FINANCIAL CRISIS AND TAX STRATEGY[1]

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1. Introduction

The interaction between the economic and financial crisis that started in 2008 and national tax policies has a "double face": it concerns both the existence of specific elements of the tax systems that have *contributed* to the crisis and the role played by tax policies implemented by States *in countering* the crisis itself[2].

During the crisis governments have in fact introduced significant tax measures of a temporary or of a permanent nature, respectively to support the economy in the short term and to introduce structural reforms in their tax systems.

Three European documents are emblematic of the need to adopt also a "tax strategy" to overcome the crisis.

First, the *"European Economic Recovery Plan for Growths and Jobs"* proposed by the European Commission on November 26, 2008[3]. In this document the European Commission proposes a fiscal stimulus package to overcome the crisis. It aims at restoring consumer and business confidence, supporting demand and stimulating investment in the EU's economies, creating jobs and helping the unemployed return to work. The proposed fiscal stimulus plan involves Euro 200 billion shared by the European Commission (Euro 30 billion) and the Member States (Euro 170 billion).

In this context Member States have taken up several tax measures. Even if these measures differ widely across Member States, two common *trends* may be outlined.

[1] Paragraphs 1, 2 and 4 have been written by Professor GIUSEPPE MELIS and paragraph 3 has been written by Ms. FEDERICA PITRONE.

[2] European Commission, *Monitoring tax revenues and tax reforms in EU member States 2010. Tax policy after the crisis*, Working Paper 24, 2010.

[3] European Commission, *A European Economic Recovery Plan*, COM (2008)800, 2008.

On the one hand, after the strong fiscal boost in 2009 which was meant to support the economy, fiscal stimulus packages were reduced due to the progressive deterioration of States' public finances[4]. On the other hand, the general decrease of direct tax revenues due to the introduction of fiscal measures aimed at supporting labour as well as the choice of many States to reduce corporate income taxes was balanced by a corresponding increase of indirect taxation, in particular through hikes in VAT and excise rates, in order to maintain the overall revenue level[5].

The second significant document is constituted by the Report *"A new strategy for the single market"*[6] prepared by Mario Monti, where tax perspective is considered as an essential element to build *consensus* on a stronger single market. In particular, tax reforms to be implemented have to look at "tax coordination" while respecting national sovereignty. For this reason, the report on the one hand points out the necessity to reduce the EU fragmented tax landscape which causes significant *compliance costs* and administrative burdens for citizens and companies; and, on the other hand, it emphasizes the importance to loosen the tension between market integration and tax sovereignty and to devise solutions that minimise harmful tax competition and the concentration of the tax burden on less mobile bases, i.e. labour. According to the report, the most important areas where tax coordination would prove particularly beneficial are: corporate taxation (through a common consolidated corporate tax base), VAT and environmental taxation.

Thirdly, the European Commission Communication *"Towards a Single Market Act for a highly competitive social market economy: 50 proposals for improving our work, business and exchanges with one another"*[7]. This document, consistently with Monti's Report, holds that the "re-launch" of the Single Market will help us to overcome the crisis and that, in order to reach this goal, it is necessary to create a business-friendly tax environment. In particular, the Commission will take steps to improve the coordination of tax policies by proposing a Directive introducing a common consolidated corporate tax base (CCCTB); implementing a new VAT strategy on the basis of the Green Paper published in 2010[8] and adopting a proposal to revise the Energy Tax Directive[9]. On

[4] According to the Commission services' spring 2010 economic forecast, the debt level is expected to increase from 58.8% in 2007 to 83.8% in 2011, European Commission, *Monitoring tax revenues and tax reforms in EU member States 2010. Tax policy after the crisis*, Working Paper 24, 2010.

[5] European Commission, *Monitoring tax revenues and tax reforms in EU member States 2010. Tax policy after the crisis*, Working Paper 24, 2010.

[6] M. MONTI, *A new strategy for the single market – At the service of Europe's economy and society*, Report to the President of the European Commission Josè Manuel Barroso, 2010.

[7] European Commission, *Towards a Single Market Act For a highly competitive social market economy 50 proposals for improving our work, business and exchanges with one another*, COM (2010)608, 2010.

[8] European Commission, *Green Paper on the Future of VAT*, COM(2010) 695, 2010.

[9] Council Directive 2003/96/EC of October 27, 2003 which, in the opinion of the European Commission, fails to fully reflect the EU's goals concerning the fight against climate change and more efficient energy use; see European Commission, *Towards a Single Market Act For a highly competitive social market economy 50 proposals for improving our work, business and exchanges with one another*,

March 16, 2011 the Commission already proposed the Directive on a Common Consolidated Corporate Tax Base (CCCTB)[10].

All these documents show the clear will of the European Institutions to counter the crisis also through "tax strategies" implemented not only by Member States but also through "tax coordination" at the EU level. Even Mervyn King, the governor of the Bank of England, recognized the need for a fiscal union to make the Monetary Union work[11].

From a fiscal point of view a "double approach scenario" is thus at stake: the supranational one, aimed at re-launching the European Single Market, and the national one. An overlap between the two approaches cannot however be excluded: it has recently been the case of the FTT introduced by France and Italy, whereas a similar levy is under discussion at the European level as well.

Slightly lagging behind other States, Italian Government started thinking about a long term financial package aimed at reaching a balanced budget in 2014. This package is expressed in decree law n. 98 of June 7, 2011 then converted, with some modifications, into law n. 111 of July 15, 2011 regarding urgent provisions on financial stabilization.

Because of the inconsistency of this measure, the Government created other urgent legislations which converge into decree law n. 138 of August 13, 2011 (named "Additional package"). In the original version, this additional package was based on increasing tax revenue of about Euro 25 billion in 2012-2013; with later modifications such an increase reached the amount of Euro 36 billion.

After that, other two relevant acts for our analysis are decree law n. 201 of December 6, 2011 (the so called "Save Italy" Decree) then converted, with some modifications, into law n. 214 of December 22, 2011 and the Budget Law for 2013, law n. 228 of December 24, 2012, that came into effect on January 1, 2013.

As we will see, this kind of reforms seems to be almost partially into line with other countries' fiscal choices aimed at countering economic and financial crisis. For sure they represent a signal of Italian awareness about the compulsory necessity of implementing a new fiscal strategy to overcome the crisis.

On the other hand, we cannot ignore that Italian Government, rather than realizing a comprehensive structural fiscal package, has preferred to create specific rules which increase revenues by intensifying fiscal pressure. This ruling behavior is maybe useful in order to counter the difficult Italian economic situation in the short term, but it

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COM (2010) 608, 2010. The European Commission published on April 13, 2011 a proposal to amend the Energy Taxation Directive, see European Commission, *Proposal for a Council Directive amending Directive 2003/96/CE restructuring the Community framework for the taxation of energy products and electricity*, COM (2011) 169/3, 2011.

