



European Construction Sector Observatory

Policy measure fact sheet

Italy

Eco Bonus

Thematic Objectives 1 & 3

January 2018



In a nutshell

Implementing body:	Ministry of Economy and Finance (MEF) and National Agency for New Technologies, Energy and Sustainable Economic Development (ENEA)
Key features & objectives:	The Eco Bonus aims to promote the renovation of buildings by offering tax deductions up to 75%.
Implementation date:	2007 to 2021 (extended annually)
Targeted beneficiaries:	Taxpayers
Targeted sub-sectors:	Construction companies; energy efficiency solution providers and construction product manufacturers.
Budget (EUR):	32 billion in investments spent on building renovations

Buildings account for 40% of the EU's energy consumption, 36% of its CO₂ emissions and 55% of its electricity consumption. Therefore, the improvement of the energy performance of the buildings and the use of energy from renewable sources constitute crucial measures needed to meet the EU wide objectives set for 2020. However, the current renovation rate of existing buildings is quite low – between 1% and 2% of the building stock is renovated each year¹.

The Italian construction sector is a very important part of the national economy as it accounts for 18.8% of Italy's GDP. Despite the effects of the crisis during the period 2008-2015 (42% drop in production, 35% fall in profit and 29% decline in the workforce), there appears to be a revival with growth being forecast at 1.8% in 2018 and 2.2% in 2019, mainly led by investment in infrastructure and EU funds².

As discussed in the European Construction Sector Observatory's Country Fact Sheet on Italy, the renovation of the existing building stock represented 37% of the total investments in the construction sector in 2016. Fiscal incentives and tax deductions are seen as particularly effective measures that prevent industry stagnation and guide investments towards the renovation and energy efficiency markets. In addition, they create a positive impact on skills development and the overall productivity of the construction sector.

This piece of legislation introduced a 55% tax deduction on the realisation of specific interventions aimed to reduce the energy consumption of existing buildings. This fiscal deduction measure is known as the Eco Bonus.

Recognising that this is the way forward for the recovery of the sector, the Ministry of Economy and Finance (Ministero dell'Economia e delle Finanze) established **fiscal deductions** for the costs incurred in the energy renovation of 'existing buildings'³. This piece of legislation introduced a 55% tax deduction on the realisation of specific interventions aimed to reduce the energy consumption of existing buildings. This fiscal deduction measure is known as the Eco Bonus.

1

General description

With the introduction of the Eco Bonus, the Italian government aimed to achieve five main objectives:

1. Promoting the improvement of the energy performance of the buildings;
2. Developing, improving and integrating sources of renewable energy into buildings;
3. Supporting energy diversification;
4. Boosting the competitiveness of the national industry through technological development;
5. Achieving the national energy and environmental objectives⁴.

The original measure was introduced by the Finance Law 2007 and has been reviewed several times and updated / extended every year. For example, the Legislative Decree of 29th November 2008 extended the period for the allocation of tax deductions to 5 years, and then Law n° 220 of 13th December 2010 further extended the period up to 10 years. The 55% tax deduction was also then increased to 65% by the Legislative Decree of 4th June 2013. The number of deductible interventions has also been broadened. The replacement of traditional water heaters was introduced by the Decree of 6 December 2011, biomass boilers and solar protection systems were included by the 2015 Stability Law, and multimedia devices for the remote control of air conditioning and hot water were also added by the 2016 Stability Law. Last, but not least, the Finance Law for 2018 reduces the tax deduction for the acquisition and installation of windows, window frames and solar protection from 65% to 50%. Moreover, it confirms the 70% and 75% deductions until 2021⁵.

The deduction is currently divided into 10 annual instalments of the same amount and applies to works executed to improve the energy performance of existing buildings as follows:

- 55% of the costs incurred until 5th June 2013;
- 65% of the costs incurred in interventions in individual units from 6th June 2013 to 31st December 2017;
- 65% of the costs incurred in interventions in common parts

of apartment blocks or all of its units from 6th June 2013 to 31st December 2021;

- 70% of the costs incurred in interventions in common parts of apartment blocks affecting the building envelope with an incidence higher than 25% on the gross dispersing surface of the building from January 2017 to 31st December 2021;
- 75% of the costs incurred in interventions achieving at least the average quality for summer and winter energy performance of the building from January 2017 to 31st December 2021⁶.

In the last two cases, the beneficiaries may choose to transfer the receivables to the suppliers who have performed the interventions or to other private parties, excluding credit institutions and financial intermediaries⁷.

The interventions that are subject to tax deductions and the maximum deduction per category are shown in Table 1.

Table 1: Type of intervention and maximum deduction

Type of Intervention	Maximum Deduction (EUR)
Improvement of existing building energy performance	100,000
Lining of existing buildings (e.g. walls, window frames, or windows); installation of solar panels	60,000
Acquisition and installation of solar shading (only for 2015, 2016 and 2017)	60,000
Winter air conditioning replacements	30,000
Acquisition and installation of winter air conditioning equipped with heat generators powered by fuel biomass (only for 2015, 2016 and 2017)	30,000
Multimedia devices for the remote control of equipment (only for 2016 and 2017)	No limit expected
Interventions in common parts of apartment blocks (70% and 75% deductions)	40,000 (multiplied by the number of homes in the building)

Source: ENEA, Guidelines on tax deductions for energy savings (2017)⁸

The beneficiaries of the Eco Bonus – all resident and non-resident taxpayers – can deduct the aforementioned intervention costs in their tax declarations.

