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this letter:*

*NAC/2016/007/IT/RCOL,
NAC/2016/018/IT/RCOL*

Subject: Conformity clearance under Article 52 of Regulation (EU) No 1306/2013 of the European Parliament and of the Council

Enquiry No NAC/2016/007/IT concerning Other Direct Aid - Article 68-72 of Reg.73/2009 and Chapter 1 of Title IV of Regulation (EU) No 1307/2013

Enquiry No NAC/2016/018/IT concerning the Direct aids under Regulations (EU) No 1306/2013, 1307/2013, 639/2014, 640/2014, 641/2014 and 809/2014 and Rural development measures under Regulation (EU) 1305/2013

Permanent Representation of Italy to the European Union
His Excellency Maurizio MASSARI, Ambassador Extraordinary and Plenipotentiary Permanent Representative
Rue du Marteau, 7-15
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Agenzia per le erogazioni in agricoltura
Ms Silvia Lorenzini, Directeur
Via Palestro, 81
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ITALY

References: Letter of findings Ares(2016)3996314 dated 29/07/2016,
Ares(2016)4820756 dated 29/08/2016
Your reply dated 19/10/2016, dated 28/10/2016
Invitation to the bilateral meeting Ares(2016)7160623 dated 23/12/2016
Your reply dated 17/01/2017
Minutes of the bilateral meeting Ares(2017)1086365 dated 01/03/2017
Your reply dated 21/03/2017, dated 05/04/2017
Request for additional information Ares(2017)5290682 dated 30/10/2017
Your reply dated 22/12/2017
Request for additional information Ares(2018)723638 dated 07/02/2018,
Ares(2018)1425058 dated 15/03/2018, Ares(2018)2143961 dated
18/04/2018 and Ares(2018)2143844 dated 23/04/2018
Your replies dated 21/02/2018, dated 22/03/2018, dated 28/03/2018,
dated 20/04/2018 and 24/04/2018

**Formal communication pursuant to Articles 34(3) third subparagraph
and 40(1) of Commission Implementing Regulation (EU) No 908/2014**

Dear Sir, Madam,

Further to the bilateral discussion held in Brussels on 23/01/2017 and taking into account the additional information submitted by your authorities following the bilateral meeting, the Directorate-General for Agriculture and Rural Development (DG AGRI) maintains its position that the implementation of the system for the management and control of direct payments in Italy was not in conformity with EU rules in the claim years from 2014 and onwards. Insofar as the audit findings concern the implementation of the active farmer provision under Art. 9 of R. 1307/2013 for claim years 2015 and 2016, this position also applies to the rural development measures for which this legal provision is applicable.

Consequently, DG AGRI proposes to exclude from EU financing an amount of **EUR 93 659 338.36** (gross amount: **EUR 94 098 306.01**).

The grounds for this exclusion and a detailed calculation of the amounts concerned are described in Annex.

Pursuant to Article 40(1) of Regulation (EU) No 908/2014 your authorities have the right to request conciliation. If your authorities believe that conciliation is appropriate, they must refer the matter to the Conciliation Body by sending a reasoned request for conciliation within 30 working days from the receipt of this notification in your national language. The attention of your authorities is drawn to Article 40(2) of the respective above-mentioned Regulation and to the guidelines¹ as regards the admissibility of the request for conciliation.

¹ Available in CIRCABC (<https://circabc.europa.eu/w/browse/199903b5-9aa0-461e-a776-9a63e3d14013>).

The information provided for after the receipt of this communication will not be taken into account for the evaluation of the expenditure to be excluded unless the criteria mentioned in Article 34(6) of Regulation (EU) No 908/2014 are fulfilled.

The Commission is not bound to decide on a correction of the amount proposed by DG AGRI, but will decide on the basis of this proposal, after examining any report produced by the Conciliation Body and after the consultation of the Committee on the Agricultural Funds.