[10] European Commission, *Proposal for a Council Directive on a Common Consolidated Corporate Tax Base,* COM (2011) 121/4.

[11] Bank of England, *Quarterly Inflation report*, 2010.

actually creates disfunctionalities and it is very far from pushing Italian economic growth.

2. National tax strategies: the most important trends

Starting with tax strategies adopted by the States during the crisis, a comparative analysis allows to outline some trends.

A first *trend* concerns the shift from direct to indirect taxation, through above all hikes in VAT and excise rates[12]. The main reason for this is the relative efficiency of consumption taxes, being consumption a broader and more stable base than profits and income.

The first sketch of decree law n. 98 of 2011 aimed at the gradual shift from direct to indirect taxation. In order to achieve this goal, the most accredited option was a 1% increasing of VAT rate, both for 10% reduced VAT and 20% ordinary VAT[13]. After some hesitations, Italian Government decided to increase the ordinary VAT rate. In particular, ordinary VAT goes from a 20% to 21% rate, increasing of 1%, like in other EU States[14]. This variation has been applied on operations which have taken place as from September 17, 2011, date of entry into force of the law of conversion of decree law n. 138/2011. Moreover, from July 1, 2013, Italy will raise one more time its ordinary VAT rate by 1% to 22%[15].

However, these increases will not be directed to financing Irpef (personal income tax) reduction, as in Government's intentions, but to sustain public debt in order to reach a budget balance. Initially, Italian Government was intended to finance Irpef decrease with delaying VAT increase until the implementation of a fiscal package aimed at reducing Irpef rates[16]. A second *trend* concerns the changes to personal income

[12] The crisis has not only impacted on the level of tax revenue but also on its composition. In particular, the increase of VAT rates can be summarised as following: EE: 18 -> 20; EL: 19 -> 23; ES: 16 -> 18; IE: 20 -<21; LV: 18 -> 21; LT: 18 -> 21; HU: 20 -> 25; ES: 16 -> 18; FI: 22 -> 23; EL: 19 -> 23; UK: 17.5 -> 20; RO: 19 -> 24 (announced); see European Commission, *Taxation trends In the European Union*, 2010. The EU-27 average has risen strongly by 1.5 points in only four years and currently stands at 21 %, see European Commission, *Taxation trends In the European Union*, 2012.The U.K. system gives us the possibility to point out the changeability of tax measures. This State in fact introduced a 2% temporary VAT reduction (from 17.5% to 15%) till December 31, 2009 to encourage spending by consumers and businesses in the short term. But since 2011 the ordinary rate was increased to 20%; see HM Revenue & Customs, Vat – *Change of the Standard Rate to 20 per cent: A Detailed Guide for VAT-Registered Business*, December 2010.

[13] D. PESOLE, *Rincaro IVA rimandato al 2013-2014*, Il Sole 24 Ore, June 30, 2011.

[14] R. RIZZARDI, *L'Italia resta in linea con l'Europa,* Il Sole 24 Ore, September 9, 2011.

[15] Art. 1, para. 480, Law n. 228/2012.

[16] D. PESOLE, *La correzione sale a 59 miliardi,* Il Sole 24 Ore, September 7, 2011; M. MOBILI, M. ROGARI, *La manovra riparte dall'aumento dell'IVA*, Il Sole 24 Ore, September 7, 2011; R. RIZZARDI, *Ora occorre ridurre l'imponibile evaso*, Il Sole 24 Ore, September 8, 2011. At first, because of strong management and labour's protests, it was decided to increase only "optional" VAT rate, excluding an immediate intervention. In fact, in delegated legislation draft, "a gradual revision of actual VAT rates"

taxesthrough fiscal stimulus packages and tax reductions in favour of families and enterprises, also with a view to foster labour supply[17]. This is strictly linked to the argument according to which the financing of the welfare state through taxes may have to rely less on labour and corporate income and more on capital income[18]. In any case, it would be necessary to analyze social contributions regimes, whose increase would neutralize the reduction of personal income tax rate.

Regarding personal income taxation some examples can be made: Germany reduced the lowest personal income tax rate from 15% to 14% and it increased the tax-free allowance[19]. In Spain the "*Plan para el estímulo de la economia y el empleo*" introduced tax reliefs in favour of families and companies for a total amount of EUR 16,5 billion. In particular, Spain increased tax credits, social security rebates and adjusted deadlines of payments for specific categories of workers. Moreover, a 100% tax rebate to the wealth tax was introduced, thus abolishing it in practice[20]. Following in Spain and Germany's footsteps, France weakened wealth tax and 300.000 taxpayers will no longer be required to pay the tax. In fact, wealth tax is now paid at a rate of 0.25% and 0.5%, instead of 0.6% and 1.8%, on assets worth more than EUR 1.3 million, instead of the former threshold of EUR 790.000. On the contrary, Italy is going against the grain and discussing the introduction of a wealth tax[21]! In fact, Italian Government decided to increase taxation rate on financial returns from 12,50% to 20%, except for government bonds which still have a rate of 12,50%[22].

Actually, an increase of stamp duty on "stock dossiers" has been implemented. In particular, it concerns periodic reports about stock deposit sent by financial intermediaries to their clients. This rate growth involves reports about stock deposits with par value or stock refund value greater than or equal to the value of 50.000 Euros[23]

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was generically discussed, officially in order to evaluate inflation effects due to the increase of this rate. For what concerns management and labour's protests, an analysis by Confcommercio's Center of Studies asserts that an Irpef cut and VAT growth is not advisable because of its depressive effects on consumption and its recessive effects on GDP (Gross Domestic Product): see Ufficio Studi Confcommercio, *Nota sugli effetti della possibile manovra fiscale "da Irpef a IVA"*, available at *http://www.confcommercio.it/home/Centro-stu/index.htm.*

[17] Doc. Servizio del Bilancio del Senato – *Il piano europeo per fronteggiare la crisi economica. Le misure di politica fiscale adottate dai principali paesi dell'Unione*; T. HEMMELGARN & G. NICORDEME, *The 2008 Financial Crisis and Taxation Policy*, Working Paper 20, European Union, 2010.

[18] European Commission, *Green Paper on the Future of VAT*, COM(2010) 695, 2010; M. MONTI, *A new strategy for the single market – At the service of Europe's economy and society*, Report to the President of the European Commission Josè Manuel Barroso, 2010.

