



COVID-19: 'Relaunch Decree' - VAT measures and tax payment deferrals

Tax & Legal Alert

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This Alert summarizes the main VAT measures and tax payment deferrals introduced by Law Decree no. 34 of 19 May 2020 (the 'Relaunch Decree'), which was published in Official Gazette no. 21/L of 19 May 2020 and came into force on the same day. The Relaunch Decree will have to be converted into law within 60 days of publication.

1. No VAT rate increase in 2021 (Article 123)

The Budget Law for 2020 established that the VAT rates in Italy - both the 22 percent standard rate and the 10 percent reduced rate - would automatically increase as of 1 January 2021⁽¹⁾, unless certain budgetary targets were reached by that date. The Relaunch Decree repeals this mechanism: unless the law is changed in the meantime, the 22 percent standard and 10 percent reduced VAT rates will remain in force in 2021.

2. Reduced VAT rate for supplies of medical devices (Article 124)

The Relaunch Decree introduces a super-reduced 5 percent VAT rate for supplies of certain goods needed to tackle the COVID-19 outbreak. These goods include: ventilators for use in intensive and sub-intensive care; multi-parameter monitoring systems (also portable ones); infusion pumps for drugs and peristaltic pumps for enteral nutrition; endotracheal tubes; helmets for assisted positive pressure ventilation; masks for non-invasive ventilation; suction systems; humidifiers; laryngoscopes; vascular-access devices; electric vacuum cleaners; intensive care monitoring systems; portable echotomography machines; electrocardiographic machines; digital tomography machines; surgical masks; FFP2 and FFP3 masks; protective clothing such as latex, vinyl and nitrile gloves, visors and protective glasses, protective suits, protective shoes and overshoes, headgear, waterproof gowns, and surgical gowns; thermometers; hand-sanitizer detergents; wall-mounted disinfectant dispensers; hydroalcoholic solutions; 3 percent peroxide; emergency trolleys; RNA extractors; COVID-19 diagnostic equipment; swabs for clinical analysis; sterile test tubes; equipment for the construction of field hospitals.

However, supplies of the above products made by 31 December 2020 will be VAT-exempt, with the right to recover VAT.

(1) See our [Tax Alert](#) dated 8 January 2020.

3. Further deferral of tax payments and social security contributions (Articles 126 and 127)

The Relaunch Decree has further extended certain tax payment deadlines (which had already been extended by the Cure Italy Decree and the Liquidity Decree - see our Tax Alert dated [20 March 2020](#) and [15 April 2020](#))

3.1 Tax payment deferral for falls in turnover

This deferral applies to certain taxpayers whose fiscal domicile, registered office or operations center is in Italy.

- Businesses or professionals with revenues of less than EUR50 million in the previous fiscal year: if they have suffered a **fall in turnover of at least 33 percent** in March 2020 compared to March 2019 and in April 2020 compared to April 2019.
- Businesses or professionals with revenues of more than EUR50 million in the previous fiscal year: if they have suffered a **fall in turnover of at least 50 percent** in March 2020 compared to March 2019 and in April 2020 compared to April 2019.
- Businesses or professionals that started up after 31 March 2019.

If the above conditions are met for March and April 2020, the deadlines for payments due in **April and May 2020** respectively are extended for:

- withholding and similar taxes
- VAT
- social security contributions and mandatory insurance premiums.

For payments of withholding and similar taxes and of social security contributions and mandatory insurance premiums, non-profit entities - including charities and recognized religious bodies pursuing their institutional, non-business activities - are eligible for the deferral.

For VAT payments due in April and May 2020, businesses and professionals whose fiscal domicile, registered office or operations center is in the provinces of Bergamo, Brescia, Cremona, Lodi or Piacenza are eligible for the deferral on one condition only: that they have suffered a fall in turnover of at least 33 percent in March 2020 compared to March 2019 and in April 2020 compared to April 2019 (no revenue thresholds).

In all the above cases, the deferred payments can be made either in a lump sum **by 16 September 2020** or in up to four equal monthly instalments (the first instalment is due by 16 September 2020). Any amounts already paid are not refundable.

3.2 Payment deferral for taxpayers in the 'red zone'

This deferral applies to payments of social security contributions and mandatory insurance premiums falling due between 23 February 2020 and 30 April 2020 and to be made by taxpayers whose fiscal domicile, registered office or operations center is in one of the municipalities within the 'red zone' (*Casalpusterlengo, Codogno, Vò Euganeo*, etc. ⁽²⁾). These payments are now due either in a **lump sum by 16 September** or in up to **four equal monthly instalments** (the first instalment is due by 16 September 2020). Any amounts already paid are not refundable.

(2) See Attachment 1 to the Prime Ministerial Decree of 1 March 2020.

The same applies to payments for withholding taxes due by the same taxpayers and falling due between 21 February 2020 and 31 March 2020.

