



Italy: Law Decree no. 148 of 16 October 2017 - VAT measures

Tax Alert 18 October 2017



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Law Decree no. 148/2017 (the 'Decree') was published in the Official Gazette on 16 October 2017 and came into force on the same date. The VAT measures are summarized below.

Split payment extension

From 1 January 2018, the split-payment regime will be extended to supplies of goods and services rendered to additional categories of public bodies (such as public economic bodies, special companies, foundations, etc.) and of their subsidiaries.

The Decree clarifies that non-Italian corporations listed on the FTSE MIB Italian Stock Exchange (Borsa Italia) are subject to the split-payment regime only if registered for Italian VAT purposes.

An implementing decree is expected by the end of November.

Future VAT increases

The Decree slightly reduces the first rise (envisaged in the Financial Bill for FY 2017) in the 10% reduced VAT rate, which will now increase as follows:

- from 10% to 11.14% from 1 January 2018;
- from 11.14% to 12% from 1 January 2019;
- from 12% to 13% from 1 January 2020.

The Decree has not revised the increase (also envisaged in the Financial Bill for FY 2017) in the standard VAT rate. Therefore, based on current legislation, the standard VAT rate should:

- increase from 22% to 25% as of 1 January 2018;
- increase from 25% to 25.4% as of 1 January 2019;
- fall from 25.4% to 24.9% as of 1 January 2020;
- increase from 24.9% to 25% as of 1 January 2021.

These VAT increases will not apply if certain budgetary targets are met.

According to a Government Press Release of 16 October, these increases in the standard and reduced rates of VAT should be neutralized by the Financial Bill for FY 2018, to be approved by the end of FY 2017.

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Tax Alert / KPMG in Italy / 18 October 2017

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