This is an overview in English. Please consider that only the original text in Italian language has legal value.

Decree-Law n.104 of 14 August 2020
Urgent measures to support and relaunch the economy
(OJ N. 203 of 14-8-2020)

This is an overview of the main provisions of the Decree-Law s.c. 'August', a new economic recovery package following Parliament's authorisation to increase the deficit by €25 billion in 2020 - the third since the outbreak of the epidemic. The package came into force in the form of a Decree-Law, and was submitted to Parliament for ratification.

In brief

The main measures include:

a. **Consob's powers** will be strengthened on any operation that affects the ownership of Borsa Italiana, amid concerns about the likely sale of Borsa by LSEG to get the European Commission's greenlight to the acquisition of Refinitiv
b. The measures already in force allowing **companies to postpone annual shareholders' meetings** and shareholders to attend remotely will apply to meetings scheduled until 15 October (instead of until 31 July as previously foreseen)
c. The possibility to extend the deadline for asset management companies **to underwrite** shares of **alternative investment funds** was introduced
d. A new **incentive to economic activity in the South** was introduced**, in the form of a partial exemption from social security contributions applying to all employees** (not only the newly hired but also those already employed)
e. **Lay-off schemes for employees were further extended, and businesses' right to fire will remain suspended until they have fully resorted to the lay-off scheme (18 weeks max.) unless they close down permanently**; as an incentive for businesses to bring their employees back to work, they will be exempted from any social security contribution for up to 4 months if they do not ask for an extension of the lay-off scheme
f. **Social security aid** in the form of direct cash payments was partially extended but limited in scope
g. **Direct aid and tax cuts** were introduced, benefitting businesses in specific sectors
h. **Deadlines for tax payments** were further extended
i. Further measures were introduced to facilitate the provision of **liquidity** to small and medium enterprises
    - In particular, **the moratorium** on loans and mortgages of SMEs **was extended until 31 January 2021**
j. **Regional and local Governments** will receive more **funding** from the Government to compensate for the **loss** they experienced in **tax revenues** during the lockdown and to help them pay their commercial arrears.

Please find a more detailed description of these measures below.

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a. Measures to strengthen the powers of Consob on any operation affecting the ownership of Borsa Italiana

The previous legislation made it mandatory for any operator who wished to purchase or sell (directly or indirectly) a controlling share of the entity that manages the stock market to notify the operation in advance to the independent authority (Consob). In turn, Consob was entitled to veto the operation within 90 days of the notification if it deemed that the change in the ownership structure could pose a threat to the sound and prudent management of the market.

Under the new rules laid down by this Decree-Law:

- The notification obligation applies not only if an operator acquires or sells the control over Borsa Italiana but whenever, as a result of the purchase or the sale of shares in Borsa Italiana, any operator increases its participation over 10%, 20%, 30% or 50% (in terms of capital or voting rights) or decreases its participation below the same thresholds
- Consob may therefore veto the notified operation, if it deems that the change in the ownership structure poses a threat to the sound and prudent management of the market, but also basing on the assessment of the quality of the purchasing operator and of the financial solidity of the planned acquisition
- If Consob opposes the operation, the operator who has acquired a participation over the above-mentioned thresholds will not be authorised to exercise its voting rights associated with the shares owned over such thresholds.

These measures were introduced in an attempt at strengthening the discretional powers of the Italian Authorities in the (now very likely) event that London Stock Exchange sells Borsa Italiana to get the EU Commission's greenlight to its proposed acquisition of Refinitiv.

The possible acquisition of a share in Borsa Italiana by the Treasury through Cassa Depositi e Prestiti (possibly as a step towards Borsa becoming part of the Euronext group), as a way to protect this strategic asset, has been debated over the last months and has received political support across party lines, although the Treasury has not made its plans clear yet.

b. Measures concerning the postponement of annual shareholders' meetings

The measures introduced by the first economic recovery package, that were meant to apply to those shareholders' meetings scheduled within 31 July 2020, will instead apply until 31 October 2020. As a recap:

- Annual shareholders meetings will be held **within 6 months of the end of the financial year**
- Joint stock companies, limited liability companies and cooperative companies may foresee when they summon their meetings that shareholders participate remotely
- Listed companies may hold their shareholders' meeting at the sole presence of the shareholders' designated representative
- The same goes for cooperative banks (*"banche popolari"* and *"banche di credito cooperativo"*).

c. <u>Alternative Investment Funds</u>

The deadline for asset management companies to underwrite shares of alternative investment funds may be extended by 3 months, and in any case until no further than 31 December 2020, conditional upon the unanimous agreement of the subscribers to the relevant fund.

d. <u>A new incentive to economic activity in the South</u>

This incentive will apply to those Regions whose per capita income in 2018 was less than 75% of the EU average or whose per capita income was between 75% and 90% of the EU average but whose employment rate was below the national average: three of these Regions are in central Italy (Umbria, Abruzzo and Molise), the others are in the continental South (Campania, Puglia, Basilicata, Calabria) and the 2 islands (Sicily and Sardinia).
From 1 October to 31 December 2020, **social security contributions applying to all employees** – not only the newly hired, but also those who were already employed - in these Regions **will be reduced by 30%.** This measure is conditional upon the authorisation of the European Commission which will assess its compliance to the rules laid down in the temporary framework on State aid.
<u>Approximately €900 million were allocated to fund this measure</u>.

