

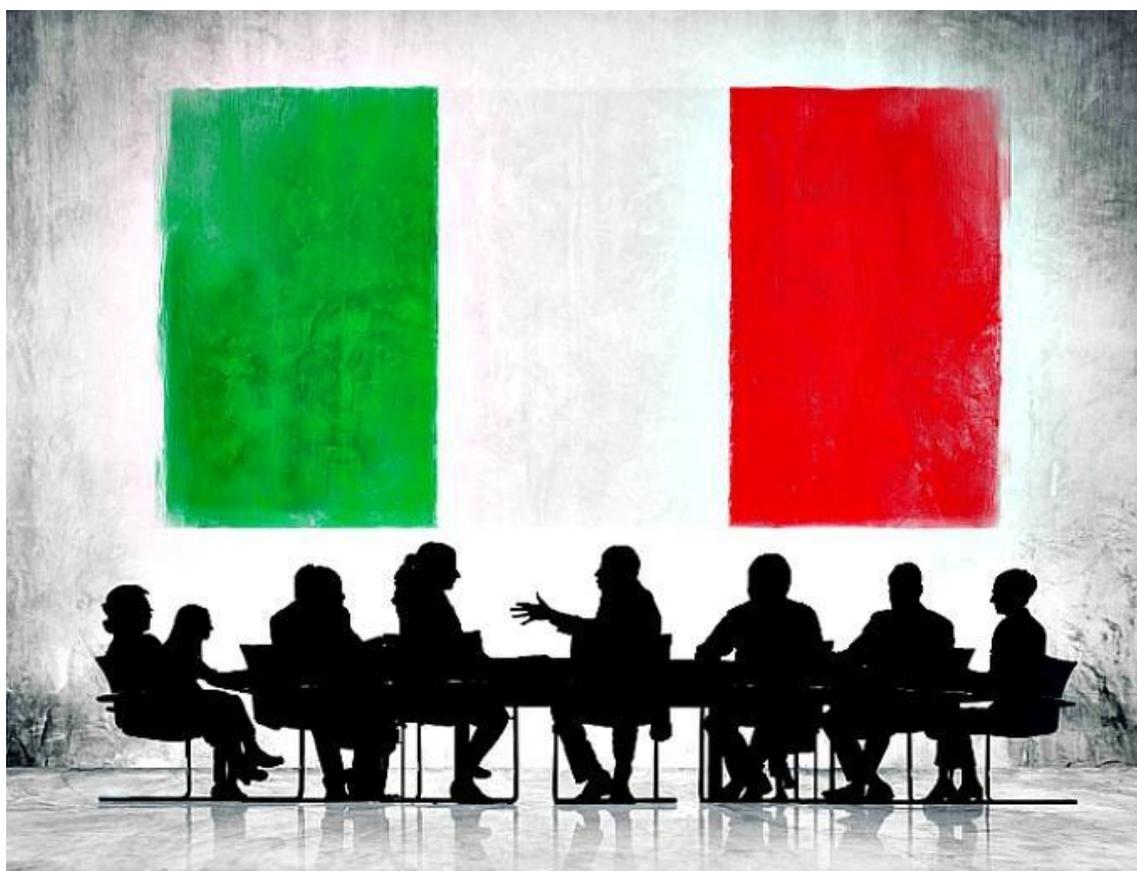
COSTANZO & ASSOCIATI

CONSULENTI DI IMPRESA

Member firm of



Doing Business In Italy 2016



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Foreword

This Guide has been designed to provide assistance for investors interested in doing business in Italy.

It is intended to answer some of the most essential, broad queries that may arise.

When specific problems occur, it will often be necessary to refer to the Laws, regulations and decisions of the country to obtain appropriate accounting and legal advice.

Investing in Italy

In order to increase their competitiveness, companies need to start an internationalization process, which aims to enter in new markets, where companies might be interested to invest in. Nowadays, the exit from national boundaries has become a fundamental prerequisite to maximize profit and corporate success. Actual effect of recent economy's slowdown stressed out Western Europe to be an attractive pole for foreign investments.

The Italian economy is characterized by 4.4 mln. highly dynamic firms operating in many diversified industries. The vast majority of these are small and medium-sized enterprises (SMEs), of which more than 200,000 have over 10 employees. There are 3,400 large companies with more than 250 employees. While the presence of a vast majority of SMEs is a common feature of many European economies, a peculiarity of Italian industry is the presence of a large number of micro-firms: approximately 95% of companies have less than nine employees, 3% of companies have 10-19 employees and approximately 2% of companies employ more than 20 people (source: ISTAT, 2015).

Indeed, besides data and economic reports, entrepreneurs need to look over statistics or quantitative analyses and try, through their experience, to understand national culture and potential key-aspects, which usually mathematics would not stress out.

Comparative data highlight Italy to be on the Chinese's podium for investments abroad. In addition, the Chamber of Commerce in Milan informs that Region Lombardia hosts 40% of Chinese companies' legal seats.

With reference to the analysis conducted by the United Nations Conference on Trade and Development (UNCTAD), in 2015 the total Foreign Direct Investments in-flows equaled to 20.279 mln \$. Currently, the Italian government is pushing up efforts to promote firms' developments and reduce bureaucracy.

Why should foreign entrepreneurs invest in Italy ?

Due to the myriad of attractive sides, Italy can offer, the answer could be:

- “Made in Italy” itself has always been a worldwide known symbol of excellence and prestige;

- The Italian market is one of the principal markets in the world, particularly for textile and manufacture sectors;
- Great capacity and opportunities for innovation, research and development;
- The related tax benefits for R&D investments, capital goods and machineries, targeted to foster new firm's development;
- Last but not least, the importance of its strategic and logistical position.

The industrial sector accounts for 18.5 percent of GDP with the remainder contributed by agriculture. Motor vehicles, fashion and luxury goods, life sciences, aerospace, chemicals, information and communication technology, logistics, renewable energy, and precision machinery are among the most important sectors of Italian manufacturing.

In particular, in Italy drones' production is catching on for their wide application's opportunities, which range from agriculture to security functions. Virtual reality, according to experts, will boom up in the near future, while new technologies allow their implementers to satisfy the huge increasing demand of various different economic sectors.

The social commitment to preserve the environment succeeded investors and builders to steer the buildings' industry to an ecological approach. The "green" path takes to the research of new environment-friendly solutions and materials, which, in addition, shall even provide cost savings in the near future.

