

DOING BUSINESS in ITALY



FOREWORD

This guide has been prepared to provide basic information to those interested in investing and doing business in Italy. It does not cover in detail all the requirements and subjects considered, but it is aimed to provide an overall idea of the benefits of doing business in Italy and to answer basic taxation requirements.

The guide is intended to be used for informational purposes only and you should consult a professional tax advisor to acquire more information.

The material contained in this guide is based on information and regulations in effect as of July 2017.

ABOUT BLITA INTERNATIONAL

BLITA International is a global association of independent tax accountants, tax attorneys and business consultants dedicated to providing personalized professional services for all your transnational tax planning and business management needs.

Our member firms are committed to providing the highest quality professional services to help meet your business and financial goals across international borders. The local expertise of our members regarding business and tax regulations, culture and knowledge of doing business in their home countries, allows them to provide the best solution and advice to maximize your profit and reduce your tax implications.

WHY SHOULD YOU DO BUSINESS IN ITALY

MASSIVE TRANSPORTATION NETWORK

Italy boasts an impressive transportation network. The country has over 130 airports, handling over 91 million passengers and approximately 750,000 tons of freight each year. The Leonardo Da Vinci airport, near Rome is one of the major international airports, and experiences a yearly traffic of more than 35 million passengers.

In addition, Italy has one of the safest and most extensive railway networks in Europe with over 16,000 km of track and representing 10.7% of the entire network of the European Union — third largest behind Germany and France. Italy's railway system transports 473 million passengers and 87 million tons of freight each year. In addition, the high-speed train network already links the major Italian cities and is undergoing further expansion.

There are over 30 major ports in Italy and 148 ports in general, which handle approximately 463 million tons of freight and 85 million passengers each year.

ONE OF THE WORLD'S TOP ECONOMIES AND MARKETS

Italy is the third largest economy of the Eurozone and the 18th largest in the world, with a GDP of more than 1.85 trillion dollars, bigger than that of Russia and Spain.

Italy's domestic market offers many opportunities, with a population of more than 60 million and a per capita GDP of 36,000 dollars. The net wealth of Italian households is 8 times their disposable income (a higher ratio than that of the U.S., Germany and Canada) and their indebtedness remains relatively low at 82% of disposable income.

COUNTRY ESSENTIALS



Capital City	Rome																						
Area and population	301,340 km ² and a population of 62,137,802 people (July 2017 est.)																						
Language	Italian																						
Currency	Euro (EUR)																						
International calling code	+39																						
National Holidays	<table><tr><td>New Year's Day</td><td>January 1st</td></tr><tr><td>Good Friday</td><td>April 14th</td></tr><tr><td>Eastern Monday</td><td>April 17th</td></tr><tr><td>Liberation Day</td><td>April 25th</td></tr><tr><td>Labor Day</td><td>May 1st</td></tr><tr><td>Republic Day</td><td>June 2nd</td></tr><tr><td>Assumption Day</td><td>August 15th</td></tr><tr><td>All Saints' Day</td><td>November 1st</td></tr><tr><td>Feast of Immaculate Conception</td><td>December 8th</td></tr><tr><td>Christmas</td><td>December 25th</td></tr><tr><td>St. Stephen's Day</td><td>December 26th</td></tr></table>	New Year's Day	January 1 st	Good Friday	April 14 th	Eastern Monday	April 17 th	Liberation Day	April 25 th	Labor Day	May 1 st	Republic Day	June 2 nd	Assumption Day	August 15 th	All Saints' Day	November 1 st	Feast of Immaculate Conception	December 8 th	Christmas	December 25 th	St. Stephen's Day	December 26 th
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Business and banking hours	40 hours weekly																						
Major stock exchanges	Borsa Italiana (S.p.A.)																						

Government structure

Italy has a parliamentary government based on a proportional voting system. The parliament is perfectly bicameral: the two houses, the Chamber of Deputies and the Senate of the Republic, have the same powers. The Prime Minister, officially President of the Council of Ministers, is Italy's head of government. The Prime Minister and the cabinet are appointed by the President of the Republic, but must pass a vote of confidence in Parliament to come into office.

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COMPETITIVE AND SKILLED LABOR FORCE

Italian hourly labor costs are below the Eurozone average: only 82% compared to the cost in France and 90% to Germany. More than 20 Italian academic institutions are ranked in the top 500 universities in the world, with about 300,000 graduates each year.

