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Update - February 2019

A) Italy Economic Outlook
B) Italy Economic Overview
C) Changes in Firm
D) Professional changes in your countries

Italy Economic Outlook

The Italian economic cycle is confirmed stable.
According to estimates, in the 2018 Italian GDP is expected to grow by 1.1% in real terms, slowing compared to the previous year (+1.5 in 2017), confirming some uncertainties of last quarter. This increase is supported by the expansion of domestic demand. Household consumption, although significantly decelerating, and investment spending will make a positive contribution to growth. In a context characterized by a slowdown in international trade and in particular exports, the contribution of net foreign demand is negative (-0.2 percentage points), while national end-use consumption compensates with an increase of 1.3%.
Overall, it is expected that in 2018, both exports (+1.6% compared to + 5.4% in 2017) and imports of goods and services (+2.6% compared to +5.3% in 2017) recorded a strong deceleration compared to the previous year.
Gross fixed investments are expected to grow by 3.9% in 2018 compared to +3.8% in 2017, best result in the last twelve years) to then decelerate in 2019 (+3.2).

Investment in machinery, equipment and advanced technologies, which is estimated to have risen by more than 6 per cent in the 2017, continues to benefit from the extension of tax incentives contained in the budget law, but less than before: investment are expected to progressively decelerate both in 2018 (+3.9) and in 2019 (+3.2%).
The stabilisation in employment and the wages increase will support households purchasing power. Labour market conditions will improve over the forecasting period. Employment growth is expected to stabilise at 0,9 percent in 2018 and in 2019. At the same time, the rate of unemployment will decrease at 10.5 percent in the current year and at 10.2 percent in 2019.

TABLE 1: FORECAST FOR THE ITALIAN ECONOMY - 2016-2019
(% change on previous year)

	2016	20176	2018	2019
Gross Domestic Product	1.1	1.6	1.1	1.3
Imports of goods and services (fob)	3.6	5.2	2.6	3.5
Exports of goods and services (fob)	2.1	5.7	1.6	3.2
DOMESTIC DEMAND (INCLUDING INVENTORIES)	1.5	1.3	1.4	1.4
Residential households consumption expenditure	1.3	1.5	0.9	1.2
Government Consumption	0.3	-0.1	0.0	-0.3
Gross fixed capital formation	3.5	4.3	3.9	3.2
CONTRIBUTION TO GDP				
Domestic demand (net of Inventories)	1.5	1.6	1.3	1.3
Foreign balance	-0.3	0.3	-0.2	0.0
Inventories	0.0	-0.4	0.0	0.0
Households consumption expenditure deflator	0.2	1.1	1.1	1.3
Gross domestic product deflator	1.1	0.5	1.3	1.3
Compensation of employees per full-time equivalent	0.5	0.3	1.6	1.1
Full time equivalent employment	1.3	0.9	0.9	0.9
Unemployment rate	11.7	11.2	10.5	10.2
Trade balance (level as % of GDP)	3.2	3.0	2.6	2.5

From ITALY'S ECONOMIC OUTLOOK – Istat, 2018 Nov

Italy Economy Overview

Italy Economic Overview

Italy is the world's eighth biggest economy (2018 data). Its economic structure relies mainly on services and manufacturing. The services sector accounts for almost three quarters of total GDP and employs around 65% of the country's total employed people. Within the service sector, the most important contributors are the wholesale, retail sales and transportation sectors. Industry accounts for a quarter of Italy's total production and employs around 30% of the total workforce. Manufacturing is the most important sub-sector within the industry sector. The country's manufacturing is specialized in high-quality goods and is mainly run by small- and medium-sized enterprises. Most of them are family-owned enterprises. Agriculture contributes the remaining share of total GDP and it employs around 4.0% of the total workforce.

The country is divided into a highly-industrialized and developed northern part, where approximately 75% of the nation's wealth is produced; and a less-developed, more agriculture-depended southern part. As a result, unemployment in the north is lower and per capita income is higher compared to the south.

