

The system of Italian Social Economy

*A brief introduction of Italian Social Landscape,
with a Description of Local and National System, Analysis of
Legal Frame, Numbers and Activities of Co-operatives, their Fiscal
& Non Fiscal Incentives*

ADEST Srl

Part One

Some basic definitions

Social Economy

It is a thriving and growing collection of organisations that exist between the traditional private sector on the one hand, and the public sector on the other

Social entrepreneurship

Defined as a professional, innovative, and sustainable approach to systemic change that resolves social market failures and grasps opportunities. Social entrepreneurship engage with both non-and for profit organisations, and the success of their activities are measured first and foremost by their social impact

Beneficiaries

Disadvantaged people: the concept of ‘disadvantage’ is quite wide and can be used to cover not only disabled or handicapped people, but also all other people who encounter systematic limitations/difficulties in achieving acceptable standards in working and social life

Part Two

Types of Co-ops and main fields of action

Social cooperatives

- **Type A:** supply services to people
- **Type B:** operate for job inserting disadvantaged people
- **Type C:** consortia of cooperatives

Main fields of action

Type A: services (Home Assistance, Day and Social-Educational Centres, Therapeutic Communities, Nursery School, Residential Homes) to:

- Elderly people
- Physical or mentally disabled
- Young in disadvantage
- Drug Addicts
- People affected by AIDS

Type B: job insertion (through Agriculture, Environmental Care, Publishing and Printing, Informatics, Industrial Laundries, Cleaning, Building, Park Maintenance, Nursery, Tourism), employing:

- Physical of mentally disabled
- Psychiatric patients
- Drug Addicts
- Long-term unemployed
- Immigrants

Main fields of activities

- Health
- Social assistance
- Culture & Sports
- Education & Researches
- Environment
- Economic development & social cohesion
- Human rights & politics
- Filantropy & Volunteering promotion
- International cooperation
- Religion
- Unions & social representatives

Workers in Social Economy

In Veneto Region workers employed in Social Economy in year 2002 were roughly 370.000.

Data from Chamber of Commerce of Padova, 2003

Part Three

Legal basis and involved bodies

Legal framework

- **Specific articles within Italian Civil Code** about Co-operatives and other companies with mutualistic aims;
- **Decision No. 396/1988** by the Italian Constitutional Court which gave legitimacy of private initiatives in the social services sector
- **Law 266/91** on ‘voluntary organizations’ which settles down the rules for an organized voluntary work, providing special registers, and granting a number of tax benefits
- **Law 381/91** on ‘social co-operatives’ to grant tax benefits to social co-operatives (reduction of valued added tax on sales of services to 4%) and rule social co-operatives of two types

Organisations involved

Private Organisations

- Social Co-operatives
- Social & Health Assistance
- Associations
- Training
- Foundations
- ONG
- Committees

Public Organisations

- Ministry of Social Affair
- Ministry of Labour
- Regional & Provincial Councillorship for Social & Health Policies
- Municipal Councillorship for Social Policies

Role of volunteers

Legal Basis	Law 381/1991
Wage	<ul style="list-style-type: none">- Work unpaid- Accident & sickness insurance- Refund of expenses
Number	No more than 50% of stakeholders
Activity	<ul style="list-style-type: none">- Subsidiary to stakeholders- Connected to social & health and training
Training/Monitorin'	<ul style="list-style-type: none">- Trained as regular stakeholders- Evaluation and monitoring by themselves and other stakeholders
Code	Recent deontological with rights and obligations (Carta del Volontariato)

Part Four

A social SWOT analysis

Weak & Strong Points

Strong Points

- Social co-ops are enterprises with limited liability which can appeal to the financial market
- Small sized, rooted in the local territory and close to people
- Grouping into local and national consortia
- They can count on volunteers and with altruistic behaviour
- Good level of independence of public authorities about strategies

