

Doing business in Italy 2016



Introduction

The Moore Stephens Europe Doing Business In series of guides have been prepared by Moore Stephens member firms in the relevant country in order to provide general information for persons contemplating doing business with or in the country concerned and/or individuals intending to live and work in that country temporarily or permanently.

Doing Business in Italy 2016 has been written for Moore Stephens Europe Ltd by Studio Palma Debernardi Borghi e Associati. In addition to background facts about Italy, it includes relevant information on business operations and taxation matters. This Guide is intended to assist organisations 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 Italy to work and live there either on secondment or as a permanent life choice.

Unless otherwise noted, the information contained in this Guide is believed to be accurate as at 1 September 2016. 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.

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1. Italy at a glance

Geography

Italy is a boot-shaped peninsula extending into the central Mediterranean Sea. It is approximately 1130 km long and has a total area of approximately 301 238 km², comprising some of the most varied and scenic landscapes on earth. Italy's land borders are with France, Switzerland, Austria and Slovenia. There are two independent states wholly within Italy's borders: San Marino and the Vatican City.

History

Attempting to put together a brief history of Italy is a challenge, because, due to its location at the centre of the Mediterranean trading routes, Italy has had a lengthy and tumultuous history.

Both the Mediterranean and overland trade routes were also used as military and expansionist conduits over the centuries, as well as channels for the dissemination of culture and knowledge. As a result, Italy was subject to the most brutal of invasions, as well as serving as a focal point for creativity and learning.



Italy flourished under the Roman Empire, the Western part of which ended in 476AD with the deposition of the emperor Romulus Augustus. The Italian peninsula was later divided into separate kingdoms, with reunification only achieved in 1861.

After a long history of empires, ancient republics, autonomous city states and invasions, present-day Italy became a unified nation under the royal House of Savoy in 1861. Following World War Two, a referendum was held and Italians voted for a republic on 2 June 1946 (Italy's National Day), ending the short reign of the last King of Italy, Umberto I. While the post-war period brought economic growth, this was mainly in the areas of Northern Italy. Southern Italy continued to struggle and as a result, many Italians began to migrate, either to Northern Italy and Northern Europe, or abroad. Through migration, Italian culture has spread to many corners of the globe.

Italy, the eighth largest economy in the world and the fourth in Europe, is a country with a high standard of living: the human development index is very high (0.872) and average life expectancy is 82.4 years.

Italy is a founding member of the European Union, NATO, the Council of Europe and the OECD; It is a member of the United Nations and is a signatory to the Schengen agreement. Italy is also a member of the G7, G8 and G20, participates in the NATO nuclear-sharing project, and is able to exert political influence even on non-European and global-order choices and decisions.

It ranks ninth in the world for military spending. Italy also has the largest number of sites declared World Heritage by UNESCO and it is the fifth most visited country in the world.

Politics & government

The Italian Constitution provides for the separation of powers into the judicial, legislative and executive branches.

The two chambers of parliament are the House of Deputies (*Camera dei Deputati*) and the Senate (*Senato della Repubblica*). Together, they form the legislative branch. Elections to the House of Deputies, which has 630 members, take place every five years. The Senate currently has 315 directly elected members.

The President of the Republic, the Head of State, is elected every seven years by a joint sitting of the two chambers of parliament and representatives from each of the 20 Regions. The President represents national unity and has various functions and capabilities. The current incumbent is Sergio Mattarella, of the centre-left Democratic Party.

The Prime Minister, more formally known as the President of the Ministers (*Presidente del Consiglio*) is a member of the *Camera dei Deputati*. The President of the Ministers and the Ministers form the Executive Branch. The current Prime Minister (who took office in December 2016) is Paolo Gentiloni, also of the Democratic Party, who heads a coalition of his own party and a number of other centre-left and centre parties.

The judicial branch is formed by the courts, whose role it is to implement and enforce the laws. Judges are not appointed by the Parliament, but rather on merit.

Each of the Regions of Italy also has its own regional government. Each Region is divided into Provinces, which include one major city and a number of towns and villages. Each municipality has its own local government, headed by the mayor (*sindaco*).

Climate

Italy is a country of extremely varied landscapes and consequently experiences a similarly varied climate. Between the north and south there can be a considerable difference in temperature, particularly during the winter. In Milan it could be -2°C and snowing, while at the same time it is 8°C in Rome and 20°C in Palermo. The differences are less extreme in the summer.

The coastal regions, where most of the large towns are located, have a typical Mediterranean climate with mild winters and hot and generally dry summers. The length and intensity of the summer dry season increases towards the south. The coastal areas throughout Italy experience largely similar conditions from north to south with mild winters and hot, dry summers.

Language and population

The national language spoken in Italy is Italian, a Romance language directly descended from Latin.

There are historical linguistic minorities who are recognised within the borders of the Italian Republic and in particular, the Albanian, Catalan, German, Greek, French, Slovenian and Croatian ethnic groups and speakers of Franco-Provençal, Friulian, Ladin, Occitan and Sardinian. There are also several regional spoken languages that, although classed by UNESCO as a minority language and the international language community as a language not related to Italian, do not enjoy any recognition or protection by the Italian State.

At a local (provincial) level, Italy has an extraordinary number of dialects. However, these are used in non-business situations. English is becoming common in business transactions upon request by the relevant parties, but is not a national language.

As at 1 July 2015, Italy had a population of over 61 million people, with a population density of 203 people per square kilometre, higher than the EU average.

The population, concentrated mainly in the coastal and lowland areas of the country, is characterised by a high number of elderly (the aging index is 144.5, 20.3% of the population), by a low birth rate, equal to 9.2 per thousand inhabitants and a life expectancy of 79.1 years for men and 84.3 for women.

Table 1 shows the top ten Italian cities in terms of population, according to ISTAT data on 31 December 2015.

Table 1

Rank	City	Region	Population
1	Rome	Lazio	2 864 731
2	Milan	Lombardy	1 345 851
3	Naples	Campania	974 074
4	Turin	Piedmont	890 529
5	Palermo	Sicily	674 435
6	Genoa	Liguria	586 655
7	Bologna	Emilia-Romagna	386 663
8	Florence	Tuscany	382 808
9	Bari	Puglia	326 344
10	Catania	Sicily	314 555

Currency and time zone

The currency used in Italy is the euro. Italy officially began circulating the Euro on 1 January 2002. Previously, the national currency was the lira. At the time of going to press (late December 2016), the euro was quoted against the US dollar at a rate of EUR 1 = USD 1.0405.

Italy's time zone is +01.00 of Greenwich Mean Time (GMT). Daylight saving is implemented from the end of March to the end of October, thereby rendering the time in Italy as +02.00 GMT.

2. Doing business

Main forms of business organisation

A business in Italy can be operated by an individual (sole trader), a company, a foreign branch of a company or a representative office of the foreign company.

Sole Trader

Operating as a sole trader is the simplest way of conducting business in Italy. It is a great way to test the market for the goods or services being provided, before initiating the procedures to incorporate a company, which will have certain costs. However, there is very little asset protection for the operator.

- To operate as a sole trader, all that is needed is a work permit (in the form of a visa or status as an EU National), a personal *codice fiscale* (tax number) and a *partita IVA* (VAT registration number). All businesses, regardless of structure, must be registered for VAT.

Companies

There are three main types of company under Italian law:

- *Società a responsabilità limitata* (S.r.l.) – a limited-liability company
- *Società a responsabilità limitata semplificata* (S.r.l.s.) – a simplified limited-liability company
- *Società per azioni* (S.p.A.) – a joint-stock company

To promote companies in new sectors (such as IT), a new form of company, the *società innovativa* has been established.

Partnerships

There are also three main types of partnership recognised in Italian law. These are:

- *Società in accomandita per azioni* (S.a.p.A.) – partnership limited by shares. This kind of entity is rarely used
- *Società in nome collettivo* (S.n.c.) – general or unlimited partnership
- *Società in accomandita semplice* (S.a.s) – limited partnership

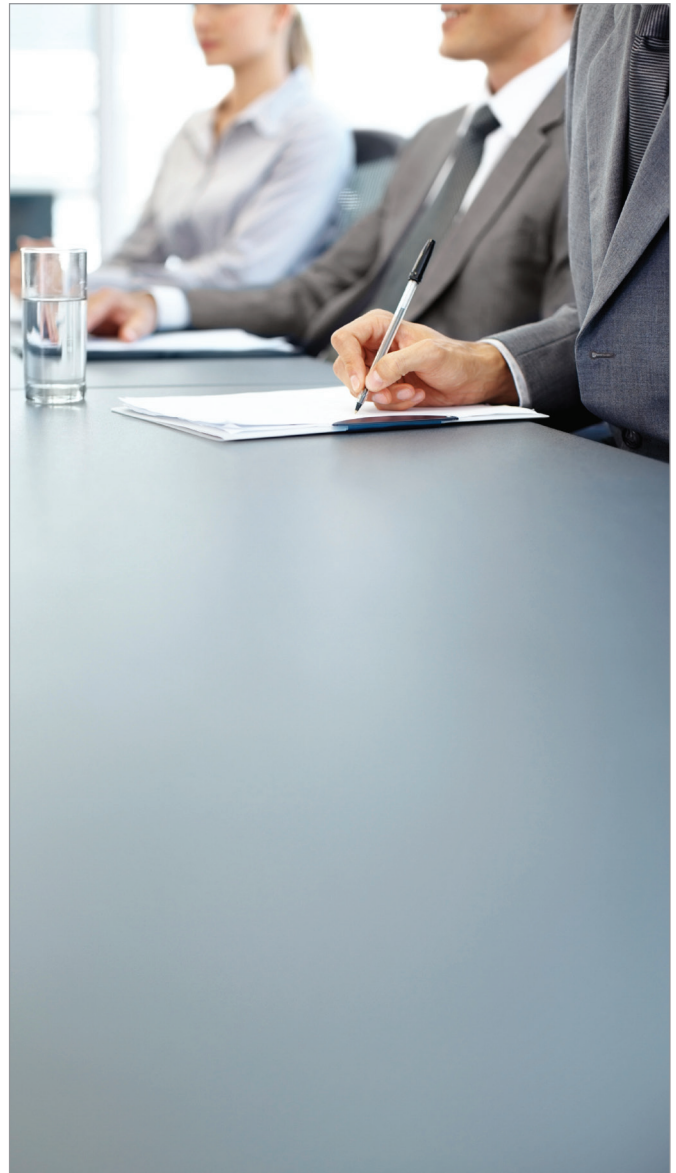


Table 2 below compares various features of the four most commonly used business entities – the S.p.a., the S.a.r.l., the the S.a.p.A. and the S.n.c.