[19] From € 7.664 to € 7.834 retroactively as from January 1, 2009 and to € 8.004 as from January 1, 2010; European Commission, *Taxation trends In the European Union*, 2010.

[20] European Commission, *Taxation trends In the European Union*, 2010.

[21] F. FORQUET, *Un piano in cinque punti per la crescita,* Il Sole 24 Ore, September 7, 2011, where these Assonime's ideas are mentioned: the introduction of a Contribution for Transparency and Growth (CTC – Contributo per la trasparenza e la crescita) and a 1% levy on assets to reduce companies taxation.

[22] D. PESOLE, *Nella delega il concordato preventivo*, Il Sole 24 Ore, July 1, 2011; M. Cellino, *BoT e Fondi alla prova della riforma*, in Sole 24 Ore, July 3, 2011.

[23] M. CELLINO, *Il bollo sul dossier titoli aumenta fino a 380 euro*, Il Sole 24 Ore, July 5, 2011; L. Serafini, *Deposito titoli, bollo graduale,* Il Sole 24 Ore, July 13, 2011; M. PIAZZA, *Rebus maxibollo sui*

(actually from 34,20 Euros if par value is less than 50.000 Euros, to 680,00 Euros if par value is greater than 500.000 Euros; starting from 2013, the maximum growth will reach an amount of 1.100 Euros). This increase has more or less the same effect of a wealth tax that Italy already has on property assets (ICI – Municipal Property Tax).

This increase on both stock deposit stamp duty taxation and rates on financial returns, together with the wealth tax already existing for real estate –with the exception of the house of the habitual abode of the taxpayer is located, originally taxed and whose exemption introduced in 2008 has been strongly criticized for its negative effects on municipalities' financing – and the high rates in personal income taxes, should in my opinion make the implementation of a general wealth tax a useless debate, but unfortunately the idea to introduce such a tax in Italy is showing a growing consensus.

Coming back to general issues, the measures we described were accompanied by the increase of tax rates for higher income earners. For example, Greece introduced an extra tax on personal income for income above EUR 60.000[24]. In Greece the real estate taxation regime also changed: the 1% flat rate on large properties was substituted by a progressive scale increasing the 1% top rate applicable above EUR 800.000 to 2% for property values above EUR 5 million for a period of three years (this rate is applicable also on Church property not used for religious, educational or charitable purposes). Ireland also introduced an extra tax on personal income for income above EUR 100.000 and is now planning to introduce a EUR 200.000 tax for people domiciled in the Country who have properties with a value above EUR 5 million, an income above EUR 1 million and pay taxes in Ireland for less than EUR 200.000. On March 28, 2013, France announced that a temporary 75% tax rate on high salaries will be implemented. In particular, the tax will be borne by companies that pay their employees a salary in excess of EUR 1 million[25].

Italy introduced the so called "solidarity contribution" for taxpayers whose total IRPEF income is more than 300.000 euros/per year. This contribution, which at the moment applies to income earned in 2011, 2012 and 2013, has a rate of 3% and is applied on the income exceeding 300.000 Euros. It involves more or less 34.000 taxpayers[26].

Always with reference to Italy, the measures that were implemented primarily concern the reduction of government spending: among them, however, there are some which are substantially equivalent to a tax rate increase, even if apparently they cannot be considered as fiscal measures – i.e. the public sector pay cuts. In Italy, moreover, the

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rendiconti del deposito titoli, Il Sole 24 Ore, August 11, 2011; cfr. Circular of August 4, 2011 n. 40.

[24] The tax is gradually increased from EUR 1.000 for income between EUR 60.001 and EUR 80.000 to EUR 25.000 for income above EUR 900.000; see European Commission, *Taxation trends In the European Union*, 2010.

[25] *France: 75% tax rate on high salaries borne by companies announced*, Ibfd News, 2 April 2013.

[26] N. COTTONE, *Contributo di solidarietà del 3% per i redditi oltre 300mila euro*, Il Sole 24 Ore, September 6, 2011; G. TROVATI, *Contributo per 34.000 "paperoni"*, Il Sole 24 Ore, September 7, 2011.

most sensitive problem concerns tax deductions which amount to EUR 140 billion. On this issue a specific ministerial committee is evaluating which tax deductions have to be maintained, thus giving to the government the opportunity to modify and reduce tax rates. An intervention of rationalization of such tax deductions in order to finance personal income tax reprogramming has been under examination from several months. In the delegated legislation on fiscal package this reprogramming is structured using only three rates, respectively of 20%, 30% and 40%[27]. The additional package, as approved by the Senate, decided to immediately reduce fiscal tax deductions of about 4 billion in 2012 and 12 billion in 2013. This will happen unless fiscal and welfare regulations aimed at eliminating or reducing exemption regimes until a total amount of 4 billion in 2013 and 20 billion in 2014 would not be introduced[28].

With regard to the reduction of the tax burden on labour, this issue is strictly connected with fostering labour supply and labour demand incentives, which is one of the fundamental answers to the higher labour cost in the EU in comparison to other *competitors*. On this issue, in the future, tax incentives for the variable component of salaries may be introduced[29]. This could be done by modifying the meaning of labour remuneration, considering the variable part as the workers' participation into the company, providing incentive pay, shareholding, profit sharing and welfare services within the company. In Italy a 10% substitute tax is applicable now to the variable components of the remuneration, within the limit of EUR 6.000 and within the maximum income threshold of EUR 40.000, subject to territorial framework agreements. It would be desirable to eliminate any kind of threshold, specifying which part of the variable remuneration should benefit from the tax relief, maybe as a percentage of the whole remuneration.

Finally, as far as the reduction of corporate income tax rates is concerned, we can see common trend on this issue too[30]. Anyway, it should also be analyzed whether this reduction was accompanied by the broadening of tax bases which obviously would neutralize it, as happened in Italy in 2007.

At first, it seems necessary to underline the new European Commission approach about State aid. In fact, because of the economic and financial crisis the Commission adopted some temporary measures in order to allow Member States to introduce tax incentives more freely in order to support banks and companies and to facilitate access

[27] D. PESOLE, *Nella delega il concordato preventivo*, cit.. This package, to be introduced in a short time, is aimed at modifying Italian taxation by reducing taxes to five kind of them: Irpef, Ires, Iva (VAT), Irap and tax on utilities, which is going to include registry duties, mortgage and land tax, tax on government concessions, tax on stock exchange contracts, tax on insurance and tax on leisure.

[28] D. PESOLE, *Dalle entrate il 65% della manovra,* see above.