Mr Filippo BENELLI of Unit AGRI.DDG3.H.3 Assurance and audit - Direct payments (tel.: +32 2 298 47 57, e-mail: Filippo.BENELLI@ec.europa.eu) is available for further information. Please send your official reply to this letter to the functional mail box of the unit: agri-audit-dp@ec.europa.eu_or, if you wish to refer the enquiry to the Conciliation Body, AGRI-CONCILIATION-BODY@ec.europa.eu.

The translation of this letter into your national language is under preparation.

Yours faithfully,

Rudolf MOEGELE

ANNEX

1. REASONS FOR THE EXCLUSION

Enquiry NAC/2016/018/IT

1.1 **Key control: Checks concerning the active farmer provision (Article 9 of Regulation (EU) No 1307/2013 and Art. 10-13 of Regulation (EU) No 639/2014)**

Legal provisions

Article 9(2) and Article 9(3) of R. 1307/2013

Art.10 -13 of R. 639/2014

DG AGRI findings

DG AGRI, taking into account the clarification supplied by the Italian authorities and notified in the ISAMM system, concluded that the system in place in Italy to verify the farmer's compliance with Art. 9(2) (c) and Art. 9(3) (b) of R. 1307/2013 is not effective. In DG AGRI's opinion the information provided by the Italian authorities did not show the relevance of the VAT code "ATECO Agricoltura 01 principale" in assessing that the agricultural activity of farmers on the "negative" list is the principal business/company object, in line with Art.9(2) (c) and Art. 9(3) (b) of R. 1307/2013.

Italian authorities' position

The Italian authorities explained that the "ATECO 01" VAT code is used to determine farmer's compliance with Art.9(2) (c) and Art. 9(3) (b) of R.1307/2013, in order not to create an additional administrative burden for the applicants and the administration and to reduce the red tape which is, in their view, "one of the core objectives, and one of the key requirements, of the CAP reform". In their opinion the decision to introduce more stringent criteria for identifying beneficiaries eligible for direct payments, which is not a compulsory requirement of the EU Regulations, is a national choice that should not result in Italy being penalised more compared to other countries which have only excluded the applicants on the "negative" list mentioned under Art. 9(2) of R. 1307/2013.

After the bilateral meeting the Italian authorities provided the procedure for obtaining VAT code "ATECO agricoltura 01 principale". According to the information provided, the Inland Revenue carries out annual checks of the VAT and tax declaration and when concluding that the agricultural activity is not (or no longer) the principal activity, this is communicated to AGEA that will start the administrative procedure for non-active farmer, including retroactive recovery of amounts paid if necessary.

Further to a request for additional information the Italian authorities determined that 110 farmers rebutted the negative presumption, and were regarded as active farmer under Art. 9(2) (c), based on a VAT code "ATECO Agricoltura 01 principale". Therefore for this category of farmers the total direct payments made were:

- **EUR 816 637.36²** for claim year 2015
- **EUR 773 926.61³** for claim year 2016

DG AGRI position

DG AGRI maintains its position that the compliance with Article 9 of R. 1307/2013 was not ensured in relation to claim years 2015 and 2016.

DG AGRI considers that the Italian Authorities have failed to demonstrate that the procedures implemented in order to assess farmer's compliance with Art. 9(2) (c) and Art. 9(3) (b) of R. 1307/2013 were effective in identifying the non-active farmers, because:

- No evidence was provided on the criteria used by the Inland Revenue to determine if the agricultural activity is indeed the principal activity of the claimant or on the type of information communicated by the Inland Revenue to AGEA
- No evidence was provided of any retroactive recovery carried out by AGEA following the cross-checks with the communication from Inland Revenue
- The procedure in force does not ensure that farmers not producing but just maintaining the land are able to use this rebuttal test

As regards the Italian authorities' opinion, in DG AGRI's view the objective of reducing the red tape cannot be achieved at the expense of compliance with the relevant EU legal requirements, implementation of optional requirements decided upon by a Member State has to be fully compliant with the provisions of Art. 9 of R. 1307/2013.