With reference to Research & Development, recently the Italian government provided a tax- receivable for R&D investments. This treatment can be exploited by all typologies of firms operating in any economic sector with a credit's limit of 5 mln € per year. However, corporate income is an unavoidable requisite. The scope of accepted R&D activities to be included are:

- Experiments and researches;
- Project for new goods and services;
- Trials of new processes, goods and services, which must not be intended for commercial purposes.

This benefit provides two typologies of tax-receivable:

- 1) 25% tax-receivable for costs concerning equipment;

- 2) 50% tax-receivable for high qualified human resources and academic partnerships.

The credit is “automatic”, therefore companies will not need to initiate a preventive procedure to request it. Indeed, companies are required to respect certain requirements:

- The conservation of R&D’s related records;
- The auditor’s certified documentation;
- The duty to enclose such certification to the final financial statement.

Furthermore, the Italian government cares to provide to investors benefits, in order to make itself worldwide attractive.

General overview

Investments made in Italy are not subject to any limitations and are treated in the same way as those made by Italian entities. Foreign investors who intend to do business activities in Italy can choose from a wide range of legal entities that may be incorporated under Italian law, depending on the company’s organizational model, its business objectives, level of capital to be committed, extent of liability, tax and accounting implications.

Italian Law offers a variety of legal forms (e.g. corporations, partnerships), which are subjected to specific tax rules and corporate laws. There are two main categories of legal entities:

- I. Partnerships (società di persone),
- II. Companies (società di capitali)

Partnerships divide themselves into limited partnerships (S.a.s.), Copartnerships (S.n.c) and ordinary partnerships (S.s.)

The Italian Law provides for companies other corporate types, which include Stockholding companies (S.p.a), Limited Liability companies (S.r.l), Limited partnerships with share capital (S.a.p.a.) and Cooperatives.

The most important difference consist in the fact that, with reference to partnerships, assets and liabilities belong to the members' personal invested capital.

For companies exists a fundamental basic principle: the company is liable with its assets for its obligations and the liability of shareholders/quota holders is, therefore, limited to the amount paid in, or to be paid in, as corporate capital.

Stockholding Company (Società per Azioni)

The Stockholding company has its own legal identity and it is the form favored by large enterprises, usually, preferred by the foreign investor. The means of incorporating a business enterprise as a legal entity in Italy are laid down by the Italian Civil Code.

For the Stockholding Company, the Italian Civil Code regulates:

- Constitution
- Governance
- Liabilities and duties
- Liquidation

To set up a Stockholding Company in Italy, future shareholders have to sign an agreement in front of an Italian public notary. It can be founded with either one or more shareholders. The company may be established by contract or unilateral deed.

In case that company's equity belongs to a unique shareholder, such a shareholder will be unlimitedly liable when contributions in kind have not been made pursuant and/or until the required publicity is made as legally prescribed in the Italian Civil Code (the deposit in the Register of firms of a declaration drafted by the Executives). If there is just one shareholder, the contribution will necessary be done 100% at the agreement's day.

The Law does not set a limit to the number, nationality or residence of shareholders.

In order to gain a legal status, the public notary is required to deposit the formation agreement within twenty days at the Register of Companies of the municipality the new company has its registered office. The end of the procedure allows the new founded company to act as a legal entity.

According to the Italian Civil Code, corporate liability belongs only to the company and its owner's equity. The minimum share capital required equals to an amount of 50.000,00 €.

Due to legal requirements, at least 25% of contributions in cash have to be executed at the agreement's day. This is valid only if there are more than one shareholder. The remaining 75% can be covered even with goods or receivables.

The capital may be divided into shares of any denomination. The shares must generally be in nominative form and not issued less than their par value. There exists the exception that shares can have par value equal to zero. All shares must be of equal value, and it's usual for them to confer equal rights. It might occur, with statute's dispositions, that owners decide to create different categories of shares, which might have different types of rights. Additionally, owners can decide over shares' quantity limits for each of them.

If the company achieves to generate profits during its business activity, share owners have rights, according to their equity's proportions, over the company's income. Before their distribution, dividends must be approved by the Shareholders' meeting for the yearly financial statement approval. The Italian Law prohibits companies to distribute more dividends than the generated profits certified by the company's financial statement.

Besides dividends' distributions, the company is required to constitute a legal reserve, which consists of 5% of profits for each fiscal period. The reserve should be raised until it reaches 20% of equity. If the reserve is reduced, the company must provide for its reserve's reintegration. Dividends cannot be distributed if the reserve does not be equal to 20% of equity.

Governance

According to the Italian Civil Code, it is possible to adopt three different typologies of governance models. These models characterize themselves about the control's and administration's power distribution. To change the adopted governance model it is necessary to call a Shareholder meeting in front of a Public Notary.

“Ordinary Model”

The firm’s management is entrusted to an administrative authority, which might consist in one or more administrators. The unique director or the Board of Directors are appointed by the shareholders meeting, they stay in charge for three years and can be re-elected.

There are two types of control over the management activities:

