

Description of the Italian legal context regarding the local fiscal policies and the Renewable Energy Sources

0 Introduction

In Italy the local authorities have a limited autonomy to define extra charges, reductions or exemptions of taxes.

At the same time, the local authorities have certain autonomy to manage incentives in a wide range of tariffs, fees and other revenues directly managed by the local authority itself, affecting sensitive sectors.

Even if the central government regulates quite all the municipal taxes, limiting the autonomy of the local authorities, most of the municipal tariffs, fees and other revenues offer the opportunity to promote the renewable energy sources through local fiscal measures.

It's important to highlight that this opportunities may change in a sensitive way from one Local Authority to another one depending on its budgetary situation.

1 What taxes do the local authorities usually manage? Can they be used by the local authorities to promote the Renewable Energy Sources?

The Italian local authorities can impact on the following taxes:

1. Municipal additional Tax on Income tax;
2. Unified Municipal Tax (IUC) that includes:
 - 2.1 TARI (Waste Management Tax);
 - 2.2 TASI (Indivisible Services Tax);
 - 2.3 IMU (Properties Tax) – Actually building used as main houses are excluded;
3. Municipal Tax on Advertisements;
4. Tax for use of public spaces and areas;
5. Tourist Tax.

The Municipal Tax on Advertisement, the Tax for use of public spaces and areas and the Tourist Tax are directly managed by the Local Authorities that could have the autonomy to can use them as fiscal levers to boost investments.

Considering all the other taxes, the State defines the limits of reductions/exemptions as well as the minimum and maximum rates of the all the taxes. The autonomy level of the Municipality in this field is very low.

It's also important to highlight that all the taxes related to a service managed by the local authority have to cover all the related costs. Consequentially, the local authority can reduce these taxes only reducing accordingly the relative costs to manage the addressed services.

2 What tariffs/fees do the local authorities usually manage? Can they be used by the local authorities to promote the Renewable Energy Sources?

The main fees/tariffs managed by the Italian local authorities are:

1. Fee for building permits and urbanistic control;
2. Fee for installation of advertising media;
3. Landing Fee (Ports and Airports);
4. Incomes from local public services management (e.g. parking areas, school busses, school lunches, etc.).

The Italian local authorities can create any other fee, as long as it is charged for providing a service. In general, the local authorities do not require any authorization to define reductions, exemptions or extra-charges of such fees, according to their budget needs.

Also for the tariffs/fees, is important to highlight that if they are related to an individual service, it's compulsory to cover all the related costs. Consequentially, the local authority can reduce these fees/tariffs only reducing accordingly the relative costs to manage the addressed services.

3 What other fiscal revenues (see definition in the glossary) do the local authorities usually manage? Can they be used by the local authorities to promote the Renewable Energy Sources?

The Italian local authorities manage other fiscal revenues related to their competences. Such other services are related to the management of the properties owned by the municipality.

Some example of these services are:

- Water supply (only in few municipalities);
- Operation of municipal sports centres;
- Operation of municipal slaughterhouse.

The local authorities could use the green taxation incentive to promote the renewable energy sources in the provision of such services through extension of the services contracts and/or other contractual conditions.

4 Glossary

Municipalities or local authorities

The methodology has been designed for local authorities, considered as Local Administrative Units (LAUs) under the EUROSTAT classification in its correspondence table (EUROSTAT, 2016), which was created to facilitate the comparison of administrative structures in each member country. The methodology has particularly been designed for

local administrative units classified as LAU1, whose administrative boundaries correspond to a single Local Administrative Unit. Furthermore, the methodology covers Local Administrative Units classified as LAU2, whose administrative boundaries include various compulsory local administrative units. Therefore, voluntary associations are not included in this category. In the case of Greece and Portugal, for example, this clarification is important

as their administrative systems provide for local authorities classified as LAU1 and LAU2 by EUROSTAT. We will use local authorities, public bodies and municipalities interchangeably in this guidebook to refer to all local authorities/bodies classified as LAU1 and LAU2 by EUROSTAT.

Fees, taxes, tariffs and charges

One of the challenges in promoting renewable energy through fiscal policies at local level is the differences that exist among local legal systems, as well as the differences between concepts and terms relating to local fiscal systems. In this regard, the guidebook takes into account that local fiscal policies include different concepts, such as taxes, fees, charges and tariffs. All these concepts share the common characteristic of being revenue that municipalities receive by virtue of being public powers. Even though these types of tax-related revenues may have different names in each country and may include different aspects, even if they do share the same name, the essential features that we refer to in this guidebook are set out below.

The sole aim of this conceptualisation, beyond the legal-administrative, is that the different types of tax-related revenue in each country may relate to one concept or another.

Taxes and fees

Both concepts are forms of revenue deriving from State taxation power. Both are revenues that a taxable entity has to pay when a situation arises for which there is an obligation to pay, taking coercive measures in the event of non-payment. In general, the ability of taxpayers to pay is taken into consideration when establishing and managing both cases. They are both, at the top, in terms of strictness regarding their imposition, formalities and management requirements.

Taxes: have to be paid on receiving an income, being the owner of property and undertaking a particular activity. For example: income tax, immovable property tax and VAT. In general, the wealth that one declares is taxed.

Fees: have to be paid for using a public service or for occupying public-owned property. For example: Fees for occupying a stall in a municipal market, entering a municipal swimming pool, studying a training course taught by the municipality, receiving a healthcare service provided by the municipality, receiving a waste collection service and a water supply service, etc. In some cases, the obligation to pay for waste collection and water supply services, for example, arises from the mere fact of being the owner or tenant of a property who could potentially, although in actual fact may not, use the service.

Tariffs

The difference between tariffs and fees is not very clear. For the purpose of this guidebook, a tariff is the amount to pay for using a property or facility, or for the provision of a public service when it is managed through a public-owned company or when it is paid to a concessionaire of a public service.

Charges

Charges are both the amount a public authority pays a concessionaire to provide a service and the amount paid by a concessionaire to the public authority in order to provide such service.

It must be borne in mind that in some cases the public authority pays the provider for the service and in others it charges the provider of the service.

The difference emerges when the municipality pays, then later charges the users of the service, and when it charges the concessionaire, which then charges the users of such service.

What is a concessionaire?

For the purpose of this guidebook, a concession is a right granted by a public authority or public company to another actor, usually private, to operate public property or services for a fixed period of time.

The management and, occasionally, the tariff collection is transferred to the concessionaire through what is known as a Public–Private Partnership (PPP). The public authority holds the ownership and policing power of the service, while the concessionaire physically provides it, receiving a payment called a tariff.

The concessionaire is, therefore, the title holder of the concession.

Non-ETS sectors

The methodology centres on municipal fiscal policies that affect the so-called non-ETS sectors. Said sectors undertake activities that are not subject to the Emissions Trading System (ETS). They represent, therefore, the sectors that use energy less intensively. The following sectors are included in this category:

- ✓ Residential, commercial and institutional;
- ✓ Transport;
- ✓ Agriculture and farming;
- ✓ Waste management;
- ✓ Fluorinated gases;
- ✓ Industrial not subject to trade emissions.

5 Bibliography

Filippi, F., García Maties, R., (2017). Participatory method-based preparation of local fiscal policies to promote renewable energy sources at a municipal level. València: Fundación MUSOL.