Table 2

<i>Società a responsabilità limitata (S.r.l.) and Società a responsabilità limitata semplificata</i>	<i>Società per azioni (S.p.A.)</i>	<i>Società in nome collettivo (S.n.c.)</i>	<i>Società in accomandita semplice (S.a.s.)</i>
Limited liability	Limited liability	Unlimited liability	Unlimited liability for general partners Limited liability for limited partners
Flexible articles of association. Management options including sole management, several/joint administration or a board of directors	Offers a structure best suited to significant investors and significant start-up capital. The most used in case of several shareholders	Usually used to conduct small activities	Suitable for businesses wishing to bring in new partners to contribute capital with limited risks
Minimum share capital of EUR 1 (S.r.l.s) or EUR 10 000 for an S.r.l	Minimum share capital of EUR 50 000	No minimum share capital	No minimum share capital
Shareholders may be individuals or companies	Shareholders may be individuals or companies	Partners must be individuals or, in certain cases companies	Partners must be individuals or, in certain cases companies
Small to medium-sized businesses	Medium-sized to large businesses / listed entities	Small businesses	Small businesses
Auditing required only in certain circumstances	Audited accounts compulsory	Auditing not required	Auditing not required

Formalities

The procedure for establishing a company will depend on the company type. Generally, it will require the articles of association, the memorandum of association or public deed to be presented to a notary public and lodged accordingly with the Public Business Registry (*Registro delle Imprese*).

There are no restrictions regarding foreign shareholders or foreign directors, but both need to have an Italian tax number.

Italian branch of a foreign company

It is possible for a foreign company to establish a branch in Italy. This is a viable solution for existing companies wishing to establish a local presence in Italy, thereby granting the local office autonomy over its organisational and operating activities, whilst still being subject to the decision-making authority of the head office.

While details of the branch will need to be registered with the Public Business Registry, the branch itself will not be considered a separate legal entity, and will need to appoint a local legal representative known as a *rappresentante legale*.

The branch will be considered a permanent establishment where the following conditions are satisfied:

- There is a permanent business office in Italy
- The company is non-resident
- Use is made of the permanent office in Italy by the non-resident company for its business activities

For taxation purposes, the income of the permanent establishment will be treated as if the company were resident in Italy.

Representative office of a foreign company

A foreign company wishing to explore, in greater detail, the possibility of establishing an enterprise in Italy may decide to establish a representative office. The representative office will not be considered a permanent establishment but it is necessary to request an Italian tax number and, in particular situations, to register at the Chamber of Commerce.

The establishment of such an office is one way in which a company can commence research and marketing activities in Italy, without incurring the full cost of setting up a foreign branch.

If a representative office begins undertaking activities that are not solely representative, such as entering into contracts and providing goods and services, then it will need to obtain a VAT registration number).

Trusts

Trusts have been recognised in Italy since 1992, upon ratification of the Hague Convention of 1985. However, Italy does not have specific laws governing trusts, which gives the Trust greater freedom of choice in regards to the governing law.

A trust is considered a taxable subject, and adequate accounting records will need to be maintained for any commercial activities. The trust can take one of two forms:

- A trust with identified beneficiaries, whose income is attributed transparently to the beneficiaries themselves or
- A trust without identified beneficiaries, in which case the income is taxed at the level of the trust.

There are specific laws concerning a trust's residence and the transfer of assets into the trust.

Labour relations & working conditions

Italian employment law is governed by the following:

- The Constitution
- The Italian Civil Code (*Codice Civile*)
- The Employment Code (*Statuto dei Lavoratori*)
- National Collective Agreements (*Contratti Collettivi*)

An employment contract is the fifth source of employment law, outlining the specific terms and conditions of employment in the specified workplace. The contract may be in any language, as long as it is understood by all parties to the contract, and can be either oral or written. However, it is most common for these contracts to be in writing.

The former Renzi government recently approved the Italian Jobs Act in December 2014, introducing a number of key initiatives to reshape the Italian labour market. These include:

- A new form of permanent employee contract, with increasing protection related to tenure
- Reshaping of temporary contracts
- New rules on employee dismissals
- Redesigning of unemployment benefits

Wage rates and working hours

There is no minimum wage in Italy, neither at a national nor regional level. Rather, collective agreements, which exist for each sector, provide guidance on the applicable wage rate. Wage rates should be set by the employer such that they reasonably reflect the quality and quantity of work performed by the employee.

A standard working week is 40 hours, with a maximum set at an average of 48 hours in a seven-day period. This includes standard and overtime hours.

While Italian law does not statutorily define wages or salaries, or regulate a statutory minimum wage, statutory bonus or statutory allowance, the law does dictate that employment remuneration be paid in thirteen (13) monthly instalments. The additional monthly instalment, known as the *tredicesima* is paid together with the December instalment. Some sectors may also receive a fourteenth payment (*quattordicesima*), paid in June.

Trial periods for employment are prescribed at the statutory level, and are as follows:

- 3 months (non-managing functions)
- 6 months (all other employees)

Notice period

There are statutory notice periods in Italy, the duration of which increases depending on the time the employment has lasted. Where there is a collective employment agreement, the notice periods under that agreement apply (they may be longer or even shorter than the statutory period). Where no collective employment agreement exists, employer and employee may agree on longer notice periods in a written employment contract.

Special protection is granted to employees in maternity leave or parental leave, apprentices after the qualifying period and severely handicapped employees.

Social security system

For more information, please refer to Chapter 9.

Trade unions and workers' councils

In Italy trade unions and workers' councils can have a great influence on business choices on the base of their traditions. They are established in many areas from industrial to services sectors and many national labour agreements need their formal approval.

Holidays and annual leave

In addition to four weeks of statutory annual leave for full-time employees, three days' paid sick leave and five months' maternity leave, there are a number of public holidays. The majority of these are in respect of religious festivals, as follows:

Table 3

New Year's Day	1 January
Epiphany	6 January
Easter Monday	Varies
Liberation Day	25 April
Labour Day	1 May
Republic Day	2 June
Assumption Day	15 August
All Saints' Day	1 November
Feast of the Immaculate Conception	8 December
Christmas Day	25 December
St Stephen's Day (Boxing Day)	26 December

The Feast Day of the local Patron Saint is also, in most cases, a public holiday for the relevant city or town.

Work permits, residence permits & visas

The minimum working age in Italy is 18; however, minors as young as 16 may commence work with their parent's or legal guardian's consent (this is further lowered to 15 for apprenticeships).

Non-Italian nationals

Under European Union (EU) and European Economic Area (EEA) principles, EU and EEA nationals are free to work in Italy for up to three months; however, they will require their own tax number.

EU and EEA nationals working in Italy for longer than three months will require a residence permit (*Carta di Soggiorno*), which is a relatively simple document that can be requested from the local state police station. The permit is renewable.

The employment of workers from non-EU/EEA countries will need to be authorised by the Immigration Single Desk, and duly applied for under what is known as a *Nulla Osta* request. Once approved, the foreign employee will be able to obtain a visa and work permit from the Italian Embassy or Consulate in his or her country or locality.

3. Finance and investment

Business regulation

The main regulatory body in Italy is the Italian Securities and Exchange Commission, locally known as *Commissione Nazionale per le Società e la Borsa* (CONSOB). It is the government authority founded in 1974 charged with the responsibility of monitoring and regulating the securities market and stock exchange. It also authorises all public offerings for investment and prosecutes illegal conduct.

Other regulatory bodies include:

- The Italian Competition Authority: *Autorità Garante della Concorrenza e del Mercato*
- The Institute for the Supervision of Insurance: *Istituto per la Vigilanza sulle Assicurazioni (IVASS)*
- The Public Business Registry: *Registro delle Imprese*

Banking & finance

Overall, the Italian financial system is dominated by banks, which account for 85% of the economy's financial-sector assets. This includes the regional and cooperative banks, which operate in a more local economic environment. The banks employ the traditional banking model of providing loans through customer funding.

The dominance of the banking institutions is further demonstrated by the fact that leasing, factoring and investment services are, essentially, managed by companies or institutions managed by them. There are very few non-bank financial intermediaries.

Banca d'Italia

The Banca d'Italia is the Italian Central Bank and member of the Eurosystem. Its main functions are to contribute to the decisions on single monetary policy for the Euro Area, conduct foreign-exchange operations, manage its foreign-currency reserves, produce the required euro banknotes in accordance with directives from the Eurosystem, promote the adequate and smooth functioning of the payments system, conduct market supervision, conduct research and analysis and provide for public debt.

Exchange controls

At present, Italy, in common with the rest of the euro area, does not have any exchange controls if the transaction is carried out with qualified intermediaries, such as banks. Cash transactions are limited to no more than EUR 3000. For non-residents there are special procedures to accept cash payment of up to EUR 15 000.

While there are no controls, foreign investments need to be reported on the relevant entity's tax return.

Incentives for investment

Generally, the incentives offered to businesses for investment are the same for both foreign and local investors. Incentives are mostly available in the form of investment grants, reduced interest-rate loans, guarantees for exporters and subsidised labour costs.



Incentives are largely industry-based, and will also depend on the geographical location of the enterprise in Italy, targeted at encouraging investment in certain areas to assist the local economy.

For further information about taxation incentives for investment, please refer to Chapter 6.

Trademarks

An entity entering the Italian market may wish to protect its brand to ensure that it is recognised apart from others. This can be achieved by way of the registration and protection of a trademark.

Through the Italian Office of Trademarks and Patents, an entity can protect its brand and product in the territory of Italy.

If the product and brand is registered with the European Union's Office for Harmonisation in the Internal Market (OHIM), then that protection can be extended to the entire European Union.

4. The accounting & audit environment

Accounting regulations

As an EU Member State, Italy adopted the International Financial Reporting Standards (IFRS) from the 2005 financial year onwards.

Italy has set directives on the situations in which IFRS-prepared financial statements are required and when they are permitted and/or not permitted, depending on the company type, use and applicable sector.

In addition, financial reporting requirements for companies incorporated in Italy are set out in the Civil Code and the Italian GAAP (Generally Accepted Accounting Principles). Italian GAAP interpretations are issued by the Italian Accounting Committee (*OIC: Organismo Italiano di Contabilità*).

Timetables for compliance with accounting and reporting requirements are set out in Table 4.

Table 4

	<i>S.r.l</i>	<i>S.p.a</i>	<i>S.n.c / S.a.s</i>
Preparation of financial statements	3 months after the financial year-end	3 months after the financial year-end	Not applicable ²
Approval of annual accounts	120 days ¹ after the financial year-end	120 days ¹ after the financial year-end	Not applicable
Audit requirement	See below	Yes	Not applicable
Filing at the Public Business Register	Within 30 days of approval	Within 30 days of approval	Not applicable

Notes

¹ 180 days in particular situations.