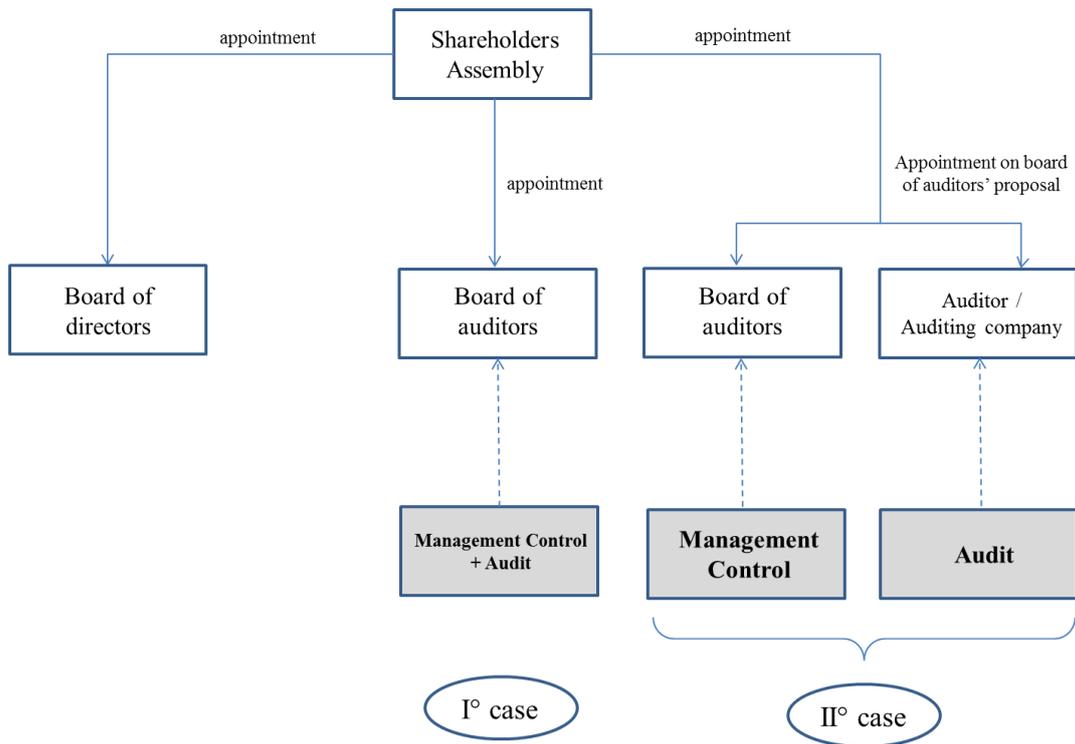
- Assessment of Internal Control, Accounting System and Legality;
- Corporate Audit.

The first control activity is done by the Board of Auditors appointed by the Shareholders Meeting, they keep the role for three years and can be re-elected.

Auditing operations can be done by the Board of Auditor, only if:

- it is provided by the Statute;
- all supervisors are auditors;
- the firm does not draft a consolidated financial statement;
- the company is not listed.

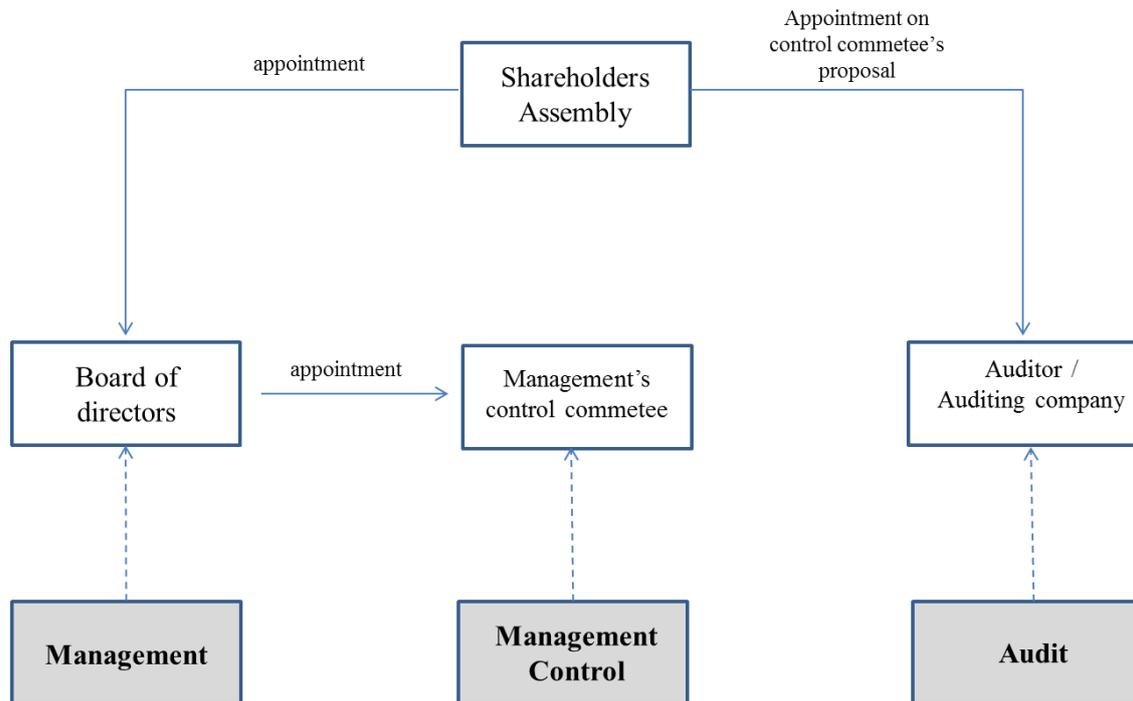
If the company is obliged to appoint an external auditor, or the shareholders might prefer this governance solution, the auditor is appointed by the shareholders meeting on proposal of the board of auditor.



“One - Tier System”

The company’s Statute can provide the option to adopt the one-tier model. The firm’s administration is entrusted to a Board of Directors, while the control over management will be supervised by a committee, which will be selected among the Board of Directors’ members. For this reason at list 1/3 of the Board of Directors’ members has to satisfy independence requirements and a minimum of 1 of them has to be registered in the book of auditors. This governance model does not include the option to elect a sole administrator.

