Italy converts decree regarding tax benefits into final law

The Italian Parliament converted a series of tax incentives provisionally introduced by the Government via Law Decree n. 91/2014 into law. Law n. 116 dated 11 August 2014 was published in the Official Gazette n. 192 of 20 August 2014 making the rules which were effective under the Law Decree, final without modification as of 21 August 2014.

The final tax measures are summarized below.

Increase of Notional Interest Deduction (NID) benefits

Taxpayers who cannot fully benefit from an NID deduction due to lack of corporate income tax (IRES) basis in any fiscal year (FY) can now convert any excess into tax credits to be used in offsetting local tax (IRAP) payments.

Companies admitted (as of 25 June 2014) to qualifying stock exchanges may benefit for a three year period from a 40% boost of their NID basis with reference to any equity increase occurring in the year of the listing through the subsequent two years.

Tax credit for new plants and equipment

A tax credit is introduced for investments made from 25 June 2014 to 30 June 2015 in qualifying plants and equipment. The credit is equal to 15% of the incurred expenses exceeding an adjusted average of investments made through the previous five FYs.

Withholding tax exemption on interest and extension of the scope of the substitute tax on medium and long term loans

Interest on bonds paid to qualifying foreign lenders - banks, insurance companies and certain collective investment vehicles established in EU and EEA (European Economic Area) white listed countries - may now benefit from the same exemption regime applicable to large issuers’ and listed bonds.

The 0.25% substitute tax applied in lieu of the ordinary registration taxes on medium and long loans now also covers any subsequent assignment of such agreements and the transfer of the related guarantees.
Endnote

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