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Subject: State Aid SA.60216 (2020/N) – Italy – Tax credit for newspapers and periodicals

Excellency,

1. PROCEDURE

- (1) By electronic notification of 14 December 2020, registered by the Commission on the same day, Italy notified the above-mentioned measure ('the notified measure'), under Article 107(3)(c) of the Treaty of the Functioning of the European Union ("TFEU"). The Italian authorities subsequently provided clarifications and additional information on 8 February, 17 March, 16 July, 6 September, 8 September, 15 September and 12 October 2021.
- (2) Italy exceptionally agrees to waive its rights deriving from Article 342 TFEU, in conjunction with Article 3 of Regulation 1/1958,¹ and to have this Decision adopted and notified in English.

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

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2. DETAILED DESCRIPTION OF THE MEASURE

2.1. The objective of the notified measure

- (3) The Italian authorities have notified an aid measure in support of the production and dissemination of printed newspapers and periodicals with editorial news content published in the Italian language. The notified measure is intended to compensate producers of such editorial products for parts of the paper costs incurred in 2019 and 2020, through the granting of a tax credit of maximum 10 % of the paper costs. The tax credit is granted in order to help reduce costs for publishing, namely the costs for purchasing paper, which represent an important part of the costs for producing printed publications. By enhancing the publishers' ability to produce, develop and disseminate printed newspapers and publications with news content in the Italian language, the measure is intended to support the development of news publications and professional journalism, media pluralism and accessibility to news contents also by people living in remote and rural areas, areas with less broadband coverage and by people with less internet skills and facility to access digital offers, which is often the case for elderly people. It also aims to preserve cultural diversity by protecting the quality of the written Italian language in printed news publishing format.
- (4) The notified measure is a repetition, with a more limited scope, of a measure previously approved by the Commission and subsequently repeated once more before the current case. Initially, on 21 September 2005, the Commission approved an aid measure in State aid case N 178/2005 regarding aid to publishers, approving the use of a tax credit to offset a number of tax liabilities, in particular income tax, VAT or social contributions, for the purchase costs of paper used for publishing products in Italian². Under that measure, beneficiary publishers were granted a tax credit of 10 % of the costs incurred in 2004 and 2005 for the purchase of paper used for publishing publications in Italian.³ The main objective of that measure was to protect pluralism of information and, more specifically, printed editorial products of information content in the Italian language, with the intent of also preserving cultural diversity by defending the quality and counteracting the impoverishment of the written Italian language. All publishers of newspapers, periodicals and books in the Italian language, including those from other Member States, registered in the Italian special register of communication operators, were eligible for aid under that measure.

² Commission decision of 21 December 2005 in case N 178/2005 – Italy - Aid in favour of publishing enterprises consisting in a tax credit on the cost of the paper used for publications in Italian language, OJ C 29 of 04.02.2006, p. 6.
https://ec.europa.eu/competition/state_aid/cases/198964/198964_523602_29_2.pdf

³ Payable by beneficiaries within the meaning of Article 17 of Legislative Decree No 241 of 9 July 1997 on the payment of tax debts. Undrawn excess credit in 2005 and 2006 may be carried over to the following year. The measure contains provisions for checks on the existence and reliability of tax credit claims and on the recovery of unduly paid advantages.

- (5) The Commission subsequently approved, by decision of 25 October 2011, a measure in State aid case SA.32886⁴, which was based in substance on the previously approved measure N 178/2005⁵. The measure provided the beneficiary publishing undertakings with a tax credit of 10 % of the cost they incurred in 2011 to purchase paper that was effectively used to print publications in the Italian language.⁶ With the exception of the budget and the duration, the measure approved under SA.32886 had the same characteristics as the measure approved under N 178/2005.
- (6) The Italian authorities underline that the crisis in the overall publishing sector (including a sharp reduction in readers willing to pay for information), which has persisted for more than a decade, has had a particularly severe impact on the daily and periodic news publishing sector. The sharp fall in domestic demand has been compounded by the effects of intense technological changes in the media sector, which also dramatically altered readers' habits, reducing the scope of the more profitable paper distribution of newspapers and periodicals. The operational and economic difficulties caused by the COVID-19 health emergency have exacerbated the pre-existing crisis in the sector.
- (7) The Italian authorities further underline that by reducing the production costs of printed news publications, the notified measure makes it possible to develop their activity of production, development and dissemination of editorial news content thereby incentivising their purchase by consumers, thus widening the catchment area and the size of the news publishing market.
- (8) The only difference between the previous case SA.32886 (which in turn included the same conditions and features as the previous case N/187/2005) and the notified measure, is that the beneficiaries of the notified measure are restricted to publishers of newspapers and periodicals with news content⁷ published in the Italian language.