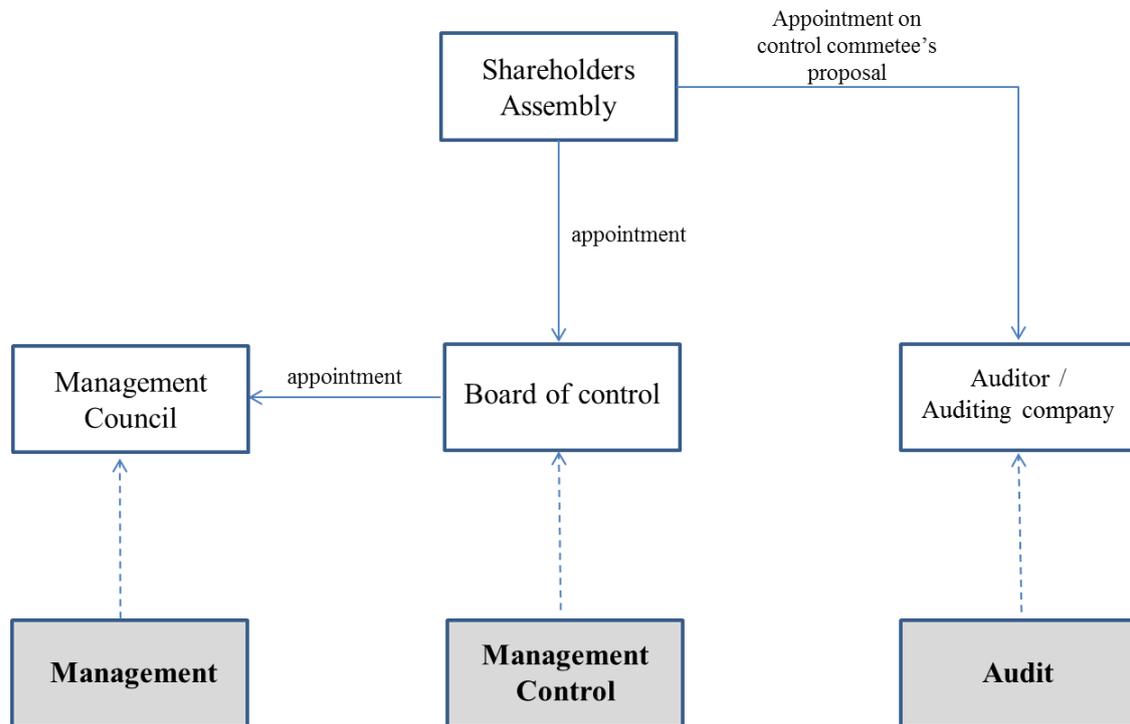
Auditing will be executed by a legal auditor or an auditing company. For listed companies audit has to be done by an auditing company registered in the appropriated Consob’s database (the listed companies’ authority). Decisions over auditing tasks and assignments depend on shareholders’ decisions taken during their meeting.



“Two-tier System”

This governance system expects administration’s powers to the management council, that will be nominated by the Board of Control, which provides monitoring activities. The Board of Control could be categorized as an intermediate authority between the shareholders’ assembly and the administration body. The board of control is elected by the shareholders assembly.

Differently from the previous models, the shareholders assembly does not approve the firm’s financial statements and selects its administrator, but, it is expected to select its own board of control and the auditors or auditing firm to entrust the company’s auditing activities. In some cases the financial statement could be approved by the shareholders meeting.



Conclusions

Companies can choose among the available governance's model, Clearly, depending on either organizational structure or business model. The final choice relies on the extraordinary meeting, without the option to assign the selection's choice to the administrator's body. Previously, the Statute must include the opportunity to choose a specific governance model.

The choice to change the governance patterns may be made even after the company's birth. The final change will produce effects on the next fiscal year after the last Shareholders' meeting.

The most important aspects of each governance model are provided below:

- The ordinary model provides a clear cut between administration's and control's activities.

- The one-tier system has a more flexible and simple structure in comparison to the other governance models. It underlines the knowledge sharing between administration's and control's bodies.
- According to the two-tier system's features, this model provides to the control's authority important functions, which in the ordinary model would belong to the shareholders. Shareholders set up business guidelines to be followed and take the most relevant decisions, e.g. operations on equity, extraordinary operations, etc.

Limited Liability Company (Società a Responsabilità Limitata)

The formation's procedure is similar to the S.p.a's one. In order to set up a Limited Liability Company, potential investors are required to draft an agreement, if there are more than one partner, or a deed pol in case of only one shareholder. The agreement or deed pol needs by legal conditions to be signed with a public notary act. In case of only one partner, the administrator is required to deposit to the Register of Firms a declaration containing relevant information about the sole partner, therefore the partner becomes unlimitedly obliged. The notary, then, will deposit the document within twenty days at the register of companies of the municipality the new company has its legal office in.

After the deposit, the new firm acquires its legal status and allows itself to execute its capacity to act.

The minimum amount of equity should be at least 10.000,00€. This import might include both currency and all kinds assets, which could be susceptible of economic valuation. The Italian Law suggests the opportunity to choose an equity of only 1,00€. In this case, the Law recognizes the new company as a "Simplified Limited Liability Company" (Società a Responsabilità Limitata Semplicata) . For this type of company the contribution should be done in cash, unless different legal dispositions.

C&A

The liability belongs only to the company and its equity. According to the Italian Law, priority goes to creditors first. After creditors have been satisfied, the company will be allowed to reimburse its partners.

Shares do not exist in the Limited Liability Company. Partner's shareholding is represented in proportion to equity.

If the company generates profits, 5% of these should be addressed to the legal reserve as prescribed by the law until the reserve's amount reaches 20% of equity.

The legal reserve can be used to cover losses. If it is the case, the company will be required to reconstitute the reserve to the prescribed conditions. Dividends can't be distributed until the legal reserve reaches the minimum legal amount.

Governance

In this type of company the ordinary system is the only one allowed by the Law. There are some differences about the audit rules: the deputy to the audit activities has to be monocratic. The statute can provide a body instead a monocratic choice.

Limited Partnership with Share Capital (Società in Accomandita per Azioni)

The Limited Partnership with Share Capital belongs to the joint stock companies category. Joint stock companies regulation will be applied even for this firm's category. Differently from the other partnerships it has two main types of shareholders.

Executives, according to the Italian Law, are all firm's administrators and they are unlimited obliged to the firm's obligations.

This excludes the choice to relieve them from administration duties or outsource administration authority. It might be possible to outsource single management acts or attorney's powers. The Italian Law allows to the company to entrust to third parties. During Shareholders meetings, Executives are not allowed to vote for nominations or

revocations concerning the statutory auditors. If provided, the statute allows Executives, statutory auditors or management committee to change the statute. This power does not be transferred from the extraordinary shareholder meeting to other bodies, except statute's indications.

In case that the extraordinary shareholders meeting delegates the power to change the statute, Executives, with previous deposit of statute's changes at the Register of firms, will be allowed to act further changes. If the company adopts an ordinary governance model, the regulation concerning Board of Directors will be applied for Executives.

Otherwise, if a two-tier system has been adopted, Executives will be treated as management committee's members.

Limited partners are not involved in management operations. Their duty for corporate obligations is limited to the proportion of capital they actually own. In addition, they reserve themselves the right to apply veto on new administrators' proposals. This right allows top management to secure its position towards potential new administrators.

The participation to equity consists in shares, which do not differ between the two types of shareholder. Its legal base relies on the same one for stockholding companies, while its regulation find itself in few legal norms. Generally its functional role is circumscribed to family holdings, which, consequently, hold corporate control.

