

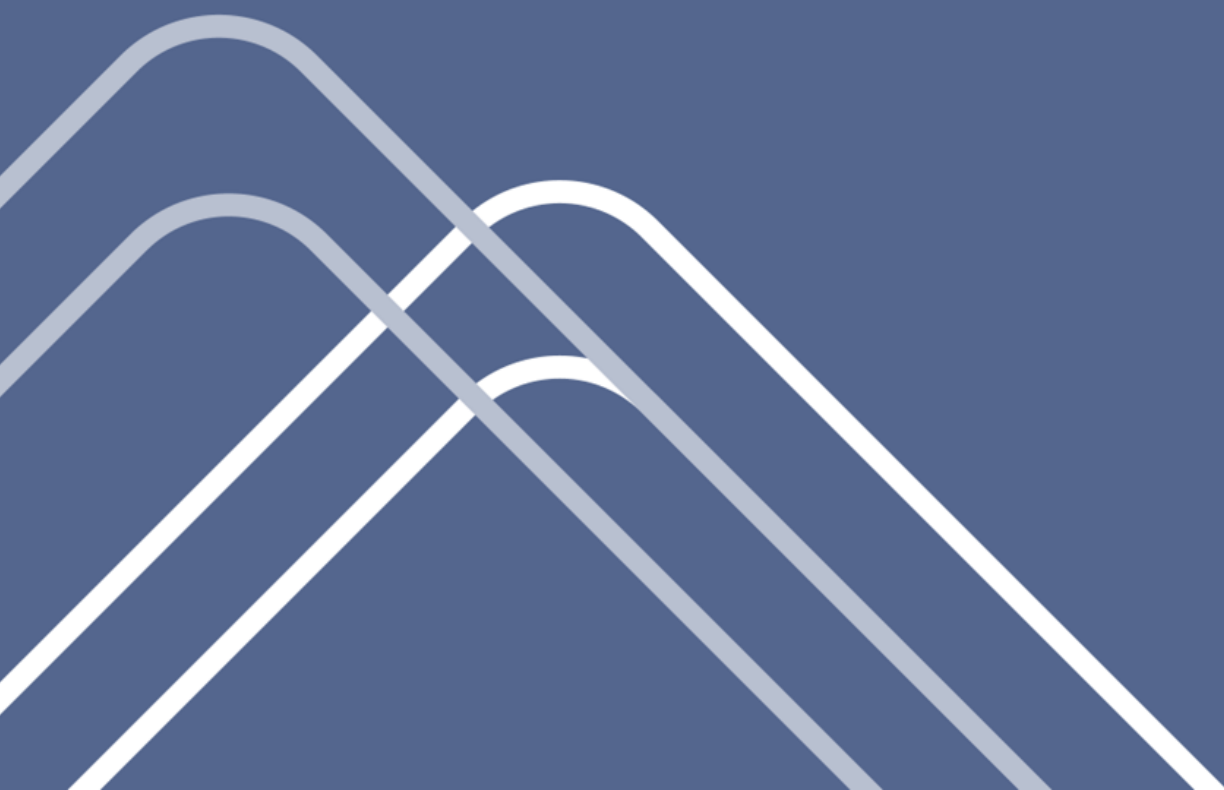


DOING BUSINESS IN ITALY



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1- INTRODUCTION

UHY is an international organisation providing accountancy, business management and consultancy services through financial business centres in around 100 countries throughout the world.

Business partners work together through the network to conduct transnational operations for clients as well as offering specialist knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report providing key issues and information for investors considering business operations in Italy has been provided by the office of UHY representatives:

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A detailed firm profile for UHY's representation in Italy can be found in section 8.

Information in the following pages has been updated so that they are effective at the date shown, but inevitably they are both general and subject to change and should be used for guidance only. For specific matters, investors are strongly advised to obtain further information and take professional advice before making any decisions. This publication is current in August 2025.

We look forward to helping you do business in Italy

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2- BUSINESS ENVIRONMENT

BACKGROUND

Italy, located in Southern Europe, is a founding member of the European Union and part of the Eurozone. As of 2025, it has a population of approximately 58.9 million, characterised by a low birth rate and an aging demographic. The country is known for its rich cultural heritage, high-quality manufacturing, and global influence in sectors such as fashion, automotive, and food.

Italy's geography is diverse, featuring coastal plains, mountain ranges such as the Alps and Apennines, and several active volcanoes. It also includes the islands of Sicily and Sardinia. The country's most industrialised and agriculturally productive area is the Po Valley in the north.

Italian is the official language, with recognised regional minority languages in specific areas. The education system is public and compulsory from ages 6 to 16, and the country hosts some of the oldest and most prestigious universities in Europe.

POPULATION

As of 2025, Italy has a population of approximately 58.9 million inhabitants, with a declining birth rate and an aging population. The average population density is about 195 people per square kilometre.

GEOGRAPHY

Italy is located in Southern Europe, bordering France, Switzerland, Austria, and Slovenia to the north. It extends southward into the Mediterranean Sea, forming a boot-shaped peninsula that includes the islands of Sicily and Sardinia.

Italy has coastal plains, mountainous areas (Alps in the north and Apennines running down the spine), and volcanic zones (Vesuvius, Etna, Stromboli). The Po Valley in the north is Italy's most fertile and industrialised area.

CURRENCY

Italy uses the Euro (€) as its official currency. The Euro is also the currency of 19 other Eurozone countries.

- Currency code: EUR
- Symbol: €
- Central bank: European Central Bank (ECB), with national operations by the Bank of Italy.

LANGUAGE

The official language is Italian.

In some regions, co-official minority languages are recognised and protected by law:

- German (South Tyrol)
- French (Aosta Valley)
- Slovene (Trieste/Gorizia)
- Ladin (Dolomites)

English is widely taught and understood, especially in urban centres and among younger generations.

MAJOR EXPORTS

Italy is a top global exporter of high-quality, design-driven, and high-tech goods. Major exports include:

- Machinery and equipment

- Automobiles and auto parts (Ferrari, Fiat/Stellantis)
- Fashion and luxury goods (Gucci, Prada, Armani)
- Pharmaceuticals and medical devices
- Food and wine products (cheese, pasta, olive oil, wine)
- Furniture and home design

MAJOR IMPORTS

Italy imports mainly:

- Energy products (oil, gas – especially from Algeria, Azerbaijan, Norway)
- Industrial machinery and electronics
- Raw materials and semi-finished goods
- Chemicals and plastics
- Foodstuffs not produced locally

EDUCATION – PRIMARY AND SECONDARY

Italy's education system is public, compulsory and free from ages 6 to 16. It includes:

- Primary school (scuola primaria): ages 6–11
- Lower secondary school (scuola secondaria di I grado): ages 11–14
- Upper secondary school (scuola secondaria di II grado): ages 14–19
(includes licei, technical and vocational schools)

TERTIARY EDUCATION

Italy has a strong university tradition dating back to the Middle Ages (e.g. University of Bologna, 1088). Today, the system includes:

- Public universities (tuition is low to moderate)
- Private universities
- Technical institutes and academies

HEALTH CARE SYSTEM

Italy has a universal, public healthcare system (Servizio Sanitario Nazionale – SSN), established in 1978. Key features:

- Free or low-cost access to general practitioners, hospital care, and prescriptions
- Financed by taxes and regional health contributions
- Healthcare delivery is regionally managed

Italy ranks highly for life expectancy, preventive medicine, and emergency care access. Private healthcare services coexist with public options and are used for shorter wait times or specialised care.

COMMUNICATIONS

Italy has a well-developed communications infrastructure, with internet and widespread 5G coverage. The media landscape is diverse, though concerns about concentration remain.

BANKING AND FINANCIAL SERVICES

Italy's banking sector, aligned with EU regulations and supervised by the ECB and Bank of Italy, offers a full range of traditional and digital services. It has seen strong growth in green finance and digital innovation, supported by EU initiatives.

TRANSPORTATION LINKS

Italy has a modern and extensive transport network, including high-speed trains, major airports, and key commercial ports. Its infrastructure is well integrated into European and Mediterranean transport corridors.

LAND AND BUILDING

Foreigners can buy, rent, or invest in property in Italy.

- The real estate market varies greatly by region: Milan and Rome are the most expensive, while the south and rural areas offer lower prices.
- Foreign investment is allowed with few restrictions, particularly for EU citizens.
- Property taxes and notary costs apply on purchases.
- Urban areas are densely built; new construction is often regulated due to historical preservation laws.

HOLIDAYS IN ITALY

Italy observes a mix of **national, religious, and regional public holidays**. Key national holidays include:

Date	Holiday
January 1	New Year's Day
January 6	Epiphany
Easter Monday	(variable date, following Easter)
April 25	Liberation Day
May 1	Labour Day
June 2	Republic Day
August 15	Assumption Day (Ferragosto)
November 1	All Saints' Day
December 8	Immaculate Conception
December 25	Christmas Day
December 26	St. Stephen's Day

Each city or region may also celebrate **local patron saint days**.

