

Tax credit for sanitization expenses and the purchase of PPE: guidelines by the Revenue Office



Focus on

The Italian Revenue Office, with its Circular Letter n. 20/E and Order dated 10 July 2020, provided important clarifications on the obtainment of a tax credit for the sanitization of working premises and the purchase of personal protection equipment (PPE), as under art. 125 of Law Decree n. 34/2020, so-called *Rilancio Decree*.

Besides clarifying the subjective and objective scope of the norm and the terms and conditions to use the tax credit, the Revenue Office provided important indications on the different options available to use it, as well as on the procedures to be followed for a correct use.

Subjective scope

The tax credit for the sanitization of working premises and the purchase of personal protection equipment (PPE) is aimed at all subjects carrying out a business activity (including permanent establishments of non-resident entities), practicing art or other professions, regardless of the kind and nature of the activity carried out.

There being no other limitations provided under the main norm, all those subjects who determine their income as a lump sum (e.g. advantageous tax regime/flat-rate taxation regime), as well as agricultural entrepreneurs or businesses, regardless of the applied regime (i.e. land register system or company regime), fall within the scope of applicability of the tax credit.

Associations, foundations and other private entities, including third sector entities, can also benefit from the tax credit.

Objective scope

The tax credit is granted against the expenses borne for the following items:

- sanitization of premises in which the working and corporate activity is carried out, or for the sanitization of equipment used for said activities;
- personal protection equipment (PPE), such as masks, gloves, visors and protective glasses, protective suits and overshoes, compliant with the essential security norms provided by the EU regulation;
- detergents and disinfectants;
- safety devices other than the above, such as thermometers, thermos scans, decontamination and sanitizing mats and trays, compliant with the essential EU safety requirements, including possible installations costs;
- equipment to guarantee a safe interpersonal distance, such as protective barriers and partitions, including possible installation costs.

Circular Letter n. 20 further clarifies that there being in the norm no reference to its “purchase”, the sanitization activity can also be carried out autonomously by the beneficiary, on a time and material basis - provided that the relevant specific skills are normally recognised - using its employees or collaborators and upon condition that the indications contained in the regulatory protocols in force are complied with and evidence thereof is available.

In such case the expenses which can benefit from the tax credit can be determined:

- basing on the expenses borne for the disinfectant products used
- multiplying the hourly cost of labour of the person employed in this activity by the hours actually spent (documented by internal timesheets).

It is also specified that the expenses for the purchase of PPEs benefit from the tax credit only if the relevant documentation attesting their compliance with the essential EU safety requirements can be produced.

Extent of the tax credit

The tax credit is equal to 60% of the expenses borne in FY 2020 (from January to December) up to a maximum amount - in terms of the tax credit granted - of Euro 60,000 (maximum amount of eligible expenses Euro 100,000).

Art. 125 of the “Relaunch” Law Decree, besides quantifying the tax credit, introduced a new maximum threshold for public expenses - Euro 200 million - to finance said incentive. Therefore, the theoretical extent of the credit (calculated as above), will have to be compared with the actual extent of the credit due, which will be made available by the Revenue Office by 11 September 2020. Actually, access to the credit is subject to filing a specific Notification (see below).

The calculation of the credit due is based on the amount of the expenses net of VAT (with the exception of those cases in which the non-deductibility implies a higher cost).

How to benefit from the tax credit and its possible uses

The subjects meeting the law requirements to benefit from the tax credit have to:

1. notify the Revenue Office, using the specific form (“Comunicazione delle spese per l’adeguamento degli ambienti di lavoro e/o per la sanificazione e l’acquisto dei dispositivi di protezione” - notification of expenses for the adaptation of working premises and/or for their sanitization and the purchase of PPEs), of the amount of eligible expenses borne up to the month preceding the date of the notification and the amount they expect to bear up to 31 December 2020;
2. the “Notification” can be filed by the taxpayer either through an intermediary, only electronically through the web service available in the restricted area of the Revenue Office website, or through its other electronic services;
3. within 5 days from the filing of the “Notification”, a receipt is posted on the restricted area of the Revenue Office website, attesting its acceptance or rejection, with the relevant reasons.

The “Notification” can be filed from 20 July up to 7 September 2020; during the same period it will be possible to file another “Notification” substituting the previous one(s), or a waiver to the tax credit using the same channels used for the application. The tax credit can be:

- used to offset other taxes using the F24 form;
- used in the tax return for the period in which the expenses were borne;
- transferred, even in part, by 31 December 2021, to a third party, including credit institutions.

The tax credit is not subject to limitations under the RU section of the tax return (i.e. Euro 250,000), nor to the general offsetting limits (Euro 700,000 and, only for FY 2020, Euro 1,000,000).

The tax credit due and its use will have to be indicated in the income tax return (section RU).

It will be possible to carry forward the residual tax credit in future tax periods, but, lacking an express indication in art. 125 of Law Decree 34/2020, it will not be possible to apply for its refund.

The tax credit under art. 125 does not contribute to the calculation of income for IRES and IRAP purposes.

Transfer of the tax credit

Up to 31 December 2021, entitled taxpayers can transfer their tax credit to other subjects, including credit institutions and other financial intermediaries, within the limits of the usable amount.

The notification of the transfer of the tax credit needs to be filed electronically by the transferor starting from the working date subsequent to the publication of the order disclosing the actual amount of tax credit due to each beneficiary.

The transferee will have to notify its acceptance of the tax credit through the functionalities available under the restricted area of the Revenue Office website and will have the possibility to use it in the income tax return relevant to the tax period in which the transfer was notified or to offset other taxes pursuant to art. 17 of Legislative Decree 241/1997, by 31 December of the FY in which the transfer was notified.

With reference to the possible portion of unused tax credit, once the latter has been accepted, it will not be possible for the transferee to:

- use the tax credit transferred in the FYs subsequent to the tax period in which the transfer was notified;
- apply for a refund;
- transfer the tax credit in turn.

As an alternative to the direct use, transferors can further transfer their tax credits to other subjects, by 31 December of the FY in which the first transfer was notified.



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

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