



Doing Business in Italy

Audit / Tax / Advisory

Smart decisions. Lasting value.

Welcome

to Doing Business in Italy

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 2020. 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 180 independent accounting and advisory services firms in about 140 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 01/06/2020 EUR

Types of organization

LLC

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 (for the Srl is EUR 1). The Srl share capital can be registered also 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 two of the following thresholds:
a) EUR 4'400'000 total assets;
b) EUR 8'800'000 turnover (from sales and provisions of services);
c) 50 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)

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)

Name in local language	Stabile organizzazione
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)

<p>Tax rates</p>	<p>22% (normal rate); 4%, 5%, 10% (reduced rate). The “zero” rate applies to certain so-called “non taxable” operations (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).</p>
<p>Supply of goods</p>	<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. VAT for imported goods is chargeable when the goods are cleared for customs purposes.</p>
<p>Supply of services</p>	<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.</p>
<p>Special provisions (exemptions to the general rule)</p>	<p>Time of supply for certain services Time of supply of certain services is the time of completion in case of:</p> <ul style="list-style-type: none"> • 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 • Supply of services falling under the general rule rendered by taxable persons established in Italy to EU and non-EU taxable persons. <p>In case of periodic or continuous supply of services, the time of supply is the date of maturity of the consideration. Moreover, 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>
<p>Reverse charge on local supplies</p>	<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	A taxable person receiving crossborder services subject to the reverse charge in Italy must register for VAT purposes in Italy
Deadline and conditions for VAT refund	<p>Cross-border VAT refunds for EU businesses: in case of European Union business, who incur VAT but don't 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 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.</p> <p>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.</p> <p>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.</p>
Major 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.

Real Estate	<p>Sales of residential real estate made by VAT liable entities are normally exempt from VAT. Residential sales are only subject to VAT if the seller is a construction company that has procured or renovated the property less than five years before the sale takes place, or after five years, if the construction company opts in the deed of sale for VAT to apply. 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"> • The seller is a construction company that procured or renovated the property less than five years before the sale, and • (in any event), if the seller opts in the relevant transfer deed for the VAT tax regime to apply <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 (through a direct VAT identification/VAT fiscal representative in case of non EU business) in Italy in case they perform any taxable supplies before the VAT becomes chargeable</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 income tax is approx. 28%. However, the taxable income for IRAP is determined in a</p>

	different way from the one used for CIT (some costs and expenses – such as HR costs - are not deductible).
Tax base	Worldwide income (for resident); Italian-source income (for non-resident)
Tax assessment period	Fiscal year (sole year)
Loss set-offs/ 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"> • Change of control and • An effective change of the main activity (performed by the company carrying forward the losses). <p>The aforementioned changes must occur together in order 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.</p> <p>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. In the event that financial accounting depreciation exceeds the amounts allowed for tax purposes, temporary differences arise. 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 at up to 30% of the gross EBITDA (interest deduction capacity) relevant for tax purposes (before 2019, reference had to be made to EBITDA as reported in the financial statements). 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 as long as 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), 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 Major 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 if (i) automobiles are absolutely necessary for the company's business or (ii) automobiles are an essential element in the company's activity (i.e. vehicles owned by a car rental company). For IRES purposes, up to 80% of the total expenses related to both mobile and landline telephones are deductible. The following IRAP items are deductible in determining the IRES taxable base:

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

Starting from FY 2019, IMU is deductible for IRES purposes up to:

- 50% of the amount paid in FY 2019;
- 60% of the amount paid in FY 2020 and FY 2021;
- 100% of the amount paid in FY 2023 and in the following ones.

Increases of taxable profits: capital gains are taxable in the tax period in which they are realised, as follows:

- Fixed assets: The gain realised 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. A specific participation exemption regime (PEX) is applicable. Under this regime, capital gains realised by Italian companies on sales of shareholdings 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. 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 applies to transactions incurred between Italian entities and non-resident entities belonging to the same group (transfer pricing rule 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.

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

Transfer pricing, Transfer pricing documentation, Related parties

- Documentation to support the inter-company transactions drawn up in the specific format detailed in a Regulation issued by the Italian tax authorities and drawn up in Italian. The tax authority confirmed that information in annexes (inter-company contracts, transactions diagrams, and economic has been prepared and available by checking the analyses) can be in English.
- Notification that documentation specific box in the annual corporate income tax return.

The information required is based on the EU Code of Conduct for Transfer Pricing documentation and OECD Guidelines.

Based on the group structure, a Master File and/or Country File have to be prepared.

Italian-based groups and Italian sub-groups owning non-Italian subsidiaries must produce both a Master File and a Country File. Italian subsidiaries of multinational groups need to produce a Country File only. Documentation must be signed by the legal representative of the company and provided to the authority upon request within ten days. Also, an electronic copy must be provided upon request.