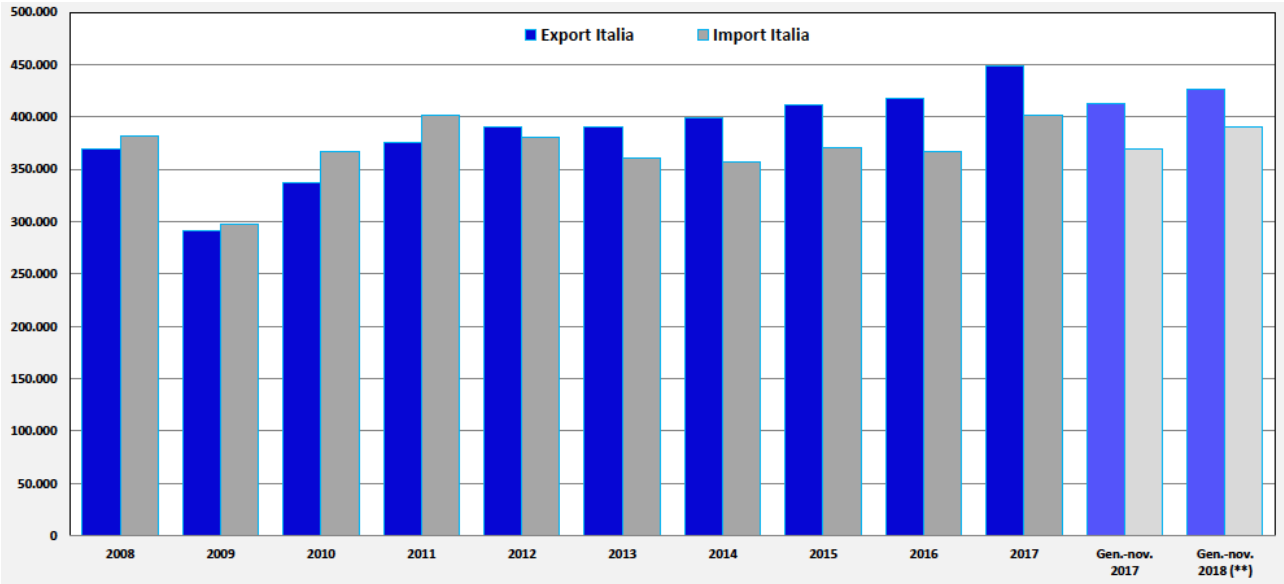
Italy suffers from political instability, economic stagnation and lack of structural reforms. Prior to the 2008 financial crisis, the country was already idling in low gear. In fact, Italy grew an average of 1.2% between 2001 and 2007. The global crisis had a deteriorating effect on the already fragile Italian economy. In 2009, the economy suffered a hefty 5.5% contraction—the strongest GDP drop in decades. Since then, Italy has shown no clear trend of recovery.

Going forward, the Italian economy faces a number of important challenges, one of which is unemployment. The unemployment rate has remained constantly high in the last seven years. In 2013, it reached 12.5%, which is the highest level on record (in 2017 and 2018 recorded an average of 11%). The stubbornly high unemployment rate highlights the weaknesses of the Italian labor market and growing global competition. Another challenge is presented by the difficult status of the country's public finances. Also in 2018, Italy was the second biggest debtor (GDP on debts - FMI) in the Eurozone and the sixth largest worldwide.

Italy's Trade Structure

Against the backdrop of a weak domestic demand, the external sector's performance is crucial for the Italian economy. One of the most important pillars of the economy is the production of high-quality products such as in the machinery, textiles, industrial designs, alimentary and furniture sectors. These products contribute substantially to the country's exports. However, as a country poor in national resources, its energy and manufacturing sectors are highly dependent on imports. This makes Italy's external position vulnerable to changes in import prices such as fuel. The county recorded trade deficits from 2004 until 2011. However, in the last three years, falling imports have helped to turn the balance into positive figures.

