

***INVESTING IN ITALY***   
***Italian tax incentives 2017***

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**STUDIOPUGLIESE**

Consulenza societaria e tributaria

In Italy the rate of the corporate taxes are: IRES 24% rate and regional business tax 3,90% rate.

2017 will be a favorable year for investments as in the budget bill approved at the end of the last year new tax incentives has been approved or confirmed.

Here on the left a list of the main tax incentives detailed in the following pages.

All the incentives here listed can be cumulated by the company.

A) **SUPER / IPER DEPRECIATION**  
40% / 150% increase of the depreciation deduction (for IRES tax purposes only) on new investments

B) **ACE**  
extra tax deduction on the new equity invested

C) **SABATINI**  
a contribution on the interest paid to finance new investments

D) **START UP INNOVATIVE**  
Special incentive for the shareholders of very innovative companies

## A-1) SUPER DEPRECIATION

Companies investing in new tangible assets, can benefit - till **December 31st, 2017** - of a **40 per cent** notional increase of purchase cost for the determination of tax depreciation for corporate income tax purposes.

Only investment in **new tangible** assets could be eligible for this 40% extra-deduction. Extra-deduction means that the company would be allowed to deduct the 100% of the cost of the investment plus 40% of the amount for tax purposes. The extra-deduction won't be affect the PL of the company.

Intangible assets could be included only if ancillary to a tangible assets investment.

The new assets must be **delivered** to the company by **December 31st, 2017**. Also the assets ordered by December 31st, 2017 could be eligible for the tax benefit if they are delivered by June 30rd, 2018 and if an advance payment of at least 20% of the cost

took place before the end of 2017.

The extra deduction is decreasing **only the IRES** taxable income not the IRAP imponibile basis.

The assets with a depreciation rate under 6,5% are not eligible for the tax benefit, nor the buildings and cars.

### SUPERDEPRECIATION - EXAMPLE

Investment in new assets	1.000.000,00
Superdepreciations	40,00%
Extra tax deduction	400.000,00
IRES rate (corporate tax)	24%
Net tax benefit (over the years of depreciation)	96.000,00

## A-2) IPER DEPRECIATION

The so called «Iper depreciation» is a new tax benefit introduced for 2017, similar to the «super depreciation» but referred only to **new specific assets**. The extra-deduction is amounting to **150%**. The list of the investments eligible for this tax benefit has been approved together with the 2017 budget bill and are included – broadly speaking – machinery and plant **strictly interconnected** with the production system of the firm.

In general, the same rules referred to the super depreciation are applicable to the iper-depreciation (i.e. relevant period, mechanism etc.).

The tax benefit is significant and in case of relevant new investments is worthy to plan the investment in order to get the tax benefit.

### IPERDEPRECIATION - EXAMPLE

Investment in new assets	1.000.000,00
Superdepreciations	150,00%
Extra tax deduction	1.500.000,00
IRES rate (corporate tax)	24%
Net tax benefit (over the years of depreciation)	360.000,00

## A-3) INTANGIBLE ASSETS SUPER DEPRECIATION

A so called super depreciation for investments in **new specific intangible assets** has been introduced for 2017. Also in this case it is allowed a **40%** extra-deduction of the cost. The list of the intangible assets eligible for the tax benefit has been approved together with the budget bill, in general are all software and applications able to **interconnect** machinery and plants. It is expected the releasing of a tax ruling about this new tax benefit.

### INTANGIBLE ASSETS SUPERDEPRECIATION - EXAMPLE

Investment in new assets	500.000,00
Superdepreciations	40,00%
Extra tax deduction	200.000,00
IRES rate (corporate tax)	24%
Net tax benefit (over the years of depreciation)	48.000,00

## B) ACE – aiuto alla crescita economica

The aid for economic growth (so called “ACE”) is a benefit which aims to promote the recapitalization of companies. The measure provides a 2.3 per cent tax deduction for 2017 and 2.7 per cent tax deduction for 2018 onwards, calculated on the amount of the new equity invested into the company reduced by dividends distributed and repayments. The amount of the new equity have to be reduced also for the increasing in the short terms financial investments.

To be eligible for the ACE the increase in equity must be realized through shareholders’ new cash contributions and retained profit. In case of new incorporated company the whole equity would be eligible for ACE.

### ACE - EXAMPLE

Equity Increasing	1.000.000,00
Tax deduction rate (for 2017)	2,30%
Tax deduction (for 2017)	23.000,00
IRES rate (corporate tax)	24%
Net tax benefit	5.520,00
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Equity Increasing	1.000.000,00
Tax deduction rate (for 2018 onwards)	2,70%
Tax deduction (for 2018 onwards)	27.000,00
IRES rate (corporate tax)	24%
Net tax benefit (for 2018 onwards)	6.480,00

## C) SABATINI

The so called *Sabatini ter* is a contribution on the interests paid for the loan referred to new investments in plants and machinery, hardware or software. An application has to be sent in order to benefit of the contribution. In case the application of the company is approved, also a guarantee on the loan will be granted by the state along with the interest contribution. Only middle-size company are eligible for the contribution (i.e. only the companies having less of 250 employees, less of 50 mln of revenues and less of 43 of total assets). The amount financed have to be between 20,000 Euro and 2,000,000 Euro and the term of the loan have to be less than 5 years. The interests paid as contribution are calculated as the interest rate would be amounting to **2,75%** (over the years of the repayment plan). The investment have to be recognized as assets in the FS of the company and remain in the FS for at least 3 years. The investment could took place only after the application for the

contribution has been approved. Please note that every year (till 2018) the Minister of economic development allocates an amount of funds for this contribution and it is distributed according the applications received in chronological order.

### SABATINI - EXAMPLE

Loan	1.000.000,00
Sabatini rate	2,75%
Contribution over the years	77.173,65

In the budget bill of 2017 has also provided an increased version of the contribution for technological investments, more detailed clarifications are expected from the tax authority. The Sabatini contribution could be cumulated with the so called super/iper depreciation.

## D) INNOVATIVE START UP

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A tax benefit on income tax has been introduced in favor of subjects who make investments in the share capital of innovative start-ups. In fact, entities/individuals who invest in the share capital of one or more innovative start-ups – either directly or indirectly – can have their tax burden reduced of an amount equal to a certain percentage of the investment. There are many strict requirements that a company have to meet to be deemed as innovative start up. In case so companies subject to tax on corporate income may deduct from their total income an amount equal to **30 per cent** of the eligible investments made for an amount not exceeding € 1,800,000, for each tax period, and the investment must be maintained for at least three years. In case of individuals the investment shall not exceed the amount of 1,000,000 in any tax period and must be maintained for at least three years.