Weak Points

- Too fast developing
- They are increasingly dependent on public authorities
- Many have no volunteers and increase the dependence on external funding organisations
- There is not yet a clear quality certification for social enterprises

Outlook of development

- Tendency of local authorities to entrust more social co-ops with the production of social services and it is shifting towards new services
- New tax exemption policies concerning private demand for services and the granting of vouchers
- Recent law about tax exemptions for private donations to non profit organisations
- Political interest in social co-ops is very high and increasing

Part Five

VAT system and other fiscal matters

Favourable VAT system

Cooperatives A & B are completely VAT free whether in the field of:

- health & social services
- house assistance for disadvantaged and disable people, elderly people
- drug users
- people with AIDS
- dis-adapted young people

Detaxation system - Investment

Members:

On interests given to financing shareholder, co-operative enterprises operate a deduction on tax of 12,5%.

Company:

Social cooperatives are ruled by Law Tremonti bis. The 50% of the difference of the investment of years 2001 - 2002 and the average of total investment is not considered as income and therefore free of taxation charge.

Detaxation system - Profits

Members:

Economical advantages for share holder whether re-invested in bringing up stock capital are considered non taxable incomes. Other benefits shared among share holders are subject to a withholding tax of 10%.

Company:

In force of the Italian Law DRP 601/1973 social co-operatives are not subject to taxation whether payment given to the share holders is less than 50% of total amount of any other cost, excluding only the cost for rough materials.

Welfare contribution

Any contribution regarding obligatory insurance about welfare system of employees is completely free of any charge for enterprises.

Non-fiscal incentives - Public tenders

There is a priority when participating to public tenders.

According to the regional law 24/1994 social co-operatives can be party in contracts for public work directly without advertised bidding or public auction.

The same law finances at the 80% any investment made by social enterprises

Non-fiscal incentives - Social writings

About statutory books, they are the same of commercial companies.

The difference is that they are free of any taxation in the following cases:

- Stamp duty
- Mortgage duty
- Cadastral duty
- Excise license duty

Monitoring - Specific records

Any de-taxation above mentioned depends on the registration on a public register (Registro prefettizio).

In addition for regional specific tax concession is obligatory to be registered on regional record.

Italian Law 381/1991 has created a national Record for Social Co-operatives.

Monitoring - Penalties

Any change in the enterprises assessment which will modify the characteristics of company itself will implies the cancellation from the record and the full payment of taxes

Monitoring - Authority

The monitoring Authority, which almost once a year will supervise the situation of social enterprises, is staged at three levels:

- At first is the Ministry of Industry with its own surveyors
- Second is the carried by Prefecture inspectors
- Third is carried by Veneto Region officers

Part Six

Public Funds to finance social economy

New challenges - The Global Grant

Regulation (EC) No. 1260/1999 on Structural Funds has approved a multi-regional Global Grant to develop, set up and improve social entrepreneurship on 2003 - 2005 delayable until 2007. This Fund can be used in every Member State with the decision of local Managing Authority.

Veneto Region, in agreement with the Commission, entrusted an unique appropriate intermediary for Venetian territory to open calls for tender, receive and finance projects submitted by social enterprises with the aim of improving social system.

The final disadvantage beneficiaries will be financed with a contribution in capital account between 10.000,00 and 50.000,00 Euros for:

- Starting new enterprises;
- Developing enterprises or, finally,
- Improving long-lasting job insertion.

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Part Seven

Credits

Adest social profile

Adest works in the field of Social Sector mainly through the following activities:

- Research;
- Project Managing;
- Training;
- Consultancy,

in which are involved Social Co-operation area, Disadvantaged People, Social & Health Authority System and EU Projects in order to create an integrate system to share good practices and to allow everyone to beneficiate of know-how and know-what achieved.

Contacts

Adest Srl

Via Roma 43

31100 Udine – Italia

Managing Director

Giacinto Tommasini

gtommasini@adest.biz

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