

“DOING BUSINESS IN ITALY”



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WELCOME



Welcome to our “Doing Business in Italy” guide.

Through this document, prepared within the framework of the GMNI international network, we aim to provide a clear and practical overview for entrepreneurs, investors and professionals who are interested in establishing or expanding their business activities in Italy.

Italy is one of Europe’s largest economies and offers significant opportunities across multiple sectors, from manufacturing and technology to tourism, food production and services. However, successfully entering the Italian market requires a good understanding of the country’s legal, tax and business environment.

This guide has been designed to help you navigate the key aspects of doing business in Italy. It outlines the structure of the Italian economy, explains the taxation system for both companies and individuals, and presents the main legal and organizational frameworks relevant to business activity.

In the following chapters you will find

essential information about:

- the current overview of the Italian economy (2026)
- the Italian tax system and its key principles
- the taxation of businesses and individuals
- the labour law framework governing employment relationships
- the types of companies that can be established in Italy
- and the main steps required to start a business in the country

Our goal is to offer a concise yet informative starting point for anyone considering business activity in Italy. Through the GMNI network, local professional offices collaborate to support international entrepreneurs with the knowledge, guidance and practical assistance needed to successfully establish and operate their businesses in each country.

We hope this guide will serve as a valuable introduction to the Italian business environment and help you take the first steps toward doing business in Italy.

1. OVERVIEW OF THE ITALIAN ECONOMY (2026)

Italy is one of the largest economies in Europe and **in the world**. It is a **high-income, advanced economy** and a member of the **EU, G7, OECD, and G20**. In 2026, Italy's nominal GDP is estimated at **approximately \$2.7 trillion**, making it one of the top ten economies in the world.

Economic structure

The Italian economy is primarily service-based:

- **Services:** about 70–74% of GDP
- **Industry:** around 23–24% of GDP
- **Agriculture:** roughly 2% of GDP

Key industries include:

- Machinery and manufacturing
- Automotive and aerospace
- Fashion and luxury goods
- Food processing and agri-food
- Tourism and hospitality
- Pharmaceuticals and chemicals

Italy is known for its **strong manufacturing base and export-oriented small and medium-sized enterprises (SMEs)**, particularly in sectors such as machinery, fashion, and high-quality consumer **products**.

Economic performance and outlook

Economic growth in Italy remains

moderate compared to other advanced economies.

- GDP growth: **~0.5% in 2025**
- Forecast growth: **around 0.7–0.8% in 2026**
- Inflation: about **1% in early 2026**
- Unemployment: **around 5.1%**, a multi-decade low

Growth in 2026 is supported by:

- Investments funded by the EU Recovery and Resilience Facility (NextGenerationEU)
- Expansion in services and manufacturing
- Improved employment levels

However, several structural challenges persist:

- High public debt (over 130% of GDP)
- Low productivity growth
- Demographic decline and aging population
- Regional economic disparities between northern and southern Italy

Overall, Italy offers a **large domestic market, strong industrial clusters, and integration within the EU single market**, making it an attractive location for international business despite moderate growth rates.



2. THE ITALIAN TAX SYSTEM

The Italian tax system consists of **national, regional, and municipal taxes**, administered primarily by the **Agenzia delle Entrate (Italian Revenue Agency)**. Total tax revenue accounts for around **43% of GDP**.

Major categories include:

- Corporate taxes
- Personal income taxes
- Value Added Tax (VAT)
- Social security contributions



3. TAXATION OF BUSINESSES AND COMPANIES

Companies operating in Italy are mainly subject to two direct taxes:

1. **Corporate Income Tax (IRES)**
2. **Regional Production Tax (IRAP)**

3.1 Corporate Income Tax (IRES)

Corporate income tax (**Imposta sul Reddito delle Società – IRES**) applies to company profits.

