

**IMPACT ON TAX AND GRANT MATTERS OF THE SPANISH  
DECLARATION OF SOCIAL ENTERPRISES AS PROVIDERS OF  
ECONOMIC SERVICES OF GENERAL INTEREST**

***INCIDENCE SUR LES QUESTIONS FISCALES ET DE SUBVENTIONS DE LA  
DECLARATION ESPAGNOLE DES ENTREPRISES SOCIALES EN TANT QUE  
FOURNISSEURS DE SERVICES ECONOMIQUES D'INTÉRÊT GÉNÉRAL***

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**ABSTRACT**

*Empresas de inserción* (work integration social enterprises - WISEs) and their activities have been declared entities providing services of general economic interest and the system of exceptions for this type of enterprise has recently been modified as regards subsidies to compensate for public service obligations. It would therefore seem a good moment to reflect on this subject. Furthermore, these enterprises play a part in various European Union policies, as noted in the recent Communication from the Commission proposing measures concerning state aid. The present article defines the enterprises that provide “services of general

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economic interest”, the rules that apply to them and the WISEs’ compatibility with the award of state aid. It also explains the significance and general impact of this declaration for WISEs and its impact in terms of the tax incentives applied to them.

**KEY WORDS:** Work integration social enterprises state aid; taxation of social business; social economy

## **RESUMEN**

Empresas de inserción (entreprises sociales d’insertion de travail - Wise) et leurs activités ont été déclarées entités fournissant des services d’intérêt économique général et le système d’exceptions pour ce type d’entreprise a récemment été modifié en ce qui concerne les subventions pour compenser les obligations de service public. Il semble donc un bon moment pour réfléchir sur ce sujet. En outre, ces entreprises jouent un rôle dans les différentes politiques de l’Union européenne, tel qu’indiqué dans la récente Communication de la Commission de proposer des mesures concernant les aides d’État. Le présent article définit les entreprises qui fournissent des « services d’intérêt économique général », les règles qui s’appliquent à eux et compatibilité du Baba avec l’octroi d’aides d’État. Il explique aussi l’importance et l’incidence générale de cette déclaration pour Baba et son impact en ce qui concerne les incitations fiscales qui leur sont appliquées.

**MOTS-CLES:** Entreprises sociales d’insertion, aides d’état ; fiscalité de l’économie sociale ; économie sociale.

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## 1. Introduction

In Spain, article 3 (1) of law 31/2015 added a 4<sup>th</sup> paragraph to article 5 of law 4/2011 (the Social Economy Act), as follows:

*“4. Centros especiales de empleo (special employment centres) and Empresas de inserción (work integration social enterprises - WISEs), constituted and identified as such in accordance with the applicable regulations, are hereby **declared organisations providing services of general economic interest**. Furthermore, this declaration may be extended to any other social economy organisation that also has as its purpose the labour integration of groups at risk of exclusion, as established by the regulations.”*

*The identification of WISEs as services of general economic interest is accompanied, in article 4 of the same law, through an amendment to Additional Provision 5 of the Public Sector Contracts Act<sup>2</sup>, by establishing a market reserve in public procurement for this type of enterprise.*

This set of statutory provisions is no accident. On the contrary, it complies with the suggestions of the European Commission’s “Social Business Initiative” communication<sup>3</sup>. WISEs are social enterprises in the sense in which the term is used by the Commission in this communication. In particular, the concept covers enterprises:

- a) for which the social objective of the common good is the reason for the commercial activity, often in the form of a high level of social innovation (see Sanchis Palacio & Campos Climent, 2005: 279-306)
- b) where profits are mainly reinvested with a view to achieving this social objective
- c) and where the method of organisation or ownership system reflects their mission, using democratic or participatory principles or focusing on social justice.

Consequently, they may be:

- businesses providing social services and/or goods and services to vulnerable persons, and/or
- businesses with a method of production of goods or services with a social objective, such as **social and professional integration via access to employment for disadvantaged people**.

In this Communication, the Commission proposes 11 key measures, which include removing the difficulties these enterprises encounter in the area of public

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<sup>2</sup> Revised Text of the Public Sector Contracts Act, adopted by Legislative Royal Decree 3/2011 of 14 November 2011.

