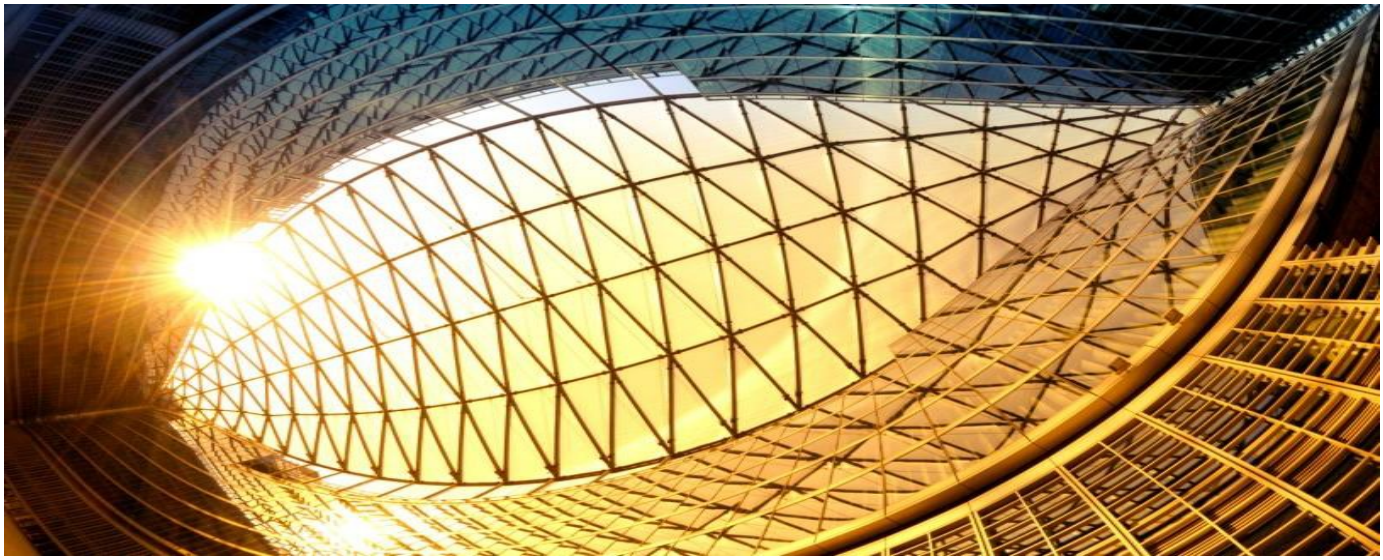
2 February 2016

Italy – Tax highlights of the 2016 Budget Law



Offices

Milan
Via Vittor Pisani 27, 20124
T: +39 02 676441 - F: +39 02 67644758

Ancona
Via I° Maggio 150/a, 60131
T: +39 071 2916378 - F: +39 071 2916221

Bologna
Via Andrea Costa 160, 40134
T: +39 051 4392711 - F: +39 051 4392799

Florence
Viale Niccolò Machiavelli 29, 50125
T: +39 055 261961 - F: +39 055 2619666

Genoa
P.zza della Vittoria 15/12, 16121
T: +39 010 5702225 - F: +39 010 584670

Naples
Via F. Caracciolo 17, 80122
T: +39 081 662617 - F: +39 081 2488373

Padua
Piazza Salvemini 2, 35131
T: +39 049 8239611 - F: +39 049 8239666

Perugia
Via Campo di Marte 19, 06124
T: +39 075 5734518 - F: +39 075 5723783

Pescara
P.zza Duca D'Aosta 34, 65121
T: +39 085 4210479 - F: +39 085 4220295

Rome
Piazza delle Muse 8, 00197
T: +39 06 809631 - F: +39 06 8077459

Turin
C.so Vittorio Emanuele II 48, 10123
T: +39 011 883166 - F: +39 011 8395865

Verona
Via Leone Pancaldo 68, 37138
T: +39 045 8114111 - F: +39 045 8114390

The 2016 Budget Law[1] makes substantial changes to Italian tax rules. It entered into force on 1 January 2016, with effect from tax year 2016 (unless this Tax Focus specifies otherwise). An outline of the most important tax rules is given below.

