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By PwC Deutschland | 12 February 2019

The Italian Budget Law 2019

The last version of the Italian Budget Law 2019 has been published in the Gazzetta Ufficiale from the 31. December 2018 and entered into force on the 1st of January 2019. The provisions include interesting innovations on the tax environment for taxpayers, both legal entities and natural persons.

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Digital Web Tax

The Web Tax is aimed to target revenues from digital services that underpin “user participation” such as:

a) the placing of advertising on a digital interface targeted at users of that interface;

b) the making available to users of a multi-sided digital interface which can also facilitate the direct supply of goods and the performance of services;

c) the transmission of data collected about users and generated from users' activities on digital interfaces.

Taxable entities are business undertakings that, during a taxable year (defined as a solar year), on a stand-alone basis or at the group level realizes: a total amount of worldwide revenues reported for the relevant taxable year exceeding € 750.000.000; and a total amount of taxable revenues deriving from digital services in Italy during the relevant financial year exceeding € 5.500.000.

The Tax rate would be up to 3% of the amount of the taxable revenues. Revenues from Digital Services are located based on user location in the Italian territory. The web tax will enter into force after the issuance by the Minister of Economy and Finance – MEF – of a secondary legislation (expected in four months).

Ruling for new investments

Taxpayers, which perform commercial activities, may request a Tax Ruling on new investments in their business. The investment plans concern projects aimed at the realization of a commercial long-lasting business. Starting from January 1, 2019 the limits for the rulings are investments in Italy of at least € 20 million (the previous threshold was of € 30 million) and investments with relevant employment impacts related to the activities (which should be long-lasting) in which they take place.

Additional depreciation (“iper-ammortamento”)

The Budget law provides new rates for investments in tangible assets with high technological and digital content, which will be implemented from 01. 01. 2019.

More in detail, the increased tax-deductible cost to be amortized will be equal to:

- 170% additional tax depreciations for Investments up to € 2.5 Million;
- 100% additional tax depreciations for investments up to € 10 Million; and
- 50% additional tax depreciations for investments up to € 20 Million.

Tax Credit for Research and Development

The Budget Law 2019 reintroduced the double beneficial rate at 25% or 50% on incremental R&D expenses, depending on the type of expenditure incurred, and reduced the maximum amount of annual credit that can be benefitted by each enterprise, which decreases from 20M€ to 10M€.

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Therefore, from 2019, the percentage of 50% applies only to

(a) expenses sustained for employees who have a subordinate employment contract, even for fixed term, directly employed in R&D activities and

(b) expenses related to the so called «extra-muros» expenses, i.e. R&D activities commissioned to universities, research centers and similar bodies, as well as resident enterprises qualified as innovative startups and SMEs, provided that such companies do not belong to the same group of the beneficial one.

The beneficiaries are obliged to provide a technical appraisal showing the expenses on R&D activities.

Tax credit for training 4.0

Tax credit for training 4.0 is extended also for 2019, aimed at stimulating the costs for employees training in matters relating to the technologies envisaged by the "National Business Plan 4.0". Budget Law 2019 has established that the amount of the tax credit is differentiated based on the size of the beneficial enterprise as follows

(i) for small and medium-sized enterprises, the tax credit recognized corresponds respectively to 50% or 40% of eligible expenses, with an annual limit of 300K€

(ii) for large enterprises, the tax credit recognized corresponds to 30% of the eligible expenses, with an annual limit of 200K€.

Repeal of the NID

The Budget Law 2019 repealed the NID. The new provisions entered into force starting from the 01. 01. 2019. Therefore for FY18 the NID continues to apply at the reduced rate of 1,5%. Taxpayers are allowed to use the excess of NID carried forward (accrued until 31.12.2018) in future fiscal years. Alternatively, taxpayers are entitled to convert the NID carried forward into a tax credit for IRAP purposes.

Reduced corporate income tax (IRES) rate on reinvested profits

Investment in qualifying assets and hiring of new employees allows to benefit from 9% reduction of the corporate income tax (IRES) rate, provided that the cost is financed through retained profits. A 15% reduced IRES rate applies (in lieu of 24% ordinary rate) on a portion of the annual income to be determined as the lower amount of:

(i) profit of the previous year allocated to distributable equity reserves; and

(ii) sum of annual tax depreciation of qualifying assets and cost for new employees respectively acquired and hired from 2019 onward, subject to certain limitations.

Should you have futher questions please do not hesitate to contact us. Our German Desk Team will be pleased to assist you.

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