

**SPECIAL
IAIA 20th
ANNIVERSARY
EDITION**

2019 Italian Tax Update

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IAIA ANNUAL CPD COURSE

Cernobbio, 12 April 2019

Taxing.It

Italian Tax Resource and Advisory



Accounting
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International Accountants

Spring 2019 Italian Tax Update

**Cernobbio,
12 April 2019**

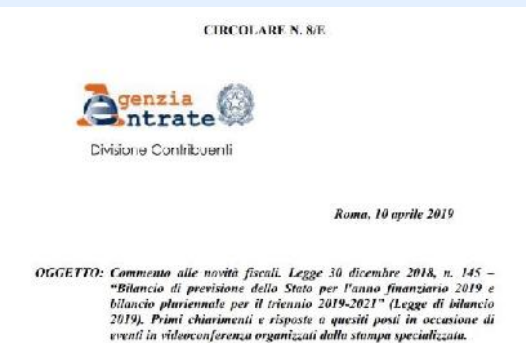
2019 update

- Personal Income Tax
 - Summary of overall tax take and some statistics
 - 2019 Tax Rates and credits
 - 2019 Finance Law Update
 - Special regimes for “Cervelli”, “impatriati”, OaP’s, Flat Tax
 - Deductions and Credits
- Business Tax
 - 2019 Finance Law Update
 - Mini-IRES, Ace, Iri
 - Vat update
 - Patent Box Update
- Areas of focus for tax inspections
- Affrancamento

2019 Italian Tax Update

Finance Law 2019

The Finance Law 2019 ([L. 145/2018](#)) was published in the Official Gazette no. 302 on 31 December 2018 and came into force on 1 January 2019.



A 170 page explanatory Circular ([No. 8/E](#)) was issued on 10 April 2019

2019 IRPEF rates

Income rates and brackets of income for FY 2019

Bracket of income	Rate	Amount
Up to € 15,000	23%	€ 3,450
Over € 15,000 and up to € 28,000	27%	€ 6,960
Over € 28,000 and up to € 55,000	38%	€ 17,220
Over € 55,000 and up to €75,000	41%	€ 25,420
Over € 75,000	43%	surplus x 43%



The above does not include the municipal tax supplement from 0.1% to 0.9% nor the regional tax supplement – from 0.70% to 3.33% depending on municipality/region

The 2011 solidarity contribution equal to 3% of income over Euro 300,000 – has not been extended effective FY 2017 onward.

2019 “At a Glance” Summary of Italian Social Security Rates

Professionisti/Collaboratore		
Contracts of Employment	Employee	Employer
Co.co.co	11%	33%
Self Employed (INPS gestione separata)	25.72%	For self employed registered for VAT
	33%	For non VAT registered individuals
	24%	Pensioners and individuals alternatively insured

2019 “At a Glance” Summary of Gestione Separata Thresholds

Minimum Annual Income	Rate	Minimum Annual Contribution
€ 15.710,00	24%	€ 3.770
€ 15.710,00	25,72 %	€ 4.041
€ 15.710,00	33,72 %	€ 5.297
€ 15.710,00	34,23 %	€ 5.376

2019 Deadlines

Deadline for IRPEF/IRES payments/electronic submission of tax returns (Redditi, IRAP, 770) and the CU

