



# Doing Business in Italy

Audit / Tax / Advisory

Smart decisions. Lasting value.

# Welcome

## to Doing Business in Italy

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*Doing Business in Italy* has been prepared by the Crowe Global member firm in Italy - Crowe Valente - in order to provide general information for persons planning to do business with or in the country concerned and/or individuals intending to live and work in Italy temporarily or permanently.

This Guide includes relevant information about business operations and taxation matters. It is intended to assist organizations that are considering establishing a business in Italy either as a separate entity or as a subsidiary of an existing foreign company. It will also be helpful to anyone planning to come to work and live in Italy either on secondment or permanently.

Unless noted otherwise, the information contained in this Guide is believed to be accurate as of 1 January 2024. However, general publications of this nature cannot be used and are not intended to be used as a substitute for professional guidance specific to the reader's particular circumstances.

*All lasting business is built on friendship.*

*Alfred A. Montapert*



## About Crowe Global

Crowe Global is ranked among the top 10 global accounting networks with more than 200 independent accounting and advisory services in more than 150 countries around the world. Crowe Global's member firms are committed to impeccable quality service, highly integrated service delivery processes and a common set of core values that guide decisions daily.

Each firm is well-established as a leader in its national business community and is staffed by nationals, thereby providing the knowledge of local laws and customs which is important to clients undertaking new ventures or expanding into other countries. Crowe Global member firms are known for their personal service to privately and publicly held businesses in all sectors and have built an international reputation in the areas of audit, tax and advisory services.

## General information

Local currency, Exchange rate to EUR as of 01/01/2023 EUR

## Types of organization

### Private Liability Company

Name in local language Società a responsabilità limitata (Srl)

Registrable in commercial register / legal entity Yes

Minimum capital The minimum share capital is EUR 10'000. The Srl share capital can also be registered for an amount between EUR 1 and EUR 10'000. In this case, at least the 20% profits of the Srl must be kept as a legal reserve until the amount of the total amount of EUR 10'000 is reached.

Minimal number of shareholders / Maximum number of shareholders Minimum: 1

Capital tax / Registration fees Yes

Written form / notarization Yes

Registration with tax authorities Yes

Statutory audit Srl is subject to statutory audits if at least one of the conditions below is met:  
1. For two consecutive financial years, the company has passed one of the following thresholds:  
a) EUR 4'000'000 total assets  
b) EUR 4'000'000 turnover (from sales and provisions of services)  
c) 20 employees (average during the financial year).  
2. The company is required to file consolidated financial statements.  
3. The company controls another entity that is subject to statutory audit.  
Srl may also opt for voluntary audits.

## Public company (joint-stock company)

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| Name in local language  | Società per azioni - SpA                |
| Registrable in commercial register / legal entity               | Yes                                     |
| Minimum capital   | The minimum share capital is EUR 50'000 |
| Minimal number of shareholders / Maximum number of shareholders | Minimum: 1                              |
| Capital tax / Registration fees                                 | Yes                                     |
| Written form / notarization                                     | Yes                                     |
| Registration with tax authorities                               | Yes                                     |
| Statutory audit   | Yes                                     |

## Branch (permanent establishment)

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|--|------------------------------------|
| Name in local language   | Sede Secondaria - Secondary office |
| Registrable in commercial register / legal entity              | Yes                                |
| Minimum capital  | n/a                                |
| Minimal number of shareholders/ Maximum number of shareholders | 1                                  |
| Capital tax / Registration fees                                | No capital tax                     |
| Written form / notarization                                    | Yes                                |
| Registration with tax authorities                              | Yes                                |
| Statutory audit  | n/a                                |



## Value added tax (VAT)

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| Tax rates   | 22% (normal rate); 4%, 5%, 10% (reduced rate). The “zero” rate applies to certain so-called “ <i>non taxable</i> ” operations (e.g., exports of goods, provision of some international services or services relating to the international trade, transfers of goods to another EU Member State, provision of some services connected to transfers of goods to another EU Member State).   |
| Supply of goods                                     | <p>The taxable event for goods is the transfer of ownership in case of movable property or the signing of an agreement in case of immovable property or the transfer of any other right to dispose of the goods. If the transfer of ownership of goods is deferred until the fulfillment of certain conditions, this transfer is deemed to be carried out when these conditions are fulfilled. However, in case of movable property, this transfer is deemed to be carried out after one year from the delivery of the movable property anyway.</p> <p>VAT for imported goods is chargeable when the goods are cleared for customs purposes.</p>  |
| Supply of services                                  | <p>The taxable event for services is the date of payment of the service. VAT also becomes due on the date of the receipt of an advance payment for supplies of goods or services to the extent of the payment received or on the date of the invoicing if such event occurs before the date of payment.</p>   |
| Special provisions (exemptions to the general rule) | <p>Time of supply of certain services is the time of completion in case of:</p> <ul style="list-style-type: none"><li>• Supply of services falling under the general rule (i.e., generic supply of services) rendered by EU and non-EU taxable persons to taxable persons established in Italy, and</li><li>• Supply of services falling under the general rule rendered by taxable persons established in Italy to EU and non-EU taxable persons.</li></ul> <p>Moreover, in the above cases, the time of supply of periodic or continuous supply of services is the date of maturity of the consideration, while the above supplies of services, if performed/received by taxable persons established in Italy continuously over a period longer than one year and if no payments are carried out, even partially, in the same period, shall be considered carried out at the end of each calendar year up to completion of the same supplies.</p> |
| Reverse charge on local supplies                    | <p>Local reverse charge can be applied in specific cases, for example, for investment gold, for sale of waste materials and agricultural products.</p>  |

## Import of services

Reverse charge applies to supplies VAT relevant in Italy from a territorial point of view in case they are rendered from foreign taxable persons to Italian VAT subjects.

## Deadline and conditions for VAT refund

**Cross-border VAT refunds for EU businesses:** in case of European Union business, who incur VAT but do not habitually supply goods/services in Italy - and so are not registered for VAT in Italy and are not entitled to deduct that VAT, it is possible to claim a VAT refund sending an electronic refund claim to the national tax authority of the EU business (which is then forward it to the Italian Revenue Agency) within the 30 September of the following year in which the purchase of goods/services have been carried out.

It is possible to claim a refund for periods not exceeding a year and not less than three months.

For claims related to a quarterly period, the minimum amount refundable is EUR 400 (if less the refund will be annual).

For claims related to a yearly period, the minimum amount refundable is EUR 50.

**VAT refunds for non-EU businesses:** if the business is not established in the European Union, it can claim a VAT refund only if it is resident in a Country with which Italy has a reciprocity agreement, such as Israel, Switzerland, and Norway. In case a Country has no reciprocity agreements with Italy, the business needs to have a fiscal representative in Italy to claim a VAT refund.

The business can claim a refund quarterly or yearly and submit the form (VAT 79) until September of the calendar year following the reference period.

For claims related to a quarterly period, the minimum amount refundable is EUR 400 (if less the refund will be annual).

For claims related to a yearly period, the minimum amount refundable is EUR 50.

## Main Tax exemptions

Specific supplies of goods and services expressly listed in Presidential Decree n. 633/72 are exempt from VAT, for example:

- education
- insurance services
- specific financial services
- supply
- leasing of particular immovable property.

