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Italy’s own goal - why the Commission should have a look at Italy’s new problematic tax scheme

Italian decree on personal income tax for non-residents

The FIFA Women’s World Cup has spawned countless passionate debates in the past few weeks on fairness in sport. On one hand, we have enjoyed the impassioned efforts of all players as they contend head-to-head on the international platform - with the spirit of fair play that all sports people carry as ambassadors for their sporting discipline - and on the other hand we have seen the players’ courageous fight against unfair hurdles and unequal conditions women football players face in comparison to men.

Unfortunately, there are other events connected to the world of sport that are less than positive. We probably all agree that football and sport in general should be about fair play, right? Well, a new tax incentive proposed by the Italian government seems to potential to circumvent the rules of the game.

On the 30th of April 2019, the Italian government adopted a so-called ”Growth Decree” introducing urgent measures for economic growth, which is about to be converted into law by the Italian Parliament. The decree foresees that as of the 1st of January 2020, any employee, self-employed professional, or entrepreneur who becomes an Italian tax resident for two years and who is working in Italy - regardless of their role or qualification - will be required to pay tax on only 50% of their income.

How does this play out in the sphere of football? Well, this could deliver a competitive advantage for Italian football clubs in the near future. Given that players typically receive their salaries net of tax, the club pays both the salary to the player as well as the tax to the treasury. This tax favourable regime would allow Italian football clubs to save money on their tax bill by employing non-Italian players, who would only be required to pay 50% tax in comparison to their Italian counterparts. According to some commentators, this could be one of the biggest changes for the football market in Italy since 1995.

It is clear that the question of fair competition in the EU - given such a type of a tax incentive - is in jeopardy. The Greens/EFA Members therefore decided to ask the European Commission to investigate whether the new Italian tax scheme constitutes an illegal state aid according to European Union law/ In addition, they suggested it also conducts a wider sectoral analysis of the all tax incentives in the football business sector in Europe to ensure the sector is playing by the rules of fair competition in the Union.

Our political group has already proved in the past that similar special tax incentives for the super-rich are a big problem for the whole of the EU. On the third anniversary of the Panama Papers revelations, we published a report about the increase of such tax exemptions and special regimes for the wealthy. Italy features in the report for its unfair €100,000 foreign income lump sum taxation regime.

We believe it is time for the Commission to present an action plan that will lead to fairer personal income taxation in Member States. The Commission needs to find courage to fight for fair play in the EU. For example, 15 years ago Spain adopted tax measures similar to those Italy is implementing now but Spain decided to withdraw the unfair measure as it created a huge public outcry and did not benefit Spanish society as a whole. As in football, we want the fair play also in taxation.

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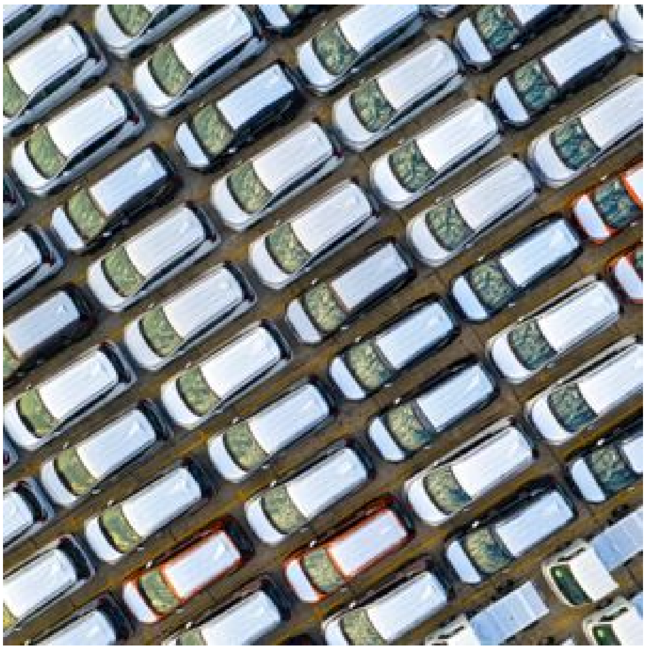

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