



Italy: Revenue Agency implementing Measure no. 275956 on Country by Country Reporting

Tax Alert

1 December 2017



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On 28 November 2017 the Director of the Revenue Agency issued Measure no. 275956, accompanied by a technical datasheet, to implement the Ministerial Decree of 23 February 2017 - which, in turn, implemented Council Directive (EU) 2016/881 of 25 May 2016 - on Country by Country Reporting (CbCR).

Entities that have to comply with CbCR obligations

The companies and entities (of an MNE Group whose consolidated turnover is at least EUR 750 million per year starting from 1 January 2015) that have to submit a CbC Report to the Revenue Agency are identified in the Ministerial Decree of 23 February 2017⁽¹⁾ and are:

- the **Ultimate Parent Entity** of an MNE Group that is resident in Italy for tax purposes;
- each properly appointed **Surrogate Parent Entity** of an MNE Group, provided that the Ultimate Parent Entity is resident in a country that: 1) has not implemented CbCR rules; or 2) does not have a Qualifying Competent Authority Agreement with Italy; or 3) does not exchange information gathered under the CbCR rules;
- each **Constituent Entity** of an MNE Group that is resident in Italy for tax purposes, provided that one of the above conditions (1, 2 or 3) applies and that the Ultimate Parent Entity has not appointed a Surrogate Parent Entity.

The information to be included in the CbC Report

The information required is similar to that indicated in the 'Guidance on the Implementation of Country-by-Country Reporting' published by the OECD in September 2017⁽²⁾. The information must be provided in the form of three different tables.

(1) See our [Tax Alert of 10 March 2017](#).

(2) See our [Tax Alert of 7 January 2016](#) and our [Tax Alert of 23 December 2015](#).

- 1. First Table** - this contains aggregate information for the jurisdictions in which the MNE Group entities are tax resident or, in the case of permanent establishments, the jurisdictions in which they are located. For each jurisdiction in which the MNE Group operates, the following details must be reported: the revenue (total revenue, revenue from related parties and revenue from third parties); the profit (loss) before income tax; the income tax paid (including withholding taxes and any income taxes paid as a result of tax assessments); the income tax for the current year (deferred tax and accruals are excluded); the stated capital; the accumulated earnings; the number of employees; and tangible assets other than cash or cash equivalents.
- 2. Second Table** - this contains a list of the MNE Group companies and permanent establishments for each jurisdiction in which the MNE Group operates, together with details on the core business activities of each of them.
- 3. Third Table** - this contains, in addition to the name of the MNE Group, the relevant tax period, the source of the data (see below) and any further details or explanations deemed necessary or likely to facilitate understanding of the compulsory information provided in the CbC Report.

Data source

Taxpayers may choose to use data from (i) the preparation of the consolidated financial statements, (ii) individual financial statements prepared by the MNE Group entities, (iii) internal accounting records, or (iv) accounting records held for regulatory purposes. No reconciliation between the CbC Report and the consolidated financial statements of the group is required.

The data source needs to remain stable over the years.

Other important information contained in Measure no. 275956

To allow the exchange of information between tax authorities, information must be provided in both Italian and English.

Amounts must be expressed in the currency applied in the financial statements of the entity responsible for submitting the CbC Report.

The CbC Report must be sent via Entratel or Fisconline and the files must be in XML format. The Revenue Agency must send a receipt to confirm the submission. If the submission is rejected after 16 December, due to glitches in transmission, taxpayers must file the CbC Report again, within 15 days of its rejection.

The tax authorities of each jurisdiction may inform the Italian Revenue Agency of any material mistakes. The Italian Revenue Agency must then advise the reporting taxpayer of the mistakes, by serving a letter or sending a certified email. The reporting company must send the correction within 60 days of receiving this notification (in normal circumstances the reporting taxpayer is entitled to file amendments to the CbC Report at any time).

Deadlines

As a general rule, the CbC Report must be filed within 12 months of the MNE Group's year-end. However, just for the first year, the report must be filed by 31 December 2017 if an MNE Group's tax year started on or after 1 January 2016 and ended before 31 December 2016.

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