Italy's trade volumes increased significantly after the country joined the Eurozone. Despite growing global competition, in 2018 Italy ranked as the world's 9th largest exporter and 11th largest importer, as in 2017.



Italy's main trading partners are inside the Euro area, in particular Germany, which is the country's main exports destination and accounts for around 12.7% of Italy's total exports and France, accounting for 10.5% of total exports. Other important export destinations are the United States, with a share of 9.0% of total exports, and Spain with 5.2% as well as UK. Germany and France are Italy's top imports partners, accounting for 16.4% and 8.6% share of total imports respectively, then China in third position (7,3%).

Exports from Italy

Since the country's manufacturing sector is specialized in high-quality goods, Italy plays an important role in the global market of luxury goods. The country's main exports are mechanical machinery and equipment, which account for around 15.1% of total exports, as well as motor vehicles and relative spare parts (9%). Home to some of world's most famous fashion brands, Italy occupies a special niche in the global market of fashion and clothing. In fact, exports of clothing and footwear account for around 13.0% of the country's total exports. Other important exports include chemical and petrol chemical products (6.5%) and pharmaceutical products (4.9%).

Imports to Italy

Italy's main imports are fuels and gas, which account for around 10% of total imports. This is due to the country's lack of natural resources, which makes it highly dependent on energy imports. Other imports include motor vehicles (7.8%), raw materials (10.5%) and pharmaceutical products (5.2%).

Italy's Economic Policy

In the past ten years, the focal point of the Italian economic policies has been to mitigate the effects of the financial crisis. Two main austerity packages have been introduced since the crisis started in 2007. Both packages aimed at reducing the country's soaring public debt and government deficit.
Regarding structural reforms, few changes have been made over the years. The government has sought to reform public administration and public education in an attempt to improve the competitiveness of its human capital. However, the investment climate remains poor mainly due to its rigid labor laws, high labor cost, inefficient public

The current political situation is based on the alliance signed last summer between two different political parties, “Lega” and “Movimento 5 Stelle”. The agreement is based on a contract signed by the two leaders: the situation is still substantially unstable because the ideas are often opposed and the result of long negotiations. In our opinion, the next European elections will be crucial to verify the government's stability.

Italy - Corporate - Taxes on corporate income

Focus 2019

1) New personal flat tax rate for VAT subject under 65.000€ of income: 15% (instead of progressive rate between 23% and 43%) from 2019;
2) New personal flat tax rate (7%) for the first five years for foreign retirees who want to establish in little town under 20.000 inhabitants located in the south of Italy;
3) For the new investment in 2019, possibility to increase the fiscal cost to amortize of 30%; only for investments in particular types of technologies (like robotics, nanotechnologies, remote control and others) this benefit can increase at 150%.
4) For companies that reinvest profits in new hires or new investments, compliance with certain parameters, a tax discount of 9% is envisaged, bringing the corporate tax rate to 15%.

ITA-GAAP updated

In January 2019, OIC (Italian Authority for Accounting Standard) released the updating of Italian GAAP, after the last large revision of the end of 2016.

“Gruppo IVA” – VAT group

From FY 2018 (instead 2017 due to an extension), through an option that must be exercised by September 2016, the billing between company of the same group, can make invoice among them with VAT exemption.

Applicable rates

Italian corporate entities are subject to a corporate income tax, known as IRES, and to a regional production tax, known as IRAP.
The standard rates are as follows:

- 24% for IRI/IRES.
- IRAP

- 3.90% - ordinary rate[1];
- 3.80% for entities with a determined governmental exclusive right to provide services;
- 4.20% for banks and financial entities.
- 5.30% for insurance company.