In particular, beneficiaries of the measure are natural persons (including tradespeople and professionals), taxpayers who receive company incomes (natural persons, associations and corporations), professional associations, public and private entities not carrying out commercial activities, holders of a real right, apartment blocks, tenants, and those who have the property as a loan.

The **procedure** to benefit from the tax deduction implies specific documentation requirements. It also establishes precise rules regarding invoicing and condominium expenses. First, an affidavit (asseverazione) proving that the intervention has been accomplished following the technical requirements (sometimes it can be replaced by manufacturers' certifications, e.g. window replacement). Another important document is the energy certificate of Annex A of the Decree of 19th February 2007 (attestato di certificazione o qualificazione energetica), which includes all data linked to the energy performance of the building. Last but

not least, the information sheet included in Annexes E and F of the same Decree (scheda informativa) specifying the details of the intervention(s).

Within 90 days after the completion of the intervention – starting with the day when the test (collaudo) is carried out and not when the payment is done -, this last document, together with a copy of the energy certificate need to be sent electronically or by certified mail to the Agenzia nazionale per le nuove tecnologie, l'energia e lo sviluppo economico sostenibile (National Agency for New Technologies, Energy and Sustainable Economic Development - ENEA).

The Eco Bonus not only contributes to the first objective of the Construction 2020 Action Plan ('Stimulating favourable investment conditions') but also helps to achieve the third objective ('Improving resource-efficiency, environmental performance and business opportunities').

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2

Achieved or expected results

Overall, fiscal incentives and tax deductions for building/energy renovation applied since 1998 have stimulated 14.2 million interventions in 55% of Italian households. These interventions have resulted in an investment of more than EUR 237 billion: 205 billion for building renovation; and the remaining 32 billion for energy renovation. Regarding employment impact, an average of 400,000 direct and indirect jobs have been generated in the last four years⁹.

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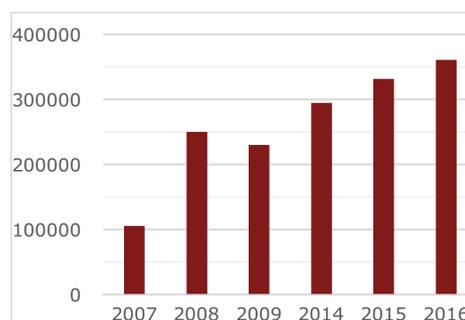
To monitor and evaluate the Eco Bonus measure, ENEA is using three main indicators: investment; number of interventions; and energy savings¹⁰.

In terms of investment, almost EUR 32 billion has been spent on the renovation of buildings between 2007 and 2016.

More recently, a total of EUR 3.31 billion was invested in 2016, which is slightly higher than the investment made in 2014 (EUR 3.07 billion) and in 2015 (EUR 3.09 billion). Per category, whereas 40% of resources were allocated to interventions for the replacement of windows and shutters, 25% were used for the thermal insulation of walls, roofs, and slabs. In the third place, 18% of the investment has been applied to the replacement of winter air conditioning. Moreover, it is estimated that the maximum potential of fiscal deduction could be equal to EUR 2.1 billion in the next ten years¹¹.

On the other hand, the increase in the **number of interventions** over the years proves that citizens are more aware of the benefits of improving the energy performance of their buildings. Overall, more than 3 million interventions have been conducted in the last 10 years. Indeed, Figure 1 shows that the initiative boosted investment in the renovation of buildings between 2007 and 2009.¹²

Figure 1: Number of interventions - Comparison between the first and the last 3 years of the Eco Bonus



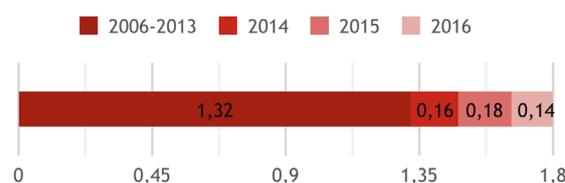
Source: ENEA's Reports on 65% fiscal deductions (2017) and The 55% tax reductions for building retrofitting (2010)¹³

While the interventions barely exceed half million during the first three years of implementation of the fiscal deductions (2007 to 2009), almost 1 million interventions were performed from 2014 to 2016. In line with the investment, the majority of interventions (56%) were to replace windows and shutters. The second and third most popular interventions were the replacement of winter air conditioning (20%) and solar shading (11%).

Lastly, a total of 1.8 Mtoe¹⁴ in energy savings (see Figure 2) have been achieved since the establishment of tax deductions for works aimed to improve the energy performance of buildings since 2006.

The energy savings achieved in the last three years derive from the replacement of windows and shutters (46.6% of the total), the interventions on horizontal and sloping walls (18.4%), and vertical walls (10.7%), and the installation of condensation boilers (13%)¹⁵.

