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TRANSFER OF ECONOMIC ACTIVITIES TO ITALY – 50% REDUCTION IN TAXES

THE INTERNATIONALIZATION DECREE

Art. 6 Legislative Decree 209/2023 - Published in the Official Journal on 29 December 2023

"in order to promote the carrying out of economic activities in the territory of the Italian State, the income deriving from business activities and from the exercise of arts and professions carried out in an associated form, carried out in a foreign country not belonging to the European Union or to Space European economic entity, transferred to the territory of the State, do not contribute to forming the taxable income for the purposes of income taxes and the value of net production for the purposes of the regional tax on productive activities for 50 percent of the relevant amount in the tax period in question. current at the time the transfer occurs and in the five subsequent tax periods".

WHAT IS IT?

Preferential tax regime, that consist in

- **50% reduction** in income and Irap (regional) taxes
- **for 6 years**
- **for companies**
- that decide to **transfer economic activity** to Italy
- **from non-EU (or EEA) territories** to Italy.

WICH ACTIVITIES ARE FACILITATED?

The rule concerns **companies that decide to move their business from non-EU (or EEA) territories to Italy.**

The law is aimed at attracting investments and activities in Italy. The measure appears to be very useful for multinational groups, which **can transfer individual branches of activity**

The facilitation includes **any economic activity** in compliance with the community orientation according to which any activity consisting in offering goods and services on a market constitutes a business, regardless of the entity that carries it out (see the European Commission communication 2016/C 262/ 01).

ACTIVITIES EXCLUDED

- **activities carried out in the territory of the State in the 24 months prior to their transfer** are not included
- (at the moment) **the start-up of an activity other than one carried out abroad** does not appear to be included in the relief, because in this case it would not be a transfer

WHICH INCOME IS SUBJECT TO REDUCTION?

- **Business income** derived from company
- **Income derived from the exercise of arts and professions** carried out in an associated form

Accounting evidence: for the purposes of determining the subsidized income, the taxpayer is required to keep separate accounting evidence suitable to allow verification of the correct determination of the income and the value of the eligible net production.

HOW MUCH IS THE REDUCTION?

Reduction by 50%

- **income taxes (Ires o Irpef)**
- **Regional Tax on Productive Activities (Irap)**

It is useful to remember that in Italy ordinary Income taxation is

- Limited company 24% (Ires)
- Stock company: 24% (Ires)
- Partnership / Society of people: from 23% to 43% depending on income (Irpef) - Pro quota taxation for the members
- Self-employment: from 23% to 43% depending on income (Irpef)

Furthermore, all business activities, under certain conditions, pay Irap (regional tax) equal to 3.9%.

DURATION

- **6 tax periods** (in the tax period ongoing at the time of the transfer and in the five subsequent tax periods)
- **10 if it concerns large enterprises**

Micro, SMEs or large enterprises - Please note that recommendation 2003/361/EC identifies the requirements and thresholds, referring to the number of employees and turnover, necessary to identify the categories of micro-enterprises, as well as small and medium-sized enterprises. It defines as SMEs, companies that

- employ fewer than 250 people,
- whose annual turnover does not exceed 50 million euros or whose annual balance sheet total does not exceed 43 million euros.

FORFEITURE AND LOSS OF BENEFITS

The relief ceases if

- in the 5 tax periods following the expiry of the relief regime,
- or 10 in the case of large companies, following the expiry of the facilitation regime,

the beneficiary transfers the activities subject to the previous transfer outside the territory of the State, even partially.

The financial <https://collascaronieassociati.it/wp-content/uploads/2021/03/3556-1-1.png> registration proceeds to collect, with interest, the taxes not paid during the subsidized regime.