Italy: Budget Law for 2020

Tax Alert

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Listed below are the most important tax measures introduced by Law no. 160 of 27 December 2019 (the Italian Budget Law for 2020 or 'Budget Law'), which was published in the Official Gazette of 30 December 2019 and has been in force since 1 January 2020.

TAX CREDITS

Bonus for capital goods - Article 1 (184-197)

The 'super' and 'hyper' depreciation regimes have been replaced by a special tax credit (or 'bonus'), which is basically a tax credit for 'Industry 4.0' investments and varies according to the type of investment made by the taxpayer, i.e. whether it is one of the types indicated in Attachments A and B to Law no. 232 of 11 December 2016 or a third type indicated in that law, namely 'new ordinary capital goods'.

Eligible taxpayers

This tax relief can be taken by enterprises resident in Italy and by Italian permanent establishments of foreign enterprises, provided they are not involved in insolvency proceedings and:

i. comply with industry rules on occupational health and safety;

ii. fulfil their obligations to pay their workers' national insurance contributions.

How the bonus works

As a general rule, this bonus cannot be assigned or sold, is excluded from the direct tax base, and can be combined with other forms of tax relief. In most cases the tax credit can only be used by offsetting it in five or (depending on the type of investment) three equal annual instalments, starting from the year subsequent to that in which the asset becomes 'interconnected'[1] or goes into use. The bonus varies according to the type of investment, as follows.

(1) 'Interconnected' assets (basically digitally controlled/operated equipment and machinery) exchange information with a business's computerised production management system or supply network.

— Eligible investments in the capital equipment indicated in Attachment A to Law no. 232/2016 are capped at EUR 10 million and the tax credit amounts to (i) 40 percent of the first EUR 2.5 million invested; (ii) 20 percent of the remaining investment. However, the capital goods listed in article 1(187) are ineligible, including – for example – cars and other means of transport[2].

— Eligible investments in the intangible assets indicated in Attachment B to Law no. 232/2016 are capped at EUR 700,000 and the tax credit amounts to 15 percent of the cost.

— For capital goods other than those listed in the attachments to Law no. 232/2016, the tax credit amounts to 6 percent of the cost[3].

Each of these investments must be made between 1 January 2020 and 31 December 2020 or – provided that, by 31 December 2020, the seller has accepted the order and at least 20 percent of the purchase cost has been paid – 30 June 2021.

Forfeiture of the tax credit

The investments in new capital goods must be made for production facilities located in Italy. If, by 31 December of the second year subsequent to that of the investment, the assets are sold or transferred to production facilities located abroad, the bonus will be cut, by excluding the corresponding portion of the cost from the original calculation. Any surplus tax credit already used must be repaid directly by the taxpayer, within the deadline for the payment of the balance of income tax for the financial year in which the sale/transfer takes place, without any penalties or interest.

Notification and documentary evidence

Any taxpayer wishing to benefit from the bonus must not only notify the Ministry of Economic Development but must also keep, on pain of forfeiting the tax relief, documentary evidence of the costs and their calculation. Moreover, unless the unit cost of purchase is no higher than EUR 300,000 (in which case a statement issued by the enterprise's legal representative suffices), the enterprise must present a simple technical appraisal or certificate confirming that the assets:

i. meet the necessary technical and other requirements;

ii. are interconnected.

A special Ministry of Economic Development Decree will establish the form and content of the notification and how and when it must be submitted.

(2) The means of transport indicated in article 164(1) of the Italian Income Tax Code.

(3) Calculated in accordance with article 110(1)(b) IITC.

R&D tax credit - Article 1 (198-209)

The Budget Law for 2020 has also made changes to the tax credit for investments in R&D, green transition, Industry 4.0 technological innovation, and other innovations. As a general rule, this tax credit cannot be assigned or sold, is excluded from the direct tax base, and can be combined with other forms of tax relief. The tax credit can only be used by offsetting it in three equal annual instalments, starting from the financial year subsequent to that in which it accrues, and is subject to certification.

The tax credit can be taken by enterprises resident in Italy and by Italian permanent establishments of foreign enterprises, provided they:

i. are not involved in insolvency proceedings;

ii. have not been placed under any bans[4];

iii. comply with industry rules on occupational health and safety;

iv. fulfil their obligations to pay their workers' national insurance contributions.

