Subject: State Aid SA.63721 (2021/N) – Italy
COVID-19: Exemption from social contributions for re-employment contracts

Excellency,

1. **PROCEDURE**

(1) By electronic notification of 28 June 2021, Italy notified aid in the form of limited amounts of aid “Esonero contributivo contratto di rioccupazione” (exemption from social contributions for re-employment contracts, hereafter the “measure”) under the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak (the “Temporary Framework”).

(2) Italy exceptionally agrees to waive its rights deriving from Article 342 of the Treaty on the Functioning of the European Union (“TFEU”), in conjunction with

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2. **DESCRIPTION OF THE MEASURE**

(3) Italy considers that the COVID-19 outbreak affects the real economy. The measure forms part of an overall package of measures and aims to ensure that sufficient liquidity remains available in the market, to counter the liquidity shortage faced by undertakings because of the outbreak, to ensure that the disruptions caused by the outbreak do not undermine the viability of the undertakings and thereby to preserve the continuity of economic activity during and after the outbreak.

(4) Italy confirms that the aid under the measure is not conditioned on the relocation of a production activity or of another activity of the beneficiary from another country within the EEA to the territory of the Member State granting the aid. This is irrespective of the number of job losses actually occurred in the initial establishment of the beneficiary in the EEA.

(5) The compatibility assessment of the measure is based on Article 107(3)(b) TFEU, in light of sections 2 and 3.1 of the Temporary Framework.

2.1. **Objective of the measure**

(6) The measure aims at reducing the labour costs borne by private employers that are experiencing serious socio-economic disturbances, with a view to encouraging them to integrate unemployed workers on the labour market in the post pandemic phase.

2.2. **The nature and form of aid**

(7) The measure provides aid in the form of an exemption for private employers from the payment of their share of social security contributions due on the basis of new employment contracts signed for an open-ended period (the measure does not cover the employees’ share of social security contribution generated by the employment contract).

2.3. **Legal basis**

(8) The legal basis for the measure is Article 41 of Decree-Law no. 73 of 25 May 2021 on emergency measures related to the covid-19 outbreak, for enterprises, work, youth, health and territorial services in phase of conversion into law.

2.4. **Administration of the measure**

(9) The Ministry of Labour and Social Policies is the authority responsible for the scheme, while INPS - National Institute for Social Security - is the authority granting the aid under the scheme.

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2 Regulation No 1 determining the languages to be used by the European Economic Community, OJ 17, 6.10.1958, p. 385.

3 Published in Gazzetta Ufficiale della Repubblica Italiana. Serie generale - n. 123. 25-5-2021.
2.5. **Budget and duration of the measure**

(10) The estimated budget of the measure is EUR 878.4 million and will be financed from the State budget.

(11) Aid may be granted under the measure as from the notification of the Commission’s approval until no later than 31 October 2021, which is the last date for the signature of contracts eligible under the measure (recital (16)). Beneficiary may apply to the measure until 31 October 2021.

2.6. **Beneficiaries**

(12) The beneficiaries of the measure are private employers, irrespective of their size.

(13) Aid may not be granted under the measure to medium⁴ and large enterprises that were already in difficulty within the meaning of the Block Exemption Regulations⁵ on 31 December 2019. Aid may be granted to micro and small enterprises that were in difficulty within the meaning of the Block Exemption Regulations on 31 December 2019, if those enterprises, at the moment of granting the aid, are not subject to collective insolvency procedure under national law and they have not received rescue aid⁶ or restructuring aid⁷.

2.7. **Sectoral and regional scope of the measure**

(14) The measure is open to all sectors except the financial sector, the primary production of agricultural products and the domestic work sector⁸. The measure applies to the whole territory of Italy.

2.8. **Basic elements of the measure**

(15) The measure has as its main purpose to reduce the labour costs borne by private employers facing serious socio-economic disturbances, with a view to encouraging them to integrate unemployed workers on the labour market in the post pandemic phase (recital (6)).

(16) The measure provides for an exemption from the payment of employers’ social security contributions (premiums and contributions due to INAIL⁹ for insurance

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⁶ Alternatively, if they have received rescue aid, they have reimbursed the loan or terminated the guarantee at the moment of granting of the aid under the notified measure.