General rules

IRES/IRI

The IRES/IRI taxable base is determined according to the worldwide taxation principle, which states that, regardless of the location/jurisdiction where the income is produced, to the extent that the income is legally attributable to an Italian resident entity, the income is taxed in Italy. It is charged on the total net income reported in the financial statements of the company as adjusted for specific tax rules. Non-resident companies are taxed only on Italian-source income.
Some costs are not entire deductible, like costs for car (generally deductible for 20%), telephony (deductible for 80%), provisions for bad debt (within the limit of 0.5% of total credits), property tax (deductible only 20% and only for instrumental buildings – 40% starting from FY2019), net interest expense (deductible only up to an amount equal to 30% of gross operating margin), etc.

IRAP

There are different methods of computation for the IRAP taxable base, depending on the nature of the business carried out by the taxpayer. Provisions for liabilities and risks, as well building tax (named IMU), cannot be taken into account when determining the IRAP taxable base.
For sales and manufacturing companies, the IRAP taxable base is broadly represented by the company's gross margin in its financial statements. In addition to the non-deductible items mentioned above, interest income and expense and provisions for bad debts are excluded for the purposes of the IRAP taxable base.
For banks, the IRAP taxable base is broadly defined as follows:

- Intermediation margin reduced by 50% of dividends.
- 90% of amortization costs relating to fixed tangible and intangible assets.
- 90% of other administrative expenses.
- Net value of adjustments and reassessments for bad debts.

Special rules apply to financial institutions, other than banks.
IRAP is levied on a regional basis, and regions are allowed to increase or decrease the standard IRAP rate up to 0.92%. Companies with facilities in different regions must allocate their overall taxable base to the different regions on the basis of the employment costs of personnel located at the various sites. Facilities become relevant to the calculation of IRAP if they have been established for more than three months. Italian companies with

[1] Regions have the power to slightly increase or decrease IRAP rates.

permanent establishments (PEs) abroad, as well as shipping companies qualifying for the tonnage tax regime (*see Tonnage tax below*), are not subject to IRAP on the income earned through these PEs.
Until 2015, labour cost was not deductible or only for a minimun part of its.
From FY 2016, the deduction of labour costs for IRAP purposes depends on the type of hiring contract. In particular:

- Full deduction for costs related to employees hired with an open-ended contract.
- Deduction limited to contributions for compulsory insurance against accidents (i.e. *Istituto Nazionale Infortuni sul Lavoro* or INAIL) for temporary employees.

Moreover, for the companies that have no employees, a tax credit equal to 10% of IRAP is recognised to be used to offset other tax liabilities.

Substitutive tax on reorganisations (mergers, demergers, contributions in kind)

Corporate restructurings, such as contributions in kind, (assets *versus* shares transactions) mergers, and demergers, are, in principle, tax neutral even if, for financial accounting purposes, the transaction results in the recognition of higher values of the assets or of goodwill. Companies may elect to obtain partial or full recognition for tax purposes of the step-up in the financial accounting values of assets or of the goodwill arising from the corporate restructurings, provided they pay a substitutive tax.
The substitutive tax is calculated on the step-up in tax basis and is based on progressive rates of 12% to 16%. The first 5 million euros (EUR) is taxed at 12%, the tranche above EUR 5 million but less than EUR 10 million is taxed at 14%, and the amount in excess of EUR 10 million is taxed at 16%. The substitutive tax may also be paid in three annual instalments of 30% in the year of election, 40% in year two, and 30% in year three plus interest at the rate of 2.5% per year on the deferred amounts. The substitutive tax is not deductible for the purposes of IRES or IRAP.
In addition, stepped-up values of goodwill and trademarks may be depreciated for tax purposes over ten tax years instead of the normally allowed 18 years by paying a substitutive tax of 16%. The higher tax depreciation arising from this election is effective from the tax period subsequent to the one in which the substitutive tax is paid. For example, if a merger transaction occurred in year one and the substitutive tax was paid in year two, the increased tax depreciation would begin in year three.

