



Tax news

October 2018

Italy planning amendments to R&D tax credit regime and investment allowances

The Italian government is currently working to finalize the draft budget for 2019. Tax measures reportedly being considered include amendments to the country's R&D tax credit regime. Currently, the regime provides for a credit equal to 50% of qualifying R&D expenditure that exceeds the average expenditure for tax years 2012, 2013 and 2014, with a credit cap of EUR 20 million per year. Planned amendments to the R&D credit regime include reducing the credit amount to 25% of expenditure for depreciation, outsourced R&D, and costs to acquire technical knowledge and patents, and reducing the credit cap to EUR 10 million per year. In addition, an expansion of the

scope of qualifying expenditure is being planned, to include the cost of materials and supplies to be used for R&D activities.

The government is also planning amendments in relation to the 250% (extra 150%) depreciation allowance for investment in digital technology, such as plant, equipment, and machinery whose operations are digitally controlled and/or operated by smart sensors and drives that are interconnected with factory's computer systems. Planned amendments include extending the allowance to the end of 2019, or 31 December 2020 if at least 20% of the price is paid by 31 December 2019. However, the depreciation allowance amount would be progressively reduced,

based on the investment amount, including an extra 150% allowance (as currently provided) for investment up to EUR 2.5 Million, a 100% allowance for investment from EUR 2.5 million up to EUR 10 million, and a 50% allowance for investment from EUR 10 million up to EUR 20 million. For investment exceeding EUR 20 million, the allowance would not be provided. Further, a similar extension of the 140% (extra 40%) depreciation allowance for investment in intangible asset is planned, while the 130% (extra 30%) depreciation allowance for certain qualifying plant and machinery will probably not be extended.

Flash News

SME bonus

Starting from October 1 until March 31, 2019, small and medium-sized enterprises (SMEs) can apply for a tax credit on consultancy fees incurred for listing on a regulated market or multilateral trading facilities.

The tax incentive was introduced by law no. 205/2017 and was implemented by the decree of the Ministry of Economic Development of 23 April 2018.

The tax credit is granted to small and medium-sized enterprises that finalize their listing at the end of a process started after January 1, 2018 and completed by December 31, 2020.

The amount of the benefit is equal to 50% of the consultancy costs incurred for the IPO process, with a maximum of 500 thousand euros.

The tax credit can only be used by offsetting it against tax liabilities (starting from the 10th working day of the month following that in which the concession is communicated) in the F24 return, through the telematic services provided by the Revenue Agency. Penalties are provided in case of rejection of the payment transaction.

Domestic tax consolidation regime – clarifications issued

On 25 October 2018, the Italian Tax Authorities issued a number of clarifications on the possibility, provided under the domestic tax consolidation regime, to transfer among a group's members the excess tax credits generated by a company before entering into the consolidation.

In particular, transferred excess tax credits exceeding EUR 5,000 must generally be certified in the tax returns of both the assignee and the assignor through a specific stamp of approval (*visto di conformità*). Tax Authorities have clarified that, where the domestic tax consolidation regime applies, qualifying excess tax credits must be certified in both the tax return of the assignor and in the consolidated tax return of the group. In addition, a company may choose to transfer its excess tax credits in full to the group's members, without any limitations. However, the assignee may only use the transferred excess tax credits up to EUR 700,000 when offsetting outstanding tax liabilities and contributions other than corporate income tax (*imposta sul reddito delle società*, IRES) liabilities.

Communication of data on invoices – resolution published

The Italian Tax Authorities provided some clarifications on the communication of data on invoices, a reporting obligation introduced by Law Decree No. 193 of 22 October 2016.

Tax Authorities confirmed that sales receipts issued by a (utility) company to VAT taxable persons for the supply of water services must be included in the communication of data on invoices, because they have the nature of invoices. Conversely, invoices issued to private individuals should not be included.

Patent box regime – clarifications issued

On 25 October 2018, the Italian Tax Authorities issued ruling answer No. 52, providing clarifications on the patent box regime. The Tax

Authorities clarified that income derived from granting the right to use software through the cloud service cannot be covered by the patent box regime because such activity is not aimed at the development, maintenance and improvement of software. In particular, qualifying activities for the development, maintenance and improvement of software must fulfil the following conditions:

- they can be carried out exclusively by the owner of the right;
- they increase the economic value of the software;
- they are aimed at realizing a new and original function which can be legally protected; and
- they are the result of a unique operation not attributable to functions already present in the same software.



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Clients are encouraged to seek appropriate professional advice.

We will be pleased to discuss with you the particular application of the changes to your own circumstances. To this end please contact Alessandro Dragonetti or Gabriele Labombarda at their e-mail address below:
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Some pieces of news herein contained may be material to Advisory Services issues. Clients who are interested in delving into these items are encouraged to contact Stefano Salvadeo, Advisory Services specialist, at the following email address: stefano.salvadeo@bgt.it.gt.com

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