² Partnerships do not require the formal approval of their financial statements. Information concerning the financial year-end will be included only in the income tax return.

Record keeping and company accounts

All entities are required to maintain adequate bookkeeping records, including a copy of all supporting documentation, for a minimum of ten years. Records and accounts should be maintained pursuant to the Italian Civil Code and the relevant tax legislation.

Further, all companies are required to prepare and lodge a copy of their financial statements with the Public Business Registry, no later than 30 days after the approval of the financial statements by the company shareholders.

While this is a requirement for companies only, all entities will ordinarily need to prepare an income statement for tax purposes, although there is no need for this to be lodged with any specific regulatory body.

Accounting standards permit the company to adopt one of the following methods for the preparation of financial statements, depending on the structure of the company and the entity's turnover as declared on the most recent annual filing:

- Ordinary method (compulsory for limited companies)
- Simplified method

Audit requirements

Audited financial statements are not required for all entities. Auditing is required for:

- An S.p.A., for which this is compulsory
- An S.r.l. satisfying at least two of the following conditions:
 - Total assets of at least EUR 4 400 000
 - Turnover of at least EUR 8 800 000
 - Average number of employees of at least 50
 - The company controls another company subject to a statutory audit
- All companies preparing consolidated financial statements
- Companies listed on the stock exchange
- Banks, stockbroking companies, fund-management companies and regulated financial institutions

The audit of the financial statements must be performed in accordance with:

- Italian Law (Article 2409 bis of the Italian Civil Code)
- Auditing standards issued by the Italian Association of Audit Firms (*Assirevi*), the Italian Institute of Chartered Accountants (*Consiglio Nazionale dei Dottori Commercialisti ed Esperti Contabili*) and CONSOB, as defined by the International Standards on Auditing (*ISA Italia*) issued by the Ministry of Economy and Finance

Annual fees

An annual fee is payable by all companies, including permanent establishments, registered with the Public Business Registry (*Registro delle Imprese*). The amount is payable to the local Chamber of Commerce (*Camera di Commercio*).

For companies, the fee payable is calculated in proportion to the overall annual turnover and is due also for each local business unit.

Companies with compulsory legal books (Board Minutes, shareholders' decisions book etc) have to pay the annual tax (EUR 309.87 for companies with share capital under EUR 516 456.90) and EUR 516.46 for others).

5. Overview of tax system

Main taxes

Italian taxation is relatively complex and covers a broad range of income and assets.

The taxes forming the foundation blocks of the Italian taxation system are:

- Corporate income tax (IRES: *Imposta sui Redditi delle Società*)
- Regional tax on productive activities (IRAP: *Imposta Regionale sulle Attività Produttive*)
- Value added tax (IVA: *Imposta sul Valore Aggiunta*)
- Tonnage tax
- Financial transaction tax
- Personal income tax (IRPEF: *Imposte sul reddito delle persone fisiche*)
- Inheritance and gift tax (*Imposta di Successione*)
- Local taxes:
 - National tax on real estate (IMU: *Imposta Municipale Unica etc*)
 - Tax on indivisible services (TASI)
 - Tax on refuse collection (TARI)
- Stamp duty
- Registration tax and other indirect taxes on property transfers

Tax authorities

Italian taxation is regulated and collected by the *Agenzia delle Entrate*, the Italian taxation authority and revenue agency. The *Agenzia delle Entrate* has its own structure, with different offices (controls, litigation etc).

The *Agenzia* issues documents interpreting tax law (the so-called *Circolari*) or commenting on specific cases (*Risoluzioni*). These documents may be downloaded from the *Agenzia* website www.agenziaentrate.gov.it/wps/portal/entrate/home.

Taxpayers may, in certain circumstances, apply to the *Agenzia* for rulings.

The *Agenzia Entrate* is also responsible for the collection of regional and local taxes, and is charged with the task of distributing those funds accordingly.

Appeals

In situations where taxpayers disagree with a decision made by the *Agenzia Entrate*, they should direct their enquiry, in the first instance, to the Provincial Tax Commission (*Commissione Tributaria Provinciale*).

If the taxpayer (or the tax authorities) is not satisfied with the response, an appeal may be lodged with the Regional Tax Commission (*Commissione Tributaria Regionale*).

The ultimate instance of a tax appeal is the Appeal Court, the *Corte di Cassazione*, with which either party may lodge a final appeal. It is not unknown for the *Corte di Cassazione* to refer a case back to the Regional Tax Commission for a final decision.

Tax offsetting

Where excess tax has been paid, taxpayers may, instead of asking for the excess to be refunded, apply to set off the excess against other outstanding tax liabilities within certain limits, not only vertically (against liabilities in respect of the same tax) but also horizontally (against liabilities in respect of other taxes).

6. Taxes on business

Corporate income tax

Scope and extent

In Italy, there are two taxes on corporate income, levied at the national and regional level, respectively:

- Corporate income tax (IRES: *Imposta sui redditi delle società*)
- Regional tax on productive activities (IRAP: *Imposta regionale sulle attività produttive*)

Company residence

In determining the residence status of a company or institution, the place of incorporation or foundation is not important.

Rather, an entity is considered to be resident in Italy if:

- Its registered office is in Italy or
- Its administrative office is in Italy, so all strategic decisions are taken in Italy or
- The main object of its activities is in Italy

Entities found to be resident in Italy for tax purposes are subject to Italian corporate income tax on their worldwide income. Alternatively, an entity that is non-resident for tax purposes is liable to corporate income tax on its Italian-source income only.

Taxable entities

IRES is applicable to all taxpayers excluding individuals, more specifically:

- Resident Italian companies including limited-liability companies, joint-stock companies, cooperative companies and mutual insurance companies
- Public and private commercial institutions
- Non-resident companies and institutions with an Italian branch, limited to the profits earned in Italy
- Partnerships (both general and limited)

Taxable income

Unless otherwise permitted by the company's constitution or required by a specific law, IRES is calculated and based on the company's results for the standard financial year, 1 January to 31 December.

IRES is calculated as follows:

- Income before tax
- Add/deduct: tax adjustments to income and expenses dependent on deductibility or non-recognition
- Deduct: losses brought forward (restrictions applicable)
- Net taxable income
- Deduct: Other deductions (where applicable)
- Deduct: Tax
- Net income after tax

A company's net income before tax includes:

- Trading income
- Investment income, including dividends and interest
- Royalties and commissions
- Rents and other income from immovable property
- Capital gains

Capital gains

Gains made on the sale of capital assets are taxed at the standard corporate tax (IRES) rate of 27.5% and are included in the entity's tax return accordingly.

A special tax concession is available for taxpayers who have held the asset for at least three years, whereby the net gain can be spread over five financial years, recognising only one-fifth of the taxable gain each year. This reduces the impact on the entity's cash flow.

Furthermore, if the disposal is of a shareholding satisfying the following criteria, the gain will be eligible for a 95% participation exemption.

The conditions are that:

- The asset was held for a continuous period of more than 12 months
- The asset was classified as a financial fixed asset in the set of financial statements prepared after the entity acquired it
- The company's major activity does not consist of holding or managing immovable property
- The company has not been resident in any jurisdiction appearing in the 'blacklist' of low-tax jurisdictions at any time in the previous three years and
- The company has carried on a business activity during the previous three years

Deductions

Most expenses incurred in relation to income-earning activities will be eligible for a tax deduction, provided that there is a clear nexus between the expense and the income derived. Examples of tax-deductible expenses include:

- Business formation costs
- Interest expense (subject to restrictions)
- Royalties paid
- Salaries, wages and allowances paid (including bonuses)
- Social security payments (including INPS and INAIL: see Chapter 9)
- Car costs (subject to restrictions)
- Bad debts (subject to restrictions)
- Capital losses
- Administrative expenses, including advertising, office expenditure and commissions
- Entertainment expenses (subject to restrictions)
- Depreciation and amortisation (subject to restrictions)

Interest

Italian taxation law prescribes a specific restriction on the deductibility of interest expense.

Interest paid is deductible subject to a limit that is the greater of:

- Interest income and
- 30% of EBITDA (Earnings before interest, tax depreciation and amortisation)

Any interest expense in excess of this ceiling may be carried forward for deduction in later financial years, subject to the same limitation.

There are certain exemptions from the limitation rule, including:

- It does not apply to interest capitalised on tangible and intangible assets
- It does not apply to interest capitalised on inventory of movable goods
- It does not apply to interest expense levied on trade creditors
- It does not apply to banks, insurance companies and financial institutions

Excess interest expense may be transferred between members of a tax consolidated group upon tax consolidation.

Notional interest deduction

Since 2011, Italy has allowed companies to make a notional interest deduction in respect of increases in equity over that held on 31 December 2010. Under this régime, known as ACE (*aiuto alla crescita economica*), companies (including the Italian permanent establishments of foreign companies) may claim a percentage deduction in respect of the net increase in qualifying equity since 31 December 2010. The appropriate percentage for 2016 is 4.75%.

Car costs

Italian fiscal rules regarding general car expenses may be summarised as in Table 5

Table 5

	Depreciation/Cost	Other costs (maintenance, fuel etc)
Business car (where directly necessary for the purposes of the business)	100% over 5 years subject to an annual cap of EUR 18 075	100%
Business car (businesses acting as sales agencies)	80% over 5 years subject to an annual cap of EUR 25 822	80%
Other cases (business use)	20% over 5 years subject to an annual cap of EUR 18 075	20%

Particular cases may have other deduction rules (for example, the costs of cars made available to employees as a fringe benefit may generally enjoy 70% deductibility).

Entertaining expenses

Expenses incurred on entertaining and hosting customers will be deductible for tax purposes for the year in which they are incurred. However, there are a number of deduction ceilings imposed on entertaining expenses, dependent on the entity's gross turnover, as follows.

Table 6

Gross annual turnover	Deduction cap
Less than EUR 10 000 000	1.3% of annual turnover
EUR 10 000 000 to EUR 50 000 000	0.5% of annual turnover
More than EUR 50 000 000	0.1% of annual turnover

Depreciation and amortisation

The prescribed method of depreciation is the straight-line method, whereby the value of the asset, based on historical cost, is depreciated in equal instalments over the effective life of the asset. In the first year that a tangible asset is acquired and ready for use, the depreciation rate is halved.

A full deduction is permitted where the cost of the asset is no greater than EUR 516.46.

Amortisation, based on prescribed rates, is applicable to the write-down of trademarks, patents, goodwill and intellectual property.

Table 7 shows typical permissible depreciation rates.