Key features:

- **Standard rate: 24%**
- Applies to **Italian resident companies on worldwide income**
- Applies to **non-resident companies on income generated in Italy**

Taxable income is calculated based on the company's accounting profit, adjusted according to Italian tax rules.

Typical entities subject to IRES include:

- **S.r.l. (Società a responsabilità limitata)** – Limited liability company

- **S.p.A. (Società per azioni)** – Joint-stock company
- Cooperatives and certain commercial entities

3.2 Regional Production Tax (IRAP)

In addition to corporate tax, businesses must pay **IRAP (Imposta Regionale sulle Attività Produttive)**.

- **Standard rate: 3.9%**
- Applied to the **value of production generated in a region**
- Rates can vary by re-

gion or sector.

Higher IRAP rates may apply to:

- Banks
- Financial institutions
- Insurance companies

The IRAP tax base differs from IRES and is generally calculated on operating profit.

3.3 Other Business Taxes

Businesses may also be subject to:

- **Value Added Tax (VAT / IVA)**
 - Standard rate: **22%**

- Reduced rates: **10% and 5%**, and a **super-reduced rate of 4%**
- **Withholding taxes** on dividends, interest, and royalties.

- **Social security contributions** for employees.

These taxes are important considerations for companies operating in Italy.



4. KEY INCENTIVES AFFECTING IRES & IRAP – YEAR 2026

4.1. Reduced IRES for reinvested profits

Temporary measure allowing a reduced IRES rate (20%) if companies reinvest their profits in productive assets.

4.2. Super-deduction / Hyper-amortization for investments (2026 reform)

Tax incentives for machinery, equipment, digitalization and capital goods.

From 2026, incentives shift from tax credits to enhanced depreciation (super-deduction), reducing taxable income for IRES.

4.3. R&D and Innovation incentives

Tax credits and grants supporting research, innovation and digital transformation, lowering effective corporate taxation.

4.4. Incentives for innovative startups & investors

Investors may obtain tax deductions up to 65% for investments in innovative startups.

4.5. Regional and territorial incentives (e.g., Special Economic Zones)

Tax credits for investments in southern Italian Special Economic Zones, confirmed for 2026–2028.

Italy offers several incentives that **reduce the effective IRES burden**, mainly through **investment deductions, innovation incentives, and regional tax credits**, while IRAP incentives are typically **sector- or region-specific**.



5. TAXATION OF INDIVIDUALS

Individuals in Italy are taxed primarily through **personal income tax (IRPEF)**.

5.1 Personal Income Tax (IRPEF)

IRPEF (Imposta sul Reddito delle Persone Fisiche) is a progressive income tax.

For 2026, the main tax brackets are approximately:

Income bracket	Tax rate
Up to €28,000	23%
€28,001 – €50,000	33%
Over €50,000	43%

The tax is applied on a progressive basis, meaning each rate applies only to the portion of income within that bracket.

5.2 Regional and Municipal Income Taxes

In addition to IRPEF, individuals pay local surcharges:

- **Regional tax:** about **1.23% – 3.33%**
- **Municipal tax:** **0% – 0.9%**, on the municipality of residence

These taxes are calculated as percentages of taxable income.

5.3 Other Taxes for Individuals

Individuals may also be subject to:

- **Social security contributions**
- **Property taxes (IMU)** on certain real estate
- **Capital gains and investment income taxes (generally a flat rate of 26%)**

Various deductions and tax credits may reduce the effective tax burden.

There are specific tax benefits for individuals who transfer their tax residence to Italy



6. CONCLUSION

Italy offers a **large and diversified economy with strong industrial and service sectors**, integrated into the European single market. Although economic growth is moderate, the country benefits from strong exports, high-quality manufacturing, and EU investment programs.

From a taxation perspective:

- Businesses are mainly taxed through **IRES (24%) and IRAP (~3.9%)**.
- Individuals pay **progressive income tax (IRPEF)** along with regional and municipal surcharges.