1 April - CU

30 April – spesometro

30 June - payment of 2018 balance and 2019 1st payment on account

8 July - 730 ordinary

23 July 730 pre-compiled

30 September the deadline for filing the following tax returns, (for individuals and calendar-year corporate taxpayers)

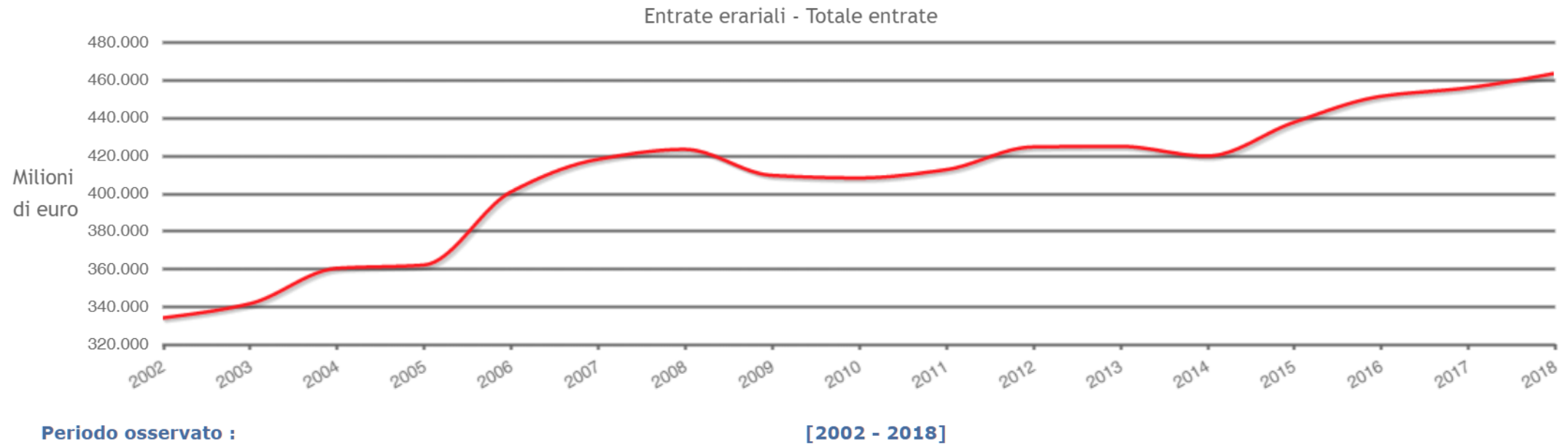
- Income tax return (Modello Redditi)
- Regional tax return (Modello IRAP)
- Withholding tax agent return (Modello 770)

Summary of Total Tax Take 1

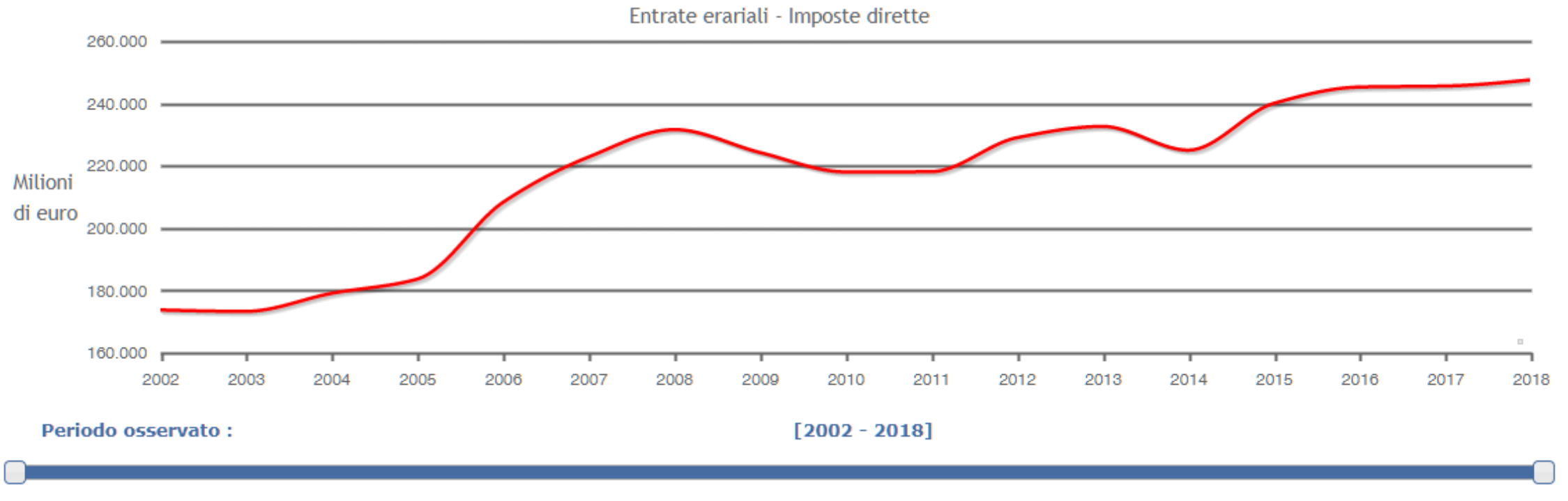
Entrate Erariali			
Entrate	Gen-Dic 2018	Gen-Dic 2017	Variazione % sul 2017
+ Imposte dirette	247.631	245.620	0,82%
+ Imposte indirette	215.665	210.024	2,69%
Totale entrate	463.296	455.644	1,68%