² Representing the total of EUR 470 124.95 paid in relation to the basic payment scheme, EUR 213 214.31 paid in relation to the greening payments scheme for entitlements and EUR 1 081.74 paid in relation to the young farmer scheme as well as EUR 129 682.83 paid in relation to the voluntary coupled support measures.

³ Representing the total of EUR 412 258.38 paid in relation to the basic payment scheme, EUR 205 207.51 paid in relation to the greening payments scheme for entitlements and EUR 1 276.11 paid in relation to the young farmer scheme as well as EUR 154 130.87 paid in relation to the voluntary coupled support measures.

The estimation of the financial risk regarding the farmers that rebutted the negative presumption and were regarded as active farmer under Art. 9(2) (c) of R. 1307/2013 provided by the Italian authorities is not complete as no information was provided about any Rural development payments subject to active farmer provision made. Therefore, in DG AGRI view, this amount does not accurately reflect the financial risk for the Funds.

As regards the farmers that were regarded as active farmer under Art. 9(3) (b) of R. 1307/2013, despite several requests from DG AGRI for information that would allow a limitation of the population at risk, regrettably the Italian authorities did not provide any such information.

In order to address the DG AGRI's finding under the current enquiry, as of claim year 2016, farmers in Italy are required also to submit their annual VAT declaration for the year prior to the presentation of the aid application in order to assess the compliance with Art. 9(2) (c) and 9(3) (b).

Therefore, as the practical implementation of this corrective measure introduced has been tested under enquiry NAC/2017/004, any potential non-compliance with Article 9(2) and 9(3) of R. 1307/2013 and the resulting financial risk for the Funds for claim year 2016 and onwards is followed under enquiry NAC/2017/004/IT.

1.2 Voluntary coupled support - Eligibility for EU financing for claim year 2015

Legal provisions

Art. 52 of R. 1307/2013 and Art. 52 and Art. 53 of R. 693/2014 lay down the conditions under which Member States may grant Voluntary Coupled Support (VCS) to farmers. VCS payment is granted on the basis of fixed areas and yields or of a fixed number of animals that shall reflect the maximum area cultivated and yield, or number of animals in the targeted region or sector in at least one year in the period 2009 -2013 (Art. 53(2) of R. 639/2014).

The annual payment shall be expressed as the per unit amount of support. It shall result from the ratio between the amount fixed for the financing of the measure as notified according to point (3)(i) of Annex I to this Regulation and either the area or the number of animals eligible for the support in the year in question, or the area or the number of animals fixed as referred to in the first subparagraph of this paragraph. It may also be an amount between them when the area or the number of animals eligible for the support does not exceed the area or the number of animals fixed (Art. 53(2), second subparagraph of R. 639/2014).

DG AGRI findings

The analysis of the information provided by Italy led DG AGRI to express doubts on the eligibility of certain VCS measures for EU-funding because in claim year 2015 the payments made to farmers in relation to measures 4 and 5 were calculated based on more than one per unit amount for each measure.

DG AGRI is of the view that the differentiation of the per unit amount paid in relation to these measures depending on the applicant's participation to a quality scheme was not allowed in claim year 2015 under Art. 53(2) of R.639/2014.

Italian authorities' position

In their reply to the minutes of the bilateral meeting the Italian authorities provided an analysis to demonstrate that the decision to pay different unit amounts, applying an increase to the basic unit amount, to the different categories of applicants within the same VCS measure is justified by the different profitability levels of these categories. Thus, the Italian authorities decided to pay higher unit amounts to those categories of applicants / farming types that generate greater public benefits, but with higher costs and lower yields.

In addition the Italian authorities provided a comparison of the unit amounts actually paid to the different categories of farmers in relation to claim year 2015 and the same unit amounts recalculated according to new 2016 guidelines that take into account the amendment to Art. 53(2) of R. 639/2014⁴ applicable from claim year 2016 onwards. The comparison shows small difference between the unit amounts actually paid in 2015 and "theoretical" unit amounts that would have been paid if the amendment to Art. 53(2) of R. 639/2014 would have been already applicable in 2015. Therefore, in the Italian authorities' opinion the differentiation of unit amount paid to different categories of applicants in 2015 has not created a financial risk for the Fund.