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| Real Estate                                | <p>VAT is payable at the rate of 10% (22% if the real estate is registered as a luxury dwelling). The sale of commercial real estate (including offices and industrial property and sales of retail properties and hotel buildings separately from any associated businesses) made by VAT liable entities is subject to VAT at the rate of 22% (10% in the case of renovated properties) if:</p> <ul style="list-style-type: none"> <li>• the seller is a construction company that procured or renovated the property less than five years before the sale, and</li> <li>• (in any event), if the seller opts in the relevant transfer deed for the VAT tax regime to apply.</li> </ul> <p>In the first case VAT is applied under the ordinary rules, while in case of option VAT is applied with the reverse-charge mechanism. Save the case where 'reverse charge' applies, VAT is charged to the buyer and then paid to the tax authority. The buyer may be able to offset this against deductible input VAT or claim a refund.</p> <p>Leases of residential and commercial buildings, or portions thereof, generally are exempt from VAT with no right to deduction and subject to the registration tax at a 2% or 1% rate.</p> <p>Different VAT rates, VAT treatment, and registration tax treatment apply depending on the type of buildings the lease refers to (e.g., residential, commercial buildings) and the supplier (e.g., individual, constructions companies, taxable persons other than construction companies).</p> |
| Foreign taxable persons (VAT registration) | <p>In general, non-established taxable persons are obliged to apply for VAT registration in Italy through a direct VAT identification or a VAT representative (only the latter is applicable in case of non-EU business except for Norwegian and UK enterprises) only in case they perform specific operations in Italy (e.g., taxable supplies to individuals).</p>   |

## Corporate tax

|                  |  |
|------------------|--|
| Accounting rules | Italian GAAP and IFRS/IAS apply  |
| Tax rate         | <p>CIT (i.e., IRES) 24% and IRAP (tax on productive activities) 3,9%, (however local administrations might increase IRAP rate of max 0,92%). Overall nominal income tax is equal to 27,9%. The taxable income for IRAP is determined in a different way from the one used for CIT (some costs and expenses, such as HR costs, are not deductible).</p> |
| Tax base         | Worldwide income (for resident); Italian-source income (for non-resident)  |



|                               |   |
|-------------------------------|---|
| Tax assessment period         | Fiscal year (usually, calendar year or, for companies, financial year)  |
| Loss setoffs / carry forwards | <p>Tax losses can be carried forward for IRES purposes and used to offset income in the following tax periods without any time limitation. Tax losses can only be offset with taxable income for an amount not exceeding 80% of the taxable income. Thus, corporations are required to pay IRES on at least 20% of taxable income. Note that losses arising in the first three years of activity can be offset with 100% of taxable income.</p> <p>For IRAP purposes, tax losses may not be carried forward. Specific (tax anti-avoidance) rules limit the carryforward of tax losses in the event of:</p> <ul style="list-style-type: none"> <li>• change of control and</li> <li>• an effective change of the main activity (performed by the company carrying forward the losses).</li> </ul> <p>The aforementioned changes must occur together for the limitations to be applicable. The change of the main activity is relevant for these purposes if it takes place in the tax period in which the change of control occurs or in the two subsequent or preceding periods.</p> <p>Specific anti-abuse provisions are also applicable to net operating losses in cases of merger or de-merger. In Italy, tax losses may not be carried back.</p> |
| Tax/ accounting depreciation  | <p>All fixed assets that are used in the business of the company, except land, are depreciable for tax purposes (for both IRES and IRAP).</p> <p>For IRES, the maximum depreciation rates for fixed tangible assets are set forth in a Ministerial Decree. Such depreciation rates are different depending on the type of asset and on the economic sector in which the company operates.</p> <p>If financial accounting depreciation exceeds the amounts allowed for tax purposes, temporary differences arise.</p> <p>Tax depreciation of fixed tangible assets is allowed from the tax period in which the asset is first used. In the first tax depreciation period, the depreciation rate cannot exceed one half of the normal rates.</p>  |

Tax deductibility of interest,  
Excessive interest rate rule,  
thin capitalization rule

Generally, interest expense is fully tax-deductible up to the amount of interest income. Thereafter, excess interest expense is deductible up to 30% of the gross operating margin (interest deduction capacity) relevant for tax purposes. Gross operating margin is defined as the difference between operating revenues and expenses excluding depreciation of tangible and intangible assets and charges for leased assets based on their tax value. Net interest expense in excess of the yearly limitation is carried forward in the following five fiscal years (before 2019, indefinitely). Hence, net interest expense not deducted in previous years can be deducted in the future five fiscal years if total interest in that year does not exceed 30% of gross operating margin. If net interest expense is lower than the annual limit (*i.e.*, 30% of gross operating margin as indicated above), this difference can be carried over to increase the company's interest deduction capacity in the future five years. Starting from 2019, interest income exceeding interest expenses can be carried forward to offset future interest expenses in any following FYs. Dividends received from foreign subsidiaries are excluded in the computation of the EBITDA used to determine the interest expense deductibility limit. The above-mentioned rules are not applicable for financial institutions, such as banks and insurance companies, where the deductibility of interest expense (for both IRES and IRAP purposes) is fully admitted. For SGR and SIM the deductibility of interest expense is limited to a fixed amount of 96% of the interest expense shown in the income statement of these entities.

Reserves for bad debts,  
leaves, etc.

Yearly provision for bad debts not guaranteed by third parties and relating to sales of goods and services is tax deductible at up to 0.5% of the receivables gross value. Deduction shall no longer be permitted when the total amount of the bad debts reserve exceeds 5% of the above-mentioned gross value of the receivables as of the end of the fiscal year. Regardless of the above, losses on bad debts shall be deductible if supported by precise and objective elements or, in any case, if the debtor is subject to bankruptcy proceedings, including foreign ones.

Specific rules apply to small credits. In particular, a loss on a bad debt can be deducted for IRES purposes when the following conditions jointly apply:

- The term for payment has elapsed by six months.
- The receivable has a determined threshold. In particular, the item is up to EUR 2,500 for small companies and up to EUR 5,000 for big corporations (with turnover over EUR 100 million).

The loss is tax deductible, regardless of the amount, when the collection right is prescribed.

Other main  
tax adjustments  
a) increasing and  
b) decreasing taxable profit

### **Deductions:**

For IRES purposes, expenses for gifts and entertainment that meet the requirements (both qualitative and quantitative) contained in the specific Ministerial Decree are fully deductible in the tax period in which they are incurred. Entertainment expenses that do not meet these requirements cannot be deducted.

Expenses related to gifts with a value of EUR 50 or less are entirely deductible. For IRES purposes, the deduction for meals and lodging expenses incurred within the municipality is limited to 75% of the amount incurred. However, the VAT related to such costs is fully recoverable. The IRES deductibility of expenses related to cars used by companies is as follows:

- 20% for cars that are not assigned to employees or are granted to employees solely for business use.
- 70% for cars granted to employees for both business and private purposes.

Car costs may be entirely deducted in case of (i) automobiles for public uses (e.g., taxi) or (ii) automobiles which are an essential element in the company's activity (i.e., vehicles owned by a car rental company). In case of company vehicles, vehicles used by agents and sales representatives and vehicles granted to employees for mixed use, the deduction percentage is respectively the following: 20%, 80% and 70%.

For IRES purposes, up to 80% of the total expenses related to both mobile and landline telephones are deductible.

IRAP tax is deductible in determining the IRES taxable base as follows:

- 10% of IRAP paid during the year.
- an amount determined on the IRAP paid on the cost of employees, net of relevant deductions.

IMU tax is deductible for IRES purposes up to:

- 60% of the amount paid in FY 2020 and FY 2021
- 100% of the amount paid in FY 2022 and in the following ones.

### **Increases of taxable profits:**

Capital gains are taxable in the tax period in which they are realized, as follows:

- *Fixed assets*: The gain realized on the sale of fixed assets is taxable for both IRES and IRAP purposes. Additionally, for IRES purposes, tax on capital gains can be spread over a maximum of five years. This treatment is allowed if the company owned the fixed assets for not less than three years.

- *Financial investments.* IRES tax can be spread over a maximum of five years, in case a specific period of detention is met, while in general IRAP is not due. As an alternative, with reference to the sale of shareholdings, a specific participation exemption regime (PEX) is applicable when proper conditions are met. Under this regime, capital gains realized by Italian companies are 95% exempt from IRES.

Dividends received by Italian resident companies from Italian companies or from companies' resident in countries other than tax havens are excluded from the IRES taxable base for 95% of their amount. Conversely, no exemption applies to dividends paid by entities that are resident in tax haven jurisdictions (unless those dividends derive from profits that were already taxed under the Italian controlled foreign company [CFC] rules). There are specific rules for entities adopting IFRS for Italian statutory financial reporting purposes. For such entities, dividends from investments in shares and other financial instruments held for trading are fully taxable. Dividends generally are excluded from the IRAP taxable base.

Income derived from operations with non-resident corporations that directly or indirectly control the Italian entity, are controlled by the Italian entity, or are controlled by the same corporation controlling the Italian entity have to be valued on the basis of the arm's-length nature of the goods transferred, services rendered, and services and good received if an increase in taxable income is derived there from.

Transfer pricing, transfer pricing documentation,  
Related parties

Statutory rules on transfer pricing are set out in Article 110, paragraph 7, of the Italian Income Tax Code (TUIR), according to which inter-company transactions are determined based on the conditions and prices that would have been agreed in comparable circumstances between independent parties acting at arm's length (in line with the OECD arm's-length principle).