⁷ Alternatively, if they have received restructuring aid, they are no longer subject to a restructuring plan at the moment of granting of the aid under the notified measure.

⁸ With reference to the NACE codes as reported in the following link: [https://ec.europa.eu/competition/mergers/cases/index/nace_all.html](https://ec.europa.eu/competition/mergers/cases/index/nace_all.html) the excluded sectors are: A1, A2, K and T.
against accidents at work are excluded from the calculation of the total social security contribution.), for a maximum period of six months, for those employers who hire workers in the period between 1 July 2021 and 31 October 2021 with open-ended employment contracts. Beneficiaries will receive aid up to EUR 3,000 per hired worker.

(17) The eligible contract must provide for an initial 6 months period of integration in which the professional competences of the worker would be adapted to the new job. At the end of this period, both the employer and the employee may terminate the contract. If none of the parties terminates the contract, it will continue as open-ended employment contract.

(18) In order to benefit from the contribution exemption, private employers must not have carried out individual dismissals for justified objective reason (Article 3 of Law no. 604 of 15 July 1966) or collective redundancies (Law 23 July 1991, no. 223) in the same production unit in the six months preceding the recruitment.

(19) Italy confirmed that the aid may be granted provided its nominal value, for all measures granted in accordance with Section 3.1 of the Temporary Framework, does not exceed EUR 1.8 million per undertaking. The amount of the aid will not exceed EUR 270,000 per undertaking active in fishery and aquaculture sectors (all figures used being expressed in gross, that is before any deduction of tax or other charges).

(20) Italy also confirmed that aid granted to undertakings active in the processing and marketing of agricultural products is excluded when the aid is conditional on being partly or entirely passed on to primary producers, fixed on the basis of the price or quantity of products put on the market by the undertakings concerned or purchased from primary producers, unless, in the latter case, the products were either not put on the market or were used for non-food purposes such as distillation, methanization or composting by the undertakings concerned.

(21) Furthermore, Italy confirmed that the aid granted to undertakings active in the fishery and aquaculture sector does not concern any of the categories of aid referred to in Article 1, paragraph (1)(a) to (k) of Commission Regulation (EU) No 717/2014.

(22) Where an undertaking is active in several sectors to which different maximum amounts apply in accordance with points 22(a) and 23(a) of the Temporary Framework.

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9 Istituto Nazionale per l'Assicurazione contro gli Infortuni sul Lavoro - National Institute for Insurance against Accidents at Work.

10 The aid will be revoked and what already granted recalled in the following cases:
   (a) Dismissal lodged during the integration period;
   (b) Dismissal at the end of the integration period;
   (c) Collective or individual dismissal for a justified reason of a worker employed in the same production unit and classified with the same legal level and category and legal category of classification as a worker employed with the contribution exemptions, carried out within six months following that recruitment.

Framework, Italy will ensure, by appropriate means, such as separation of accounts, that the relevant ceiling is respected for each of those activities and that the overall maximum amount of EUR 1.8 million is not exceeded per undertaking. Where an undertaking is active in the fishery and aquaculture sector covered by point 23(a), the overall maximum amount of EUR 270 000 should not be exceeded per undertaking.

2.9. Cumulation

(23) The Italian authorities confirm that aid granted under the measure may be cumulated with aid under de minimis Regulations\textsuperscript{12} or the Block Exemption Regulations\textsuperscript{13} provided the provisions and cumulation rules of those Regulations are respected.

(24) The Italian authorities confirm that aid under the notified measure may be cumulated with other forms of Union financing, provided that the maximum aid intensities indicated in the relevant Guidelines or Regulations are respected.

(25) The Italian authorities confirm that aid granted under the measure may be cumulated with aid granted under other measures approved by the Commission under other sections of the Temporary Framework provided the provisions in those specific sections are respected.

(26) The Italian authorities confirm that if the beneficiary receives aid on several occasions or in several forms under the measure or aid under other measures approved by the Commission under section 3.1 of the Temporary Framework, the overall maximum cap per undertaking, as set out in point(s) 22(a) and 23(a) of that framework, will be respected.

