration productivity through public employment reform, to improve simplification and digitalisation (Simplification action, three-year plan for the Information and Communications Technology, cyber security)).</p> <p>Competition: the objectives identified are appropriate and they shall be pursued by the measures introduced in the 2015 annual competition law. The annual competition law was approved in august 2017, after two years of Parliament’s discussion; in light of these delays, the annual competition law can't aim at becoming a structural instrument to promote competition in a perspective of continuity and medium-long term, without a reform of legislative iter.</p> <p>Civil justice: the NRP is to a large extent appropriate and the reforms approved in recent years are starting to show some important results. It's important to consolidate and strengthen these results and, as an example, to approve the draft law n. A.S. 2284 - presented in 2015 - which contains also important measures of specialization of the judge and to work on the proposal which aims to the enhancement of ADR tools.</p> <p>Criminal justice: the NRP doesn't deal deeply with the reform of the administrative liability.</p> <p>Insolvency system: a) reform the insolvency law, in order to enable the restructuring while allowing debt collection to some extent; b) introduce a out-of-court procedure (so called "procedura di allerta e composizione assistita della crisi"), aiming at bringing out crisis situation at an early stage and facilitating arrangements with creditors, with the objective of avoiding debtors’ insolvency.</p> <p>Regarding the access to credit and finance, we believe the National Reform Programme contains appropriate actions, namely: to promote the reduction of non-performing loans (NPLs) on banks' balance sheets, protecting savings through interventions in support of banks in difficulty, strengthening governance in the banking sector, simplifying and speeding up procedures for debt recovery; to support SMEs access to finance, in particular through the guarantee fund; to promote new and alternative financial channels, such as PIR or equity crowdfunding; to improve the procedures for PA debt payments to enterprises. However, there is room for improvement, in particular regarding the process of disposal of NPLs and PA debt payments to companies, to give a definitive boost to the economic recovery, partially started through the implementation of these measures.</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	<p>Regarding the third Country-specific recommendation, the stock of NPLs in banks' balance sheets remains one of the main obstacles to enterprises' access to finance. However, NPLs level is gradually decreasing thanks to the actions launched by the Government in recent years. In this context, it is important to accelerate this reduction avoiding additional rules which can reduce the ability of banks to grant loans.</p> <p>Regarding the fourth Country-specific recommendation, Confindustria is committed to find an agreement with the trade union organisations aimed at strengthening the collective bargaining framework, and its implementation could imply a role of support by the Government.</p>
3.	The Commission assessment of reform implementation the year before is appropriate.	To some extent	<p>Public administration: Confindustria does not agree with the assessment of the Commission about the public administration reform: Italy has made significative progress on this matter.</p> <p>Competition: the assessment is correct; the 2015 annual competition law was approved only in August 2017. Moreover, the 2018 Budget Law includes a measure on "fair fee for professionals ", that de facto re-introduces minimum rates for professionals.</p> <p>Justice: the assessment is correct; it should be noted that the reform of the statute of limitations was implemented in 2017 (law n. 103/2017).</p> <p>Regarding NPL's: Confindustria believes that additional actions can be taken in order to facilitate the securitization of NPLs, namely: to create an electronic public-private platform to manage transactions; to promote the "Patto Marciano" in contracts secured on residential real estate; to reform the bankruptcy law; to accelerate the civil justice procedures related to debt collection.</p>
4.	The Commission assessment of excessive imbalances (in-depth review) is appropriate.	To a large extent	<p>Confindustria agrees with the Commission regarding the fact that high level of NPLs hampers banks to support private investment growth. Indeed, it is necessary to reduce, to sustainable levels and in a reasonable timeframe, the share of NPLs. However, it is important to avoid the introduction of new measures that could limit bank's lending capacity. In fact, the legal framework has to find the right balance between financial stability and the financing of the real economy.</p>

Assessment of Country Specific recommendations 2017 in detail

		Q1: The recommendation is:	Q2: implementation on effort is:	Detailed comments
CSR 1a	Pursue a substantial fiscal effort in 2018, in line with the requirements of the preventive arm of the Stability and Growth Pact, taking into account the need to strengthen the ongoing recovery and to ensure the sustainability of Italy's public finances. Ensure timely implementation of the privatisation programme and use windfall gains to accelerate the reduction of the general government debt-to-GDP ratio. Shift the tax burden from the factors of production onto taxes less detrimental to growth	Important	Mixed	
CSR 1b	in a budget-neutral way by taking decisive action to reduce the number and scope of tax expenditures,	Helpful (but not a priority)	Mixed	
CSR 1c	reforming the outdated cadastral system and reintroducing the first residence tax for high-income households.	Helpful (but not a priority)	Mixed	
CSR1d	Broaden the compulsory use of electronic invoicing and payments.	Extremely important	Mixed	