<sup>3</sup> “Social Business Initiative - Creating a favourable climate for social enterprises, key stakeholders in the social economy and innovation” Communication SEC (2011) 1278 final. Along the same lines, see the Communication on corporate social responsibility of the same date (COM (2011) 681 final).

procurement and **simplifying the implementation of rules concerning state aid to social and local services.**

## 2. **Work integration social enterprises are affected by the State Aid system**

What does declaring WISEs to be providers of “services of general economic interest” (SGEIs) involve? This is related to European competition rules, particularly the ban on ‘State Aid’ (in other words, on benefits or advantages that a state may grant to an enterprise or group of enterprises) that could interfere with the working of the internal market. Such benefits or advantages may consist of subsidies, guarantees, low-interest loans, Social Security contribution relief, etc., or even of tax allowances.

According to article 107 (1) of the Treaty on the functioning of the European Union (TFEU), in general the state aid rules only apply when the beneficiary is an “undertaking”. To be classed as such, it does not matter whether or not national law classes the organisation as non-profit, as the only relevant criterion is whether it engages in an economic activity. According to the Court of Justice of the European Union (CJEU), any activity that consists in offering goods or services in a particular market constitutes an economic activity<sup>4</sup>. Does this mean that the TFEU rules on state aid apply to WISEs? It can only be concluded that they do, and that these rules may be applied whatever legal form the enterprise takes.

TFUE article 107 (1) provides for a general ban on state aid, as follows:

“1. Save as otherwise provided in the treaties, any aid granted by a Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods shall, in so far as it affects trade between Member States, be incompatible with the internal market.”

The elements of state aid are, therefore:

- **State resources** (in any form)
- Granted to **undertakings** or goods
- **Advantage** (“favouring”)
- **Selective** (“certain”)
- Distorts or threatens to distort **competition** (exception: *de minimis* rule)

However, TFEU article 106 (2) establishes a (much more favourable) system of exceptions for state aid to “services of general economic interest”. Specifically:

“2. Undertakings entrusted with the operation of **services of general economic interest** or having the character of a revenue-producing monopoly shall be subject to the rules contained in the Treaties, in particular to the rules on

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<sup>4</sup> Case 118/85, *Commission v Italy*, Reports 1987 02499, point 7; case C-35/96, *Commission v Italy*, Reports 1998 I-3851, point 36; joined cases C-180/98 to C-184/98, *Pavlov and others*, point 75.

competition, **in so far as the application of such rules does not obstruct the performance, in law or in fact, of the particular tasks assigned to them.** The development of trade must not be affected to such an extent as would be contrary to the interests of the Union.”

Here it will be seen that the balance has shifted: what predominates is no longer the operation of the market, forbidding any aid to undertakings that could distort it, but the performance of the service. Limits are placed on the possible aid, however: the market (trade) must not be affected to an extent that would be contrary to the interests of the Union.

### **3. Social and work integration as a social service of general economic interest**

What are services of general economic interest? There is no definition in the Treaty. According to the Commission, ‘service of general economic interest’ is a concept that applies to market services on which the Member States impose certain *public service obligations* by virtue of general interest criteria.

From TFEU article 106 (2) it may be gathered that the undertakings entrusted with operating SGEIs are enterprises that have been entrusted with ‘a specific mission’ and are subject to the rules concerning competition and state aid. Generally speaking, being entrusted with a ‘specific public service mission’ entails providing services that a company would not undertake or would not undertake to the same extent or under the same conditions if it were considering only its own commercial interest. For certain services of general economic interest to operate according to principles and in conditions that allow them to perform their task, it may be necessary for the State to provide financial aid that covers all or part of the specific costs arising from the public service obligations.

In addition to article 106 (2), these services are currently also regulated, fundamentally, by two further precepts:

1. The new article 14 of the TFEU, which emphasises that the Union and the member states are jointly responsible for SGEIs.

2. Protocol (No 26) on services of general interest, agreed on by the Heads of State and Heads of Government and annexed to the TFUE.

The Court has ruled that the definition of which services meet a general interest depends on the member states and that its control in this respect is limited to manifest errors<sup>5</sup>. In Spanish law, this definition is to be found in article 5 (4) of the Social Economy Act, on work integration social enterprises.