2.2. Legal basis

- (9) The title of the legal basis of the measure is *Tax credit for expenditure incurred in 2019 and 2020 by publishers of newspapers and periodicals registered in the*

⁴ Commission decision of 5 October 2011 in case SA.32886 – Italy – Tax credit aid in favour of publishing enterprises, OJ C 2 of 05.02.2012, p.1.
https://ec.europa.eu/competition/elojade/isef/case_details.cfm?proc_code=3_SA_32886

⁵ Recital (5) of SA.32886.

⁶ Article 4 paragraph 183 of the Italian Law of 24 December 2003 lists the publications that are not eligible for the aid and which applies also to aid under the notified measure.

⁷ Newspapers and periodicals with news content eligible under the measure must be registered in the appropriate press register at the competent Court, pursuant to Article 5 of Law February 8, 1948, n. 47, or must be entered in the Register of communication operators referred to in Article 1, paragraph 6, letter a) number 5) of the law of 31 July 1997, n. 249, and must employ an editor in chief.

*Register of Communication Operators (ROC) for the purchase of paper used for printing the printed newspapers*⁸ and the legal basis consists of the following:

- Article 188 of Decree-Law No. 34 of 19 May 2020, converted, with amendments into Law 77 of 17 July 2020⁹,
 - Article 67, paragraph 9-bis) of Decree-Law No. 73 of 25 May 2021, converted with amendments into Law No. 106 of 23 July 2021¹⁰, and
 - Draft Circular implementing Article 188 of the Decree-Law 19 May 2020, n. 34, converted, with amendments, into Law 17 July 2020, n. 77 and Article 67, paragraph 9-bis) of Decree-Law May 25, 2021, n. 73, converted with amendments into Law 23 July 2021, n. 106¹¹.
- (10) In compliance with Article 108(3) TFEU and Article 3 of Council Regulation (EU) 2015/1589¹², the Italian authorities have confirmed¹³ that the granting of the aid is conditional upon the notification of the Commission's decision approving the notified measure.

2.3. Duration

- (11) Aid may be granted under the notified measure solely for costs borne during 2019, related to fiscal year 2020, and costs borne during 2020, related to fiscal year 2021, as from the notification of the Commission's decision approving the notified measure.

2.4. Budget

- (12) The total budget of the notified measure is EUR 60 million, while its annual budget is EUR 30 million; EUR 30 million for fiscal year 2020 and EUR 30 million for fiscal year 2021. The funds emanate from the general budget of the State.

⁸ *Credito d'imposta per le spese sostenute nell'anno 2019 e nell'anno 2020 dalle imprese editrici di quotidiani e periodici iscritte al Registro Operatori della Comunicazione (ROC) per l'acquisto della carta utilizzata per la stampa delle testate edite.*

⁹ Art. 188 del decreto-legge n. 34 del 19 maggio 2020, convertito, con modificazioni nella legge 77 del 17 luglio 2020.

¹⁰ Art. 67, comma 9 bis) del decreto-legge 25 maggio 2021, n. 73, convertito con modificazioni dalla legge 23 luglio 2021, n. 106.

¹¹ Circolare applicativa (in bozza) dell'articolo 188 del decreto-legge 19 maggio 2020, n. 34, convertito, con modificazioni, dalla legge 17 luglio 2020, n. 77 (e dell'art. 67 comma 9 bis, del decreto-legge 25 maggio 2021, n. 73, convertito con modificazioni dalla legge 23 luglio 2021, n. 106).

¹² Council Regulation No 2015/1589 of 13 July 2015 laying down detailed rules for the application of Article 108 of the Treaty on the Functioning of the European Union OJ L 248 of 24.9.2015, p.9.

¹³ Article 16 of the draft circular and Article 5 of Prime Ministerial Decree No 318 of 21 December 2004, as referred to in Article 188 of Decree-Law No 34 of 2020, prescribe that no aid may be granted under the law before the notification of a decision by the European Commission approving the notified measure.

