

Italy tax system

[Economics](#), [Tax](#)



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ofTechnologyINTERNATIONAL AND EUROPEAN BUSINNES LAW Tax system in Italy 2009/2010 Taxation in Italy The taxation system in Italy is administered by the Agenzia delle Entrate (Revenue Agency) which is the national legal authority for taxation. Taxation of an individual's income in Italy is progressive. In other words, the higher the income, the higher the rate of tax payable. There are reduced rates of tax and tax exemptions available to certain income earners.

The liability for Italian income tax depends on where a person is domiciled. A domicile is usually the country we regard as the permanent home and where we live most of the year. A foreigner working in Italy for an Italian company who became resident in Italy and has no income tax liability abroad is considered to have a tax domicile in Italy. A person can be resident in more than one country at any time, but can be domiciled only in one country. The country of domicile is important regarding inheritance tax, as there's no longer any inheritance tax in Italy.

Generally, person is considered to be an Italian resident and liable to Italian tax if any of the following applies:

- The person has permanent home in Italy;
- He/She stays at least 183 days in Italy during any calendar year
- Person carries out paid professional activities or employment in Italy, except when secondary to business activities conducted in another country;
- The centre of person's economic interest in in Italy

If the person is registered as a resident in a comune, he/ she is liable to pay income tax in Italy.

If a person moves to Italy to take up a job or start a business, he/she must register with the local tax authorities soon after the arrival. This is done at a local tax office. An individual is also liable for tax on his income as an employee and on income as a self-employed person. Tax will be payable on income earned in Italy and overseas by an individual who meets the test of a " permanent resident" of Italy. A foreign resident who is employed in Italy pays tax only on income earned in Italy.

It is important to point out as regards taxable income from outside Italy, that a " tax credit" is granted for tax deducted outside Italy. In the case of income from a salary, the employer is obligated to deduct the amount of tax payable on a monthly basis. A self-employed person must prepay income tax that will be offset on filing an annual return. The advance payment is determined on the basis of the return made for the previous year. In the event of a new business, the advance will be calculated on the basis of estimates made by the owner of the business.

The taxation system in Italy is divided into two categories: Direct taxes * IRPEF or IRE: Imposta sui Redditi delle Persone Fisiche (Personal Income Tax) * IRPEG or IRES: Imposta sui Redditi delle Persone Giuridiche (Corporation Tax on the Income of limited liability and joint-stock companies - SRL or SpA) * IRAP: Imposte Regionale sulle Attività Produttive (Regional Tax which applies to the value of goods and services) Italy Personal Income Tax rates in year 2009 * 23%0 - 15, 000(EUR) * 27%15, 001-28, 000(EUR) * 38%28, 001-55, 000(EUR) * 41%55, 001-75, 000(EUR) 43%75, 001 and over (EUR) Capital Gains Tax in Italy For individuals capital gains are generally

added to the regular income. •The rate of tax payable on capital gains from shareholding is 12.5% for non-qualifying shareholding of up to 25% in a company. •For the purpose of calculating a capital gain, the gain is decreased in line with the rate of increase in inflation, from the date of purchase to the date of sale. In regard to capital gains in a corporation, identical relief is allowed at the rate of increase in the Index. •Companies pay 27.5% tax on capital gains.

In sale of participation, 95% is tax exempt, subject to certain conditions. Italy Reporting Dates and Payment The tax year in Italy ends on December 31st. Advance payments of tax are made on the following basis. • An Individual - An individual whose only income is from a salary is not obligated to file an annual tax return. His employer deducts tax from the employee and transfers the payment immediately to the tax authorities on a monthly basis. • A Self-Employed Individual is obliged to pay 100% of the tax forecast for a year, or an amount that is the equivalent of 98% of the tax paid in the previous year.

The pre-payment is made in two installments. 40% of the total is paid by June 20th and the remaining 60% is paid on November 30. The date for filing an annual return for an individual is July 31. Fines are imposed for arrears in filing an annual return at the rate of 120% - 240% of the tax, depending on the length of time that the return is in arrears. • A Limited Company - A limited company is obligated to submit Financial Statements within 30 days of the date of approval of the Statements. Up until the date of approval of the Statements, the Company is obligated to pay the amount of tax due for

the previous year as well as 40% of the advance on account of the tax forecast for the current year. Italy Deduction of Tax at Source Italy Taxation of Employees As regards employed persons, the employer is obligated to deduct tax at source from an employee and to make additional contributions to social security. Italy Social Security •An employed person - the employer's contribution is around 30% of the salary and the employee's contribution is around 10% of the salary. A self-employed person - the rate of payment is between 17%-25. 7% with an upper limit that changes from year to year. Indirect taxes * IVA (VAT) * Imposta di Registro (Registration Tax) * Imposte Ipotecarie e Catastali (Mortgage and Land Registration) * Imposta di Bollo (Revenue Stamps) * Accise o Imposte di Fabbricazione e consumo (Inland Duties) IVA (VAT) * Standard Rate 20% (since Oct 1997) Reduced Rate 10% Italy VAT Recovery Time: 18 months Italy VAT Registration Threshold Non-Resident: Nil Inheritance Tax ; Gift Tax

There is no longer any tax on inherited property, regardless of its value and the relationship between the deceased and the heirs. On immovable property and real property rights, the cadastral tax (imposta catastale) and land registry tax (imposta ipotecaria) must be paid at the rates of one percent and two percent, respectively, of the cadastral value of the property or the real property rights included in the inheritance. If one of the beneficiaries satisfies the conditions for the main or only residence (prima casa), the cadastral and land registry taxes due on an inheritance or a gift are a fixed amount of €168 each.