[29] Fondazione REI – CERADI Luiss Guido Carli, *Riforma fiscale e redditi di lavoro dipendente: per una fiscalità volta verso il nuovo millennio*, December 2010.

[30] In particular, tax measures in order to reduce corporate income tax have been introduced in these States: AT, BE, CY, CZ, DE, ES, LU, NL, PL, PT, RO, SK, UK; see European Commission, *Taxation trends In the European Union*, 2010.

to financing.

At the State level, Spain reduced the tax rate to 30% and to 20% for small and medium companies with less than 25 employees maintaining or increasing the labor force. In France, instead, a reduction of the *taxe professionnelle* for new investments was introduced[31]. On March 23, 2011, the UK Chancellor of the Exchequer George Osborne released his second budget law. The key changewas a reduction to the main rate of the corporate income tax to 26%, effective from April 2011. This rate has then been further reduced by 1% per year over the following three years to a rate of 23% from April 2013. Moreover Finance Bill 2013 provides that the corporation tax rate for financial year 2014 will be 21%. The Bill also provides that, for financial year 2015, the corporation tax rate will be 20%. Moreover, the U.K. government changed the CFC rules to make the UK more competitive. In particular, they introduceda special regime for financial companies, providing a rate of one quarter of the main rate of corporation tax on profits of overseas companies. This is an important issue because it seems that the U.K. would like to be more competitive even with more tolerance towards companies located in tax havens. Lastly, in the USA there is a discussion about the reduction to 25% of the higher rate for corporate income taxation and personal income taxation. The aim of this amendment is to reduce the complexity of the current American tax system.

With reference to Italy, the level of the rate of corporate taxation still remains very high also considering the burden of Irap whose rate was increased in many Italian Regions and whose taxable base is very broad compared to that of corporate tax. This leads to an effective rate on business income which is by far higher than the mere sum of nominal rates of Ires (27.5%) and Irap (3.9%). However, that is not enough. In fact, "effective" tax burden on companies cannot be estimated only by adding Ires (27.5%) and Irap (3.9%) rate; we have also to consider the pressure to pay, which leads to a comprehensive tax burden on companies to 48.8%[32]. Real tax burden on companies has actually become untenable and, for this reason, in the bill of delegated legislation the Government seems to gradually promote Irap abolition starting from 2014, "taking priority over the exclusion of taxable amount due to labour cost"[33]. This eventuality makes operators and social partners doubting because it seems to have only postponed and not solved Italian situation yet[34].

At the moment, Italian Government has only dealt with the modification of tax

[31] European Commission, *Taxation trends In the European Union*, 2010.

[32] See the study of CNA Abruzzo presented by C. CARPENTIERI, *Abruzzo e le tasse: un freno allo sviluppo ed imprese*, available at *http://www.cna.it/DIPARTIMENTI-E-UFFICI/Politiche-fiscali/News/Eventi-Forum-L-Abruzzo-e-le-tasse-un-freno-allo-sviluppo-delle-imprese*; M. BELLINAZZO, *In Abruzzo L'Irap più pesante*, in Il Sole 24 Ore, June 17, 2011.

[33] D. PESOLE, *Nella delega il concordato preventivo*, cit..

[34] E. DE MITA, *Una riforma " a futura memoria"*, Il Sole 24 Ore, July 1, 2011; A. SACRESTANO, *Abolizione Irap, missione fallita da oltre un decennio*, Il Sole 24 Ore, July 2, 2011; L. CORDERO DI MONTEZEMOLO, *"La manovra è un assegno post-datato*", Il Sole 24 Ore, July 3, 2011.

system for the small entrepreneurs and self-employed workers who start a business in 2012 or have already started since January 1, 2008. These individuals are liable to a 5% flat-rate taxation which is applicable to the tax year in which the business has been started and for the following four years. On the other hand, for what concerns young people, this period of flat-rate taxation can be longer but cannot be applicable after they have reached the age of 35. This preferential tax system requires more strict access criteria than the previous one. The people who would not be subjected to it will be liable to a "residual" simplified tax system providing for exclusion from Irap and some other facilities with the exception of a decreasing Irpef rate. In a word, this preferential tax system actually involves a small number of taxpayers[35].

Another measure to support companies was the introduction of new rules on losses incurred in the years of the crisis. In particular, several countries increased both the losses carry-forward period and the losses carry-back period. In the Netherlands, for example, corporate taxpayers were allowed to carry back losses for two years with respect to the fiscal years 2009 and 2010[36]. Italy was again an exception: the carry-back of losses is not allowed and losses could be carried forward only for five years, which is the shortest period within the EU. Actually, the situation has been changing since Italian Government eliminated the 5-years limit. This actually positive removal is however accompanied by a limitation to the deduction of losses. In fact, each fiscal year, losses can be covered for an amount which is not greater than the 80% of declared income. This limit will not involve the losses originated in the first three fiscal years. The introduction of this deduction limit is actually due to cash requirements[37]. However, according to first commentators, the remaining 20% will not be lost but will be though used to reduce companies' taxable income which is get during following fiscal years[38].

In order to support Italian companies, only a tax relief was introduced in 2009 for corporate recapitalization effected by individual shareholders[39]. In particular, the tax relief was a deduction equal to 3% of the capital increase for 5 years and for a maximum threshold of EUR 500.000. This measure, however, was temporary and it was not confirmed by Italian legislator.

Nevertheless, in 2011, in order to stimulate company capitalization, a new allowance

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[35] L. DE STEFANI, M. MEAZZA, *Rivoluzione per i contribuenti minimi: tasse al 5% ma solo per pochi. Per gli altri arrivano gli studi di settore*, Il Sole 24 Ore, July 23, 2011.

[36] European Commission, *Monitoring tax revenues and tax reforms in EU member States 2010. Tax policy after the crisis*, Working Paper 24, 2010.

[37] L. GAIANI, *Perdite a deduzione ridotta*, Il Sole 24 Ore, July 1, 2011; F. CAVALLI, *Per le perdite riporto senza limiti temporali,* Il Sole 24 Ore, July 2, 2011, according to the author, who agrees on the elimination of a time fence for losses carry-forward, "the choice of no more permitting the total absorption of fiscal losses from annual taxable amount determines companies financial penalization but it is actually aimed at preserving tax revenues which maybe, in actual economic context, could not be sacrificed".

[38] G. ODETTO, *Perdite fiscali riportabili all'80% senza limiti di tempo*, in Eutekne.info, July 4, 2011; G. FERRANTI, *La disciplina del riporto delle perdite si adegua alla crisi economica*, Corr. Trib., n. 31, 2011.