The R&D tax credit, which presupposes that the taxpayer incurs certain eligible expenses, depends on the nature of the spending, which may be on:

A. fundamental research, industrial research or experimental development in the areas of science or technology[5];

B. technological innovation in areas – other than science and technology – that could contribute to the development of new or substantially enhanced products or production processes[6];

C. aesthetic and other designs, created with a view to planning and producing new products and samples, by firms operating in various product sectors – textiles, fashion, footwear, eyewear, gold, furniture and furnishings, ceramics[7].

The tax credit varies according to the type of activity:

— For Category A activities, the tax credit amounts to 12 percent of the cost base, net of any subsidies or contributions received for the same eligible expenses. The maximum tax credit is EUR 3 million and, if the financial year is shorter or longer than 12 months, the tax credit is adjusted accordingly.

— For Category B activities, the tax credit amounts to 6 percent of the cost base, net of any subsidies or contributions received for the same eligible expenses. The maximum tax credit is EUR 1.5 million and, if the financial year is shorter or longer than 12 months, the tax credit is adjusted accordingly.

— For Category C activities, the tax credit amounts to 6 percent of the cost base, net of any subsidies or contributions received for the same eligible expenses. The maximum tax credit is EUR 1.5 million and, if the financial year is shorter or longer than 12 months, the tax credit is adjusted accordingly.

(4) More specifically, the bans imposed by article 9(2) of Legislative Decree no. 231 of 8 June 2001.

(5) Article 1(200) of the Budget Law for 2020.

(6) Article 1(201) of the Budget Law for 2020.

(7) Article 1(202) of the Budget Law for 2020.

In the case of Category B activities pursued with the aim of creating new or enhanced products or production processes for green transition or Industry 4.0 digital innovation[8], the tax credit amounts to 10 percent of the cost base, net of any subsidies or contributions received for the same eligible expenses. The maximum tax credit is EUR 1.5 million and, if the financial year is shorter or longer than 12 months, the tax credit is adjusted accordingly.

Within the maximum limits indicated above, and provided that the projects and eligible expenses related to the different types of activity are clearly separated and detailed, it is possible to claim the tax credit for more than one eligible activity in the same financial year. In all cases, any taxpayer wishing to claim the R&D tax credit must obtain a certificate from an auditor, attesting that it has actually incurred the expenses. The taxpayer must also compile and keep a technical report illustrating the purposes, substance and results of the eligible activities pursued in each financial year in relation to the projects/sub-projects under way.

If the Italian Revenue Agency discovers that all or part of the tax credit has been unlawfully claimed, it will recoup the amount, plus interest and penalties. Should technical appraisals be needed, during checks and audits, to decide whether particular R&D, technological innovations or other developments qualify as eligible activities, or whether the costs incurred by the company are related to these activities and are reasonable, the Revenue Agency may ask the Ministry of Economic Development to express an opinion.

Industry 4.0 training - Article 1 (210-217)

The tax credit[9] for Industry 4.0 employee training costs has been extended to the financial year subsequent to that in progress on 31 December 2019. This tax credit is available to:

i. 'small businesses', which can claim a tax credit equal to 50 percent of the eligible expenses and capped at EUR 300,000 per annum;

ii. 'medium-sized businesses', which can claim a tax credit equal to 40 percent of the eligible expenses and capped at EUR 250,000 per annum;

iii. 'large businesses', which can claim a tax credit equal to 30 percent of the eligible expenses and capped at EUR 250,000 per annum.

For all businesses, the tax credit rises to 60 percent if the workers who receive the eligible training are classed as underprivileged or very underprivileged employees (the annual caps remain the same).

The tax credit cannot be assigned or sold and can be used only to offset tax, starting from the financial year subsequent to that in which the eligible expenses are incurred.

This tax relief is unavailable not only to undertakings in difficulty[10] but also to those on which bans have been put[11], those that are not compliant with rules on occupational health and safety, and those that have not fulfilled their obligations to pay their workers' national insurance contributions.

The new version of the rule, unlike the previous one, no longer includes an obligation to enter into internal or local collective bargaining agreements. Moreover, it is no longer compulsory to detail the training in such agreements and file them at the offices of the local Labour Inspectorate.

Renewal of the tax credit for investments in Southern Italy - Article 1 (319)

The tax credit for investments in Southern Italy has been renewed for one year. There is tax relief for purchases of various types of machinery, installations and equipment used to set up new facilities, expand the capacity of existing ones, and diversify production so as to turn out products never previously manufactured at a plant.