A Decree of the Prime Minister, to be adopted within 30 November, will lay down the criteria according to which this incentive scheme will be extended in 2021-2029.

e. <u>Lay-off schemes (Cassa Integrazione Guadagni) and right to fire</u>

Businesses that have either suspended or reduced their activity due to the covid-19 emergency are entitled to apply for a lay-off scheme (s.c. Cassa Integrazione Guadagni) for 18 additional weeks in the period comprised between 13 July 2020 and 31 December 2020.
For the first 9 weeks of the additional 18, the income support scheme will be fully covered by the State. For the remaining 9 weeks, businesses will be required to pay a contribution, calculated (as a percentage of the total remuneration that would have been otherwise paid to the employee: either 0, or 9%, or 18%) according to the turnaround loss that the employer has suffered during the covid-19 emergency.
The additional resources allocated to extend the lay-off schemes amount to approximately €8 billion.

Businesses that have benefitted from the lay-off schemes in May and June 2020, and do not apply for any additional week in the period starting on 13 July (i.e. they bring back to work the employees that they had previously left home) will be exempted from social security contributions for up to 4 months (and in any case until 31 December 2020), for twice as many worked hours as those for which they benefitted from lay-off schemes in May and June.

Businesses that have not fully resorted to the lay-off scheme (18 additional weeks from 13 July to 31 December) and/or have not fully benefitted from the exemption from social security contributions will not be entitled to fire employees unless in the event of the permanent closure of the business.

Also, on a related note, **those businesses that hire new employees under a permanent contract until 31 December 2020 are exempted from social security contributions for six months, up to €8,060 on an annual basis (i.e. up to €4,030)**

f. Social security aid in the form of direct cash payments

The scope of one-off cash payments will be **much more limited going forward** than it has been during the last months. Only workers in a limited list of sectors, e.g. tourism, sports, entertaining, maritime, door-to-door selling and other seasonal workers will be entitled to a one-off direct cash payment comprised between €600 and €1,000.

Also, families with no sources of income may apply for another instalment of the s.c. **"emergency income"** (€400), following the two instalments already paid since this measure was introduced in May.

g. Direct aid and tax cuts benefitting businesses in specific sectors

This package lays down measures that are meant to benefit three sectors, namely **tourism**, **hospitality** (particularly restaurants) and **cultural heritage** which are among those that were hit the most by the economic downturn:

- Businesses in the restaurant industry that have recorded a reduction in their turnover by 25% in March-June 2020 vs. the same period in 2019 may benefit from a direct aid from the State (from a minimum of €2,500) to purchase food/wine from national supply chains
- Also, shopkeepers in a number of city centres who recorded a loss in their turnover by more than one third in June 2020 vs. June 2019 will benefit from a direct aid (from a minimum of €1,000 for natural persons and €2,000 for legal entities), which will be calculated as a percentage of their turnover loss (15%, 10% or 5% varying according to their turnaround in 2019).
- Tax cuts will be introduced to benefit the accommodation industry, including a tax credit worth 60% of the rents paid by businesses and an exemption from the second instalment of the 2020 property tax, which will also apply to cinemas, theatres, discos, properties hosting exhibition fairs and sports events. Cinemas and theatres will be exempted from the property tax in 2021 and 2022 as well.

h. Extension of deadlines for tax payments

Tax payments that were suspended in March, April and May will not be paid entirely in 2020, as previously planned. 50% will be paid either within 16 September 2020 or in 4 monthly instalments in September-December; **the remaining 50% will be paid (with no sanctions and no interests applying) in up to 24 monthly instalments** starting in January 2020.

The **second instalment of the 2020 regional tax on productive activities (IRAP) will be paid within 30 April 2021** instead of within December 2020 (businesses had already been exempted from the second instalment of 2019 and the first instalment of 2020) by businesses that recorded a turnaround loss of more than 33% in January-June 2020 vs. the same period in 2019.

This measure will generate a revenue loss for the Government of €2.2 bn this year.

Also, the deadlines for tax payments associated to notices to pay delivered by the national Tax Agency will remain suspended until 15 October.

i. Liquidity to small and medium enterprises

€7.8 billion additional funding was allocated to the Guarantee Fund for SMEs, which is empowered to assist loans taken by SMEs from banks with the State's guarantee. This additional funding will be available in 2023-2025 (that's when the Government expects at least part of the guarantees to be executed):

- €3.1 bn will be available in 2023
- €2.635 bn will be available in 2024
- €1.6 bn will be available in 2025

The regulatory framework disciplining the guarantee scheme was laid down by the Decree-Law passed in early April (n. 23 of 8 April 2020).

Also, the existing **moratorium on payments of loans and mortgages taken by small and medium enterprises**, which was put in place by the first recovery package in mid-March and was meant to end on 30 September 2020, **will be extended until 31 January 2021** (31 March 2021 for businesses in the tourism sector).

j. Additional funding for local Governments

Further €1.6 billion will be allocated to be distributed among local administrations, and €2.8 billion to be distributed among Regions, to **compensate the loss they incurred in tax revenues** due to the covid-19 epidemic and the lockdown.
Finally, the deadline for the Treasury, through Cassa Depositi e Prestiti, to provide Regions and local administrations with the **liquidity they may need to pay their commercial arrears** vs. suppliers will be extended until 9 October 2020.

Other

Incentives for the **purchase of low CO_2 emission cars** will be increased by €500 million.

€1.5 billion will be allocated to **recapitalise companies controlled by the Treasury**.

Cashless payments will be incentivised through a partial reimbursement mechanism - €1.75 billion will be allocated to fund this programme in 2021.

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