Further to a request for additional information the Italian authorities provided the different unit amounts and the number of animals paid for each of the two VCS measures for a total expenditure, in claim year 2015, of:

- for measure 4: 186 025 animals were paid at the unit amount of EUR 206.0023 and 9 930 animals were paid at the unit amount of EUR 247.2028, leading to a total expenditure of EUR 40 776 301.66
- for measure 5: 87 769 animals were paid the unit amount of EUR 53.5350, 804 611 animals were paid the unit amount of EUR 69.5955 and 14 727 animals were paid the unit amount of EUR 80.3025, leading to a total expenditure of EUR 61 878 622.96

DG AGRI position

DG AGRI acknowledges that the Italian authorities reviewed their decisions regarding measures 4 and 5 as of the claim year 2016, in order to respond to DG AGRI observations and to bring them in line with the amendment to Art.

⁴ The amendment stipulates that "Member States may decide to apply modulated per unit amounts in respect of certain categories of farmers or at farm level in order to take into account economies of scale resulting from the size of the production structures in the targeted specific type of farming or specific agricultural sector, or, if the measure targets a region or an entire sector, in the region or sector concerned."

53(2) of R. 639/2014 (Art. 1(2) of R. 2016/141). However such modification applies only from claim year 2016 onward.

Therefore, DG AGRI maintains its position that the differentiation of unit amount within the measures 4 and 5 for claim year 2015 is not in line with Art. 53(2) of R. 639/2014.

The above information provided by the Italian authorities allows DG AGRI to establish the financial risk for the EU budget. Thus, DG AGRI is of the view that all applicants under each of these two measures should have received a single per unit amount, i.e. EUR 206.0023 under measure 4 and EUR 53.5350 under measure 5 (i.e. the lower per unit amount set under each of the two measures). Under these circumstances, all animals receiving a higher per unit amount than the single per unit amount mentioned above were in fact subject to an undue payment represented by the difference between the actual per unit amount paid and the single per unit amount. The total unduly paid amount per measure is obtained by multiplying the number of animals receiving a higher per unit amount than the single per unit by the above difference related to the per unit amount. Therefore the financial risk for claim year 2015 amounts to:

- **EUR 409 120.97** for measure 4 and is calculated by multiplying the 9 930 animals paid at EUR 247.2028 by the undue payment per animal of EUR 41.2005 (i.e. 247.2028 - 206.0023)
- **EUR 13 316 659.94** for measure 5 and is calculated as a sum of the amounts detailed below:
 - EUR 12 922 454.97 obtained by multiplying 804 611 animals paid at EUR 69.5955 by the undue payment per animal of EUR 16.0605 (i.e. 69.5955 - 53.5350)
 - EUR 394 204.97 obtained by multiplying 14 727 animals paid at EUR 80.3025 by the undue payment per animal of EUR 26.7675 (i.e. 80.3025 - 53.5350)

Enquiry NAC/2016/007/IT

- 1.3 Key control: Check on the correctness of the calculation of the aid including application of administrative penalties – Late notification of animal movements (Article 63 and Article 65 of Regulation (EC) 1122/2009 Articles 30, Article 31 and Article 32 of Regulation (EU) 640/2014)**

Legal provisions

Article 63 (3) of Regulation (EC) 1122/2009 provides that: "*if the number of animals declared in an aid application exceeds that determined as a result of administrative controls or on-the-spot checks, the aid shall be calculated on the basis of the animals determined*".

Article 65 of the same Regulation states that "In the case of application of the second subparagraph of Article 16(3), potentially eligible animals found not to be correctly identified or registered in the system for identification and registration for bovine animals shall count as animals found with irregularities".