- (13) The aid is granted in the form of a tax credit of up to 10 % of incurred costs for paper, within the limit of the budget of EUR 30 million foreseen for fiscal year 2020 and EUR 30 million for fiscal year 2021. Where the available resources are insufficient in relation to the applications accepted, they shall be distributed among the beneficiaries in proportion to the tax credit requested.

2.5. Form of the aid

- (14) The aid is a scheme that takes the form of tax credits.

2.6. Granting authority

- (15) The aid is granted through tax credit decisions by the Italian tax authorities.

2.7. Beneficiaries, aid intensity and cumulation of aid

- (16) The beneficiaries of the measure are only publishing companies as set out in recital (17). In order to be eligible, a publishing company that outsources its printing activities and hence does not buy the paper itself has to produce the bill as proof of the costs incurred for the paper.
- (17) The draft implementing circular¹⁴ (recital (9)) sets out in detail the conditions for applying the aid. Publishers of newspapers and periodicals with news content published in the Italian language, which are established in a Member State of the European Union or in the European Economic Area, and which are subject to taxation in Italy and are registered in the ROC (Register of Communication Operators) at the Authority for Guarantees in Communications¹⁵ may benefit from the notified measure.
- (18) The aid may not amount to more than 10 % of the eligible costs per beneficiary and may not be cumulated with any other aid with respect to the same eligible costs. The estimated number of beneficiaries ranges from 500 to 1000 per year. The payable aid amount is proportionally reduced for all beneficiaries in order to limit the expenditure to the budget cap provided by the notified measure.
- (19) The Italian authorities confirm that the notified measure will not be used to provide aid in favour of undertakings in difficulty within the meaning of the Commission's Guidelines on State aid for rescuing and restructuring firms in difficulty¹⁶.

2.8. Eligibility criteria and procedure for assessment of eligibility

- (20) The granting of the tax credit follows a formalised assessment of the applications, without any element of discretion. In the applications, the applicant companies

¹⁴ Circular implementing (draft) Article 188 of Decree-Law No 34 of 19 May 2020, converted, with amendments, into Law No 77 of 17 July 2020 (*Circolare applicativa (in bozza) dell'articolo 188 del decreto-legge 19 maggio 2020, n. 34, convertito, con modificazioni, dalla legge 17 luglio 2020, n.77*).

¹⁵ It is also required to indicate the possession, in the Register of Companies, of the classification code "58 EDITORIAL ACTIVITIES" with the following specifications: 58.13 (edition of newspapers) and 58.14 (edition of magazines and periodicals).

¹⁶ OJ C 249, 31.7.2014, p. 1.

will have to certify, under their own responsibility, that they fulfil the eligibility criteria for newspapers and periodicals subject to the measure, the expenses incurred in the reference period (year 2019 and year 2020) for the purchase of paper, and the details of the relevant invoices. According to the eligibility criteria¹⁷ the incurred expenditure must be certified by statutory auditors, the beneficiary may not receive aid for the same expenses, and may not receive any aid which the Commission subsequently has considered illegal or incompatible (where the company has benefited from unlawful or incompatible aid, it must have fulfilled its obligation to reimburse the aid). The Department for Information and Publishing will set up a list of grants approved, the conformity of which will be checked by the Revenue Agency within the tax authorities. Subsequent random checks will verify compliance with the eligibility conditions. Where it is established that one of the requirements laid down is not met, or where the documents submitted contain incorrect information or where the statements made are false, or in the event that the Revenue Agency or the Finance Police ascertain the possible undue use of the facility, the tax credit will be revoked.

2.9. Eligible costs

- (21) Expenditure eligible for aid is costs incurred in 2019 and 2020 for the purchase of paper used for printing newspapers and periodicals with news content published in the Italian language. Eligible costs are the costs for paper incurred in 2019 and 2020 and used for newspapers and periodicals with news content published in the Italian language.

3. ASSESSMENT OF THE MEASURE

3.1. Lawfulness of the measure

- (22) Article 5 of Prime Ministerial Decree No 318 of 21 December 2004, referred to in Article 188 of Decree-Law No 34 of 2020, provides that the tax credit is to be granted subject to the authorisation of the measure by the competent European authorities. The same clause was introduced in paragraphs 7 and 10 of the draft Circular implementing Article 188. 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 aid

- (23) Article 107(1) TFEU defines State aid as “*any aid granted by a Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods, in so far as it affects trade between Member States*”.