<https://www.cia.gov/the-world-factbook/>
<https://data.worldbank.org/country>

3- FOREIGN INVESTMENT

EXCHANGE CONTROLS

Italy maintains full liberalisation of foreign exchange, in line with European Union legislation on the free movement of capital. Since May 1990, foreign exchange restrictions and controls have been abolished, allowing both residents and non-residents to move capital freely for investment and commercial purposes.

For statistical and anti-money laundering purposes, financial institutions are required to report foreign exchange transactions to the Financial Information Unit (Unità di Informazione Finanziaria - UIF), which operates under the supervision of the Bank of Italy.

For exchange control and reporting purposes, legal and natural persons are classified as either residents or non-residents. The following are considered residents:

- Italian citizens with habitual residence in Italy;
- Foreign nationals habitually residing in Italy and conducting regular business or employment;
- Italian citizens residing abroad but working in Italy regularly;
- Foreign or Italian legal entities with their centre of operations or a permanent establishment in Italy.

Entities with bank accounts in Italy must promptly notify their financial institutions of any change in residence status.

Non-residents are free to:

- Transfer payments related to exports, credit instruments, securities, and other financial assets in Euros or foreign currencies;
- Open and operate foreign currency accounts (conti esteri) in Italian banks;
- Offer and sell certain financial services and investment products in Italy, subject to applicable regulatory approval.

INVESTMENT INCENTIVES

Italy offers a wide range of investment incentives, with particularly strong support for businesses in the Mezzogiorno. Measures such as the ZES Unica (Single Special Economic Zone) provide targeted benefits, and while incentives remain substantial, recent EU state aid rules have made access more selective and performance-based.

SOURCES OF FINANCE FOR FOREIGN INVESTORS

Foreign-owned businesses in Italy can access the same financing options as Italian enterprises. These include:

- Subsidised loans managed by public agencies and cooperative banks;
- Medium- and long-term loans at fixed or variable interest rates;
- Project financing and venture capital funds (especially for start-ups and technology companies);
- Export financing via specialised institutions such as SACE and SIMEST;
- Public-private partnership (PPP) models in infrastructure and green transition sectors.

Financing support is aligned with EU programs like Horizon Europe, InvestEU, and Just Transition Fund, particularly for innovation, decarbonisation, and regional development.

IMPORTING AND EXPORTING

As a member of the EU customs union, Italy applies the Common Customs Tariff and adheres to World Trade Organization (WTO) rules, including GATT principles.

Importation

- Most goods may be imported freely.

- Import licenses or certifications may be required for strategic or sensitive products (e.g. pharmaceuticals, agricultural goods, defence technologies).
- Import controls are in place primarily to protect consumer safety, environmental standards, or public health.

Exportation

- Exports are generally unrestricted, although declarations must be filed with customs authorities.
- Italy's main export sectors include machinery, fashion, transport equipment, chemicals, and food and beverages.

Exporters also benefit from access to low-interest loans, often co-funded by national credit institutions or EU trade programs.

REGISTRATION OF INTELLECTUAL PROPERTY

Italy provides strong protection for intellectual property rights (IPRs) in line with EU directives and international conventions (TRIPS, WIPO, EPO).

Through the Italian Patent and Trademark Office (UIBM) under the Ministry of Enterprises and Made in Italy, foreign individuals and entities enjoy the same rights and protections as Italian nationals.

Patentable Innovations:

- Industrial inventions
- Utility models
- Designs and models
- Software and technical solutions (under copyright law)

Applications can be filed nationally or via international systems like the European Patent Office (EPO) and the Patent Cooperation Treaty (PCT).

LICENSING ARRANGEMENTS

Licensing represents a flexible and lower-risk method of entering the Italian market. Foreign entities may license technology, trademarks, or industrial processes to Italian firms without the need to establish a direct presence in Italy.

Importantly, there are no restrictions on the repatriation of royalties or licensing fees, and such transfers are fully permitted under the free capital movement regime. Licensing agreements must comply with local contract law and be properly registered for IP enforcement purposes.

4- SETTING UP A BUSINESS

Foreign investors who intend to conduct commercial activities in Italy can choose from a wide range of legal entities. Effective from 1 April 2010, communications to the Tax Authority, Register of Companies and Labour Authorities will be made through the so-called 'Sole Communication' channel which allows for a short period of time to set up a business in Italy.

The most common business entities are described below.

TYPES OF PARTNERSHIP

CONTRACTUAL AND CONSORTIA-BASED PARTNERSHIP

Several forms of joint ventures may operate in Italy. Examples range from participating (unincorporated) associations to consortia for special purposes, to the most flexible form of temporary co-operation among enterprises joined by contract to carry out projects or deliver services.

In particular these joint ventures can be structured as:

- Contratti di associazione in partecipazione (participating associations – unincorporated)
- Consorzi (consortia) - associations for specific economic purposes
- Temporary Business Groupings (ATI - Associazione Temporanea di Imprese) – often used in public tenders or large projects.

These arrangements allow companies to cooperate for specific projects without creating a new corporate entity.

BRANCHES OF FOREIGN CORPORATIONS

A foreign corporation which forms an Italian branch (*sede secondaria*) is subject to Italian law because a branch, unlike a subsidiary, is not an entity separate from the company which is responsible for its obligations. At the time when the branch is formed, the foreign company must notify the local court and provide the names of the resident persons representing the company in Italy. It must file specified documents relating to the creation of the branch with the Register of Enterprises. Registration with the local chamber of commerce is also required.

TYPES OF COMPANIES

PERSONAL COMPANIES WITHOUT LIMITED LIABILITY STATUS

These companies are as follows:

S.n.c. (*società in nome collettivo*) or general partnership - this is a partnership where all partners are jointly liable for all of the firm's debts and obligations

S.a.s. (*società in accomandita semplice*) or limited partnership - this is a partnership with two different categories of partners:

- Silent partners (*soci accomandanti*) where the liability is limited to the extent of their per capital contribution, or
- General partners (*soci accomandatari*) where the partners are jointly liable for all debts and obligations of the partnership.

COMPANIES WITH LIMITED LIABILITY STATUS

Companies with legal personality and limited liability status are:

S.p.A. (*società per azioni*) or corporation - in which the participants' equity is represented by shares.

S.r.l. (*società a responsabilità limitata*) or limited liability company - in which the capital stock is represented by quotas and not by shares.

S.a.p.a. (*società in accomandita per azioni*) or limited partnership by shares - this combines some of the features of both a limited partnership and a limited liability company. It is a company in which at least one member has unlimited liability, while the liability of remaining members is limited to the extent of their share capital subscriptions.

A third type of partnership, the simple partnership (*società semplice*), is mainly used as a passive holding vehicle and for succession planning purposes, given the flexible rules applicable to its governance. However, Italian law does not allow it to be used for business activities.

'LTD TYPE' SPA AND SRL

Both SpAs and Srls have a legal personality. The shares of a SpA may be quoted on the stock exchange; the quotas of a Srl may not. The shares of a SpA are generally freely transferable; the quotas of a Srl may be restricted by the articles of incorporation. The annual financial statements of a SpA and a Srl must be published.

The minimum capital stock for a SpA is € 50,000, while for a Srl it is € 10,000 (modern forms allow incorporation with as little as € 1, subject to certain conditions and limitations)

SINGLE OWNER

Both SpAs and Srls can be formed by a sole shareholder. The sole shareholder, whether a legal or natural person, usually has limited liability for the company's obligations. However, the limited liability benefit is lost if certain formalities are not met. Therefore, it is normally advisable to have a minimum of two shareholders.

COMPANY CAPITAL

The concept of *company capital* in Italy refers to the share capital (*capitale sociale*) contributed by shareholders or quota holders at the time of incorporation and, where required, during the life of the company. It serves as the company's initial financial base and, in many cases, as a guarantee for creditors.

Minimum capital thresholds are established by the Italian Civil Code and vary according to the legal form:

Legal Form	Minimum Capital
S.p.A. - Società per azioni	€ 50,000
S.r.l. - Società a responsabilità limitata	€ 10,000
S.r.l.s. - Simplified S.r.l.	€ 1 – € 9,999.99
S.a.p.a. - Società in accomandita per azioni	€ 50,000
Partnerships (S.n.c., S.a.s., S.s.)	No statutory minimum

Note: While minimum legal capital applies, companies may choose to set a higher subscribed capital for operational or reputational reasons.

CORPORATE LAW

Corporate law is provided mainly by the Civil Code.