Article 30 (3) of Regulation (EU) No 640/2014 lays down that: *"if the number of animals declared in an aid application or payment claim exceeds that determined as a result of administrative checks or on-the-spot checks, the aid or support shall be calculated on the basis of the animals determined."*

Art. 31 (3) of Regulation (EU) No 640/2014 lays down that *"Where a Member State makes use of the possibility of having a claimless system, in accordance with Article 21(4) on Implementing Regulation (EU) No809/2014, potentially eligible animals found not to be correctly identified or registered in the system for identification and registration for animals shall count as animals found with non-compliances"*.

DG AGRI findings

During the audit it was found that in claim year 2014, late notifications of animal movements to the database for identification and registration for animals, caused by an intermediary in charge for their registration ("Associazione provinciale allevatori"), did not trigger payment reductions or an administrative penalty to the farmer as provided for in the legislation. This finding concerns the specific support to address specific disadvantages in the bovine sector (incl. beef, veal and milk) under Art. 68(1)(b) of Regulation (EC) No 73/2009.

Italian authorities' position

During the conformity procedure, the Italian authorities did not contest the finding regarding claim year 2014.

In their reply to the minutes of the bilateral meeting the Italian authorities indicate that a total of 11 924 animals are concerned by the above observation at national level. Furthermore the Italian authorities explained that, as of claim year 2015, specific guidelines have been issued and an automatic control has been introduced in the database for identification and registration for animals as remedial action.

Further to a request for additional information the Italian authorities calculated that the financial risk, resulting from the amount of payment reductions and administrative penalties that should have been applied in relation to these animals, amounts to **EUR 2 085 763.48⁵** for claim year 2014.

⁵ Representing the total of EUR 1 456 143.64 for payment reductions and administrative penalties for late registration of 9 760 slaughtered animals and EUR 629 619.84 or payment reductions and administrative penalties for late registration of 2 164 calf.

DG AGRI position

DG AGRI maintains its position that for claim year 2014 the situation found during the audit represents a non-compliance with Art. 63 and Art. 65 of Regulation (EC) 1122/2009. Undue payments due to non-application of payment reductions or administrative penalties entail a risk to the Fund.

The calculation of the risk for Fund provided by the Italian authorities is acceptable in DG AGRI's view, as it represents the exact amount of payment reductions and administrative penalties that should have been applied for claim year 2014.

As regards the remedial actions that have been taken by the Italian authorities from claim year 2015 and onwards, the practical implementation of these corrective measures was reviewed under enquiry NAC/2018/005/IT and will be followed up in that context.

2. FINANCIAL CONSEQUENCES

On the basis of the findings and considering all explanations provided by the Italian authorities, DG AGRI maintains its position that the deficiencies established in the functioning of two key controls have generated a risk to the Funds. In addition, certain VCS payments under measures 4 and 5 charged to the Fund in claim year 2015 cannot be considered eligible for EU funding.

2.1 Key control: Checks concerning the active farmer provision (see point 1.1) affecting all the direct payments and certain Rural development measures⁶ incurred in claim year 2015 – (financial year 2016)

The Italian authorities provided the financial risk for the Fund resulting from the use of the VAT code "ATECO Agricoltura 01 principale" in relation to Art. 9(2) (c) of R. 1307/2013. For the reasons explained under point 1.1, DG AGRI considers that the amount provided by the Italian authorities does not accurately reflect the financial risk for the Funds.

Also, despite several requests⁷ made by DG AGRI, the Italian authorities did not provide any estimation of the population at risk as regards the farmers regarded as active farmer under Art. 9(3) (b) of R. 1307/2013 based on their VAT code "ATECO 01.

Under these circumstances, DG AGRI has no other option of estimating the risk for the Funds but to apply a flat-rate correction on the total expenditure related to the direct payments as well as certain RD measures payments incurred in claim year 2015.

Article 12(6) of Regulation (EU) No 907/2014 and the Guidelines on the calculation of financial corrections in the framework of the conformity and financial clearance of accounts procedure – C(2015) 3675 of 8.6.2015 would indicate a flat-rate correction of

⁶ Art. 16, Art. 19(1) (a) (i), Art. 29, Art. 31, Art. 33 and Art. 36 of R.1305/2013

⁷ 07/02/2018, 15/03/2018, 18/04/2018 and 23/04/2018.