Importi in milioni di euro

Italian Tax Take 2002-2018 - Total

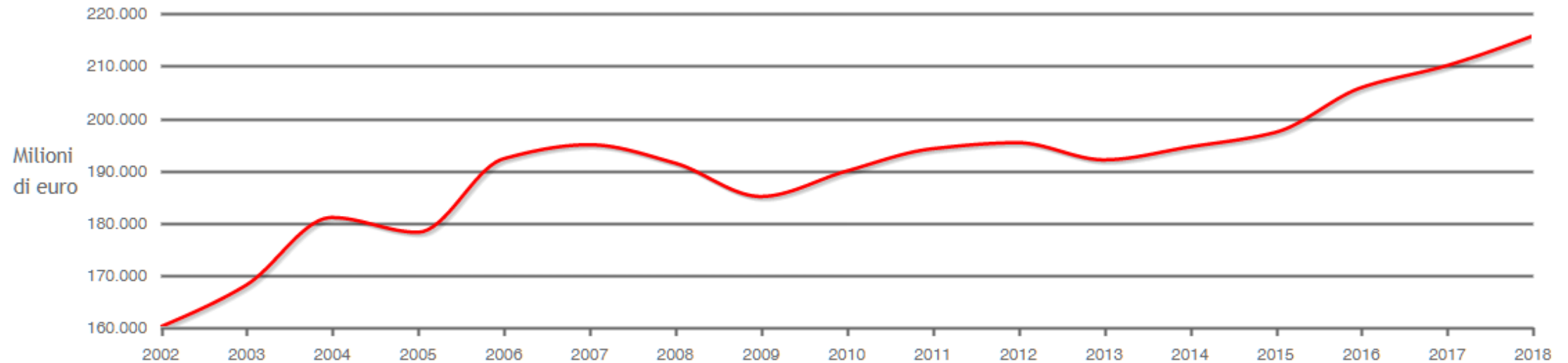


Italian Tax Take 2002-2018 – Direct Taxes



Italian Tax Take 2002-2018 – Indirect Taxes

Entrate erariali - Imposte indirette



Periodo osservato :

[2002 - 2018]



Summary of Total Tax Take 1

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Entrate	Gen-Dic 2018	Gen-Dic 2017	Variazione % sul 2017
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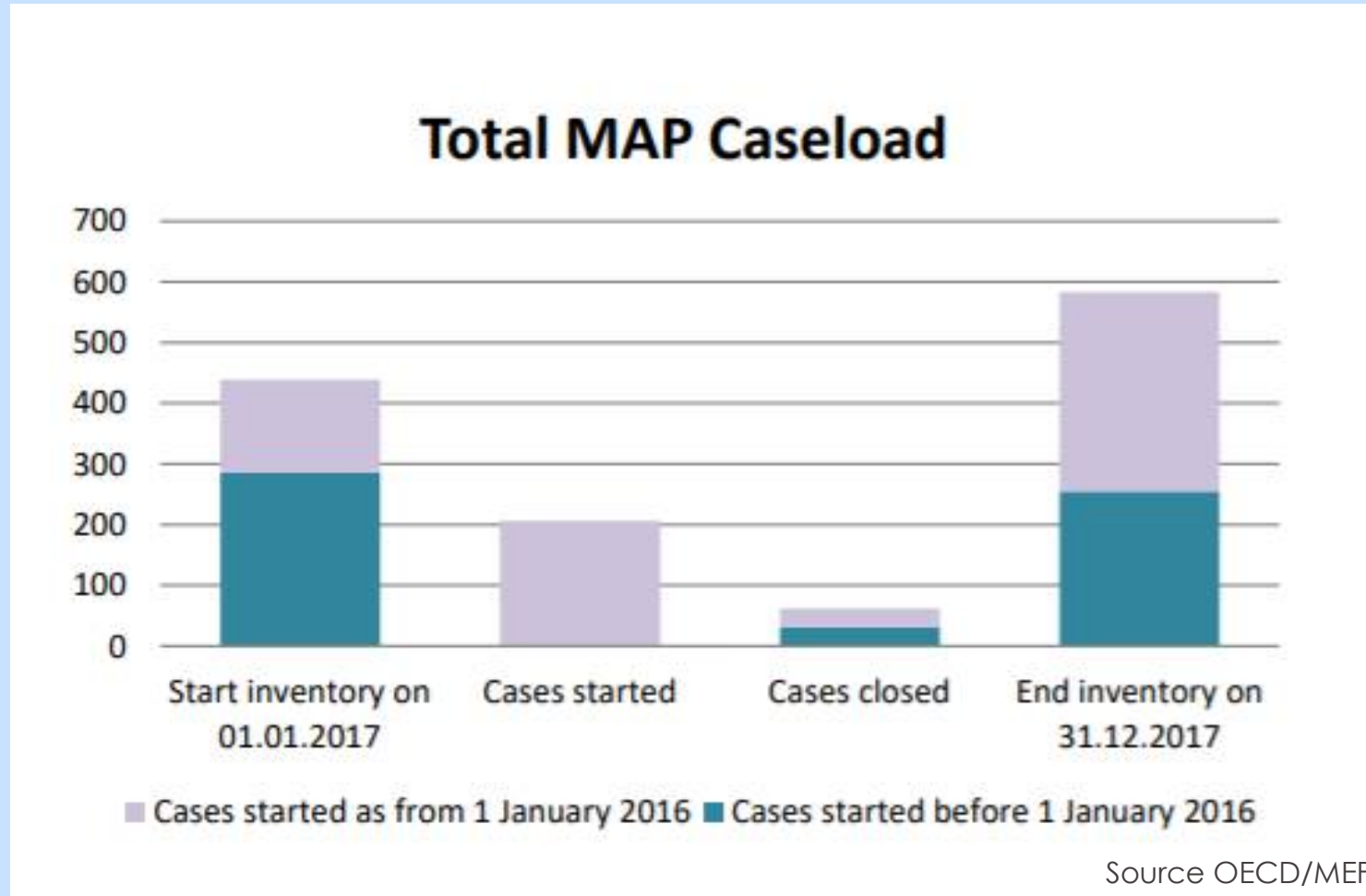
Importi in milioni di euro