The 'Sisma' tax credit, available to municipalities in central Italy that were hit by the earthquake on 24 August 2016, has also been extended. While the bonus for the 'SEZ' special economic zones has been confirmed up to 2021.

INCOME TAXES

Reinstatement of ACE and repeal of the 'Mini-IRES' lower corporate income tax rate - Article 1 (287)

ACE, also known as the notional interest deduction and originally introduced by Law Decree no. 201/2011, was repealed by the Budget Law 2019, with effect from 1 January 2019.

The Budget Law reinstates ACE, from the financial year following that in progress on 31 December 2018, i.e. from 1 January 2019 for calendar-year taxpayers.

Therefore, as highlighted in the Budget Bill for 2020, there will have been no interruption to ACE. However, the Budget Law has further decreased the rate to be used in calculating the notional return on new equity, by setting it at 1.3 percent.

At the same time, the Budget Law repeals the 'Mini-IRES'[12], which has never been applied.

Digital services tax - Article 1 (678)

Background

After years of unsuccessful attempts, 1 January 2020 saw the digital services tax ('DST') come into force.

For the most part, the rules follow the legislative framework for the previous version of the DST, which, however, never came into force.

The stated intent of the Italian legislators is to tax revenues generated over the course of the year by digital services rendered to users located in Italy and identified as such by the IP address of the device they use or by other geolocation methods, in compliance with data protection rules. The DST rate is 3 percent.

(8) As listed in Ministry of Economic Development Decree indicated in article 1(200).

(9) Introduced by article 1(46-56) of Law no. 205 of 27 December 2017.

(10) As defined in Commission Regulation (EU) No 651/2014 of 17 June 2014.

(11)As per article 9(2) of Legislative Decree no. 231 of 8 June 2001.

(12) Introduced by article 2(1-8) of Law Decree no. 34/2019.

Taxable digital services

There are three distinct categories of digital services:

A. the placing on a digital interface of advertising targeted at users of that interface[13];

B. the provision to users of a multi-sided digital interface which allows them to find each other and interact, and which may also facilitate the provision of underlying supplies of goods or services directly between users[14];

C. the sale of data collected from users and generated by their use of digital interfaces[15].

Non-taxable services

The following services do not fall within the scope of the DST.

i. The provision of a digital interface for the sole or main purpose of enabling the provider to supply digital content, communication services or payment services to users.

ii. The supply of regulated financial services[16] by regulated financial entities, through the provision of a digital interface.

iii. The transmission of data by the regulated financial entities mentioned above.

iv. The direct supply of the goods and services underlying a digital intermediation service.

v. The supply of goods or services ordered through the website of a supplier that is not an intermediary.

vi. The organisation and management of digital platforms for the exchange of electricity, gas, carbon credits and fuels, the transmission of related data, and any other related activity.

Also excluded from the tax base are revenues derived from intercompany digital services.

Taxable persons

The 3 percent DST applies to businesses that, individually or group-wide, in the year before the relevant calendar year, have total revenues of EUR 750 million or more, EUR 5.5 million of which must derive from digital services supplied in Italy.

In order to record, on a monthly basis, the revenues from taxable services and other details needed to calculate the above thresholds, taxable businesses must keep a special ledger.

Tax compliance

The DST is levied on revenues realised from digital services over the course of a calendar year.

The tax must be paid annually (by 16 February of the next calendar year) and an annual return must be filed (by 31 March of the next calendar year).

In the case of groups, one of the taxable companies must be appointed to handle compliance, and thus ensure and simplify fulfilment of the obligations imposed by the DST rules.

Non-resident taxable persons – without a permanent establishment in Italy and established in an EU or EEA Member State with which Italy has not signed a convention on mutual administrative assistance to tackle tax avoidance and recover tax liabilities – must appoint a tax representative to fulfil DST payment and reporting obligations.

Place and percentages of taxation

When a taxable service is supplied in Italy in a calendar year, the taxable revenue is the percentage of worldwide revenues from digital services that is represented by the services linked to Italy. That percentage is:

i. in the case of Category A services, the proportion of advertising that appears on a user's device when the user accesses the digital interface while located in Italy;

ii. in the case of Category B services:

   1. if the service involves a multi-sided digital interface that facilitates the provision of underlying supplies of goods or services directly between users, the proportion of deliveries of goods or services in respect of which one of the users of the digital interface is located in Italy;

   2. if the service involves a multi-sided digital interface of a type other than those indicated in point 1. above, the percentage of users who have an account in Italy which enables them to access all or some of the services available through the interface and who have used the interface during the calendar year in question;

iii. in the case of Category C services, the proportion of users in respect of which all or some of the traded data have been generated or collected during the user's consultation of a digital interface while in Italy.