Nevertheless, the Court of Justice has also clarified that for the purposes of TFEU article 106 (2), member states are not entirely free in this designation, as not all economic activity can be considered SGEI. In all cases the activity must be “of a

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<sup>5</sup> Particularly the judgement of the Court of First Instance of 27.02.1997, FFSA and others, Case T-106/95, Reports 1997 II-00229, point 101.

general economic interest exhibiting special characteristics as compared with the general economic interest of other economic activities”<sup>6</sup>. The Court has also established that as well as being services which present specific characteristics compared to those of other economic activities, SGEIs are also obliged by the member states to meet certain public service obligations following a general interest criterion<sup>7</sup>. Consequently the member states’ discretion in defining SGEI is subject to verification by the Commission (which, in turn, is supervised by the Courts<sup>8</sup>) to ensure that there is no manifest error.

What is considered a social service of general economic interest? Here too, neither the TFEU nor secondary EU legislation define the concept of social services of general interest (SSGI). The Commission’s 2006 Communication on “Implementing the Community Lisbon program – Social services of general interest in the European Union”<sup>9</sup> identified not only health services and social security schemes but also “*other essential services provided directly to the person*”, including activities to ensure integration into the labour market (occupational training and reintegration). This doctrine was confirmed by the 2007 communication on “A single market for 21<sup>st</sup>-century Europe – services of general interest, including social services of general interest: a new European commitment”<sup>10</sup> and was maintained in subsequent documents such as the 2013 Guide to the application of EU rules on state aid and public procurement to SGEIs and, in particular, to SSGIs<sup>11</sup>.

Consequently, the description in Spanish law would have the blessing of the Commission when exercising its powers of verification.

### 3.1. Legal framework of aid to compensate for SGEIs

Ascertaining the treatment that applies to specific instances of aid to WISEs involves a number of steps.

The first question is whether an aid or advantage exists, as otherwise the state aid regime would not be applicable, not even that concerning SGEIs. Secondly, even if such aid exists, it must be determined whether it is compatible with the Treaty because it is necessary for carrying out the specific mission of the SGEI and because any possible distortion of the market is not contrary to the general interest of the Union.

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<sup>6</sup> CJEC judgement of 10 December 1991, Case C-179/90, *Merci convenzionali porto di Genova SpA v Siderurgica Gabrielli SpA*, Reports 1991 I-5889, point 27. See also the judgements of 17 July 1997 in case C-242/95, *GT-Link A/S v De Danske Statsbaner (DSB)*, Reports 1997-4449, point 53, and of 18 June 1998 in case C-266/96, *Corsica Ferries France SA v Gruppo Antichi Ormeggiatori del porto di Genova Coop. arl, Gruppo Ormeggiatori del Golfo di La Spezia Coop. arl and Ministero dei Trasporti e della Navigazione*, Reports 1998 I-3949, point 45.

<sup>7</sup> See case T-289/03, *BUPA v Comisión*, Reports 2008 II-81, points 166, 169 and 172.

<sup>8</sup> See case T-17/02, *Fred Olsen v Comisión*, Reports 2005 II-2031; case T-289/03, *BUPA v Comisión*, Reports 2008 II-81, point 13; and case T-309/03, *BUPA v Comisión*, Reports 2008 II-2935, point 95.

<sup>9</sup> COM(2006) 177 final of 26.4.2006

<sup>10</sup> COM (2007) 725 final of 20 November 2007

<sup>11</sup> SWD(2013) 53 final/2

## 1. Existence of ‘Aid’

As regards whether or not aid exists, two factors need to be taken into account: whether or not there is an advantage and whether or not there is distortion of competition.

- a) Is it possible to talk of an advantage when what is being compensated for is a cost *imposed* by the State? In this regard, the Court of Justice has considered (see MAILLO GONZALEZ-ORÚS, J., pp. 35-44) that compensation to enterprises entrusted with SGEIs which do not exceed the additional costs entailed by the public service obligations imposed by the State do not constitute State Aid. This is the essence of the Court’s ruling in its judgement of 22 November 2001 in the *Ferring* case<sup>12</sup>. This interpretation has also been confirmed by the judgement in *Altmark Trans GMBH*<sup>13</sup>.

In the latter case, the Court set out the necessary **conditions** for compensation for public service not to be considered state aid:

- (1) The existence of a public service obligation
- (2) An entrustment act by the authorities that defines this obligation clearly
  - a) The said act must establish the parameters on which the compensation is based
  - b) If the said act is not a public procurement procedure, the compensation must be calculated on the basis of the costs of a ‘typical’ enterprise.
- (3) The compensation may not exceed what is necessary to cover the costs incurred in discharging the public service obligation.