Summary of Total Tax Take 1

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Entrate	Gen-Dic 2018	Gen-Dic 2017	Variazione % sul 2017
+ Imposte dirette	247.631	245.620	0,82%
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Totale entrate	463.296	455.644	1,68%

Importi in milioni di euro

Map



Map

Cases started before 1 January 2016	2017 start inventory	Cases started	Cases closed	2017 end inventory
Transfer pricing cases	157	0	26	131
Other cases	129	0	5	124

Cases started as from 1 January 2016	2017 start inventory	Cases started	Cases closed	2017 end inventory
Transfer pricing cases	135	148	22	261
Other cases	18	58	9	67

Source OECD/MEF

Overview of Map partners (post 1 January 2016)



Source OECD/MEF

Overview of Map partners (post 1 January 2016)



Flat tax regime – 2019 Changes

CIRCOLARE N. 9



- Special regime for teachers
- < Euro 65k per annum (pro rata)
- Transitional rules for old Euro 30k limit
- Royalty and IP income
- Changes to Impatriates Regime
“Announced”
- HNWI – no change
- Constitutionality

Roma, 10 aprile 2019

... commi da 9 a 11, legge
30 dicembre 2018, n. 145

Substitute tax for individuals offering private lessons

- From 1 January 2019, a tax shall be imposed replacing income tax, regional and municipal surcharges,
- optional instead of marginal rates
- for individuals “titolari di cattedre” in schools of any type or level
- engaged in teaching private or supplemental lessons
- no income limit – no tax deductions –
- income forms part of ISEE determination
- the substitute tax, will be at the rate of 15 per cent
- Social security?

Substitute tax for individual entrepreneurs, arts & crafts and professionals

- From 1 January 2020, substitute a tax replacing income tax, additional regional and municipal income taxes, and IRAP
- for individuals
 - engaged in trade and commerce business, arts or professions
 - who, in the previous year, have gross revenues between 65,001 and 100,000 euros
- the substitute tax, will be at the rate of 20 per cent, may be applied instead of progressive taxation by brackets to profits determined in accordance with the normal rules on income from business and self-employment.

This requires further measures before it enters into force. It is controversial

Flat tax regime – regime forfettario

- Extension of “regime forfettario” from gross income < 30k per annum to Euro 65k
- Flat rate 5% for new start-ups
- Other taxpayers 15%
- Anti avoidance rules to stop former employees converting or being “encouraged to” convert to self-employed on flat rate regime
- Promise of further extension to Euro 100k in 2020?

Flat tax regime – regime forfettario

- Lump-sum deduction for costs
 - See next slide
- No deduction for costs except social security contributions

Flat tax regime – co-efficients

No.	Business Sector	Ateco Business Activity Code	Co-efficient
1	Food and Drink Production Industries	(10-11)	40%
2	Commerce and Trade	45 - (da 46.2 a 46.9) - (da 47.1 a 47.7) - 47.9	40%
3	Food and Drink mobile sales (ambulante)	47.81	40%
4	Mobile sales of other products	47.82 - 47.89	54%
5	Construction and real estate businesses	(41 - 42 - 43) - (68)	86%
6	Commercial agents – 62%	46.1	62%
7	Restaurant and hospitality – 40%	(55-56)	40%
8	Professional scientific technical health, teaching, financial and insurances services	(64-65-66) - (69-70-71-72-73-74-75) - (85) - (86-87-88)	78%
9	Other – 67%	(01 - 02 - 03) - (05 - 06 - 07 - 08 - 09) - (12 - 13 - 14 - 15 - 16 - 17 - 18 - 19 - 20 - 21 - 22 - 23 - 24 - 25 - 26 - 27 - 28 - 29 - 30 - 31 - 32 - 33) - (35) - (36 - 37 - 38 - 39) - (49 - 50 - 51 - 52 - 53) - (58 - 59 - 60 - 61 - 62 - 63) - (77 - 78 - 79 - 80 - 81 - 82) - (84) - (90 - 91 - 92 - 93) - (94 - 95 - 96) - (97 - 98) - (99)	67%

