

# Subsidies for investments 2020



# Focus on

## Foreword

The draft 2021 Budget Law entirely reviewed the tax incentives provided for new capital assets, reviewing the provisions of Budget Law 2020 (Law no. 160/2019, art. 1, para. from 185 to 197). This had already introduced a new tax credit to replace the so-called super-depreciation and hyper-depreciation. The tax credit is due to all businesses and, as concerns some investments, also to self-employed professionals.

The tax credit is granted with a different rate depending on the type of assets and it covers investments in new capital assets, including intangible assets functional to the technological transformation based on the model provided under the Industry 4.0 national plan.

The tax credit can be used only to offset other taxes, in five yearly instalments of an equal amount, reduced to three for investments in intangible assets.

Subjects with total revenues or fees not exceeding 5 million Euro per year can use the tax credit to offset taxes in a sole yearly instalments. The tax credit can be used starting from the year following the one in which the assets started operating (i.e. from the year following the interconnection of such assets to the corporate system, as concerns those listed in Annexes B and B to Budget Law 2017).

## Art. 185 – Tax credit for new capital asset – subjective requirement

Within a strengthening of the Transizione 4.0 programme, the norm under analysis extends up to 31 December 2022 the tax credit for investments in new capital assets, consolidating and diversifying the subsidised rates, increasing the eligible expenses and extending the scope of application compared to the provisions of Budget Law 2020; the effective date of the new regulation is also anticipated to include investments made starting from 16 November 2020.

We remind that Budget Law 2020, instead of extending the so-called super-depreciation and hyper-depreciation, replaced them with a tax credit for expenses borne for investments in new capital assets up to 31 December 2020.

All businesses resident in Italy, including permanent establishments of non-resident entities, regardless of their legal form, industry, size and tax regime they are subject to when determining their income. Distressed company are however excluded: specifically, companies in voluntary liquidation, bankrupt companies, companies with a composition with creditors on a going concern basis or subject to other insolvency procedures under the bankruptcy law, the Code for distressed companies (Legislative Decree no. 14 dated 12 January 2019), or other special laws or companies with a pending application to be admitted to said procedures.

Companies subject to interdiction measures following to the violation of norms on the administrative liability of legal persons are also excluded.

Businesses admitted to the tax credit mandatorily need to comply with the health & safety on the workplace regulation applicable in their specific industry and with all social security and welfare contribution fulfilments in favour of employees.

### **Tax credit for new corporate assets – eligible assets**

Investments in new tangible and intangible assets, instrumental for the corporate activity. Investments concerning the following assets are nonetheless excluded:

- vehicles and other means of transport, either used only for the business activity, or not exclusively for business purposes, under art. 164, para. 1 of the TUIR (Consolidated text on income taxes);
- assets for which Ministerial Decree dated 31 December 1988 provides depreciation rates lower than 6.5%;
- buildings and constructions;
- assets under Annex 3 to Stability Law 2016 (by way of example, pipelines used by water bottling plants or by bathing establishments and spas, pipes used by companies producing and distributing natural gas, railway and tramway rolling stock, aircrafts, etc.);
- assets freely transferable from companies operating - under a concession and a regulated tariff - in the following industries: energy, water supply, transport, infrastructure, post, telecommunication, collection and treatment of waste water and waste collection and disposal.

### **Tax credit on “ordinary” assets**

The tax credit is granted with different rates based on the type of assets object of the investment. A tax credit equal to 10% of the cost borne is actually due to companies:

- investments in tangible capital assets, other than those listed under Annex A to Law no. 232 dated 11 December 2016 (i.e. tangible assets other than those instrumental to the technological and digital transformation of businesses based on the Industry 4.0 model);
- investments in intangible capital assets other than those indicated under Annex B to Law no. 232 dated 11 December 2016 (i.e. software, systems and system integration, platforms and applications relevant to investments in tangible assets relevant to the Industry 4.0 model).

The tax credit is due as detailed above for investments made starting from 16 November 2020 and until 31 December 2021, or until 30 June 2022 upon condition that the relevant order is accepted by the supplier by 31 December 2021 and advances are paid for an amount equal to at least 20% of the purchase cost. For investments made through financial leases, the cost borne by the lessor for the purchase of the assets is considered.

The tax credit is increased to 15% for investments in technological tools and devices used by companies for remote working.

For investment made from 1 January 2022 until 31 December 2022 the tax credit is reduced to 6%. Para. 11 of art. 185 provides for that the tax credit also applies, at the same conditions and within the same limitations, to investments made by people practicing arts of other professions.

## Tax credit for “Industry 4.0” assets

For investment concerning assets included in annex A to Budget Law 2017, i.e. tangible assets functional to the technological and digital transformation of businesses according to the Industry 4.0 Italian plan, made from 16 November 2020 to 31 December 2021, or by 30 June 2022 – provided that by 31 December 2021, the relevant order results as accepted by the seller and the relevant advances result as paid for at least 20% of the purchase cost – the tax credit is granted as follows:

- for an amount equal to 50% of the cost for investment up to 2.5 million Euro;
- for an amount equal to 30% for investment higher than 2.5 million Euro and up to 10 million Euro;
- for an amount equal to 10% of the cost for investment higher than 10 million Euro and up to the maximum admissible total costs, equal to 20 million Euro.

With reference to investment made from 1 January 2022 to 31 December 2022, or by 30 June 2023 – provided that at 31 December 2022, the relevant order results as accepted by the seller and the relevant advances result as paid for at least 20% of the purchase cost – the first two rates listed above are reduced to 40% and 20%, respectively, while tax credit remains equal to 10% for investment higher than 10 million Euro and up to 20 million Euro.

For investment concerning intangible assets included in annex B of Budget Law 2017 (software, systems and system integration, platforms and applications related to investment in Industry 4.0 tangible assets), the tax credit is granted as 20% of the cost, within the maximum limit of admissible costs, equal to 1 million Euro. The benefit is granted for investment made from 16 November 2020 to 31 December 2022, or by 30 June 2023 – provided that by 31 December 2022, the relevant order results as accepted by the seller and the relevant advances result as paid for at least 20% of the purchase cost.

## Application and use of the tax credit

Para. 9 of the article at issue clarifies that the tax credit under analysis can be used exclusively by offsetting it in three equal yearly instalments, starting from the year when the assets started operating, as regards investment in tangible assets other than those relevant to Industry 4.0 Italian plan, or starting from the year following the interconnection of such assets, with regard to investment in tangible and intangible assets relevant to Industry 4.0 plan.

With reference to investment in capital assets made from 16 November 2020 to 31 December 2021, taxpayers whose revenues or considerations are lower than 5 million Euro can use the tax credit up to its total offset in a single annual instalment.

The general limits (700,000 Euro, increased to 1 million for 2020 under “Rilancio” Decree, no. 34 dated 2020) and special limits (so-called limit of use. Equal to 250,000 Euro, under no. 244 and article 34 of law dated 23 December 2000, no. 388) do not apply to this tax credit.

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

Please refer to Clever Desk on our website - [bgt-grantthornton.it](http://bgt-grantthornton.it) - for further details on any issues concerning COVID-19.