Table 7

Type of asset	Depreciation rate
Software	33%
Start-up and incorporation expenses	20%
Goodwill	18%
Trade marks	18%
Immovable property	3%
Plant – industrial	15%
Other plant	10%
Industrial and commercial furniture	40%
Electronic machines and computers	20%
Office furniture	12%
Cars	20%

Dividends, interest and royalties

Dividends, interest and royalty income are all considered ordinary income for corporate tax purposes.

However, there is a participation exemption for dividends whereby 95% of the income is excluded from the tax base, subject to the same conditions as apply to capital gains (see under 'Capital gains' above).

If the dividend is received from a company operating within a blacklist jurisdiction (see under 'Anti-Avoidance' below), however, the dividend will be fully taxable.

Group taxation

An Italian-resident parent company and its '51% subsidiaries' may form a tax [consolidated] group. By '51% subsidiary' is meant a company in which the parent company:

- Directly or indirectly owns more than 50% of the share capital
- Directly indirectly controls more than 50% of the voting rights
- Is directly or indirectly entitled to more than 50% of the profits

The Italian permanent establishments of companies resident in another EEA state may also be consolidated, subject to the same conditions. It is also possible for the tax group to have a foreign parent company, provided that the company is resident in a jurisdiction with which Italy has a double tax treaty allowing for sufficient exchange of information and has an active permanent establishment in Italy. From November 2015, it has also been possible to form a horizontal tax group, i.e. one consisting of fellow Italian subsidiaries of a foreign company without a permanent establishment in Italy, provided certain other conditions are also met.

Once made, a group election may not be revoked until at least three years have elapsed.

Losses

With effect from July 2011, losses from previous years may be carried forward indefinitely, but are subject to a limitation known as the 'minimum-tax rule', whereby at least 20% of the income in a particular year may not be offset by brought-forward losses. However, losses incurred in the first three years of a business may be set off without restriction.

Example 1

	EUR
Profit for the year	100 000
Losses brought forward – (EUR 100 000) (restricted)	- 80 000
Opening-years' losses b'f (EUR 50 000) (no restriction)	- 20.000
Taxable profit	0
Losses carried forward:	
Restricted: € 20 000	
Unrestricted: €30 000	

Withholding taxes

Withholding taxes are levied on a wide range of outbound payments. The most important of these are listed in Table 8.

Table 8

Income type	Payer / recipient relationship	Withholding tax rate
Dividends	Paid to a non-resident company	26% withholding tax unless otherwise specified by a double tax agreement, or subject to the EU Parent-Subsidiary Directive exemption
	Paid to a resident company	1.375% final tax for profits generated since 2008.
Interest	Paid to a non-resident	26% withholding tax unless otherwise specified by a double tax agreement, or where paid to an associated entity in an EU Member State (EU Interest & Royalties Directive).
Government Bonds	All investors	12.5% substitute-tax withholding.
Royalties	Paid to a non-resident	30% withholding tax applied to 75% of the gross amount of the royalty (effective rate of 22.5%) unless otherwise specified by a double tax agreement, or where paid to an associated entity in an EU Member State (EU Interest & Royalties Directive).
Licensing fees		Taxed as royalties
Professional fees	Paid to a resident professional from a resident company	20% withholding tax is applied on 100% of the fees

Anti-Avoidance rules

Thin capitalisation

Italy abolished its thin capitalisation rules in 2008. However, interest-deductibility restrictions nevertheless apply, whereby net interest expense is capped at an amount equal to 30% of the entity's gross operating margin (EBITDA). For further information, see under 'Deductions: interest' above.

Transfer pricing

OECD guidelines for transfer pricing are applicable in Italy. The rules apply where both parties are:

- Foreign companies and Italian companies they control
- Italian companies and foreign companies they control and
- Under the control of the same Italian or foreign company

Italy's transfer-pricing rules require transactions between parties related as above to be based on the 'normal value' of the goods or services.

The normal value is the average price charged:

- For the same or similar goods and services
- In free-market conditions and at the same stage of the supply chain
- At the same time and at the same place as the goods or services concerned

This is essentially the same as the 'arm's length price' as defined by the OECD.

Taxpayers are required to prepare and where necessary furnish transfer-pricing documentation with prescribed content. In the case of a transfer-pricing adjustment, no additional penalty is charged if the transfer-pricing documentation is compliant.



Controlled Foreign Company (CFC) rules

Italy has CFC rules that attribute profits earned abroad by a non-resident entity that is directly or indirectly owned by an Italian-resident person or persons, if the non-resident entity is located in a 'low-tax jurisdiction', which is defined as one with an effective tax rate that is less than 50% of the effective Italian combined tax rate (IRES and IRAP at the standard 3.9% rate: see under 'Other taxes on business' below).

The previous 'blacklist' of low-tax or non-cooperative jurisdictions is no longer relevant for taxable periods subsequent to that current at 31 December 2015 (i.e. as from 2016 for companies with a calendar-year end).

The CFC rules can be avoided where the resident owner can prove that the non-resident entity is carrying on a genuine business activity in the blacklisted state. Failure to do so will result in a tax charge in Italy on each resident owner's proportionate share in the CFC's taxable profits (calculated under Italian rules). The rate of tax will be the resident's average tax rate (but not less than 27%).

In the situation where the profits of the CFC are later actually distributed to the resident Italian taxpayer, there are mechanisms in place which prevent the double taxation of such income, to the extent it was previously declared under the CFC rules.

Other significant anti-avoidance rules

Under the new general anti-avoidance rule (GAAR) introduced under Legislative Decree 128 of 2015, which has effect from 1 October 2015, the Italian taxation authorities are entitled to disregard any transaction that is carried out without a valid economic reason and with a view to obtaining a tax advantage or avoiding a negative tax consequence. This applies to all business transactions, including mergers and demergers, incorporation of new entities and the sale and transfer of assets and financial instruments etc. The new GAAR effectively enacts in statutory form the jurisprudential principle of abuse of law.

Tax rate

From 1 January 2008, IRES is calculated at the fixed rate of 27.5% (to be reduced to 24% starting from 2017) of the entity's taxable income.

Entities operating within prescribed sectors (electricity, gas and fuels) and having a turnover greater than EUR 25 million were subject to an additional 6.5% surtax (hence an overall rate of 34%), but this tax was held to be unconstitutional by the Supreme Court, with effect from 12 February 2015.

However, if a company is regarded as dormant, the applicable rate of IRES, charged on a basis of a deemed minimum yield from assets and investments. A company is considered dormant if:

- It has recorded tax losses for five consecutive years or
- It has recorded tax losses for four years and its taxable profits are lower than the minimum yield referred to above

Assessment procedure

The Italian taxation system is based on self-assessment. The responsibility lies with the relevant entity to prepare and lodge its tax return and compute its own liability to tax.

The Italian tax authorities may audit an entity's tax return within a period ending on 31 December of the fourth year following the year in which the entity's tax return was lodged.

Returns and payments

Returns

The IRES return must be filed within nine months of the end of the taxable year (i.e. by the following 30 September in the case of a calendar-year end).

There are penalties for late filing.

Payments

Payment of a company's residual IRES liability for a particular taxable year must be made no later than the sixteenth day of the sixth month following the end of the company's taxable year (for a company with a financial year ending 31 December, this will be the following 16 June).

Advance payments of IRES (*Acconto IRES*) must be paid to the Agenzia Entrate in respect of a company's corporate tax liability. They are based on the prior year's final liability and are made in two instalments, in the sixth and eleventh months of the current taxable year. For a 31 December year-end, therefore, the first instalment, of 40% of the previous year's liability, is due in June of the current year and 60% in November of the current year.

Appeals

See under 'Overview of the tax system' in Chapter 5.

Tax incentives

Italian taxation law provides for a number of tax incentives:

1. Investment incentives for manufacturing and research and development (R & D)
2. Research and development tax credit
3. Patent box
4. ACE (see under 'Deductions: interest' above)

Investment incentives for manufacturing and research and development

Tax credits are available in certain circumstances for investment into the following activities:

- Manufacturing
- Food processing and commercialisation of agricultural products
- Tourism
- Agriculture
- Environmental-protection projects

Investment programme incentives are also available for the set-up of a new manufacturing plant, the expansion of an existing plant, diversification of existing production and changes in existing production processes.

Research and development tax credit

From 2015 to 2019, resident companies may apply for tax concessions on qualifying R & D expenditure relating to the following R & D activities:

- Fundamental research
- Industrial research and
- Experimental development

To be eligible, the entity must incur qualifying R & D expenditure costs of at least EUR 30 000. Qualifying costs are, broadly:

- Payroll costs (including social security contributions) for highly skilled personnel engaged in eligible R&D activities, as well as remuneration paid to third-party professionals who perform their R&D services at the taxpayer's premises
- Depreciation of laboratory equipment (some low-value items are excluded)
- Fees for research outsourced to universities, research institutes and unrelated enterprises, including start-up companies resident or established in an EEA Member State
- Acquisition costs or licence fees for third-party patents and know-how

The credit amounts to 25% of the cost of depreciation and/or acquisition or licence fees plus 50% of payroll costs and outsourcing costs. The total R & D tax credit may not exceed EUR 5 million per year.

Patent box

The introduction of this régime was included in the 2015 Budget law reforms known as the *Legge di stabilità*. Entry is by election. To qualify for the régime, a company must satisfy all of the following conditions:

- It carries on business in Italy and earns business income
- It carries on R & D activities, either directly or through research agreements with universities or other research institutions and
- It licenses out eligible intangible assets or uses such assets in manufacturing processes or providing services using such assets or, ultimately, intends to sell the eligible assets

Under the patent box, a company may claim exemption from IRES and IRAP for 40% (in 2016; to be increased to 50% in 2017) of the qualifying income (less related expenditure) from the following intellectual property:

- Patents
- Trademarks
- Processes, formulas, designs and models that can be legally protected
- Copyrighted software and
- Any other kind of know-how that can be legally protected

In some respects, particularly with respect to trademarks, the régime may fall foul of the proposal of the BEPS Action Plan and may have to be modified.

The election can be made in respect of single items of qualifying intellectual property, and once made, cannot be revoked until at least five years have elapsed.

Value added tax

Value added tax is known in Italian as *Imposta sul Valore Aggiunto (IVA)*. As elsewhere in the European Union, in Italy it is generally charged on the supply of goods or services where the place of supply is in Italy, no matter whether the customer is a private person or a business. It is thus a multi-stage tax charged at each stage of the product cycle but is ultimately borne by the end-user (final consumer). It is also levied on imports of goods from outside the European Union. The overall framework of the tax is the competence of the European Union, as legislated in the VAT Directive (2006/112/EC, as amended), and associated Directives and Regulations. These allow Member States several options in application of the tax, not the least of which is the power to set rates (within certain broad parameters).