New corporate and individual income tax rules

1.Reduction of the corporate income tax rate (IRES) from 2017 – Article 1(61-64) of the 2016 Budget Law

The corporate income tax (IRES) rate will be reduced from 27.5 percent to 24 percent, with effect from the tax year following that in progress on 31 December 2016 (i.e. from 2017, for calendar-year taxpayers).

Consequently, outbound dividends will be subject to a lower domestic WHT rate when paid to taxpayers who are resident in an EU Member State (or in Norway or Iceland) and who are liable to corporate income tax in their own country: for distributions made from 2017, the WHT rate will fall from the current 1.375 percent (the tax base of 5 percent multiplied by the current corporate tax rate of 27.5 percent) to 1.20 percent (the tax base of 5 percent multiplied by the future corporate tax rate of 24 percent).

As a result of this decrease, a special decree, to be issued by the Ministry of Economy and Finance, will indicate the new (higher) percentage of capital gains from the transfer of 'qualifying'[2] shares to be included in taxable income. It will also indicate the date from which these new percentages will be effective. Currently, IRES is levied on 49.72 percent of 'qualifying' shares, when sold by a non-resident entrepreneur.

[1] Law no. 208 of 28 December 2015, published on 30 December in Italian Official Gazette no. 302 (see our Tax Alert of 7 January 2016).

[2] Non-listed shares sold during a 12-month period are 'qualifying' when they represent more than 20 percent of the voting rights or 25 percent of the stated capital (for listed shares, the percentages are 2 percent and 5 percent, respectively).

2.Credit and financial institutions – Increase in the corporate income tax (IRES) rate from 2017 – Full deduction of interest expenses from 2017 – Article 1(65-69) of the 2016 Budget Law

From the tax year following that in progress on 31 December 2016 (i.e. from 2017, for calendar-year taxpayers), the standard corporate income tax (IRES) rate will rise by an additional 3.5 percent for certain credit and financial institutions (including the Bank of Italy). In practice, banks and other financial intermediaries will not benefit but will remain subject to the current 27.5 percent IRES rate. The increase will apply to the taxpayers mentioned in Law Decree no. 87/1992, e.g. banks, financial intermediaries, asset management companies and investment companies.

Special rules apply to banks and financial intermediaries that have applied for optional tax group and consortium relief.

From the same tax year following that in progress on 31 December 2016, the taxpayers subject to the surtax will benefit from a full deduction of interest expenses, for IRES and IRAP purposes. A maximum 96 percent of interest expenses is currently deductible, while the remaining 4 percent is non-deductible. Only insurance companies will still be unable to deduct this 4 percent of interest expenses.

3.Extra depreciation of certain tangible assets – Article 1(91-94) of the 2016 Budget Law

Entrepreneurs and professionals can benefit from a 40 percent increase in the depreciable base of certain tangible assets, for corporate income tax (IRES) purposes. In practice, the cost depreciable for income tax purposes rises to 140 percent and this increase allows higher deduction of depreciation and lease payments.

Only certain tangible fixed assets are eligible: those (i) purchased between 15 October 2015 and 31 December 2016 and (ii) depreciated at a rate of not less than 6.5 percent (based on the rates established in the Ministerial Decree of 1988). These tangible fixed assets include certain types of motor vehicles used in a business. For these vehicles, the portion of the purchase cost that can be deducted rises by 40 percent, from €18,076 to €25,306[3].

The tangible fixed assets excluded from the benefit are: (i) immovable assets, (ii) assets whose tax depreciation rate (set in the Ministerial Decree of 1988) is lower than 6.5 percent, and (iii) the assets listed in Appendix 3 to the 2016 Budget Law (e.g. pipelines, rolling stock and airplanes).

The increase in the depreciable base only allows higher depreciation; it does not result in a lower taxable capital gain (or higher capital loss) in the case of an asset transfer, or in a higher ceiling for the deduction of maintenance or repair costs.

[3] For such vehicles, only 20 percent of the cost qualifies for a depreciation deduction, up to the limit of €25,306.