Transfer pricing documentation must be prepared each year and on a company-by-company basis. Small and medium

	<p>companies (defined as those with an annual turnover of less than EUR 50 million) can update the economic analysis only every three years, provided that no significant change in the business 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.</p> <p>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.</p> <p>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 entities resident in Italy for tax purposes.</p> <p>Penalties are levied in case of missed or untrue communication (penalties can range from EUR 10,000 to EUR 50,000).</p> <p>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.</p>
Withholding tax	<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.</p> <p>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).</p> <p>Interest on government bonds is subject to a 12.5% domestic WHT.</p>
Interest	<p>The actual 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>
Royalties	<p>30% (calculated usually on 75% of the gross royalty resulting in an effective tax rate of 22,5%)</p>
Services	<p>20% (residents) – 30% (non-residents)</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</p>

purposes.

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.

Personal income tax

Taxable income

Worldwide income (for resident); Italian-source income (for non-resident); the main income tax levied on individuals is the personal income tax, also known as the Imposta sui redditi delle persone fisiche (IRPEF) that applies based on income tax brackets and on the basis of progressive rates that increase if income increases. Progressive rates for the year 2020 are the following:

- Income up to EUR 15,000.00: 23%;
- Income from EUR 15,001.00 up to 28,000.00: 27%;
- Income from EUR 28,001.00 up to 55,000.00: 38%;
- Income from EUR 55,001.00 up to 75,000.00: 41%;
- Income over EUR 75,000.00: 43%.

Income from employment/ self-employment

Employment income: employment gross taxable income 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. Self-employment income refers to incomes produced by self-employed professionals (self-employee VAT number holder). 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-employment income is also subject to VAT.

Income from property and property rights	<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 proportionated to the percentage owned and the period of ownership. The cadastral value has to be increased by 5%.</p> <p>In particular, the buildings used as “first house” (i.e. abitazione principale) by the taxpayer are exempted for IMU purposes (otherwise the rate for IMU ranges from 0.5% to 0.6% depending on the municipality). 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.</p> <p>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>
Income from capital	The income arising from the use of capital are typically interest and dividends (see below)
Other income	No
Withholding tax	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.
Interest	<p>Interests are subject to a flat tax rate of 26% to be applied at source.</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	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.
Dividends	The 2018 Italian Financial Bill has introduced for Italian individuals without self-business a final WHT at a 26% rate for dividend distributions deriving from qualified and non-qualified shareholdings (starting from 1 January 2018). 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.
Capital gain	<p>Capital gains tax on securities: the taxable base referred to in the sale of assets (securities, i.e. stocks, bonds, etc.) is the sale price less the purchase price, with all the additional purchase costs (notary fees, taxes, broker fees, etc.). In case of non-entrepreneurial subjects capital gains are taxed applying a flat tax rate of 26% on the whole capital gains amount. In case of entrepreneurial subjects the capital gains is subject to the personal income tax (i.e. IRPeF).</p> <p>Capital gains tax on the sale of real estate: 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"> • The sale of a real estate if owned for more than five years • 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).

Mandatory social contributions

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 25.72%.

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

- For who is provided an additional contribution: Rate is equal to 34.23%;
- For who is not provided an additional contribution: Rate is equal to 33.72%.

All the percentages are applied up to the limit established by the law for the year 2020 equal to EUR 103,055.

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 effected 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

Social security contributions are made by both the employee and the employer. The Italian employer, in order to pay social security contributions for employees, must register with the Italian Social Security Administration (Istituto Nazionale Previdenza Sociale or INPS). The total social security rate is around 40% 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:

- Employer's charge is around 30%;
- Employee's charge is around 10%.

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 103,055 for the year 2020.

BEPS implementation

CFC	Italian tax law already provided CFC rules.
DAC6	Effective from 1 July 2020.
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 2014/107 / EU Council of 9 December 2014 amending Directive 2011/16 / EU as regards the mandatory automatic exchange of information in the tax sector.
Profit shifting rule	Italy has recently 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.
Land	n/a
Building	3%
Tax base	Book value
Special depreciation	For the FY starting on 1 January 2020, purchases of new tangible and intangible assets may benefit from a tax credit (so-called super and hyper depreciation).
Real estate transfer tax	See below
Property tax (rate and base)	Property transfer tax depends on the commercial/residential classification of the immovable property and on the status of the seller and buyer (i.e. acting in the course of their business). As general rule, transfers are subject to registration tax (9%). If the transfer is subject to VAT, the registration tax is due in the fixed amount of EUR 200. Real estate registry tax and land register tax might also apply (taxes range from a fixed amount to 1-3% proportional rates).

