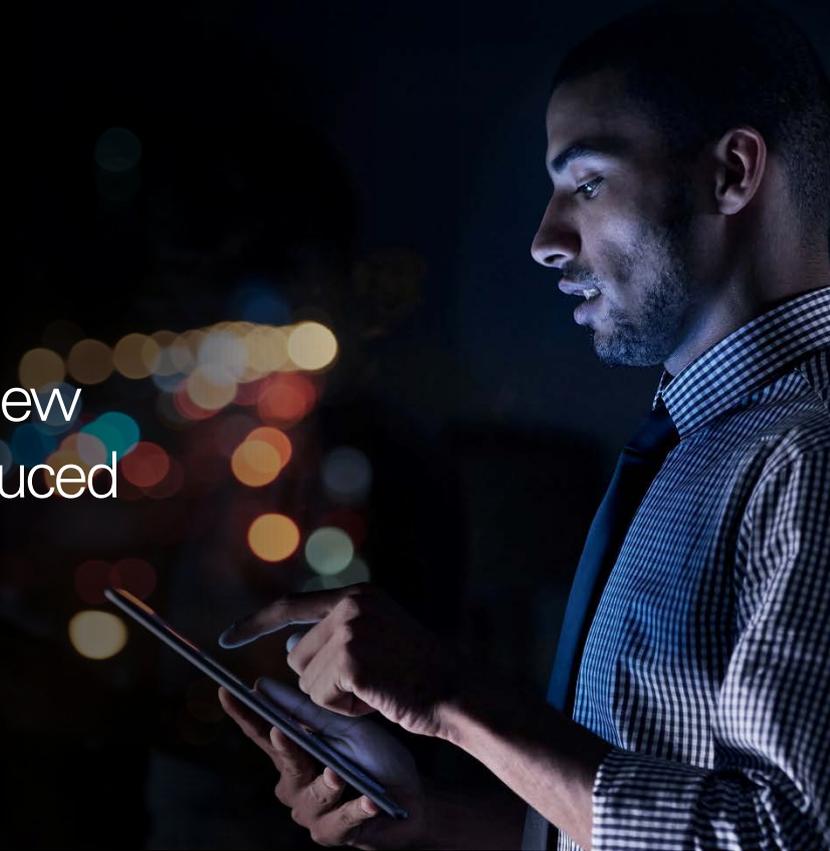




Italy: COVID-19 Snapshot of some of the new cash flow measures introduced by the 'Liquidity Decree'

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Yesterday saw the publication of the 'Liquidity Decree', anxiously expected by businesses in Italy. This Tax Alert gives a snapshot of some of the new cash flow measures. Full coverage of the decree will follow shortly.

1. Measures to help businesses remain liquid

Temporary measures to help businesses remain liquid (Article 1)

SACE, the Italian Export Agency, will guarantee bank loans made to large businesses, SMEs, contract workers and professionals, if they have used up their entitlement to access the SME Guarantee Fund.

Measures to support export, internationalization and investment by businesses (Article 2)

A co-insurance system has been introduced. The state will assume 90 percent of the non-market risks (as defined in EU legislation) attached to the guarantees issued by SACE; the remaining 10 percent will be assumed by the company that receives the SACE-backed loan.

SME Central Guarantee Fund (Article 13)

The SME Guarantee Fund has been bolstered. Up to 31 December 2020 it will issue guarantees – free of charge and securing amounts of up to EUR5 million – to businesses with no more than 499 employees.

2. Tax measures

Deferral of tax and social security payments (Article 18)

There is a respite period for the payment of WHT on the pay of employees and equivalent workers, VAT, social security and welfare contributions, and INAIL insurance premiums. Payments falling due in April and May 2020 can be paid in a lump sum by 30 June 2020, or in five instalments starting from June, without any interest or penalties. This rule applies to:

- businesses with revenues of up to EUR50 million, if their turnover has fallen by at least 33 percent in March and April 2020, compared with the same months last year;

- businesses with revenues of more than EUR50 million, if their turnover has fallen by at least 50 percent in March and April.
- In the case of businesses whose tax residence, registered office or place of business is in the province of Bergamo, Brescia, Cremona, Lodi or Piacenza, the deferral of VAT payments for April and May is subject to one condition only: they must have suffered a fall in turnover of at least 33 percent, irrespective of revenues.

Advance instalments falling due in June (Article 20)

Underpayments of advance instalments of IRPEF, IRES and IRAP will not trigger any penalties or interest, provided that the difference between the payment and the amount due is not more than 20 percent.

Extension of payment deadline (Article 21)

Payments to the public administration, falling due on 16 March 2020 and, as per article 60 of Law Decree no. 18 of 17 March 2020, deferred until 20 March 2020 will be considered punctual if made by 16 April 2020.

Simplification of the payment of stamp duty on e-invoices (Article 26)

The payment of stamp duty has been deferred to:

- 20 July 2020, in the case of stamp duty for the first quarter of 2020, amounting to less than EUR250;
- 20 October 2020, in the case of stamp duty for the first and second quarters of 2020, totalling less than EUR250.

Tax credit for the purchase of workplace PPE (Article 30)

The tax credit for sanitization costs has been extended to include the costs of purchasing PPE, the costs of purchasing and installing other safety equipment to protect workers from accidental exposure to biological agents or to ensure that people are at a safe distance from one another, and the costs of hand cleansers and disinfectants.

3. Business continuity guarantee

Temporary capital reduction measures (Article 6)

The rules of civil law that govern the reduction of share capital following losses have been lifted.

Temporary measures regarding shareholder loans (Article 8)

The mechanism by which shareholder loans are repaid only after the claims of other creditors have been settled will not operate from the date on which the law decree comes into force and up to 31 December 2020.

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