The new rule expressly states that it will have no impact on the computation of the first advance payment of IRES for tax year 2015 (calendar-year taxpayers have to make the first advance payment in June 2016). Moreover, the computation of the advance payment for tax year 2016, if based on a certain percentage of the IRES paid in the previous year, must be based on the 2015 IRES computed without the benefit.

4.Business reorganizations – Amortization period reduced to 5 years for higher values of goodwill and trademarks – Article 1(95-96) of the 2016 Budget Law

Higher carrying values of tangible and intangible assets, resulting from tax-neutral business reorganizations (e.g. mergers, demergers or contributions of a business as a going concern) are not relevant for corporate income tax (IRES) or regional business tax (IRAP) purposes.

However, article 15(10) of Law Decree no. 185/2008 allows the recipient (e.g. the company resulting from a merger) to step up the carrying values of trademarks, goodwill and other intangibles by paying a 16 percent substitute tax.

For goodwill and trademarks, the step-up regime allows tax amortization over 10 years for both IRES and IRAP purposes. The 2016 Budget Law reduces the amortization period for higher carrying values of goodwill and trademarks from ten to five years.

The new rule applies to reorganizations implemented from 2016.

5.Anti-avoidance rule on the deduction of black-list costs – Article 1(142) of the 2016 Budget Law

From the tax year following that in progress on 31 December 2015 (i.e. from 2016 for calendar-year taxpayers), the anti-avoidance rule on the deduction of black-list costs (article 110 [10-12-*bis*] of the Italian Income Tax Code) has been repealed. Consequently, the black-list contained in the Ministerial Decree of 23 January 2002 has also been repealed.

Therefore, from 2016 (for calendar-year taxpayers) such black-list costs will be fully deductible by businesses, in compliance with the standard rules on the deduction of costs, i.e. provided that they are certain, relevant to the business, recorded in P&L and – if they are intercompany costs – at arm's length. Moreover, they no longer have to be indicated in box RF of the income tax return (e.g. *Unico 2017* for tax year 2016).

Black-list costs and expenses are those that arise from transactions with related or unrelated companies or undertakings resident or located in a black-list jurisdiction or territory. Reference used to be made to the black list published in the Ministerial Decree of 23 January 2002: a list of countries not allowing an adequate exchange of information with Italy.

Until tax year 2015, such costs and expenses were only deductible if a resident taxpayer, in an advance tax-ruling application, or upon request by the authorities, could demonstrate one of the following.

- That the other party to the transaction engaged in an actual industrial or commercial activity in the jurisdiction where it was based (economic substance).
- That there were sound business reasons for the transaction and that the transaction had actually taken place.

The resident taxpayer also had to give separate evidence of these costs in box RF of its income tax return.

For tax year 2015, the Growth and Internationalization Decree (see our Tax Alert of 23 September 2015) introduced a different rule: the arm's length portion of black-list costs and expenses was fully deductible. To deduct any portion exceeding the arm's length amount, it was necessary to demonstrate the business rationale behind the transaction (the first safe-harbor rule, requiring evidence of economic substance, was repealed). An advance tax ruling could be requested in order to demonstrate that the safe-harbor rule was met and secure the full deduction.

6.Amendments to the CFC regime – Article 1(143-144) of the 2016 Budget Law

The CFC regime, established by article 167 of the Italian Income Tax Code and already amended by the 2015 Budget Law and the Growth and Internationalization Decree (see our Tax Alert of 23 September 2015), has been further amended by the 2016 Budget Law, with effect from the tax year following that in progress on 31 December 2015 (i.e. since 2016 for calendar-year taxpayers). The new rule repeals all references to the black-list of countries and regimes deemed to be tax havens for CFC purposes and therefore subject to this special anti-avoidance regime. Accordingly, the CFC black list published in the Ministerial Decree of 21 November 2011 has been repealed too.

Instead, the 2016 Budget Law introduces a general criterion by which such tax havens can be identified: a nominal level of taxation (i.e. tax rate) which is lower than 50 percent of that in Italy. Therefore, the CFC rule now applies to controlled companies that are resident or established in a country whose ordinary or special tax regime establishes such a level of taxation. However, it does not apply to controlled companies established in an EU Member State, or in an EEA State that allows an effective exchange of information with Italy (i.e. Norway and Iceland).

