

Business in Italy



Located along the Mediterranean Sea in Southern Europe, Italy became a nation-state in 1861. After World War II, in 1946, a popular referendum abolished the monarchy and proclaimed Italy a parliamentary republic.

Italy is composed of 20 administrative regions, and Rome is the capital. Italy's northern regions per capita income are among the richest in Europe.

The country is a founding member of the European Economic Community (EEC) and North Atlantic Treaty Organization (NATO). It is also a member state of the United Nations (UN), World Trade Organization (WTO), and Organization for Economic Co-operation and Development (OECD).



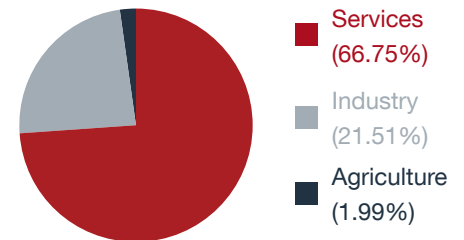
Population

 = 5 million

59.6
million



GDP Breakdown by Sector (2020)



Currency

Euro (€)

Foreign Direct Investment

4.97 billion (EUR)

GDP Growth (est. 2021)

2.7%

Business Climate

Italy has a diversified economy, which is divided into a developed industrial north and a less-developed, agricultural southern region. The Italian economic structure relies mainly on services and manufacturing, and it's driven in large part by the manufacturing of high-quality consumer goods. The country's main economic sectors are wholesale and retail trade, fashion, tourism, engineering, chemicals, motor vehicles and food services; these products contribute substantially to the country's exports. Italy's main export partners are Germany, France and the U.S. while China and Russia are the countries with a better growth trend; its main import partners are Germany, France and China. Small and medium-sized firms (SMEs) dominate Italy's economy, many of which are family-owned, comprising 99% of Italian businesses and producing 68% of Italy's GDP.

Italy is the third-largest economy in the eurozone and the world's ninth-largest economy. However, the government still faces pressure from investors and European partners to sustain its efforts to address Italy's longstanding structural impediments to growth, such as labor market inefficiencies, a sluggish judicial system, and a weak banking sector. The latest governments have introduced economic and structural reforms - public administration, public education and labor law - in an attempt to improve the competitiveness of its human capital.

Italy is financially developed and viewed as an ideal country for business. Italy's trade volumes increased significantly after the country joined the eurozone.

The Central Bank of Italy is completely separated from the government and must comply with the rules dictated by the European Central Bank, which are the same for all the member countries of the union. The main aim of these rules is to protect the common currency. In addition, the Bank of Italy, as part of the Eurosystem, helps to draft the monetary policy for the euro area.

International Trade

Italy has been a WTO member since 1 January 1995, and a party to the General Agreement on Tariffs and Trade (GATT) since 30 May 1950. It is also a founding member of the EU; all EU member states are WTO members, as is the EU in its own right. The EU has negotiated and entered into various agreements with third states.

The Free Trade Agreement (FTA) between the EU and the Republic of Korea was applied in July 2011 and formally entered into force in 2015. On September 2017, EU-Canada Comprehensive and Economic Trade Agreement (CETA) entered into force provisionally. Most of the agreement now applies.

Import duty and taxes are due for goods imported to Italy from outside of the European Union whether by a private individual or

a corporate entity. Italy is party to the European Union's Common Customs Tariff, therefore preferential rates apply to imports from countries which the EU has signed agreements with. Duties range from 0-17%, with the general tariff averaging 4.2%. Existing restrictions are intended to protect the EU economy, so that the importation of certain items requires advance authorization (especially foodstuffs, textiles and clothing still experience some protection measures, while some imports are subject to anti-dumping duties). All EU customs tariff measures applied on the basis of the common nomenclature are set out in the integrated tariff of the European Union (TARIC). Specific information on tariffs applied by the EU can be found on the official EU website on the TARIC code.

Italy is the 9th largest economy in the world and 3rd largest in the eurozone.