As a result, financial aid that meets the requirements of this Judgement (so there is no element of ‘advantage’ under article 107 (1) of the Treaty) does not constitute State Aid and need not even be notified (see MAILLO GONZALEZ-ORÚS, J., 2005, p. 39). However, this does not mean that aid that does not meet these conditions cannot also be considered SGEI and, consequently, subject to the provisions of article 106.2.

In certain cases of aid, a lack of economic significance is an indication that any distortion of the market there might be would be of little importance. This is the basis for the *de minimis* rule that exempts aid below a certain threshold (€200,000) from the state aid notification system<sup>14</sup>. If the conditions of this Regulation are met, such aid does not constitute state aid under TFEU article 107 (1) and need not be notified to the Commission.

Moreover, according to the Commission, the limit for aid to social services can be different to the general *de minimis* limit set out in Regulation 1998/2006. For this

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<sup>12</sup> Case C-53/00

<sup>13</sup> Judgment of 24 July 2003 in case C-280/00.

<sup>14</sup> Commission Regulation (EC) No 1998/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to *de minimis* aid, OJ L 379 of 28.12.2006.

reason, a new Regulation was issued in April 2012 with specific *de minimis* rules for undertakings providing services of general economic interest<sup>15</sup>. According to this new regulation, compensation for the provision of services of general economic interest does not affect trade between member states and/or does not distort or threaten to distort competition provided that:

- a) The general interest service obligation entrustment act is in writing
- b) The total of such aid granted to any one undertaking does not exceed **€500,000** over any period of three fiscal years.
- c) The aid is ‘transparent’, in other words, it must be possible to calculate the gross equivalent of the grant, as required by the general *de minimis* aid rules.

However, it should be borne in mind that this last requirement is a great hindrance to the application of this system to fiscal incentives, as it is difficult to guarantee at the time they are introduced that the limit will not be exceeded.

## 2. Compatibility and implementing regulations

As a result of the Court’s interpretation in the *Altmark* case, and of pressure by enterprises and experts who called for clarification on the ceiling for aid to services of general interest, the Commission issued a package of measures to address the situation of SGEIs that did not meet these conditions<sup>16</sup>. Subsequently, the rules on state aid for general interest services have been revised. On 23 March 2011 the Commission issued a Communication on reform of the EU State aid rules on services of general economic interest’(COM (2011) 146 final).

The package of measures consisted of:

1. The **Communication** from the Commission of 20.12.2011 (C (2011) 9404 final) on the application of the European Union state aid rules to compensation granted for the provision of services of general economic interest. This clarifies basic concepts concerning state aid in relation to SGEIs, such as the notions of aid, SGEI, economic activity, absence of advantage, etc.
2. The **Decision** of the Commission of 20 December 2011<sup>17</sup>, which sets out the conditions for compatibility with compensation for SGEIs. Aid that meets these conditions is automatically compatible and the member State is not obliged

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<sup>15</sup> Commission Regulation (EU) No 360/2012 of 25 April 2012 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid granted to undertakings providing services of general economic interest.

<sup>16</sup> This package was already anticipated in the state aid action plan of 7 June 2005 (COM(2005) 107 final), in section II.4, “High quality Services of General Economic Interest”. The package consisted of three measures, commonly known as the SGEI Decision, the SGEI framework and the transparency directive. In addition, a Communication on social services of general interest was published in 2006.

<sup>17</sup> On the application of TFEU Article 106 (2) to State aid in the form of public service compensation granted to certain undertakings entrusted with the operation of services of general economic interest (notified under C(2011) 9380).

to give prior notice of it to the Commission<sup>18</sup>. The exemption applies to state aid for SGEIs in any of the following categories:

- a) Compensation not exceeding an annual amount of €15 million
- b) Services performed by hospitals providing medical care, including, when applicable, emergency services
- c) Services meeting social needs as regards health and long-term care, childcare, **access to and reintegration into the labour market**, social housing and the **care and social inclusion of vulnerable groups**.

The combination of this Decision with the *de minimis* rule for social services means that practically all state aid related to social and work integration is exempt from prior notification by the State<sup>19</sup>. However, here too there are difficulties in applying aid of a fiscal nature, as a requisite for the exemption is a guarantee that the amount of compensation will not exceed the net cost of the service, including a reasonable profit, and that is very difficult in relation to any tax concession.