Cooperatives

This kind of company differs itself by providing a "mutual" scope. Through a cooperative, partners can establish exchange relations much easier than the market would offer. In addition, the cooperative allows knowledge sharing among its partners. The features of exchange relations characterizes different cooperative's kinds. Differences can be observed in business operations and corporate structure. According to the relation between the partner and the cooperative, the Italian legislator provides three cooperative's models:

- Consumers cooperatives: They operate in favor of their partners, who can be producers or consumers of goods and services;

- Work cooperatives: They exploit partners' work and competences;
- Support cooperatives: They avail oneself of goods and services supplied by partners.

The cooperative must constitute a public deed, that is drafted by a public notary. The incorporation deed is deposited at the Register of Firms.

Cooperatives are legal entities subjected to equity's variability. This means equity is not predetermined by legal dispositions like the other kinds of firm. According to the number of partners, it will vary. The company, as a legal entity, operating through organs, i.e. performing their functions through natural persons, who are assigned certain tasks. The Shareholders Meeting may be ordinary or extraordinary, depending of the items on the agenda. The meeting must be convened at least once a year within 120 days from the year end. The majority required for the composition of the meeting and for the validity of the resolutions are determined by the Laws and they are calculated according to the number of voting rights of the shareholders. The meeting is open to all members registered in the shareholders' and they are entitled to vote only the cooperative members who have been registered to shareholders. The Board of Directors is the body responsible for the management of the company, according to the strategic direction determined by the shareholders and the limits fixed by the Statute. The governance rules to be applied to cooperatives are the same for the S.p.a. Although cooperatives belong to Joint Stock companies, they benefit of a reduced tax rate (about 10%), due to the fact that mutuality is a principle guaranteed by the Italian Constitution. The reduced tax rate will be applicable if and only if they respect the dominant mutuality condition. Dominant mutuality concretes itself if either more than 50% of revenues or costs is realized or sustained by the partners.

Joint Stock Companies Taxation

- Tax rate equal to 27,5% (24% from January, 1st 2017) on taxable income;
- Applied on corporate income;
- Nonresident companies pay taxes only on incomes produced in Italy;
- Dividends are taxed on the 5% of their amount, if they come from White List countries.

According to the Italian Tax Law, joint stock companies are required to pay a proportional tax on corporate income, the so called “Imposta sul Reddito delle Società” (IRES).

Furthermore, companies are subjected to IRAP (Regional tax). The tax liability will be calculated by applying a tax rate equal to 27,5% on the taxable income until December, 31th 2016. (Starting from January, 1st 2017, the tax rate will be equal to 24%)

In order to be taxable, the corporate income should be produced inside the Italian territories.

A company is resident in Italy and therefore its corporate income is taxable in Italy, if the firm during the majority of the fiscal period has (alternatively):

- its legal seat;
- its administrative seat;
- its main business activities

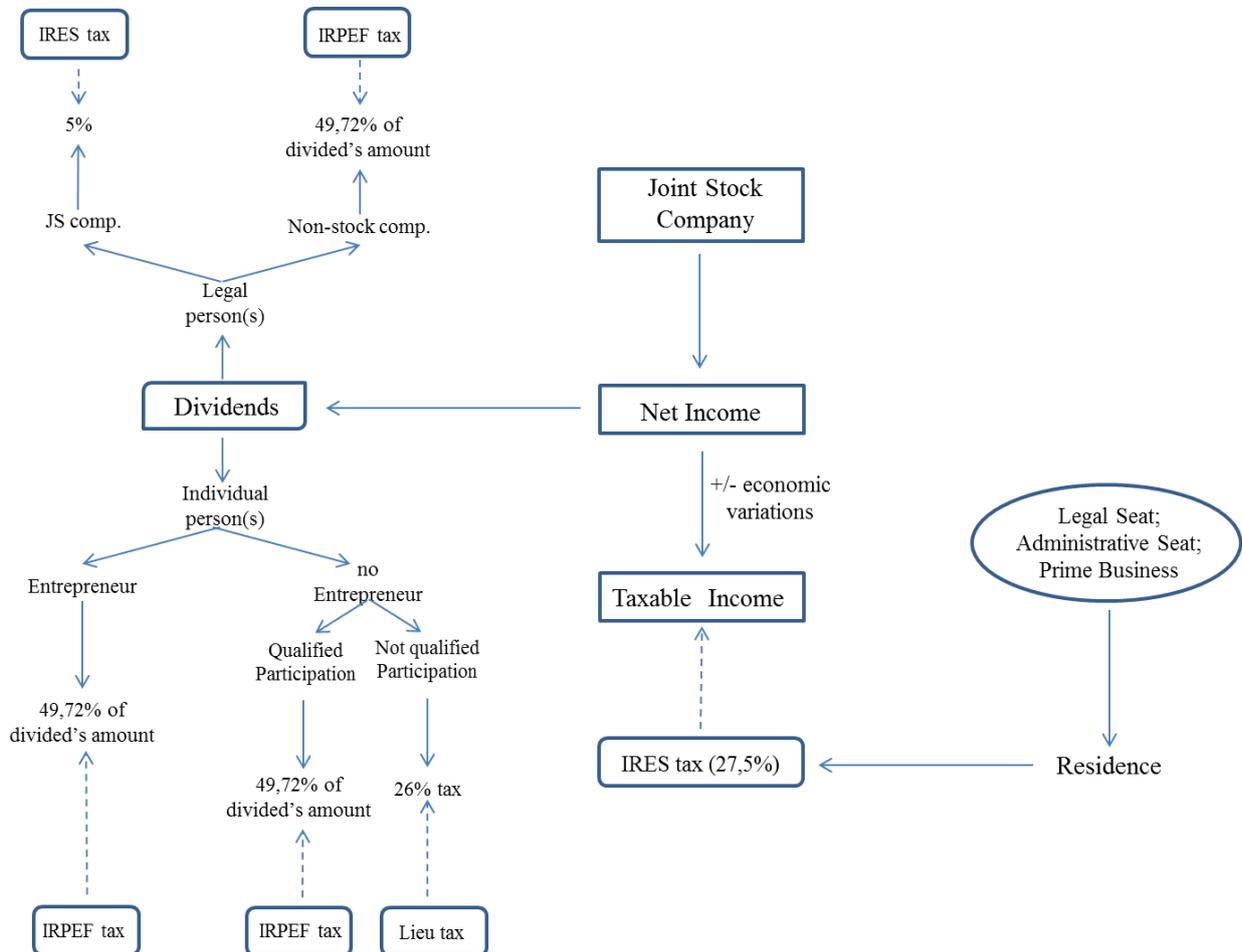
On the contrary, for non-residential companies, incomes produced in Italy will be subjected to IRES taxation.