[39] Art. 6, c. 3-*ter* Decree Law n. 78 of July 1, 2009.

for corporate equity (the so called "ACE") was introduced by the Italian government[40]. In particular, the ACE allows an income tax deduction from net business income, equal to a notional rate calculated on the new equity. The new equity is the statutory equity balance at year end, net of current year profits, in excess of the equity balance at December 31, 2010. For the fiscal periods 2011, 2012 and 2013, the notional rate has been fixed at 3%. ACE applies to corporations but also to individual firms and limited partnerships.Instead of reducing its own corporate income tax rate, the Italian government wanted to introduce an original solution in order to boost foreign companies investments, importing in Italy the most favorable tax systems within the European Union. This is the so-called "Regime of European attraction", according to which individuals or companies established in another UE member State carrying out new economic activities in Italy can choose whatever tax system within the European Union to define their taxable income for three years[41]. This regime has not been implemented so far.

Another measure was the increase in taxation on bonuses and stock option plans, based on the decisions taken during the G20 in order to avoid distortions on the financial market and on global economy. In particular, Italy introduced a 10% additional tax on bonuses and stock options exceeding the triple of the fixed salary paid to managers of financial institutions[42]. Even France introduced a 50% tax on bonuses exceeding EUR 27.500 paid by financial institutions to their traders. In the United Kingdom an additional 50% bank payroll tax on the excess bonuses over GBP 25.000 granted by banks and building societies was introduced[43]. In Greece bonuses to executives in banks and financial institutions are now subject to a special taxation regime with progressive rates ranging between 20% and 90%[44].

The implementation of these measures was founded upon the idea according to which the overcoming of the crisis is to be financed by the sector which caused it. Accordingly, a higher taxation of financial institutions was introduced as well. Germany approved a draft bill introducing a new tax on banking with the aim to create a "financial equalization fund". The payment of this tax is connected to the liabilities of banks and to off balance sheet derivatives. In particular, banks with liabilities up to EUR 10 billion will pay a 0.02% tax, increasing to 0.03% for liabilities between EUR 10 and 100 billion and to

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[40] Art. 1, Decree Law n. 201 of December 6, 2011:

[41] Art. 41 Decree Law n. 78 of May 31, 2010 and Draft of Ministerial Decree on art. 41 Decree Law 78/2010 which is open to comments and criticisms. The regime has not been implemented yet, but according to some scholars, even if the regime seems to be a laudable initiative, the possibility to choose whatever tax system within the European Union could be considered as State aid and harmful tax competition.

[42] Art. 33 Decree Law n. 78 of May 31, 2010. On the basis of a challengeable interpretation adopted by the Italian tax administration, such an additional tax has been extended to all the executives of holding companies.

[43] T. HEMMELGARN & G. NICORDEME, *The 2008 Financial Crisis and Taxation Policy*, Working Paper 20, European Union, 2010.

[44] European Commission, *Taxation trends In the European Union*, 2010.

0.04% for liabilities over EUR 100 billion. Hungary[45], Denmark and France[46] introduced a special tax on financial institutions as well. Moreover we have to underline that, in France a domestic FTT is effective since August 1, 2012. The FTT is composed of three different taxes: (i) a tax on the acquisition of equity securities; (ii) a tax on high frequency trading; and (iii) a tax on naked sovereign credit default swaps[47].

Also in Italy, bank taxation represents a hot spot and a lot of different taxation systems have been taken into consideration. In fact, regarding the content of the package, it was at first discussed about a 35% taxation on bank trading activities, then about a 7% additional taxation on financial trading and at last about a 0,15% taxation on financial transactions. a The latter has been implemented in the Italian tax system. In particular, the FTT is levied on transfers of shares and other participating financial instruments issued by Italian resident entities, and on securities representing these shares and financial instruments regardless of the residence of the issuer. The FTT is applied on transactions executed as of March 1, 2013, with respect to trades and high-frequency trading on these instruments. The FTT also is levied on transactions of derivatives having as a main underlying, or the value of which is mainly linked to shares and participating financial instruments issued by Italian resident entities, irrespective of the place of their execution and of the residence of the parties involved[48]. In the latter case the FTT will apply as of July 1, 2013, with respect to both derivatives and high-frequency trading on derivatives.

Moreover a Irap rate increase at 4,65% for banks plus other financial companies and at 5,90% for insurance corporations[49] has been actually implemented.Another measure

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[45] In particular, financial institutions are liable to pay this tax on their annual balance sheet at a rate of 0.15% up to HUF 50 billion and at a rate of 0.53% above this threshold. Financial institutions are also obliged to pay a special tax on their profit at a 30% rate. The special tax on the financial sector will be effective till 1 January 2013: see D. DEÁK, *Global financial crisis and Hungarian crisis taxes*, in *Financial Crisis and Tax Strategy*, (edited by L. Salvini and G. Melis), Rome, 2012.

[46] In France the bank levy will be paid at a rate of 0,25% of the minimal capital required under French regulatory rules, as computed on risk-weighted assets. French branches of European banks are exempted. See D. GUTMANN, *Taxation after the Crisis. A French Approach*, in Financial Crisis and Tax Strategy, op. cit.. .

[47] In particular, a 0.2% tax is applicable to transactions involving shares of publicly traded companies established in France, the capital of which exceeds EUR 1 billion. Transactions in the context of high-frequency trading and transactions involving sovereign credit default swaps are taxed at a tax rate of 0,01%. See, N. GAOUA, *France: recent tax changes*, European Taxation, 2012; T. VOGEL, B. CORTEZ, *Recent Developments and resulting implications regarding a financial transaction tax in Europe*, European Taxation, 2013.

[48] Art. 1, paragraphs 491 to 500, Law N. 228/2012; *New package of measures presented to Parliament – details*, Ibfd News, 25 October 2012; *Financial Transaction Tax – further clarifications*, Ibfd News, 18 March 2013. The standard FTT rate is: (i) 0.20% (0.22% for 2013) for over-the-counter transactions; and (ii) 0.10% (0.12% for 2013) for transactions executed on regulated markets, a multilateral trading facility established in an EU Member State or in an EEA country that is included in the white list. The FTT on derivatives will apply at varying fixed amounts depending on the type of derivative.