3. The “European Union framework for State aid in the form of public service compensation (2011)”<sup>20</sup>. In the case of aid that is not covered by the Decision, assessment of whether or not it is compatible must be made case-by-case, weighing up the general interest aims achieved and the resulting distortion of competition in accordance with article 106(2). This Framework establishes the requirements for aid to be considered compatible through assessing whether it is ‘reasonable’, as follows:

- Constituting a genuine SGEI according to this concept as used in jurisprudence and in the communication of 2011
- The existence of an entrustment act
- Compliance with the rules on transparency and public procurement and with additional transparency requirements
- Reasonable duration and amount of compensation in relation to the cost of discharging the public service obligation.

To summarise, the applicable rules are as follows:

Aid (compensation)	
A. Meets the four <i>Altmark</i> requirements	Not state aid Not notifiable
B. Does not meet the four <i>Altmark</i> requirements	

<sup>18</sup> Prior notification is a general requirement for all State Aid, to enable the Commission to decide on whether or not the aid is compatible.

<sup>19</sup> With this Decision, the Commission was following the criterion suggested by the European Parliament in its Report and Motion for a European Parliament resolution on reform of the EU state aid rules on Services of General Economic Interest (2011/2146(INI)) in relation to social services which are restricted to a given locality. This was also the view of the Committee of Regions in its Opinion on 'Reform of the EU State aid rules on services of general economic interest'(2011/C 259/08).

<sup>20</sup> (2012/C 8/03).

		
a) Is state aid Application of articles 106 and 107 within the SGEI framework	b) Covered by <i>de minimis</i> rules Not state aid Not notifiable	
Therefore:		
COMMISSION	Decision of 20 December 2011	Not notifiable
	EU framework for state aid in the form of public service compensation, of 20 December 2011	 Sets out the conditions for exception under article 106(2)
	Communications from the Commission <ul style="list-style-type: none"> <li>- “Implementing the Community Lisbon program – Social services of general interest in the European Union”, of 26 April 2006</li> <li>- “Application of the European Union state aid rules to compensation granted for the provision of services of general economic interest”, of 20 December 2011</li> </ul>	

Source: Own compilation

### 3.2. Significance and general impact of legislation declaring WISEs to be SGEI providers

What is the significance of WISEs having been declared SGEI providers? As shown by the *Altmark* judgement and the Commission rules that follow this opinion, in order to be considered a service of general economic interest there must be entrustment by the authorities imposing special burdens that entail the need for compensation. In the case of Spanish WISEs, this entrustment takes the form of a combination of recognition as SGEI under article 5 (4) of the Social Economy Act and the legal form of these enterprises, as regulated by Law 44/2007. According to the Commission, “An SGEI concerning social and work integration or vocational training, defined as such by the State and entrusted to an undertaking by it, may come within the scope of the Decision, provided that the conditions laid down therein are fulfilled. Therefore, compensation paid to an undertaking which has a public service remit in the field of social and work integration or training may be exempted from notification in so far as the undertaking concerned has genuinely been entrusted with this public service task”<sup>21</sup>. This means that there must be an act of entrustment that clearly defines the mission and the parameters for calculating the compensation, in order to avoid any overcompensation.

<sup>21</sup> SWD(2013) 53 final/2, point 187

Normally, the act of entrustment of a SGEI is specific to each case of aid. However, in the *BUPA* case<sup>22</sup> the CJEU ruled that the entrustment act can derive from rules of a general nature, as in this case. Consequently, this declaration in the legislation enables the national, regional or local authorities to provide such aid (grant, tax concession, etc.) with the assurance that the European rules for SGEIs will apply in these cases.

What does this entail? The SGEI package does not establish the right of enterprises to receive aid in the form of compensation for public services but defines the conditions under which such aid is compatible when the authorities in member states decide to organise and fund an SGEI through state aid.

In the case of direct aid (i.e. where the amount can be calculated in advance, as with grants or limited rebates), this means that normally most of them come under the special *de minimis* rules for SGEIs and are automatically exempt, so the State does not have to notify them to the Commission. This occurs when:

- a) The aid does not exceed €500,000 over any period of three fiscal years, expressed as the “gross grant equivalent” (in other words, its equivalent in terms of a grant); such aid may be accumulated with other *de minimis* aid up to this total amount
- b) The aid can be classed as transparent. Article 2(4) of Regulation (EU) No 306/2012 on *de minimis* aid to SGEIs lays down specific rules for deciding when aid consisting of loans, capital injections, guarantees, etc. is considered transparent.

