

COVID-19: 'Relaunch Decree' Measures for individuals and their family businesses

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Uffici

Milano

Via Vittor Pisani 31, 20124
T: +39 02 676441

Ancona

Via I° Maggio 150/a, 60131
T: +39 071 2916378

Bologna

Via Innocenzo Malvasia 6, 40131
T: +39 051 4392711

Firenze

Viale Niccolò Machiavelli 29, 50125
T: +39 055 261961

Genova

P.zza della Vittoria 15/12, 16121
T: +39 010 5702225

Napoli

Via F. Caracciolo 17, 80122
T: +39 081 662617

Padova

Piazza Salvemini 2, 35131
T: +39 049 8239611

Perugia

Via Campo di Marte 19, 06124
T: +39 075 5734518

Pescara

P.zza Duca D'Aosta 31, 65121
T: +39 085 4210479

Roma

Via Adelaide Ristori 38, 00197
T: +39 06 809631

Torino

C.so Vittorio Emanuele II 48, 10123
T: +39 011 883166

Verona

Via Leone Pancaldo 68, 37138
T: +39 045 8114111

'Relaunch Decree' - Measures for individuals and their family businesses

This Family Office and Private Client News summarizes the main measures introduced by the 'Relaunch Decree' (Law Decree no. 34 of 19 May 2020) and of special interest to individual taxpayers and their businesses.

Revaluation of equity investments and land - New opportunity

Article 137 of the 'Relaunch Decree' gives another opportunity to step up the tax basis (purchase cost) of land and equity investments (not traded in regulated markets) held by individuals, partnerships and non-commercial entities.

Therefore, it is now possible to step up the tax basis of assets held on 1 July 2020, as well as assets held on 1 January 2020 (this earlier opportunity was introduced by the 2020 Budget Law).

For assets owned on 1 July 2020, the deadline for the preparation and certification of the appraisal plus the payment of the substitute tax (or at least the first instalment) is 30 September 2020.

Equity strengthening measures for medium-sized companies

Under article 26 of the 'Relaunch Decree', twenty percent of cash contributions to increase share capital⁽¹⁾ can be used as a tax credit by investors. This mechanism is available for investments in joint-stock companies, limited partnerships, limited liability companies and cooperatives (*società per azioni, in accomandita per azioni, a responsabilità limitata and società cooperative*) whose registered offices are in Italy, on the condition that the transferee:

- Has revenues of between EUR5 million and EUR50 million;
- Suffered a reduction in revenue of no less than 33 percent in March and April 2020 compared to the same period in 2019;
- Decides, implements and fully pays an increase in share capital after 19 May 2020 and by 31 December 2020.

(1) The maximum cash injection that can be used to calculate the tax credit is EUR2,000,000.

Instead, the company that receives the contribution is entitled to a tax credit equal to 50 percent of the portion of its losses that exceeds 10 percent of its equity (before the losses). The tax credit is capped at 30 percent of the capital increase.

If, before 1 January 2024, the company that receives the cash distributes reserves of any kind - or the shareholder sells the shares it has received in return for the cash - the tax benefit is lost and each taxpayer has to repay the amount it has deducted, plus statutory interest.

The tax credit cannot be taken by companies that are direct or indirect parents, sisters, associates or subsidiaries of the company that receives the cash contribution.

Amendments to the wealth tax on foreign financial assets (IVAFE) for non-individuals

The 2020 Budget Law (Law no. 160/2019) extended the scope of application of the wealth tax on foreign financial assets to the following resident organisations that hold financial assets abroad: non-commercial entities, partnerships, and the equivalent organisations listed in article 5 of the Italian Income Tax Code.

In order to equate wealth tax with stamp duty for these residents, article 19 of Law Decree no. 201 of 2011 has been modified so that:

- The annual IVAFAE due on current and savings accounts is EUR100;
- The maximum IVAFAE due is EUR14,000.

Annual 730 tax returns

Considering the serious current economic situation that companies are facing, it could be impossible for many of them to pay tax rebates to workers who have filed their annual 730 tax returns through their employers. Therefore, in order to guarantee rebates to taxpayers, it is now possible for workers to file their 730 tax returns 'without a withholding agent', even if their employers would normally pay these amounts.

In such cases, a rebate for fiscal year 2019 will be paid by the Revenue Agency after the deadline for submission of the 730 returns (30 September 2020).

Contacts

KPMG in Italy, Tax & Legal

Antonio Deidda

Partner

**Family Office and
Private Client**

E: adeidda@kpmg.it

T: +39 02 6764 4762

Tomaso de Simone

Partner

**Family Office and
Private Client**

E: tdesimone@kpmg.it

T: +39 06 8096 3552

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