In addition, on 14 May 2018, the Italian Ministry of Finance published a Decree providing key principles to align Italian transfer pricing rules with international standards, taking into account the OECD Base Erosion and Profit Shifting (BEPS) Project and the 2017 OECD Guidelines. The Decree addresses only points of principles, while the Regulation issued by the Italian Revenue Agency on 23 November 2020 (i.e., *Provvedimento del Direttore dell'Agenzia delle Entrate, prot. 2020/360494*) includes both operational and procedural guidance.

Transfer pricing (TP),  
TP documentation,  
Related parties

Italian Transfer pricing rules provide for a penalty protection regime in case of transfer pricing audit, provided that the taxpayer has prepared proper documentation detailing the compliance of inter-company transaction to the arm's-length principle.

The Regulation issued by the Italian Revenue Agency on 23 November 2020, as provided for in Article 8 of the Ministerial Decree dated 14 May 2018, introduces substantial changes to the rules related to the "proper" transfer pricing documentation which shall be prepared in order to support the arm's length nature of the inter-company transactions, according to the Article 110, paragraph 7, of the Italian Income Tax Code, and hence establishes the new requirements for accessing the penalty protection regime.

The Regulation applies to transactions incurred between Italian entities and non-resident entities belonging to the same group (transfer pricing rules are not applicable to domestic transactions). No specific methods have been introduced to test the arm's-length nature of transactions; reference is made to the OECD Guidelines and to the Decree of 14 May 2018, which is in line with OECD recommendations.

Indeed, Circular 16 of 24 May 2022 issued Italian Revenue Agency confirmed that the arm's-length range must be identified based on OECD Guidelines. Indeed, if the analysis carried out proves to be reliable, and all the transactions identified have the same level or degree of comparability, the entire range of values resulting from the application of the financial indicator selected in the application of the most appropriate method (the so-called "full range") must be taken into consideration. The Circular provides then the following examples:

- with reference to sales of goods, in such cases where the enterprise determines a range between 80 and 120 and places the financial indicator at 80, while the tax administration puts the valid arm's-length range at between 100 and 120, the adjustment would be made by repositioning the transaction price to 100 (the minimum value). Consequently, the tax recovery that the administration could ascertain would only be equal to 20.
- with reference to purchases of goods, in cases where the enterprise determines the same range as above (between 80 and 120) and places the financial indicator at 120, while the tax administration puts the valid arm's-length range as between 80 and 100, the adjustment would be made by repositioning the transaction price to 100 (the maximum value). Consequently, the tax recovery that the administration could ascertain would only be equal to 20.



- If the arm's-length range is not characterized by a high and homogenous degree of comparability, the range should be narrowed using "statistical tools", provided that a sizeable number of transactions is available. The OECD Guidelines clarify that "statistical tools" means the use of central trend indicators, to "narrow" the range of values, eliminating the so-called outliers.
- On this matter, the Circular points out that:
- the use of a central value within the range (e.g., the median) must be limited to cases in which the range does not show a sufficient degree of comparability with the identified transactions and must be specifically justified.
- it is the responsibility of the tax administration to use the "full range" method only in those cases in which a perfect comparability of all parties in the set with the "tested party" can be discerned.
- it is recommended that the adjustments that result in the identification of the point that best satisfies the arm's-length principle within the range be argued in detail.

In any case, all the points included within the range must be deemed compliant with the arm's-length principle.

Based on the transfer pricing regulation, taxpayers can obtain penalty protection if they provide the Italian tax authorities with:

- Local File and Master File drawn up in the specific format detailed in the Regulation and in Italian language. However, the Master File can be presented in English, as well as the information in annexes (i.e., inter-company contracts, existing unilateral and bilateral/multilateral APAs and other tax rulings to which the local tax jurisdiction is not a party, and which are related to controlled transactions described in the Local File).
- Notification that documentation has been prepared and available by checking the specific box in the annual corporate income tax return.
- Electronic signature of the legal representative of the company (or his/her delegate) and timestamp to be applied to the entire documentation package by the filing of the annual corporate income tax return.

The documentation can be prepared only with reference to some of the inter-company transactions (cherry picking); in such a case, the penalty protection regime is applicable with exclusive reference to the covered operations.

In addition to Master File and Local File, a specific documentation is required as a necessary condition for applying the simplified approach for the so called “low value-adding services”, which shall include (i) a description of the intercompany services, (ii) related intercompany services agreements and (iii) supporting files through which such transactions are computed. This documentation should also be included within the Local File for penalty protection purposes.

Documentation must be provided to the tax authority upon request within twenty days, in the electronic format.

Transfer pricing documentation must be prepared each year on a company-by-company basis. Small and medium companies (defined as those with an annual turnover of less than EUR 50 million, exception made for the resident entities and permanent establishments in Italy that are part of foreign MNE groups; the turnover must be computed considering also the revenues of directly and/or indirectly controlling entities) can update the economic analysis only every three years, provided that the comparability analysis is based on publicly available sources and no significant change between the fiscal years have occurred. Otherwise, it is necessary to update the economic analysis each year. All the other sections of the report have to be updated each year, even for small and medium companies.

Relief from penalties is granted for both IRES and IRAP applicable to transfer pricing adjustments to taxpayers who have prepared transfer pricing documentation in line with Italian Regulation.

CbC reporting has been introduced in Italy for multinational enterprise (MNE) groups with consolidated group revenues of at least EUR 750 million. With this report, any MNE group shall disclose annually and for each tax jurisdiction in which it conducts business the information set out therein. The group entity responsible for the submission of the CbC report is the ultimate parent entity. However, where some conditions are met, the report shall be submitted by the entity’s resident in Italy for tax purposes.

Penalties are levied in case of missed or untrue communication (penalties can range from EUR 10,000 to EUR 50,000).

The CbC report shall be filed within 12 months of the last day of the reporting fiscal year of the MNE group. Moreover, the deadline for the notification of the CbC status to the Italian tax authorities is within the deadline for the submission of the income tax return.

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| Withholding tax on loans and securities | <p>A 26% base standard WHT rate applies on the yields on loans and securities (bonds, shares, etc.) paid by Italian resident entities to both Italian and non-Italian resident investors. The standard WHT rate, however, may be reduced under the applicable DTTs, EU Directives, or other special domestic tax regimes (such WHT exemptions and reductions are only granted to the beneficial owner of the income). Interest on government bonds is subject to a 12.5% domestic WHT.</p>  |
| Withholding tax on interest             | <p>The applicable rate depends on the nature of the recipient. Applicable rates are as follows: 0% applies on loan agreements and ordinary notes when the recipient is a corporation; 26% rate in all other cases.</p>  |
| Withholding tax on royalties            | <p>30% (calculated usually on 75% of the gross royalty resulting in an effective tax rate of 22,5%)</p>   |
| Withholding tax on services             | <p>20% (residents in limited cases) – 30% (non-residents). Deductions to WHT taxable basis apply to commissions.</p>  |
| Group taxation                          | <p>Companies belonging to the same group can elect for domestic tax consolidation. This regime allows the determination of a single IRES taxable base comprised of the taxable income and losses of each of the participating entities. The tax consolidation does not operate for IRAP purposes.</p> <p>Where an overall tax loss position arises, this can be carried forward and used against future consolidated taxable income. Conversely, tax losses arising in fiscal years preceding the domestic tax consolidation election can be carried forward and used only by the company to which these losses belong. The taxable basis determined by each company participating in the tax consolidation arrangement is included in its entirety. No apportionment is made in relation to the percentage of control.</p> |