Supplies may be taxable, exempt (with or without the right to deduct input VAT) or outside the scope. Exempt supplies with the right to deduct input VAT are sometimes referred to as 'zero-rated'. Businesses making exclusively taxable or zero-rated supplies generally qualify for full deduction of input VAT (the VAT they have incurred making supplies). Businesses making exclusively exempt supplies without the right to deduct do not qualify for deduction of input VAT. Businesses making a mixture of exempt supplies without the right to deduct and taxable or zero-rated supplies may fully deduct only the input VAT directly incurred on making the taxable or zero-rated supplies. Partial deduction will be available for overheads and other indirect costs.

Taxable entities and activities

All entities, individuals or companies, carrying on a business must be registered for IVA, regardless of the size of the business operation. There are no minimum income turnover thresholds for registration.

Registration

In order to register for IVA, the taxable person must apply for his VAT registration number (*Partita IVA*).

Taxable persons without a permanent establishment in Italy are also required to register for VAT, through one of the following mechanisms:

- Appointment of a local representative (*Rappresentante fiscale*)
- Direct registration; only applicable where the taxable person is resident in the European Union or in a country with which Italy has a double tax agreement

Exemption

What supplies may be exempt is closely regulated by the VAT Directive. If a supply is exempt, the taxable person may not recover VAT he has incurred (input VAT) in making those supplies. Exempt supplies include:

- Banking, financial and insurance services
- Health care provided to individuals
- Sale and letting of immovable property

Rates

Unless exempt or specifically charged at a zero or reduced rate, all supplies are chargeable to VAT at the standard rate, which is 22%. Italy also has two reduced rates: 10% and 4%.

The 10% reduced rate applies to supplies such as:

- The maintenance and repair of residential property
- Certain foodstuffs (the majority)
- Passenger transport
- Admission to cultural events
- Hotel and restaurant services

The lower reduced rate of 4%, on the other hand, applies inter alia to:

- The maintenance, repair and sale of a first residence
- Certain foodstuffs and beverages
- Books and newspapers
- Certain supplies to disabled persons

Zero-rating (exemption with deduction) applies to most cross-border supplies of goods and services within the European Union and exports to third countries.

Returns and payment

The standard return period is the calendar month. Quarterly returns may be made by taxable persons with a turnover of less than EUR 700 000 (or EUR 400 000 in the case of services).

Payment of the net balance of output VAT over input VAT is due with the filing of the return, i.e. no later than the 16th of the month following the return period, if that is monthly or by the 16th of the next month but one in the case of quarterly).

As a rule, all taxable persons are required to make an advance payment on 27 December of the liability for that month or quarter. It usually amounts to 88% of the previous year's corresponding liability.

A recapitulative annual return has to be made by the end of February of the following year.

Annual customer and supplier listing

An annual return, known as the *spesometro*, comprising a simple list of customers and suppliers posted in the VAT register for each transaction must be filed by the end of April in the following financial year.

Imposte regionale sulle attività produttive

This tax (the regional tax on productive operations), normally referred to by its acronym (IRAP), is an additional income tax due from persons (natural and legal) carrying on a business in Italy.

It is a tax collected for the primary purpose of benefiting the various regions, rather than the national purse.

Companies, partnerships and individuals are all liable for this tax, unless specifically excluded. Examples of such exclusions include exempt primary producers and individuals carrying on a commercial enterprise or sole traders under the lump-sum tax régime (see under 'Taxation of business income: simplified taxation' in Chapter 7).

The base for IRAP differs from that for the corporate income tax (IRES). Broadly speaking, IRAP is charged on the value of production i.e. taxable net operating income (after e.g. depreciation) reduced by:

- Social security contributions
- Payroll costs relating to personnel involved in research and development activities
- Employee accident insurance
- Payroll costs relating to fixed-term employees

For each employee employed in a less developed region, a deduction equal to EUR 15 000 (or EUR 21 000 for female employees and employees aged under 35) may be made. In addition, there is a deduction of EUR 15 000 for each newly employed person under a permanent contract of employment, provided that the number of employees under permanent contracts represents an increase over the previous year. However, the above deductions cannot exceed the actual payroll costs (including social security contributions) borne by the employer during the taxable period.

Thus IRAP takes no account of interest and other financial income and expenses, capital gains and losses on the transfer of going concerns, payroll costs (except to the extent specified) and extraordinary items of income.

The standard rate is 3.9%. Regional authorities may increase or decrease the standard rate by up to 0.92 percentage points.

IRAP is not a deductible expense for the purposes of corporate income tax.

IRAP is payable in the region where the business or profession is established. If the taxpayer has an office, a fixed base or a permanent establishment in another region for at least three months in the taxable period, IRAP is apportioned between the regions involved on the basis of payroll costs attributable to employees permanently employed at each location. The above criterion applies also to the determination of the value of the production attributable to a possible location abroad, which is not subject to IRAP.

Non-residents are subject to IRAP if they have an office, permanent establishment or fixed base in Italy for at least three months in the taxable period. The taxable base is the value of the production attributable to that location; no specific apportionment criterion (e.g. labour cost) is provided in this case.

IRAP is administered by the *Agenzia Entrate*. Companies must file their IRAP tax returns within the prescribed timeframes. The payment of IRAP takes place in two phases: Payment of the remaining balance of IRAP for the year in question, and payment of an advanced tax instalment for the following year (Acconto IRAP).

Tonnage tax

Joint-stock companies and limited partnerships, limited-liability companies, cooperative and mutual societies, general partnerships and limited partnerships resident in Italy and non-resident entities through a permanent establishment in Italy and operating in the maritime sector may opt to subject their relevant income to tonnage tax instead of corporate income tax.

Non-resident companies operating in Italy through a permanent establishment may also opt for tonnage tax.

Eligible ships are all ships belonging to the entity or group, provided that:

- They have a net tonnage greater than 100 tons
- They are used to transport freight or passengers or carry out certain activities on the high seas, such as rescue, towing, construction and installation of plant and other maritime support activities or other activities directly connected or instrumental to the foregoing
- They are registered in the International Registry

Chartered-in ships may also qualify, provided that their tonnage does not exceed 50% of the entire eligible fleet.

The option for tonnage tax must be made within three months of the beginning of the tax year concerned. It must be made in respect of all eligible ships, and once made, cannot be revoked until at least ten tax years have elapsed.

Tonnage tax replaces corporate income tax not only in respect of income directly derived from operating eligible ships but also income from all other directly connected activities.

Under the tonnage tax régime, taxable income is the sum of the deemed daily income from all eligible ships. The deemed daily income varies with the net tonnage of the ship, as shown in Table 9.

Table 9

Net tonnage	Income per tonne
1000 or less	0.0090
More than 1000 but no greater than 10 000	0.0070
More than 10 000 but no greater than 25 000	0.0040
More than 25 000	0.0020

7. Personal taxation

Personal income tax

Residence and territoriality

The personal income tax in Italy is known as IRPEF (*Imposta sul reddito delle persone fisiche*). Both residents and non-residents are liable to this tax on their income.

An individual will be considered a tax resident of Italy where any of the following applies:

- The individual is, for the greater part of the tax year (which is the calendar year), registered in the Population Register of the Resident Population (AIRE)
- The individual is physically present, for the greater part of the tax year, within Italian territory
- The individual's centre of business or economic interests is, for the greater part of the tax year, located in Italy

The 'greater part of the tax year' is generally defined as at least 183 days within the calendar year. It is important to note that the taxpayer does not need to be present for a continuous period in order to satisfy this criterion.

Individuals resident in Italy by virtue of these rules are assessed on their worldwide income, while a non-resident will be assessed only on his or her Italian-source income.

Structure of income tax

IRPEF is charged on the following types of income derived by individuals:

- Salary and wage income (income from employment)
- Income from self-employment
- Rental income
- Capital gains
- Dividend income
- Other income, such as interest and royalties

Persons liable

Personal income tax (IRPEF) is payable only by individuals. Given their quasi-corporate structure, partnerships are taxed under IRES (see under 'Taxable entities' in Chapter 6).

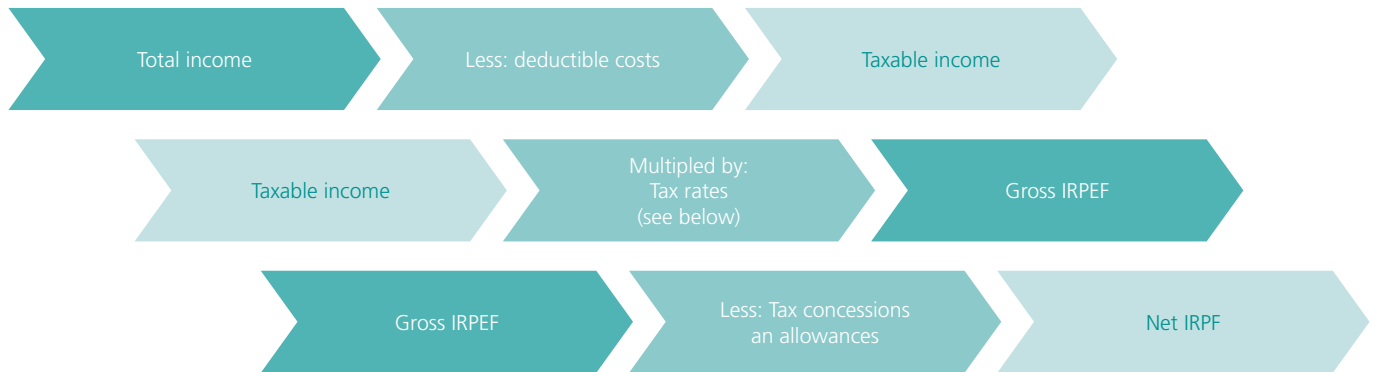
The family unit

For Italian taxation purposes, the family unit includes the following: married and de facto partners, children (including adopted children and those under legal guardianship) and any other family member who lives with the taxpayer and is dependent on the income earner for financial support. However, each individual is taxed separately and there is no mandatory or optional joint assessment of spouses.



Taxation of income

The method of arriving at taxable income can be summed up in the following diagram.



The taxation of employment income

Employment income includes any payment received in connection with employee services rendered, including cash payments (including payments via cheque or bank transfer), payments in kind, payments by way of shares or other goods and the reimbursement of expenses.

Most benefits-in-kind are valued at their fair market value. Employer-provided cars private use of which is permitted are taxed each year at 30% of the rate specified in tables for that make of car, assuming an annual private mileage of 15 000 km. Amounts paid by the employee towards use of the car may be deducted from the taxable benefit. Zero and low-interest loans are taxed on 50% of the difference between a prescribed rate of interest and the interest (if any) actually paid.

If the total value of benefits provided in the tax year is less than EUR 258.23, exemption is granted.