3.3 Tax payment deferral for taxpayers operating in industries heavily impacted by the COVID-19 outbreak

Under the Cure Italy Decree and the Liquidity Decree, sports associations, sports clubs, operators of sports facilities, gyms, swimming pools, fitness centers and similar facilities, operators in the tourism and hotel industry, travel agents, tour operators, event organizers, providers of vehicle hire and passenger transport, cultural entities (museums, nature reserves etc.), betting offices, non-profit organizations etc., expressly listed in article 61 of the Cure Italy Decree, could benefit from the suspension (until 31 May 2020) of:

- payments of withholding tax on wages and suchlike, falling due between 2 March and 30 April 2020;
- payments and compliance deadlines for social security contributions, mandatory insurance premiums and related obligations, falling due between 2 March and 30 April 2020;
- VAT payments due in March 2020.

Sports associations and sports clubs now benefit from a longer suspension period, until 30 June 2020.

In all the above cases, the deferred payments can now be made either in a **lump sum** (and the related compliance obligations fulfilled) by **16 September 2020** or in up to **four equal monthly instalments**. The first instalment is due by 16 September 2020. Any amounts already paid are not refundable.

3.4 Tax payment deferral for taxpayers with a turnover of below EUR2 million

The Cure Italy Decree extended to 31 May 2020 (for taxpayers with a turnover of below EUR2 million in the previous fiscal year and fiscal domicile, registered office or operations center in Italy) the deadlines falling between 8 and 31 March 2020 for:

- payments of withholding taxes on wages and suchlike
- VAT payments
- payments of social security contributions and mandatory insurance premiums.

In the case of VAT payments, there is no turnover threshold for businesses and professionals whose fiscal domicile, registered office or operations center is in the Provinces of Bergamo, Brescia, Cremona, Lodi or Piacenza.

Under the Relaunch Decree, these deferred payments can be made either in a **lump sum by 16 September 2020** or in up to **four equal monthly instalments** (the first instalment is due by 16 September 2020). Any amounts already paid are not refundable.

3.5 Withholding tax payment deferral for taxpayers with a turnover of less than EUR400,000

The Cure Italy Decree provided that taxpayers with (i) a fiscal domicile, registered office or operations center in Italy, and (ii) a turnover of less than EUR400,000 in the fiscal year preceding that in which the decree came into effect, would not be subject to withholding tax on revenue or equivalent income received between 17 March 2020 and 31 May 2020 (provided they had no employee or employee-equivalent costs/expenses in the previous month).

Under the Relaunch Decree, the tax not levied by withholding agents can be paid directly by the taxpayer in one lump sum by 16 September 2020 or in up to **four equal monthly instalments** (the first instalment is due by 16 September 2020). Any amounts already paid are not refundable.

4. Transmission of daily payment details by retailers (Article 140)

In April 2019⁽³⁾ a new obligation was introduced, requiring retailers to electronically report their daily takings to the tax authorities, within 12 days of the date of sale. There was also a six-month grace period, during which retailers could report these details by the end of the following month, without facing any penalties.

The Relaunch Decree extends this grace period to 1 January 2021 for retailers whose turnover does not exceed EUR400,000.

5. Tax receipt lottery (Article 141)

The start of the tax receipt lottery⁽⁴⁾ has been postponed from 1 July 2020 to 1 January 2021.

6. Prepopulated VAT ledgers and VAT returns (Article 142)

The entry into force of the rules⁽⁵⁾ on prepopulated VAT ledgers has been postponed from 1 July 2020 to 1 January 2021. Under these rules, the Revenue Agency will prepopulate the (i) input and output VAT ledgers and (ii) quarterly VAT settlement reports due by VAT taxpayers established in Italy and will make them available inside the taxpayer's personal tax account on the Revenue Agency website.

The Relaunch Decree also confirms that, starting with the annual VAT return for 2020 (the IVA 2021 return), the Revenue Agency will prepopulate the annual VAT return and make it available inside the taxpayer's personal tax account on the Revenue Agency website.

7. Stamp duty on e-invoices (Article 143)

The Relaunch Decree postpones, from 1 January 2020 to 1 January 2021, the entry into force of the new rule on stamp duty introduced last year⁽⁶⁾. Under this rule the Italian Revenue Agency will automatically check that e-invoices comply with stamp duty requirements and could apply penalties ranging from 100 percent to 500 percent of the stamp duty for non-compliant e-invoices.

8. Offsetting of a credit for one kind of tax against liabilities for another kind (Article 147)

For fiscal year 2020, the annual cap on the offsetting of a credit for one kind of tax against liabilities for another kind has been increased to EUR1,000,000 (it was EUR700,000 previously).

9. Trading of daily newspapers, periodicals, and their respective inserts and supplements (Article 187)

As an exception to the ordinary rules, and just for 2020, VAT on sales of daily newspapers, periodicals, and their respective inserts and supplements⁽⁷⁾ will be calculated on the number of delivered or dispatched copies, reduced by 95 per cent (instead of 80 per cent). Article 187 does not cover (i) pornographic material or (ii) newspapers and periodicals supplied with products other than inserts/supplements.

(3) Law Decree no. 34 of 30 April 2019 - See our [Tax Alert](#) dated 2 July 2019.

(4) Introduced by Law no. 232 of 11 December 2016.

(5) Introduced by Law Decree no. 124 of 26 October 2019 - see our [Tax Alert](#) dated 30 October 2019.

(6) By Law Decree no. 34 of 30 April 2019 - see our [Tax Alert](#) dated 2 July 2019.

(7) Those indicated in article 74(1)(c) of the Italian VAT Act (Presidential Decree no. 633/72).

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