In relation to gifts, the rules vary depending on the degree of kinship and the value of the gift. There are no taxes payable on gifts in favour of a spouse, descendants or other relatives up to the fourth degree. Gifts in favour of persons other than those mentioned above are subject to taxes on the transfer if the value of the share due to each beneficiary is greater. Other Taxes There are other taxes payable to central, regional, provincial or local governments. These are usually paid once a year. Bollo Auto (Car Tax), which includes the tax on your car radio and the stamp duty on your Italian driving licence * Bollo Moto (Motorbike Tax) * Bollo Motorino (Scooter Tax) * Canone RAI (TV Tax) * Tassa Rifiuti (Garbage Tax) * Imposta Comunale Sugli Immobili - ICI (Municipal Property Tax) Deductible Burdens and Tax Allowances Tax allowances include the so-called " no-tax area", (a deduction of between €3, 000 and €7, 500 to avoid taxing those on low incomes), as well as allowances for dependantfamilymembers (dependant wife and/or children).

Some deductible burdens (oneri deducibili) are expenses which can be used to reduce the total income. For example: some types of medical expenses, national insurance contributions, donations to religious institutions, donations to universities, research bodies and associations for the protection of assets of artistic interest, the cadastral income (income deriving from the value of any land owned) of the main residence are considered to be deductible burdens. Some deductible burdens are expenses which can be used to reduce the amount of the gross tax due.

Again by way of example: medical expenses, passive interest on mortgages, education expenses, donations to Bodies or Foundations for research, for performing arts, for social purposes, donations to political parties. Each type of expense has its own rules for the deductions. For example: from rental property income a fixed amount of 15 percent of the income is deducted for expenses, while from business and self-employed income the expenses sustained for the carrying out of the activity are deducted. Some unearned incomes are taxed only on 40 percent of the amount.

The majority of these burdens are not deductible from the income of non-residents. Other deductions in Italy Deductions must be made from the following payments to nonresidents according to this table: * Dividend 27 (1.375% to EU and EEA residents) * Royalties 22.5% * Interest 12.5 / 27% * Director's Remuneration 20% Deduction at source in the case of a dividend, royalties and interest paid to foreign residents is subject to the Double Taxation Prevention Treaty. Double Taxation Treaties Double taxation treaties contain rules that determine in which country an individual is resident.

Italian residents are taxed on their world-wide income, subject to certain treaty exceptions. Non-residents are normally taxed only on income arising in Italy. Citizens of most other countries are exempt from paying taxes in their home country when they spend a minimum period abroad, e. g. a year. Double taxation treaties are designed to ensure that income that has already been taxed in one treaty country isn't taxed again in another treaty country. The treaty establishes a tax credit or exemption on certain kinds of income,

either in the country of residence or the country where the income was earned.

Where applicable, a double taxation treaty prevails over domestic law. Italy has double taxation treaties with over 60 countries, including all members of the EU, Australia, Canada, China, the Czech Republic, Cyprus, Estonia, Hungary, Iceland India, Israel, Japan, Latvia, Lithuania, Malaysia, Malta, Mexico, New Zealand, Norway, Pakistan, the Philippines, Poland, Romania, RSA, Russia, Singapore, the Slovak Republic, Sri Lanka, Switzerland, Turkey, and the US. Bibliography: SOCR. CZ. Pravidla pro volny pohyb sluzeb a svobodu usazovani v EU- Italie. [online]. [cit. 2010-04-12]. URL: <http://www.ocr.cz/images/prirucka/pdf/it.pdf>, cit. 1 BUSINESSINFO: CZ. Italie: Financni a danovy sektor [online]. [cit. 2010 012]. URL: <http://www.businessinfo.cz/cz/sti/italie-financni-a-danovy-sektor/5/1000683/> ANGLOINFO. COM. Personal Taxes - Income Tax, Capital Gains & Inheritance Tax - in Italy. [online]. [cit. 2010 012]. URL: <http://rome.angloinfo.com/countries/italy/tax.asp> CANADINTERNATIONAL. GC: CA. Income and Other Taxes in Italy. [online]. [cit. 2010 012]. http://www.canadainternational.gc.ca/italy-italie/consular_services_consulaires/tax_italy-italie_taxes.aspx?lang=eng