The CFC rule continues to apply to controlled companies resident or established in a country that is not a tax haven (as defined above), an EU Member State, or Norway or Iceland, when both of the following apply.

(i) Their passive income (i.e. interest, dividends, royalties) exceeds 50 percent of their total income.

(ii) Their effective tax rate is lower than 50 percent of the rate that would apply if the company was resident in Italy.

The 2016 Budget Law also clarifies that CFC income will be taxable in Italy to the resident shareholder and subject to the standard corporate income tax rate (i.e. 27.5 percent now and 24 percent from 2017). The previous rule imposed a tax rate of not less than 27 percent.

7.Country-by-country reporting obligations now part of Italian tax law – Article 1(145-146) of the 2016 Budget Law

The Italian tax system now includes the country-by-country reporting obligations recommended by the OECD (see the 'Transfer Pricing Documentation and Country-by-Country Reporting, Action 13 – 2015 Final Report', issued on 5 October 2015, and our Tax Alert of 23 December 2015).

As a first step towards alignment with the OECD recommended actions to combat base erosion and profit shifting, certain multinational enterprises (MNEs) must now submit a special country-by-country report ('CbC Report') to the Italian Revenue Agency.

The CbC Report must include the MNE's by-country revenues, gross profit, paid and accrued taxes, and additional indicators of actual economic activities, further details of which will be given in a detailed implementing decree to be issued by 31 March 2016. This decree should also clarify the due dates, filing and submission instructions, and other details of the reporting requirement, in line with the OECD recommendations.

The following companies will be subject to these new rules.

1) Italian ultimate parent companies of an MNE group that (i) are obliged by law to file consolidated financial statements, (ii) have at least €750 million of consolidated turnover in the year before that of reporting, and (iii) are controlled by individuals only.

2) Italian companies controlled by foreign companies required by law to file consolidated financial statements and resident in a country which has not introduced country-by-country reporting, or has no multilateral competent authority agreement to exchange CbC Reports with Italy, or has failed to fulfil its obligation to exchange CbC Reports.

The tax authorities must treat CbC Reports with at least the same degree of confidentiality required of them under the Multilateral Convention on Mutual Administrative Assistance in Tax Matters.

There are penalties ranging from €10,000 to €50,000 if a CbC Report is not submitted, is incomplete, or is untrue.

The 2016 Budget Law does not indicate an effective date. According to OECD guidelines, country-by-country reporting should be in operation for tax year 2016 and MNEs should file their first CbC Report in 2017 (probably by the deadline for the filing of the income tax return, i.e. 30 September 2017 for income of 2016, which is also the Italian deadline for preparing national transfer pricing documentation). The implementation decree should clarify this point.

8. Measures combating international tax avoidance – article 1(147) of the 2016 Budget Law

To combat international tax avoidance, the Ministry of Economy and Finance has been assigned the task of issuing a decree to establish the general guidelines that the Italian tax authorities must follow in order to collect information on goods and services purchased from taxpayers resident or established outside Italy. An Italian Revenue Agency regulation will lay down the implementation rules.

9.Patent Box regime – Amendments – Article 1(148) of the 2016 Budget Law

Under the Patent Box regime introduced by the 2015 Budget Law (see our Tax Alerts of 2 February 2015 and 3 November 2015), a certain percentage of income attributable to the use of qualifying intellectual property is excluded from the tax base.

The 2016 Budget Law reduces the scope of the benefit by replacing 'intellectual property' with 'software protected by copyright'. This amendment merely renders the Patent Box rules in the 2015 Budget Law compliant with those of the implementation decree of 30 July 2015.

The 2016 Budget Law widens the scope of the 2015 Budget Law rules by clarifying that if two or more qualifying intangibles belonging to the same taxpayer (even if not in the same IP category, e.g. a patent and software) are complementary, so that the realization of a product or process depends on their joint use, these intangibles represent one individual asset for Patent Box purposes. The implementation decree of 30 July 2015 already contains a similar rule but is restricted to intangibles in the same category (e.g. two or more patents).

