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Covid-19 Italy: Incentives and tax credit

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On 19 May 2020 the **Law Decree no. 34** has been published in the Official Gazette ("**Rilancio Decree**"). The new emergency decree is in line with the previous Cura Italia and Liquidità Decrees, introducing *inter alia* measures to support the liquidity the capitalization of enterprises, incentives and tax credits as well as measures in the context of indirect taxation, tax assessment and tax litigation.

Tax credit for lease rentals of business immovables, lease of going-concerns and sale of credits – Article 28

The provision introduces for entrepreneurs and professionals **a tax credit equal to 60% of the monthly rent paid for business-related immovables** utilised to carry out the industrial, commercial, handcrafted, agricultural, touristic or professional activity. Only **taxpayers having revenues or compensation not higher than 5 million euros in fiscal year 2019** are entitled to benefit from the tax credit. The tax credit **is reduced to 30%** in case of service agreements or lease of going-concerns including at least one immovable asset.

Hotels and holiday farms may benefit from the tax credit **irrespective of the amount of revenues or fees** related to the previous fiscal year.

The tax credit may be benefitted from also by non-commercial entities including third sector entities and recognized ecclesiastical entities with reference to the lease for business immovables utilised to carry out their institutional activity.

The tax credit may be benefitted from provided that the lessees have had a reduction in their turnover or fees of at least 50% in the reference month compared to the same month of the previous year.

The tax credit is proportionate to the amount paid during the fiscal year 2020 with reference to each of the months March, April and May; for tourism accommodations with seasonal activity, reference is made to April, May and June.

The tax credit can be utilized within the tax return relating to the fiscal year in which the lease has been paid as well as offset (pursuant to Article 17 of Legislative Decree no. 241 of 9 July 1997) after the payment of the rent. Annual limitations usually provided for utilisation/offset do not apply. The tax credit is not relevant for both CIT and Regional Tax (IRAP) purposes; in addition, it is not relevant for the purposes of the computation of the ratio between a) revenues concurring to the determination of the taxable income or revenues not concurring to it since they are excluded and b) the total amount of revenues, calculated for the purposes of the determination of deductible interest expenses under article 61 and deductible expenses under article 109(5) of ITC.

The tax credit under reference may not be cumulated with the tax credit provided for by Article 65 of the Cura Italia Decree, in order to avoid undue duplications.

Tax credit for the adaptation of working environments – Article 120

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Subjects carrying out business activity or professional activity in public places as detailed within the attachment to the provision as well as associations, foundations and other private entities, including third sector entities, can benefit from **a tax credit equal to 60% of the expenses incurred in 2020**, related to adaptations necessary to ensure safety, **up to 80,000 euros**.

The tax credit can be (i) cumulated with other incentives for the same expenses, up to the amount of costs incurred and (ii) utilised in 2021 only to be offset, without amount limitations.

The implementation provisions, including those related to the requirements necessary to be entitled and related costs, will be published by means of a ministerial decree. Procedures for monitoring the utilization of the credit will be established by means of a decision of the Director of the Revenue Agency, to be issued within 30 days

Tax credit for sanitization of working spaces – **Article 125**

The provision introduces for subjects carrying out a business activity, professionals, non commercial entities, including third sector entities and recognized ecclesiastical entities, **a tax credit equal to 60% of the expenses incurred**related to the sanitization of working spaces and equipments, including protective devices and other devices necessary to ensure workers' safety. The tax credit can be benefitted from, **for a maximum amount of 60,000 euros** for each beneficiary, up to a maximum amount of 200 million euros for 2020.

The tax credit can be utilized within the tax return relating to the fiscal year in which the cost incurred as well as offset; annual limitations usually provided for utilisation/offset do not apply. The tax credit is not relevant for both CIT and Regional Tax (IRAP) purposes.

Implementing provisions, including those related to the way of application and utilisation for the purposes of the budget – will be issued by the Director of the Italian Revenue Agency within 30 days.

The related articles 64 of Cura Italia Decree and 30 of Liquidità Decree are repealed.

Maintenance of credit under article 13(1-*bis*) of ITC or of the supplementary treatment under article 1 of Law no. 21 dated 2 April 2020 – Article 128

The provision states that the so-called "bonus Renzi" and the integrative compensation provided for employees respectively for by article 13(1-*bis*) of ITC and article 1 of Law no. 21 dated 2 April 2020 will be maintained also in case the employee has insufficient income due to the reduction in his income due to the COVID-19 emergency.

The credit referred to under Article 13(1-*bis*) of ITC, which has not been granted during the months in which the employee benefits from the Cura Italia Decree's measures supporting workers, will be recognised by the withholding agent as from the first ordinary salary and in any case within the terms of the adjustments.

Incentives for investments in the real economy – Article 136

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In order to encourage investments, both in equity and debt in the real economy and, in particular, in unlisted companies, enhancing the capacity of long-term individual savings plans (so called “PIR”) to direct private savings to enterprises, investors may establish a second individual saving plan with more specific investment restrictions.

In addition to financial instruments, qualified investments include, among others, sources of financing alternative to the banking channel, such as the granting of loans and the acquisition of the credits of the companies to which the plan is addressed.

The provision also provides for:

- a concentration restriction on investments in the individual saving plan raised to 20%;
- limits on the amount of investments equal to 150,000 euros per year and 1,500,000 euros in total.

The rules under reference allow the establishment of the new individual saving plan through a broad category of intermediaries. The qualified investments of this new type of individual saving plan, in fact, can be made through open-end UCITS, life insurance and capitalization contracts and also through AIFs, such as, by way of example: ELTIF, private equity funds, private debt funds and credit funds.

The new rules are included in art. 13-*bis* of Legislative Decree no. 124 of 2019, which contains the provisions relating to qualified investments for the individual saving plans established from 1 January 2020.

Extension of the deadline for the step-up of the acquisition cost of land and unlisted participations – Article 137

The provision reiterates the possibility to step-up the value of unlisted participations, buildable and agricultural lands owned as at 1st July 2020, as provided for by articles 5 and 7 of the Law no. 448 dated 28 December 2001, i.e. the right to increase the values ??of lands and unlisted participations owned by individuals and simple partnerships, with positive effects on the determination of any capital gains in case of sale, by paying a substitute tax to be applied on the higher value attributed to the assets as a result of an appropriate appraisal.

Substitute taxes can be paid by installments up to a maximum of three equal annual installments, starting from 30 September 2020; interest of 3% per annum is due on the amount of the installments following the first. The preparation and oath of the expert appraisal must be made by 30 September 2020.

In addition, the provision establishes that the above mentioned substitutive tax is due at 11% rate.

Do you have any questions? Our German Desk Team is at your disposal.

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Schlagwörter

Coronavirus (COVID-19), tax credit