Generally, foreign companies might decide to start businesses without necessarily have their legal or administrative seat abroad. Hence, their choice focuses either on opening a branch or subsidiary in new countries. The choice will depend on fiscal consequences. In case that a new subsidiary will be opened, this will be represented as a distinctive entity separated from the parent company. Hence, it will be considered to be legally autonomous and isolated from the parent company’s responsibility. On the other hand, branches consist in a secondary seat without any legal autonomy, through which the parent company executes its business activities in another country. In addition, branches provide certain fiscal advantages:

- a minimum required capital does not exist;
- in case of taxable losses, these will have consequences even on the parent’s company’s final income;
- in case of profits, profits’ transferring to the parent company will not be subjected to Withholding Taxes.

The taxable income is determined starting from the net profit. By applying positive and negative variations, which are compliant to Italian tax rules, the final taxable income will consist in the definitive taxable corporate income.

Dividends are taxable only on the 5% of the dividend's income with the exclusion of the remaining 95%. This option is valid for both qualified and not qualified profit sharing. In order to apply this rule, the dividend's distributor must be resident in a "White List" State. Otherwise, dividends will be fully taxed. For capital gains, there is a "participation exemption" treatment. Even in this case the Italian Law provides taxation reductions of the 95% for participations in companies having their fiscal residence in "White List" Country.



Imposta Regionale sulle Attività Produttive (IRAP)

- Each Region has its own tax rate;
- Generally the tax rate is equal to 3,90%;
- Applied on production activities;
- Not deductible.

The requirement for the IRAP's application underlies in the usual practice of organized activities aimed to the production of goods and services. IRAP is ascribed to each single Italian Region. For Regions with special statute, other dispositions will be applied.

Differently from other types of corporate taxes, taxpayers cannot deduct it out of income taxes.

Taxpayers' scope frames following legal entities:

- Joint Stock Companies
- Limited Liability Companies
- Limited Partnerships with Share Capital
- Others

IRAP's current rate equals to 3,90%. Besides, the rate's change can be differentiated among activity's and taxpayer's categories. In addition to the Regional tax, provinces and municipalities have the opportunity to increase the charge by 1,5 times the minimum established tax rate. IRAP's payment expires the same date issued for IRES and IRPEF tax and it will be carried out through the F24 model.

Annual payment (IRAP 201x)+ first tax advance	June, 16 th 201x+1
Pontponed payment + 0.4% rise	July, 16 th
Electronical Submission	September, 30 th
Second tax advance	November, 30 th

ACE (Aiuto alla Crescita Economica)

The Italian government introduced the “ACE” treatment whose aim consists in the reduction or even removal of corporate income savings’ differential between the exploitation of onerous off-balance-sheet financing instead of equity. This benefit aims to reduce leverage effect, which negatively affect the corporate cash flow. In addition, dividends’ distributions would reduce potential tax savings derived by the ACE treatment. Hence, the equity’s solidness, and therefore firms’ survival might be put to the wringer. The ACE treatment aims to provide benefits for those firms requesting equity’s contribution. The deduction’s rate equals to 4,75% in 2016 for incremental changes in equity with reference to the previous year. For future years, the deduction’s rate will be decided annually by the government. The legal disposition refers to increases by considering the net equity (Equity + Reserves, without profits, but anyway taking into account the previous year’s loss).

ACE treatment should be seen as an opportunity for firms to strengthen their equity structure and providing growth signals to their investors.

Imposta sul Valore Aggiunto (IVA)

- Standard VAT rates;
- Businesses charge VAT on goods and services they sell;
- VAT on purchased goods and services can be deducted;
- Exportations do not charge VAT;
- Importations are subjected to VAT;
- VAT exemption does not mean VAT exclusion;
- All those who issue invoices for goods and services must be registered.

Value Added Tax (VAT) is an indirect consumption tax applied on goods and services’ transfers. Key-features of this tax consist in:

- Objective requirement: goods' and services' transfers, excluding those without a financial counterpart;
- Subjective requirement: If goods' and services' transfers are made by (even not) organized entities implementing a commercial activity, these will withstand VAT's application;
- Territorial requirement: Concerning VAT purposes, territoriality verifies the place of taxation for transactions made or received by taxable persons in the Italian State. VAT will be applied if transactions occur inside the Italian State.

VAT is a tax with payback right. This means that the supplier is obliged to charge the tax to the final consumer.

Generally, for goods and services the tax rate equals to 22%.

This decreases to 10% and to 4% in case of certain categories of consumption goods.

The basis of taxation consist in the amount of payments to the seller, hence the price or the cost related to the goods' and services' production. The invoice and its contents represents the most important document for the application of the VAT's discipline. VAT's settlement occurs monthly. The taxable entity is required by legal dispositions to settle the VAT payment by using the F24 model, which will be sent electronically to the Italian Tax Authority on the 16th day of the next month.

During the fiscal year the legal entity can by chance use a VAT receivable to reduce its VAT debt. This measure differs itself from the compensation, which, if possible, allows the legal entity to exploit its VAT receivable to cover other fiscal debts.

Individuals Taxation (IRPEF)

- Residents in Italy are taxed on the worldwide income
- Exposure to Italian taxations depends on whether an individual is resident for the greater part of the year or is domiciled in Italy;
- Nonresidents are exposed to taxes only for incomes perceived in Italy or they stay in Italy more than 183 days;
- Tax rates are progressive;
- Certain incomes are taxed separately at lower rates;
- Tax credits are available for foreign taxes paid abroad.

In Italy, individuals are subjected to pay taxes, only if these are endowed of certain characteristics, which consist in:

- The possession of incomes;
- Residence in the Italian State.

