CHAPTER 4

Promoting Participation in VET

4.1. Introduction

It is estimated that 5 billion euro a year are spent on non-formal learning activities, 80% of which is covered by enterprises for the training of their employees and the remaining 20% divided as follows:

1. 10% funded through ESF and national resources (Law 236/93 and 53/00);
2. 10% funded through Joint Inter-Professional Funds for CVT.

Law 236/93 finances in-company training, teachers' training, system actions, sectoral and territorial plans promoted by the social partners and individual training (through vouchers). In addition it allocates a yearly budget of around 100 million euro which is managed by the Regions.

Law 53/00 finances training leave in accordance with the regulation on working hours, particularly by providing for the funding of training vouchers. In addition, it recognises workers' right to lifelong learning by granting leave for training activities. Finally, it establishes that 15 million euro is to be allocated annually by the Ministry of Labour to support employees' training. Furthermore, almost 400 million euro comes from the measures to support continuing training financed by the European Social Fund and 500 million euro from the Joint Inter-Professional Funds.

With regard to the ESF and national Laws 236/93 and 53/00, the key actors are the Ministry of Labour, the Regions, the Autonomous Provinces and the Provinces where a delegation measure can be applied. In detail, the resources allocated by Law 236/93, with a priority for workers of SMEs with less than 15 employees, should fund:

- territorial, sectoral and enterprise-targeted training plans;
- extraordinary intervention plans (Law n.2/2009);
- training vouchers for individuals.

Priority is given to:

- workers over the age of 45 employed by a private enterprise;
- workers employed by a private enterprise holding a compulsory education qualification or only a primary school qualification;
- unemployed people (whose work contracts have not been renewed) to fund either work reinsertion programmes or income support measures;
- training actions aimed at promoting self-entrepreneurship;

- women over the age of 40;
- fired workers who receive unemployment benefits;
- non-European workers or workers belonging to countries that have recently joined the EU.

In September 2010, the Ministry of Labour and Social Policies along with the Ministry of Economy issued a decree (Directorial Decree 60/V/2010) concerning the allocation of the resources earmarked by Law 53/2000 assigning around 30 billion euro to the Regions and Autonomous Provinces, to ensure higher participation in VET.

4.2. Tax incentives available for education, training and professional updating

The tax incentives used to encourage enterprises and individuals to invest in education, training and professional updating can be divided as follows:

- *tax deductions*: expenses are deducted from the gross income to calculate the tax base;
- *tax detraction*: expenses are subtracted from the taxes due;
- *tax exemption*: taxes are not applied to a specific group of services;
- *tax credit:* a certain amount is deducted from the tax due;
- *tax allowance*: some categories of taxpayers or businesses are granted reduced tax rates;
- *tax deferral*: the tax payment is postponed.

Many different kinds of incentives exist in Italy, applicable at different degrees and in different forms. However, the matter is regulated by a number of provisions which are often inconsistent with each other and incentives are generally weak. As a result, the various tax relief instruments established over time and aimed at different targets, services and tax types are not regulated by a single comprehensive policy. In addition, the benefits provided are only minor as incentives are supplied more often in the form of tax deductions than detractions or exemptions and are mostly targeted at education rather than vocational training activities. The regulations currently in force are the following:

- *Agevolazioni fiscali per l'aggiornamento dei liberi professionisti* (Tax Relief for Self-Employed Professionals) – Art. 54, section 5, Presidential Decree (DPR) n. 917 dated 1986. The law establishes that 50% of the expenses incurred by self-employed professionals for updating skills can be *deducted* (training-related expenses such as travel etc. are also included). Self-employed professionals are herein intended as individuals holding a VAT registration number;

- *IRAP* (*Imposta regionale sulle attività produttive* IRAP - Regional Tax on Productive Activities) – all expenses incurred by enterprises for apprentices or work transfer contracts (including employees' wages) can be *deducted* from IRAP;
- *Stamp tax* – all formal documents submitted while attending a training course provided by the Regions or as part of an apprenticeship programme are *exempted* from stamp taxes;
- *IRPEF (Imposta sul Reddito delle Persone Fisiche* – Personal Income Tax) - expenses incurred by those who attend higher education or university courses can be *deducted* from IRPEF (including entrance test fees and also for dependent family members). In the case of private universities only the costs that are equal to those of the state institutions are covered.

In addition, all training, updating, requalification and retraining services are VAT exempted when provided by either institutes or schools recognised by the public administration or non-profit organisations (ONLUS; Art. 10 Section 20 Presidential Decree (DPR) n. 633, 1972). The exemption also applies to board, accommodation and teaching materials expenses. Recognised schools or institutes include:

- state-schools (*scuole statali*);
- non-state schools that have been granted equal status in the national education system (*scuole partitarie*);
- schools registered in special regional lists;
- private organisations recognised by institutions other than the Ministry of Education (accredited organisations).

Schools and institutes can also be recognised with a conclusive action such as the granting of funds by a public administration body. In this case, the VAT exemption only applies to the funded activity. The 2011 Finance Act (*Legge di stabilità 2012* – 2012 Stability Law - 12th November 2011, n. 183) did not establish specific incentives for the enterprises that invested in their employees' training. However, it entirely exempted them from paying social security contributions (Article 22) for apprenticeship contracts signed no earlier than January 1st 2012 and no later than December 31st 2016. The measure was only addressed to employers who hired 9 workers or less for a maximum of three years.