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ITALY – a country with huge investment opportunities

Amount EU countries Italy offers more tax incentives for companies and individuals

Italy - thanks to tax incentives new door to enter EU Market

The following tables show the main tax reforms of last year issued by the five EU countries sorted by their Gross Domestic Product: Italy, Spain, France, UK and Germany.

Italy shows more changes, a significant number of incentives and many opportunities aimed at fostering economic growth. This means that Italy is not a simple
country, but it also means that most incentives and changes can give a huge vantage to investors and companies able to leverage all the available opportunities. In this way, Italy can see as a great opportunity for new investments, especially for foreign companies and individuals.

Table 1 – ITALY last year tax incentives and changes

Personal income tax
Top managers, self-employed, employees, sport professionals and pensioners who move into Italy have up to 90% of tax exemption. These tax regimes aim to attract individuals into Italy – their effective tax burden ranges between 0 to 12% - hiring in Italy is more cost effective
21% substitute rate on individuals rental income, not as business income, has been extended to commercial real estate 2019.
The measure increased the revenues threshold up to EUR 65.000 for entrepreneurs and self-employed included in "Regime Forfetario". The tax base is estimated as a fixed percentage of revenues (varying depending on the activity). A 5% substitute tax rate is applied to the tax base instead of progressive PIT for the first 5 years, than 15%.
Social security contributions: Employer
The measure concerns of a 50 % employers' social contribution exemption provided up to a maximum of EUR 3 000 for 3 years. The allowance concerns of new employees under 30 years old (35 for 2018) hired with permanent contracts.
The measure consists of a employers' social contribution full exemption provided up to a maximum of EUR 8 060 for 2018, as regards new employees hired with permanent contracts in southern regions.
Corporate income tax
M&A incentives - tax-free step-up of the higher values booked as a result of mergers, demergers and contributions of going concerns (or business units) is allowed, if certain conditions are met and for transactions concluded before 31 December 2022
The IMU (municipal tax) deductibility from business income of CIT and PIT taxpayers increases from 20 % to 40 % as concerns real estate used as capital goods.
The increase of deductible investments costs of new tangible assets has been extended up to 30th June 2019 at 30 %. The increase of deductible investments costs intangible assets (software), fixed at 40 %, has been expanded up to 31th December 2019. Moreover, the 150 % increase of investment costs concerning innovative instruments has been expanded up to 31th December 2019.
R&D tax credit amount from 50 to 25% of the costs increase compared to the average of the three previous tax periods R&D investments. Finally the annual allowance limit decreased from EUR 20 to 10 million, but certain R&S investments are still allowed to 50% tax credit
Increase of investment costs concerning innovative instruments and intangible assets has been extended up to 31th December 2020 for investments already planned within 2019. As for innovative instruments, the deduction is fixed at 170% for amounts under EUR 2.5 million, 100 % for amounts over EUR 2.5 million and 50 % for amounts from EUR 10 to 20 million. The allowance doesn't work for amounts over EUR 20 million. As for intangible assets the increase is confirmed at 40 %.
Value-added tax
The measure foresees that legally autonomous entities may constitute a group as single VAT taxpayer. Those involved must have economic and organizational relationships and mainly a common control by direct or indirect participation. This implies that transactions within the VAT group are excluded from the scope of VAT.
As from 1 January 2019, a standardized system of mandatory electronic invoicing is introduced. The measure is applied partially as from July 2018.

