

ITALY – M&A opportunity - tax savings in case of sale of participation

Step-up of tax basis participation in unlisted Italian companies – substitute tax 10%



Tax savings opportunities in case of sale of participation in unlisted Italian companies

The 2019 Budget Law extends the deadline for the optional step-up of tax basis participation in unlisted Italian companies for resident individuals and non-resident entities. Thanks to this opportunity the net capital gain will be higher.

In general the capital gain tax is computed on the difference between the sale proceeds and the purchase cost. The 2019 Budget Law allows to step-up the purchase cost of participation through the payment of a substitute tax. This is a good opportunity **to reduce the tax cost of the transaction**. The substitute tax amounts to 10% or to 11%, if the shareholding exceeds 20% of the voting rights or the 25% of the share capital.

The substitute tax is computed on the estimated value of the participation certified by a sworn appraisal prepared within the end of June 2019. The substitute tax should be paid by the end of June 2019 or through three annual instalments starting from 30 June 2019.

This provision may be of interest to resident individuals and foreign entities that potentially could realize a capital gain on the disposal of participations that would be subject to tax in Italy.

This is a great opportunity for shareholders who decide to sell a business through the sale of participation in unlisted Italian companies. This is

also an opportunity in case of acquisition of a business, because the payment of the substitute tax allows to reduce the taxation of the transaction and so the higher net income for the seller will facilitate the acquisition.

Necessary fulfillments and conditions

In order to step-up the tax basis participation:

- The participation should be owned at the date of 1st January 2019
- The value of the participation should be certified by a sworn appraisal within the end of June 2019
- The substitute tax should be paid by the end of June 2019 or through three annual instalments starting from 30 June 2019.

Next steps

In case you are considering to sell your participation in a business, our firm can support to structure the transaction to optimize the taxation. We have supported a lot of M&A operations and prepared a lot of sworn appraisal to optimize the taxation of the transaction through the payment of substitute tax. ^(*)

For further information please contact us:

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