Flat tax regime – 2019 Changes

CIRCOLARE N. 9

- Excluded:
 - Tour operators
 - Salt, tobacco, matches
 - Newspapers
 - Telecommunications services
 - Entertainment and gaming
 - Agricultural Activities/Agriturismo
 - Door-to-door
 - Commerce in second hand goods
 - Arts/antiques auction agencies
 - Family businesses?
 - Contemporaneous conduct via an Srl etc

These are all special regimes that have their own pre-existing special tax treatment

Flat tax regime – regime forfettario

- 5% for first five accounting periods
- Simplified accounting regime
- Social security contributions
- Loss carry forwards/period offsets?

Flat tax regime – Euro 8k per annum

Description	Amount	Per month		Per Annum	Effective Rate
Gross fees billed		€	667	€ 8,000	
Lump-sum deduction	78%				
Compliance costs	Set up costs € 200+VAT	-€	20	-€ 244	3.05%
Compliance costs	Annual fee € 300+VAT	-€	31	-€ 366	4.58%
Tax	5%	-€	26	-€ 312	3.90%
Social Security (INPS gest s	24%	-€	125	-€ 1,498	18.72%
Tax saving year 2 on INPS		€	5	€ 58	-0.73%
Total net		€	470	€ 5,639	29.51%

Normal regime – Euro 8k per annum

Description	Amount	Per month	Per Annum	Effective Rate
Gross fees billed		€ 667	€ 8,000	
Costs incurred (assume)	22%	-€ 147	-€ 1,760	
Compliance costs	Set up costs € 80+VAT	-€ 8	-€ 98	1.22%
Compliance costs	Annual compliance costs € 800+VAT	-€ 81	-€ 976	12.20%
Tax	23%-43%	-€ 37	-€ 440	5.50%
Social Security (INPS gest sep.)	26%	-€ 134	-€ 1,605	20.06%
Tax saving year 2 on INPS		€ 5	€ 63	-0.78%
Total net		€ 265	€ 3,184	60.20%

50% regime for new “impatriates” would make this regime at higher rates more effective?

Flat tax regime – Euro 24k per annum

Description	Amount	Per month	Per Annum	Effective Rate
Gross fees billed		€ 2,000	€ 24,000	
Lump-sum deduction	78%			
Compliance costs	Set up costs € 200+VAT	-€ 20	-€ 244	1.02%
Compliance costs	Annual fee € 300+VAT	-€ 31	-€ 366	1.53%
Tax	5%	-€ 78	-€ 936	3.90%
Social Security (INPS gest s	24%	-€ 374	-€ 4,493	18.72%
Tax saving year 2 on INPS		€ 15	€ 175	-0.73%
Total net		€ 1,511	€ 18,136	24.43%

Normal regime – Euro 24k per annum

Description	Amount	Per month		Per Annum	Effective Rate
Gross fees billed		€	2,000	€ 24,000	
Lump-sum deduction	78%				
Compliance costs	Set up costs € 200+VAT	-€	20	-€ 244	1.02%
Compliance costs	Annual fee € 300+VAT	-€	31	-€ 366	1.53%
Tax	5%	-€	78	-€ 936	3.90%
Social Security (INPS gest s	24%	-€	374	-€ 4,493	18.72%
Tax saving year 2 on INPS		€	15	€ 175	-0.73%
Total net		€	1,511	€ 18,136	24.43%

Flat tax regime – Euro 65 k per annum

Description	Amount	Per month		Per Annum	Effective Rate
Gross fees billed		€	5,333	€ 64,000	
Lump-sum deduction	78%				
Compliance costs	Set up costs € 400+VAT	-€	41	-€ 488	0.76%
Compliance costs	Annual fee € 600+VAT	-€	61	-€ 732	1.14%
Tax	5%	-€	208	-€ 2,496	3.90%
Social Security (INPS gest sep.)	24%	-€	998	-€ 11,981	18.72%
Tax saving year 2 on INPS		€	39	€ 467	-0.73%
Total net		€	4,064	€ 48,770	23.80%

Special scheme for workers returning to Italy

- 50% exemption for highly specialized workers - EU nationals and nationals of white list countries
- Requirements:
 - Hold a university/college degree
 - Have studied or been employed/self-employed outside of Italy during the last 24 months (at least)
 - Have studied abroad to obtain a university degree or postgraduate master degree during the last 24 months
 - Have a management or highly specialized role
- Self-employed or employed
- Remain in Italy for two years
- Tax relief for max 5 tax years

Flat Tax for pensioners living in South Italy

- 7% flat tax for pensioners residing abroad for at least 5 years who choose the South
- The tax is applied for five tax periods and is aimed at those who transfer their residence to Italy, to municipalities with a population not exceeding 20,000 inhabitants.
- The regions are: Sicily, Calabria, Sardinia, Campania, Basilicata, Abruzzo, Molise, Puglia.