Table 2 – SPAIN last year tax incentives and changes

Personal income tax: Earned income
PIT threshold raised to EUR 14.000 from EUR 12.000 for earned income received from more than one payer
PIT allowances raised for taxpayers with net employment income lower than EUR 16 825 and other income, other than exempt income not exceeding EUR 6.500 increased
Tax credit allowances increased for tax liabilities arising in Ceuta and Melilla
Motherhood allowances increased
Tax credits for (regular and large) families increased
Lotteries and Betting prize exemption amount increased to EUR 10 .000 in 2018, EUR 20.000 in 2019 and EUR 40.000 in 2020
PIT exemption of SS benefits on parenthood with retroactive effect up to the statute of limitations
Social security contributions: Employee
Yearly update and increase in SSC floor by 22.3 % and upper ceiling by 7.00 %.
Social security contributions: Employer
Yearly update and increase in SSC lower by 22.3 % and upper ceiling by 7.00 %.
Social security contributions: Self-employed
Yearly update and increase in SSC floor by 1.25 % and upper ceiling by 7.00 %. Minimum contribution rate increase (29.8 % to 30 %)
Value-added tax
VAT rate for cinema tickets reduced from 21 % to 10 % - VAT rate on cultural services provided by individuals reduced from 21 to 10 %
Other excise duties
Embedding regional hydrocarbon tax rates into the national tax rate
Recurrent taxes on (net) wealth
Net Wealth Tax application extended up to year-end 2018
Net Wealth Tax application extended up to year-end 2019

Table 3 – FRANCE last year tax incentives and changes

Personal income tax: Earned income
Increase in the rate of the Contribution sociale généralisée (compensated by a decrease in employees' social contributions)
Indirect effect on income tax of the increase of the CSG and decrease of SSC employee
Removal of income tax on revenue associated to overtime work
The increase in the rate of the contribution sociale généralisée implemented in 2018 is cancelled for a large part of retired people
Reduction of CICE rate (from 7 % to 6 %) and then next year removal of CICE: PIT part
Implementation of a dual income tax system through the introduction of a flat rate tax on capital income (interests, dividends, capital gains)
Social security contributions: Employee
Decrease in the rate of employees' social contributions (compensated by an increase Contribution sociale généralisée)
Removal of employee's SSC on revenue associated to overtime work
Social security contributions: Employer
Decrease in social contributions (compensated by the CICE annulation)
Corporate income tax
The payment rules for the CIT have been amended so that big companies have to pay a higher share of their expected increase of CIT during the current year if they anticipate higher profitability
Increase in the corporate income tax: CIT base widening resulting from the decrease of SSCs
Reduction of the CICE rate (from 7 % to 6 %) and then next year suppression of CICE
Removal of the "3 % dividend" tax

Recurrent taxes on immovable property (business and residential)
Introduction of the new tax on real estate wealth (along with the removal of the wealth tax)
Removal of the Taxe d'habitation for 80 % of French taxpayers

Table 4 – UK last year tax incentives and changes

Personal income tax: Earned income
Personal Allowance and Higher Rate Threshold: increase to GBP 12,500 and GBP 50,000 for 2019-20 and 2020-21
Dividend Allowance: reduce to GBP , 000 from April 2018
Gift Aid Small Donations Scheme
Capital gains tax payment window
Entrepreneurs' Relief: where shareholding 'diluted' below the 5 % threshold
Savings: maintain thresholds for adult ISA allowance and starting rate for savings
Private Residence Relief: reform lettings relief and final period exemption from 2020-21
Capital Gains Tax: extend Entrepreneurs' Relief minimum qualifying period
Employment Allowance: restrict to businesses below a GBP 100,000 employer NICs threshold from 2020-21
Social security contributions: Employer
Removing employer tax advantage of different forms of remuneration: pay-offs over GBP 30,000
Off-payroll Working: extend reforms to private sector in 2020-21, excluding small businesses
Social security contributions: Self-employed
Self Employed: abolish Class 2 NICs
NICs: delay NICs Bill by one year and maintain Class 2 NICs
Corporate income tax
Corporation tax (UK property income of non-UK residents)
Corporation Tax: amendments to reform of loss relief rules
Digital Services Tax
Special Writing Down Allowance: align with depreciation in accounts at 6 % rate
Annual Investment Allowance: temporary increase to GBP 1m for two years from January 2019
Corporation Tax: restrict use of carried forward capital losses from 2020-21
Structures and Buildings Allowance: permanent capital allowance for new structures and buildings
Other corporate taxes
Capital Allowances: discontinue enhanced allowances for energy and water-efficient equipment
Oil and gas taxation: transferable tax history and retention of decommissioning expenditure
Offshore Receipts in respect of Intangible Property (previously Royalties Withholding Tax)
Value-added tax
VAT reverse charge: building and construction services
Offshore: prevent profit fragmentation, extend VAT grouping rules and prevent looping avoidance schemes
VAT: ensuring proper adjustments
VAT Registration Threshold: maintain at GBP 85,000 for a further two years
Transaction taxes (movable and immovable property)
Capital Gains Tax: tackling misuse in Entrepreneurs' Relief
Other taxes
Withheld Taxes: protecting your taxes in insolvency and tackling abuse