5% applicable to the expenditure concerning all direct payments and certain Rural development measures subject to active farmer provision.

However, considering that the 2015 direct payments received by the 110 farmers (i.e. EUR 816 637.36) that rebutted the negative presumption, and were regarded as active farmer under Art. 9(2) (c), based on a VAT code "ATECO 01" represents 0.02% of the national ceiling set out in Annex II of R.1307/2013, DG AGRI is of the view that a 5% flat rate correction on the total expenditure would result in an overstatement of the financial risk as regards this deficiency.

Therefore, in order to reduce the risk of overstatement of the proposed correction and in line with the provisions of Art. 12(8) of R. 907/2014 and the Guidelines on the calculation of financial corrections in the framework of the conformity and financial clearance of accounts procedure – C(2015) 3675 of 8.6.2015, a 2% flat-rate correction is proposed in order to establish the financial risk for the Fund.

The proposed flat rate will be applied on the total expenditure at risk consisting in all the direct payments and certain Rural development measures subject to active farmer provision.

The direct payments and rural development measure payments made to farmers that are exempted from complying with the active farmer provision in accordance with Art. 9(4) of R. 1307/2013 are not excluded from the expenditure at risk because this amount was not provided by the Italian authorities in their replies and DG AGRI cannot establish with proportionate effort the total direct payments received by each farmer in the claim year 2014.

DG AGRI is aware that the proposed correction may not correctly reflect the actual risk but considers that no other option is available in light of the fact that despite several requests, regrettably the Italian Authorities did not provide any information that would allow limiting the population at risk. In line with Art. 52 (2) of R. 1306/2013, DG AGRI considers that it is not possible with proportionate efforts to identify more precisely the expenditure population at risk or the financial damage caused to the Union.

Therefore, after taking into account the proposed one-off correction under point 2.3 below, the proposed financial correction is **EUR -78 286 761.62**.

2.2 Key control: Check on the correctness of the calculation of the aid including application of administrative penalties (see point 1.3) affecting the specific support to address specific disadvantages in the bovine sector (incl. beef, veal and milk) under Art. 68(1)(b) of R. 73/2009 incurred in claim year 2014 - (financial year 2015)

In accordance with the Guidelines on the calculation of financial corrections in the framework of the conformity and financial clearance of accounts procedure - C(2015)3675 of 8.6.2015, the application of a calculated correction based on the identification of unduly spent amounts, where these can be identified with proportionate effort, is considered more appropriate than the application of flat rate or extrapolated corrections.

The Italian authorities has provided with the calculation of the financial risk for the Funds. For the reasons detailed under point 1.3, DG AGRI considers that calculation acceptable. Therefore, the proposed financial correction is **EUR -2 085 763.48**.

2.3 Ineligible VCS payments under measures 4 and 5 charged to the Fund (see point 1.2) in claim year 2015 (financial year 2016)

In accordance with the Guidelines on the calculation of financial corrections in the framework of the conformity and financial clearance of accounts procedure - C(2015)3675 of 8.6.2015, the application of a calculated correction based on the identification of unduly spent amounts, where these can be identified with proportionate effort, is considered more appropriate than the application of flat rate or extrapolated corrections.

The Italian authorities has provided detailed information concerning the animals paid and the different per unit amounts used for the calculation of these payments to different categories of farmers. As explained under point 1.2, this information allowed DG AGRI to calculate the financial risk for the Fund. Therefore, the proposed financial correction is **EUR -13 725 780.91**.