Other significant business-related taxes

Description of other taxes

As of FY 2020, corporations will apply a tax at the rate of 3% on the value of specific digital services, net of VAT and other indirect taxes.

The web tax is addressed to taxpayers who individually or at the group level realize during a taxable year (i.e. calendar year):

- A total amount of worldwide revenues exceeding EUR 750 million, and
- A total amount of revenues realized in the Italian territory exceeding EUR 5.5 million.

Taxpayers must pay the tax by February 16 of the calendar year following the year in which the taxable revenues were obtained.

Taxpayers also must submit an annual tax declaration regarding the provided taxable services by March 31 of the same year. For companies that are part of the same group, a single entity must be identified to comply with the above-described provisions.

The entry in force is 1 January 2020. The Italian DST shall be repealed when internationally agreed-upon provisions on the digital economy's taxation become applicable.

The digital tax seems to be aimed to target revenues from digital services that underpin 'user participation', such as:

- Channelling of advertisements on a digital platform targeting the users of the same platform ('targeted online advertising');
- Availability of online platforms and multi-sided digital interfaces that allow user interaction and may facilitate the sale of goods and services among them; and
- Transmission of data collected about users and generated from user activities on digital interfaces.

Incentives

Investment incentives

Tax credits on assets:

Companies investing in tangible and intangible capital goods accordingly to the Industry 4.0 national strategy can benefit of a wide range of tax credits from 15% (intangible assets) to 20-40% (tangible assets). Companies investing in ordinary tangible assets can benefit of a 6% tax credit.

Tax credit for Special Economic Zones:

Companies investing inside the Special Economic Zones (SEZs) of Basilicata, Calabria, Campania, Puglia, Sicily (seaports, inland ports, airports, production areas, logistic platforms and intermodal freight villages) until the end of 2022 and for a maximum investment of EUR 50 MLN, can benefit of a tax credit of 25% (large), 35% (medium) or 45% (small).

Tax credit for South Italy:

Companies investing in Basilicata, Calabria, Campania, Puglia, Sicily, Molise and Abruzzo within the end of 2020, can benefit of a tax credit of 25% (large), 35% (medium) or 45% (small).

Tax Credit on expenditures (personnel, tangible assets depreciation charges, consultancy, etc.) related to:

- R&D (12%);
- Technological innovation (6%);
- Technological innovation for Industry 4.0 (10%);
- Aesthetic conception (textile, footwear, fashion sectors) (6%).

Patent Box:

It consists of a 50% tax deduction for incomes arising from direct use or licensing of qualified intangible assets. It regards reduction of corporate income Tax (IRES) and Regional production Tax (IRAP).

Industry 4.0 Training:

The aid aims at stimulating companies investments regarding training paths about Industry 4.0 “enabling technologies” (automation, cloud, etc.). It consists of a 40% tax credit of the expenses related to the personnel employed in eligible training activities.

ACE - Help for Economic Growth:

The incentive aims at encouraging the capitalization of companies through the possibility of deducting from the net income, up to the amount of the same, an amount (notional yield) determined as an increase in equity. The applied tax rate on company revenue (IRES) only for this specific amount is 1.3%.

R&D incentives

The Research & Development tax credit aims to encourage investments in R&D activities. The right to benefit is granted to those entities once they prove that they have invested in the qualifying R&D activities an amount of at least EUR 30,000 per year. The maximum annual credit for each beneficiary is EUR 20 million. Taxpayers have to sustain R&D qualifying costs between 2015 and 2020. This benefit is available to any enterprise, irrespective of its legal form, business sector, accounting standards and size, including Italian undertakings or permanent establishments in Italy of non-resident taxpayers, performing R&D activities on the basis of agreements with non-Italian companies resident in EU member States, or in a European Economic Area (EEA) countries or other Country partners with which an exchange of information instrument is in force. Taxpayers have to incur costs for one (or more) of the R&D qualifying activities, consisting in fundamental research, industrial research and experimental development.

In particular, the eligible expenses are those incurred for:

- Workers involved in the above-mentioned R&D activities;
- Depreciation charges related to the assets employed to carry out the activities/projects;
- R&D “extra-muros”, i.e. activities carried out jointly with universities, research institutes and equivalent bodies and other enterprises;
- Technical expertise, industrial and biotechnological patents.

The Italian Revenue Agency recognises a tax credit up to 50% of the increase of annual R&D expenses, which is neither included in the income tax base nor in the Regional Tax on Productive Activities base. This increase has to be calculated by comparing the average of expenses in R&D which the taxpayer incurred in the period 2012/2014. Taxpayers are entitled to use tax credit as a form of payment for income or regional taxes as well as social security contributions.