Tonnage tax

Italian tax resident shipping companies, as well as non-resident shipping companies operating in Italy through a PE, can qualify for and then choose to be subject to the Italian tonnage tax regime. The regime basically allows for the determination of presumptive income based on the net tonnage of the qualifying ships apportioned to the effective shipping days (tonnage income). The tonnage income is subject to IRI only.
To qualify for the tonnage tax, ships must: (i) have a net tonnage of more than 100 net tons (NT); (ii) be used for goods transportation, passenger transportation, salvage, towing, and other services; and (iii) operate in international shipping as defined by the rules disciplining Italian International Registry. Ships chartered out on a bare boat charter are excluded. Chartered ships with crew are included in the tonnage tax regime if their global net tonnage is less than 50% of the total net tonnage.

Tonnage income is calculated on the basis of the ship's net tonnage. The daily income is determined according to the following rate system:

Ship's net tonnage (NT)	Daily income in EUR per NT
0 to 1,000	0.0090
1,001 to 10,000	0.0070
10,001 to 25,000	0.0040
above 25,001	0.0020

Capital gains or losses arising from the transfer of ships that have been acquired by a company while under the tonnage tax regime are also deemed to be included in tonnage tax income. Conversely, for capital gains arising from the transfer of a ship acquired prior to election for the tonnage tax regime, the difference between the sale price and the net tax cost as of the last tax period prior to the election for the tonnage tax regime is subject to the ordinary tax regime. Tax losses, in this latter case, are tax deductible.
An election for the tonnage tax regime should be made for all of a company's or group's qualifying vessels. So called 'cherry picking' is not allowed. Election for the tonnage tax regime is on a voluntary basis, but, once elected, it remains in effect for ten years. The election is renewable.

Italy Corporate - Branch income

The tax regime for PEs is the same as for corporate Italian entities (e.g. joint-stock companies). Accordingly, a PE is subject to IRES as well as IRAP. Both taxes are determined on the basis of the relevant financial statements related to the business activities carried out by the PE.
Transfer pricing principles apply to 'transactions' between the head office and its Italian PE.
As of FY 2016, an optional branch exemption regime which allows Italian companies to exempt from Italian taxation branch income and losses arising outside Italy, instead of the normal regime which provides for taxation of worldwide income with foreign tax credit relief. This option affects all foreign PEs of the Italian company and is irrevocable. It must be exercised at the time the branch is incorporated and takes effect from that fiscal year.

Italy Corporate - Group taxation

Domestic tax consolidation

Companies belonging to the same group can elect domestic tax consolidation. This allows the determination of a single IRES/IRI taxable base comprised of the taxable income and losses of each of the participating entities. The tax consolidation does not operate for IRAP purposes.

Where an overall tax loss position arises, this can be carried forward and used against future consolidated taxable income. Conversely, tax losses arising in fiscal years preceding the domestic tax consolidation election can be carried forward and used only by the company to which these losses belong.

The taxable basis determined by each company participating in the tax consolidation arrangement is included in its entirety. No apportionment is made in relation to the percentage of control.

In order to validly elect the Italian domestic tax consolidation regime, the following conditions must be met:

- The consolidating entity must be an Italian tax resident company, and it must hold, directly or indirectly, more than the 50% of the share capital of the consolidated entities (so called 'legal control').
- This control must be in place from the beginning of the tax period for which the tax consolidation is applied.
- All of the companies participating in the group must have the same year-end.

Provided that specific requirements are met, Italian PEs of foreign companies can also participate as controlling entities in a tax consolidation.

The consolidation arrangement operates on an elective basis. Taxpayers may select whether to be included or not, and it is not necessary for all the Italian group/sub-group companies to jointly elect for the tax consolidation.

Once the election is made, it cannot be revoked for three fiscal years.

