



# Italy: Draft Budget Law 2018 - VAT measures

## Tax Alert 27 November 2017



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The draft Budget Law 2018 should be approved by the end of 2017 and come into force on 1 January 2018.

Some of the most important VAT measures are the following.

### No VAT rate increases from 1 January 2018

As announced in the Government Press Release of 16 October 2017, the VAT rate increases introduced by Law Decree no. 148/2017, which were supposed to apply from 1 January 2018 (see our [Tax Alert of 18 October 2017](#)), will not come into force.

### Future VAT increases

The draft Budget Law postpones the gradual increase in the VAT rates to 1 January 2019.

The reduced 10% VAT rate will increase:

- from 10% to 11.5% as of 1 January 2019;
- from 11.5% to 13% as of 1 January 2020.

The standard 22% VAT rate will increase:

- from 22% to 24.2% as of 1 January 2019;
- from 24.2% to 24.9% as of 1 January 2020;
- from 24.9% to 25% as of 1 January 2021.

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

## E-invoicing extension

As of 1 January 2019, e-invoicing will become mandatory for all B2B transactions (supplies of goods and services) between taxable persons established in Italy.

E-invoices will have to be issued:

- through the '*Sistema di Interscambio*' system ('SdI'), which is the current platform used to transmit e-invoices to public bodies and which will allow the Italian Revenue Agency to automatically collect the details of e-invoices;
- in the '*Fattura PA*' format<sup>(1)</sup>, which is the only one currently admitted, although different formats based on European standards might be allowed in the future if introduced by decree.

Should e-invoices not comply with the above conditions, they will be treated as not having been issued and the (heavy) penalties imposed by article 6 of Legislative Decree no. 471/1997 will apply to the supplier and, under certain conditions, the customer.

As of 1 July 2018 e-invoicing will become mandatory for B2B supplies of:

- gasoline or diesel fuel intended for use as motor fuel;
- services rendered by subcontractors under a contract with public bodies.

In addition, in the case of gasoline or diesel fuel, the draft Budget Law makes the electronic storage and transmission of daily payment details mandatory as of 1 July 2018.

## Further implications of e-invoicing

In addition to the extension of mandatory e-invoicing, the draft Budget Law provides that, as of 1 January 2019, there will no longer be:

- a quarterly obligation (six-monthly for FY 2017) to report details of invoices issued, received and booked, and customs bills<sup>(2)</sup>;
- a quarterly option to electronically report the VAT details of invoices issued, received and booked<sup>(3)</sup> (as clarified by the explanatory notes accompanying the draft Budget Law).

(1) The format is set out in Annex A of Ministerial Decree no. 55 of 3 April 2013.

(2) This obligation was introduced by article 21 of Law Decree no. 78/2010, as modified by Law Decree no. 193/2016.

(3) This option was introduced by article 1 of Legislative Decree no. 127/2015.

## Monthly reporting of cross-border transactions

As of 1 January 2019, Italian VAT payers must report the invoice details of cross-border transactions.

VAT payers should file this report by the fifth day of the month following that in which invoices (other than those transmitted through SdI and those for imports documented by customs bills) are issued or received.

A penalty of €2 per invoice (capped at €1,000 per quarter) may apply for failing to submit a report or submitting an incorrect one. However, if the submission is made or amended within 15 days of the deadline, the penalties will be reduced by 50 percent and capped at €500.

## Monthly transmission of daily payment data by large retailers

Those large retailers that opted by 31 December 2016 for the 'old' monthly transmission of daily payment data (under Law no. 311/2004) can continue to make these monthly transmissions up to 31 December 2018, rather than 31 December 2017, as previously allowed.

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Tax Alert / KPMG in Italy / 27 November 2017

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