

# SETTING UP BUSINESS IN ITALY



## General Aspects

The Republic of Italy is a peninsula in the Mediterranean Sea. As it is part of Euroland, its monetary unit is the Euro. The total population is around 60 million people. Italian is the official language. In some regions there are also other official languages (e.g. German in the province of Bolzano/Bozen; French in the region Valle D'Aosta/Vallée d'Aoste and Slovenian in the provinces of Gorizia, Trieste and Udine). Due to its location in the heart of the Mediterranean, Italy is a base from which all European countries, North Africa and the Middle East can be reached easily.

## Legal Forms of Business Entities

Legal form	Feature	Remarks
<b>Branch Office</b>	An extension of a non-Italian parent company. Has no legal personality, but is part of the legal entity of the foreign company. The responsibility for any liabilities in Italy is beared by the foreign company. There is no (minimum) capital required, but the parent company has to invest the necessary amount of money to carry out the business in Italy. The branch office has to be entered in the commercial register (registro delle imprese).	Suitable for foreign companies looking for a presence in Italy to initiate business.
<b>Sole Commercial Trader</b> (imprenditore individuale)	Set up by a single natural person, who is fully and personally liable for the debts contracted by the firm.	Registration in the commercial register is required.
<b>Partnerships</b> (società di persone)	Any partnership requires at least two partners with a personal commitment. Their liability for the partnership's debts and liabilities is generally unlimited and personal, including all private assets.	No minimum share capital is required and the accounting and publication obligations are less extensive than those for corporations. Registration in the commercial register is required.

There are the following partnerships in Italian law:

<b>General Commercial Partnership</b> (S.n.c. - società in nome collettivo)	A partnership of at least two individuals both of them fully liable for the partnership's debts and liabilities. Their liability for the partnership's debts and and liabilities ins generally unlimited and personal, including all private assets.	Suitably company for small and medium-sized businesses.
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<p><b>Partnership limited by guarantee</b> (S.a.s. - società in accomandita semplice)</p>	<p>A legal form related to the General Commercial Partnership, but with the option of limiting the liability of some of the partners.</p> <p>The general partners (soci accomandatari) are personally and jointly liable without limitation, as well as with their private assets. The liability of the limited partners (soci accomandanti) is limited to their respective share of the partnership capital.</p>	<p>Suitable for medium-sized companies seeking additional capital from persons who prefer a limitation of liability.</p>
<p><b>Corporate Partnership</b> S.a.s. con socio accomandatario una società di capitali</p>	<p>It is a limited partnership (S.a.s) in which the general partner (socio accomandatario) is a corporation (e.g. S.r.l.). The corporation is liable for the company's liabilities without limitation. The limited partners (soci accomandanti) are liable up to their respective share of the partnership capital.</p>	
<p><b>Corporations</b> (società di capitali)</p>	<p>Independent legal entities, meaning that the holder of rights and obligations is not the individual shareholder, but the company itself. Shareholders are only liable for company's debts to the amount of their capital share.</p>	



## Organizational Questions

Topic	Feature	Remarks
<b>Public Limited Company</b> (S.p.a. - società per azioni)	<p>The minimum share capital of a Public Limited Company is at least EUR 50,000, of which EUR 12,500 have to be paid up. There must be at least two shareholders, who may be natural or legal persons. In case of only one shareholder the share capital has to be fully paid up.</p> <p>Some companies have to subscribe for an increased minimum share capital, depending on the nature, size and effects on the market of the company's activities.</p>	<p>Shares can be transferred easily, listing on the stock exchange is possible.</p> <p>Founding costs are relatively high. Organizational and accounting obligations and the publication requirements are extensive.</p>
<b>Simplified Private Limited Company</b> (S.r.l.s. Società a responsabilità limitata semplificata)	<p>It can be established by one or more individuals.</p> <p>The minimum capital is 1 EUR 1 and the maximum capital is EUR 10,000. There is a standard structure of the articles of incorporation.</p>	<p>Suitable for small and medium sized entities.</p>
<b>Private Limited Company</b> (S.r.l. - società a responsabilità limitata)	<p>Can be established by one (same restrictions as for a S.p.a.) or more shareholders. The minimum capital is EUR 10,000, of which EUR 2,500 have to be paid up.</p> <p>It is possible to set up a S.r.l. with a share capital of less than 10,000 Euro. In this case all the share capital has to be fully paid up.</p>	<p>Suitable for small and medium-sized enterprises and family businesses. The operating rules are relatively simple and flexible.</p>
<b>Partnership limited by shares</b> (S.a.p.a. - società a accomandita per azioni)	<p>At least one partner, the general partner, has to be liable for debts and liabilities of the company without limitation. The general partner can also be a corporation with limited liability. An unlimited number of capital investors (limited shareholders) is possible, whose liability is limited on the capital contribution they subscribed. The partner's shares are freely negotiable.</p>	<p>The partnership limited by shares combines structures of a Public Limited Company and a limited partnership.</p>
<b>Commercial Register</b> (registro delle imprese)	<p>In general, all forms of companies have to be registered in the commercial register.</p> <p>Professionals (e.g. lawyers, doctors) do not have to be registered in the commercial register.</p>	<p>A company may not enter into any transactions until it has a legal identity.</p>
<b>Bank Account</b>	<p>To open a bank account individuals will need a valid passport or identity card and evidence of the residential address and an Italian Fiscal Code (codice fiscale).</p> <p>Companies need an excerpt from the commercial register together with the personal details of the partners/directors.</p>	

<b>Transfer of Goods and Machinery</b>	Within the EU goods and machinery can circulate freely. Imports from non-EU states to Italy are subject to the European Community Customs Regulations.	There are several customs exemptions to be considered.
<b>Transfer of Capital</b>	Through a bank capital can be moved in and out of Italy without any restrictions.  Cash-only transactions have restrictions.	However, large amounts of capital must be reported.
<b>Visa and Residence permit</b>	In general, nationals of EU countries are permitted to live and work freely in Italy. All non-EU nationals must apply for a residence permit (permesso di soggiorno) at the local police headquarters immediately upon arrival.	In the time of setting up business a Schengen Travel Visa (Business Visa) may be sufficient, which enables its holder to stay in Italy for up to three months.