Independently from the citizenship, age, gender and marital status residents are obliged spontaneously to clear their fiscal debt. The residence's theme is fundamental for incomes' identification due to the fact that resident individuals will pay on total amount of all perceived incomes, while for not resident individuals just incomes produced in Italy will be subjected to taxation, except different dispositions provided by double-taxation treatments. The global income will be given by the sum of all income's typologies the taxpayer had perceived during the fiscal year. Then, the taxpayer will subtract from the global value all deductions.

These consist in personal expenditures. In order to calculate the net tax, the taxpayer will later will apply:

- Receivables for taxes already paid abroad;
- Advanced payments;
- Withholding taxes paid as advance.

Tax is applied to the overall income, i.e. the sum of the income of each category, minus any losses deriving from the practice of arts or professions and/or commercial businesses.

Relevant income's categories include:

Income	Contents
Real Estate Income	Buildings, plots of land
Capital Income	Interest and dividends (26% tax rate)
Employment Income	Taxable income consists in the gross income; no deductions allowed
Independent work Income	Practice of arts and professions; Taxable income = net income after the deduction of job's costs
Corporate Income	Generated from corporate business
Other incomes	Capital gains and incomes generated from not habitual jobs

To the taxable income the Tax Authority will apply the selected tax rate for the tax bracket the taxable income is located in.

<i>Tax bracket</i>	<i>Tax rate</i>	<i>Calculations</i>
0,00€ -15.000€	23%	23%
15.000€ - 28.000€	27%	3.450€ + 27% on exceeding part over 15.000€
28.000€ - 55.000€	38%	6.960€ + 38% on exceeding part over 28.000€
55.000€ - 75.000€	41%	17.220€ + 41% on exceeding part over 55.000€
75.000 -	43%	25.420€ + 43% on exceeding part over 75.000€

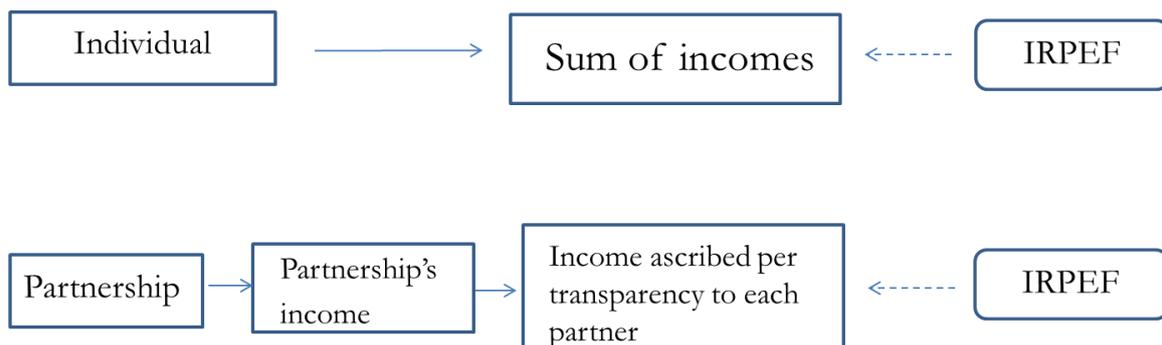
In order to have a clear idea on how the individual taxation works, below are provided few income data for the tax's calculation for a generic (not entrepreneur) natural person.

<i>Imposta Persone Fisiche</i>	
Real Estate Income	450,00 €
Plots of land Income	
Capital Income	
Employment Income	16.012,63€
Other Incomes	
Deductions for first residence	- 450,00€
<i>Total Income</i>	16.012,63€
Deductible expenditures	
Social contributions	- 2.150,00 €
Gross tax (23% tax bracket)	3.188.40€
Subtractions	- 1.604,00€
<i>Net Tax (IRPEF)</i>	1.584,25€

With no doubt, individuals have the right to round up in form of firms. For the so called “Società di persone”, the coordination between corporate and individual taxation is executed by ascribing proportionally the corporate income to each partner independently from the real perception of these. Incomes declared by the firm for a certain fiscal year will be linked to each partner, even if these have been reinvested in the firm. On the contrary, RTPA will be paid directly from the partnership. Previously, equity quotas need to be determined in the constitution’s act.

If not, the Law ascribes to each partner the same quota. The same logics is also valid for losses. Losses will be proportionally divided among all partners along the “transparency principle”. If the firm generates losses, the Italian State allows to compensate those with other incomes either in the same fiscal year or in the future. An exception occurs in the case that the loss is generated by other a S.n.c or S.a.s. These firm’s types are not allowed to take to the next year losses. This means that losses will reduce each partner’s total income. Both IRPEF and IRES taxpayers have to complete an annual return to be able to self-assess and pay taxes in full for the applicable tax year and the tax payments on account for the current year at the time the return is prepared.

The tax return must be drawn up using a standard form approved by the tax authorities on a yearly basis. Individuals and partnerships must file an annual tax return by the end of September of the following tax year.



Throughout the year, the taxpayer is required to comply with a series of obligations that vary, by type and by date, depending on the category of taxpayer and the type of tax that applies. It is important to note that almost all tax returns and fiscal communications must be sent by electronic filing only.

Taxpayers will submit electronically the F24 Model to the Italian Tax Authority.

Annual payment (IRPEF 201x)+ first tax advance (40%)	June, 16 th 201x+1
Pontponed payment + 0.4% rise	July, 16 th
Electronical Submission	September, 30 th
Second tax advance (60%)	November, 30 th

Conclusions

Italy has been hit by a major economic crisis.

During the crisis, Italy's bankruptcy Laws were amended to minimize company wind-ups by making out - of - court agreements with creditors easier. This has created an interesting market for distressed and semi - distressed assets. Italy is not yet out of the woods but there is light at the end of the tunnel. Investors may find it beneficial to bet on Italy soon in order to capitalize on opportunities.

Costanzo & Associati hopes this guide will provide You with useful information about the Italian economy, business, corporate and taxes.

Introduction to Costanzo & Associati

Costanzo & Associati is a professional Milan based firm of certified public accountants, specialized in strategic and financial, corporate and tax consulting. The selection of our new graduates and the efficiency of our professional team guarantee our clients a personalized and first-rate service.

Our firm is client-focussed, and aims to provide tailored solutions to create or maintain the competitive edge of our clients. A team of highly skilled professionals is systematically available to assist our clients by offering professional expertise, know-how as well as organizational and analytical solutions capable of achieving set targets for our clients.