Director's remuneration

Director's remuneration is normally treated as employment income. Remuneration paid to non-resident directors is subject instead to a final withholding tax (see under 'Withholding taxes' below).

Earned-income credit

Employees and pensioners whose aggregate taxable income is less than EUR 55 000 are entitled to an earned-income tax credit (not a deduction in computing taxable income). The credit is income-dependent, as shown in Table 10.

Table 10 Earned-income credit

Aggregate taxable income (EUR)	Amount of credit (EUR)
≤ 8000	1880
> 8000 < 28 000	$978 + (902 \times (28\,000 - I) / 20\,000)$
> 28 000 < 55 000	$978 \times (55\,000 - I) / 27\,000$

where I is the taxpayer's aggregate taxable income.

Salary tax

In most cases, the employer will be registered for withholding tax, and will therefore retain from the employee's periodic payments an amount of salary tax owing to the *Agenzia Entrate* as an advance tax credit on the employee's behalf. The amount withheld from the employee's pay will be in accordance with the tax scales (based on progressive rates of income tax) using the annual estimate of the employee's total salary from this employer. The employee will receive the appropriately calculated net amount (gross pay less tax withheld) each period.

Taxation of business income

The rules differ as between income from a trade or business and income from the practice of a profession.

Taxation of trade and business income

All income derived from a trade or business carried on by an individual alone or in partnership, as per the Italian Civil Code, is fully taxable. The amount taxable will be given by the financial statements of the business activity, after allowing for any income and expense adjustments in accordance with taxation law. Income and expenses should be calculated in accordance with the accrual method. The computational rules are therefore essentially those applicable for the purposes of corporate tax.

Taxation of professional income

All income earned from the practice of a profession is fully taxable, after the deduction of expenses incurred in deriving that income. Also taxable as professional income is income from participation in a silent partnership (*associazione in partecipazione*) and the exploitation of intellectual property where this is not part of a commercial enterprise.

Deductible expenses are listed in statute and include:

- Depreciation
- 50% of the purchase cost of assets used partly for professional and partly for domestic purposes
- Promotional and entertaining expenses, capped at 1% of gross revenue
- Food and accommodation expenses, capped at the lower of (a) 75% of cost and (b) 2% of gross revenues

Remuneration paid to employees who are members of the individual's family is not deductible.

Self-employment credit

Individuals in self-employment or deriving miscellaneous income may also claim a credit if their gross taxable income is less than EUR 55 000. The amount of the credit is shown in Table 11.

Table 11 Self-employment credit

Aggregate taxable income (EUR)	Amount of credit (EUR)
≤ 4800	1104
> 4800 < 55 000	$1104 + (55\,000 - I)/50\,200$
> 28 000 < 55 000	$978 \times (55\,000 - I)/27\,000$

where I is the taxpayer's aggregate taxable income.

Simplified taxation

A new optional system of simplified taxation, replacing two previous systems abolished as of 1 January 2016, is available for qualifying individuals carrying on business activities, arts or professions. It is available where the turnover does not exceed certain limits, which depend on the nature of the activity, in a range between EUR 25 000 and EUR 50 000. Certain other conditions must also be satisfied. The applicable tax rate is 5% for the first five years of a new activity, and subsequently 15%. Opting for this régime also exempts the taxpayer from IRAP and registration for VAT.

Taxation of investment income

Dividends

The taxation consequences of dividend income will depend on the nature of the payment being received, as shown in Table 12.

Table 12

Type of dividend received	Taxation consequence
Dividend derived from qualifying ¹ participations in a resident or non-resident company	49.72% of the dividend is taxable as ordinary income; the remainder is exempt.
Dividend derived from non-qualifying participations in a resident or non-resident company	Subject to final withholding tax of 26%
Dividend derived from an unlisted company in a blacklisted jurisdiction	100% of the dividend is taxable as ordinary income.
Dividend derived from a listed company in a blacklisted jurisdiction	Subject to a final substitute tax of 26%

Note

¹ In an unlisted company, a holding of over 25% of share capital or 20% of voting rights; in a listed company 5% of share capital or 2% of voting right.

Interest

Interest paid to Italian residents from an Italian source is subject to withholding tax at source of 26%. This is a final tax and need not be declared in the individual's tax return.

Interest earned by a tax resident from a foreign source is taxed in Italy at ordinary rates and must be declared in the individual's tax return.

Royalties

Income derived from royalties on patents, trademarks and intellectual property originated by the individual himself or herself is taxable as professional income (see above under 'Taxation of business income') but enjoys a 25% exemption (increased to 40% if the individual is under 35).

Income from acquired intellectual property is taxable as miscellaneous income (*redditi diversi*) and is subject to regular tax rates, but enjoys 25% exemption if acquired for valuable consideration and is fully taxable otherwise.

Property income

Rental income derived from Italian immovable property enjoys exemption of 5% (i.e. 95% is subject to tax). The 5% deduction is in lieu of expenses, so no other expenses are deductible. In cases where the imputed cadastral income of the property is greater than 95% of rents, the former serves as the taxable amount.

If certain conditions are met, the taxpayer will be eligible to declare rental income from residential property under the *cedolare secca* régime, which will impose a flat tax 21% on gross rents (10% in certain areas of special housing need). The régime is optional; if it is not chosen, regular tax rates will apply.

Capital gains

Immovable property

Capital gains on the disposal of immovable property are exempt if the property has been held for over five years. Otherwise, they are taxable as miscellaneous income. Gains from the disposal of the taxpayer's private residence are exempt irrespective of the period of ownership.

Shares

Capital gains from shares in a qualifying participation enjoy an exemption of 50.28% (i.e. only 49.72% of the gain is subject to (income) tax). As already stated under Table 12, a qualifying participation is one which, in an unlisted company, represents a holding of over 25% of share capital or 20% of voting rights; in a listed company, over 5% of share capital or 2% of voting rights.

Capital gains from non-qualifying participations are subject to a final substitute tax of 26%.

Securities other than shares

Capital gains are taxed as miscellaneous income.

Losses

Capital losses may be carried forward against subsequent gains for a maximum of four years.

Withholding tax

Table 13 summarises what withholding taxes apply to different types of income payments to resident individual taxpayers.

Table 13

Type of income	Rate of withholding tax
Dividends	See Table 9
Interest on loans	26% non-final
Bank interest & corporate-bond interest	26% final
Italian state bonds	12.5% final substitute tax
Royalties	0 or 20% non-final ¹
Professional, artistic etc fees	20% non-final
Rental income	n/a

Note

¹ No withholding tax on royalties from acquired intellectual property. Royalties paid to the originator of intellectual property are subject to a non-final 20% withholding tax.

Table 14 shows what withholding taxes apply to payments made to non-resident individuals.

Table 14

Type of income	Rate of withholding tax
Dividends	26% final ¹
Interest	26% final ²
Royalties	30% final ³
Professional, artistic etc fees	30% final
Rental income	n/a
Director's remuneration	30% final

Notes

- ¹ Individuals who are subject to income tax in their home jurisdiction on the dividend may claim a refund of 11/26 of the Italian withholding tax
- ² Under certain conditions, there is no withholding tax on interest from government and corporate bonds
- ³ Normally charged on 75% of the royalty payment (i.e. 25% is exempt), resulting in an effective tax rate of 22.5%. However, if the recipient is not the originator of the intellectual property and did not acquire it for valuable consideration, the tax is imposed on the whole of the royalty payment

The rates shown in Table 14 are those applicable under domestic law, and may be reduced or eliminated under the provisions of a double tax treaty.

Allowances and deductions

Deductions

A number of deductions against taxable income are available for certain types of personal expenditure. These include:

- A full deduction for employee social security contributions
- Employer social security contributions paid in respect of live-in housekeepers or carers, subject to a cap of EUR 1549.37
- Life and accident insurance premiums and pension contributions to qualifying pension funds established in the European Economic Area or a 'whitelisted' jurisdiction, subject to a combined cap of EUR 5164.57
- Healthcare premiums paid to qualifying healthcare plans, subject to a cap of EUR 3615.20
- Donations to qualifying religious organisations, subject to a cap of EUR 1032.91
- Donations to qualifying non-profit organisations, subject to a cap of the lower of (a) 10% of taxable income and (b) EUR 70 000
- Donations to universities and other research organisations
- Alimony and maintenance payments under a court order

Tax credits

Allowances for the personal circumstances of the taxpayer and dependants have been replaced by tax credits, most of which are graduated with respect to the taxpayer's income.

Dependent-spouse credit

Table 15 Dependent-spouse credit

Taxpayer income (EUR)	Amount of base credit (EUR)
≤15 000	$800 - (110 \times I/15\,000)$
> 15 000 ≤ 40 000	690
> 40 000 ≤ 80 000	$690 - ((80\,000 - I)/40\,000)$

Notes

¹ I = taxable income. It will be seen that the credit reduces to zero where the taxpayer's taxable income is greater than EUR 80 000

For taxpayers whose taxable income falls between EUR 29 000 and EUR 35 000, the amount of the base credit is increased as shown in Table 16.

Table 16 Increase in dependent-spouse credit

Taxpayer income (EUR)	Increase in base credit (EUR)
29 000 – 29 200	10
29 201 – 34 700	20
34 701 – 35 000	30
35 001 – 35 100	20
35 101 – 35 200	10

Dependent-child credit

This is not income-dependent, but varies according to the number of children and is enhanced where the child is disabled. There is a two-stage calculation involved.

Table 17 Dependent-child credit: base credit

Number of children	Amount of base credit per child			
	Enabled child		Disabled child	
	Aged under 3	Aged 3 or over	Aged under 3	Aged 3 or over
1st child	1220	950	1620	1350
2nd and 3rd child (3 or fewer children)	1220	950	1620	1350
2nd and all subsequent children (more than 3 children)	1420	1150	1820	1550

The base credit as shown in Table 17 is income-dependent. The actual reduction in tax is given by multiplying the base credit by the formula:

$$c = \frac{(95\,000 + ((n-1) * 15\,000) - I)}{(95\,000 + (n-1))}$$

where C is the tax deduction and I taxable income. The formula is designed to reduce the credit to zero where the taxpayer's income exceeds EUR 95 000 in the case of one dependent child, and to increase the cut-off point by EUR 15 000 for each additional child.

If the taxpayer has four or more dependent children, an additional credit of EUR 1200 is awarded, split equally between spouses where applicable.

Dependent-relative credit

This also varies according to the taxpayer's income, and is withdrawn entirely where income exceeds EUR 85 000. The amount of the credit is given by the formula $(750 \times (80\,000 - I))$, where I is taxable income.