10.Individual income tax (IRPEF) – Special regime for certain immigrant workers – Article 1(259) of the 2016 Budget Law

Under article 2(1) of Law no. 238/2010, certain taxpayers who moved to Italy could benefit, until 31 December 2015, from a special regime. The benefit was available to EU university graduates if, after residing continuously for at least 24 months in Italy, and then working or studying outside their home country and Italy for at least 2 years, they subsequently became tax residents of Italy again. The benefit consisted of an exemption from individual income tax (IRPEF) on 80 percent (women) or 70 percent (men) of their employment, self-employment and business income.

The 2016 Budget Law extends this benefit – originally available only until 2015 – to 2016 and 2017 for eligible taxpayers who moved back to Italy by 31 December 2015.

Alternatively, for 2016 and 2017, the same eligible taxpayers who moved back to Italy by 31 December 2015 may apply for the optional regime introduced by article 16 of Law Decree no. 147/2015, which gives them a 30 per cent IRPEF exemption (for the year of transfer and the following four). This election must be made in accordance with the rules to be issued by the Italian Revenue Agency by 31 March 2016.

However, this alternative regime is available only for employment income and only if certain further requirements are met[4].

11.Art Bonus – Extension – Article 1(318-319) of the 2016 Budget Law

The 'Art Bonus' is a tax credit for contributions made by individuals and companies that help to maintain, protect and restore public heritage, support cultural institutions and public sites, or renovate and expand music venues and theatres. The 2016 Budget Law makes this benefit a permanent one (it was originally introduced by article 1 of Law Decree no. 83/2014 as a temporary measure). The 2016 Budget Law clarifies that, from 2016, a tax credit will be given for 65 percent of qualifying contributions.

12.Step-up of business assets – Article 1(889-897) of the 2016 Budget Law

Italian entrepreneurs – including individuals, partnerships and non-commercial entities, with respect to their business activity, and permanent establishments of non-resident enterprises – that adopt domestic GAAP may step up business assets for accounting and tax (IRES and IRAP) purposes. This option is available for tangible and intangible assets (except immovable property held by real estate trading companies) and for 'qualifying' shareholdings (i.e. those held in controlled and affiliated companies), provided that the assets are included in the balance sheet of the year in progress on 31 December 2014. The step-up must be made in the financial statements for 2015 (to be approved in 2016, in accordance with Italian civil law).

Under the new system, companies choose the category/ies of assets to be stepped up. All assets in those chosen category/ies must be stepped up. The step-up involves the payment of a 16 percent substitute tax for amortizable/depreciable assets and of a 12 percent substitute tax for non-amortizable/non-depreciable assets. The equity reserve created as a consequence of the step-up can be freely distributed, provided that a 10 percent substitute tax is paid.

The new values are recognized for tax depreciation and amortization purposes from the third tax year following that of the step-up, i.e. from the tax year ending 31 December 2018.

A recapture mechanism is triggered if the assets are sold before the start of the fourth year following that of the financial statements in which the step-up is made, i.e. before 1 January 2019 (for calendar-year taxpayers).

[4] Under article 16 of Legislative Decree no. 147/2015 (the Growth and Internationalization Decree), the employment income of workers who move to Italy is 30 percent exempt from IRPEF if:

(i) the worker has been tax resident abroad and not in Italy in the five years before the move;

(ii) once in Italy, the worker enters into an employment contract with a resident company;

(iii) the person works mainly in Italy;

(iv) the worker has a university degree and the job in Italy requires high qualifications and specialization.

In this case, the taxable gain or deductible loss is measured against the cost before the step-up.

The substitute tax must be paid in one instalment by the deadline for payment of the balance of income taxes for the year of the step-up (generally, by June 2016). It can be offset against other tax credits in the F24 payment form.

IAS/IFRS adopters can, with certain differences, also use this step-up for tangible and intangible assets, including financial instruments not held for trading. This step-up of the difference between the carrying value and tax basis of assets may be useful in business reorganizations or revaluations allowed by special provisions of law. This form of step-up can be used for single assets (and not just for categories of assets).