Flat Tax for pensioners living in South Italy

- Exemption from compilation of section RW, IVIE and IVAFE
- At the end of the five year period the taxpayer will go onto a normal regime - taxation at ordinary rates/substitute tax on investment income and gains – on worldwide income if still resident
- Substitute tax means no deductions for tax credits
- Does not extend to rental income on your Italian property

Special scheme for “impatriates”) workers returning to Italy – current scheme

- 50% exemption for highly specialized workers - EU nationals and nationals of white list countries
- Requirements:
 - Hold a university/college degree
 - Have studied or been employed/self-employed outside of Italy during the last 24 months (at least)
 - Have studied abroad to obtain a university degree or postgraduate master degree during the last 24 months
 - Have a management or highly specialized role
- Self-employed or employed
- Remain in Italy for two years
- Tax relief for max 5 tax years
- 90% exemption for university professors and research fellows
 - Relief starts in first year of residence and following 3 years

Proposed changes for Impatriate regime

- 50% exemption increases to 70%, 90% in Mezzogiorno
- 5 year period can be extended for a further 5 years on purchase of residential property or children
- Requirements:
 - Hold a university/college degree
 - Have resident outside of Italy during the last 24 months (at least)
 - Not non-resident for more than 5 years
 - Registration in AIRE or certification under double tax treaty
 - All workers not just high-skilled (e.g, football players with no degree)
 - The work activity must be carried out mainly in Italy
- Self-employed or employed
- Remain in Italy for two years
- Registration with anagrafe

€ 100k flat tax

Special «non dom» regime for HNWI's

- Italian substitute tax in an annual amount of Euro 100,000.
- resident outside Italy for nine of the ten preceding tax years
- exemption can further be extended to family members at a cost of Euro 25,000 per member per annum
- application in annual tax return following a successful clearance application made to the tax authorities
- tacit renewal year on year, until revoked or expiry of the rules
- Does not apply to capital gains on disposals of significant shareholding in the first five years of the regime
- does it extend to social security?

Deductions for those in financial difficulty

- Write-off of debts arising between 2000 and 2017 for those in serious economic difficulties
- 16% debt pay-off with an ISEE not exceeding € 8,500;
- 20% with an ISEE from € 8,500 to € 12,500;
- 35% with an ISEE over € 12,500 up to a maximum of € 20,000

Maternity and Paternity Leave

- Mothers working up until the birth can enjoy 5 months of maternity leave with doctor approval
- Paternity leave extended to 5 days in 2019

Increase in Day Care Bonus

- public or private day care enrolment bonus increased to €1,500 per year until 2021
- € 1000 per year from 2022

Land

- Land shares assigned free of charge to:
 - families with three or more children, one of whom must be born in the year 2019, 2020 and 2021
 - companies made up of young agricultural entrepreneurs
- loans of up to 200,000 euros without interest, for purchase of first home near assigned land

Culture Bonus

- extension of the culture bonus to persons turning 18 in 2019
- max spending limit € 240 million
- assigned according to family's ISEE

Eco-bonus Extension

- extension to 31st Dec 2019 for:
 - the 65% tax deduction for the cost of energy renovations
 - max value of 100,000 euros
 - the 50% expenses deduction for winter air-conditioning systems and other installations including furniture and appliances of A+ class
 - max cost of 96,000 euros

Gardens Bonus

- Extension to 2019 for residential building' gardens and green areas

Eco Tax

- for cars with large engines:
 - €1,100 for the purchase of a new car with emissions between 161 and 175 g / km CO₂
 - €1,600 for emissions between 176-200;
 - €2,000 for emissions between 201-250;
 - €2,500 for emissions over 250.