The SpA-type company will be able to choose from among three different models of corporate governance based on a group of three bodies – management body, management control body and audit body:

- 1) a ‘two level’ or dualistic model, whereby the conduct of the business rests with the Board of Management (*Consiglio di gestione*) and control is carried out by the Board of Surveillance (*Consiglio di sorveglianza*), which has some attributions of the general meeting of a Spa adopting the traditional model (i.e. approval of the financial statements). The members of the Board are appointed by the shareholders;
- 2) a ‘one level’ or monistic model, whereby the conduct of the business rests with the Board of Directors (*Consiglio di Amministrazione*), appointed by the shareholders; control is carried out by the Management Control Committee (*Comitato per il controllo sulla gestione*), composed of the members of the Board and appointed by the latter;
In both cases, accounts are controlled by an auditing company or auditor;
- 3) a traditional model - the following is a summary of the most relevant provisions under the ‘traditional’ model, which is by far the most used in practice; i.e. the Srl-type company (the most common company type in Italy) will be able to apply only the ‘traditional’ model.

SPA

Under the ‘traditional’ model, the corporate structure is as follows:

- *Board of directors;*
- *Sole statutory auditor/Board of statutory auditors;*
- *Registered auditor/auditing firm.*

BOARD OF DIRECTORS / MANAGEMENT BODY (*ORGANO DI GESTIONE*)

A SpA can be administrated by a sole director or by a board of directors.

In the latter case, one of them is appointed as chairman. It is recommended that at least one of the directors appointed is a local resident, because it may simplify a number of procedures (e.g. signature for annual tax return and social contribution returns). Otherwise a local proxy-holder must be appointed.

With the exception of those appointed with the articles of incorporation, directors are elected by the shareholders’ resolutions. A director’s term of office may not exceed three years, but it may be renewed.

In the instance of the resignation of the majority of directors, the whole board is void and a shareholders’ meeting must be called to appoint a new board. Directors can be removed by a resolution of the shareholders.

A board meeting is duly constituted if the majority of directors are present, unless the articles of association provide for a larger quorum. Under the by-laws, attendance may be permitted via telecommunications. Resolutions are passed when approved by the simple majority of those present, unless provided otherwise. Directors may not vote by proxy. Directors’ remuneration or compensation, including a possible share of the profits, is normally set out in the articles of association or fixed by the shareholders in a general meeting.

MANAGING DIRECTORS

The board of directors can delegate some of its members to perform specific tasks. If the delegation is given to one or a few directors, they are appointed as managing directors.

The following powers may not be delegated in any instance:

- To draw up the financial statements;
- To increase the share capital;
- To call the shareholders' meeting in the case of losses higher than one-third of the share capital and to ask the court to reduce share capital;
- To prepare merger or de-merger projects.

The management structure of the company often includes general directors (*direttori generali*). These are employees who assist the board of directors in the exercise of its functions and are empowered to represent the company. The Civil Code extends the regulations on the responsibility of the directors to the general directors.

LEGAL REPRESENTATIVE

The articles of incorporation appoint the directors who may represent the company. Failing this, the company is represented by the directors appointed by the shareholders' meeting. If no such appointment has been made, the board of directors may specify who is entitled to represent the company or may reserve this right to itself. Usually, however, the chairman and the managing directors are entitled to be legal representatives.

STATUTORY AUDITORS / MANAGEMENT CONTROL BODY (*ORGANO DI CONTROLLO SULLA GESTIONE*)

The board of statutory auditors (*collegio sindacale*) is compulsory for a SpA. It comprises three or five effective members (*sindaci*) and two alternates. The members cannot be employees or directors or close relatives of directors. They cannot be statutory auditors of subsidiaries, parent companies or companies under joint control.

The remuneration of the members of the board is determined either in the articles of association or by the shareholders in a general meeting. The first members of the board are elected for three years and they cannot be removed by the shareholders' meeting unless there is fair cause.

The board of statutory auditors must meet every 90 days, optionally via telecommunications. The board of statutory auditors is duly constituted if the majority of statutory auditors are present, and resolutions are passed when approved by the absolute majority of those present.

The most specific duty of the board of statutory auditors in a SpA is to control the management of the company in respect of the law and its articles of association through interim visits (every 90 days). However, articles of association of SpAs which are not listed and are not required to prepare consolidated financial statements, may provide that the board of statutory auditors is also performing the periodical 'accounting control' and examination of the annual financial statements in accordance with recommended auditing standards, with a view to express an opinion thereon.

REGISTERED AUDITOR /AUDITING FIRM/AUDIT BODY - (*ORGANO DI CONTROLLO CONTABILE*)

Unless otherwise provided by the articles of association and as permitted by the law (see above) the most specific duty of the registered auditor / auditing firm is to perform the 'accounting control' as defined above.

The 'audit body' is appointed by the shareholders' meeting after the board of statutory auditors has reported. The shareholders' meeting sets the remuneration to be paid for the entire term of office.

Ineligibility rules described in respect of the board of statutory auditors also apply to individual components of the 'audit body'.

The term of office is three years and can be renewed no more than twice.

GENERAL MEETING

Shareholders' meetings are classified as ordinary (*assemblea ordinaria*) or extraordinary (*assemblea straordinaria*). The difference between these classifications concerns the decisions that can be taken and the legal requirements needed for the taking of such decisions.

In any case, an annual general meeting must be held within 120 days of the company's financial year-end.

The normal business of an ordinary meeting is:

- Approval of the financial statements;
- Election of directors and the members and chairman of the board of statutory auditors;
- Determination of their remunerations, unless already determined by the articles of incorporation;
- Discussion of all other matters relating to the performance of the company and the responsibility of the directors and statutory auditors.

The ordinary shareholders' meeting is duly constituted with the attendance of a number of shareholders representing at least half the share capital; resolutions are passed with the absolute majority.

An extraordinary meeting is required to deal with such matters as:

- Changes in the articles of incorporation
- The issue of bonds
- The elections of liquidators.

Resolutions of the extraordinary shareholders' meeting are passed with a positive vote of shareholders representing more than half of the share capital.

SRL

This is the more common company type in Italy. The 'traditional' model described above generally applies also to a Srl, with a number of simplifications in respect of a SpA and a large degree of flexibility as regards the internal decision-making processes and the allocation of responsibilities between quota holders and director(s).

However, the law expressly states that quota holders are entitled to vote on the following:

- Approval of the financial statements
- Appointment of directors
- Appointment of statutory auditors or an auditor
- Changes to the articles of association
- Material change in the company's purpose.

Quota holders' meetings are duly constituted if quota holders representing at least half of the capital are present. Resolutions are passed when approved by an absolute majority. In the event of changes to the articles of association and resolutions involving a material change in the company's purpose, resolutions are passed when approved by a number of quota holders representing at least half of the capital. Other particular features regarding Srls are listed below:

- Board of directors' and quota holders' resolutions can be taken by consent expressed in writing, without a formal meeting being held;
- Directors can be appointed for an undefined period.

The appointment of controlling body or a Registered Auditor is mandatory when one or more of the following conditions are met:

- For two subsequent financial years, the company has passed of the following three limits:
 - total assets in the balance sheet: € 4,000,000;
 - earnings from sales and provisions of services: € 4,000,000;
 - staff employed as an average during the financial year: 20 units.
- The Company has to draw up consolidated financial statements;
- The Company controls another company that is subject to the accounting audit;

- No distinction exists between an ordinary and extraordinary shareholders' meeting.

SIMPLIFIED SRL

In addition to the ordinary model, another new type of S.r.l. has been introduced. Starting from 2013 a simplified limited liability company (Srl) may be established by public act (without notarial fees). Its capital may not be lower than € 1,00 nor higher than 9.999,99. The article of Association of this new type of Srl must be prepared according to a standard model and company's quota holders can only be individuals.

MINUTES

All of the meetings held by shareholders or quota holders, the board of directors and statutory auditors must be recorded in specific books provided by law and properly stamped before their use. Determination of a sole director must be recorded in a specific book too.

ANTITRUST LAW

Free competition is protected (as well as the provisions of the Treaty of Rome) by the rules dictated by the Italian antitrust law, which is modelled after the European provisions.

The enforcement of the said Italian law is ensured by an 'ad hoc' Authority (*Autorità Garante della Concorrenza e del Mercato*).

Other authorities have been created in order to control the compliance with antitrust law provisions in specific sectors (telecommunications, energy, etc.).

PRIVACY LAW

The protection of personal data in Italy is currently governed by the General Data Protection Regulation (EU Regulation 2016/679 - GDPR), directly applicable in all EU member states since 25 May 2018, and by the Italian Privacy Code (Legislative Decree n. 196/2003), as amended by Legislative Decree n. 101/2018.

The GDPR provides that individuals (data subjects) have the right to transparency, access, rectification, erasure, restriction of processing, data portability, and the right to object to data processing. Data controllers and processors must comply with the principles of lawfulness, fairness, transparency, purpose limitation, data minimization, accuracy, storage limitation, integrity, and confidentiality.

