

DOING BUSINESS IN ITALY



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TO SET UP A BUSINESS IN THE NETHERLANDS YOU CAN EITHER:

Open a branch office OR Choose one of the different forms of company as a subsidiary

BRANCH	SUBSIDIARY
NOT a separate legal entity Separate Italian company in its own right	Separate Italian company in its own right
BoD resolves to set-up the Italian Branch and to appoint a legal representative (preposto)	PoA to set-up the Italian subsidiary in front of a notary and to appoint a legal representative
Requires Italian notary but not minimum capital	Requires Italian notary and minimum capital
Does not require filing of accounts	Involves stringent requirements for legalisation and filing of accounts
Involves few corporate law requirements	Is subject to the provisions of the Italian company law
Its liability extends to the headquarters abroad	Has limited liability

TYPES OF SUBSIDIARIES AND THEIR CHARACTERISTICS:

When setting up a business in Italy, you can choose one of the different forms of company, which can be divided for small or big businesses, for minimum capital required and type of activity. **There are 7 forms of companies, namely:**

Private limited liability company (S.r.l.)	Joint stock company with limited liability (S.p.A.)	Cooperative company with limited liability (S.c.r.l.)	General partnership (S.N.C.)	Limited partnership (S.a.s.)	Limited partnership limited by shares (S.a.p.A.)	Private simplified liability company (S.r.l.s.)
Minimum starting capital of € 10,000.00	Minimum starting capital of € 50,000.00	No minimum starting capital	No minimum starting capital	No minimum starting capital	No minimum starting capital	No minimum starting capital
Constitution can be by one Shareholder	Constitution can be by one Shareholder	Constitution needs at least 3 shareholders	Constitution needs at least 2 shareholders	Constitution needs at least 2 shareholders	Constitution needs at least 2 shareholders	Constitution can be by one Shareholder
No free transfer of shares	Free transfer of shares	Free transfer of shares	Shares are on name and non-transferable	Shares are on name and non-transferable	Free transfer of shares	No free transfer of shares
Perfect for small and medium-sized companies	Perfect for big companies	Perfect when main purpose is meeting the need of the shareholders	Perfect for workers/ shareholders	Perfect for a mix of workers/ shareholders and financing shareholders	Simple constitution, where the equity interests are represented by shares	Perfect for very small companies
Straight forward and simple, but with ample room for contractual structuring	More flexibility with respect to governance	Ideal for the development of the shareholders' social activity	Risky, because of personal and unlimited responsibility	Partially risky, because of personal and unlimited responsibility of the workers/ shareholder	Risky, because of personal and unlimited responsibility	Straight forward and simple, but with ample room for contractual structuring



TAXES

1. Corporate Income Tax – IRES & IRAP

Italian corporate entities are subjected to a corporate income tax, known IRES, and to a regional production tax, known as IRAP.

IRES

The IRES taxable base is determined according to the worldwide taxation principle, which states that, regardless of the location/jurisdiction where the income is produced, to the extent that the income is legally attributable to an Italian resident entity, the income is taxed in Italy. IRES is charged on the total net income reported in the financial statements of the company as adjusted for specific tax rules. Non-resident companies are taxed only on Italian-source income.

IRAP

There are different methods of computation for the IRAP taxable base, depending on the nature of the business carried out by the taxpayer. Provisions for liabilities and risks, as well as extraordinary items, cannot be taken into account when determining the IRAP taxable base.

For sales and manufacturing companies, the IRAP taxable base is represented in broad terms by the company's gross margin in its financial statements. In addition to the non-deductible items mentioned above, interest income and expense and provisions for bad debts are excluded for the purposes of the IRAP taxable base.

The standard rates are as follows:

- 24% for IRES
- 3.9% for IRAP

2. Individual Income Tax

Taxable Income

Every individual income, of any kind, shall be summed and declared on the personal income tax return (modello UNICO PF).

Rates

The personal income tax (IRPEF) is calculated by applying the rates per bracket to total income, net of deductible expenses.

Starting from 2024 the tax rates are:

- 0-28 k 23%
- 28-50 k 35%
- Over 50k 43%

In addition there are minor variable tax rates of around 1 or 2% for regional and municipal taxes. Any individual can benefit from deductions related to medical expenses, interests on mortgage loans, home renovation, etc.

FLAT-RATE SCHEME

It is a favourable tax regime, intended for small economic operators.

Who start a new business activity, art or profession and are presumed to earn revenues or fees not exceeding € 85,000, and those who are already active and, in the year prior to the application of the flat rate regime have achieved revenues or fees within the indicated threshold, can access the flat-rate scheme.

Who applies the flat rate regime, determines the taxable income by applying, to the amount of the revenues obtained, the expected profitability ratio different depending on the activity performed.

3. Withholding Tax

No withholding tax applies to the dividends.

Withholding tax of 20% is in most cases applied on professional individual fees payments (as to accountants, lawyers, notaries, engineers, etc). 20% of the fee is withheld when the payment is done, and paid back to the tax office on the 16th of the following month.

4. Vat

Rates

There are 4 different VAT rates:

- 22% on goods and services (standard rate)
- 10% on other common products
- 5% on urban transport maritime services, basil, rosemary, and other specific services
- 4% on necessities (bread, milk, first house, etc)

Vat Exemption Cases

Reverse charge for some services and products with high risk of tax evasion split payment for supplies to Public Administration

Vat Returns/IC-Listings

Vat yearly return shall be filed by the 30th of April of the following year. In addition, quarterly tax returns called LIPE shall be filed as well during the year. Intrastat returns

(intra cee transactions) must be filed annually if the volume is below 50 k euro, monthly over 50k euro.

Electronic Billing Obligation

Starting in January 2019, all VAT-registered businesses in Italy started issuing invoices electronically using the country's online exchange system, Sistema di Interscambio (Sdi). It means that companies need to convert invoices for private transactions into a government-defined XML format and send them through the exchange system that automatically transfer the invoices from the seller's system to the buyer's system. From 2024 the e-billing is mandatory for all type of transactions, both B2B and B2C, with few exemptions. The main objective of the introduction of e-invoicing is to cut tax evasion.

5. Payroll Tax

All forms of remuneration, including benefits, are subject to social security contributions. The employer must deduct the employee's contribution and pay it to the social security administration together with the employer's contributions. All employees are entitled to 26 days' annual leave. During leave, the employee receives his or her normal monthly salary and an additional months' salaries (13th and in some cases 14th as well).





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PERSONALLY.**



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