

Realignment of goodwill and intangible assets values



Focus on

Art 1, para. 83 of Budget Law 2021 (Law no. 178/2020) extends the scope of application of the provisions concerning the so-called realignment of the values of corporate assets by introducing a specific law provision under art. 110 of Law Decree no. 104/2020 (which – among the provisions of the so-called August Decree updated those measures on revaluation and realignment of corporate assets).

Specifically, by extending the objective scope of application of the provisions under art. 14 of Law no. 342/2000, the regulation at issue introduced the possibility for both ITA GAAP and IAS/IFRS adopters to realign the tax values with accounting values of goodwill and other intangible assets (since these items were previously excluded).

It is specified that the reasons underlying a misalignment between tax and accounting values could derive, for example, from M&A transactions considered as neutral for tax purposes (e.g. transfers of business units, mergers, demergers), or from merely accounting revaluations made in application of previous regulations.

New objective scope of application

As mentioned, in spite of previous provisions, the updated version of art. 110 of Law Decree no. 104/2020 extends the possibility to apply the realignment regulation also to goodwill and, in general, to other intangible assets (e.g. multi-year costs, assets under development, order books and customer portfolios, if posted independently from goodwill).

The differences between accounting and tax values need to result already in the financial statements at 31 December 2019, but actual misalignments – which are subject to realignment – need to take into account also accounting decreases occurred in FY 2020 (i.e. at 31 December 2020, if the FY corresponds to the solar year). The subsequent tax effects (e.g. deduction of higher depreciations) will arise starting from the following FY (i.e. 2021, if the FY corresponds to the solar year).

Realignment can be applied even to one only asset (the regulation does not provide for a general application to a homogeneous class), but cannot be partial, as it must concern the entire value difference.

Application procedure

A requirement for the recognition of higher tax values, within the limit of accounting values, is the payment of a substitute tax equal to 3%, to be paid in no more than 3 equal annual instalments.

Companies that will decide to benefit from this allowance are required to lock up a reserve – already existing in the financial statements – corresponding to the higher realigned values, net of the 3% substitute tax. Therefore, lacking a sufficient equity reserve, it is not possible to realign the values of assets. The locked-up reserve can be released through the payment of a 10% substitute tax.

Our professionals would be pleased to provide you with any further information you may need.

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