## Personal income tax

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| Taxable income | <p>Worldwide income (for resident) and Italian-source income (for non-resident); the main income tax levied on individuals is the personal income tax, also known as the “<i>Imposta sui redditi delle persone fisiche</i>” (IRPEF) that applies based on income tax brackets and based on progressive rates that increase if income increases. Progressive rates for the year 2022 are the following:</p> <ul style="list-style-type: none"> <li>• Income up to EUR 15,000.00: 23%</li> <li>• Income from EUR 15,001.00 up to 28,000,00: 25%</li> <li>• Income from EUR 28,001.00 up to 50,000.00: 35%</li> <li>• Income over EUR 50,000.00: 43%.</li> </ul> |
|----------------|---|

|  |  |
|--|--|
| Income from employment / self-employment | <p><u>Employment income</u> includes all compensation (cash or benefits in kind) received by the employee in relation to their employment relationship, including bonuses, stock options, interest free loans, cost of living allowance, tax reimbursements, car allowance, etc.</p> <p><u>Self-employment income</u> refers to incomes produced by self-employed professionals. The income derived from services rendered by professionals is calculated as the difference between fees collected and business expenses. Documented expenses refunded for travelling, boarding, and lodging expenses incurred in rendering services outside the tax domicile are not taxable income. Income from self-employment could also be subject to IRAP. Self-employees are also VAT subjects and consequently they have to carry out all the related fulfilments.</p> |
| Income from property and property rights | <p>In case of rented real estate located in Italy, the taxable income generally corresponds to the highest amount between: (i) the cadastral income increased by 5% and (ii) 95% of the rentals referring to the relevant tax period (even if not actually collected, with some exceptions).</p> <p>In fact, for leased buildings, the law admits a 5% flat rate reduction of rentals (higher flat rate reduction is provided in some specific cases) in consideration of eventual managing and maintenance expenses incurred by the owner. As a result, related expenses actually incurred are not relevant for tax purposes.</p> <p>The taxable income, as determined above, is subject to a progressive tax rate.</p> <p>In some cases, immovable properties subject to the municipal taxation (the so called "IMU") is exempted from direct taxation.</p>  |
| Income from capital                      | <p>The income arising from the use of capital are typically interest and dividends (see below).</p>  |
| Withholding tax                          | <p>The self-employed income is subject in Italy to a withholding tax applied at a 20% rate. Non-residents who are self-employed are subject to a 30% final withholding tax unless otherwise provided by DTTs. In this case, they are not required to file an income tax return.</p>  |
| Interests                                | <p>Interests are subject to a flat tax rate of 26% to be applied at source. Interests on loan are subject to IRPEF progressive taxation.</p> <p>For specific interests stated by the tax law (e.g., government bonds and other bonds issued by public entities and similar financial instruments), the tax rate remains at 12.5%.</p>  |
| Royalties                                | <p>The royalties are subject in Italy to a withholding tax applied at a 20% rate in case these royalties are included in the incomes related to self-employment or in other incomes (for individuals who are not self-employed). Royalties that are considered produced in Italy by non-resident subjects, are subject to a 30% final withholding tax unless otherwise provided by DTTs.</p>   |

|              |  |
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| Dividends    | <p>For Italian individuals without self-business a final WHT is due at a 26% rate for dividend distributions deriving from qualified and non-qualified shareholdings. In case the subject operates under a business regime (entrepreneur or company), the withholding tax must not be made, as the income produced has the nature of business income and not of capital income.</p>  |
| Capital gain | <p><u>Capital gains tax on securities:</u> the taxable base referred to in the sale of assets (securities, <i>i.e.</i>, stocks, bonds, etc.) is the sale price less the purchase price, with all the additional purchase costs (notary fees, taxes, broker fees, etc.). In general capital gains are taxed at a flat tax rate of 26% on the whole capital gains amount. In case of capital gains realized within the exercise of an individual business activity, such gain will be subject to personal income tax (<i>i.e.</i>, IRPeF).</p> <p><u>Capital gains tax on the sale of real estate:</u> the taxable base of the real estate capital gains is the difference between the sale price and the original cost of real estate together with the sum of all the additional purchase costs (notary fees, taxes, etc.). The capital gain on the sale of real estate is taxed at progressive tax rates. There are some exemptions, however, and such are applicable on capital gains deriving from the following sales:</p> <ul style="list-style-type: none"> <li>• the sale of a real estate if owned for more than five years</li> <li>• the sale of a real estate, even if owned for less than five years if it has been used as primary residence for most of the period of ownership (even if owned for less than five years).</li> </ul> <p>A 26% substitutive taxation is applicable as regards the sale of real estate located in Italy upon request to Public Notary.</p> |

## Mandatory social contributions

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|----------------------------------|--|
| Contribution rates               | Depending on sector and job title.   |
| Minimum and maximum contribution | <p>Different social security regimes apply to individuals, depending on various factors – type of activities performed, age, retirement status, etc.</p> <p>Individuals performing working activities in Italy are subject to Italian mandatory social security contributions unless an exemption is provided.</p> |



## Self-employed individuals

Self-employed individuals who are not value-added tax (VAT) number holders and are not covered by a mandatory private pension fund must be registered with INPS in a 'separate social security regime' ("*Gestione Separata Inps*"), instituted with Law n. 335/95.

The separate social security regime provides for three different rates:

- Individuals enrolled in other mandatory contribution regimes: Rate is equal to 24%
- Individuals with a VAT number enrolled in the exclusive way into the separate social security regime (*Gestione separata INPS*): Rate is equal to 26.23% for FY 2022

All other individuals enrolled in the exclusive way into the separate social security regime (*Gestione separata INPS*):

- For whom is provided an additional contribution: Rate is equal to 35.03%
- For whom is not provided an additional contribution: Rate is equal to 33.72%.

All the percentages are applied to the taxable income up to the limit established by the law for the year 2022 equal to EUR 105,014.

The percentages due by the self-employed individuals without VAT are:

- Two-thirds on charge of the company, and
- One-third on charge of the collaborators.

The payment of the contribution is affected wholly by the company.

For self-employed individuals who are VAT number holders, and who are not covered by a mandatory private pension fund, the percentage is wholly charged to the individuals, and the payment of the contributions follows the same deadline applied for taxes. Individuals, in this case, can charge an amount equal to 4% of the compensation to the company.

|                      |   |
|----------------------|---|
| Employed individuals | <p>Social security contributions are made by both the employee and the employer. The Italian employer, to pay social security contributions for employees, must register with the Italian Social Security Administration (<i>Istituto Nazionale Previdenza Sociale</i> or <i>INPS</i>). The total social security rate is around 36% of the employee's gross compensation (the rate depends on the work-activity performed by the company, the number of employees of the company, the employee's position), and is shared as follows:</p> <ul style="list-style-type: none"> <li>• Two third on employer's charge (i.e., around 24%)</li> <li>• One third on employee's charge (i.e., around 12%).</li> </ul> <p>The social security contribution, for employees who registered with INPS after 1 January 1996 without a previous social security position in Italy, is calculated and paid up to a maximum amount of EUR 105,014 for the year 2022.</p> |
|----------------------|---|

## BEPS implementation

|  |  |
|--|--|
| CFC                                      | Italian tax law already provided CFC rules.  |
| CRS                                      | Italian financial institutions are required to communicate information relating to the Accounts Subject to Disclosure identified as such in application of the Italian rules implementing international agreements on the exchange of financial information for tax purposes according to the common reporting standard and Directive 2011/16 / EU as regards the mandatory automatic exchange of information in the tax sector. |
| DAC6                                     | The Directive was implemented by Legislative Decree n. 100 dated 30 <sup>th</sup> July 2020.   |
| DAC7                                     | The Legislative Decree implementing the Directive 2021/514/UE (at the present available in draft) is still to be approved.   |
| Profit shifting rule                     | Italy has introduced rules implementing BEPS Actions such as country-by-country reporting, some amendments to the TP legislation in compliance with the 2017 OECD Guidelines, the introduction of the “Web Tax”, some amendments to the definition of permanent establishment, the ATAD (Anti-Tax Avoidance Directives), reshaped the Italian CFC Legislation and changed the tax regime applicable to foreign dividends.        |
| GAAR/ other anti-abuse rules (PPT, etc.) | A general anti abuse discipline is provided for by the Italian tax system, according to which the tax authorities can disregard tax consequences of transactions that do not have an economic substance and, on the other side, are exclusively tax driven.  |

# Global employment issues

|                           |  |
|---------------------------|--|
| Work and Residence permit | Residence permit for non-EU Members is required.   |
| Minimum salary            | Minimum wages in Italy are set through collective bargaining agreements at the sectoral level. |

# Taxation of immovable property

|                                       |  |
|---------------------------------------|--|
| Tax depreciation                      | All fixed assets that are used in the business of the company, except land, are depreciable for tax purposes (for both IRES and IRAP).   |
| Depreciation categories               | For IRES, the maximum depreciation rates for fixed tangible assets are set forth in a Ministerial Decree. Such depreciation rates are different depending on the type of asset and on the economic sector in which the company operates.   |
| Depreciation of land                  | n/a  |
| Depreciation of building              | 3%   |
| Tax base                              | Book value   |
| Real estate transfer tax              | See below  |
| Property transfer tax (rate and base) | Property transfer tax depends both on the commercial/residential classification of the immovable property and on the status of the seller and buyer ( <i>i.e.</i> , acting during their business or not, constructing or renovated the sold real estate or not). As general rule, transfers of residential properties are subject to registration tax equal to 9% (2% in specific cases). In case of transfers of commercial real estate made by VAT subjects, the registration tax is due in the fixed amount of EUR 200 and real estate registry tax (3%) and land register tax (1%) also apply.   |
| Tax on immovable properties           | <p>IMU is the municipal tax charged on the ownership of buildings, buildable areas and agricultural lands situated within the Italian territory, intended for any use, including property used to perform business activities.</p> <p>The holder of the property rights, or the real right such as usufruct, use, residence or surface right, is required to pay the municipal tax.</p> <p>In case of a financial lease, the lessee of a real estate is subject to this tax.</p> <p>The taxable base is the cadastral income, which corresponds to the ordinary/average income deemed to be derived from such properties, determined by the Cadastral Office in consideration of their characteristics. The cadastral value is</p> |

proportionated to the percentage owned and the period of ownership. The cadastral value has to be increased by 5%. This amount is then multiplied for a coefficient (ranging from 55 to 160).

