

5 August 2015

European Bill 2014 (Law 115/15) – New Italian VAT measures



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On 3 August 2015, the European Bill 2014 (Law n. 115 of 29 July 2015) was published in the Italian Official Gazette and will enter into force as of 18 August 2015.

The Law, following the decision of the European Court of Justice in the *Dresser-Rand* case (C-606/12 and C-607/12 of 6 March 2014), introduces important changes to the Italian "inward processing relief" (IPR) for intra-EU transactions, to align the Italian provisions (Art. 38 and 41 of Law Decree no. 331/93) to Art. 17(2)(f) of Directive 2006/112, and to close the infraction proceeding 6286/14 that the European Commission had started against Italy.

New rules for Italian "inward processing relief" (IPR) in intra-EU transactions

The "old" Italian "IPR" rules provided that:

- the movement of own goods from another Member State (MS) to Italy was disregarded (i.e. it was not considered as a deemed intra-EU acquisition) if the goods, after being valued or worked upon in Italy, were dispatched or transported to another MS or outside the EU;
- the movement of own goods from Italy to another MS was disregarded (i.e. it was not considered as a deemed intra-EU supply) if the goods were destined to be valued or worked upon in said MS (the "old" rules made no reference to the destination of the valued/worked upon goods).

The "new" Italian "IPR" rules provide that:

- the movement of own goods from another Member State (MS) to Italy will be disregarded only if the goods, after being valued or worked upon in Italy, are returned to the taxable person in the MS from which they were initially dispatched or transported;

- the movement of own goods from Italy to another MS will be disregarded only if the goods, after being valued or worked upon in said MS, are returned to the same taxable person in Italy.

Practical consequences of these law changes

Non-Italian taxable persons that move own goods from other MS to Italy for valuations, processing or other works, are liable to register for Italian VAT purposes to account for Italian VAT on the deemed intra-EU acquisition (and to fulfill all the related compliance obligations) unless the valued or worked-upon goods will be returned to that taxable persons in the MS from which they were initially dispatched or transported.

Contact us

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