Worldwide tax consolidation group

A worldwide tax consolidation group is available, allowing the consolidation of foreign subsidiaries.

In addition to the requirements set out for the domestic tax group system, the following conditions apply:

- The ultimate parent company must be either owned by individuals who are fiscal residence in Italy or listed on the Italian Stock Exchange.
- The option must be exercised for all foreign companies (under the "all in - all out" principle).

Income for each company is apportioned in the tax consolidation based on the actual percentage of control exercised by the ultimate parent company that is an Italian tax resident.

A number of additional requirements need to be fulfilled in order for a worldwide tax consolidation to be operative, including a mandatory audit of the financial statements of all the foreign subsidiaries.

Once the election is made, it cannot be rescinded for five fiscal years.

Country-by-country reporting

In FY 2016 a country-by-country reporting has been introduced for resident parent companies of group that are obliged to file consolidated financial statements, with consolidated revenues in previous year at least of Euro/mio 750.
The report is requested also for resident controlled entities if the foreign parent company filing the consolidated financial statements has not in its jurisdiction a similar fulfilment or it is not in place an agreement for the information exchange with that jurisdiction.
Specific information are necessary to be disclosed to the Tax Authorities, such as revenues, profit before tax, tax paid, etc.
Penalties are levied in case of missed or untrue communication.
Terms and conditions of the fulfilment are expected to be approved with a Regulation.

Transfer pricing
Income derived from operations with non-resident corporations that:

- directly or indirectly control the Italian entity,
- are controlled by the Italian entity, or
- are controlled by the same corporation controlling the Italian entity

have to be valued on the basis of the normal value of the goods transferred, services rendered, and services and good received if an increase in taxable income is derived there from. Possible reductions in taxable income, as a result of the normal value rule, are allowed only on the basis of mutual agreement procedures or the EU Arbitration Convention.
The normal value is the average price or consideration paid for goods and services of the same or similar type, carried on at free market conditions and at the same level of commerce, at the time and place in which the goods and services were purchased or performed. For the determination of the normal value, reference should be made, to the extent possible, to the price list of the provider of goods or services, and, in their absence, to the price lists issued by the chamber of commerce and to professional tariffs, taking into account usual discounts.
Penalty protection regime with transfer pricing documentation support
Transfer pricing rules provide for a penalty protection regime in case of transfer pricing audit, provided that the taxpayer has prepared proper documentation detailing the compliance of inter-company transaction to the arm's-length principle.
The regulation applies to transactions incurred between Italian entities and non-resident entities belonging to the same group (transfer pricing rule are not applicable to domestic transactions). No specific methods have been introduced to test the arm’s length of transactions; reference is made to the OECD guidelines. An exception exists for corporations involved in on-line advertising and related ancillary activities that are required not to use cost-based indicators for transfer pricing purposes, unless an advance pricing agreement (APA) has been defined with the tax authorities on this.
On the base of the transfer pricing regulation, taxpayers can obtain penalty protection if they provide the Italian tax authorities with:

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

The information required is based on the EU Code of Conduct for Transfer Pricing documentation.
Based on the group structure, a Master File and/or Country File have to be prepared. Italian-based groups and Italian sub-groups owning non-Italian subsidiaries must produce both a Master File and a Country File. Italian subsidiaries of multinational groups need to produce a Country File only.
The sub-group provisions are onerous, especially so where they relate to branches. Where a foreign entity has an Italian branch but the company itself is also a holding company, a Master File is required for the foreign entity's subgroup, even if there is no holding directly attributed to the branch.
Sub-holding companies based in Italy with at least one non-Italian subsidiary, which need to produce a Master File, may instead produce the Master File for the entire group in English. If it does not contain all the information in the Italian Regulation, they will need to supplement it.
Documentation must be signed by the legal representative of the company and provided to the authority upon request within ten days. Also, an electronic copy must be provided at authority request.
Small and medium companies (defined as those with an annual turnover of less than EUR 50 million) need to update the economic analysis only every three years, provided that no significant change in the business occurred. Otherwise, it is necessary to update the economic analysis each year.
The transfer pricing adjustments arising on tax audits are also relevant for IRAP for companies' financial years commencing on or after 1 January 2008.
Relief from penalties is granted on the additional IRAP applicable to transfer pricing adjustments to taxpayers who have prepared transfer pricing documentation in line with Italian regulation.
International ruling procedures are available, to agree transfer pricing methodology with the tax authorities.
The agreement executed between the tax authorities and the taxpayer is binding for the fiscal year during which the agreement is executed and for the following two fiscal years, unless significant changes in the circumstances relevant for the conclusion of the agreement executed by the taxpayer take place.