Data processing operations must be based on a valid legal basis (e.g., consent, contract performance, legal obligation) and must be documented according to the accountability principle. Particular attention must be paid when processing special categories of personal data (so-called "sensitive data") or conducting processing activities that present high risks to data subjects' rights, in which case a Data Protection Impact Assessment (DPIA) may be required.

ADMINISTRATIVE LIABILITY OF LEGAL ENTITIES

Legislative Decree n. 231/2001 introduced the principle of administrative liability of legal entities, associations, and companies for certain criminal offences committed in their interest or to their advantage by senior managers or persons under their direction.

Offences that trigger liability include, among others, corruption, fraud, environmental crimes, health and safety violations, tax crimes, money laundering, market abuse, and cybercrimes. The list of predicate offences has been progressively extended over the years.

Entities may be exempt from liability if, before the offence was committed, they adopted and effectively implemented an Organisational, Management and Control Model (known as "Modello 231") suitable to prevent such offences. The model must include a risk assessment, internal procedures, training, disciplinary measures, and a supervisory body known as the Organismo di Vigilanza (OdV).

Although adopting the model is not mandatory, it is strongly recommended, particularly for companies operating in regulated sectors or dealing with public administration. In practice, the adoption of Model 231 is often a prerequisite for participating in public tenders or maintaining compliance certifications.

If the company is convicted, it may face sanctions such as fines, disqualification, confiscation of profits, or even judicial administration. Directors who fail to adopt adequate compliance models may be liable towards shareholders for damages caused by negligence.

Representative business associations have developed industry-specific guidelines to help companies implement their own 231 Models.

INSOLVENCY AND RESTRUCTURING PROCEEDINGS

Since 15 July 2022, Italy has replaced its former bankruptcy law (Royal Decree n. 267/1942) with the Italian Code of Business Crisis and Insolvency (Legislative Decree n. 14/2019), aimed at modernising and harmonising the rules on business distress and insolvency, in line with the EU Directive 2019/1023.

The new framework no longer uses the term "bankruptcy" ("fallimento") but instead refers to **judicial liquidation** ("liquidazione giudiziale"). The new rules emphasise early detection of financial distress, business continuity, and creditor protection.

The *Composizione Negoziata della Crisi* (*Negotiated Settlement of the Crisis*) is a key innovation: it is a voluntary procedure enabling a company in distress to seek the assistance of an independent expert to negotiate solutions with creditors. It is designed to avoid insolvency and preserve the going concern.

Other procedures include:

- Concordato Preventivo (Preventive Composition): a debtor-led proposal to restructure debts and continue business activity.
- Concordato Semplificato (Simplified Composition): available when the negotiated settlement fails, allowing for accelerated liquidation agreements.
- Debt restructuring agreements (accordi di ristrutturazione dei debiti): private arrangements with creditors, homologated by the court.
- Judicial liquidation (liquidazione giudiziale): a court-ordered insolvency proceeding when the debtor is insolvent and restructuring is not viable.

Small entrepreneurs and micro-enterprises may be excluded from full insolvency proceedings under certain thresholds defined by law.

Key features of the reform include:

- Enhanced role and responsibilities of company directors and statutory auditors in early crisis detection.
- Expanded rights for secured creditors.
- Unified procedural rules and digitalisation of insolvency proceedings.
- A focus on class-based treatment of creditors, with possibility for differentiated treatment justified by restructuring needs.

Overall, the new legal framework aims to increase the efficiency and predictability of insolvency proceedings, reduce liquidation rates, and encourage early interventions to restore business viability.



5-LABOUR

EMPLOYMENT ENVIRONMENT

The Italian labour market is characterised by a shortage of skills in some sectors and notable unemployment in others.

The Italian labour market continues to be characterised by sectoral imbalances: high demand and skill shortages in IT, engineering and healthcare, and persistent unemployment in certain regions and age groups, particularly among the youth.

Employees in Italy are classified by law into four categories:

- *Operai (blue-collar workers)*
- *Impiegati (clerical workers)*
- *Quadri (middle managers)*
- *Dirigenti (executives)*

Specific protections apply to lower-ranking employees, particularly regarding termination, working hours, and collective rights.

Hiring is no longer managed through public "collocamento" offices. Employers now post offers through online job portals and interact with employment centres managed by regional authorities and coordinated at national level through ANPAL (Agenzia Nazionale Politiche Attive del Lavoro).

Employers with more than 15 employees are obliged to hire a minimum quota of disabled workers (Law n. 68/1999), proportionate to workforce size.

Recent labour reforms (notably the Jobs Act) introduced a single open-ended employment contract with increasing protection against dismissal based on tenure. The goal was to simplify contractual structures, increase flexibility for companies, and promote permanent employment.

Some forms of employment introduced or revised in the last decade include:

Intermittent work (*lavoro intermittente*): allowed under specific conditions set by collective agreements for non-continuous services.

Job sharing: rare in practice, but still legally recognised.

Agency work: authorised agencies may lease workers under fixed or open-ended contracts. Both the agency and the user company are jointly liable for wages and contributions.

Apprenticeships (*apprendistato*): structured training-employment contracts that reduce employer social security costs.

Training and insertion contracts have been gradually phased out or integrated into other schemes.

Significant regulatory developments now govern remote work (*smart working*), which was originally regulated as an optional arrangement and has become a common tool for knowledge-based work. Employers must establish written agreements defining rights, duties, equipment use, and disconnect policies.

WORKING CONDITIONS

WAGES AND SALARIES

Minimum wages are fixed by nationwide collective bargaining agreements between unions, the Association of Italian Enterprises and the government. The resulting contracts, which have force of law, establish minimum wages for entire industries, whether or not a particular employer or employee was party to the negotiations. In addition to national contracts, companies also negotiate their own terms (*contratti integrativi*), usually in the year after national contracts are negotiated.

Annual salaries are paid in 13 or 14 instalments, depending on which national collective contract applies. The 13th instalment is paid at the end of December and the 14th, if due, is paid in June.

WORKING HOURS, HOLIDAYS AND VACATIONS

A 40-hour working week is considered standard for all employees. Overtime is generally permitted, but is limited by law to two hours a day and must be authorised by the company's personnel department. These limits may be changed by collective bargaining agreements.

Overtime rates must exceed normal rates.

In addition to ten national holidays, each city celebrates the feast day of its patron saint. Italy also has four non-specific holidays, which workers may take at their convenience, with certain limitations to ensure the smooth running of the factory, and two days worked, but paid at special rates. Three weeks of vacation are compulsory during the first two years of employment. Thereafter, four weeks are usually given to both office and factory personnel.

TERMINATION OF EMPLOYMENT

The statutory notice to be given on termination of employment varies considerably according to seniority and the category of the employee. The minimum notice period varies from 15 days to six months. The statutory notice must also be observed by the employee, who must give notice to the employer in accordance with the periods provided by law. If the employee leaves employment without giving proper notice, the employer may retain an indemnity proportional to the notice period.

Dismissal is possible in cases of serious misconduct, but in practice it is difficult to establish that such misconduct has occurred. If a court finds that a dismissal was unfair, the employer concerned must either reinstate the employee or pay additional compensation. Disputes concerning termination of employment can prove difficult and expensive.

All employees are entitled by law to receive deferred compensation payable at the end of their employment relationship. The employer must annually accrue an amount which can be alternatively maintained between company's liabilities or, upon employees' request, paid into supplementary welfare bodies. The annual accrual amounts to the employee's yearly total compensation divided by 13.5. The unpaid balance is increased in each of the subsequent years at a rate of 1.5% plus 75% of the cost-of-living index. This amount, known as the *Trattamento di Fine Rapporto* (TFR), must be paid within six months of the termination of employment. The employee may request an advance payment of a portion of TFR to buy their first home or for certain extraordinary medical expenses.

TRADE UNIONS

Approximately half of all Italian workers belong to a trade union. The percentage varies, however, from sector to sector. The right to form unions and the right to strike are constitutionally granted prerogatives.

The three main unions are the:

Confederazione Generale Italiana dei Lavoratori (CGIL)

Confederazione Italiana Sindacati Lavoratori (CISL)

Unione Italiana del Lavoro (UIL).

Each union usually represents a political party and has the opportunity to negotiate directly with the government and the Association of Italian Enterprises (*Confindustria*) for national collective agreements, which are valid for an entire industry.

SPECIAL REQUIREMENTS FOR FOREIGNERS

Prospective employers who hire foreigners must secure work permits from the Labour Ministry and supply proof that the foreign employee has certain qualifications not possessed by unemployed Italians. Managers and other executives of foreign-owned companies are generally assumed to have those qualifications.

It may take three or four months for a foreigner to obtain a work permit from an Italian embassy abroad. Employers who hire foreigners (as well as Italians) without work permits may be subject to monetary or criminal penalties or both.