¹⁷ The legal representative of the company shall certify, by means of a declaration replacing the deed of notoriety, pursuant to Article 47 of Decree of the President of the Republic of 28 December 2000, No. 445, the expenses incurred in the reference year, for the purchase of paper specifically used for the printing of publications for which aid is requested, certified by a statutory auditor, and the details of the relevant invoices. The costs are identified by the paper purchase invoices and the certification of expenses issued by a statutory auditor: these documents must be kept by the company and presented in the event of a subsequent audit.

- (24) The qualification of a measure as aid within the meaning of this provision therefore requires that the following cumulative conditions be met: (i) the measure must be imputable to the State and financed through State resources; (ii) it must confer an advantage on its recipient; (iii) that advantage must be selective; and (iv) the measure must distort or threaten to distort competition and affect trade between Member States.
- (25) The notified measure is imputable to the State and is financed through State resources, since it is based on the legal acts referred to in recital (9), and is based on national budgetary funds through the granting of tax credits.
- (26) The notified measure confers an advantage on the beneficiaries in the form of tax credits (see recital (3)). The measure thus relieves those beneficiaries of costs that they would have had to bear under normal market conditions.
- (27) Since the measure directs funds only to certain publishers, namely those that fulfil the eligibility criteria of the measure, defined as publishers of printed newspapers and periodicals with news content in the Italian language (see recitals (16)-(21)), the measure derogates from the tax system of which they form part in that they relieve their beneficiaries from part of the tax on paper purchases. They therefore discriminate in favour of their beneficiaries as compared to other undertakings in a comparable factual and legal situation [undertakings that are part of sectors, or engaging in activities, not covered by the measures], which remain subject to the aforementioned tax. The Italian authorities have not provided any justification for that discrimination based on the nature or the general scheme of the tax system. Accordingly, the tax advantage is selective.
- (28) The notified measure is liable to distort competition, since it strengthens the competitive position of its beneficiaries. It also affects trade between Member States, since the beneficiaries are active in sectors in which intra-Union trade exists, and some publishers likely eligible under this measure are active in several Member States.
- (29) The notified measure therefore constitutes State aid within the meaning of Article 107(1) TFEU.

3.3. Compatibility assessment

- (30) There are no existing frameworks or guidelines that can be applied to assess this kind of aid measures. For this reason, the Commission considers that the assessment of the compatibility of the measure with State aid rules needs to be based directly on Article 107(3)(c) TFEU, which states that “*aid to facilitate the development of certain economic activities or of certain economic areas, where such aid does not adversely affect trading conditions to an extent contrary to the common interest*” may be considered to be compatible with the State aid rules.
- (31) In its compatibility assessment, the Commission will check whether the conditions of Article 107(3)(c) TFEU are met. In order to be declared compatible, first, the aid must be intended to facilitate the development of certain economic

activities or of certain economic areas and, second, the aid must not adversely affect trading conditions to an extent contrary to the common interest.¹⁸

3.3.1. Facilitation of the development of an economic activity

- (32) In accordance with Article 107(3)(c) TFEU, compatible aid under that provision of the Treaty must facilitate the development of certain economic activities.¹⁹
- (33) The objective of the measure is to support the production, development and dissemination of printed newspapers and periodicals with editorial news content in the Italian language (recital (3)).
- (34) The measure is intended to support the production of professional journalism, media pluralism and accessibility to news contents also for people living in remote and rural areas, areas with less broadband coverage and for people with less internet skills and facility to access digital offers, which is often the case for elderly people (recital (3)).
- (35) By granting aid in the form of a tax credit to publishers of printed newspapers and periodicals with news content in the Italian language, this measure relieves the beneficiaries of costs they would otherwise incur, thereby enhancing their ability to produce, develop and disseminate printed publications containing news content in the Italian language, whereby it sustains and develops media pluralism for the benefit of the population and society as a whole. This allows such publishers to develop their activity of production, development and dissemination of editorial news content, thereby incentivising their purchase by consumers, thus widening the catchment area and the size of the news publishing market.
- (36) Moreover, the measure is put in place at a time of particular difficulty as to the situation for news media worldwide, where declining revenues since years put in peril the very production of editorial news content. News publishers are therefore increasingly unable to carry out their tasks, which are essential for a democratic society (recitals (6), (51) and (52))²⁰ The measure thereby aims at overcoming a market failure which jeopardizes the ability of the news media sector to continue and to develop its activities and to adapt to market developments.
- (37) In view of the above, the Commission considers that the notified measure facilitates the development of the economic activity of the news media sector, as required by Article 107(3)(c) TFEU.