Table 5 – GERMANY last year tax incentives and changes

Personal income tax: Earned income
Increase of basic personal allowance from EUR 8.820 by EUR 180 to EUR 9.000
Further increase of basic personal allowance from EUR 9.168 by EUR 240 to EUR 9.408
New bill on avoiding losses in revenue from VAT in the online goods trade and on amending further tax regulations (applies to unincorporated businesses/self employment income as well)
Increase of the basic allowance for children from EUR 7.428 by EUR 192 to EUR 7.620
Boosting the implementation of company pension plans on voluntary basis; measures aim at SMEs and low-income earners.
Social security contributions: Employee
Increase of the contribution rate to statutory long-term care insurance by 0.25 percentage points to 1.525 %
Decrease of the supplemental contribution rate on average to statutory health insurance by 0.1 percentage points to 1.0 %
Decrease of the contribution rate to statutory pension insurance by 0.05 percentage points to 9.3%
Reduction of the contribution rate to statutory unemployment insurance by 0.4 percentage points to 2.6% and further temporary decrease of the contribution rate to statutory unemployment insurance by 0.1 percentage points to 2.5 %
Further temporary decrease of the contribution rate to statutory unemployment insurance by 0.05 percentage points to 1.25%
Decrease of the contribution rate to statutory unemployment insurance by 0.2 percentage points to 1.3%
Social security contributions: Employer
Reduction of the contribution rate to statutory unemployment insurance by 0.4 percentage points to 2.6% and further temporary decrease of the contribution rate to statutory unemployment insurance by 0.1 percentage points to 2.5 %
Increase of the contribution rate to statutory long-term care insurance by 0.25 percentage points to 1.525 %
Increase of the contribution rate to statutory long-term care insurance by 0.5 percentage points to 3.05 %
Decrease of the contribution rate to statutory pension insurance by 0.05 percentage points to 9.3 %
Decrease of the supplemental contribution rate on average to statutory health insurance by 0.1 percentage points to 0.9 % and financing of the respective supplemental contribution rate to statutory health insurance on a basis of parity (employee and employer share the burden 50/50)
Reduction of the contribution rate to statutory unemployment insurance by 0.2 percentage points to 1.3 % and further temporary decrease of the contribution rate to statutory unemployment insurance by 0.05 percentage points to 1.25 %
Social security contributions: Self-employed
Reduction of the minimum contribution assessment limit and decrease of the minimum contribution rate to statutory health insurance for low-income self-employed members of statutory health insurance
Corporate income tax
Boosting the implementation of company pension plans on voluntary basis; measures aim at SMEs and low-income earners.
New bill on avoiding losses in revenue from VAT in the online goods trade and on amending further tax regulations (applies to other corporate taxes)

Italy can be the new door for EU market

Tax incentives, great brands, know how, well-educated human resources, low employment costs, other incentives, make Italy the new frontier for business development and investors as well as the door for the EU market.
The Italian Government is working on rule simplifications and good incentives are available. All the conditions to consider Italy an important Country to invest are ready. The key way for success investment is the knowledge of all the opportunities available. This is the role of a good financial and tax advisor-
Our office has deep experience to support from a financial, corporate legal and taxation new deal and M&A transactions. We have a records of successful investment and M&A deals. We design with Client strategies and business plan of investment and/or M&A transactions (*)

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