EU citizens seconded to Italy do not require work permits. A work permit for secondment is generally requested for non-EU citizens. However, international agreements may modify this requirement.

SOCIAL SECURITY

The compulsory social security insurance scheme managed by the National Institute for Social Security (INPS) covers all employees and their families, including foreigners, with a wide range of benefits.

The following are the primary benefits offered to all workers:

- Old age pension (due at the attainment of quotas established by the law and given according to the sum between the age and the years of contribution - at least 35), disability pension and surviving dependents' pension;
- Unemployment benefits;
- Sickness benefits;
- Maternity benefits;
- State-subsidised medical care;
- Insurance against accidents and occupational diseases;
- Subsidies in the event of labour redundancy resulting from a temporary financial crisis or similar situation.

Contributions to the National Medical Insurance Scheme, which provides medical assistance to employees and their families, are paid as part of local tax due on income (IRAP). Medical assistance, depending on the employee's income, covers hospitalisation in a public hospital, a family doctor, some medicines and certain medical tests and examinations. The National Medical Insurance Scheme may also reimburse medical costs sustained abroad if approved in advance.

Social security contribution rates vary depending on the type of business and the category of the employee. Some contributions are payable on total gross salaries and others are subject to a wage or salary ceiling. The average contribution is between 37% to 43%, depending on the type of business. Of this approximately 9% is paid by the employee.

With a few exceptions, the contributions are based on gross earnings paid in cash or in kind.

INPS contributions must be paid on the 16th day of each month.

INSURANCE

All employees in Italy must be insured against work-related accidents and occupational diseases through the National Institute for Insurance against Accidents at Work (INAIL). This is a mandatory public insurance scheme financed by employers.

INAIL premiums are calculated based on industry-specific risk classification codes assigned to each company and job type. The rate is applied to the company's estimated or actual wage bill, with annual adjustments. Rates generally range from 0,1% to 3-4% of gross payroll, depending on the sector and level of risk.

Higher premiums apply to hazardous sectors such as construction, heavy manufacturing, transportation, or other occupations with significant exposure to physical or mechanical risks.

Employers must submit an annual declaration (autoliquidazione INAIL) in January, with premiums payable by 16 February of each year.

The insurance covers medical costs, wage replacement benefits, and compensation for permanent disabilities or fatalities resulting from work-related injuries or illnesses.

6- TAXATION

INCOME TAX LAW

Italian taxation can be understood by examining the taxation of both companies and individuals.

CORPORATION TAXES

Income taxes applicable to a limited liability company in Italy include the following taxes set out below.

Resident companies are taxable in Italy on their worldwide income, while non-resident companies are subject to IRES and IRAP only on their Italian-sourced income

IRES (*IMPOSTA SUL REDDITO DELLE SOCIETÀ*)

National corporate income tax is set at 24% (for the 2025 tax period, companies may benefit from a reduced IRES tax rate of 20%, contingent upon the fulfilment of specific conditions).

Tax losses

Tax losses can be carried forward as follows:

- Tax losses generated in the first 3 years from the beginning of the business activity can be utilised to offset 100% of the taxable income of the next financial years, until their full absorption.
- Subsequent tax losses carried forward can be utilised to offset up to 80% of the taxable income of the next Fiscal Years, until the full absorption of tax losses.

In the event of a change of control, tax losses may be carried forward only if the vitality test is met (i.e., revenues and employment costs exceed 40% of the average of the two preceding tax years). In addition, where the change of control is accompanied by a change of the main activity actually carried out (including the acquisition of a business or business branch), the carry-forward of losses is restricted unless the vitality test is satisfied.

These limitations do not apply to intra-group changes of control, mergers, demergers or business contributions.

The above exclusions from loss carry-forward may be overcome by obtaining a specific ruling confirming the absence of any abuse of law. In addition, a specific anti-abuse safeguard has been introduced for new entries into a consolidated tax group to prevent artificial transfer of losses without economic substance.

IRAP (*IMPOSTA SUL REDDITO DELLE ATTIVITÀ PRODUTTIVE*)

Regional tax on productive activities is set at 3,9% (such rate may vary, depending on the region and the business sectors); 4,65% for banks and finance companies and 5,90% for insurance companies). It is charged on the 'net value production' in commerce and manufacturing.

The net value of production is determined by the gross turnover plus the increase in stock trade and work in progress, less expenses of production (depreciation included).

The deduction of labour costs for IRAP purposes depends on the type of hiring contract. In particular:

- full deduction for costs related to employees hired with an open-ended contract;
- deduction limited to contributions for compulsory insurance against accidents (i.e. *Istituto Nazionale Infortuni sul Lavoro* or INAIL) for temporary employees.

An important feature of this tax is that both tax interests paid and payroll costs are not deductible; from 2015 labour costs paid under permanent employment contracts can be fully deducted from the IRAP taxable base.

Starting from 2012, 100% of IRAP referred to payroll costs can be deducted for IRES purposes. In addition, the IRAP paid for interest expenses and similar charges may be deducted from the net value of production in a flat rate of 10%.

For taxpayers who have no employees, the 2015 Stability Law has introduced a tax credit equal to 10% of the IRAP, but it can be used solely to offset tax charges pursuant to Legislative Decree 446/97.

TAX PAYMENTS

Tax payments are due at the following times as set out below:

- Income taxes due by a company: two advance payments plus a balance payment. The balance payment and the first advance are due within the 16th day of the sixth month after FY end;
- VAT: this is due monthly or quarterly, depending on turnover, on the 16th day of each month;
- Withholding taxes and social contributions on salaries, commissions and professional fees paid: these are due monthly, on the 16th day of each month;
- Stamp tax on a company's books (*Imposta sulle Vidimazioni*): this is due annually by 16 March (at € 309.87 if stock capital is lower than € 516,456.90; otherwise, € 516,46);
- Tax and social security payments: due by VAT registered entities are required to be made electronically, whether or not an intermediary is involved.

GROSS INCOME

Taxable profits for IRES purposes are computed on the basis of accounting profits and on an accrual basis (with certain exceptions, such as dividends or directors' fees, which are tax-relevant on a cash basis).

The tax base is determined by applying certain downward and upward adjustments to accounting profits, based on specific rules provided for by Italian tax law. Such adjustments include the non-deductibility of expenses that do not pertain to the business activity and of other expenses exceeding certain thresholds (eg, entertainment and accommodation costs). Further adjustments may arise from differences between depreciation/amortisation rates allowed for tax purposes and those used for accounting purposes.

With regard to blacklisted countries, expenses arising from transactions with companies or professionals located therein are not deductible up to their market value, unless the actual economic interest and the actual execution of the transactions are proven by the Italian resident company.

BUSINESS INCOME

Business income includes income from a trade, interest, royalties, dividends and capital gains.

CAPITAL GAINS

Capital gains are generally treated as ordinary income, subject to corporate income tax levied at 24%. Capital gains are defined as the sale proceeds less the net book value. Corporations earning capital gains include them in taxable income, either entirely in the year realised or, further to a three-year holding period of the item generating the capital gain, in equal annual instalments over a five-year period, at the taxpayer's discretion. No interest is due on the deferral of the tax liability.

PARTICIPATION EXEMPTION

Under a specific participation exemption regime, capital gains realised by Italian companies on the disposal of participations in other companies are exempt for **95%** of their amount (while capital losses are wholly non-deductible) if the following conditions are met:

- the participations have been held uninterruptedly since the first day of the 12th month preceding the sale (using a last-in, first-out method);
- the participations have been booked as fixed financial assets in the first financial statements after their acquisition;

- the participated company has been carrying out a business activity in the last three tax periods or, if later, since incorporation;
- the participated company has not been resident of a low-tax jurisdiction for all the five tax years prior to the year of sale if the buyer is a non-related party, or for the entire holding period if the buyer is a related company (such condition is waived if it is demonstrated that the ownership of the participation did not – for the same period – have the effect of shifting the income to a low-tax jurisdiction).

With regard to the third bullet point, companies in which the value of assets is mainly represented by real estate not used in the course of a business activity are deemed to not carry out a business activity. This condition does not apply, however, in respect of participations in companies whose shares are listed on a stock exchange.

If the participation exemption regime does not apply, the taxpayer may still opt to spread the capital gain tax base over five tax years if the participation has been booked as fixed financial assets in the last three financial statements or, for other assets, if the capital asset has been held for at least three years.

RENTS

Taxable income from real property, including farming land and buildings not used for business purposes, is computed based on a cadastral system (*catasto*), in which all land and urban buildings are classified according to their estimated ordinary average income. The deemed income is calculated by multiplying the basic values assigned in the cadastral records by applicable rates, which are periodically revised.