[49] L. SERAFINI, *Per le banche italiane una tassa da 250 milioni*, Il Sole 24 Ore, July 3, 2011; M. CELLINO, *Fisco e credito: salta la stretta sul trading e Borsa*, in Sole 24 Ore, July 2, 2011; L. SERAFINI, *Credito e finanza, scampato pericolo*, Il Sole 24 Ore, July 1, 2011; M. MOBILI, *Trading bancario tassato al 35%*, Il Sole 24 Ore, June 30, 2011; L. SERAFINI, *Crisi e fisco: Piazza Affari rischia grosso*, Il Sole 24 Ore, June 30, 2011; L. SERAFINI, *"Con questa tassa fuga all'estero degli investitori"*, Il Sole 24 Ore, June

consists in the introduction of alternative sources of tax financing. Greece, for example, introduced a special levy on luxury goods (aircraft and boats) and planned the introduction of a "green tax" on CO2 emissions. A great number of measures were taken in the area of environmental taxation as alternative sources of financing. Germany planned the introduction of a tax on nuclear power and on flight. Denmark provided higher energy, transport and environmental taxes[50]. This same path was also followed by Ireland, Greece and the Netherlands[51].

In Italy, a tax on luxury goods has been preferred: the Government has in fact introduced an annual additional rate on vehicle tax for cars with more than 225 Kw power[52]. Moreover, the Government has decided an increase from 6,5% to 10,5% of the so called *Robin Hood tax*, an Ires additional rate for companies working in oil and electricity industry. This increase will be applied during the three fiscal years following the one ending on December 31, 2010. On the one hand, the Legislator has widened the range of subjected companies, including the ones operating in the renewable energy industry; on the other hand, the typologies of included renewable energies was widened, adding the activities of transmission and dispatching of electricity, gas transportation and gas plus electricity transportation[53].

The last *trend* I want to point out is the strengthening of the instruments of tax assessment and broadly speaking of measures to fight tax evasion and tax avoidance.

The Italian government is particularly pushing in this direction, on the one hand to focus separately the investigation on different macro-typologies of taxpayers (big and medium enterprises, small enterprises and self-employed workers, non-commercial bodies, individuals), on the other hand to adopt different tax assessment instruments for each macro-typology[54].

With regard to national tax evasion, we have to underline the legislative amendment strengthening the assessment based on "inductive" factors (so-called "redditometro"), applicable to individuals. Through this instrument Tax Authorities can determine the taxpayer's total income through a "synthetic" assessment on the basis of inductive factors which estimate a higher income. Recent legislation deeply changed this kind of assessment, by envisaging a list of elements identifying the taxpayer's ability to pay,

30, 2011; M. PIAZZA, A. SCAGLIARINI, *L'aumento Irap colpisce le holding*, Il Sole 24 Ore, July 20, 2011.

[50] In particular, in 2009 Denmark initiated a major tax reform to be phased in from 2009 to 2019. The reform aims at reducing the high marginal tax rates on personal income (the lowest marginal rate from 42.4% to 41% and the highest marginal rate from 63% to 56.1%) and thus to stimulate labour supply (the effect is estimated at 19.200 full time employed). The reform is financed by higher energy, transports and environmental taxes, and also by increases of excise rates on health-related goods (fat, candies, sugar, tobacco). See European Commission, *Taxation trends In the European Union*, 2010.

[51] European Commission, *Monitoring tax revenues and tax reforms in EU member States 2010. Tax policy after the crisis*, Working Paper 24, 2010.

[52] M. CAPRINO, *Torna il superbollo per Suv e sportive da 170 cavalli in su,* Il Sole 24 Ore, June 30, 2011.

[53] N. BARONE, *Robin Hood tax più pesante ed estesa all'eolico*, Il Sole 24 Ore, August 13, 2011.

[54] Ministerial memorandum n. 13/E of April 9, 2009.

upon which the assessment is based, consistent with new items of consumption and new taxpayers' economic practice[55]. The risk is the creation of an instrument which is not connected at all with reality, effecting only to stop consumption and consequently the economy[56].

Restrictions adopted towards non-operating companies are actually coherent with the functionalities of *redditometro*. Likewise, also restrictions towards goods which have been assigned to family members or partners without according to current market conditions are meant to reconnect goods to the legitimate owner and to avoid the matter of fictitious heading of the assets, actually used by partners, to companies instead. In particular, a 10,5% Ires rate increase has been decided for the non-operating companies.

Additional package actually puts companies which have been systemically unprofitable for more than three years in this category. Moreover, costs regarding company assets which are leased to partners or family members of the entrepreneur at an annual fee below the market value are not liable to deduction from the taxable amount. Users are actually taxed on the difference between market rate and the amount paid for leased assets.

The data concerning to leased assets have to be communicated to the Italian Revenue Agency, who has to systematically control the users of the assets headed to companies. Under the new regulations, in order to proceed with synthetic reconstruction of the income of assets users, any method of company financing or capitalization will be taken into consideration[57].

Moreover, again in order to contrast tax evasion, Italian Government has included a particular regulation in the additional package: according to it, having regard to data related to banking operations and after consulting associations of financial intermediaries, the Italian Revenue Agency can draw up specific selective lists of taxpayers to be assessed. With regard to international tax evasion, particular attention was paid to fight aggressive tax planning schemes, increasing the use of international tax cooperation[58].

At last, there was the need to change the estimated assessment based on the so-called "studi di settore" (a sort of "standardized" income according to the activity, to the characteristics and to the cost structure of the business) according to anti-crisis correctives, in order to modify economic data which were referred to previous years not hit by the crisis[59].

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[55] Ministerial memorandum n. 4/E of February 15, 2011.

[56] P. BOTTELLI, *Nel lusso ritorna il "cash"*, on *Il Sole 24 Ore*, April 12, 2011. The author underlines that the fear of tax assessment based on the so called "redditometro" is pushing people to go shopping abroad, i.e. Montecarlo.

[57] P. CEPPELLINI, R. LUGANO, *Il tentativo di «catturare» chi sfugge al redditometro*, Il Sole 24 Ore, September 3, 2011.

[58] Ministerial memorandum n. 20/E of April 16, 2010.

[59] Ministerial Decree of May 19, 2009. In particular, these correctives concern increase in row materials and in fuel costs and negative trends of several economic sectors also depending on the territory

The Greek government also planned several interventions to fight tax evasion and tax avoidance, including the reorganization and modernization of the tax administration[60]. On this issue, we should also underline that Belgium modified its general anti-abuse provision in order to strengthen it and that the UK Finance Bill 2013 has introduced a general anti-abuse rule. Moreover, in Italy a discussion on whether or not a general anti-abuse rule has to be introduced is going on.

Furthermore, on April 9, 2013, France, Germany, Italy, Spain and UK agreed to develop multilateral tax information exchange. Under this agreement, a wide range of information will be automatically exchanged between the five states. This is aimed at helping to catch and deter tax evaders, and at providing a template for wider multilateral automatic tax information exchange[61].