The buildings used as “*first house*” (i.e., “*abitazione principale*”) by the taxpayer are exempted for IMU purposes. Specific tax rates provided from the municipality must be applied to the taxable base.

The basic rate for a principal abode (classified in the “luxury” cadastral categories A1, A8, A9) is equal to 0.5%; the municipality may increase the basic rate up to 0.6% or decrease it until it is completely zeroed.

The basic rate for other real estate is equal to 0.86%; the municipality may increase the basic rate up to 1.06%, in certain cases also up to 1,14%, or decrease it until it is completely zeroed.

Specific rates are provided for rural instrumental buildings, commercial properties belonging to companies, agricultural land, properties included in the "D" cadastral category. In addition, the Italian Budget Law for FY 2022 introduced only for 2022 a reduction of 62,5% of the IMU due (and a reduction of 2/3 of the TARI, i.e., garbage tax) for pensioners residing abroad, for a single real estate unit for residential use, not rented or given on loan for use, owned in Italy by way of property or usufruct. Starting from 2023, the reduction returns to 50%.

## Other significant business-related taxes

### Description of other taxes

**Custom duties:** customs duties could be applicable on the importation of goods into the EU territory. The amount of customs duties to pay depends on the value and nature of the goods imported. For each kind of good, the Common Customs Tariff provides a tax rate to be applied to the value or number of the goods imported.

A reduced or zero-rate duty at importation can be applied when the goods imported have a preferential origin. The preferential origin depends on the existence of commercial agreements between the European Union and other non-EU states or by facilities provided by the European Union to non-EU states unilaterally.

In addition, the application of a reduced or zero-rate duty can depend on the existence of preferential tariff treatment or on the existence of a particular exemption provided by law for some kind of goods.

**Excise duties:** the following goods are subject to excise duties:

- energetic products (e.g., petrol, gas oil, natural gas, coal)
- alcohol and alcoholic drinks (e.g., wine, beer, ethylic alcohol)
- processed tobaccos (e.g., cigars, cigarettes, tobacco)
- electric power.

The subjection of a product to excise duties has to be verified based on its customs combined nomenclature code. In particular, the tax liability, depending on the products, arises:

- at the moment of importation or production (and the excise duties must be paid when they are released for consumption in Italy),
- when the excisable goods are used for heating or as fuel, and
- when the excisable goods are released for consumption or used for own use.

Generally (except for natural gas and coal, coke, and lignite), with reference to excise goods released for consumption during a month, the payment of the relative excise duties has to be made by the 16th day of the following month.

**Stamp duties taxes:** Stamp duty taxes (*i.e.*, “*Imposta di Bollo*”) apply on a specific list of deeds or documents provided for by the relevant law provision (e.g., checks, bills of exchange, statements of account, certificates, books of



account, deeds of transfer of quotas, and, in some specific cases identified by the Law, invoices). According to the kind of deed, stamp duty tax is due upon the deeds' origin or in case of use (e.g., if the deed is filed to the Italian Registration Office). In addition, it can be a fixed amount or as an amount proportional to the value of the deed or document. In particular, stamp duty tax can be paid:

- ordinarily, through a physical stamp attached on the document, or
- virtually, through electronic means (in this case, a specific authorization from the Italian tax authorities and a specific process procedure are needed).

Regarding the mandatory electronic invoicing obligation for the supplies of goods or services carried out between persons that are resident or established in Italy, there are specific ways of payments of stamp duty tax. Stamp duty tax is usually alternative to VAT. However, in case of payments partially subject to VAT and partially not subject to VAT, the invoice is subject to stamp duty tax if the total amount of the considerations not subject to VAT exceeds EUR 77.47. Moreover, some transactions are stamp duty tax exempted (e.g., inter-Community supply of goods). For transactions that are exempted from VAT and for transactions out of scope of VAT, exceeding EUR 77.47, an amount of EUR 2 is due as stamp duty tax for each issued invoice.

For electronic invoices, the stamp duty must be paid quarterly based on the calculations provided by the Italian tax authorities.

Article 1, paragraph 1108, Budget Law 2021, provides that for the payment of stamp duty tax on e-invoices and other documents submitted through the SdI system, the taxpayer who provides the goods or services is jointly and severally liable, even where the invoice is issued by a third party.

#### Tax on financial transaction

The tax on financial transactions (so-called Tobin tax), is applicable in relation to three different cases: a) transfers of stocks, b) derivative and securities contracts that have as their underlying stocks, c) high-frequency transactions. Some exceptions apply (e.g., in case of business restructuring).

The tax rate is equal to 0,2% (0,1% for transfers in regulated market) on the transaction value.

The tax on transfer of stocks is due by the buyer, while the tax on derivatives is due by each of the counterparties to the transactions.

# Incentives

## Investment incentives

**Tax credits on assets:** Pursuant to the 2021 Budget Law, accordingly to the industry 4.0 national strategy, companies and taxpayers operating arts and professions, investing in tangible and intangible capital goods from 01.01.2022 can benefit of the following tax credits:

*Ordinary material and immaterial assets*

For companies and taxpayers operating arts and professions who make investments in tangible assets, with a purchase cost not exceeding 2M€ and/or make an investment in intangible assets, with a purchase cost not exceeding 1M€, it is recognized a tax credit equal to 6% of the purchase cost if the investments are made between the 1st January 2022 and the 31st December 2022, or within 30th November 2023, provided that within 31st December 2022 the purchasing order is accepted by the seller and the buyer has paid an installment of at least 20% of the whole purchasing price.

*Tangible assets “4.0”*

For enterprises that invest in new tangible assets included in Annex A of Law n. 232/2016 (so called “assets 4.0”) tax credits are provided for investments made between the 1st January 2024 and the 31st December 2025, or by 30th June 2026 (provided that by the 31st December 2025 the purchasing order is accepted by the seller and the buyer has paid an installment of at least 20% of the cost, the tax credit is recognized in the following measures) with different rates (ranging from 5% to 20%) on the basis of its amount (with a maximum investments equal to 50M€ for each year).

*Intangible assets “4.0”*

For enterprises that invest in intangible assets included in Annex B of the Law n. 232/2016 between the 1st of January 2023 and the 31st of December 2025, or by 30th June 2026 (provided that by the 31st of December 2025 the purchasing order is accepted by the seller and the buyer has paid an installment of at least 20% of the acquisition cost), for investment up to 1M€, it is recognized a tax credit as follows:

- 20% for investment made between the 1st of January 2023 and the 31st of December 2023 (or by 30th June 2024 at specific condition)
- 15% for investment made between the 1st of January 2024 and the 31st of December 2024 (or by 30th June 2025 at specific condition)
- 10% for investment made between the 1st of January 2025 and the 31st of December 2025 (or by 30th June 2026 at specific condition).

**Tax credit for Special Economic Zones:**

Companies investing inside the Special Economic Zones (SEZs) of Basilicata, Calabria, Campania, Puglia, Sicily, Sardinia

(seaports, inland ports, airports, production areas, logistic platforms, and intermodal freight villages) until the end of 2023 and for a maximum investment of EUR 100M, can benefit of a tax credit of 25% (large companies), 35% (medium companies) or 45% (small companies).