7. LABOUR LAW IN ITALY

Italian labour law regulates the relationship between employers and employees and is based on a combination of **statutory legislation, collective bargaining agreements, and constitutional principles protecting workers' rights**. The legal framework aims to balance flexibility for employers with strong protections for employees.

The main sources of labour law include:

- The **Italian Constitution (1948)**
- The **Civil Code (Articles 2094–2134)** governing employment relationships
- The **Workers' Statute (Statuto dei Lavoratori – Law No. 300/1970)**
- Various reforms such as the **Jobs Act (2015)**
- **National Collective Labour Agreements (CCNL)** negotiated by trade unions and employer associations.

Collective agreements play a particularly important role in Italy and often regulate wages, working hours, and employment conditions within specific sectors.

7.1 Employment Contracts

Employment relationships in Italy are generally classified into two main categories:

Permanent contracts

The **open-ended employment contract (contratto a tempo indeterminato)** is the most common type and represents the standard form of employment.

Fixed-term employment contracts

Employers may also use **fixed-term contracts (contratto a tempo determinato)** to address **temporary needs**. These contracts are limited in duration and subject to specific conditions and maximum renewal periods.

Other forms of employment include:

- Part-time contracts
- Apprenticeships
- Temporary agency work
- Self-employment or freelance arrangements.

7.2 Working Time

Italian law regulates working hours to ensure adequate employee protection.

Key rules include:

- **Standard working week:** 40 hours
- **Maximum weekly limit:** generally 48 hours including overtime
- **Daily rest:** at least 11 consecutive hours
- **Weekly rest:** at least 24 hours, usually on Sundays.

Overtime work is allowed but must be compensated either financially or with additional leave, depending on the applicable collective agreement.

7.3 Wages and Collective Agreements

Italy does not have a single statutory national minimum wage. Instead, minimum pay levels are generally determined by **sector-specific collective bargaining agreements (CCNL)**.

These agreements establish:

- Minimum salary levels
- Working hours
- Bonuses and allowances
- Holiday entitlements
- Notice periods.

Because of their wide coverage, collective agreements effectively function as **de facto minimum - wage systems across industries**.

7.4 Social Security Contributions

Employers and employees must contribute to the Italian social security system, administered mainly by the **Istituto Nazionale della Previdenza Sociale (INPS – National Social Security Institute)**.

Contributions finance benefits such as:

- Pensions
- Unemployment benefits
- Sick leave
- Maternity and parental leave.

Employer contributions typically represent **around 30% of gross salary**, while employees contribute approximately **9–10%**, although the exact amount varies by sector and employment category.

7.5 Employee Protection and Dismissal

Italian labour law provides strong protections against unjustified dismissal.

Termination of employment may occur due to:

- **Just cause** (serious misconduct)
- **Justified subjective reason** (employee breach of obligations)
- **Justified objective reason** (economic or organizational reasons).

Dismissals must follow specific procedures and notice requirements. If a dismissal is deemed unlawful, remedies may include financial compensation or reinstatement, depending on the circumstances and the size of the company.

7.6 Leave and Employee Benefits

Employees in Italy are entitled to several types of leave:

- **Paid annual leave:** at least 4 weeks per year
- **Public holidays:** approximately 12 national public holidays
- **Sick leave**
- **Maternity leave:** mandatory 5 months
- **Parental leave**

These benefits are partly funded by social security contributions.

8. TYPES OF COMPANIES IN ITALY

Foreign investors and entrepreneurs can choose among several different legal forms when establishing a business in Italy. The most common corporate structures are regulated by the **Italian Civil Code**.

8.1 Limited Liability Company (Società a Responsabilità Limitata – S.r.l.)

The **S.r.l.** is the most widely used business structure in Italy, particularly for small and medium-sized enterprises.

Key characteristics:

- Shareholders' liability is limited to the amount of their capital contribution.
- Minimum share capital: **€10,000** (which may be lower in simplified forms).
- Flexible corporate governance structure.
- Shares are not publicly traded.