3. Tax policy strategies at the European level

Besides tax reforms implemented individually by the States in order to counter the crisis, there are fiscal measures to be necessarily or preferably implemented at the EU or supranational level.

Limiting the analysis to the EU level, the strengthening of "tax coordination" seems to be the correct answer to the weakening of the Single Market.

The lines of action suggested at the EU level are various.

First of all, answering to "Monti's Report" and to the "European Commission Communication 608 of 2010", the proposal of Directive on a Common Consolidated Corporate Tax Base, CCCTB was published[62]. According to this document, the CCCTB is an important initiative on the path towards removing obstacles to the completion of the Single Market. The CCCTB is an optional system of common rules for computing the tax base of EU resident companies and of EU-located branches of third-country companies. Harmonization will only involve the computation of the tax base of companies with autonomous rules and will not interfere with national rules on financial accounting. The common approach will give consistency to the national tax systems but there is no intention to extend harmonization to the tax rates. Under the CCCTB, groups of companies will have to apply a single set of tax rules across the European Union and will have to deal with only one tax administration, with a stark reduction of *compliance costs*. Moreover, the CCCTB, in line with the rethinking of tax systems and the shift to more growth-friendly and green taxation, as advocated in the

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where the business is carried on.

[60] European Commission, *Taxation trends In the European Union*, 2010.

[61] *Multilateral action between United Kingdom, France, Germany, Italy and Spain to counter tax evasion*, Ibfd News, 9 April 2013.

[62] European Commission, *Proposal for a Council Directive on a Common Consolidated Corporate Tax Base,* COM (2011) 121/4.

Europe 2020 strategy, provides that all costs relating to research and development are going to be deductible[63].

In point of fact, in the context of the crisis, this proposal does not only affect the lower tax burden for undertakings and the consequent increase of competitiveness, but it also touches upon one of the causes of the crisis, since harmonization of the rules will guarantee an "homogenous" reading of undertakings "fiscal data". As a matter of fact, the lack of transparency of these data strongly contributed to the crisis.

A second issue at the EU level is the will to realize a new VAT strategy on the basis of the Green Paper on the future of VAT we already mentioned[64]. In fact, the aim of the Green Paper was to launch a broadly based debate with all the stakeholders on the evaluation of the current VAT system and the possible ways forward to strengthening its consistency with the single market and its capacity as a revenue raiser, whilst reducing the cost of compliance and to prevent, detect and stop VAT fraud. The document, divided between two major headings, faces respectively the principles of taxation of intra-EU transactions and the issues which need attention irrespective of any choice to be made on the intra-EU treatment. In this context, for example, the European Commission asked whether the existing exemptions are still current and if the current variation in the standard rate in the EU and the reduced rates still make sense. What we previously examined about the measures aimed at reducing taxation on labour and company income by increasing VAT rates should lead to give an affirmative answer to this last question.

On December 6, 2011, the European Commission adopted a Communication on the future of VAT[65]. This lists the actions for the coming years needed to create a simpler, more efficient and more robust VAT system in the EU tailored to the single market.

A third issue is the necessity to generate new sources of tax financing[66]. On this issue the European Parliament has published the Resolution *"Innovative financing at global and European level"* where three different issues are analyzed[67].

Firstly, the EU Parliament points out the necessity to strengthen the efforts by the Member States, the EU and the international community to fight against tax avoidance and financial fraud. In fact, according to the EU Parliament, the damages caused by tax evasion and tax fraud in Europe are estimated at about EUR 200-250 billion every year and reducing tax fraud levels would help to reduce public deficits without increasing

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[63] European Commission, *Proposal for a Council Directive on a Common Consolidated Corporate Tax Base,* COM (2011) 121/4.

[64] European Commission, *Green Paper on the Future of VAT*, COM(2010) 695, 2010.

[65] European Commission, *Communication from the Commission to the European parliament, the Council and the European Economic and Social Committee on the future of VAT. Towards a simpler, more robust and efficient VAT system tailored to the single market,* COM(2011) 851 final, 2011.

[66] M. MONTI, *A new strategy for the single market*, Report to the President of the European Commission Josè Manuel Barroso, 2010.

[67] European Parliament resolution of 8 March 2011 on *Innovative financing at global and European level*, P7_TA(2011)0080, 2011.

taxes.

Secondly, the EU Parliament proposes the introduction of a financial transaction tax (FTT) because, in addition to the higher revenue, it would improve market efficiency, increase transparency, reduce excessive price volatility and create incentives for the financial sector to make long-term investments. In particular, a low-rate FTT could yield nearly EUR 200 billion per year at EU level and could help to tackle the highly damaging trading patterns in financial markets, such as some short-term transactions, and curb speculation. Even if the best solution is the introduction of an FTT at a global level, according to the EU Parliament it would be possible to start with the introduction of an FTT at EU level. However it seems that this solution may lead to many, undesirable, distortions.

Broadly speaking, in the current political discussion there are three possible approaches in order to tax the financial sector: a tax on financial institutions (bank levy), a tax on financial transactions (FTT) and a financial activities tax (FAT)[68]. The difference between a general FTT and a bank levy or the FAT is that FTT does not tax financial institutions, rather levying a tax on single financial transactions. Instead, the FAT and bank levy do put a burden on financial institutions each one in a different way. In fact, the tax base for a bank levy is the balance sheet of the financial institutions and, in particular, liabilities. The tax base for a FAT is profit and remuneration of financial companies and is taken from the loss and profit statements[69]. Moreover, an important difference between the FTT and the FAT is that the FAT seeks to target the value – added by the financial sector, while the FTT is directed at the transactions made on the markets[70].

Many economists are of the opinion that a *Tobin Tax*, which is levied on specific transactions, – or a more generic tax on financial transactions – is practicable at least for two reasons. On the one hand, it would have the capability to gather huge amounts of money to finance global public goods (a global 0.05% minimum tax would produce $ 655 billion). On the other hand, basing on a “tax responsibility” principle, this could constitute a substantial contribution by the financial sector to the cost of the crisis. There are also people who think that a bank levy could be the best solution. In particular, they think about a tax to be levied on financial short-term liabilities of banks, as already proposed by Germany. At the moment the EU is pushing for agreement on a global financial transaction tax.

In line with the European Parliament Resolution *“Innovative financing at global and European level”*, on September 28, 2011, the European Commission adopted a proposal for a Council directive on a common system of financial transaction tax and amending

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[68] B. CORTEZ, T. VOGEL, *A financial Transaction Tax for Europe?*, Ec Tax Review, 1, 2011.

[69] European Commission, *Staff Working Document on the Taxation of the Financial Sector*, COM (2010) 549, 2010.