DIVIDENDS FROM RESIDENT COMPANIES

95% of dividends received by a resident company from another resident or non-resident company are excluded from taxable income.

DIVIDENDS FROM NON-RESIDENT COMPANIES

Dividends from subsidiaries situated in countries which have privileged tax systems are fully taxable for IRES.

DIVIDENDS PAID TO NON RESIDENTS

Dividends paid to non-residents in respect of participations that are not connected with Italian permanent establishments are generally subject to a 26% withholding tax, which may be reduced by applicable double tax treaties. Non-resident recipients may benefit from a potential refund of the foreign tax paid on dividends up to 11/26 of the Italian withholding tax if they prove that a similar tax has already been paid abroad on a final basis on the same dividends.

A reduced 1,2% withholding tax is levied on dividends that are paid out of profits accrued in fiscal years starting on or after 1 January 2008 if the beneficial owner is a company resident and subject to corporate income tax in another EEA member state that allows an adequate exchange of information with Italy.

Dividends are not subject to tax if they are paid to collective investment vehicles that are established in EU member states or EEA member states and that are either compliant with Directive 2009/65/EC or whose managers are subject to surveillance in the states in which they are established, pursuant to Directive 2011/61/EU.

Dividends paid to EU and EEA pension funds are generally subject to a 11% withholding tax, provided the relevant conditions are met (e.g., adequate exchange of information, required documentation). This reduced rate remains the applicable regime and has been confirmed by recent Italian tax authority guidance.

By contrast, under the EU Parent-Subsidiary Directive, dividends paid by Italian resident companies to EU corporate parent companies holding at least 10% of the share capital (for at least one year) can be exempt from withholding tax, provided the requirements of the Directive are fulfilled."

There is no withholding tax where the EU Parent-Subsidiary Directive applies.

INTEREST AND ROYALTIES

Interest and royalties received by corporations from any source must be reported at their gross amount before withholding tax is deducted.

INTERESTS PAID TO NON RESIDENTS

Interest payments made to non-residents in respect of loans or instruments that are not connected with Italian permanent establishments are generally subject to a 26% withholding tax, which may be reduced by an applicable double tax treaty or eliminated if the EU Interest and Royalties Directive applies. A reduced withholding tax rate (12,5%) is granted to interest arising from government bonds and similar instruments. Some exemptions from withholding tax apply, under specific conditions. For example, no withholding tax is levied on interest from certain bonds paid to residents of jurisdictions with an effective exchange of information with Italy, interest on Italian bank accounts and deposits, and interest payments made in relation to medium- or long-term financing granted by qualifying lenders.

ROYALTIES PAID TO NON RESIDENTS

Royalties paid to non-residents that are not connected with Italian permanent establishments are generally subject to a withholding tax rate levied at 30%, with the possibility, under certain conditions, to reduce the taxable base by 25%. The royalty withholding tax may be reduced by an applicable double tax treaty or eliminated if the EU Interest and Royalties Directive applies.

PATENT BOX

Up until tax year 2020, income from the exploitation of certain qualifying intangibles (eg, software and patents; trade marks were originally included, but were removed in 2017) could benefit from a patent box regime. A company could opt for the regime if it carried out R&D activities (directly or indirectly, by outsourcing to non-related companies, universities or other research institutions).

Effective from tax year 2021, the patent box regime has been replaced with a super-deduction regime whereby the company could benefit from an additional deduction from its taxable income in the amount of 110% of R&D expenses incurred for the purposes of certain qualifying intangibles. Specific interim rules apply for those who already have a patent box ruling in place.

A tax credit is available for certain qualifying R&D and innovation expenses. In order to benefit from the tax credit, the eligible companies shall also meet certain record-keeping requirements (ie, tracing and tracking system and certification by a qualified auditor).

RESEARCH & DEVELOPMENT TAX CREDIT

For the R&D tax credit, the eligible activities consist of fundamental research, industrial research, and experimental development as defined, respectively, by the letters (m), (q), and (j) of point 15, par. 1.3 of the Communication n. 198/2014 of the European Commission. The credit is generally calculated as a percentage of eligible expenses.

To determine the cost basis of the benefit, the following expenses are eligible:

- i. Personnel costs.
- ii. Depreciation charges, costs of the financial or simple lease, and other expenses related to movable tangible assets and software used in R&D projects.

- iii. Expenses for *extra-muros* research contracts concerning the direct execution of eligible R&D activities by the provider.
- iv. Depreciation charges related to industrial privatives.
- v. Expenses for consultancy services and equivalent services related to R&D eligible activities.
- vi. Expenses for materials, supplies, and other similar products used in the R&D projects.

TANGIBLE ASSETS “4.0”

For enterprises that invest in new tangible assets included in Annex A of Law n. 232/2016 (so-called “assets 4.0”), different benefit rates are provided based on the tax period in which the investment is realised and based on the acquisition cost.

If such investments are made between 1 January 2023 and 31 December 2025, or by 30 June 2026, provided that by 31 December 2025 the purchasing order is accepted by the seller and the buyer paid an instalment of at least 20% of the purchasing cost, the tax credit is recognised in the following measures:

- 20% of the cost for investments up to € 2.5 million.
- 10% of the cost for investments between € 2.5 million and € 10 million.
- 5% of the cost for investments between € 10 million and € 20 million.

The above-mentioned threshold applies for each fiscal year in the period 2023 through 2025.

Only for investments made in FY 2025, a national budget limit equal to € 2.2 billion is introduced. In order to obtain the tax credit, taxpayers must file specific communications to the competent authorities.

TAX CREDIT TRANSITION “5.0”

A tax credit is applicable to investments in tangible and intangible assets interconnected with the company’s enterprise resource planning (ERP) that enables the company to achieve its goals of optimising processes, reducing energy consumption (positively impacting the decarbonisation process), and improving production efficiency. Eligible investments must be made in Fiscal years 2024/25 and they must be aimed at Transaction 5.0, allowing for energy savings compared with the level of consumption before the investments.

A minimum energy consumption reduction of at least 3% of the entire production structure or 5% of the specific production process is requested to access the tax credit. The tax credit is recognised to the extent of 35% of the cost for investments up to € 10 million and 5% of the cost for investments between € 10 million and € 50 million.

In case of higher reduction of the energy consumption compared with the minimum threshold, the tax credit rates are increased by 5% or 10%. The energy consumption reduction must be certified by an independent energy expert, and the communication must be filed with the energy sector authority (GSE).

TAX CREDIT FOR INVESTMENTS IN THE SOUTHERN ITALY SPECIAL ECONOMIC ZONE (SEZ)

In relation to the tax credit 2024 for investments in the SEZ area, 2025 Budget Law modified art. 16 c. 6 of Legislative Decree 124/2023 bringing some changes to the national budget available to finance this measure. In particular, the tax credit at hand is recognised within the maximum limit of € 2.2 billion for the year 2025 (investments made in the period 1 January - 15 November), based on the definitions and the criteria provided for by the Ministerial Decree issued.

As already provided for by Legislative Decree 124/2023, the tax credit will be recognised in a variable amount depending on the size of the company and the location of the investments made in the regions of Southern Italy, which become a single special economic zone, relating to the purchase of new capital goods (plants, equipment, and machinery) and the purchase of land and the construction of buildings, including restructuring expenses.

The nominal rate of the tax credit for large companies is 15% of the eligible investments in the Region Abruzzo, 30% in the Regions Molise, Basilicata, and Sardinia, and 40% in the Regions Campania, Puglia, Calabria, and Sicily. Increased rates of 10% and 20%, respectively, are applicable for medium and small companies, as defined based on the EU applicable regulation.

INNOVATIVE START-UP

Innovative start-ups are companies that satisfy specific requirements, such as having an R&D expenditure that amounts to at least a certain amount established by law. Companies investing in an innovative start-up company and holding the investment for at least three consecutive tax years are allowed to deduct from their taxable income 30% of the amount actually invested, with a maximum yearly tax benefit of € 540,000; the amount in excess may be carried forward in the subsequent three fiscal years.

Under certain conditions, a tax credit is granted for investments in new tangible and intangible assets intended to be used for production facilities located in the Italian territory.

EMPLOYMENT

The regime under which companies hiring permanent employees will benefit from a 20% increase in the personnel cost deduction has been extended until the 2027 tax period, provided that the specified conditions are met. Namely, in order to benefit from this regime it is required that:

- the company has been operative for at least 365 days during the financial period including 31 December 2024;
- the number of employees (including fixed-term employees) in the financial period including 31 December 2025 is higher than the average number of employees during the financial period including 31 December 2024; and
- the company is not under liquidation.

The deduction is increased if special categories of individuals are hired (such as people with disabilities and young people eligible for employment incentives).

RELOCATION OF ECONOMIC ACTIVITIES TO ITALY

Subject to European Commission approval, Italy has introduced an incentive for companies that relocate to Italy: the income generated by the companies that relocate to Italy will contribute to their taxable income for IRES and IRAP purposes, limited to 50% of its amount in the six fiscal periods following the relocation.