## Employment

Topic	Feature	Remarks
<b>Work permit</b>	EU nationals can work in Italy without any restrictions. Nationals from all other countries need a work permit.	
<b>Labour law</b>	Labour law differentiates between blue collar, white collar and management workers. Working hours usually are 40 hours in 5 days per week. An annual holiday of four weeks is granted. The notice period for termination of work contracts varies between 6 days and 12 months, depending on the national collective contract (CCNL) applied, the period of time the employee has been employed and the type of contract.	
<b>Social system</b>	Resident employees and self-employed workers pay social security contributions (contributi previdenziali) to the National Institute for Social Security (Istituto Nazionale della Previdenza Sociale - INPS). The employer pays around two-thirds and the employee one third of the pension contribution.	Social insurance doesn't include the national health service (Servizio Sanitario Nazionale - SSN), which is funded by the State.

# Taxation

Tax	Feature	Remarks
<b>Corporate Income Tax</b>	<p>The corporate income tax rate (IRES) for resident companies is 24.0 %. Additionally a local tax (IRAP) is levied (about 4%) on a different tax bases, depending on the kind of business and the region.</p> <p>There are significant tax incentives in case of investments in tangible assets (machinery, equipment, furniture, commercial vehicles) and intangible assets according to the Italian tax law.</p>	<p>To non-resident companies the same income tax rates as for resident ones are applicable.</p>
<b>Personal Income Tax</b>	<p>The rate of personal income tax starts at 23% for an annual income up to EUR 15,000. It rises progressively to a maximum personal income tax rate of 43%, which is applicable to earnings exceeding EUR 75,000.</p> <p>There are significant income tax incentives for individuals who transfer their tax residence from abroad to Italy (for example: reduction of 50% of the taxable base) if certain requirements are met. A case by case analysis is necessary.</p> <p>In some sectors (like agriculture), small commercial traders and professionals favoured rules for the calculation of the income tax are applicable.</p>	<p>To non-resident individuals the same income tax rates as for resident ones are applicable.</p>
<b>Value Added Tax</b> (imposta sul valore aggiunto - IVA)	<p>The standard VAT rate is 22 %. A lower rate of 10% applies to certain goods and some building services. A very limited number of goods (food sector) and a very number of services have a VAT rate of 5%. Some kind of goods (including most food) and services (building activity) have a VAT rate of 4%. Some services, including banking and healthcare, are VAT-exempt.</p> <p>There are reverse-charge rules for some sectors (like the building sector). Non-resident companies from other EU States without permanent establishment in Italy have to apply for an Italian VAT number if they perform sales of goods (e.g. distance selling of goods to non-VAT registered customers in Italy exceeding the threshold of EUR 35,000) or services (e.g. some building services in Italy) subject to VAT in Italy. Non-resident companies from outside the EU have to appoint a fiscal representative in Italy if they have taxable operations for VAT purposes in Italy.</p>	<p>Additional exemptions exist depending on the type of business and transaction in question.</p>

<b>Taxation of capital gains</b>	Capital gains generally are treated as ordinary income and taxed at the corporate income rate of 24.0%. In certain cases the participation exemption rules are applicable which allow an exemption of 95% of the capital gain. For individuals, the capital gain is generally taxed at a substitute tax of 26% in the case of nonqualified participations. A proportion (58,14%) of capital gains realized on the sale of qualified participations are taxed at progressive income tax rate. The application of the double taxation convention rules have to be considered for non-resident shareholders.
<b>Tax on investments held abroad by resident individuals (IVAFAE)</b>	A wealth tax (IVAFAE) is charged on investment held abroad by individuals who are tax resident in Italy. The tax rate is equal to 0,20 percent of the value of the financial assets. For bank accounts held in other Member States and EEA States a flat rate charge of Euro 34.20 is applicable.
<b>Tax on real estate located abroad held by resident individuals (IVIE)</b>	The tax rate is equal to 0.76% of the taxable base. For the calculation of the taxable base there are specific rules (general rule: purchase price), but a case-by-case analysis for the calculation of the taxable base has to be performed.
<b>Real estate transfer tax</b>	All transactions involving real property and certain other transactions are taxed with the register tax. There are specific rules for the calculation of the taxable income for register tax purposes.  The register tax rates differ depending on the location of the real estate and other factors. For example, transactions regarding the purchase of the taxpayer's principal home are subject to 2% register tax, while transactions involving other real property are taxed with a register tax of 9% or 12% (in the case of land). For the calculation of the taxable base for the register tax specific parameters are applicable.
<b>Real estate tax (IMU- and TASI)</b>	Tax on real estate is levied at a basic rate of 0.4% to about 0.8% of the taxable base. The taxable base depends on the cadastral value of the building and the tax rates depend on the municipality. The law provides determined cases of exemptions from taxation.
<b>Non-resident Taxation</b>	<b>A non-resident company</b> , which is trading through a permanent establishment, is liable to corporation tax on Italian-sourced income. When trading without a permanent establishment in Italy, the tax treatment depends on the kind of the income.  <b>Non-resident individuals:</b> Non-residents are taxed on income generated in Italy only.  Double taxation of the income is avoided by the conventions for the avoidance of double taxation stipulated between Italy and other countries.

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