

AIFI

Italian Private Equity, Venture Capital
and Private Debt Association



Brexit: The Investors View

Why Italy: fiscal measures for the
attraction of foreign capitals and
individuals

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TAX MEASURES FOR



COMPANIES



INDIVIDUALS

AND



FOCUS ON... COMPANIES

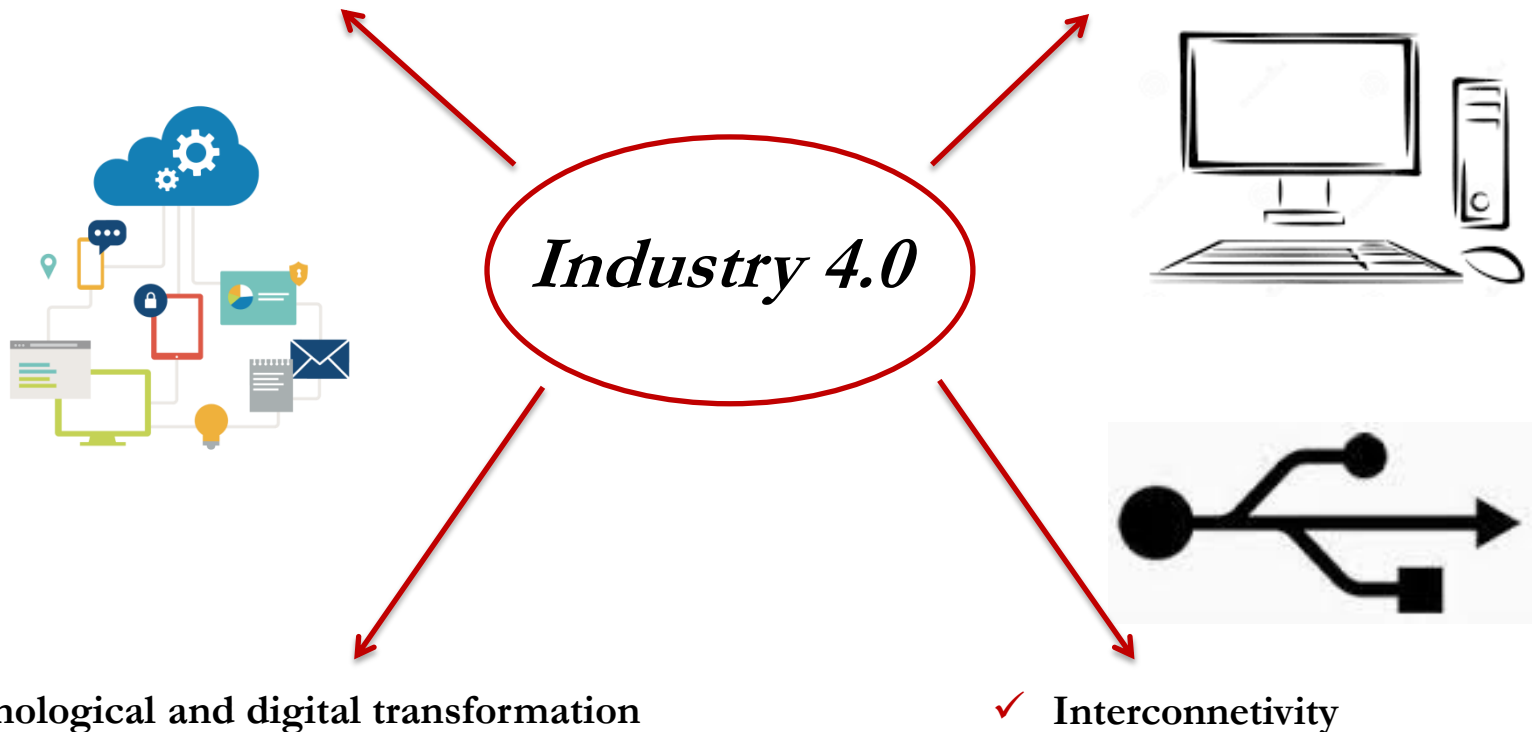


System of **incentives** was very **complex** and **unclear** in the past
Today things have changed...