#### **Tax credit for South Italy:**

Companies investing in Basilicata, Calabria, Campania, Puglia, Sicily, Sardinia, within the end of 2022, can benefit of a tax credit of 25% (large companies), 35% (medium companies) or 45% (small companies).

Companies investing in Molise and Abruzzo within the end of 2022, can benefit of a tax credit of 10% (large companies), 20% (medium companies) or 30% (small companies).

#### **Other tax Credits**

Enterprises investing in eligible activities, regardless of the legal form, the economic sector in which they operate, can benefit of the following tax credits on expenditures (personnel, tangible assets depreciation charges, consultancy, etc.):

- Technological innovation: 10% of the eligible costs incurred, up to maximum annual amount of EUR 2M (to determine this tax credit, taxpayers shall consider the same eligible expenses as for R&D credit, under the same conditions, except for those relating to industrial property rights). From the tax period following the one in progress on 31st December 2023 until the tax period in progress on 31st December 2025, the tax credit is recognized at a rate of 5%, up to a maximum annual amount of EUR 2M
- Technological innovation for Industry 4.0: 15%, up to a maximum annual amount of EUR 2M for the FY 2022 (to determine this tax credit, taxpayers shall consider the same eligible expenses as for R&D credit, under the same conditions, except for those relating to industrial property rights). For the FY 2023, the tax credit is recognized at a rate of 10%, up to an annual maximum limit of EUR 4M. From the tax period following the one in progress on 31st December 2023 until the one in progress on 31st December 2025, the tax credit is recognized at the rate of 5%, up to a maximum annual amount of EUR 4M
- Aesthetic conception (textile, footwear, fashion, eyewear, gold, furniture, and ceramic sectors that have carried out design and aesthetic ideation activities for the conception and realization of new products and samples): until the tax period ending 31st December 2023, 10% of the relevant eligible costs incurred, up to a maximum annual amount of EUR 2M (to determine this tax credit, taxpayers shall consider the same eligible expenses as for R&D credit, under the same conditions, except for those relating to industrial property rights). For the FY 2024 e 2025 the tax credit is recognized at a rate of 5%.

**Patent Box:**

It consists of an increase, for the purposes of Income Tax (IRES) and regional production Tax (IRAP), by 110% of the expenses incurred in carrying out research and development activities aimed at maintaining, enhancing, protecting and increasing the value of software protected by copyright, industrial patents and legally protected designs and models.

Trademarks and know-how (processes, formulas and information relating to legally protectable industrial, commercial, or scientific experience) are not included in the list of eligible assets.

This new patent box regime allows for the recovery, in the tax period in which an eligible intangible asset obtains an industrial property right, of the research and development expenses, incurred in the previous eight tax periods, which contributed to its creation, increasing them by 110%.

**ACE - Help for Economic Growth:**

The incentive aims at encouraging the capitalization of companies through the possibility of deducting from the IRES net income, up to the amount of the same, an amount (notional yield) determined as an increase in equity. The rate to apply on the company's net capital increase (to be reduced in case specific transactions occur based on an anti-avoidance rule) is equal to 1.3%. Article 5 of Legislative Decree No. 216/2023 (which implements the guiding principles and criteria set out in the tax delegation law) provided for the repeal of the Ace from 2024.

**R&D incentives**

The Research & Development tax credit aims to encourage investments in R&D activities.

For R&D tax credit provided for the Budget law 2020, the eligible activities consist in fundamental research, industrial research, and experimental development as defined respectively of the letters m), q) and j) of point 15, par. 1.3 of the Communication no. 198/2014 of the European Commission.

For eligible R&D activities, the tax credit is equal to 10% of the eligible costs incurred (which is neither included in the income tax base nor in the Regional Tax on Productive Activities base), with a maximum annual amount of EUR 5M. For the FY 2024 the tax credit is equal to 10% with a maximum annual amount of EUR 5M.

To determine the cost basis of the benefit, the following expenses are eligible:

1. Personnel costs
2. Depreciation charges, costs of the financial or simple lease and other expenses related to movable tangible assets and software used in R&D projects
3. Expenses for *extra-muros* research contracts concerning the direct execution of eligible R&D activities by the provider
4. Depreciation charges related to industrial privatives

|  |  |
|--|--|
|  | <p>5. Expenses for consultancy services and equivalent services related to R&amp;D eligible activities</p> <p>6. Expenses for materials, supplies, and other similar products used in the R&amp;D projects.</p> <p>Taxpayers are entitled to use this tax credit as a form of payment for income or regional taxes as well as social security contributions.</p>   |
| Young employees, elderly employees   | Employment bonuses: several bonuses available for the hiring of people under 35, women, men and women over 50, workers/teachers/researchers residing abroad, etc.  |
| Educational incentives   | The aid of Industry 4.0 Training, which aimed at stimulating investments regarding training paths about Industry 4.0 “enabling technologies” (automation, cloud, etc.) has not been confirmed for the fiscal year 2024.  |
| Other special incentives/ tax regimes and opportunities for business models (where relevant) | <p>Further incentives are introduced or extended, aimed to support or facilitate:</p> <ul style="list-style-type: none"> <li>• Access to financial credit for purchasing of new machinery, plants, and equipment, as well as digital technologies and software</li> <li>• Purchase of recycled plastic products</li> <li>• Energy requalification of buildings</li> <li>• Donations to finance interventions on public buildings and lands</li> </ul> <p>Investments in innovative start-ups.</p>  |
| Other special tax regime for individuals   | <p><b>The resident non domiciled regime</b></p> <p>The tax regime for new residents is dedicated to individuals transferring their residence to Italy and envisages a substitute tax on their foreign income. This beneficial regime aims at enhancing investments and attracting to Italy high-net-worth individuals. This tax regime is available for “newly resident” individuals in Italy, who (regardless of their nationality or domicile) have been non-tax resident in Italy for at least 9 years out of the 10 years preceding their transfer to Italy. The incentive regime may be also extended to the family members of these individuals. High-net-worth individuals transferring their tax residence to Italy are enabled to apply a substitute tax to their foreign income, amounting to EUR 100,000 for each fiscal year, in lieu of the Italian Income Tax. Therefore, this taxation represents an alternative to the application of the ordinary taxation and the option is valid for a period of 15 years. The election for the regime may be extended to family members through the payment on their foreign income of a substitute tax amounting to EUR 25,000 per member. Taxpayers may access to the regime submitting an advance tax ruling to the Italian Revenue Agency or exercising the option for substitute taxation in their tax return. Individuals transferring their tax residence have to pay</p> |

inheritance and donation tax only for properties and assets existing within the Italian territory.

Moreover, they are exempt from tax on the value of both financial assets (IVAFE) and real estate property (IVIE) which they own abroad, as well as from completing the RW form in their yearly tax returns, which is used by the Italian Revenue Authority to monitor individual's resident in Italy with foreign investments and financial assets abroad.

### **Tax Regime for Impatriates**

Article 5 of Law Decree No. 34/2019 (the "New Growth Decree") provided for a special tax regime for attracting human capital to Italy, including new tax incentives for entrepreneurs, researchers, professors, and other inbound workers who transfer their tax residences to Italy.

It provides a reduction equal to 70% of the taxable base of Italian personal income.

Therefore, Italian taxable income for those eligible for the special tax regime is equal to 30% of their total employment, self employment, or business income.

The tax exemption can be increased to 90% (10% of taxable base) for inbound workers who transfer their residences to one of the following regions: Abruzzo, Basilicata, Calabria, Campania, Molise, Puglia, Sardinia, or Sicily.

The regime also applies to sportspersons meeting specific requirements with a tax exemption equal to 50%.

The special tax regime applies to all employees, assimilated workers, or self-employed workers who meet the following conditions:

- become Italian tax residents according to Article 2 of the Italian tax code, also known as TUIR
- lived as Italian tax non-residents for the previous 2 years prior to becoming Italian tax residents
- qualify as Italian tax residents with plans to remain in Italy for the next 2 years; and
- perform their main work activity in Italy.

The tax relief is applicable for 5 fiscal years (with possibility to extend it for further 5 years in case specific conditions are met).

The tax relief is applicable to eligible individuals who transfer their tax residences to Italy starting on 1 January 2020.

The regime will undergo changes with the enactment of the tax reform, as better described.