¹⁸ Judgment of 22 September 2020, Case C-594/18 P, *Austria v Commission*, EU:C:2020:742, para. 19.

¹⁹ Judgment of 22 September 2020, Case C-594/18 P, *Austria v Commission*, EU:C:2020:742, para. 19.

²⁰ See, for example, Council conclusions of 27 November 2020 on safeguarding a free and pluralistic media system, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions On the European democracy action plan, 3.12.2020, COM(2020) final, and Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Europe's Media in the Digital Decade: An Action Plan to Support Recovery and Transformation, 3.12.2020, COM(2020) 784 final.

3.3.2. Compliance with other provisions of Union law

- (38) State aid which contravenes provisions or general principles of Union law cannot be declared compatible.²¹
- (39) Within the Union, it is commonly acknowledged that a well-functioning free media landscape, media pluralism and editorial independence are a *sine qua non* requirement for functioning democracies as well as Member States' economies, by ensuring a sound development of news media activities.
- (40) Independent and diverse professional journalistic reporting at national, regional and local levels is commonly considered a prerequisite for democracies, inclusive societies and well-functioning economies. Media freedom and media pluralism are also enshrined in the EU Charter of Fundamental Rights.
- (41) While publishers of newspapers and periodicals as set out in recitals (16), (17) and (20) are eligible under the measure, it should be noted that the measure is not discriminatory in that the eligibility criteria ensure equal treatment of applicants, including foreign publications. The measure does not create barriers to the freedom to provide services, nor is it discriminatory with regard to foreign publishers, as such publications may be registered in the Register of Communication Operators (ROC), see recital (9), through the application of an open, transparent and non-discriminatory qualification procedure (recitals (17) and (20)). News publications and periodicals with news content published in the Italian language, no matter where they are established, are eligible under the measure if they are registered in the Register of Communication Operators (ROC), in compliance with the principle of equal treatment (recitals (16), (17) and (20)).
- (42) In light of the above, the Commission considers that the notified aid measure does not infringe relevant provisions or general principles of Union law and, moreover, the objective of the aid measure is in line with the fundamental principles referred to in recitals (39) and (40) of this Decision.

3.3.3. Positive effects of the aid

- (43) Media in general, and news media in particular, play an important role in social cohesion in the digital age, where printed news media contributes to ensuring a wide coverage of the population, especially in rural areas, and can serve population groups that have difficulties embracing digitalisation, for instance because of age.
- (44) Given the financial difficulties currently affecting the sector (see recitals (6), (51) and (52)), the Commission considers that the sector may develop only if support is given in order to promote its level of activity, where the quality of editorial news content as well as the very production and dissemination of editorial news content could be at risk of ceasing to exist without support.
- (45) Through tax credits, the measure enhances the beneficiaries' ability to produce, develop and disseminate printed publications containing news content in the Italian language, whereby it contributes to the preservation and promotion of the

²¹ Judgment of 22 September 2020, *Austria v Commission*, C-594/18 P, EU:C:2020:742, para. 44.

diversity and pluralism of the news media sector and the reinforcement of professional journalism necessary for the long-term development of news media. It also contributes to the development of the sector and reinforces the important link between news media and democracy, in particular by facilitating news consumption in remote areas and access to news content by the elderly. It also incentivises well-established publishers to continue to increase their contribution to quality journalism and to reinforce professional journalism (recitals (3), (7) and). It also aims to preserve cultural diversity by protecting the quality of the written Italian language in printed news publishing format (recital (3)).

3.3.4. The aid has limited negative effects on competition and trade

- (46) Article 107(3)(c) TFEU requires the assessment of any negative effects on competition and on trade in the relevant product markets, that is, in this case, concerning the news media markets.
- (47) The negative effects of the measure on competition and trade must be sufficiently limited, so that the overall balance of the measure is positive. The Court has clarified that in order to assess whether a measure adversely affects trading conditions to an extent contrary to the common interest, the Commission must weigh the positive effect of the planned aid for the development of the activities that aid is intended to support against the negative effects that the aid may have on the internal market.²²
- (48) When assessing the negative effects of an aid measure, the Commission assesses the impact on competition between undertakings in the market affected and on the location of the economic activity. Where aid is proportionate, its negative impact is in principle softened.
- (49) When designing the measure, the Italian authorities ensured that the negative effects of the measure are limited. Indeed, the measure is designed in such a manner that the State aid is (a) necessary, (b) appropriate as a policy instrument, (c) proportionate and (d) transparent.