Future developments

The DST, as conceived in Italy, is meant to anticipate new tax rules that both the EU and OECD are discussing. Therefore, once trans-national frameworks are implemented, the Italian DST will be automatically repealed, to avoid discrepancies between international and domestic tax treatment of revenues from digital services.

Step-up in the tax basis of business assets - Article 1 (693-704)

The rules on the step-up in the tax basis of business assets and on the substitute tax to be paid on the difference have been renewed. However, the rate of substitute tax has been reduced to 12 percent for depreciable assets and 10 percent for non-depreciable ones. It will also be possible to pay the substitute tax in three to six instalments, depending on the amount of tax due.

(13) Article 1(37)(a) of the Budget Law.

(14) Article 1(37)(b) of the Budget Law.

(15) Article 1(37)(b) of the Budget Law.

(16) Listed in article 1(37) of the Budget Law.

Deductibility of local real estate tax (IMU) for corporate income tax (IRES) purposes - Article 1 (4 and 772 et seq.)

The Budget Law modifies the deductibility of IMU for corporate income tax purposes, regulated by the '*Decreto Crescita*' (see Tax Alert of 2 May 2019).

Starting from FY 2019, 50 percent of IMU will now be deductible for IRES purposes.

From FY 2020, deductibility will increase to 60 percent and finally, from FY 2022, to 100 percent.

Postponed deduction of write-downs of receivables and losses on receivables - Amendments to the transitional regime - Article 1 (712)

There is a special IRES and IRAP regime[17] for financial institutions and insurance companies, allowing them to deduct, over FYs 2016-2025, a gradually increasing percentage of the write-downs of receivables and losses on receivables existing on 31 December 2015.

This regime was amended under the Budget Law for 2019, which postponed for eight years (to the financial year in progress on 31 December 2026) the deductibility, for both IRES and IRAP purposes, of the 10 percent of write-downs and losses that, under Law Decree no. 83/2015, were deductible in the financial year in progress on 31 December 2018 (for further information see our Tax Alert of January 2019).

This transitional regime has been further revised by the Budget Law, which postpones the 12 percent IRES and IRAP deduction of write-downs of receivables and losses on receivables, originally due for the financial year in progress on 31 December 2019, i.e. 2019 for calendar-year taxpayers. This 12 percent deduction has been deferred, in equal instalments, to the financial year in progress on 31 December 2022 and to the next three financial years, i.e. 2022, 2023, 2024 and 2025 for calendar-year taxpayers.

However, to calculate the IRES and IRAP advance payments for the financial year in progress on 31 December 2019 (i.e. 2019 for calendar-year taxpayers), this latest amendment should not be taken into account [18].

Deductibility of expected losses on customer receivables during the first-time adoption of IFRS 9 - Amendments to the transitional regime - Article 1 (713)

Article 7(7) of the Ministerial Decree of 10 January 2018 regulates items deriving exclusively from the adoption of the IFRS 9[19] model for the recognition of expected credit losses booked in financial statements at the date of first time adoption of IFRS 9. According to this article 7, such losses are subject to the general tax rules on the adjustment of receivables, laid down in the Italian Income Tax Code. Expected losses are thus fully deductible.

Paragraphs 1067-1069 of the Budget Law for 2019 complete the picture by establishing that entities subject to article 106(3) of the Italian Income Tax Code (i.e. financial institutions and insurance companies) can deduct, over ten financial years for IRES and IRAP purposes, expected losses on customer receivables that derive exclusively from the first adoption of IFRS 9 (for further information see our Tax Alert of January 2019)[20].

This mechanism has been revised by the Budget Law, which postpones – to the financial year in progress on 31 December 2028 (i.e. 2028 for calendar-year taxpayers) – the deductibility of the 10 percent related to the financial year in progress on 31 December 2019 (i.e. 2019 for calendar-year taxpayers). Therefore, the above deduction is not allowed in FY 2019.

However, as specified under article 1(715) of the Budget Law, to calculate the IRES and IRAP advance payments for the financial year in progress on 31 December 2019 (i.e. 2019 for calendar-year taxpayers) this amendment should not be taken into account.

