



# Italy: Recent clarification of the tax treatment of interest from loans

## Tax Alert

13 November 2018



### Offices

#### Milan

Via Vittor Pisani 31, 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

The Italian Revenue Agency has published a statement of practice, in the form of a tax ruling, which describes the tax treatment of income earned by a non-resident taxpayer from a loan granted to an individual resident in Italy.

Interest paid by an Italian withholding tax (WHT) agent<sup>(1)</sup> (e.g. a company) to a non-resident enterprise without a permanent establishment in Italy is subject to a 26 percent final WHT. Exemptions and reduced WHT may apply by virtue of certain domestic regimes, the EU Interest & Royalties Directive (as implemented in Italian tax law) and double tax treaties (DTTs), where applicable.

For example, if the recipient of the interest is a resident of Switzerland and is entitled to use and enjoy the income, the WHT charged in Italy may not - under article 11 of the Italy-Switzerland DTT - exceed 12.5 percent of the amount of interest paid.

However, Italian tax law and the DTT do not specify what happens when the payer is not a WHT agent and is, for instance, an individual.

The Italian Revenue Agency<sup>(2)</sup>, in reply to a ruling application<sup>(3)</sup>, has clarified that the interest on a loan paid by a private individual resident in Italy to a bank resident in Switzerland must be declared in the income tax return of the bank and benefits from the 12.5 percent rate set in the Italy-Switzerland DTT (instead of the standard 27.5 percent IRES rate<sup>(4)</sup>).

(1) The withholding tax agent is the business person - established in Italy and subject to Italian corporate income tax - that pays the income and must levy and remit the final WHT to the tax authorities.

(2) Tax ruling no. 41 of 23 October 2018.

(3) Since 1 September 2018, replies to tax ruling applications have been published in a specific section of the Italian Revenue Agency's website.

(4) The Italian corporate income tax (IRES) rate is 24 percent, but for banks there is a surcharge of 3.5 percent.

## Contacts

### KPMG, Tax & Legal

#### Fabio Avenale

Partner,  
Tax Professional Practice  
T: +39 011 883166  
E: [favenale@kpmg.it](mailto:favenale@kpmg.it)

[kpmg.com/it](http://kpmg.com/it)

[kpmg.com/it/socialmedia](http://kpmg.com/it/socialmedia)



[kpmg.com/app](http://kpmg.com/app)



#### Tax Alert / KPMG in Italy / 13 November 2018

© 2018 Studio Associato - Consulenza legale e tributaria, an Italian professional partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ('KPMG International'), a Swiss entity. All rights reserved.

The KPMG name, logo are registered trademarks or trademarks of KPMG International Cooperative ("KPMG International").

Studio Associato - Consulenza legale e tributaria is a leading Italian law firm and a member firm of KPMG International for tax and legal services.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.