In order to access the special regime, the company:

- must not relocate from an EU or EEA country; and
- shall remain in Italy for 11 tax periods (or 16 tax periods, depending on the company) after the relocation, otherwise a clawback provision applies.

NON-RESIDENT COMPANIES

Non-resident companies are liable to Italian taxation only on income arising within Italy.

The following categories of income are deemed to be from Italian sources:

- Income from business activities conducted through a permanent establishment in Italy, which includes capital gains or losses on the disposition of goods or assets, including shares, employed in, or in any way related to, the business activities conducted in Italy even if not earned through the Italian permanent establishment;
- Income from land and buildings located in Italy;
- Income from capital, such as dividends paid by Italian companies, interest paid by individuals and entities resident in Italy, and income paid by Italian permanent establishments of non-residents;
- Income from professional or artistic activities performed in Italy;

- Income from Italian partnerships, whether or not such income is distributed.

Royalties from the licensing of trademarks or trade names, industrial inventions, creative work and such other items, when such royalties are paid by Italian residents or by the Italian permanent establishment of non-residents.

BRANCHES

A branch of a foreign corporation (*sede secondaria*) is subject to IRES and IRAP on all income arising or deemed to have arisen within Italy.

Although a branch is generally taxed under the laws applicable to Italian corporations, the tax law provides certain advantages and disadvantages for a branch. The main advantage is that profits may be remitted to the foreign company free of withholding tax.

ELECTRONIC INVOICING

As of 31 March 2015, entities conducting business with the Public Administration are required to issue electronic invoices only. This obligation will be extended to cover all national and regional administration offices.

As of 1 January 2019, electronic invoicing is mandatory for all VAT-registered entities in Italy. Starting from 1 January 2024, this applies to all taxpayers, regardless of regime or revenue, with limited exceptions for certain healthcare professionals.

Electronic invoicing is also mandatory for transactions to final consumers since 2019.

Since 1 July 2022, cross-border transactions must also be invoiced via the SdI in electronic format.

The requirement applies to non-resident entities with permanent establishment in Italy; on the contrary it is not applicable to non-resident entities, without permanent establishment in Italy that are registered only for VAT purposes (VAT fiscal representative, or direct VAT identification).

VAT

VAT is a general tax on consumption in Italy. As an EU member state, Italian VAT provisions are in line with the EU VAT Directives.

Where the conditions are met, VAT is levied at a general rate of 22% on transfers of goods and supplies of services. Reduced rates (4%, 5% and 10%) may apply to certain types of transactions.

In general, VAT taxable persons are entrepreneurs, artists and professionals.

Among the most common transactions, the following are subject to Italian VAT:

- the supply of goods and services in Italy by a VAT taxable person;
- the intra-EU acquisition of goods in Italy by a VAT taxable person; and
- the import of goods from outside the EU into Italy by any person (including a non-VAT taxable person).

Exports and intra-EU sales of goods are VAT zero-rated.

CROSS-BORDER VAT EXEMPTION SCHEME FOR SMALL ENTERPRISES

Effective from 1 January 2025, Italy has introduced the EU cross-border VAT exemption scheme for small enterprises, implementing EU Directive 2020/285 (Legislative Decree N. 180 of 13 November 2024). This regime allows eligible small businesses established in Italy to supply goods and services in other EU Member States without VAT registration in each country.

Businesses may opt into the scheme if, in both the preceding and current year:

- annual turnover in Italy does not exceed € 85,000; and
- total annual turnover within the EU does not exceed € 100,000.

NON RESIDENT: VAT COMPLIANCE OPTIONS IN ITALY

A non-resident taxable person operating in Italy has several options to fulfil the tax compliance obligations required under Italian law:

- appointing a *fiscal representative in Italy*;
- *direct VAT identification* (available only to entities established in an EU Member State or in non-EU countries with which Italy has specific reciprocity agreements);
- establishing a *permanent establishment in Italy*.

Except for the third option (where the existence of a permanent establishment in Italy places the foreign taxable person on the same footing as an Italian resident taxable person) in the first two cases (fiscal representative or direct identification) the foreign entity remains a non-resident for Italian tax purposes.

STRICTER REQUIREMENTS FOR VAT FISCAL REPRESENTATIVES

Pursuant to Italian Revenue Agency Provisions n. 178713/2025 and n. 186368/2025, to act as a VAT fiscal representative, the individual or entity must meet specific subjective eligibility criteria, including:

- honourability;
- tax compliance standing;
- legal position requirements.

If the representative is a legal entity, these conditions must be met by its legal representatives, who must provide a formal declaration of compliance through a self-certification under Presidential Decree n. 445/2000.

To be registered as a fiscal representative, a financial guarantee must be provided. This applies both to:

- new representatives, and
- existing representatives who operate for multiple foreign entities.

Access to the VIES Database – Additional Guarantee for Non-EU/EEA Entities

Non-resident entities not established in the EU or EEA, who have appointed a fiscal representative and intend to carry out intra-EU transactions, must provide a separate financial guarantee to be included in the VIES (VAT Information Exchange System).

This applies to:

- entities applying for a new VAT number with VIES option;
- existing VAT holders not yet listed in VIES;
- entities already included in VIES as of 14 April 2025, who must comply by 13 June 2025 or face automatic removal.

The minimum guarantee for VIES access is:

- € 50,000, valid for at least 36 months,
- issued and addressed as per the requirements of Provision n. 178713/2025.

EU VAT REGIMES FOR B2C DIGITAL SERVICES AND GOODS- TRANSITION FROM MOSS TO OSS

From 1 July 2021 onwards, the MOSS system (previously in place to simplify VAT obligations for providers of certain digital services to private consumers – “B2C” within the EU) was replaced and significantly expanded by the One Stop Shop (OSS) regime. The OSS retains the same simplification principle as MOSS but broadens its scope beyond certain digital services to include:

- all intra-EU distance sales of goods to private consumers;
- certain domestic supplies of goods facilitated by electronic interfaces (marketplaces, platforms);
- a wider range of cross-border B2C services supplied within the EU;

- continued coverage of telecommunications, broadcasting, and electronic services by both EU and non-EU suppliers.

INDIVIDUALS

As of 1 January 2007, personal income tax is applied to individuals on a progressive basis, with rates ranging from 23 to 43%. Tax deductions are also provided.

In particular, national income tax for FY 2025 is levied at progressive tax rate on all income reported below.

Taxable income (€)		Tax on excess (%)
Over	Not over	
0	28,000	23
28,001	50,000	35
50,001		43

In addition, a regional tax (from 1,23% up to 3.33%) and a local communal tax up (depending on the municipality of residence) to 0.9% are applied on all individuals' income.

In order to ensure the payment of IRPEF (individuals' taxation), the law establishes a rule whereby all employers have to withhold part of their salary and pay it to the Tax Authorities on behalf of their employees and on account of the tax eventually due by the latter.

DIVIDENDS

Dividends received by resident individuals are subject to a flat withholding tax of 26% on 100% of the dividend amount. If sourced from entities in non-blacklisted (i.e., white-listed or cooperative) jurisdictions, they are generally subject to the same 26% withholding tax (**net** of foreign taxes paid), and no further tax arises.

If they originate from a black-listed jurisdiction, they are fully included in taxable income and taxed at progressive IRPEF rates (unless the taxpayer can prove that the income was not shifted to that jurisdiction for tax avoidance purposes.)

TAX REGIME FOR NEO-DOMICILED INDIVIDUALS

Individuals who transfer their tax residency from abroad to Italy may elect for the application of a flat tax at a fixed amount of 100,000 € on the foreign-sourced incomes.

Due to changes that occurred by the entering in force of Article 2 of the Law Decree n. 113 of 2024, for the individuals who opt for the neo-domiciled tax regime from the 2025 tax period, the flat tax amounts to € 200,000.

The mentioned tax regime will also apply on:

- the income tax on foreign investments (foreign interests, dividends, and capital gains) with the exception of capital gains on qualified participation earned in the first five years
- the wealth tax on real estate and financial investments owned out of Italy, and
- financial monitoring obligations through the Italian tax return (meaning that the individual is not required to declare one's foreign investments into the Italian tax return).

In addition to the taxpayer, each family member could be subject to a flat tax on non-Italian-sourced income at a fixed amount of € 25.000.

In order to be eligible for this tax regime, it is necessary to carry out the option through the annual Italian tax return. In any case, it is advisable to submit an advance ruling to the Italian tax authorities in order to obtain their formal opinion on the applicability of the special regime.

To elect such treatment, the individual must meet several requirements, including previous non-Italian tax residency for at least nine years over ten fiscal years preceding the transfer.

