Italy: Law Decree no. 50 of 24 April 2017 is converted into law - New VAT measures confirmed

Tax Alert

27 June 2017

Offices

Milan
Via Vittor Pisani 27, 20124
T: +39 02 676441 - F: +39 02 67644758

Ancona
Via I° Maggio 150/a, 60131
T: +39 071 2916378 - F: +39 071 2916221

Bologna
Via Innocenzo Malvasia 6, 40131
T: +39 051 4392711 - F: +39 051 4392799

Florence
Viale Niccolò Machiavelli 29, 50125
T: +39 055 261961 - F: +39 055 2619666

Genoa
P.zza della Vittoria 15/12, 16121
T: +39 010 5702225 - F: +39 010 584670

Naples
Via F. Caracciolo 17, 80122
T: +39 081 662617 - F: +39 081 2488373

Padua
Piazza Salvemini 2, 35131
T: +39 049 8239611 - F: +39 049 8239666

Perugia
Via Campo di Marte 19, 06124
T: +39 075 5734518 - F: +39 075 5723783

Pescara
P.zza Duca D'Aosta 31, 65121
T: +39 085 4210479 - F: +39 085 4429900

Rome
Via Adelaide Ristori 38, 00197
T: +39 06 809631 - F: +39 06 8077459

Turin
C.so Vittorio Emanuele II 48, 10123
T: +39 011 883166 - F: +39 011 8395865

Verona
Via Leone Pancaldo 68, 37138
T: +39 045 8114111 - F: +39 045 8114390

Law Decree no. 50 of 24 April 2017 has now been converted into law (the 'Law').

Reduced term for input VAT recovery

The Law reduces the period within which the right to recover input VAT can be exercised.

Based on the previous rules, input VAT could be recovered, at the latest, through the annual VAT return for the **second year after** the one in which the VAT became payable (i.e. when the tax point was triggered).

According to the new rules, input VAT can be recovered, at the latest, by the deadline to submit the annual VAT return **for the year** in which the VAT becomes payable (i.e. when the tax point is triggered).

Therefore:

— input VAT incurred in 2017, which could be recovered by 30 April 2020 under the previous rules, can only be recovered up to 30 April 2018 under the new rules.

The Law clarifies that the new rules are not retroactive and apply to purchase invoices and customs bills issued from 1 January 2017.

Split payment extension

From 1 July 2017, the split-payment regime will be extended to supplies of goods and services rendered to additional categories of Italian public bodies, their subsidiaries, and corporations listed on the FTSE MIB Italian Stock Exchange (Borsa Italiana).

The split-payment mechanism will also apply to services supplied by self-employed persons (e.g. professionals) to all categories of clients covered by the split-payment rule.

First introduced in Italy on 1 January 2015, the split-payment mechanism should remain in force until 30 June 2020.

The supplier can ask its customer to issue a certificate attesting that it qualifies for the split-payment regime.

An implementing decree should be issued in order to clarify which parties fall within the scope of this regime.

Future VAT increases

The Law provides for a gradual increase in VAT rates, as follows:

- The reduced 10% VAT rate will increase:
  - from 10% to 11.5% from 1 January 2018
  - from 11.5% to 12% from 1 January 2019
  - from 12% to 13% from 1 January 2020.
- The standard VAT rate will:
  - increase from 22% to 25% from 1 January 2018
  - increase from 25% to 25.4% from 1 January 2019
  - fall from 25.4% to 24.9% from 1 January 2020
  - increase from 24.9% to 25% from 1 January 2021.

These VAT increases will not apply if certain budgetary targets are met.

Offsetting of input VAT against other tax payables

The Law provides that, to offset VAT credits of more than €5,000 against other tax payables (e.g. CIT, WHT, social security contributions), the VAT return or the quarterly refund claim must be validated (*visto di conformità*) by an audit firm, board of statutory auditors or authorized tax lawyers.

These credits can be offset after the 10th of the month following that in which the annual VAT return or the quarterly VAT refund claim is filed with the Italian tax authorities. The payment form (*Modello F24*) should be filed electronically.

Before the Law became effective, the maximum VAT credit that could be offset without being validated (and without the need to file the *Modello F24* electronically) was €15,000. Moreover, offsetting through the quarterly VAT refund claim was allowed without validation by an audit firm, board of statutory auditors or authorized tax lawyers.

Quicker repayment of VAT credits

From 1 January 2018, 'fast-track' VAT refunds managed by the collection agency should be repaid more quickly. The aim is to reduce the wait to 60 days (currently refunds are supposed to take three months but in practice they take longer). This provision should be implemented by a specific decree.

Contacts

KPMG, Tax & Legal

Davide Morabito
Partner,
Indirect Tax Services
T: +39 045 811 4323
E: dmorabito@kpmg.it

Angela Abawi
Manager,
Indirect Tax Services
T: +39 045 811 4111
E: aabawi@kpmg.it

kpmg.com/it

kpmg.com/socialmedia

kpmg.com/app

Download on the App Store