In these cases, the act of entrustment must state in writing:

- the specific amount of the aid expressed as gross grant equivalent, or, in the case of a scheme, the maximum aid amount to be granted under that scheme.
- the specific SGEI for which aid is granted (social and work integration)
- its *de minimis* character, with express reference to the Regulation.

The undertaking must also present a declaration about other *de minimis* aid received during the two previous fiscal years.

In the case of aid that exceeds the ceiling, it too may be exempt and not require notification provided that (in application of the Decision):

- a) There is an express act of entrustment indicating the content, duration and undertakings classified as SGEI in relation to that specific aid,
  - The nature of the advantages granted,
  - A description of the financial compensation mechanism
  - The arrangements for avoiding overcompensation, and
  - A reference to the SGEI Decision.
- b) The amount of aid does not exceed the net cost of the specific activity for which it has been granted (for which it is assumed that the cost will be higher

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<sup>22</sup> Case T-289/03

than for an undertaking which is not a WISE). This net cost, as defined in article 5(3) of the Decision, will be the difference between the costs incurred in the operation of the specific undertaking or activity and the revenue earned from the SGEI, plus a reasonable profit. ‘Reasonable profit’ means “the rate of return on capital that would be required by a typical undertaking considering whether or not to provide the service of general economic interest for the whole period of entrustment, taking into account the level of risk”.

### 3.3. Impact in terms of fiscal incentives

It is clear that TFEU article 106(2) applies to tax advantages when the beneficiary enterprise provides a service of general economic interest (both the Commission and the Court have clarified this). However, it is very difficult for fiscal exemptions to meet the *Altmark* Judgment requirements, as a result of the required quantification of the compensation, in spite of the *BUPA* judgement’s considering that compensation established by general rules is in the nature of entrustment. In addition, as mentioned, the possibility of exempting the SGEI package from notification (*de minimis* Regulation and Decision) cannot be applied to fiscal aid, for the same reason — since it is not normally possible to calculate the total amount in advance (particularly owing to the indefinite duration and the uncertainty surrounding some of the parameters, which are variable) — so it cannot be considered transparent. Consequently, the automatic exemption system is not applicable to fiscal aid, which needs to be reviewed case by case following prior notification.

It is a constant in relation to fiscal incentives that sector exemption rules cannot normally be applied to them. In these cases, the question of whether or not they constitute state aid is usually addressed in terms of ‘aid’ and ‘selectiveness’, since they are introduced through general rules and are indefinite and indeterminate in nature, as already mentioned. As regards the selective character of an aid (particular enterprise(s)) the question is whether or not the treatment that is different (and in principle advantageous) is justified by the logic of the fiscal system (if it is, it is not aid) or by the differential characteristics of the enterprise (if it is, it is not selective).

The TFEU and the Commission have accepted on various occasions that the special tax treatment given to certain enterprises, such as non-profit organisations (British Aggregates<sup>23</sup>) or cooperatives (Paint Graphos<sup>24</sup>), may be justified by their structural differences compared to capital-based enterprises. Also, whether or not there is overcompensation can be determined by examining the behaviour of the WISE: if it offers its services at market prices there is no overcompensation, as it is not using the tax concession to distort competition by lowering its prices. From this point of view, classifying WISEs as SGEIs gives legislators the necessary permission, provided the

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<sup>23</sup> T- 210/2002 (2006)

<sup>24</sup> Cases C-78/08 to C-80/08, Judgment of 8 September 2011

rules on reasonable amounts are obeyed, to justify tax incentives to these enterprises from the point of view of the state aid rules.

This justification enables the Corporate Income Tax treatment of these enterprises to be improved in specific ways, granting them tax benefits associated not only with their work integration activity but also with their difficulties in accessing funding.

Without any need for changes in the legislation, it should also justify their receiving certain fiscal benefits in other taxes, including local taxes. Indeed, the revised text of the Spanish law regulating local finances provides for a tax rebate of up to 95% of the total tax due, at the discretion of the council, for "... economic activities declared of special municipal interest or utility where social, cultural, historic or artistic circumstances or the promotion of employment justify such a declaration." This applies to the tax on real estate ownership (*Impuesto sobre Bienes inmuebles*, art. 74(2) quater), tax on economic activities (*Impuesto sobre Actividades Económicas*, art. 88(2) y), tax on construction, installations and works (*Impuesto sobre Construcciones, Instalaciones y Obras*, art. 103(2)) and tax on the increase in value of urban land (*Impuesto sobre Incremento de Valor de los Terrenos de Naturaleza Urbana*, art. 108(2)).

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