3.3.4.1 Necessity of the notified measure

- (50) State aid should be targeted towards situations where aid can bring about a material improvement that the market alone cannot deliver. Aid may therefore be considered necessary in circumstances where the measure provides an incentive for private media news undertakings to increase the availability of the editorial content available to the broad public, in particular for people living in remote and rural areas, areas with less broadband coverage and by for people with less internet skills and facility to access digital offers.
- (51) News media are an important intermediary and factor in the formation of individual and public opinion. However, in order for news media to carry this out in a socially and democratically relevant way, news media content must be sufficiently balanced and objective, something which is ensured by professional journalists. The fundamental transformation of media markets over the last decade in particular, has created new challenges to the professional production of

²² Judgment of 22 September 2020, *Austria v Commission*, C-594/18 P, EU:C:2020:742, para. 101.

editorial content by traditional media outlets. As media have become embedded in a platform economy, facing new challenges due to *inter alia* disinformation, the increasing production of user-generated content and algorithmically-controlled content selections, media outlets are increasingly affected by factors located outside the inherent properties of media themselves. Not only media ownership, take-up, revenue and diversity of opinion are affected by these circumstances, but also production, distribution and monetisation of media, in particular publications producing professional news editorial content. In addition, there is a strong, global trend of falling subscriptions and one-off sales of printed news media and drops in advertising revenue (see recitals (6), (51) and (52)). This has increased the already high unit cost of printed products, which publishers often cannot offset by increased prices while media outlets are also searching for profitable business models for digital content. Since the cost of paper is an important part of the cost structure of printed news publications, the tax credit granted under the notified measure alleviates the beneficiaries of a significant part of the costs that they otherwise would have incurred and thereby sustains their ability to produce, develop and disseminate printed editorial news content in the Italian language.

(52) News media outlets have limited possibilities to diversify their activities, or to modify or find new business models, and the financing of news media outlets builds on a dual financing model made up of one strand consisting of subscriptions and sale of copies and another made up of advertising revenues. This system, in place since more than 100 years, is the foundation for a varied, free media landscape reflecting a diversity of opinions, which is considered fundamental for a democratic society. Currently, the challenges to this model are so serious that State aid is needed in order for news media outlets to be able to continue to create, develop and disseminate professional editorial news content, and for Member States to maintain media pluralism in the form of many, competing professional news outlets.

(53) The measure is therefore necessary in order to develop the news media sector.

3.3.4.2 *Appropriateness and incentive effect of the notified measure*

(54) An aid measure will not be considered compatible with the internal market if it is not appropriate, i.e., if the same outcome is achievable through other, less distortive policies or aid instruments.

(55) Moreover, State aid has an incentive effect if it incentivises the beneficiary to change its behaviour towards the development of a certain economic activity pursued by the aid and if the change in behaviour would not occur without the aid.

(56) The financing system of the media sector, as described in recital (52), and the absence of alternative business models and very limited possibilities to diversify their activities, gives limited possibilities for news media outlets in financial distress to fundamentally change their profitability and increase their revenues while continuing to produce quality editorial content. At the same time, the very existence of a free media landscape producing quality editorial content is dependent on this financing model. In this situation, the same outcome cannot be achieved through other less distortive measures than State aid. The aid is therefore appropriate.

- (57) The aid incentivises the aid beneficiaries to carry out activities that they would otherwise not carry out, or to a lesser extent, without the aid, since with these costs being alleviated, the news media outlets benefitting from the aid are able to enhance their ability to produce, develop and disseminate printed publications containing news content in the Italian language, which is an essential part of a free media landscape. The eligibility criteria target printed newspapers and periodicals producing professional news editorial content in the Italian language, that sustain the link between news media production and democracy, essential for the functioning of a free media market (recitals (3), (6) and (20)). Therefore, the measure ensures that aid is attributed to projects and beneficiaries that serve the overall purpose of the aid well, and maintain news media diversity and availability of news content to the public, sustain the promotion of the Italian language, and provide aid beneficiaries a clear incentive to achieve a successful outcome of projects.
- (58) The Commission therefore considers the aid measure to be an appropriate instrument for developing the aided economic activity by incentivising news media outlets to produce news content.