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 Budget Law amended the regulation of the tax credit for training 4.0, introduced by the law n. 205/2017. More in detail, from the tax period following the one in course on 31 December 2019, the tax credit for training 4.0 is available to:

- Small enterprises, for an amount equal to 50% of eligible expenses, up to a maximum of EUR 300,000;
- Medium-sized enterprises and large enterprises, for an amount respectively equal to 40% and 30% of eligible expenses, up to a maximum of EUR 250,000.

Provided the maximum annual amount available for each type of enterprise, the tax credit is equal to 60% of the costs incurred whereas the training activities are addressed to disadvantaged or very disadvantaged workers as defined by the decree of the Ministry of Labour and Social Policies issued on 17 October 2017.

Other special incentives/ tax regimes and opportunities for business models (where relevant)

Further incentives are introduced or extended, aimed to support or facilitate:

- Access to financial credit for purchasing of new machinery, plants, and equipment, as well as digital technologies and software (i.e. Nuova Sabatini);
- Purchase of recycled plastic products;
- Energy requalification of buildings;
- Donations to finance interventions on public buildings and lands;
- Investments in innovative start-ups.

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

Tax Regime for Impatriates/Expats

On 28 June 2019, the Italian government converted Article 5 of Law Decree No. 34/2019 (the “New Growth Decree”) into law.

The new Growth Decree introduces significant amendments to the 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 starting in 2020.

It provides a greater reduction in the taxable base of Italian personal income.

A 70% tax exemption has been envisaged, compared to the previous 50% tax exemption.

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 New Growth Decree extends the application of the special tax regime 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 (previously 5);

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

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

Flat Tax

The Italian 2019 Budget Law introduced a new “flat tax regime” (Portugal Model) for retirees willing to retire in Italy.

The access to the regime is possible upon election if:

The individual is entitled to income from a foreign pension or other source abroad;

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 the “flat tax regime”, the individual is subject to a flat tax of 7% for each period in which the option is valid.

Individuals who opt for the new flat tax regime for retirees will be exempt from tax on the value of both financial assets (IVAFE) and real estate property (IVIE) which they own abroad.

In addition, they will be exempt from completing annual, “Quadro RW” filing, which are used by the Italian Revenue Authority to monitor individuals resident in Italy with foreign investments and financial assets abroad.

Tax liabilities

	For taxpayers	For directors (chief officers)	For shareholders
Binding opinion/ 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. 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%. Special rules apply where similar violations are repeated over various years.</p>		
Tax misdemeanor provisions	See below	See below	n/a

Criminal provisions	<p>In Italy tax evasion 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. In case of tax offences, the penalties provided for by law are:</p> <p>Fraudulent tax declaration: punishable with imprisonment ranging from 1 year and 6 months up to 6 years;</p> <p>Inaccurate tax declaration: punishable with imprisonment ranging from 1 year up to 3 year;</p> <p>Omitted tax declaration: punishable with imprisonment ranging from 1 year up to 3 years;</p> <p>Issue of improper invoices: punishable with imprisonment ranging from 1 year and 6 months up to 6 years;</p> <p>Destruction and concealment of accounting documents: punishable with imprisonment ranging from 6 months up to 5 years.</p> <p>The conditional suspension of the penalty is not possible in case the evaded tax exceeds 30% of the total business volume and EUR 3 million.</p>	See taxpayer	n/a
Piercing the corporate veil	n/a	n/a	n/a
Advanced pricing agreements	No	No	No

Deadlines for reporting and payment of taxes and social contributions

Type of tax	Reporting deadline	Payment deadline
<i>IRES and IRAP</i>	30 November of the following year	30 June and 30 November
<i>PIT</i>	23 July of the following year (730 form) or 30 November of the following year (UNICO PF form)	30 June and 30 November
<i>VAT</i>	30 April of the following year	16 day of the following month
<i>Social contributions</i>	31 March of the following year	Employee: 16 day of the month following payment of remuneration; Professional: same deadline of income taxes
<i>Other- WHT declaration</i>	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.

Country	Dividends	Interest	Royalties
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	10/5
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	0/5/10
Chile	5/10	4/5/10/15	2/5/10
China	10	10/0	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	10/15	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
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	0/10/15	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	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
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 in Italy

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.

Crowe AS SpA

The company, member of the Italian Register of certified auditors, was founded in 1987 by professionals having significant past experiences in international auditing companies. Nowadays, our team counts more than 100 professionals in 8 Italian cities. In addition to the Accounting and Auditing services, there are departments for Risk Consulting, Forensic Accounting, Corporate Finance, IT & Quality Advisory, Management Consulting and Outsourcing services.

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 180 independent accounting and advisory services firms in about 140 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.