Figure 2: Total savings from fiscal deductions for building energy renovations (Mtoe/year)



Source: ENEA's 2017 Annual Report on Energy Efficiency¹⁶

3

Perspectives and lessons learned

The National Energy Strategy (SEN) establishes as general objectives, among others, a reduction of 10 Mtoe/year between 2021 and 2030, as well as a target of 28% share of renewables in total energy consumption by 2030¹⁷. The results of the **Public Consultation on the SEN**¹⁸ held between June and September 2017 showed that the development of renewable energy sources is seen, together with energy efficiency, as one of the main drivers of the transformation of the energy system. From 805 comments received, 145 dealt with renewables and 124 with energy efficiency, with companies and business associations being the most active participants. The other most commented topics were on alternative energy sources for mobility and transport (e.g. electric), followed by energy and security markets.

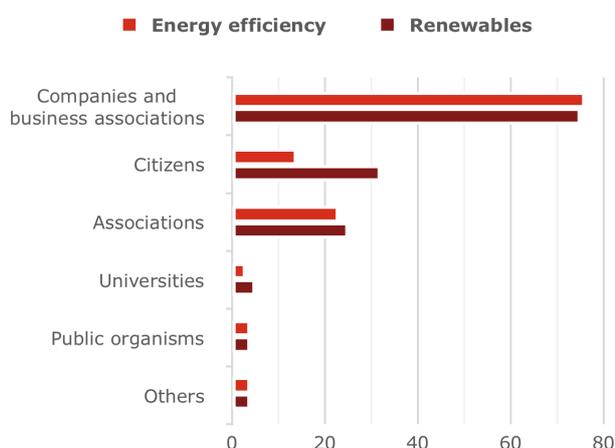
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The majority of participants agree on the need to establish energy efficiency as one of the main priorities of the SEN. In fact, most participants take the view that there should be a 2050 energy efficiency objective. Concerning the rehabilitation of buildings, there is a broad consensus on the need to adopt a strategy that includes mid to long-term objectives. In relation to the Eco Bonus, there was a general request for its stabilisation with benefit graduation compared to the savings that can be obtained. Last but not least, all participants recognised the importance of establishing a guarantee fund for the Eco Bonus²¹.

From a **government perspective**, the President of the Environmental Commission of the Italian Government argues that the Eco Bonus qualifies the trade entrepreneurial system and at the same time reduces energy consumption, pollution and household bills²².

The success of the initiative has led to an assurance by the Minister of Transport and Infrastructure that the government will make an effort to ensure the connection between the Eco Bonus and the Sisma Bonus²³ in order to secure a better construction of the buildings²⁴.

Figure 2: Total savings from fiscal deductions for building energy renovations (Mtoe/year)



Source: ENEA's 2017 Annual Report on Energy Efficiency²⁰

According to ENEA's President, the Eco Bonus has represented a veritable break in the world of energy efficiency²⁵. Indeed, ENEA is of the opinion that tax deductions are the most generous system of incentives ever established by the Government to promote energy efficiency and sustainable economic development in the Italian Construction and Real Estate sector.

The popularity of the measure rests upon the generosity of the incentive, its simplicity as no authorisations or licenses are required, and its universality towards all social subjects. However, some distortions – e.g. improper use of incentives – have arisen. This could be solved through targeted controls based on the database held by ENEA or through the establishment of more limited expenditure targeted for each intervention²⁶.

From a **private sector / industry perspective**, the Italian Confederation of Building Owners (Confedilizia) emphasizes that the political commitment to provide stability to tax deductions for building rehabilitation for the period 2017-2019 is crucial for the condominium properties to become more energy efficient²⁷.

ASSOCLIMA, the Italian association of heating, cooling and manufacturers, which is part of ANIMA (Federation of Italian Associations of the Mechanical and Engineering Industry), has an overall positive opinion on the measure. ASSOCLIMA says that the simplicity of the procedure to request the tax deduction has increased the number of operations of energetic requalification. However, they point out that it is not a stable measure because it has to be extended yearly.²⁸

The National Confederation of Crafts and SMEs (CNA) has a positive opinion on the Eco Bonus. The windows industry has achieved a turnover of EUR 10 billion since 2007, despite the tax deduction for windows and window frames established by the last Finance Law for 2018. In that regard, they state that ENEA underestimates the impact of energy savings from windows and window frame interventions. The review would produce, among other things, a demand reduction, a negative change in consumer behaviour, an increase in CO₂ emissions or an increase in illegal work due to fiscal deregulation and the lack of payment traceability²⁹.

Last but not least, despite the success of the measure, two problems that the government should take into consideration have been identified. Firstly, the cost of renovating residential buildings remains considerably higher than the typical levels in the industrial sector, although the savings are the same: the cost-effectiveness ratio of tax deductions and energy bills is up to eight times higher than with the white certificate mechanism. Secondly, the Eco Bonus presumes that families are in possession of sufficient financial means to invest in energy saving renovation, without giving consideration to those families that do not and/or are living in energy poverty³⁰.

Endnotes

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