Deductible amortisation of goodwill and other intangible assets - Amendments to the transitional regime - Article 1 (714)

The Budget Law amends the tax regime introduced by article 1(1079) of the Budget Law for 2019, which regulates the deductibility of amortised goodwill and other intangible assets that have given rise to a deferred tax asset, to which the rules on tax credit conversion apply.

More precisely, the Budget Law for 2019 revised the criteria[21] for deduction of amortised goodwill and other intangible assets not yet deducted for IRES and IRAP purposes during the financial year in progress on 31 December 2017, by establishing the following deductions:

— 5 percent deduction in the financial year in progress on 31 December 2019;

— 3 percent deduction in the financial year in progress on 31 December 2020;

— 10 percent deduction in the financial year in progress on 31 December 2021;

(17) Introduced by Law Decree no. 83/2015.

(18) Article 1(715) of the Budget Law.

(19) Article 7 of the Ministry of Economy and Finance Decree of 10 January 2018 lays down provisions on coordination between:

– the international accounting standard adopted by Commission Regulation (EU) 016/2067 of 22 November 2016 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard 9, and

– the domestic rules for computing taxable income for IRES and IRAP purposes, under article 4(7-*quater*) of Legislative Decree no. 38 of 28 February 2005.

(20) The Budget Law for 2019 stated that items deriving exclusively from the adoption of the IFRS 9 model for the recognition of expected credit losses (subsection 5.5 IFRS 9) booked in financial statements at the date of first time adoption, should be deductible from the IRES and IRAP tax base as follows:

i. Ten percent of the loss is deductible during the first financial year of IRPS 9 adoption (i.e. 2028 for calendar-year taxpayers.

ii. The remaining 90% of the loss is deductible over the following nine financial years on a straight-line basis (from 2019 to 2027 for calendar-year taxpayers).

(21) The criteria were laid down in paragraphs 55, 56-*bis*, 56-*bis*.1 and 56-*ter* of article 2 of Law Decree no. 225/2010.

— 12 percent deduction in the financial year in progress on 31 December 2022 and up to the financial year in progress on 31 December 2027;

— 5 percent deduction in the financial year in progress on 31 December 2028 and in that in progress on 31 December 2029.

The Budget Law revises these rules, establishing that, for both IRES and IRAP purposes, the 5 percent deduction – originally scheduled for the financial year in progress on 31 December 2019 – is deferred, in equal instalments, to the tax period in progress on 31 December 2025 and to the following four tax periods, i.e. 2025, 2026, 2027, 2028 and 2029 for calendar-year taxpayers. Therefore, no deduction is allowed during FY 2019.

However, as specified under article 1(715) of the Budget Law, to calculate the IRES and IRAP advance payments for the financial year in progress on 31 December 2019 (i.e. 2019 for calendar-year taxpayers), this latest amendment should not be taken into account.

INDIRECT TAXES

Plastic Tax - Article 1 (634 et seq.)

The Budget Law for 2020 also introduced a plastic tax, which applies to single-use products that are used for packaging, protection or delivery of goods or foodstuffs and that are made, totally or partially, out of synthetic organic polymers (Italian law defines these single-use products as '**MACSI**').

The tax does not apply to plastic products that: have multiple uses; are compostable according to Italian Standard UNI EN 13432:2002; are medical devices; are used as medicine packaging or protection.

The tax is EUR 0.45 per kilogram of plastic contained in MACSI.

The following persons are liable to declare and pay the plastic tax:

— for MACSI produced in Italy, the manufacturer (the tax point is the production date and the tax is due when the sale to an Italian customer takes place);

— for MACSI imported from non-EU countries, the importer (the tax point is the final importation date);

— in B2B intra-Community purchases in Italy of MACSI, the Italian purchaser (the tax point is the date of entry of the MACSI into Italy);

— in B2C sales of MACSI to Italian consumers from other EU countries, the EU seller, which must appoint a fiscal representative (the tax point is the date of sale to the Italian consumer).

The plastic tax is not due (and, if already paid, is refunded) for MACSI shipped to other EU countries or exported outside the EU.

The reporting obligations consist in the submission of quarterly tax returns to the Italian Customs Agency, which is responsible for audits and assessments. The tax returns and payments are due each quarter, at the end of the following month.

The following penalties apply:

— failure to pay the plastic tax: twice to ten times the amount of tax due (minimum penalty of EUR 500);

— late payment of the plastic tax: 30 percent of the tax due (minimum penalty of EUR 250);

— failure to issue the quarterly return: EUR 500 to EUR 5,000.