3.3.4.3 Proportionality of the notified measure

- (59) An aid measure is considered to be proportionate if the aid amount per beneficiary is limited to the minimum needed to achieve the objective pursued of supporting the economic activity concerned.
- (60) The notified measure specifically targets publishers of newspapers and periodicals and contributes to ensuring that the production of editorial news content in the Italian language can continue to be produced and developed by the beneficiaries (recitals (3), (6) and (20)).
- (61) Compared to the substantial financial downturn in the media sector (see recitals (6), (51) and (52)), the aid intensity, which amounts to maximum 10% of the paper costs (see recitals (3) and (18)), is unlikely to exceed the minimum needed to achieve the objective of helping the beneficiaries to maintain and develop their news production activities.
- (62) Based on the above, the Commission considers that the aid granted under the notified measure is proportionate.

3.3.4.4 Transparency

- (63) The Italian authorities have committed to publish the text of the measure as well as the information related to the beneficiaries of aid at www.governo.it/die. Therefore, the measure complies with the transparency requirements.

3.3.5. Weighing the positive effects of the aid with any negative effects in terms of distortions of competition and adverse effects on trade

- (64) A carefully designed State aid measure should ensure that the overall balance of the effects of the measure is positive in terms of avoiding adversely affecting trading conditions to an extent contrary to the common interest.

- (65) As shown in section 3.3.3, on the positive side of the balance, the Commission notes that the measure can be expected to have a positive effect on the aided economic activity of the news media sector. It can thereby contribute to maintaining and developing media pluralism and editorial independence, which are essential factors for the functioning of a democratic society.
- (66) Aid may be necessary where, from a public interest perspective, the media market, without State support, is unable to deliver the desired output which is deemed necessary in order to ensure media pluralism to an extent necessary for the development of democratic policy and the economies of the Member States as well as of the Union. The situation in Italy is similar to the widely acknowledged global trend of financial distress for news media outlets, as follows from recitals (6), (51) and (52)).
- (67) In order not to undermine the positive effects of the measure for the development of production of professional editorial news content by publishers of printed newspapers and periodicals, the granting of the tax credits is determined on the basis of fair, objective, pre-determined and transparent selection criteria set out in legislation (recitals (16) and (20)).
- (68) On the negative side of the balance, as explained in section 3.3.4, support to publishers of newspapers and periodicals with news content could distort competition and trade in the media market. However, the Italian authorities have designed the notified measure in such a way as to minimise the potential distortion of competition arising from the measure and to limit the adverse effects on trade. In this regard, the Commission notes that the measure is open to all publishers of newspapers and periodicals that fulfil the eligibility criteria, thereby avoiding to favour unduly certain publishers and at the same time incentivising more news publishers to create quality news content. However, news media products, in particular printed news media products, are in general subject to very limited cross-border trade due to the inherent national character of such products, as news markets are primarily local, regional or national.
- (69) It follows from recitals (59)-(62) that the aid is considered proportionate and well targeted to the market failure it aims to address, which softens the negative impact on competition and trade that the aid might have. Moreover, the measure is necessary and appropriate to achieve the development of the economic activity at stake. Therefore, the overall impact on competition is deemed to be positive and the negative effects on competition, if any, should be very limited.

3.3.5.1 Conclusions on the balancing test

- (70) In light of the above, the Commission considers that the negative effects on competition and trade are limited. They are outweighed by the positive effects of the aid, namely facilitating the development of the economic activity of the news media sector and, moreover, contributing to promoting media pluralism, which is essential for the functioning of a democratic society, and to promoting cultural diversity.
- (71) Therefore, the aid facilitates the development of certain economic activities, while not adversely affecting trading conditions to an extent contrary to the common interest, as required by Article 107(3)(c) TFEU.

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)(c) of the Treaty on the Functioning of the European Union.

If this letter contains confidential information which should not be disclosed to third parties, please inform the Commission within fifteen working days of the date of receipt. If the Commission does not receive a reasoned request by that deadline, you will be deemed to agree to the disclosure to third parties and to the publication of the full text of the letter in the authentic language on the Internet site: <http://ec.europa.eu/competition/elojade/isef/index.cfm>.

Your request should be sent electronically to the following address:

European Commission,
Directorate-General Competition
State Aid Greffe
B-1049 Brussels
Stateaidgreffe@ec.europa.eu

Yours faithfully,

For the Commission

Margrethe VESTAGER
Executive Vice-President

