

Centro Studi sul Federalismo

Fiscal Federalism in Italy

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In Italy a decentralisation process from the central to regional and local governments is taking place. Yet, such a process only began in recent years: from the unification in 1861 until the 1970s, Italy was *de facto* organised as a centralised state. After the Fascist dictatorship Italy became a Republic with the new Constitution in 1948 which provided for some elements of Federalism, i.e. art. 5 acknowledged local autonomies; Title V provided for the creation of Regions (art. 131) and defined their legislative powers in some areas and recognised special autonomy to certain regions located in disadvantaged areas and because of cultural and linguistic differences.

In the 1990s, economic and political crisis pushed citizen to ask more accountability at political level: it was exactly in those years that new steps towards decentralisation began. The reform of the Title V of the Basic Law, which modified articles from 114 to 133, took place on November 8th 2001, after being approved by the Parliament and confirmed by a referendum (Constitutional law nr. 3 of 2001).

This reform changes the nature of the Italian state toward a federal state but gives no indication on how fiscal relations between the different levels of governments should be designed leaving to ordinary laws the task to redesign the resource and expenditure between the Centre and the periphery.

The general framework for fiscal arrangements between the central and subnational entities is established by article 119 of the new Constitution. Article 119 gives complete revenue autonomy to lower levels to finance their normal activities, with the introduction of an equalization fund designed to have a marginal role in poorer regions. The separation of powers in terms of precise revenue sources was left vague and depending on ordinary law.

The system of fiscal federalism designed by the new Constitution, however, is far from being satisfactory. On the expenditure side, the sharing of responsibilities between national and regional government is marred by the overlap of legislative competences on a variety of crucial public activities. Inadequacy is even greater on the financing model, as the new Constitution does not state clearly the fundamental choices on the degree of interregional diversity that the new system is expected to generate in the provision of public goods.

To fulfill the reform in the direction of federalism there is a urgent need of implementing article 119 defining new regional and local tax assignments correlated with spending functions. The recently approved Law 42/2009 is just one ahead on this direction.

The aim of this project is to monitor the evolution of the application of fiscal federalism in Italy. The intent is to give to specialist and interested people the pieces of information needed to follow and know the application of fiscal federalism in Italy by means of three main instruments:

- the collection of legislative documents
- the collection of most relevant scientific articles and commentaries, studies and ad hoc analysis
- the collection of most relevant national and international articles published by the media.

Links:

- [Observatory on Fiscal Federalism](#)
- [Fiscal Arrangements Between National and Sub-national Governments: Perspectives from India and Italy](#) con Sanjay Kumar Pandey in *Journal of Federal Studies* Eighteen Issue (2/2008)
- [To what extent do central governments erode states jurisdiction using fiscal arrangements?](#) con Sanjay Panday, in " Policy Issues in Federalism: International Perspectives", Viva Books Ltd, 2008