The overall proposed financial correction is **EUR -94 098 306.01**

The calculation is as follows:

<i>Paying Agency</i>	<i>Budget line</i>	<i>Correction type</i>	<i>Currency</i>	<i>Correction Gross amount</i>	<i>Correction Net amount (Effective financial impact)</i>
Financial Year 2015					
IT01	0503	one-off	EUR	-639 291.44	-639 291.44
IT05	0503	one-off	EUR	-386 264.57	-386 264.57
IT07	0503	one-off	EUR	-83 759.48	-83 759.48
IT08	0503	one-off	EUR	-248 062.30	-248 062.30
IT10	0503	one-off	EUR	-330 066.68	-330 066.68
IT23	0503	one-off	EUR	-332 310.48	-332 310.48
IT24	0503	one-off	EUR	-24 099.77	-24 055.73
IT25	0503	one-off	EUR	-9 561.83	-9 561.83
IT26	0503	one-off	EUR	-32 346.93	-32 317.03
TOTAL			EUR	-2 085 763.48	-2 085 689.54
Financial Year 2016					
IT01	0503	one-off	EUR	-5 271 096.11	-5 271 096.11
IT05	0503	one-off	EUR	-1 571 743.97	-1 571 743.97
IT07	0503	one-off	EUR	-567 095.00	-567 095.00
IT08	0503	one-off	EUR	-1 245 552.22	-1 245 552.22
IT10	0503	one-off	EUR	-2 037 146.35	-2 037 146.35
IT23	0503	one-off	EUR	-2 019 824.47	-2 019 824.47
IT24	0503	one-off	EUR	-250 587.03	-250 090.48
IT25	0503	one-off	EUR	-73 925.56	-73 925.56
IT26	0503	one-off	EUR	-688 810.20	-688 810.20
IT01	0503	Flat rate 2%	EUR	-35 959 308.44	-35 695 802.73
	0504	Flat rate 2%	EUR	-1 149 380.57	-1 149 380.57
IT05	0503	Flat rate 2%	EUR	-7 259 485.26	-7 228 050.38
	0504	Flat rate 2%	EUR	-177 303.89	-177 303.89
IT07	0503	Flat rate 2%	EUR	-3 161 861.27	-3 150 519.37

	0504	Flat rate 2%	EUR	-6 079.84	-6 079.84
IT08	0503	Flat rate 2%	EUR	-6 781 051.93	-6 756 140.90
	0504	Flat rate 2%	EUR	-215 321.72	-215 321.72
IT10	0503	Flat rate 2%	EUR	-7 188 856.62	-7 148 113.68
	0504	Flat rate 2%	EUR	-14 933.84	-14 933.84
IT23	0503	Flat rate 2%	EUR	-9 820 028.99	-9 779 632.49
	0504	Flat rate 2%	EUR	-103 192.11	-103 192.11
IT24	0503	Flat rate 2%	EUR	-451 981.28	-446 200.37
	0504	Flat rate 2%	EUR	-177 962.88	-176 924.75
IT25	0503	Flat rate 2%	EUR	-242 932.84	-241 454.33
	0504	Flat rate 2%	EUR	-68 724.11	-68 724.11
IT26	0503	Flat rate 2%	EUR	-5 064 726.38	-5 046 959.73
	0504	Flat rate 2%	EUR	-443 629.65	-443 629.65
TOTAL			EUR	-92 012 542.53	-91 573 648.82
TOTAL EUR				-94 098 306.01	-93 659 338.36

The calculation of the financial consequences can be found at the next pages.

The total gross amount proposed to be excluded from EU financing is **EUR 94 098 306.01**. However, DG AGRI takes into account the impact of the financial corrections applied on the same budget lines and the same claim years in the framework of enquiries XC/2015/002/IT, XC/2016/004/IT and CEB/2015/097/IT by reducing accordingly the present correction. As a result, the net amount to be excluded from EU financing is **EUR 93 659 338.36**.

In case there is a correction decided in the future on the same expenditure, DG AGRI will ensure that the correction decided later is reduced by taking into account the impact of the preceding financial corrections.

However, if the financial corrections adopted by the Commission are annulled in part or in full by the Court of Justice of the European Union, the amount by which the correction decided later was reduced may be executed at a later stage.

Any amounts recovered from the beneficiaries after the date of this letter, in connection to the deficiencies for which the present financial correction is proposed, shall be recorded but shall not be credited to the EU budget.