



Italy: 2023 Budget Law VAT measures

Tax & Legal Alert
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This Tax & Legal Alert summarizes the main VAT measures introduced by article 1 of Law no. 197 of 29 December 2022 (the '2023 Budget Law'), published in Official Gazette no. 303 on 29 December 2022 and in force since 1 January 2023.

Reinforcement of checks prior to the allocation and operation of VAT numbers

The 2023 Budget Law amends article 35 of Presidential Decree no. 633/1972 by introducing the following measures against VAT evasion.

- To prevent the opening of new VAT numbers by persons that present risks, the taxpayer will be invited to appear before the tax office and to submit compulsory accounting records and any other documentary evidence of the actual pursuit of an economic activity and the absence of any risks. If the taxpayer fails to appear, or any irregularities or inadequacies are identified by the tax office, the taxpayer will not be entitled to a VAT number.
- Non-compliant VAT numbers will be automatically closed, with simultaneous imposition of an administrative penalty of EUR3,000 on the natural person who is the owner or legal representative of the sole proprietorship or self-employment business.
- Following the automatic closure of VAT numbers, the application for a new VAT number may be made only upon issuance of a three-year guarantee policy or bank guarantee, for an amount equal to any payments arising from past tax violations and, in any case, not less than EUR50,000. In all cases, enrolment in the VIES data base is precluded.

The criteria for the application of these anti-fraud measures will be established by one or more Revenue Agency decrees.

Raising of limit on cash payments

Up to 31 December 2022, the limit on cash payments was EUR1,999.99. With effect from 1 January 2023, the limit has been raised to EUR4,999.99 (instead of the EUR999.99 limit that would have kicked in under previous legislation).

Reporting obligations for electronic marketplaces

A new measure has been introduced to combat VAT fraud in relation to distance sales made through electronic marketplaces.

Taxable persons who facilitate – through the use of electronic interfaces such as marketplaces, platforms, portals or similar tools – distance sales of certain goods located in Italy, to be identified in a decree issued by the Ministry of Economy and Finance, will have to report these transactions and details of the suppliers to the Italian tax authorities.

Reduced VAT rate in the gas sector for the first quarter of FY2023

Supplies of methane gas used in combustion for civil and industrial purposes and invoiced for estimated or actual consumption in January, February and March 2023 will be subject to 5% VAT instead of 10% or 22%.

In the first quarter of 2023, the super-reduced VAT rate of 5% will also apply to supplies of thermal energy produced with methane gas under an 'energy service' contract and to supplies of district heating services.

Reduced 10% VAT for pellets

Sales of pellets in 2023 will be subject to 10% VAT, instead of the standard rate of 22%.

Reduced 5% VAT for early childhood products and absorbent feminine hygiene products

The VAT rate has been reduced from 10% to 5% for early childhood food products (powdered or liquid milk and flour-based food preparations), child car seats and baby nappies.

The same 5% rate of VAT has been introduced for absorbent feminine hygiene products. The previous VAT rate was 10%.

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