

WRITTEN QUESTION P-1340/07
by Renato Brunetta (PPE-DE)
to the Commission

Subject: Criteria for selective reduction of the 'tax wedge'

Under Article 1(266) of the Financial Law of 2007, Italy reduced the tax wedge for workers, in other words the difference between workers' take-home pay and the costs to the employer of employing them. This reduction of the tax wedge, which will benefit employers, will be achieved by means of deductions from the tax base of the regional tax on productive activities (IRAP), which includes the cost of labour. The deduction applies to employees who are not on short-term contracts. The organisations excluded from it include banks and other financial institutions, insurance undertakings, and concessionaires and undertakings charging for services in the energy, water, transport, infrastructure, postal services, telecommunications, waste water collection and treatment and rubbish collection and disposal sectors.

The fact that the reduction of the tax wedge relates only to some sectors of the economy makes it impossible to regard the legislation in question as a measure of a general nature: on the contrary, it appears to be based on selective criteria, and should be classified as one of the 'aids granted by States' prohibited under Article 87(1) of the Treaty. The Italian state appears to be aware of this fact, as Article 1(267) of the Financial Law of 2007 stipulates that the reduction of the tax wedge should apply from February 2007, subject to authorisation by the competent European authorities. The Italian law became fully effective as of 1 February, therefore, without any authorisation having been granted by the European Union, in open breach of Article 88(3).

In view of the foregoing:

- What is the Commission's opinion of Italy's deliberate adoption of this legislation in the light of Community rules?
- If it is ascertained that Community law has been infringed, what initiatives does the Commission intend to take?