13. New permanent establishment definition for the gaming industry – Article 1(927 *et seq*) of the 2016 Budget Law

A new definition of permanent establishment has been introduced for the gaming and betting industry. According to the new rule, if one or more resident taxpayers, operating in the same sales network:

(i) pursue, on behalf of non-resident enterprises, or through contracts with third-party intermediaries, the activities typical of a gaming manager, such as the collection of bets or payment of prize money, even through electronic data centers, and

(ii) put the necessary equipment (e.g. electronic equipment and betting premises) at the disposal of final users, and

(iii) the cash flows between the resident manager and the non-resident enterprise exceed €500,000 in 6 months,

the Italian Revenue Agency, on being informed by financial intermediaries or by the Tax Police (*Guardia di Finanza*) of these circumstances, will presume that there is a permanent establishment of the non-resident enterprise in Italy. Within 60 days, the Italian Revenue Agency will invite both the resident and the non-resident taxpayer to a meeting. If the taxpayers are not able to rebut the presumption, the Italian Revenue Agency may issue a notice of assessment and claim taxes and interest.

For anti-money laundering purposes, financial intermediaries must levy a 25 percent advance WHT, to be remitted by the sixteenth of the following month, on the amounts paid by the resident taxpayer to the non-resident enterprise.

This new rule, which applies from 1 January 2016, seems similar to that of UK 'diverted profit tax', even though the Italian rule is restricted to the gaming industry. The rule does not seem to be fully compliant with EU principles (as it treats Italian enterprises more favorably than non-residents) or with the OECD and domestic principles on the taxation of non-resident entrepreneurs. Non-residents with a permanent establishment should, in fact, be taxed in Italy on the business income attributable to the permanent establishment and there should be no further WHT. The Italian Revenue Agency is expected to clarify these issues.

14. Determination of the income taxes of non-resident taxpayers – Article 1(954)(c) of the 2016 Budget Law

Article 24(3-bis) of the Italian Income Tax Code, which sets the criteria for determining the income taxes of non-resident taxpayers, has been amended. All non-residents – and no longer only those resident in an EU or EEA Member State – are now subject to income taxes according to the criteria established in articles 1-23 of the Italian Income Tax Code if at least 75 percent of their total income is produced in Italy and they are not eligible for similar tax benefits in their country of residence.

New IRAP rules

Regional tax on businesses (IRAP) – Deduction for seasonal workers – Article 1(73) of the 2016 Budget Law

The 2016 Budget Law extends the deduction already available for employees on a permanent contract. For IRAP purposes, businesses can now deduct up to 70 percent of the cost of seasonal workers, on certain conditions, e.g. the worker must be employed for at least 120 days in two years.

New VAT rules (see our Tax Alert of 12 January 2016)

1. VAT – Increase in VAT rates from 2017 – Article 1(6) of the 2016 Budget Law

The 2016 Budget Law provides for a gradual increase in VAT rates from 1 January 2017 (however, the rates will not be increased if certain budgetary targets are met). Therefore, the increases proposed by the 2015 Budget Law for 2016 have been repealed.

The standard VAT rate will increase:

- from 22 percent to 24 percent on 1 January 2017
- from 24 percent to 25 percent on 1 January 2018.

The reduced rate of 10 percent will increase to 13 percent on 1 January 2017.

The reduced rate of 4 percent will remain the same.

2.VAT – Credit notes for failure to pay – Article 1(126-127) of the 2016 Budget Law

Article 26 of Presidential Decree no. 633/72 (the Italian VAT Code) has been amended so that output VAT charged on supplies to customers undergoing bankruptcy and similar procedures will be recoverable, through credit notes, from the start of the procedure. Therefore, it will no longer be necessary to wait until the end of the procedure. Moreover, according to the new article 26(5) of the Italian VAT Code, a customer undergoing bankruptcy and similar procedures no longer has to register credit notes received from a supplier and, therefore, to amend the original VAT recovered.

These rules will apply to bankruptcy and similar procedures declared after 31 December 2016.

Other rules introduced by the Budget Law are retroactive and clarify certain historical issues, such as: when enforcement proceedings become unsuccessful;

the impact of terminating contracts regulating supplies in progress; the possibility for a customer to issue a credit note in a reverse-charged transaction.