[70] European Commission, *Staff Working Document on the Taxation of the Financial Sector*, COM (2010) 549, 2010.

Directive 2008/7/EC[71]. The Commission would like to introduce the European FTT as of January 1, 2014. This proposal is aimed at providing a common European approach to this issue, harmonizing Member States' taxes on financial transactions, and at avoiding distortions caused by tax measures conceived by Member States acting unilaterally. Furthermore, according to the Commission this proposal is a step, first of all, to ensure that financial institutions make a fair contribution to covering the costs of the crisis[72], secondly, to create appropriate disincentives for transactions that do not enhance the efficiency of financial markets aimed at avoiding future crises, and thirdly, to generate additional revenue. Broadly speaking, the FTT designed by the Commission has a broad scope, covering transactions related to all types of financial instruments. Moreover, this tax is not limited to trade in organized markets but also it covers other types of trades including over-the-counter rate[73].

In any case, the proposal was not the end of the story because it was not unanimously supported by the Member States. Therefore, in 2012 the Commission received requests of eleven Member States (Austria, Belgium, Estonia, Greece, France, Germany, Italy, Portugal, Slovakia, Slovenia and Spain) asking it to submit a proposal for a Council Decision to authorize enhanced cooperation. On January 22, 2013, the Council gave the green light to enhanced cooperation and, consequently, on February 14, 2013, the Commission published a proposal for a Directive implementing enhanced cooperation in the area of FTT, which reflects the scope and objectives of its original FTT proposal of September 2011[74].

Lastly the European Parliament proposes the introduction of a European carbon tax based on the "polluter-pays principle". According to the EU Parliament, a carbon tax might provide significant additional revenue, even if the main reason for introducing a carbon tax is to change behaviours and production structures. This is why the expected revenue will then diminish when production patterns shift towards sustainable and renewable energy sources[75]. In this respect, we have to underline, as already mentioned, that the European Commission published on April 13, 2011 a proposal to amend the Energy Taxation Directive. The proposal will allow Member States to make the best possible use of taxation and support "sustainable growth". To do so, the European Commission proposal is aimed at splitting the minimum rate

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[71] European Commission, *Proposal for a Council Directive on a common system of financial transaction tax and amending Directive 2008/7/EC,* COM (2011) 594 final, 2011.

[72] According to the Commission the polluter pays-principle might serve as a justification for the financial sector to contribute further to the government budget with a view to covering the costs of future crises, see European Commission, *Impact Assessment Accompanying the document Proposal for a Council Directive on a common system of financial transaction tax and amending Directive 2008/7/EC*, SEC (2011) 1102 final, 2011, Para. 6.

[73] T. VOGEL, B. CORTEZ, *Recent Developments and resulting implications regarding a financial transaction tax in Europe*, cit., 135 ss..

[74] European Commission, *Proposal for a Council Directive implementing enhanced cooperation in the area of financial transaction tax*, COM (2013) 71 final, 2013.

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of taxation of energy products into two parts: one would be based on CO2 emissions of the energy product (which can be considered a minimum carbon tax); the other one would be based on energy content of the energy products[76].

At the EU level, while there is the need to strengthen the EU fiscal framework, it seems necessary to establish a high-level "Tax policy group", chaired by the Commission, with a mandate to produce, within one year, a roadmap for a strategic and pragmatic approach to tax policy issues, paying particular attention to combating tax fraud and tax havens, reinvigorating the code of conduct on business taxation while making more extensive procedures against unfair tax competition, enlarge automatic exchange of information, facilitating the adoption of growth-enhancing tax reforms and exploring new instruments[77].

Finally, as for "tax coordination" we should mention the "reinforced cooperation" pursued by Germany and France. In particular, both countries intend to combine efforts to make it easier to pursue those initiatives aimed at promoting tax harmonization. This cooperation started with a comparison between French and German tax systems with the goal to harmonize corporate income tax and integrate economic and fiscal policy trends[78].

4. Conclusions

We examined how both at the EU and at national level the "tax perspective" played a fundamental role as a stimulus to overcome the crisis and as an instrument to avoid the repetition of the "fiscal causes" of the financial crisis. For this reason, tax policy will be crucial in the next future.

The crisis can in fact offer a double opportunity. Firstly, to rethink national tax systems and make them more "employment, environment and growth friendly"[79].

Secondly, to strengthen the European Union and the Single Market. In this respect, it is our opinion that this is the right moment to finally implement the concept of "tax coordination", being it the only way to increase fiscal integration among Member States while respecting national sovereignty and thus giving Member States the opportunity to adopt tax measures according to their needs and specificities.

Italy, after a first package which was seemed to align with other States' fiscal

[76] European Commission, *Proposal for a Council Directive amending Directive 2003/96/CE restructuring the Community framework for the taxation of energy products and electricity,* COM (2011) 169/3, 2011

[77] D. FEIO, *Report with recommendations to the Commission on improving economic governance and stability framework in EU, in particular in the euro zone*, A7-0282/2010.

[78] The report on the comparison between the French and the German tax systems is available at *http://www.ccomptes.fr/fr/CC/Theme-230.html.*

[79] European Commission, *Monitoring tax revenues and tax reforms in EU member States 2010. Tax policy after the crisis*, Working Paper 24, 2010.

measures (see the elimination of losses carry-forward or the project for a new fiscal package) is actually changing direction, especially in regard to the additional package. In fact, as we have already underlined, there has been the implementation of several regulations which are only aimed at increasing an already high tax burden, especially if we consider that tax return is not targeted at a structural revision of fiscal system but to a balanced budget.

For this reason, a fundamental remark has to be underscored: the additional package has actually anticipated the introduction of revenues which would have been useful to finance structural modifications and which are in line with the delegated legislation on fiscal package to foster economic growth. They are also aimed at lighting fiscal burden on labour and on companies (broadly speaking), at reducing or eliminating Irap and at restructuring personal income taxation rates. The higher revenues, which have been introduced so far, will be instead directed to achieve the improvement of budget balance. For this reason, one may legitimately ask how the fiscal package project, so fundamental in overcoming the crisis, will be financed.

Moreover, apart from the financing method, the key point to underline is: in this very historical moment, Italy is facing such a critical situation that it is no longer possible to hide behind slogans or propaganda. An effective fiscal package deserves more than mere intentions to be implemented. A project needs to be developed and only at last we have to implement regulations, otherwise we are running the risk of not implementing a real fiscal package for the country, but only a series of nonlinear and discontinuous regulations which may lose in efficacy, may create confusion and do not give a necessary boost to overcome the crisis and to foster the economic recovery we cannot delay any more.