The Italian Customs Agency will need to issue implementing regulations by **May 2020** (specifying, in particular, the tariff codes for MACSI affected by the new tax).

The plastic tax will come into force on the first day of the second month after the implementing rules are introduced; therefore, the tax should be implemented by **1 July 2020** at the latest.

The law introduces a special tax credit, equal to 10 percent of the costs incurred in 2020 to develop technology for the production of compostable goods that meet standard EN 1342:2002. There is a EUR 20,000 cap on this tax credit.

Tax on the consumption of non-alcoholic sugary drinks (so-called 'Sugar Tax') - Article 1 (661-676)

The Sugar Tax introduced by the Budget Law for 2020 is a tax on the sale of sugary drinks and will be applied at a rate of EUR 10 per 100 litres in the case of ready-to-drink products and EUR 0.25 per kilo in the case of products to be diluted.

The tax point generally coincides with the:

i. transfer of the sugary drinks, even without charge, from the Italian producer or (if the producer does not package the drinks itself) packager to Italian consumers or Italian retailers;

ii. receipt of the sugary drinks by the purchaser, in the case of products from other EU countries;

iii. final entry into Italy of sugary drinks imported from countries outside the EU.

Therefore, depending on the event that triggers the tax, the parties liable for the Sugar Tax may be the national producer/packager, the purchaser, or the importer.

With the exception of importers, these parties must register with the Customs and Monopolies Agency and obtain a special identity code. They must also base their calculation of the Sugar Tax on the details declared in their monthly return, which must be submitted, for assessment purposes, by the end of the month subsequent to that for which the return is filed. The tax has to be paid by the same deadline.

In the case of sugary drinks arriving from outside the EU, the Sugar Tax will be assessed and collected by the Customs and Monopolies Agency in the same way as for border taxes.

The Sugar Tax return can be adjusted by the Customs and Monopolies Agency within five years of its submission or non-submission. To do so, the agency must serve a payment notice and give the taxpayer 30 days to comply.

Failure to pay the tax will trigger an administrative penalty ranging from twice to ten times the amount of missing tax and never less than EUR 500. Instead, late payment will trigger an administrative penalty equal to 30 percent of the tax and never less than EUR 250. Late submission of returns and any other violations of the rules will trigger an administrative penalty ranging from EUR 500 to EUR 5,000.

INTERNATIONAL ASPECTS

FATCA Agreement - Financial accounts held by US citizens and/or US residents who have not yet provided their US tax codes - Article 1 (722 and 723)

The FATCA (Foreign Account Tax Compliance Act) agreement[22] requires Italian financial institutions to identify their customers and to communicate to the IRS, through the Italian tax authority, all necessary information concerning financial accounts held by US citizens and US tax-resident taxpayers.

According to the Italian Budget Law, starting from 1 January 2020 Italian reporting financial institutions that have not obtained US TINs of US specified persons holding financial accounts must:

— obtain and report to the Italian Revenue Agency the date of birth of holders of a financial account on 30 June 2014 who have not yet provided their US TINs;

— request, at least once a year, the missing US TINs from the financial account holders;

— carry out, before submitting the information to the Italian Revenue Agency, customer due diligence to verify the missing US tax code status of the financial account holders who have not yet provided their US TINs.

Compliance with the above procedure has significant penalty implications since, with effect from the 2017 reporting period, the administrative penalties for non-compliance with due diligence and reporting obligations will not apply if the procedure has been followed. These penalties[23] range from EUR 2,000 to EUR 21,000.

(22) Enacted in Italy, respectively, by Law no. 95 of 18 June 2015 and by the Ministry of Economy and Finance Decree of 6 August 2015.

(23) Imposed by article 9(1) and (2) of Law no. 95/2015.

LOCAL TAXES

Reunification of local taxes - Article 1 (780 et seq.)

The Budget Law reunifies two local taxes: IMU (municipal real estate tax) and TASI (tax on municipal services). There will be one base rate of 0.86 percent, which can be modified by municipalities, under certain conditions, by 30 June 2020.

Local authority forced collection procedures - Article 1 (784 et seq.)

There are new rules on the collection of local taxes, which, with effect from 1 January 2020, have been aligned with those on the collection of income taxes.

Therefore, notices of assessment for local taxes will be immediately enforceable and the collection of local taxes can be suspended in certain circumstances.

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