The regime has been amended by Art. No. 5 of Legislative Decree No. 209/2023, which sets out as follows:

- the tax-free amount is lowered from 70% to 50%
- the favorable regime applies only to income from employment and assimilated, as well as from self-employment
- an income limit of 600.000 € is introduced to benefit from the tax reduction
- more stringent conditions are established for access to the benefit, including high qualification of workers and a longer period of tax residence abroad as well as residence in Italy after return



- there is no provision for extending the benefit in specific family or assets situations
- the increased benefit (tax relief of 90% of income) for impatriate workers who move to the Southern regions have not been confirmed.

### **Substitute taxation regime for pensioners**

A new regime (Portugal Model) is provided for retirees willing to retire in the South of Italy. The access to the regime is possible upon election if:

- the individual is entitled to pension payments from foreign sources
- The individual is from a country which has a Tax Information Exchange Agreement (TIES), Double Taxation Agreement (DTA) and Foreign Account Tax Compliance Agreement (FATCA) with Italy
- The individual transfers his tax residence to one of the municipalities with population not exceeding 20,000 inhabitants in the following regions: Abruzzo, Basilicata, Calabria, Campania, Molise, Puglia, Sardinia and Sicily
- the individual has not been an Italian tax resident for the previous 5 years.

Under this regime, the individual is subject to a substitute tax of 7% on all his foreign income for each period in which the option is valid.

Moreover, he will be exempt from tax on the value of both financial assets (IVAFE) and real estate property (IVIE) which they own abroad, as well as from completing the RW form in their yearly tax returns, which is used by the Italian Revenue Authority to monitor individuals resident in Italy with foreign investments and financial assets abroad.

## **International tax reform**

On December 28, 2023, Legislative Decree No. 209/2023 regarding the Italian reform of international taxation (hereinafter, “*the Decree*”) was published in Official Gazette No. 301. Below are the main new features (for impatriates regime see above).

### **Individual Tax Residency**

Art. No. 1 of the Decree changes the wording of art. 2 (2), of the Italian Income Tax Code (D.P.R. n. 917/1986, the “IITC”). The provision expands the list of the individuals’ taxpayers. Specifically, individuals are considered residents if, for the majority of the tax period, also considering fractions of a day, have their domicile or residence in the territory of the state or are there present. Compared with the current regulations, accordingly: the reference to fraction of a day is introduced; are considered residents, individuals who are present in the territory of the state for the most part of the tax period, thus in effect expanding the range of taxpayers resident in Italy. In addition, instead of reference to the notions contained in the Civil Code, a new concept of domicile is introduced, which is

based on the place in which the individual's personal and family relations are primarily developed. Finally, a presumption of residence is introduced, unless proven contrary, for individuals registered for most of the tax period in the registries of the resident population. The new regime applies to those who achieve tax residence in Italy as of FY 2024.

### **Corporations tax residency**

Article No. 2 of the Decree updates the provisions identifying the tax residence of corporations, for the purposes of the list of companies subject to CIT (corporate income tax - IRES). With the amendments under consideration, the following are considered to be resident in Italy - in addition to companies and entities that for the greater part of the FY have in State their registered office - also those having in Italy the place of effective management or place of routine management, instead of referring to the current concept of "*seat of administration*" and "*main purpose*".

### **Implementation of BEPS Pillar Two provisions**

Articles 8 through 60 of the Decree have implemented the European Union (EU) Council Directive n. 2022/2523 of 14 December 2022 on global minimum taxation based on the common approach shared at international level according to the relevant OECD technical guidance. Specifically, the Decree calls for the introduction of a qualifying domestic minimum top-up tax (QDMTT), as well as for a coordination of the current domestic controlled foreign companies (CFC) provisions with the upcoming global minimum tax.

### **CFC Rule**

Art. 3 of the Decree makes provisions on the tax treatment of controlled foreign subsidiaries. In particular, the first condition, provided for in art. 167(4) of the ITC for the application of the so-called CFC rule, is modified. The provision sets out the imputation to the resident entity of all income of the non-resident-controlled entity located in a privileged tax country, if the latter realizes more than one-third income from passive income (income of various kinds, mainly financial). The new discipline applies if the non-resident-controlled companies are subject to effective taxation of less than 15 %, if the financial statements of non-resident-controlled companies are audited and certification by accountants authorized to do so in the foreign state of location. Alternatively, in the presence of financial statements audited and certified financial statements of foreign subsidiaries, the controlling companies may pay a substitute income tax equal to 15% of the net profit of the year. In the absence of audited financial statements, the parent companies must verify that the non-resident-controlled companies are subject to an effective taxation less than half of that to which they would have been subject if resident in Italy.

## **Tax liabilities**

|  | <b>For Taxpayers</b>  | <b>For Directors<br/>(Chief Officers)</b> | <b>For Taxpayers<br/>(shareholders)</b> |
|--|---|---|---|
| Binding opinion/<br>Advanced tax rulings               | The opinion expressed by the Revenue Agency in the advance ruling is not binding. However, it is binding on the Revenue Agency, that cannot issue assessments or impose fines or penalties that would be in contrast with the opinion expressed in the advance ruling.  |   |   |
| Penalties for late declaration and late payment of tax | <p>Failure to file a tax return results in a penalty ranging from 120% to 240% of the taxes due. Minimum penalties (ranging from EUR 250 to EUR 1,000) are applicable if no tax liability emerged in the return.</p> <p>A tax return showing either a taxable income lower than the one assessed or a tax credit higher than those owed to the taxpayer (i.e., an untrue tax return) results in a penalty ranging from 90% to 180% of the higher taxes ultimately due.</p> <p>Omitted and/or late payments of taxes, of whichever kind and nature, result in a penalty equal to 30% of the unpaid/late paid tax. However, in cases where the delay is within 15 days, the penalty is equal to 1% per day; if the delay is between 15 and 90 days, the penalty is equal to 15%.</p> <p>Special rules apply where similar violations are repeated over various years.</p> | n/a                                       | n/a                                     |
| Tax misdemeanor provisions                             | See below   | See below                                 | n/a                                     |
| Criminal provisions                                    | In Italy, the omission of a tax return or the filing of an untrue return is considered a criminal offence only in case the amount of unpaid taxes overcomes a specific threshold, otherwise only an administrative offence occurs, and it is punished with administrative sanctions.  | See taxpayer                              | n/a                                     |

With reference to the main tax offences, the penalties provided for by law are:

- *Fraudulent tax declaration*: punishable with imprisonment ranging from 1 year and 6 months up to 8 years

- *Untrue tax declaration*: punishable with imprisonment ranging from 2 year up to 4 years and six months

- *Omitted tax declaration*: punishable with imprisonment ranging from 2 year up to 5 years

- *Issue of improper invoices*: punishable with imprisonment ranging from 1 year and 6 months up to 8 years

- *Destruction and concealment of accounting documents*: punishable with imprisonment ranging from 3 years up to 7 years

- *Omitted payment of VAT or withholding exceeding specific thresholds*: punishable with imprisonment ranging from 6 months up to 2 years.

The conditional suspension of the penalty is not possible in case the evaded tax exceeds 30% of the total business volume and EUR 3M.

Piercing the corporate veil

n/a

n/a

n/a

Advanced pricing agreements

Yes, with reference to limited topic (transfer pricing, entry and exit tax, permanent establishment, international income payments).

Tax misdemeanor provisions

See below

See below n/a

Piercing the corporate veil

n/a

n/a

n/a

Advanced pricing agreements

Yes, with reference to limited topic (transfer pricing, entry and exit tax,

permanent establishment, international income payments).