Controlled foreign companies (CFCs)

The CFC rules are reviewed with a new law in August of 2016 and there was no update. To recap, an Italian company that controls, either directly or indirectly, a foreign entity (no matter the legal nature, it can be a company, a trust, etc.) is required to consolidate the taxable income arising in proportion to the percentage of shareholding held, irrespective of whether the profits have been distributed or not if:

1) Subsidiary is located in a "tax haven";
2) Subsidiary is not located in a "tax haven", but:
    a. The tax effective rate is less than 50%;
    b. More of 50% of income arise from royalties, dividends, intra-group services or other financial activities ("passive income" test)

Income from CFCs is taxed separately from the other taxable income of the business at the standard IRES rate (i.e. other tax losses cannot be used to offset CFC income). Foreign taxes paid by the CFCs are recoverable by way of a corresponding tax credit.
Incomes earned in EU and EEA countries are explicity excluded from CFC'rules.
If the resident shareholder is a physical person subject to individual tax (IRPEF), the rate will be the average applied to his total income which will never be lower than the ordinary IRES/IRI rate.

Resulting from the tax, calculated separately for each subject participated, will be deducted the taxes paid abroad.

As the income taxed for transparency irrespective of perception, any distribution of profits by the CCF will not contribute to the formation of the tax base.
Exemption from CFC rules can be achieved by means of an advance ruling from the Italian tax authorities.

Overview of the Italian Patent Box regime •

According to action 5 of BEPS (*Base erosion and profit shifting*), Patent Box regime was introduced IN ITALY in 2016: it allows taxpayers to partially exempt income derived from qualifying intangible assets (except trademarks) from corporate income tax (IRES/IRI) and local tax (IRAP), generally levied at 3.9%.
The general exemption is 50%.
Qualifying intangibile assets include software protected by copyright, patents, know-how such as processes, formulas, industrial, commercial, or scientific information, designs and models that are potentially capable of legal protection.
The Italian Patent Box regime is available to both Italian and foreign taxpayers performing research and development activities aimed at the maintenance and development of intellectual properties. Foreign taxpayers can access the regime only if they have business income through a Permanent Establishment in Italy and are resident in a State which has both a double tax agreement with Italy and undertakes an effective exchange of information.
The facilitation is based on the "nexus ratio": it's calculated comparing the costs of maintaining, protecting and developing on total costs. According to the Nexus Approach, there must be a direct and authentic connection between the revenues and the activities that generated them: this means that the revenue involved in this tax facilities must derive from patents developed by companies or that they have contributed directly to the development.

Italy Personal Income Tax

Summary

The main income tax levied on individuals is the personal income tax (PIT), also known as the *Imposta sui redditi delle persone fisiche* (IRPEF).

In Italy, the individual is subject to the following income taxes:

- IRPEF.
- Regional income tax.
- Municipal income tax.

The tax liability shall be computed on a progressive rate, and the applicable 2017 tax rates are shown below (*see National income tax*).

Flat tax for new residents

The Italian 2017 Finance Act adds a new article to the Income Tax Code regarding a new elective tax regime for individuals whom move to Italy after they had their fiscal residence abroad for at least nine out of the last ten years.

