WRITTEN QUESTION E-1348/07
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to the Council

Subject: Selectivity criteria - reducing the 'tax wedge'

By means of Article 1(266) of the 2007 Finance Act, Italy has reduced the 'tax wedge' on labour - i.e. the difference between the cost of labour to employers and the net remuneration paid to workers. The reduction (which will benefit employers) has been achieved by means of mechanisms enabling the IRAP (= regional tax on productive activities) to be deducted from the tax base - a base which includes the cost of labour. This tax concession will apply to workers employed on open-ended contracts and will not cover banks, other finance bodies, insurance companies and companies operating on a franchise and tariff basis in the following sectors: energy, water, transport, infrastructure, postal services, telecommunications, sewage collection and treatment, and waste collection and disposal.

The fact that the reduction in the 'tax wedge' applies only to certain activity sectors makes it impossible for the law in question to be regarded as a 'measure of a general nature'; on the contrary, the reduction appears to be based on selectivity criteria which place it objectively in the category of 'State aid' - which is banned under Article 87(1) of the Treaty. Italy appears to be aware of this: in Article 1(267) of the same Finance Act it is stated that the reduction in the 'tax wedge' is due to take effect in February 2007, subject to authorisation from the relevant EU authorities. The Italian law became fully effective in February 2007, even though the EU has granted no authorisation (in blatant contravention of Article 88(3)).

In view of the above, will the Council answer the following questions?

- In the light of Community law, what view does the Council take of this decision on the part of Italy's lawmakers?

- If Community law were found to have been infringed, what action would the Council take?