Dependant's income cap

The dependent-spouse, dependent-children and dependent-relative credits are not available if the relevant dependant's gross taxable income exceeds EUR 2840.51 (before deductions).

Earned-income credit

See under 'Taxation of employment income' above.

Self-employment credit

See under 'Taxation of business income' above.

Other tax credits

In addition to the above tax credits, individuals may reduce the amount of IRPEF they are liable to pay by further credits, which include:

- A credit amounting to 19% of medical expenses, including medical fees and pharmaceutical items, exceeding EUR 129.11
- A credit amounting to 19% of the interest on mortgage loans for the taxpayer's home, subject to an interest cap of EUR 4000 (hence a maximum tax credit of EUR 760)
- A credit amounting to 19% of education expenses, including fees for undergraduate study and research doctorates
- A credit amounting to 19% of childcare expenses for children aged from three months to three years, subject to a cap of EUR 620 (hence a maximum tax credit of EUR 120.08)
- A credit amounting to 19% of sports-club memberships for minors aged five to 18, subject to a cap of EUR 210 per minor (hence a maximum tax credit of EUR 39.90 per minor)
- Various tax credits are also available, subject to certain conditions, for rental payments incurred by low-income earners between 20 and 30 years of age and work-related removal costs where the taxpayer has had to move for work purposes

Tax rates

The rates of IRPEF are progressive, increasing with increasing income. In 2016, the rates are as shown in Table 18.

Table 18

Band of taxable income	Tax Rate
First EUR 15 000	23%
Next EUR 13 000	27%
Next EUR 27 000	38%
Next EUR 20 000	41%
Balance over EUR 75 000	43%

Taxpayers are also subject to a regional surcharge (*addizionale regionale*) ranging from 1.23% to 3.33%. There may also be a municipal and provincial surcharge (*addizionale provinciale e comunale*), set by each local authority and province at an aggregate rate of up to 0.9%.

In addition, these rates are increased by a 3% solidarity surcharge (*contributo di solidarietà*) on the whole of taxable income exceeding EUR 300 000. The solidarity surcharge is to be abolished in 2017.

Special inpatriate régimes

Tax incentives are available for EU citizens born after 1 January 1969 who, after working abroad for a period of not less than 2 years, thereby gaining cultural and professional experience, return to Italy to continue their work, either as an employee or in self-employment. To be eligible, the taxpayer must have been resident in Italy for tax purposes for at least 24 months.

The incentive consists of exemption for 80% of the taxpayer's employment or self-employment income in the case of women or 70% in the case of men.

In order to promote the immigration of scientists into Italy, 90% of income from employment or self-employment of researchers who have been working abroad for at least two years and then start working in Italy before 31 December 2017, and therefore become resident in Italy for tax purposes, is exempt from IRPEF and has 100% exemption from IRAP. The exemption applies in the tax year in which the scientist becomes resident and in the following four tax years.

Returns and payments

Individuals who derive income subject to IRPEF must prepare and file an annual tax return (*dichiarazione dei redditi unico*) within the prescribed timeframes. Individual income tax returns must normally be filed by 30 September of each year. Deadlines are sometimes changed.

Exceptions from the duty to file a return are granted to individuals deriving wholly exempt income or income wholly subject to a final withholding tax, income from land and buildings not exceeding EUR 185.92, income from an owner-occupied dwelling (this is a deemed income normally cancelled out by an equal deduction), and/or any other income for which the aggregate net tax due does not exceed EUR 10.33. However, taxpayers who are obliged to keep accounting books must file a tax return even if they do not derive any taxable income.

Individuals whose only source of income is income from employment do not have to file an annual tax return.

With effect from 2015, certain taxpayers have been able to opt for online tax returns pre-filled by the tax authorities in respect of their employment and pension income. Taxpayers choosing this option may either accept the tax return as it is or amend it online no later than 7 July of the year following the income year. The tax payable or repayable under these returns is then due without recourse to further examination or appeal. Use of the pre-filled returns is optional, and taxpayers remain free to file their own returns in the normal way.

With the exception of tax on income from employment and income subject to a final withholding tax, two instalment payments of income tax must be made; the first on 16 June and the second on 30 November. Any balance of tax payable is due on 16 June of the following year.

IRAP (Regional tax on productive operations)

Individuals carrying on a business or profession are also liable to this tax.

For details, see under Chapter 6.

Inheritance & gift taxes

Extent and scope

Italy has an inheritance and gift tax (*imposta di successione*) on transfers of property whether on death or during the taxpayer's lifetime made for no or insufficient consideration.

Although the tax is borne by the transferee, it is the transferor's status at the time of the transfer that wholly determines what property being transferred, if any, is subject to the tax. If the transferor is resident in Italy at the time of the transfer (whether on death or during the transferor's lifetime), then it is the transferor's worldwide property that is liable. If, on the other hand, the transferor is non-resident, only the property situated in Italy is liable. The transferee's residence is immaterial. Hence, if an Italian resident transfers her chalet in Switzerland to her German-resident nephew, Italian inheritance and gift tax will be due on the value of that property. However, if a French-resident father transfers his villa in Juan-les-Pins to an Italian-resident daughter, no Italian tax is due.

Valuation

Property is generally valued at its market value for the purposes of this tax. Liabilities attaching to the property concerned are deductible, as (in the case of transfers *mortis causa*) are the deceased transferor's medical and funeral expenses, although the latter are capped at a very modest EUR 1032.91.

Exemptions

Some classes of property are exempt, including the bonds and securities of the government of an EEA state and works of art.

Allowances

The following are free of tax:

- The first EUR 1 million of transfers to a spouse, a direct descendant (e.g. children and grandchildren) or a direct forebear (e.g. parents and grandparents)
- The first EUR 100 000 of transfers to a sibling
- In addition to the above, a further EUR 1.5 million of a transfer to a disabled transferee

Tax rates

These depend on the degree of consanguinity between the transferor and the transferee, as indicated in Table 19.

Table 19

Identity of transferee	Rate of tax (%)
Spouse, direct descendant, direct forebear	4.0
Sibling and all other relatives to the 4th degree	6.0
All other transferees	8.0

Returns and assessment

Returns of taxable transfers must be made within 12 months of the transfer. The tax is self-assessed and due with the return.

Wealth tax

Italy does not exist have a wealth tax, but there is a tax on the value of immovable property held abroad (*imposta sul valore degli immobili situati all'estero* (IVIE)), for which see Chapter 8.

8. Other taxes

Stamp duty

Stamp duty (*imposta di bollo*) is a tax levied on the completion and deposition of certain business documents, including deeds, constitutions and contracts. It also replaces VAT on transactions that would be subject to the zero rate of VAT, but which exceed a total value of EUR 77.47.

It is paid via one of the following ways:

- The purchase of a physical stamp, which is subsequently attached to the document or
- Electronically, through lodgement and subsequent receipt of an invoice

The stamp duty payable can either be a fixed amount or ad valorem, calculated as a percentage of the value of the contract or transaction taking place.

For the transfer of shares or other Italian-issued financial instruments, stamp duty of 0.2% of the transaction value must be paid to the relevant authority (current as at 2016). There are concessions to this rate where the sale and transfer takes place on the listed market.

Property taxes

Imposta municipale unica (IMU)

Imposta municipale unica is a general property tax levied by local authorities through the Italian State on all property owners, both commercial-property owners and private homeowners. The payment of an entity's IMU obligation is partially deductible against corporate income tax (to the extent of 20%).

IMU must be paid by the registered property owner. In situations where the property is owned by more than one individual or entity, each owner pays the appropriate proportion.

Properties are valued according to their deemed income-earning capacity. A series of uplift factors and reductions are then applied, in order to arrive at the final taxable value.

Exemptions

IMU is not payable on the following:

- Main residences, except for 'luxury' homes (classified by IMU codes A1, A8 and A9)
- Land classified as 'mountain land' for the purposes of the relevant law
- Land located on minor islands
- Land located in authorities classified as 'part mountainous' where the land is used for agricultural purposes and
- Land utilised by agricultural enterprises in the course of business

Rates

Although IMU is administered by the *Agenzia Entrate* (via Modello F24), the specific rate of tax is set by the local authority in which the property is located. Each year, the respective local authority must release its tax rate for the year by 28 October, and publish it on the following site: www.finanze.it. The tax rate must comply with the following ceilings, as set by *Agenzia Entrate*:

Table 20

Property Type	Tax rate
Main residence (when taxable)	0.40%
Other property	0.76%

Local authorities may at their discretion allow a discount on IMU in particular situations, such as:

- Let residential property
- Non-habitable property

Imposta sul valore degli immobili situati all'estero (IVIE)

This is a tax charged since 2013 on Italian residents owning immovable property abroad, including:

- Buildings and/or land, used for any purpose, business activity or private
- Property rights, including long-term leases
- Leased properties, even where construction is not yet complete

For property situated in other EEA countries, the reference value is the taxable value in that country of the property concerned. Outside the EEA, the acquisition value or the market value is used.

Rates

As with IMU, the rates of tax are 0.76% for most types of property, but 0.4% for owner-occupied properties. Where the tax payable would be less than EUR 200, the tax is waived.

Tributo per i servizi indivisibili (TASI)

Tributo per i servizi indivisibili (TASI) is a local-authority tax levied on immovable property to cover the costs of essential community services. Essential community services include community lighting, road maintenance, community gardening and town-square maintenance, local security and civil services, running of the registry office etc.

TASI is payable by all registered property owners; therefore, as above, in situations where the property is owned by more than one individual or entity, each owner pays the appropriate proportion. Furthermore, where the property is leased, TASI is payable by both the lessor and the lessee, and each must fulfil their obligations separately.

As for IMU, the taxable base of the property for TASI purposes is based on its deemed income-earning capacity. A series of uplift factors and reductions are then applied, in order to arrive at the final taxable value.

Land used in the ordinary course of business by farmers is exempt from TASI.

Rates

As with IMU, rates are set by the local authority concerned, subject to the ceilings shown in Table 21.

Table 21

Type of tax	Tax rate
TASI	0.33%
Combined TASI and IMU	1.14%

Customs and excise duties

Customs duty

When importing goods from outside the European Union, the importer will be liable for customs duty to the Italian Customs Authority.

The duty is payable upon arrival of the goods in Italy, and is based on the value and type of the goods being imported. The value of the goods is given by the transaction value:

- Provided that there are no restrictions placed on the eventual sale of the goods in Italy
- The transaction value can be determined (it is not contingent on any unknown factor)
- The buyer and seller are not related parties and
- There is no commission payable to the exporter on the sale

For this purpose, it is vital that the correct details are recorded on the importation documentation, so as to ensure that customs duty is neither overpaid, nor underpaid (in which case the importer will receive an assessment notice for the underpaid amount). The value of the goods declared should include royalties, commissions, transport costs and licence fees.