Costanzo & Associati stands for excellence, quality and attention to detail, which are values that are able to provide companies with the most efficient, organizational, legislative and financial solutions that guarantee a companies' business development or, under critical conditions, the most appropriate "recovery & reorganizational" strategies.

Our Services

Tax and Business Consulting

The complexity of Italian civil and tax law requires the preparation of business projects based on administration and control models, appropriate for the corporate structure and business objectives, taking account of efficient and effective tax planning. Costanzo & Associati support clients through business and tax consultancy aimed at helping to give the right interpretation of current regulations and optimize the client's business choices. Costanzo & Associati is able to support its customers in the "cooperative compliance" in order to give greater certainty in tax law through a system to prevent the tax risk in full cooperation with the tax authorities.

Internationalization

Trends in the current market and world economy favour companies with international markets. Internationalization projects assume specific fiscal, corporate and strategic skills. Costanzo & Associati have developed their own 'cross border' business model for companies intending to start these processes through their professionals in emerging countries who carry out reconnaissance work on the best business model to adopt and potential partners. The internationalization and development of international groups require specific assistance on international taxation and transfer pricing which Costanzo & Associati can provide both at home and abroad through its network of international advisors. Costanzo & Associati has deepened, especially, the business development in China and in Dubai by the complete assistance to entrepreneurs who have identified a particular country as the target market. Thanks to the Network Santa Fe Associates International, Costanzo & Associati is able to guarantee the best professional expertise in over 150 countries worldwide.

Auditing and Due Diligence

Costanzo & Associati's partners are auditors and members of the Boards Auditors of various Italian companies. They apply the auditing and control procedures in conformity with the Board of Auditor's standards of conduct and both Italian and international auditing standards (IAS). Knowledge of the above procedures is also often used in the work of due diligence, required for M&A transactions or corporate restructuring, in which Costanzo & Associati acts as overall project coordinator.

Non-Profit Organizations

Costanzo & Associati also provides advisory services to non-profit organizations, regulated by ad hoc civil and tax regulations, which require in-depth knowledge to optimize the operational choices of the body. In detail, Costanzo & Associati guide the organization in the choice of management decisions, aware that its social aims can only be achieved

through management based on criteria of economy. Costanzo & Associati prepare budgets, management control systems and periodic reports with a view to the ‘economic’ management of the entity, which can be effective in assisting managers in planning the work of the organization. Costanzo & Associati are also able to discharge the civil and tax requirements for the entity.

Accountancy Services

Financial statements and consolidated financial statements are prepared with specific attention to the information value of the document, particularly relevant in relations with company stakeholders and financiers. Costanzo & Associati have gained in-depth experience in the preparation of financial statements in conformity with the IAS/IFRS international accounting principles, and also in giving interpretational opinions concerning these and their relationship with Italian civil and tax law. The experience in this area, including with listed companies, enables support to be given to Italian clients in the preparation of reports for foreign parent companies requiring data to be processed in conformity with international accounting principles. Our subsidiary Seldan S.r.l., a special purpose entity providing accounting and fiscal services, takes care of compliance with civil and tax law requirements.

Governance

The planning of the best-suited corporate governance model is essential in order to create long-term value for companies during their going-concern, when public funds are requested and when inter-generational property transfer needs to be planned. Our academic and professional expertise ensures companies the implementation of corporate governance models in line with best practice standards. Corporate governance consultancy is aimed at creating scrutiny and decision making mechanisms allowing the creation of value in the business through the optimization of information flows and decision making procedures. Costanzo & Associati assists its clients also in compliance cooperatives to give greater certainty in tax law. Costanzo & Associati’s partners give their professional

expertise and experience in various supervisory bodies of Italian companies, including listed companies, and assist clients in the preparation of the organizational procedures required for compliance with current regulations.

Debt Restructuring & Turnaround

Financial crises within enterprises must be addressed with promptness and professionalism, by applying provisions stated in the Italian Bankruptcy code (R.D. 267/42). If such conditions apply, insolvency can be avoided by implementing the best-suited debt recovery and reorganizational plans to ensure the financial rebalancing of the enterprise. The rule of law about the composition of the company's crisis have been extensively revised by the legislature and are still being edited; Costanzo & associated follows the evolution of the law to support more and more with appropriate tools the company in a state of crisis. An initial analysis of the business situation enables the best decision to be taken for the company, based on the real future prospects of recovery or closure of the business. Costanzo & Associati can support the enterprise with a team of highly skilled experts.

Valuation

Shareholders and managers increasingly need to know the value of their firm's economic capital, for instance during extraordinary transactions, consistency assessment of book values and when legal requirements must be met. Costanzo & Associati assists its clients in identifying the economic value of companies, business branches, industrial projects and intangible assets:

- To valuations for legal requirements (sworn reports, fairness opinions for mergers/spin-offs, transfers of businesses etc.);
- To help the management during corporate finance transactions;
- To support the adequacy of already determined economic values;
- During budget analysis.

Costanzo & Associati assists the management of companies and groups in the process of purchase price allocation for mergers, the structure and check of impairment tests and goodwill, tangible and intangible assets and also the fair value assessment of holdings.

Raising Capital for Development

In the presence of ambitious development projects, a balanced equity and financial structure within the company may open-up new capital to institutional investors or various equity regulated markets. Our extensive experience in this activity makes Costanzo & Associati a reliable and key partner, whose professional qualities can help identify and coordinate the most efficient solutions for our clients. Costanzo & Associati aims to assist clients in raising the financial resources necessary to grow and expand in both domestic and international markets. In this area Costanzo & Associati assist clients in the analysis of the value creation process to ascertain what contributes to its generation and factors that might cause inefficiency, as well as specific benchmarks for each business. After finalizing the analysis, Costanzo & Associati support the business person in preparing a financial plan and information memorandum for submission to potential investors.

Corporate Finance and M&A

Costanzo & Associati acts as an independent advisor to support the entrepreneur in creating long-term values. Our approach is based on the assumption that finance must be strictly related to the real economy, and strategic, financial and organizational capabilities must be combined to support a more global view, taking advantage of competence and a network of contacts in order to allow clients to reach their targets. The advisory activity is carried out under a strict collaboration with both the entrepreneur and the company's management by creating analytical and management models which assist future decisions. Costanzo & Associati assist clients in dealing with banks and preparing the documents to obtain soft financing.