A simplified version called **S.r.l. semplificata (S.r.l.s.)** allows a minimum capital of **€1**, mainly for small startups and entrepreneurs.

Because of its flexibility and limited liability, the S.r.l. is the **most common choice for foreign investors establishing subsidiaries in Italy**.

8.2 Joint-Stock Company (Società per Azioni – S.p.A.)

The **S.p.A.** is typically used by large companies and corporations.

Key characteristics:

- Minimum share capital: **€50,000**



- Shares can be publicly traded on stock exchanges.
- A more complex governance structure.
- Suitable for large investments and companies planning to raise capital.

This structure is often chosen by **large multinational companies and publicly listed firms**.

8.3 Partnerships

Italian law also provides partnership structures, including:

General Partnership (Società in Nome Collettivo – S.n.c.)

- Partners have **unlimited liability** for

company obligations.

- Often used for small family businesses or professional activities.

Limited Partnership (Società in Accomandita Semplice – S.a.s.)

- Two types of partners:
 - **General partners** with unlimited liability
 - **Limited partners** whose liability is limited to their contribution.

Partnerships are less common for foreign investors because of the **higher personal liability risks**.

8.4 Branch Offices

Foreign companies may also establish a **branch office (sede secondaria)** in Italy.

Characteristics:

- Not a separate legal entity from the parent company.
- The foreign parent company remains fully liable for the branch's obligations.
- Used mainly for companies seeking a **direct presence in the Italian market** without creating a separate subsidiary.



9. STEPS TO START A BUSINESS IN ITALY

Starting a business in Italy involves several administrative steps. Over the years, procedures have been simplified through digital systems and the “**Comunicazione Unica**” (**Single Communication**) procedure.

The typical steps include the following.

9.1 Choose a Legal Structure

The first step is selecting the appropriate legal form (e.g., **S.r.l.**, **S.p.A.**, **partnership**, or **branch**). The choice depends on factors such as:

- Business size
- Capital requirements
- Liability considerations
- Corporate governance preferences.

9.2 Draft and Notarize the Articles of Association

Most companies must prepare:

- **Articles of Association (Statuto)**
- **Deed of incorporation (Atto costitutivo)**

These documents must be **signed before an Italian notary**, who verifies compliance with legal requirements.

9.3 Register the Company

The company must be registered with the **Italian Business Register (Registro delle Imprese)** held by the local **Chamber of Commerce**.

Registration gives the company **legal existence** and allows it to operate.

9.4 Obtain a Tax Identification Number and VAT Number

Businesses must register with the **Italian Revenue Agency (Agenzia delle Entrate)** to obtain:

- A **tax identification number (Codice Fiscale)**
- A **VAT number (Partita IVA)**.

These are necessary for tax reporting and business transactions.

9.5 Register with Social Security Authorities

If the company employs workers, it must register with:

- **INPS (National Social Security Institute)** for pension and social contributions
- **INAIL (National Institute for Insurance against Workplace Accidents)** for workplace insurance.

9.6 Open a Corporate Bank Account

Companies are generally required to open a **corporate bank account in Italy** and deposit the required share capital before or shortly after incorporation.

9.7 Obtain Licenses or Permits (if required)

Certain sectors require specific licenses or administrative authorizations, such as:

- Food and hospitality
- Financial services
- Transportation
- Healthcare.

FINAL OVERVIEW

When doing business in Italy, companies must consider the following key factors:

- The **economic environment**, characterized by a diversified industrial economy and strong export sectors.
- The **tax system**, including corporate income tax (IRES), regional tax (IRAP), and personal income tax (IRPEF).
- **Labour law**, which provides significant worker protections and relies heavily on collective bargaining agreements.
- The **legal structures available for businesses**, such as S.r.l. and S.p.A.
- The **administrative procedures required to establish and operate a company**.



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