		Q1: The recommendation is:	Q2: implementation on effort is:	Detailed comments
CSR 2	Reduce the trial length in civil justice through effective case management and rules ensuring procedural discipline. Step up the fight against corruption, in particular by revising the statute of limitations. Complete reforms of public employment and improve the efficiency of publicly-owned enterprises. Promptly adopt and implement the pending law on competition and address the remaining restrictions to competition.	Extremely important	Mixed	<p>Civil justice: the draft law n. AS 2284 aims to reform the civil procedural rules but its legislative iter started at the beginning of 2015 and is still in progress. In any case, the previous reforms are starting to show positive effects, as a reduction in time of the civil justice proceedings. Corruption: the law no. 103/2017 reforms the statute of limitations and provides for stricter measures with reference to the crime of corruption</p> <p>Public companies: there are not official data on the reform of public companies. The reform of local public services and the reform of the public service have not been implemented.</p> <p>Competition: the annual law was approved in 2017 and it is important to reform the legislative iter for this instrument for introducing the important measures for competition. In the sector of professional services, a measure on "fair fee for professionals " was introduced, that de facto re-introduces minimum rates for professionals.</p>
CSR 3a	Accelerate the reduction in the stock of non-performing loans and step up incentives for balance-sheet clean-up and restructuring, in particular in the segment of banks under national supervision.	Important	///	It is important to accelerate the reduction in the stock of non-performing loans because this reduction could improve the access to bank loans for Italian enterprises, above all SMEs
CSR 3b	Adopt a comprehensive overhaul of the regulatory framework for insolvency and collateral enforcement.	Helpful (but not a priority)	///	It is necessary to avoid the introduction of additional rules that limit banks' ability to grant loans.
CSR 4a	With the involvement of social partners, strengthen the collective bargaining framework to allow collective agreements to better take into account local conditions. Ensure effective active labour market policies.	Extremely important	Satisfactory	

		Q1: The recommendation is:	Q2: implementation on effort is:	Detailed comments
CSR 4b	Facilitate the take-up of work for second earners. Rationalise social spending and improve its composition.	///	///	///

Reform Progress in your Member State in 2017

How would you assess reform progress in 2017, for the following broad areas:

Taxation and Public Finances	Mixed
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 2018 Reform Barometer?

Italy's budget law for 2017 has opened the door to asset managers to create long-term Individual Savings Plans (PIR, in Italian) benefiting from tax incentives to encourage savers to invest in small and medium-sized Italian firms. Created as an alternative way to fund small and medium sized Italian firms, a role traditionally held by the banks, these PIR plans are aimed at retail investors resident in Italy who can invest a maximum of €30,000 per year and up to €150,000 over five years. Restrictions on the composition of investments in PIR plans imply that at least 70% of assets must be invested in financial instruments (equities or bonds) issued by Italian and/or foreign companies (EU and EEA) permanently established in Italy under the domestic fiscal regime. Of this 70%, at least 30% (or 21% of total investable assets) must be in Italian small and mid-caps not included in the main index (FTSE MIB).

Reform priorities for 2018

	I. Policy Area	II. Concrete Recommendations	III. Are the proposed recommendations already in the agenda of your Government?
Priority 1	Tax reforms	Continue to reduce taxation on factors of production; introduce adequate measures to fight tax evasion; adapt the tax system to the EU standards and regulate new forms of business (e.g. digital economy); make the tax system easier (also by eliminating useless fulfilments) and improve the tools of preventive dialogue between the tax administration and the tax payer.	///
Priority 2	Active labour market policies	Further strengthen active labour market policies and the activities launched by ANPAL	yes
Priority 3	Bank lending conditions	To strengthen the Guarantee Fund and enhance the use of qualitative aspects of companies in bank rating systems	no
Priority 4	Public sector efficiency	Implement simplification measures	yes
Priority 5	Competition policy framework	Specific measures for improving the efficiency of publicly-owned enterprises and of the professional service's market	Yes, publicly-owned enterprise No, professional service