



# Italy: new VAT refund rules for UK companies

**Tax & Legal Alert**  
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On 7 February 2024, Italy and the United Kingdom agreed that UK businesses not established in Italy should be able to submit direct claims for refunds of VAT paid on goods and services in Italy in relation to their business activities (the "Italy-UK Agreement"). UK businesses can claim these VAT refunds under the process set out in Council Directive 560/1986 (the "Thirteenth Council Directive").

The process detailed in the Thirteenth Council Directive is set out in article 38-*ter* of Presidential Decree no. 633/72 (the "VAT Decree"). It appears that the new rules will apply retrospectively to refund claims covering periods from 1 January 2021.

## Further details

Entities established in a non-EU country may apply for a VAT refund on purchases made in Italy in the course of their business if they appoint a tax representative in Italy. However, entities established in a non-EU country that has a reciprocity agreement with Italy may apply for a VAT refund without appointing a tax representative in Italy. Until now, only Israel, Norway and Switzerland had such agreements in place with Italy.

After Brexit came into force on 1 January 2021, UK-established businesses could either appoint a tax representative or register directly for Italian VAT to fulfil their VAT obligations and claim their rights under Italian VAT law. Now, the Italy-UK Agreement recognises that the UK had already allowed Italian businesses to submit British VAT refund claims since 1 January 2021 and that, on that basis, UK businesses not established in Italy should be able to submit direct claims for the refund of VAT paid on goods and services in Italy in relation to their business activities, provided such VAT is deductible under Italian VAT law.

All claims for VAT refunds must meet the eligibility criteria and application requirements established by article 38-*ter* of the Italian VAT Decree. The Italy-UK Agreement will have retrospective effect from 1 January 2021.

## Next steps

VAT refund claims under article 38-*ter* must be submitted by 30 September of the year following that in which the VAT is incurred.

On this basis, claims related to 2021 and 2022 should be barred, as they should have been submitted by 30 September 2022 and 30 September 2023, respectively. However, it is unclear whether the retrospective effect of the new rules means that the window for claims relating to input VAT incurred in those years has been reopened or whether only claims already submitted by those deadlines will be valid.

Going forward, UK businesses can opt to register for VAT in Italy (either directly or by appointing a tax representative) or seek a refund using the process detailed in article 38-*ter* of the Italian VAT Decree. As this process is subject to various restrictions, UK businesses should assess whether it would be more effective to seek refunds through direct registration rather than the newly confirmed route.

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