2.10. Monitoring and reporting

(27) The Italian authorities confirm that they will respect the monitoring and reporting obligations laid down in section 4 of the Temporary Framework (including the obligation to publish relevant information on each individual aid above EUR 100 000 granted under the measure and EUR 10 000 in the fisheries sector on the comprehensive national State aid website or Commission’s IT tool within 12 months from the moment of granting\textsuperscript{14}).


3. ASSESSMENT

3.1. Lawfulness of the measure

(28) By notifying the measure before putting it into effect, the Italian authorities have respected their obligations under Article 108(3) TFEU.

3.2. Existence of State aid

(29) For a measure to be categorised as aid within the meaning of Article 107(1) TFEU, all the conditions set out in that provision must be fulfilled. First, the measure must be imputable to the State and financed through State resources. Second, it must confer an advantage on its recipients. Third, that advantage must be selective in nature. Fourth, the measure must distort or threaten to distort competition and affect trade between Member States.

(30) The measure is imputable to the State, since it is administered by the Ministry of Labour and Social Policies while INPS is the authority granting the aid (recital (9)) and it is based on Article 41 of Decree-Law no. 73 of 25 May 2021 (recital (8)). It is financed through State resources, since it is financed by public funds (recital (10)).

(31) The measure confers an advantage on its beneficiaries in the form of an exemption from the payment of social security contributions (see recital (7)). The measure thus relieves those beneficiaries of costs that they would have had to bear under normal market conditions.

(32) The advantage granted by the measure is selective, since it is awarded only to certain undertakings (recitals (12) to (14)), therefore excluding the financial, the primary production of agricultural products and the domestic work sectors.

(33) The measure is liable to distort competition, since it strengthens the competitive position of its beneficiaries. It also affects trade between Member States, since those beneficiaries are active in sectors in which intra-Union trade exists.

(34) In view of the above, the Commission concludes that the measure constitutes aid within the meaning of Article 107(1) TFEU. The Italian authorities do not contest that conclusion.

3.3. Compatibility

(35) Since the measure involves aid within the meaning of Article 107(1) TFEU, it is necessary to consider whether that measure is compatible with the internal market.

(36) Pursuant to Article 107(3)(b) TFEU the Commission may declare compatible with the internal market aid “to remedy a serious disturbance in the economy of a Member State”.

(37) By adopting the Temporary Framework on 19 March 2020, the Commission acknowledged (in section 2) that “the COVID-19 outbreak affects all Member States and that the containment measures taken by Member States impact undertakings”. The Commission concluded that “State aid is justified and can be declared compatible with the internal market on the basis of Article 107(3)(b)
TFEU, for a limited period, to remedy the liquidity shortage faced by undertakings and ensure that the disruptions caused by the COVID-19 outbreak do not undermine their viability, especially of SMEs”.

(38) The measure aims at reducing the labour costs borne by private employers thereby encouraging them to integrate unemployed workers on the labour market in the post pandemic phase (see recital (6)) at a time when the normal functioning of markets is severely disturbed by the COVID-19 outbreak and that outbreak is affecting the wider economy and leading to severe disturbances of the real economy of Member States.

(39) The measure is one of a series of measures conceived at national level by the Italian authorities to remedy a serious disturbance in their economy. The importance of the measure to preserve employment and economic continuity is widely accepted by economic commentators and the measure is of a scale which can be reasonably anticipated to produce effects across the sectors of the Italian economy to which the measure is addressed. The measure provides for an exemption from the payment of employers’ social security contributions (with the exclusion of premiums and contributions due for insurance against accidents at work), for a maximum period of six months, for those employers who hire workers in the period between 1 July 2021 and 31 October 2021 with open-ended employment contracts (recital (16)). Furthermore, the measure has been designed to meet the requirements of a specific category of aid (“Aid in the form of limited amount of aid’) described in section 3.1 of the Temporary Framework.

(40) The Commission accordingly considers that the measure is necessary, appropriate and proportionate to remedy a serious disturbance in the economy of a Member State and meets all the conditions of the Temporary Framework. In particular:

- The aid consists in the exemption from the payment of social security contributions due by private employers (recital (7)).

- The overall nominal value of the exemption from social security contribution shall not exceed EUR 1.8 million per undertaking (recital (19)); all figures used must be gross, that is, before any deduction of tax or other charges. The measure therefore complies with point 22(a) of the Temporary Framework.