KEY PLAYER IN MANUFACTURING AND INTERNATIONAL TRADE

For over 30 years, Italy has boasted the second largest manufacturing economy in Europe after Germany, and the sixth or seventh top global manufacturer, according to the World Bank.

Italy holds important leadership positions for trade surplus in 935 products out of 5,117 marketed goods: first in 235 products, second in 377 products, and third in 323 products.

PROVEN GLOBAL COMPETITIVENESS IN MACHINERY AND 'MADE IN ITALY' SECTORS

Investors in Italy have access to unique export know-how in leading sectors, such as machinery, fashion, design and food.

Companies investing in Italy can also rely on extensive networks of small and medium enterprises and many industrial clusters throughout the country that are able to supply high-quality intermediate products specifically tailored to meet customers' needs.

Since the middle class in the BRIC economies is expected to increase by 800 million people by 2020, according to Goldman Sachs, global demand for 'Made in Italy' goods is expected to increase in the coming years, with the attendant increase in tourist arrivals.

OPEN TO FOREIGN INVESTMENT

Italy experiences a strong performance of multinational companies: industrial foreign entities employ 11% of total workers, produce more than 20% of domestic yield, and export 26% of national exported goods. The presence of foreign companies is significantly higher in high-tech sectors, high-level services and among the largest companies.

According to the *FDI Confidence Index*, Italy ranks 13th in 2017, three positions above its performance on 2016. Given recent regulatory reform, there is much greater flexibility in setting up a new business for start-ups: Italy now precedes Germany in the 'starting a business' ranking.

UNPARALLELED QUALITY OF LIFE AND CULTURAL OFFER

Italian cities are overflowing with historical and artistic landmarks, and this-- combined with its world-famous art, culture, music, food, and quality goods — gives Italy an unparalleled quality of life. Italy contains more World Heritage Sites than any other country in the world. As a result, international tourist arrivals to Italy are nearly 50 million annually. Italy inspires passion and interest in the world over its heritage and culture, tourism and 'Made in Italy' goods. The 'Made in Italy' factor makes every brand unique and attractive, carrying the 5th best 'country of origin' denomination.

ESTABLISHING A BUSINESS

PROCESS TO INCORPORATE A COMPANY

An investor aiming to establishing a business entity in Italy requires 6 procedures over a minimum of 6,5 days, making it the 50th in the world in terms of regulatory favorability to start a business.

Procedures	Time to complete
Execute a public deed of incorporation and company bylaws before a public notary and pay registration tax	1 day
* Buy corporate books and accounting books	1 day
* Pay government tax (fee) to authenticate corporate and accounting books	1 day
Activation and registration of the "Certified e-mail" (P.E.C)	1 day
Register the Company through <i>Comunicazione Unica</i>	2 days
* Notify the competent Labor Office (DPLMO) of the employment of workers	Less than 1 day (online procedure)
Minimum number of days	6,5 days

Note: Steps marked with an asterisk (*) may be completed simultaneously.

REQUIREMENTS TO INCORPORATE A COMPANY

The *Società a Responsabilità Limitata (Srl)*, similar to a Limited Liability Company, is the most common form of incorporation in Italy. Shareholders in a *Srl* are liable only to the value of their shareholding.

COMPANY NAME

Italian regulations require company names to be unique, in any language using the Latin alphabet, and approved by the *Registro Imprese*. Additionally, company names must end with the suffix "*Srl*."

REGISTERED OFFICE

Under Italian regulations, all companies are required to have a registered office where company books and official documents are kept. This is the address where your company will be registered.

MANAGEMENT

The form of management of a *Società a Responsabilità Limitata (Srl)* is very flexible. An *Srl* may have a Sole Director, a Board of Directors or a form of management where directors are not appointed to a board, but instead exercise their powers jointly or separately, or jointly and others separately. Some shareholders may be assigned special rights, including administrative rights or rights to distribute profits.

SHAREHOLDERS

An Italian *Società a Responsabilità Limitata (Srl)* can be formed by one or more shareholders. There are no restrictions on the nationality or residency of shareholders.

TAXATION



CORPORATE TAXES

Corporate income tax is levied on income derived worldwide by corporations and business entities resident in Italy, and on income derived from Italian sources by non-resident entities. The basic corporate tax rate levied on both resident and non-resident entities is 24%.