Complete and **clear** set of **incentives** that do **not** require specific **procedures**
with the Italian Tax Authority

✓ **Robotics and cloud computing**

✓ **Digitalisation of processes**



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RESEARCH & DEVELOPMENT ACTIVITIES



WHAT

Tax credit of 50% on **R&D** expenses exceeding the average of same expenses incurred from 2012 to 2014; **up to 20 mln/EUR** per year.

WHEN

Up to **2020**

WHO

All the Italian **companies**

EXAMPLE

R&D 2017: **100**

R&D average 2012-2014: **20**

Tax credit 40 = 50% of (100-20)

HOW

In the **tax return**

Can be used to **pay taxes** with **no limits**

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ACQUIRING NEW TANGIBLE AND INTANGIBLE ASSETS

WHAT

Tax depreciation of new **tangible** assets:

- 250% of the acquisition cost (Industry 4.0 requirements)
- 140% of the acquisition cost

Tax depreciation of new **intangible** assets:

- 250% (e.g. software embedded in Industry 4.0 tangible assets)
- 140% of the acquisition cost (in certain cases)

WHEN

Up to June 2018 but extension is expected...

WHO

All the Italian companies

HOW

In the **tax return**

Sworn appraisal in certain cases

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OTHER MEASURES...

WHAT

Capitalisation of companies (ACE): notional **interest deduction** calculated as a specific rate on equity increases (rate around 1.5% but still under discussion in the Italian Parliament)

