



Italy: Web tax measures and VAT rates introduced by the Budget Law 2019

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Web tax

The Budget Law 2019 introduces a web tax that is totally different from the version presented in the bill approved by the Senate on 22 December (see our [Tax Alert](#)).

The 3 percent Italian web tax will apply to revenues generated from certain digital services rendered to Italian B2B and B2C customers by companies or groups of companies of a certain size. The relevant digital services are described in more detail below.

The government should issue a web tax implementing decree by 30 April 2019 and the web tax rules should become effective 60 days after its publication, i.e. from 30 June 2019.

This web tax legislation repeals the rules that were introduced by the Budget Law 2018 but never came into effect.

Following below is our unofficial English translation of the new web tax rules.

There shall be a tax on digital services.

The aforementioned tax shall apply to businesses that, during a calendar year, individually or group-wide, generate both of the following:

- a) *total revenues of not less than EUR750 million, wherever realized;*
- b) *revenues of not less than EUR5.5 million, realized in Italy from the digital services defined below.*

The tax shall apply to revenues derived from the provision of the following services:

- a) *the transmission, on a digital platform, of advertising targeted at users of that platform;*
- b) *the availability of a multilateral digital platform that enables users to enter into contact and interact with each other, also in order to facilitate the direct supply of goods and services;*
- c) *the transmission of data collected from users and generated by the use of a digital platform.*

Revenues derived from the provision of the above services shall not be taxable if the services are rendered to companies that are deemed to be parent, subsidiary or sister companies as per article 2359 of the Italian Civil Code.

The taxable revenues shall be considered gross of costs and net of VAT and of other indirect taxes.

The tax period shall be the calendar year. A revenue shall be taxable in a given tax period if the user of a taxable service is located in Italy in that period. A user shall be located in Italy if:

- a) in the case of services a), the advertising appears on the user's device when the device is used in Italy in that tax period to access a digital platform;
- b) in the case of services b):
 - 1) the service requires a multilateral digital platform that facilitates supplies of goods or services directly between users, and the user employs the device in Italy in that tax period to access the digital platform and concludes a transaction on the platform in that tax period;
 - 2) the service requires a multilateral digital platform different from those indicated in paragraph 1 above, and the user has, for all or part of the tax period, an account that enables the user to access the digital platform, that account having been opened by using a device in Italy;
- c) in the case of services c), the data generated by a user who has employed a device in Italy to access a digital platform, during that tax period or a previous one, are transmitted in that tax period.

The tax shall be applied at a rate of 3 percent on the taxable revenues realized by the taxable person in each quarter.

Taxable persons shall pay the tax in the month following each quarter and shall, within four months of the end of the relevant tax period, file an annual return declaring the taxable services rendered. In the case of companies belonging to the same group, the implementing decree may provide that these compliance obligations be fulfilled by an appointed entity of the group.

Non-established parties that do not have a permanent establishment in Italy or an Italian VAT number, and that qualify as taxable persons, shall obtain an identification number for web tax purposes by submitting an application to the Italian Revenue Agency.

The application shall be made in accordance with the procedures to be laid down by the Revenue Agency Director. Parties established in Italy and belonging to the same group as the non-established parties shall be jointly liable with the latter for web-tax obligations.

For the purpose of tax assessments, penalties, collection and litigation, the VAT rules shall apply.

A Ministry of Economy and Finance decree, to be issued within four months of the entry into force of this law, shall identify the web tax implementing measures.

The Director of the Revenue Agency shall issue one or more decrees establishing how to apply the web tax measures.

The above provisions shall apply 60 days after publication in the Official Gazette of the Ministry of Economy and Finance implementing decree.

The web tax provisions laid down in the Budget Law 2018 are abolished.

VAT rates

No VAT increases from 1 January 2019

The VAT increases introduced by the Budget Law 2018, which were supposed to apply from 1 January 2019, have not come into force.

The reduced VAT rate of 10%, currently applied to certain human and veterinary medicines, has been extended to include medicines classified under customs code 3004.

The super-reduced VAT rate of 4% for certain types of bread has been extended to include additional types.

Future VAT increases

The gradual increase in the VAT rates has been postponed to 1 January 2020, when the reduced 10% VAT rate will rise to 13%.

The standard 22% VAT rate will rise to:

- 25.2% from 1 January 2020
- 26.5% from 1 January 2021.

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

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