The mentioned tax regime is not cumulative with the special tax regime for inbound workers

TAXATION OF EXPATRIATES AND NON-RESIDENTS

Foreigners are generally taxed according to their resident status. If they meet the criteria for residency in any financial year, they are taxed on worldwide income. Individuals not considered resident are taxed on Italian sourced income only.

Please note that, according to Article 2 of the Italian Tax Code, an individual is considered an Italian resident for tax purposes if, for the greater part of the fiscal year (i.e. for more than 183 days) taking into account even fractions of days:

- the individual is physically present on Italian territory
- the individual has a 'residence' in Italy (habitual abode), or
- the individual has a 'domicile' in Italy (principal centre of social interests, e.g. the family).

If one of the above conditions is met, the individual qualifies as tax resident for Italian tax purposes.

Furthermore, unless proved otherwise, individuals who are registered in the record of the resident population for most of the tax period are also presumed to be residents.

The recent changes to the criteria for the determination of the tax residency result in the exclusive relevance of the 'place where, primarily, personal and family relationships of the person develop'. Therefore, the Legislature define a precise hierarchy between the connection criteria privileging the personal and family relationships over economic and work-related interests.

7- ACCOUNTING AND REPORTING

ACCOUNTING PRINCIPLES

Italian accounting requirements are governed by civil law. The regulations of April 1991, and subsequent modifications, prescribe the presentation of a true and fair view of the company's financial and economic situation. The Civil Code provides detailed guidance concerning the classification of accounts and the format of financial statements, as well as general guidance concerning accounting principles to be adopted.

Within this context, the National Councils of Doctors of Commerce and of Accountants (*Consigli Nazionali dei Dottori Commercialisti e dei Ragionieri*) and the Italian Accounting Body (*Organismo Italiano di Contabilità*) have undertaken to establish accounting principles, which normally conform to international generally accepted accounting principles, by issuing a series of pronouncements which expand on the requirements of the Civil Code and cover matters not contained in the code. The pronouncements do not establish principles or encourage practices which are prohibited by the Civil Code.

The above Councils are members of the International Accounting Standards Committee (IASC).

YEAR-END FINANCIAL STATEMENTS

At the setting up of a limited liability company, the company must define the closing year-end date.

Every year, at the end of the accounting period, the directors must prepare the annual financial statements (balance sheet, profit and loss account and explanatory notes), together with a report thereon. The annual financial statements and the directors' report must be prepared according to the format and timing stated by regulations of the Italian Civil Code.

At least 30 days before the shareholders' meeting which will discuss them, the directors' report and the annual financial statements must be communicated to the board of statutory auditors (if existing), who shall also prepare a report thereon.

The financial statements, together with the directors' and board of statutory auditors' reports, must be deposited at the registered office of the company at least 15 days before the shareholders' meeting and, no longer than 30 days after the meeting must be filed with the register of commercial enterprises, together with a copy of the shareholders' resolution of approval, for possible inspection by the public.

CONDENSED YEAR-END FINANCIAL STATEMENTS

Unless they have issued securities marketed on regulated markets, companies may prepare their financial statements in condensed form, when they have not exceeded two of the following requirements in the first year of operations or, after that, for two consecutive years:

- Total assets reported in the balance sheet were € 5,500,000
- Revenues from sales and services were € 11,000,000
- Average employees during the year were 50 employees.

INTERNATIONAL ACCOUNTING STANDARDS

In Italy, the adoption of International Financial Reporting Standards (IFRS) is anchored in EU Regulation n. 1606/2002 and Legislative Decree n. 38/2005, as amended. These laws originally established the mandatory application of IFRS (as endorsed by the EU) for consolidated financial statements, and in certain circumstances for separate financial statements.

However, Legislative Decree n. 145/2018 narrowed the mandatory scope: only companies listed on regulated markets and supervised by CONSOB are now required to apply IFRS for both separate and consolidated financial statements. All other companies may choose between IFRS and the national accounting standards set by the Organismo Italiano di Contabilità (OIC).

Entity	Separate Financial Statements	Consolidated Financial Statements
Listed companies (on regulated EU markets overseen by Consob)	IFRS mandatory	IFRS mandatory
Issuers of financial instruments widely distributed among the public	IFRS mandatory	IFRS mandatory
Banks and other supervised financial intermediaries	IFRS mandatory	IFRS mandatory
Insurance companies	IFRS mandatory if listed	IFRS mandatory
Other companies entitled to prepare condensed/abridged financial statements	IFRS optional; otherwise OIC standards apply	IFRS optional or OIC
Other unlisted companies not in the above categories	IFRS optional (otherwise apply OIC standards)	IFRS optional or OIC

Notes:

- “Listed companies” refers to those traded on a CONSOB-regulated stock exchange within the EU.
- Legislative Decree 145/2018 limits mandatory IFRS adoption to such listed companies; all others have the option to apply IFRS or apply OIC standards.
- Insurance firms that are listed but do not prepare consolidated statements (e.g. no subsidiaries) must still use IFRS for their separate financial statements.
- Entities not required to apply IFRS must follow OIC standards, as established in the Italian Civil Code and integrated by OIC interpretation

OTHER ACCOUNTING AND COMPANY LAW REQUIREMENTS

The following company books must be maintained:

- Shareholders
- Minutes of the shareholders’ meeting
- Minutes of the board of directors
- Minutes of the board of auditors
- Annual accounts book.

The following accounting books must be kept (other books may be requested by special legislation):

- General ledger
- VAT sales register
- VAT purchases register
- Inventory book
- Depreciable assets.



8- UHY REPRESENTATION IN ITALY



FiderConsult Srl (Tax & Accounting)

Italy

CONTACT DETAILS

FiderConsult Srl (Tax & Accounting)
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CONTACTS

Liaison contact: Niccolò Bessi
Position:
Email: n.bessi@fiderconsult.com

SOCIAL MEDIA CONNECTIONS

Year established: 1979
PCAOB registered? No
Number of partners: 7
Total staff: 44

OTHER IN-COUNTRY OFFICE LOCATIONS AND CONTACTS

Florence, Milan

BRIEF DESCRIPTION OF FIRM

FiderConsult Group provides a wide variety of services, ranging from corporate consulting and organizational services, to corporate assistance, as well as tax assistance and consulting services, audit services and outsourced services.

The partners are certified professionals with years of experience in public practice and at the highest levels of responsibility in leading international industrial, commercial and banking concerns.

The firms of the Group employ certified professionals in their respective fields. The partners wide experience as consultants and managers, coupled with the high professional standards of associates and staff, guarantee quality and efficiency in the performance of assignments and a full understanding of client's problems.

The Group includes the following firms: FiderConsult Srl, FiderServizi Srl, FiderOutsourcing Srl, FiderRevisioni Srl, Finconsult Srl – Studio di Consulenza Finanziaria e di Software.

FiderConsult's clients include leading companies and corporate groups operating in a wide range of sectors throughout the world.

SPECIALIST SERVICE AREAS

Tax advice (for current and extraordinary operations) and tax litigations
Review of internal controls of organisational aspects of local subsidiaries (with regard to the Sarbanes-Oxley Act)
Reporting for group and consolidation purposes
Selection and training of personnel.

PRINCIPAL OPERATING SECTORS

Telecommunications and Internet
Fashion
Textiles

FiderConsult Srl (Tax & Accounting)

Italy

Food
Banking and finance
Insurance
Real estate
Railways
Investments
Pharmaceuticals
Hotels.

LANGUAGES

Italian, English.

CURRENT PRINCIPAL CLIENTS

Confidentiality precludes disclosure in this document.

OTHER COUNTRIES IN UHY CURRENTLY WORKING WITH, OR HAVE WORKED WITH IN THE PAST

France, Germany, Spain, UK, USA, Switzerland.

BRIEF HISTORY OF FIRM

The firm was founded in 1979 in Rome, later expanding into Milan and Florence. The firm joined UHY in 2004.

UHY Associati S.t.p.r.l. (Tax & Accounting)

Italy

CONTACT DETAILS

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CONTACTS

Liaison contact:
Position:
Email:

Sabino Dente
Managing Partner
s.dente@uhyassociati.com

SOCIAL MEDIA CONNECTIONS

- LinkedIn: <https://www.linkedin.com/company/uhy-associati/>

Year established:

PCAOB registered? No

Number of partners: 1

Total staff: 12

OTHER IN-COUNTRY OFFICE LOCATIONS AND CONTACTS

BRIEF DESCRIPTION OF FIRM

SPECIALIST SERVICE AREAS

PRINCIPAL OPERATING SECTORS

LANGUAGES

CURRENT PRINCIPAL CLIENTS

OTHER COUNTRIES IN UHY CURRENTLY WORKING WITH, OR HAVE WORKED WITH IN THE PAST

BRIEF HISTORY OF FIRM

Let us help you achieve further business success

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