The new regime grants the exemption from Italian individual income tax on any foreign source income in exchange for the payment of an annual substitutive tax of €100,000. By paying an additional EUR 25,000 substitutive tax, the regime can be applied to the taxpayer's relatives whom move to Italy too. The whole tax must be paid in one single payment each year within the deadline sanctioned by the law.

The new regime also provides for:

a) Exemption from any foreign income, except for capital gains from the sale of "qualified" participations in the first five years of the regime;
b) Exemption from inheritance tax on foreign assets;
c) Exemption from IVIE (tax on real estate property abroad) and IVAFE (tax on foreign financial assets).

In order to get the new treatment, taxpayers must submit a request to the Italian tax authorities proving that they fit the needed requirements; only after a positive response they may opt for the new regime.

The option has to be taken within the submission term of the tax return of the year in which the residence transfer occurs. If the taxpayer doesn't apply for the new regime he will be subject to the ordinary Italian tax law.

The taxpayer can revoke the regime at any time. The new regime expires in any case after 15 years since its first year of election. Moreover, the taxpayer will not benefit from the new tax regime if he omits to pay the substitutive tax, or part of it, within the specific deadline sanctioned by the law. The regime cannot be opted again after the taxpayer revoked it, or after the forced revocation in case of taxpayer's non-fulfilment, or after its 15 years expiration.

Recently, this regime has been much highlighted with the purchase in the summer of 2018 of the Juventus player, Cristiano Ronaldo. For him, becoming fiscal resident in Italy, all the foreign activities and related income are no taxed, except for the una-tantum (€100.000).

The scope of taxation in Italy

The fiscal status of an individual is the starting point for applying the correct taxation in Italy. According to the Italian tax law, both Italian residents and non-resident individuals are subject to taxation in Italy, but on a different basis.

Tax resident individuals

Tax resident individuals are liable to the Italian personal (or national) income taxes on their income wherever produced (under the so called 'worldwide principle'). Therefore, tax residents are also subject to taxation on foreign incomes (e.g. deriving from real estate owned outside of Italy, foreign dividends and interest, foreign compensation and director's fees, and other foreign income).
In addition to PIT, the Italian legislature, beginning in FY 2012, has introduced for Italian tax residents a 'wealth tax' on real estate and on financial investments owned outside of Italy (*see the Other taxes section for more information*).
Non-tax resident individuals
Tax non-resident individuals are subject to PIT (IRPEF) only for 'income produced' in Italy (i.e. employment income related to the work activity performed in Italy). Therefore, the foreign incomes are not relevant to the purposes of taxation in Italy.

National income tax
National income tax is levied at progressive tax rate on all income reported below.

Taxable income (EUR*)		**Tax on excess (%)**
Over	**Not over**	
0	15,000	23
15,001	28,000	27
28,001	55,000	38
55,001	75,000	41
75,001		43

* euro

Regional income tax

Regional income tax depends on the region of residence. Beginning in FY 2011, the regional income tax rate ranges from 1.23% to 2.03%.

Municipal income tax

Municipal income tax depends on the municipality of residence. Beginning in FY 2011, the municipal income tax rate ranges from 0% to 0.8%. Municipalities can establish progressive tax rates applicable to the national income bracket.

IMU/IVIE – Building tax

A specific property tax calculated on the normal value (Revalued cadastral value) is set up in 2013 (IMU for domestic building, IVIE for building located abroad).

It provides a rate between 0,4% to 1,05% on normal value to pay in two moments, June and December. It’s not included the main house where individual has placed his residence.

Italy STUDIO GAZZANI

No change in the structure during the 2018, the last news was in 2015 : the opening seat in Rome, Via Monte Parioli 54/a

On the side of workers employed, the study has manteined all the workforce.
In 2017 we assisted our clients expecially in M&A operations and generational change, a service that had a significant increase in last 12 months.