



**EY**

**Tax credit for R&D activities  
Iper and super-depreciation**



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Building a better  
working world

**AIFI**

Associazione Italiana del Private Equity,  
Venture Capital e Private Debt

# TAX CREDIT FOR R&D ACTIVITIES

## TAX CREDIT FOR INCREMENTAL INVESTMENTS IN RESEARCH AND DEVELOPMENT ACTIVITIES:

# 50%



### MAIN PURPOSE

- Promoting new private investments for research and development activities for innovation in business processes and products, helping the long-term competitiveness of enterprises

### BENEFITS

- 50% tax credit for incremental investments for research and development (“R&D”) activities, up to EUR 20 million per year for each beneficiary; the incremental benefit is calculated on a fixed base equal to the average amount of investments for R&D activities in years 2012-2014
- The tax credit may be used to off-set a large number of taxes and social contributions, even in case of tax loss at the end of the financial year
- Investments considered for the tax credit are those related to basic research, industrial research and experimental development: hiring of technical qualified staff, research contracts with universities, research institutes, enterprises, start-ups and innovative SMEs, depreciation of laboratory facilities, technical skills and industrial property rights
- The benefit applies to investments for R&D activities made in years 2017-2020
- The benefit may be joined with:
  - *Iper-depreciation* and *Super-depreciation*
  - Patent Box
  - *Sabatini Act benefit*
  - Allowance for capital equity
  - Incentives for investments in innovative start-ups and SMEs
  - *Central Guarantee Fund*

### WHO

- All entities that have business income (Italian companies, non-commercial entities, consortia, business networks), regardless of their legal form, size and industry
- Italian enterprises or non-Italian enterprises with a permanent establishment in Italy that carry out R&D activities or outsource R&D activities
- Italian enterprises or non-Italian enterprises with a permanent establishment in Italy that carry out R&D activities for other non-Italian resident entities

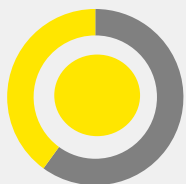
### HOW TO

- Automatically in the process of drafting the balance sheet, specifying the R&D expenses incurred in the RU section of the annual income tax return
- Certified accounting records are required

# IPER AND SUPER-DEPRECIATION

## Super depreciation

# 140%



## Iper depreciation

# 250%



### MAIN PURPOSE

- Support and promote enterprises that invest in new capital goods and tangible and intangible assets (e.g. software, IT system, etc) that are related to the technological innovation of business processes

### BENEFITS

- *Iper-depreciation.* over-valuation (equal to 250% of the value) of investments in new tangible assets, hardware and technologies required for business updates purchased or leased by enterprises
- *Super-depreciation.* over-valuation (equal to 140% of the value) of investments in new capital goods purchased or leased by enterprises. Those who benefit from the *iper-depreciation* benefit may also benefit from the super-depreciation for investments in related intangible capital assets (software and IT system)
- The benefit may be joined with:
  - *tax credit for incremental investments for R&D activities*
  - *Patent Box*
  - *Sabatini Act benefit*
  - Allowance for capital equity
  - Incentives for investments in innovative start-ups and SMEs
  - *Central Guarantee Fund*

### WHO

- All Italian tax-resident entities that have business income (mainly Italian companies), including Italian permanent establishments of non-Italian tax resident enterprises, regardless of their legal form, size and industry

### HOW TO

- The benefits are automatically available in the process of drafting the balance sheet and via self-certification
- The taxpayer is entitled to the benefit if the investments are made no later than 31 December 2017 (and/or if taxpayer pays at least 20% of the purchased goods within 31 December 2017 and if the goods are delivered by 30 June 2018)
- For investments suitable for the *iper-depreciation* benefit that are higher than EUR 500.000 for each good, a sworn expert appraisal (from an expert registered with the relevant professional association) stating that each good meets the technical conditions for being included in Annex A or Annex B to 2017 Italian Budget Law is required

# PRIVATE EQUITY – MAIN CONSIDERATIONS

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- ▶ Increase of IRR through reduction of overall tax burden
- ▶ Increased speed of investments and increased speed of growth and returns
- ▶ “Digitalization” of portfolio companies
- ▶ Not only limited to tech-companies, digitalization for each industry
- ▶ Qualifying technologies can boost performance more than traditional cost-cutting methods

# CONTACTS

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