

Taxation in Italy

Taxation in Italy is levied by the central and regional governments and is collected by the Italian Agency of Revenue (Agenzia delle Entrate). The most important revenue sources are **income tax, social security, corporate tax** and **value added tax**, which are all applied at the national level.

- Employment income is subject to a progressive **income tax, IRPEF** (*Imposta sul reddito delle persone fisiche*) applying to all workers in relation to the income range.

- **Social security contributions** apply to everyone in the workforce. In general, employee's contributions are deducted at source from their gross salary by their employer, who pays around two-thirds of pension contributions, while the remaining third is paid directly by the employee.

- Italian corporate entities are subject to **Corporate Income Tax, IRES** (*Imposta sul reddito delle società*) and to **Regional Production Tax, IRAP** (*Imposta regionale sulle attività produttive*).
 - o The **rate of corporate income tax (IRES)** since 1 January 2017 is 24% (previously it was 27.5%). Some corporations are exempted from corporate tax, such as charitable foundations, church institutions and sports clubs.
 - o The **standard rate of regional tax (IRAP)** is 3.9%, although regional authorities may increase or decrease the standard rate. In addition, different IRAP rates may apply to different sectors of the economy in different regions. Up to 10% of regional tax (IRAP) is deductible in calculating the tax base for corporate income tax (IRES) purposes.

- **Value added tax or VAT** (*Imposta sul valore aggiunto, IVA*) is the consumption tax charged in Italy at a standard rate of 22% with some exceptions for several sectors and goods. According to the Budget Law of 2018, however, from the 1st January 2019 this value is set to rise up to 25%. The **tourism** is part of the exception sectors: the VAT for accommodation suppliers and restaurant services is of **10%** and it is still superior to the same taxation levied from the principal concurrent European Countries (in France, for instance, is 5,5%, in Spain 8% and in Greece 9%). Regarding to the VAT relating to travel packages and services issued by travel agencies, these subjects are submitted to the special tax system introduced with Article 74-ter of Presidential Decree 633/1972.

Moreover, regarding to the tourism sector, in 2011 was adopted the Legislative Decree n. 23, which in Article 4, states that provincial capitals Municipalities, union of Municipalities, as well as Municipalities included in the regional lists of touristic places or art cities, can established with the deliberation of the City council, a **Tax of Stay**, which must be paid directly by tourists staying in the territorial receptive structures. The same Decree stated also that the revenue from the Tax of Stay, must be destined to finance interventions in subject of tourism, maintenance, fruition and recovery of cultural and environmental goods places and of the relative local public services.

Investments in R&R as Tax incentive

In Italy there aren't real tax incentive which can contribute to investment in R&R for enterprises which operates in the touristic sector. However, certain attempts to promote this sector can be detected in specific areas so that the renewable energy and ICT and in general in R&D.

e.g. The principal tax incentive in Research & Development (R&D) is the Bonus R&D 2018, a tax incentive destined to enterprises and society of any juridical form which invest in these types of activity. The bonus R&D is a tax incentive introduced by the "Italy Destination" Decree n. 145/2013, article 3, subsequently rewritten and modified by the Stability Law 2015 n.190. This modification involved the beneficiaries as well as the modalities of access to this incentive. With the Budget Law 2017, this bonus has been extended for another year, till December 2020, and it has been implemented to 50%.

The bonus is a tax credit for enterprises and societies which invest up to a maximum of 20 million of euro in research and development activities from 2016 to 2020, and it is designed to the following beneficiaries:

- all the enterprises of all juridical form, regardless of the economic sector in which they operate and the taxation scheme they adopted;
- according to the Balance Law of 2017, this bonus is now available also for enterprises not resident in Italy but presenting stable organizations in this Country.

The credit tax can be enjoyed only in compensation beginning from the period of taxation following the one in which the costs have been sustained for the activities in research and development.

In accordance with the "Italy Destination" Decree, the R&D activities which should be placed in the bonus are:

- experimental or theoretical jobs;
- planned research or critical investigations which can be useful for the development of new products, services or systems, or for the improvement of existing products;
- acquisition, combination and use of knowledges of scientific, technological and commercial nature;
- production and testing of products, trials and services, neither industrial and neither for commercial finality;
- expenses related to the personnel employee in the activities of research and development, including workers which are not also "highly qualified".

Recently, the interest of the National Policy maker to support the tourism industry development and competitiveness is increased also in term of R&R and Tax incentive. It is the case of tax concessions for SMEs grouped in tourist-hotel districts.

The law n. 106/2011 "Conversion into law, with modifications, of the Decree Law of May 13, 2011, n. 70 European Semester - First urgent provisions for the economy" tells (in art. 3 paragraph 4), that in coastal territories, by Decree of the President of the Council of Ministers, at the request of the companies of sector operating in the same territories, subject to agreement with the interested Regions, may be established tourist districts with the objectives of retraining and relaunching the tourist offer at the national and international level, to increase the development of the areas and sectors of the District, to improve efficiency in the organization and production of services, to ensure guarantees and legal certainties to the companies that operate there with particular reference to the investment opportunities, access to credit, simplification and speed in relations with public administrations". Other advantages are related to the recognition of the touristic districts as "areas with zero bureaucracy", in which info points will coordinate all of the activities related to the bureaucratic duties with tax agencies as well as with social security institutions.