## Deadlines for reporting and payment of taxes and social contributions

| Type of tax                 | Reporting deadline   | Payment deadline   |
|-----------------------------|--|--|
| <i>IRES and IRAP</i>        | 30 September of the following year   | 30 June and 30 November  |
| <i>PIT</i>                  | 30 September of the following year (730 form) or 30 September of the following year (Redditi PF form)  | 30 June and 30 November  |
| <i>VAT</i>                  | <p>Annual VAT Return: 30 April of the following year</p> <p>Quarterly VAT Return: last working day of the second month following the quarter (30 September for the second quarter)</p> | <p>In case the annual turnover exceeds 700,000€ for companies supplying goods and services; and € 400,000 for companies supplying services exclusively, monthly VAT payments are due. In case this threshold is not exceeded, quarterly VAT payments must be made. Italian monthly VAT calculations must be paid by the 16<sup>th</sup> day of the month following the reporting period. Quarterly VAT calculations must be paid by the 16<sup>th</sup> day of the second month following the reporting period for the first three calendar quarters of the year. The fourth quarter VAT return is due by 16 March. In addition, an annual prepayment must be made by the 27 December.</p> |
| <i>Social contributions</i> | 31 March of the following year   | <p>Employer: 16 day of the month following payment of remuneration.</p> <p>Professional enrolled at INPS: same deadline of income taxes. Specific rules apply in case of professional pension fund.</p>  |

*Other- WHT declaration*

31 October of the following year

16 day of the month following payment of remuneration

## Double taxation treaties

Italy signed the OECD multilateral instrument (MLI) on 7 June 2017 but has not ratified it.

| <b>Country</b>         | <b>Dividends</b> | <b>Interests</b> | <b>Royalties</b> |
|------------------------|------------------|------------------|------------------|
| Albania                | 10               | 0/5              | 5                |
| Algeria                | 15               | 0/15             | 5/15             |
| Argentina              | 15               | 0/20             | 10/18            |
| Armenia                | 5/10             | 0/10             | 7                |
| Australia              | 15               | 0/10             | 10               |
| Austria                | 15               | 0/10             | 0/10             |
| Azerbaijan             | 10               | 0/10             | 5/10             |
| Bangladesh             | 10/15            | 0/10/15          | 10               |
| Barbados               | 5/15             | 0/5              | 5                |
| Belarus                | 5/15             | 0/8              | 6                |
| Belgium                | 15               | 0/15             | 5                |
| Bosnia and Herzegovina | 10               | 10               | 10               |
| Brazil                 | 15               | 0/15             | 15/25            |
| Bulgaria               | 10               | 0                | 5                |
| Canada                 | 5/15             | 10/0             | 5/10             |
| Chile                  | 5/10             | 5/15             | 5/10             |
| China                  | 10               | 10/0             | 10               |
| Colombia               | 5/15             | 0/5/10           | 10               |
| Congo                  | 8/15             | 0                | 10               |
| Croatia                | 15               | 0/10             | 5                |
| Cyprus                 | 15               | 10               | 0                |



|                |       |        |        |
|----------------|-------|--------|--------|
| Czech Republic | 15    | 0      | 0/5    |
| Denmark        | 15/0  | 0/10   | 0/5    |
| Ecuador        | 15    | 0/10   | 5      |
| Egypt          | n/a   | 0/25   | 15     |
| Estonia        | 5/15  | 0/10   | 0/5/10 |
| Ethiopia       | 10    | 0/10   | 20     |
| Finland        | 15/10 | 0/15   | 5/0    |
| France         | 15/5  | 0/10   | 0/5    |
| Georgia        | 5/10  | 0      | 0      |
| Germany        | 10/15 | 0/10   | 0/5    |
| Ghana          | 5/15  | 10     | 10     |
| Greece         | 15    | 0/10   | 0/5    |
| Hong Kong      | 10    | 0/12.5 | 15     |
| Hungary        | 10    | 0      | 0      |
| Iceland        | 5/15  | 0      | 5      |
| India          | 15/25 | 15/0   | 20     |
| Indonesia      | 10/15 | 10/0   | 10/15  |
| Ireland        | 15    | 10     | 0      |
| Israel         | 10/15 | 10     | 0/10   |
| Ivory Coast    | 15/18 | 15     | 10     |
| Jamaica        | 5/10  | 10     | 10     |
| Japan          | 15/10 | 10/0   | 10     |
| Jordan         | 10    | 10/0   | 10     |
| Kazakhstan     | 5/15  | 10/0   | 10     |
| Kyrgyzstan     | 15    | 0      | 0      |
| Korea (South)  | 10/5  | 10/0   | 5      |
| Kuwait         | 0/5   | 0      | 10     |
| Latvia         | 5/15  | 0/10   | 5/10   |

|                    |         |         |       |
|--------------------|---------|---------|-------|
| Lebanon            | 5/15    | 0       | 0     |
| Lithuania          | 5/15    | 10/0    | 5/10  |
| Luxembourg         | 15      | 0/10    | 10    |
| Macedonia          | 5/15    | 0/10    | 0     |
| Malaysia           | 10      | 0/15    | 0/15  |
| Malta              | 15      | 0/10    | 0/10  |
| Mauritius          | 5/15    | n/a     | 15    |
| Mexico             | 15      | 0/15    | 0/15  |
| Moldova            | 15/5    | 5       | 5     |
| Mongolia           | 5/15    | 10/0    | 5     |
| Montenegro*        | 10      | 10      | 10    |
| Morocco            | 10/15   | 0/10    | 5/10  |
| Mozambique         | 15      | 0/10    | 10    |
| Netherlands        | 5/10/15 | 0/10    | 5     |
| New Zealand        | 15      | 0/10    | 10    |
| Norway             | 15      | 0/15    | 5     |
| Oman               | 5/10    | 0/5     | 10    |
| Pakistan           | 15/25   | 0/30    | 30    |
| Panama             | 5/10    | 5/10    | 10    |
| Philippines        | 15      | 0/10/15 | 15/25 |
| Poland             | 10      | 10/0    | 10    |
| Portugal           | 15      | 0/15    | 12    |
| Qatar              | 5/15    | 0/5     | 5     |
| Romania            | 0/5     | 0/5     | 5     |
| Russian Federation | 5/10    | 10      | 0     |
| San Marino         | 0/5/15  | 0/13    | 0/10  |
| Saudi Arabia       | 5/10    | 0/5     | 10    |
| Senegal            | 15      | 0/15    | 15    |

|                      |       |        |         |
|----------------------|-------|--------|---------|
| Serbia               | 10    | 10     | 10      |
| Singapore            | 10    | 0/12.5 | 15/20   |
| Slovak Republic      | 15    | 0      | 0/5     |
| Slovenia             | 5/15  | 0/10   | 5       |
| South Africa         | 15/5  | 0/10   | 6       |
| South Korea          | 10/15 | 0/10   | 10      |
| Spain                | 15    | 0/12   | 4/8     |
| Sri Lanka            | 15    | 0/10   | 10/15   |
| Sweden               | 10/15 | 0/15   | 5       |
| Switzerland          | 15    | 12.5   | 5       |
| Syria                | 5/10  | 10/0   | 18      |
| Taiwan               | 10    | 10     | 10      |
| Thailand             | 15/20 | 0/10   | 15/5    |
| Tajikistan           | 15    | 0      | 0       |
| Tanzania             | 10    | 15     | 15      |
| Trinidad and Tobago  | 10/20 | 10     | 0/5     |
| Tunisia              | 15    | 0/12   | 5/12/16 |
| Turkey               | 15    | 15     | 10      |
| Turkmenistan         | 15    | 0      | 0       |
| Uganda               | 15    | 0/15   | 10      |
| Ukraine              | 15/5  | 10/0   | 7       |
| United Arab Emirates | 5/15  | 0      | 10      |
| United Kingdom       | 15/5  | 0/10   | 8       |
| United States        | 5/15  | 0/10   | 0/5/8   |
| Uruguay              | 5/15  | 0/10   | 10      |
| Uzbekistan           | 10    | 0/5    | 5       |
| Venezuela            | 10    | 0/10   | 7/10    |

|                          |         |      |        |
|--------------------------|---------|------|--------|
| Vietnam                  | 5/10/15 | 10/0 | 7.5/10 |
| Zambia                   | 5/15    | 10/0 | 10     |
| Non-treaty jurisdictions | 26      | 26   | 30     |



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## About Crowe Valente

### Crowe Valente

Crowe Valente, including its affiliated companies, counts now on an integrated team of more than 50 professionals (specialized attorneys, certified public accountants, engineers, programmers, economists, and statisticians) fully dedicated to Tax and Legal matters, and in other areas such as IT legal, Digital Transformation, Corporate Finance, Payroll, HR, Business Outsourcing Services and Strategic Management Consulting.

Crowe Valente and its affiliated companies have won several sector-specific awards granted by numerous world-renowned organizations in Italy and abroad.

### **Our Global Reach**

In addition to our local and regional services, as members of Crowe Global, we can draw on a worldwide network of independent professionals and their know-how. The Crowe Global network consists of more than 200 independent accounting and advisory services firms in about 150 countries around the world.

As member firm of Crowe Global we offer comprehensive, international expertise in a broad range of business consulting practices, including assurance, M&A, corporate finance, forensic services, human resources services, tax & regulatory.

This unique combination of our local and regional talent coupled with the global reach of our network provides us with the local expertise and global worldwide capabilities our clients expect and deserve.