Tax Regime

The Italian tax system is based on the following main taxes:

- **Company income tax and tax on other legal institutions (IRES):** Resident entities are taxed on their worldwide income and non-resident are only taxed on Italian income. The IRES rate is 24%. Banks and financial institutions are taxed at a 27.5%.
 - a flat tax rate of EUR 100,000 on all foreign source income; the measure may be extended to include close family members (EUR 25,000 per member).
- **Regional tax on production activities (IRAP):** A local tax collected by the region in whose territory the production activities liable for tax are conducted. The ordinary IRAP rate is 3.9%, special rates applied to certain categories of subjects (such as banks or insurance companies).
 - **Value Added Tax (VAT):** VAT is due on any taxable supply of goods or services made in Italy by a taxable person in the course of their business at the standard rate of 22%. There are reduced rates of 10% or 4%, that applies to certain supplies of goods and services, and the zero rate which applies to some so-called *non-taxable* operations.
- **Personal income tax (IRPEF):** Applied to individuals who are tax residents in Italy. Non-residents are subject to tax on income whose source is located in the Italian Territory.
 - **Inheritance and gift tax:** The inheritance and gift tax are applied to the transfer of assets and rights mortis causa, by donation, free of charge and on the setting of restraints on destinations. The taxes are levied without regard to the residence of the deceased/donor or the beneficiary if the transfer is executed in Italy or if the assets are located in Italy.
- **Special flat-tax regime for new residents:** Non-tax residents in Italy for at least nine out of the 10 years prior to moving to the country can benefit from
 - The tax due is calculated using a combined system of rate and different allowances depending on the degree of relationship between the assignee and the assignor. In the case of spouse or linear relatives (descendant, ascendant), the tax rate currently applicable is 4% on the total assets' value with a tax-exempt thresholds of EUR 1 million for each heir or beneficiary.
 - **Local taxes: municipal property tax (IMU):** IMU is levied on those (resident or nonresident) who own immovable property located in Italy. Standard tax rate is 0.76% of the upgraded cadastral value of the property.
 - **Registration tax and other indirect taxes on property transfers:** Registration tax is an indirect tax. It must be paid for documents that must be compulsorily registered or for documents that are registered voluntarily.

Establishing a Business

Italy, as a member of the EU, applies the principle of free establishment and non-discrimination. Any type of business can be operated under the same conditions of a local investor by the foreign investors. Italy offers an array of options for establishing a business.

A sole trader is a business set up by a single holder (person). The sole trader is liable for the obligations of the business, exposing his personal (even future) assets to the claims of the business.

A private limited company (Srl) is a company model intended for smaller businesses rather than the joint-stock companies. The shares are generally held by a limited number of subjects, who are not personally liable for the company obligations. The minimum share capital to be subscribed is fixed at EUR 10,000.

A joint-stock company (SpA) is the model for Capital Company in regulatory terms and this form of company is the most suitable for substantial capital investments. The initial minimum capital of joint-stock companies must not be lower than EUR 50,000, of which at least 25% of the share capital (equivalent to EUR 12,500) must be paid into the hands of the directors and that must be documented in the articles of association. For certain companies, the law requires a higher minimum capital, depending on the characteristics of the business activity (i.e. securities firms, banks, financial companies).

Italian corporate law also foresees other types of business organizations or associations such as simple partnership, joint-name partnership and limited partnership. For these types of legal entities, there is generally no complete segregation of assets and liabilities from the assets and liabilities of their members.

All entrepreneurs engaged in commercial business and all legal companies are required to register their business with the Companies Register at the Italian Chamber of Commerce.

Employment Affairs

To work in Italy, a foreign national must hold a work visa. There are limits on the number of foreign citizens that can be hired in Italy each year; however, the secondment of workers is generally excluded from the limits established by the Italian government. EU citizens are free to work in Italy without any special work permit.

In Italy, labor law is based on legislation, collective agreements (CCNL), and company and individual bargaining. The main rules that regulate labor market are set out in the Italian Civil Code and in Law No. 300/1970 (Statuto dei Lavoratori).

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Updated: September 16, 2021

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