A reduced or zero-rate of customs duty may be applicable in situations where:

- The goods originate from a country of preferential origin (in accordance with trade agreements) or
- The goods are otherwise exempt from customs duty according to the law

Excise duty

Excise duty is applicable to the sale, importation or production of the following goods in Italy:

- Electricity
- Energy and fuels; including petrol, gasoline, natural gas and coal
- Alcohol; including wine, beer and ethylic alcohol
- Processed tobacco; including cigars and cigarettes

The duty is only payable if the goods are consumed in Italy.

9. Social security contributions

Employer and employee contributions

Both employers and employees are liable to pay social security contributions. The contributions are paid to the following institutes:

INPS	INAIL
<ul style="list-style-type: none"> • Istituto Nazionale Previdenza Sociale (INPS) • Receives contributions for social security contributions generally 	<ul style="list-style-type: none"> • Istituto Nazionale per l'Assicurazione contro gli Infortuni sul Lavoro (INAIL) • Workplace accident and occupational health and safety insurance

INPS

Generally, contributions to INPS must be made on a monthly basis. It is the employer's obligation to calculate and pay both the employer and employee contributions, no later than the 16th day of the month following the end of the month for which the salary was paid. The employer deducts the employee's contribution from salary.

Contributions are calculated based on gross annual earnings, including benefits-in-kind but not expense reimbursements. The contribution rate varies greatly according to the employment sector and the employee's position. The ceiling salary for contributions in 2016 is EUR 100 324.

INAIL

INAIL contributions are essentially insurance premiums, and are paid wholly by the employer.

Rates

Aggregate contributions amount to approximately 40% of gross earnings, of which the employee pays around 10% and the employer around 30%.

Self-employed contributions

The self-employed (*lavoratori autonomi*) must register and make contributions either to a separate organisation (called a *cassa*), which is a social security fund allied to their profession, or directly with the INPS.

Self-employed people who make contributions to their own *cassa* include architects, accountants, lawyers, engineers, surveyors, medical specialists and other freelance professionals, who each have different rates of contributions.

The self-employed include for these purposes not only freelance workers (*indipendenti*), and small businessmen, shopkeepers, traders, tenant farmers, sharecroppers and smallholders, but part-time employees (*collaboratori*), such as university students, and company directors. The minimum income base for self-employed contributions is EUR 15 548 and the maximum is EUR 100 324 in 2016. Rates are as shown in Table 22.

Table 22

Identity of contributor	Contribution rate (%)
Self-employed individuals with a VAT registration and not in receipt of any employment income (hence exclusively enrolled in INPS under a separate régime)	27.72
Self-employed individuals with a VAT registration and not in receipt of any employment income (hence exclusively enrolled in INPS under a separate régime)	31.72
Self-employed individuals with sources of employment income and hence already enrolled in INPS	24.00
Part-time workers and directors with other sources of employment income and hence already enrolled in INPS	24.00
Part-time workers and directors with no other sources of employment income and hence exclusively enrolled in INPS under a separate régime	31.72

In the case of part-time workers and directors, two-thirds of the contribution (i.e. 16.00% or 21.15%, respectively) is paid by the company/ employer and one-third (i.e. 8.00% or 10.57%) by the individual.

10. Moore Stephens in Italy

Moore Stephens is represented in Italy by six firms, coordinated by Moore Stephens Italia, the national umbrella organisation, based in Milan.

Moore Stephens Italia

Via E de Amicis 53
20123 Milan
T +39 02 581 18927
F +39 02 581 09988
E audit@moorestephensitalia.it
W www.moorestephensitalia.it

Chairman and International Audit Liaison	Andrea De Marchi, a.demarchi@axisnet.it
International Tax Liaison	Paolo Borghi, paoloborghi@studiopdb.com

The six firms are located as follows.

DF Audit S.p.A.

Via Trieste 53
35121 Padova
T +39 049 876 4989
F +39 049 825 1186
E info@dfaudit.com
W www.dfaudit.com

International Liaison	Gian Luca Tognon, gltoignon@dfaudit.com
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Axis S.r.l.

Via Gutenberg 3
42124 Reggio Emilia
T +39 0522 232110
F +39 0522 271337
E axis@axis.net
W www.axisnet.it

International Liaison	Andrea De Marchi, a.demarchi@axisnet.it
-----------------------	--

Studio Palma Debernardi Borghi e Associati

Via E De Amicis 53
20123 Milan
T +39 02 581 18927
F +39 02 581 09988
E studio@studiopdb.com
W www.studiopdb.com

International Liaison & Tax Liaison	Fabrizio Pellizzone, fabriziopellizzone@studiopdb.com Paolo Borghi, paoloborghi@studiopdb.com
-------------------------------------	---

Bureau Plattner

Via Leonardo da Vinci 12
39100 Bolzano
T +39 0471 222500
F +39 0471 222800
E info@bureauplattner.com
W www.bureauplattner.com

International Liaison

Peter Karl Plattner, peterkarl.plattner@bureauplattner.com
Hugo Perathoner, hugo.perathoner@bureauplattner.com

Bureau Plattner also has an office in Milan.

Moore Stephens Sicilia

Via Centonze 154
98123 Messina
T +39 090 715058
F +39 090 641 2259
E info@moorestephenssicilia.it
W www.moorestephenssicilia.it

International Liaison

Dr Vincenzo Trignano, trignano@moorestephens.it

Moore Stephens Consulting

Corso Magenta 2
20123 Milan
T +39 02 583 03520
W +39 02 583 10285
E barranco@mosconsult.it
W www.barranco.it

International Liaison

Giuseppe Barranco, barranco@mosconsult.it

Moore Stephens Consulting also has an office in Rome.

Appendix 1: Double taxation treaties

Italy has comprehensive double taxation treaties with the following countries:

Albania	Iceland	Russia
Algeria	India	Saudi Arabia
Argentina	Indonesia	San Marino
Armenia	Ireland	Senegal
Australia	Israel	Serbia ¹
Austria	Ivory Coast	Singapore
Azerbaijan	Japan	Slovakia
Bangladesh	Jordan	Slovenia
Belarus	Kazakhstan	South Africa
Belgium	Kyrgyzstan ²	Spain
Bosnia Herzegovina ¹	Korea (South)	Sri Lanka
Brazil	Latvia	Sweden
Bulgaria	Lebanon	Switzerland
Canada	Lithuania	Syria
China	Luxembourg	Taiwan
DR Congo	Macedonia ¹	Tajikistan ²
Croatia	Malaysia	Tanzania
Cyprus	Malta	Thailand
Czech Republic	Mauritius	Trinidad and Tobago
Denmark	Mexico	Tunisia
Ecuador	Moldova	Turkey
Egypt	Morocco	Turkmenistan ²
Estonia	Mozambique	Uganda
Ethiopia	Netherlands	Ukraine
Finland	Norway	United Arab Emirates
France	Oman	United Kingdom
Georgia	Pakistan	United States
Germany	Philippines	Uzbekistan
Ghana	Poland	Venezuela
Greece	Portugal	Vietnam
Hong Kong	Qatar	Zambia
Hungary	Romania	

Notes

¹ The treaty with the former Socialist Federal Republic of Yugoslavia applies

² The treaty with the former USSR applies

Double taxation treaties: sea and air transport

Italy has limited transport taxation treaties with the following:

Colombia	Libya
Iraq	Nigeria

Double taxation treaties: estate, gift and inheritance tax treaties

Italy has inheritance tax treaties with seven countries, but only the treaty with France also covers gifts.

Denmark	Israel	United States
France	Sweden	
Greece	United Kingdom	

Treaties on administrative assistance and exchange of information

Within the European Union, mutual administrative assistance is governed by the Directives on exchange of information (2011/16/EU), together with its implementing Regulation (Regulation (EU) No 1156/2012), and the recovery of claims (10/24/EC). As regards VAT, the same function is performed by Council Regulation (EU) No 904/2010. Outside the European Union, Italy has to date concluded the following agreements on exchange of information:

Cayman Islands	Gibraltar	Isle of Man
Cook Islands	Guernsey	Jersey

Social security agreements

The interaction of national social security systems within the European Economic Area is governed by EU Regulations 883/04/EC and 987/09/EC, which also extend, by agreement (and with some differences), to Switzerland. Italy has pre-existing bilateral agreements with some of these states. These have largely been superseded by the EU regulations, but may be applied where, occasionally, they give a more beneficial result. The following non-EEA jurisdictions have social security agreements with Italy, the terms of which differ from case to case.

Argentina	Isle of Man	Québec
Australia	Israel	San Marino
Bosnia Herzegovina	Jersey	Serbia
Brazil	Korea (South)	Tunisia
Canada	Kosovo	Turkey
Cape Verde	Macedonia	United States
Guernsey	Monaco	Uruguay
Holy See	Montenegro	Venezuela

Appendix 2: Moore Stephens around the world

Moore Stephens member firms may be found in 106 countries and territories around the world, with correspondent firms in another ten.

Albania	Denmark	Latvia	Russia
Argentina	Dominican Republic	Lebanon	Saudi Arabia
Australia	Ecuador	Liechtenstein*	Serbia
Austria	Egypt	Lithuania	Seychelles
Azerbaijan	El Salvador*	Luxembourg	Singapore
Bahamas	Estonia*	Macedonia	Slovakia
Bahrain	Finland	Malta	South Africa
Bangladesh	France	Mauritius	South Korea
Belgium	Germany	Mexico	Spain
Belize	Gibraltar	Monaco	Sri Lanka*
Bermuda	Greece	Mongolia*	Sweden
Bolivia	Guatemala	Morocco	Switzerland
Botswana*	Guernsey	Netherlands	Syria
Brazil	Honduras	New Zealand	Taiwan
British Virgin Islands	Hong Kong	Nicaragua	Thailand
Bulgaria	Hungary	Nigeria*	Tunisia
Burundi	India	Norway	Turkey
Cambodia*	Indonesia	Oman	Ukraine
Canada	Iraq	Pakistan	United Arab Emirates
Cayman Islands	Ireland	Panama*	United Kingdom
Chile	Isle of Man	Papua New Guinea	United States
China	Israel	Paraguay	Uruguay
Colombia	Italy	Peru	Venezuela
DR Congo	Japan	Philippines	Vietnam
Costa Rica	Jersey	Poland	Zambia
Croatia	Jordan	Portugal	Zimbabwe*
Cyprus	Kazakhstan	Qatar	
Czech Republic	Kuwait	Romania	

*denotes a correspondent firm only

For more detail, see www.moorestephens.com under 'Locations'.

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Moore Stephens International Ltd
150 Aldersgate Street
London
EC1A 4AB
United Kingdom

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