

COSTANZO & ASSOCIATI

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C&A Magazine



“Networking worldwide for a mutual benefit”



Costanzo&Associati desires to share with You relevant events happened recently in Italy.

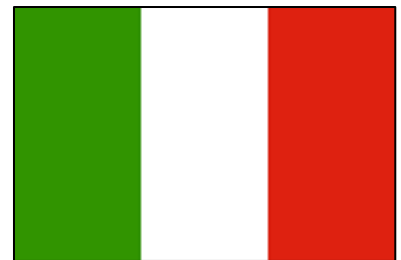
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Foreign Relations – What’s new?

Last November Italy and Singapore signed a mutual information exchange agreement.

Key-features:

- ❖ Improve collaboration
- ❖ Respect CRS requirements



Regarding the Common Reporting Standard (CRS) system, on November, 3rd 2016 Italy and Singapore signed an agreement for mutual exchange of financial information between Tax Authorities.

The agreement aims at strengthening international tax compliance procedures. It includes the categories of information to be exchanged regarding either individuals or corporate entities.

In order to maximize cooperation among Countries, the CRS model provided by the OECD provides communication guidelines. The intention is to develop an automatic communication system, which is intended to reduce, or even eliminate, potential miscomprehensions in terms of tax information.

With no doubt, the agreement should be seen as a “no way out” for people and firms to apply to the new Voluntary Disclosure to disclose financial assets and investments held abroad.

The Law Decree n.193 - Key information

Voluntary Disclosure 2.0

The new recently published Law Decree has recently implemented the new "Voluntary Disclosure" procedure for undisclosed financial assets and investments held abroad.

Participating to the V.D. will permit taxpayers to settle their tax position with Tax Authorities and access to more favorable penalty treatments for both tax and/or criminal purposes.

In order to apply to the new procedure, tax payers are deemed to be Italian resident for tax purposes (both under the domestic tax or Treaty legislation).

Stop to sectors studies

After the introduction of "tax reliability" indicators, almost 3,5 mio. tax payers among professionals and firms will not anymore be required to participate to sectors studies.

Stop to electronic F24 Model

The new Law Decree abolishes the use of the electronic payment Model F24 for payments equal or higher than 1.000€

Tax Files "Junking"

We briefly summarize all relevant key-points the Tax File "Junking" provided in art.6, Law Decree n.193 of October, 22nd 2016:

- ❖ Benefits are provided for controversies with the Tax Authority started between 2000 and 2016;
- ❖ Tax payers need to accept to quit disputes and "junk" them;
- ❖ Interested tax payers can apply to the procedure until March, 31st 2017;
- ❖ Within the end of May 2017 the Italian Tax Authority will communicate the new debt to tax payers.

Goodbye Equitalia !

Besides the already available tax files "junking", from July 1st, 2017 the current institution licensed to collect tax payments from Italian Tax payers, called Equitalia, will be substituted by a new public entity ("Agenzia delle Entrate-Riscossione"), which will be directly supervised by the Italian Ministry of Finance.

The director of the new Tax Entity will be the President of the current Italian Tax Authority.

Cooperative Compliance

Application of OECD Tax Control Framework

Restoring trust and confidence has become a priority for relationships among businesses and Tax Administration. The Cooperative Compliance tries to strengthen this bond by stressing out additional emphasis on disclosure and transparency.

It will be fully integrated into the risk management procedures by implementing a series of 'special measures' designed to discourage persistently high risk behaviors.

The Italian Tax Authority decides whether the behaviors have been improved or the business should apply special measures.

Companies are required to forecast levels of risk in relation to the Italian taxation they are prepared to accept.

The regime aims at creating forms of interaction and closer cooperation between the Revenue Agency and tax payers by exploiting a system of detection, measurement, management and control called Tax Control Framework.

The new provisions will be applied to large groups, companies and partnerships declaring revenues > €10 billions monitored in a 3 years time period. In the future, the Italian legislator will apply the procedure even to SMEs.

However, beyond these considerations, we observe that in principle the regime of Cooperative Compliance should be intended to reduce distances between the Public Administration and private business sectors and allow an overview of the fiscal risk.

Less controls, more compliance

Strengthening electronical services, fighting undergrounded economy and improving compliance management represent the key-points the Italian Ministry of Finance decreed to intervene on in the next three years.

Regarding the compliance management, the Italian legislator bets on a strategy aimed at both increasing spontaneous compliance instances and reducing controls on low-risk taxpayers. The introduction of “tax reliability” indicators for SMEs should be seen as an opportunity to improve spontaneous tax compliance.

While the control processes digitalization tries to reduce undergrounded economy leeway, the Italian financial police will supervise and examine potential risks of corporate preterisions, international tax avoidance and VAT frauds.

News about the Budget Law

Firms in difficulty

Review of the Bankruptcy Law rules concerning tax and contribution debts.

Public Investments

Future public investments will focus on the ground protection, hydrological instability and environment safeguard.

Growth

Start-ups will benefit of tax reductions and easier constitution procedures.

Healthcare

Allocation of €300 mio. Investments for Alzheimer research. Researchers can benefit of contractual continuity.

Youth

Young Italian citizen will receive a €500 bonus to be used for cultural events or buy music.

The importance of the CSR

Attention to the Corporate Social Responsibility is increasing remarkably in Italy.

The habit to consider other information rather than financial ones is currently penetrating almost all Italian corporate functions.

From a corporate perspective, firms started recently to invest in skills development. With no doubt, CSR experience and skills add value to CVs regarding executive positions.

Nevertheless, future leaders need key skills only academic efforts and sacrifices can provide.

Lombardia's Family Business goes international

Despite the economic crisis, family firms operating in Milan Provinces demonstrated to be not yet out of the woods. The industrial sector, particularly manufacture companies, kept astonishing returns.

The analyzed sample showed that the observed firms generated more than € 42 bln. revenues. In particular, 60% of corporate revenues come from exports. The average EBITDA is equal to 10.1%

Commonly, family businesses suffer of generational transferrings. The entrepreneur's passing away might create potential risks for the corporate stability.

Surprisingly, the majority of successors are female.

This information highlights the fact that in Region Lombardia family businesses lead the way in terms of social values and entrepreneurial innovation.

On the hand, family businesses have shown to be competitive internationally, but, on the other hand, they still require experts' support while adequating themselves to the digitalization era and to a new managerial perspective.

“Little” entrepreneurs are exempted to pay Irap

On December, 1st Supreme Court of Justice announced in its decree the exemption for “little” entrepreneurs from the Irap taxation.

The Supreme Court justifies the exemption by stressing out following criteria:

- Minimum instrumental goods for business execution;
- Modest amount of capitals;
- The entrepreneur works alone without exploiting HR

These criteria exclude autonomy and economic organization and, therefore, permanent establishment of the “little” entrepreneur’s business. Due to these factors, “little” entrepreneurs will not be subjected to Irap.

Corporate Governance & SMEs

Recently, the Italian Corporate Governance committee announced the future issue of a Corporate Governance code for SMEs. This will be applied with reference to the principle “Comply or Explain”.