- The overall nominal value of the exemption from social security contribution shall not exceed EUR 270 000 per undertaking active in the fishery and aquaculture sector (recital (19)). The measure therefore complies with point 23(a) of the Temporary Framework.

- Aid is granted under the measure on the basis of a scheme with an estimated budget as indicated in recital (10). The measure therefore complies with point 22(b) of the Temporary Framework.

- As stated in recital (13))
  - Aid may not be granted under the measure to medium and large enterprises that were already in difficulty on 31 December 2019. The measure therefore complies with point 22(c) of the Temporary Framework.
Aid may be granted to micro and small enterprises that were in difficulty on 31 December 2019, if those enterprises, at the moment of granting the aid, are not subject to collective insolvency procedure under national law and they have not received rescue aid\(^\text{15}\) or restructuring aid\(^\text{16}\). The measure therefore complies with point 22(c)bis of the Temporary Framework.

- Aid will be granted under the measure no later than 31 October 2021, ultimate date for the signature of the new open-ended contracts eligible for the measure (recitals (11) and (16)). The measure therefore complies with point 22(d) of the Temporary Framework.

- Aid granted to undertakings active in the processing and marketing of agricultural products is excluded when the aid is conditional on being partly or entirely passed on to primary producers, fixed on the basis of the price or quantity of products put on the market by the undertakings concerned or purchased from primary producers, unless, in the latter case, the products were either not put on the market or were used for non-food purposes such as distillation, methanization or composting by the undertakings concerned (recital (20)). The measure therefore complies with point 22(e) of the Temporary Framework.

- Aid granted to undertakings active in the fishery and aquaculture sector does not concern any of the categories of aid referred to in Article 1, paragraph (1)(a) to (k) of Commission Regulation (EU) No 717/2014 (recital (21)). The measure therefore complies with point 23(c) of the Temporary Framework.

- Where an undertaking is active in several sectors to which different maximum aid amounts apply in accordance with points 22(a) and 23(a) of the Temporary Framework, Italy will ensure, by appropriate means such as separation of accounts, that the relevant ceiling is respected for each of those activities and that the overall maximum amount of EUR 1.8 million is not exceeded per undertaking. Where an undertaking is active in the sectors covered by point 23 (a) of the Temporary Framework, the overall maximum amount of EUR 270 000 is not exceeded per undertaking (recital (22)). The measure therefore complies with point 23bis of the Temporary Framework.

(41) The Italian authorities confirm that the aid under the measure is not conditioned on the relocation of a production activity or of another activity of the beneficiary from another country within the EEA to the territory of the Member State granting the aid. This is irrespective of the number of job losses actually occurred in the initial establishment of the beneficiary in the EEA (recital (4)).

(42) The Italian authorities confirm that the monitoring and reporting rules laid down in section 4 of the Temporary Framework will be respected (recital (27)).

\(^{15}\) Alternatively, if they have received rescue aid, they have reimbursed the loan or terminated the guarantee at the moment of granting of the aid under the notified measure.

\(^{16}\) Alternatively, if they have received restructuring aid, they are no longer subject to a restructuring plan at the moment of granting of the aid under the notified measure.
Italian authorities further confirm that the aid under the measure may only be cumulated with other aid, provided the specific provisions in the sections of the Temporary Framework and the cumulation rules of the relevant Regulations are respected (recitals (23) to (26)).

(43) The Commission therefore considers that the measure is necessary, appropriate and proportionate to remedy a serious disturbance in the economy of a Member State pursuant to Article 107(3)(b) TFEU since it meets all the relevant conditions of the Temporary Framework.

4. **CONCLUSION**

The Commission has accordingly decided not to raise objections to the aid on the grounds that it is compatible with the internal market pursuant to Article 107(3)(b) of the Treaty on the Functioning of the European Union.

The decision is based on non-confidential information and is therefore published in full on the Internet site: [http://ec.europa.eu/competition/elojade/isef/index.cfm](http://ec.europa.eu/competition/elojade/isef/index.cfm).

Yours faithfully,

For the Commission

Margrethe VESTAGER
Executive Vice-President