Companies are considered resident for Italian tax purposes if its office is registered in Italy, its administrative office is in Italy, or its main business activity is in Italy.

TAXES ON CAPITAL GAINS AND DIVIDENDS

There are no special rates for the taxation of capital gains, which are generally included in the normal corporate tax base. However, capital gains derived from the sale of participations are 95% tax exempt (taxed at a 5% rate) if certain conditions are met.

Likewise, in the case of domestic and foreign sourced dividends, these are 95% exempt from corporate income tax if the subsidiary is not a resident of a tax heaven country or distributed by a black list country.

EMPLOYMENT TAXES

Tax withholding from income derived from employment is applicable according to rates of contribution:

	Employee	Employer
Social Security	9.19% - 9.49%	27.26% - 32.08%

SALES TAXES / VAT

A sales tax is levied at each stage of the production and distribution chain. VAT is chargeable at a standard rate of 22% with reduced rates of 4% and 10% in certain cases. Financial services, medical services, gaming, gambling and export sales are exempt.

ESTATE AND GIFT TAXES

The Italian inheritance tax applies to transfers of property or property rights due to death, gift, and on restrictions on the use of property. The tax rates are 4%, 6% or 8%, depending on the degree of kinship between the heir or beneficiary and the deceased person or donor, with exemptions up to EUR 1 million to bequests to close relatives.



PERSONAL TAXES

Italian residents are taxed on their worldwide income; nonresidents are taxed only on Italian sourced income. For tax purposes, an individual is considered resident if he or she is registered with the Italian Civil Registry, has its principal place of business and interests in Italian territory, or stays in Italy for more than 183 days in the calendar year. Italian citizens who relocate to tax havens are deemed Italian residents even if they deregister from the Civil Registry, unless otherwise proven by the individual

Individual income tax is levied according to the following progressive rates:

If the income is:	Tax Rate:
0 to 15,000	23%
15,000 to 28,000	27%
28,000 to 55,000	38%
55,000 to 75,000	41%
75,000 and over	43%

All values are in Euros (EUR).

TRANSFER TAXES

Transactions involving real property must be registered, while others can be registered voluntarily. All transactions that are voluntarily registered are subject to a lump sum tax of EUR 200. In cases where registration is mandatory, the tax is generally a percentage of the value of the transaction. For example, the purchase of the taxpayer's main house is generally subject to a 2% registration tax, while a 9% is levied on the purchase of real property.

MARKET OPPORTUNITIES AND COMMERCIAL SECTORS



TELECOMMUNICATIONS EQUIPMENT AND SERVICES

Italy is the second largest market for mobile communications in Western Europe and one of the most developed. Mobile phone diffusion in Italy is among the highest in the world, with 95 million active SIM cards and over 46 million users, three fourths of Italy's population. Regarding Internet usage, the market is experiencing continuing growth, reaching over 39 million users and a broadband penetration of more than 22% of the population. Cloud computing, unified communications, mobile commerce, mobile payment, mobile security solutions, mobile marketing and services, and mobile applications are among the best prospects in the sector.

RENEWABLE ENERGY

The promotion of alternative sources of energy is a necessity in Italy, given that it depends on foreign energy for approximately 75% of its needs. Italy is one of Europe's leaders in RES development and is considered one of the world's most attractive markets for renewable energy equipment and services. Especially attractive are Italy's opportunities in solar, geothermal, onshore wind and infrastructure projects.

MOTORCYCLES MARKET

Italy has always been the largest market in Europe for new motorcycles and mopeds, The country is also the leading manufacturer of powered 2-wheel vehicles in Europe, with over half of the European output. Although it is difficult to identify all subsectors that present investors with good opportunities, the following are some of them: electronic accessories, gear and apparel, safety and security devices, parts and maintenance tools and equipment.

TOURISM

Boasting over 33,000 hotels and 400,000 employees, tourism is one of Italy's fastest growing and most profitable sectors, with an estimated revenue of €136.1 billion. With more than 47.7 million tourists a year, Italy is the fifth highest tourist earner and the fifth most visited country in the world. Given Italy's well-known artistic and cultural heritage, along with its internationally acclaimed excellence in dining and natural environment, the country offers great potential for growth and enormous investment opportunities. Such opportunities can be found in the services, accommodation and infrastructure subsectors, such as restaurants and leisure facilities.

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