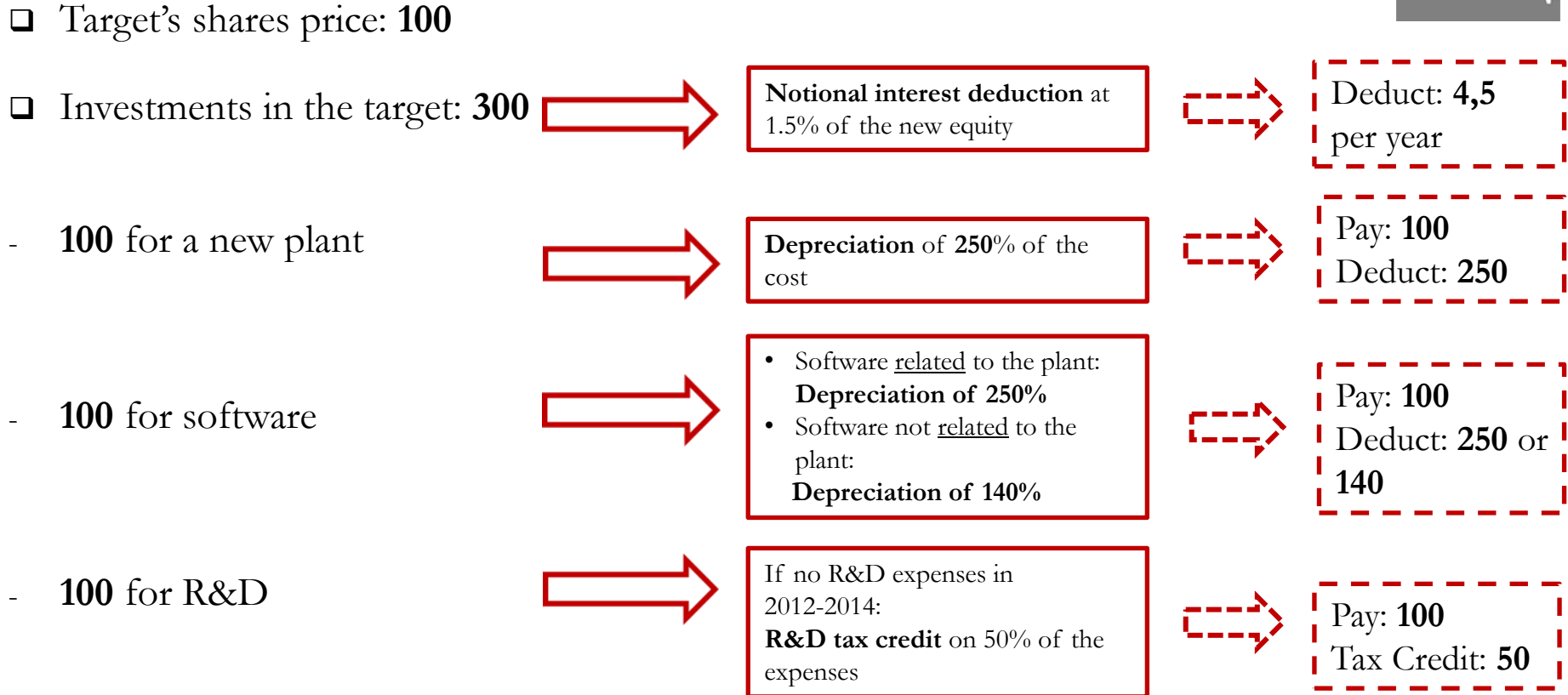
WHAT

Patent Box: partial corporate income tax (and IRAP) **exemption** (50%) on **income** arising from **direct use** or **licensing** of qualified intangible assets

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M&A EXAMPLE



✓ Incentives as **leverage** for the **transactions**

✓ **Cost** of the acquisition can prove to be much **lower** than the amount actually **invested**

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RECENT DEVELOPMENTS ON CARRIED INTEREST

WHAT

Carried interest returns may benefit from **tax rate at 26%** instead of employment income taxation (i.e. progressive rates up to 46%)

WHO

Individuals (employees or directors) owning preferred shares of entities resident in Italy or white list countries

CONDITIONS

- Minimum 1% investment amount
- Hurdle rate
- Minimum 5 years holding period
- Conditions are still under discussion in the Italian parliament at the moment

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MANAGERS



WHAT

Reduction of **50%** of **direct taxes** on employment (or professional) income

DURATION

Regime applies for maximum **5** years

WHO

Managers who:

- were resident abroad in the last 5 years (2 years in certain cases)
- transfer their tax residency to Italy (for at least 2 years)
- work in Italy for an Italian entity

HOW

Option in **tax return**

EXAMPLE

Manager earns: **200**

Income taxes under ordinary regime: **100**

Income taxes under Managers-regime: **50**

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FLAT TAX

WHAT

- **Foreign-sourced income** (e.g., dividends, interest, etc., including those deriving from tax havens): 100% exempt; only **EUR 100,000** yearly flat tax applies
- **Italian-sourced income**: ordinary regime (generally subject to progressive rates)
- Potential extension to **relatives**: additional **EUR 25,000** each (e.g. EUR 125,000 per couple per year)

DURATION

The option is valid for maximum **15 fiscal years**, but **revocable**

WHO

Individuals who:

- become Italian tax-resident pursuant to the domestic rules; **and**
- have been non-Italian resident for income tax purposes for at least 9 out of the 10 years preceding application of the regime

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FLAT TAX

ADDITIONAL BENEFITS

- **No obligations to disclose foreign assets** to the Italian tax authorities (**no RW**)
- **No Italian property taxes on real estate (IVIE) and financial assets (IVAFE) held abroad**
- **Italian inheritance and gift tax: exemption on assets located abroad**; rates **from 4% to 8%** on Italian assets (very low if compared to other countries). The regime is therefore very interesting **also for estate planning**
- **Regime is revocable** at any time with **no claw back** of past benefits
- Preferential treatment for the issue of **visas** and **residency permit**

HOW

Option in **tax return or ruling (if preferred)**

THANK YOU FOR YOUR ATTENTION

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