3.VAT – Extension of the reverse-charge mechanism – Article 1(128) of the 2016 Budget Law

Based on a split-payment mechanism, Italian public bodies do not pay VAT to their suppliers, but must remit it directly to the Treasury.

Therefore, Italian consortia (similar to EEIGs) that buy services from their members and supply them to Italian public bodies cannot offset input VAT (paid to their members) against output VAT (charged to the public bodies), and they end up in a VAT repayment position.

So that consortia can avoid the financial costs associated with being in a VAT repayment position, the 2016 Budget Law has extended the reverse-charge mechanism to services rendered to a consortium by its members when the consortium is the supplier of a public body.

Before the reverse-charge mechanism can be applied to the above services, the implementation of the new rules has to be authorized by the European Council, in accordance with article 395 of Directive 2006/112/EC.

4.VAT – Other new rules – Article 1(365, 368, 637, 960) of the 2016 Budget Law

Marinas (par. 365)

Services supplied by marinas (the literal wording of the rule is 'structures organized for the accommodation of tourists in pleasure boats') will be subject to a permanent 10 percent rate of VAT. This rate was originally conceived as a temporary reduction, only until 31 December 2015, while the standard 22 percent VAT rate would have applied from 2016.

Tax-free shopping (par. 368)

Certified intermediaries will be authorized to provide tax refunds to non-EU tourists based on specific thresholds to be set by an implementing decree by the end of June 2016.

Reduced 4 percent VAT rate for e-periodicals (par. 637)

From 1 January 2016, the 2016 Budget Law extends the reduced 4 percent VAT rate – already available for e-books – to electronic newspapers, periodicals, news agency dispatches, books and magazines.

The reduced VAT rate for e-periodicals and e-books could trigger an infringement procedure against Italy, like the one brought against France and Luxembourg before the European Court of Justice in Case C-219/13 (see our Tax Alert of 12 January 2016).

New 5 percent VAT rate (par. 960)

Medical, social, educational, home-care, outpatient, community and similar services provided by co-operatives and their consortia are subject to a new VAT rate of 5. percent (instead of the old rate of 4 percent) when supplied to certain categories of disadvantaged individuals, e.g. the elderly and adults with disabilities, drug addicts and AIDS patients, and the psychologically or physically handicapped.

New rules on tax assessment

1.Amendments to the statute of limitations for tax assessments – Article 1(130-132) of the 2016 Budget Law

The statute of limitations for the assessment of income tax (IRES), regional business tax (IRAP) and VAT has been amended as follows.

- The statute of limitations for assessments of VAT and income tax has been extended from 4 to 5 years. Therefore, the notice of assessment must be served by 31 December of the fifth year following that in which the return is submitted.
- For failure to submit a return and for submission of an invalid tax return (e.g. an unsigned tax return), the statute of limitations is extended from 5 to 7 years. Therefore, the notice of assessment must be served by 31 December of the seventh year following that in which the return should have been submitted.
- The rule that the statute of limitations for assessments is doubled for violations that constitute a criminal offence (as per Legislative Decree no. 74/2000) has been repealed.

The new rules will apply to assessments of the tax year ending on 31 December 2016 and subsequent tax years.

These measures do not affect the deadline for assessments of income tax and VAT under the voluntary disclosure procedure, which remains 31 December 2016.

2.New penalty system for breaches of tax rules in force from 2016 – Article 1(133) of the 2016 Budget Law

The new system of administrative penalties for breaches of tax rules will be in force from 2016 and not – as originally established by Legislative Decree no. 158/2015 – from 2017 (see our Tax Alert of 22 October 2015).

Under the principle of *favor rei*[5], the new rules should also cover violations committed before 2016, with the sole exception of those indicated in acts imposing penalties (such as assessment notices) that have become definite because a final judgment has been issued.

[5] Established in article 3(3) of Legislative Decree no. 472/97

Contact us

Studio Associato - Consulenza legale e tributaria

IT-FM-TPP@kpmg.it

TAX FOCUS / KPMG in Italy / 2 February 2016