Car-seat Discounts

- discounts for the purchase of seats equipped with anti-abandon devices will be extended to 2020.
- allocation of €1 million for the years 2019 and 2020

Flat Tax on Private Lessons

- 15% tax on private lessons by qualified teachers in all levels of schools

Eco-Incentives

- €45,000- €50,000 eco-incentive for purchase of low-polluting, hybrid or electric cars.
- Eligibility for those purchasing (or buying on hire purchase) and registering the car in Italy, between 1.3.19 and 31.12.21
- Electric Cars:
 - €6,000 contribution to purchase of electric cars (emissions between 0 and 20 CO₂ g / km) when scrapping euro 0, 1, 2, 3, 4 vehicle at the same time
 - €4,000 contribution for purchase without scrapping
- Hybrid Cars:
 - €4,000 contribution for purchase of hybrid car at same time as scrapping old one (emissions between 21-70)
 - €1,500 contribution without scrapping

Eco-bonus for Electric Scooters

- 30% off purchase price up to a max €3,000 for purchase of new electric or hybrid scooter with cylinder capacity below or above 50 cc where a vehicle owned for at least 12 months is scrapped at same time
- Vehicle delivered for scrapping must be in Euro category 0, 1 or 2

EU Funds for Southern recruitment bonus

- extension of recruitment bonus for hiring young people and unemployed senior citizens until 2020
- recruitment must take place in one of the 8 southern regions (Abruzzo, Molise, Campania, Basilicata, Sicily, Puglia, Calabria and Sardinia).

Young Excellence Bonus

- exemption from contributions for a maximum of 12 months (up to €8,000) given to private employers who from 1 January to 31 December 2019 hire former students on permanent contracts

IMU cut on Immovable Property

- From tax year starting 2019, IMU tax deduction for Ires and Irpef relating to immovable property cut by 40%

Extension and re-modelling of hyper-amortisation

- Increases in acquisition cost of new immovable assets used for technological and / or digital transformation.

Business facilities return to immovable assets

- terms reopened for getting rid of immovable assets from business income for individual entrepreneurs.

Flat tax rate for shops

- extended to lease contracts for commercial premises up to 600 square meters.
- Cedolare Secco – 21% flat tax substitutes income tax on rent and registration tax.

Beer excise duty cut

- excise tax will decrease from €3 to 2.99 per hectolitre and degrees
- 40% reduction in the ordinary rate is “expected” for small craft breweries.

○

Sports bonus

- Expansion of tax credit for donations intended for maintenance and restoration of public sports facilities and construction of new sports facilities.

Earthquake Bonus

- The Imu exemption and the suspension of mortgage repayments in the municipalities of Emilia Romagna affected by the 2012 earthquake extended to 31 December 2019.

Manager voucher

- non-repayable contribution for purchasing specialised advice aimed at supporting the technological and digital transformation processes through enabling technologies set out in the “Piano Impresa 4.0” (Business Plan 4.0)

Enhancing “rest of South”

- upper age-limit raised from 35 to 45 years
- no exclusion of self-employed activities

Health programme funding

- programme to renovate hospital buildings and carry out technological modernisation is increasing from €24 to 28 billion

TASI increase extended

- Municipalities confirm an increase in Tasi for 2019 and 2020 if the town councils have already agreed as such by resolution for the years 2016-2018.

Business Taxation

- The 2016 Stability Law reduced the rate of IRES (corporate income tax) to 24% starting with FY 2017.
- It also introduced a 3.5% IRES surcharge for certain credit and financial institutions. The surcharge applies to the following taxpayers from FY 2017:
 - banks;
 - real estate investment trust management companies;
 - holding companies of banking groups members of the banking association;
 - electronic money institutions;
 - payment institutions;
 - financial holding companies
 - Does not apply to SGR's.
- Tax deduction for interest expenses incurred by insurance companies and holding companies of insurance groups will be restricted to 96% of the total payable starting from FY 2017

Mini IRES

Reduced IRES rate 15% if profits are reinvested in:

- Qualifying capital equipment expenditure (IP excluded)
- Employee expenditure
 - If established in Italy
 - Increasing the average number of employees as of 30 September 2018

Available to incorporated business and Permanent Establishments

Mini-IRES

- 9% discount on corporate income tax rate of companies that reinvest profits in capital goods and new hires.

IRI/ACE repealed

- Go-ahead given to the repeal of IRI.

No IRES discounts for non-profits

- Limitation on Ires exemptions for non-commercial entities

IRES/Business IRPEF – tax loss regime

New rules for business tax loss carry forwards

- From 2018 onwards, business tax losses, for taxpayers in the simplified accounting regime, can only be offset against the same type of income in the same accounting period – alignment with the rules applicable for business users.
- Transitional rules allowing partial set off for existing losses

Support for venture capital

- €90 million allocated from 2019 to 2021 and €5 million for each of the years from 2022 to 2025, to support State subscription of shares or shares in Venture Capital funds.
- Minister for Economic Development expected to authorise the sale at market conditions of an equity interest, including a controlling interest, in the asset management company Invitalia.

Extension of R & D tax credit

- max annual credit of €300,000 awarded for expenses:
 - 50% of eligible expenses incurred by small businesses
 - 40% incurred by medium-sized companies
 - Large companies awarded a maximum annual amount of €200,000 euros and in the measure of 30%
 - bonus is also recognised for training expenses incurred in the tax year post 31st December 2018.

IRAP

Standard rate is rate is 3.9% except

Many increased rates, reduced rates, exemptions etc.

e.g. (Lombardy):

Imprese Concessionarie - 4.2% (3.28% for start up period)

Banks and Financial Institutions – 5.57%

Insurance Businesses – 6.82%

Agricultural and Small Fishing Businesses – 1.9%

Public Administration and Entities – 8.5%



IRAP is a regional tax therefore need to check the website for the region

[Lombardy](#)

[MEF](#)

IRAP – Taxable Base

Industrial and commercial companies

The IRAP tax base of capital companies carrying on industrial or commercial activities is determined as the difference between gross income and cost of production

Rules make reference to standard format financial reports per Civil Code – new rules to reflect new Italian financial reporting standards:

- extraordinary expenditure now deductible for IRAP (except disposal of business/division)
- external foreign exchange rates
- bad debt reserves

VAT Increases

- The freezing of VAT increases has been confirmed for 2019
- Threat of increase in 2020 for approximately €23 billion and in 2021 and 2022 for € 28,8 billion.
- Tax increases on fuels are also scheduled for €400 million euros a year starting 2020.
- If the VAT rate increase clauses aren't "untriggered" the current 10% reduced rate will increase to 13% in 2020 while the standard rate will go from 22% to 25.2% in 2020 and 26.5% in 2021.

Italian VAT – historical rates

Period	Rate
From 01.01.1973 to 07.02.1977	12%
From 08.02.1977 to 02.07.1980	14%
From 03.07.1980 to 31.10.1980	15%
From 01.11.1980 to 31.12.1980	14%
From 01.01.1981 to 04.08.1982	15%
From 05/08/1982 to 31.07.1988	18%
From 01.08.1988 to 30.09.1997	19%
From 01.10.1997 to 16.09.2011	20%
From 17.09.2011 to 30.06.2012	21%
From 01.07.2012 to 31.12.2019	22%
2020	24.2% - 24.9%?
2021	25%?

E-Invoicing – How is it going?

Problems with Sdl – crashing, not available

Timing issues – VAT credit – documents not arriving in time

Not in foreign language – but incomprehensible even in Italian!

Difficulty in understanding VAT/Ritenuta choices

Fattura di cortesia? Software does not generate pdf copy

Pushing clients to “nero”

Esterometro

Extension of no-sanction regime? Limited extension

Virtual Stamp Duty

Problems

Pilot scheme

ISD Imposta Servizi Digitali

“Tax Challenges Arising from Digitalisation – Interim Report 2018: Inclusive Framework on BEPS”

Applies to taxpayers with:

- (a) total revenues, wherever realised, > Euro 750 million;
- (b) revenues from digital services carried out in the territory of the Member State in which the service is provided > 5.550 million.

ISD Imposta Servizi Digitali

The tax applies to revenues deriving from the supply of the following 'digital services'

- (a) the delivery on a digital interface of targeted advertising to users of the same interface;
- (b) the provision of a multilateral digital interface enabling the users to be in contact and to interact with each other, also in order to facilitate the direct supply of goods or services;
- (c) transmission of data collected from users and generated by the use of a digital interface

ISD Imposta Servizi Digitali

Tax is charged at 3% of gross receipts

The tax base of the ISD, is gross turnover - gross of costs and net of VAT and other indirect taxes

Patent Box

Optional Intellectual Property tax regime

Qualifying assets:

- Know How
- Software and Design
- Patents
- Trademarks excluded since 2017

No Trademarks –
the tax relief does
not extend to
costs for
registering
trademarks and
logos

Patent Box

- Available to businesses (self employed are excluded)
- Available to Permanent Establishments of foreign entities
- No bankruptcy/liquidation
- Lasts 5 years
- Reduction up to 50% of the taxable income
- Direct and Indirect use of the asset

Patent Box

How to calculate the tax reduction?

A = Total R&D costs to produce IP

B = Total costs to produce IP

$$(A/B) * 50\%$$

If A=B maxim reduction of 50%

Patent Box

How to claim it?

- Online application for the first two tax years
- Tax return application from the third year on

Indirect use **can opt** for a pre-emptive ruling with the Agenzia delle Entrate

Focus areas of tax audit in the multinational environment

- Transfer Pricing
- Management Fees
- Royalty Payments
- Special operations (merger- de-merger etc.)
- VAT – exports, refunds
- Employee v Self employed – gig economy workers