

## Italy enacts "Relaunch Decree" to further manage COVID-19

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### Executive summary

On 19 May 2020, Italy's Law Decree n. 34, referred to as the "Relaunch Decree" (the Relaunch Decree or the Decree), was published in the *Official Gazette* and entered into force on the same day. While immediately in effect, the Decree will have to be converted (with potential changes) into Law within 60 days from its publication to remain in force. Some implementing measures will follow to allow part of the incentives to apply in practice.

The Relaunch Decree introduces a third set of economic measures in response to the COVID-19 crisis, following the "Heal Italy Decree" (Law Decree n. 18/2020)<sup>1</sup> - converted into law by Law n. 27/2020 - and the "Liquidity Decree" (Law Decree n. 23/2020) still subject to conversion (Previous Decrees).<sup>2</sup>

The Decree pledges an additional €55 billion in stimulus measures to help "relaunch" the Italian economy, which is the largest budget ever presented in the history of the Italian Republic and corresponding to approximately double the amount of an ordinary Italian budget law. The Decree provides for a multitude of incentives to families, workers and businesses. Several measures have been introduced including income support to households and a few categories of workers not covered by the Previous Decrees, a boost to the existing wage support funds along with new procedures to streamline the execution of the respective payments. "Holiday bonuses" to boost tourism,

bicycle bonuses to encourage alternatives to public transport and babysitter bonuses were also introduced. Free cash contributions and discounted electricity bills are provided for small businesses. Other measures aim at improving the Italian health system, simplifying the release of state guaranteed loans (mainly introduced by the Previous Decrees), speeding up the payment by the Public Administration of a significant backlog of payables towards Italian businesses, and supporting the reopening of the Italian schools with the hiring of extra teachers and the funding of sanitization and renovation works.

Significant tax measures have been introduced such as partial tax cuts of the regional tax on productive activities (*Imposta regionale sulle attivita' produttive* or IRAP) and the municipal property tax (*Imposta Municipale Unica*, IMU), the exemption from Value-Added Tax (VAT) for medical devices and Personal Protective Equipment (PPE), new tax credits, including an extension of existing tax credits and the possibility to have them transferred to third parties, as well as new tax payment deferrals.

The Decree also repeals the "VAT safeguard clauses" carried forward in the Italian budget laws since 2011 that would have brought higher VAT rates in the case of excess of public deficit and absent alternative funding options.

This Alert summarizes the main tax measures introduced by the Relaunch Decree while also highlighting some of the provisions already set forth by the Previous Decrees with the aim to provide an overview of all of the key COVID-19 related tax rules issued by Italy to date.

## Detailed discussion

### Tax payments

#### IRAP cuts

Tax cuts have been introduced with reference to the IRAP balance payment for fiscal year (FY) 2019 and the first IRAP advance payment for FY 2020 for qualified companies and the self-employed with a previous FY turnover not greater than €250 million. Banks, insurance companies and other financial institutions are, in any case, excluded.

Generally, companies are required to perform IRAP advance payments based on a historical method (i.e., to be calculated on the IRAP due in the previous FY) or on a forecast method (i.e., to be calculated on the expected IRAP due for the current FY). A 40% first advance payment is due by the sixth month following the end of the previous FY, while a 60% second

advance payment is due by the eleventh month. The balance is due by the end of the sixth month following the relevant FY together with the first advance payment for the current FY.

The Decree provides for a cut of the balance due for FY 2019 within the end of June, if any, and of the first advance payment due for FY 2020 within the same term. Both cuts are final, including the cut of the FY 2020 first advance payment that will not be recovered with the balance for FY 2020.

Balance sheet impacts of such tax cut should be considered.

The same advance payment mechanism and time schedule applies for the corporate income tax (*Imposta sui redditi delle societa'* or IRES) and individual income tax (*Imposta sulle persone fisiche* or IRPEF) for which, however, no cuts have been provided for. Therefore, IRES and IRPEF remain due as usual, with the possibility to postpone any due payment under the ordinary rules and utilize the forecast method also in view of the incentive already introduced by the Liquidity Decree (see below).

#### Forecast method for income tax advance payments

As established by the Liquidity Decree, no penalties and interest apply for FY 2020 if taxpayers relying on the forecast method make underestimated advance payments within a range of 20%. As mentioned, the forecast method is an alternative to the historical method to pay advance payments on direct taxes, i.e., IRES, IRAP and IRPEF.

This measure is not affected by the Relaunch Decree.

#### IMU cuts for the touristic sector

The Relaunch Decree exempts, under certain conditions, beach clubs, hostels, resorts, Bed & Breakfasts and other touristic structures from the 2020 first advance payment of the IMU, due on 16 June 2020. Generally, such exemption is also recognized for real estate properties classified under "D2" cadastral category such as hotel venues.

#### Deferment of payments for enterprises and the self-employed experiencing a turnover reduction

As established by the Liquidity Decree, withholding tax (WHT) payments on employment income, social security contributions and VAT payments, due for the period between 1 April and 31 May 2020 by enterprises and the self-employed with a previous FY turnover not greater than €50 million who experienced a turnover reduction of at least 33% in March and April (compared to the same months in 2019), is deferred to 30 June 2020 (in full or in five equal

monthly installments). For VAT payments only, enterprises and the self-employed located in specific areas (e.g., Bergamo, Brescia, Cremona, Lodi and Piacenza provinces) can benefit from such deferment even if their previous FY turnover was higher than €50 million. The same deferment applies to enterprises and the self-employed with a previous FY turnover higher than €50 million that experienced a turnover reduction of at least 50% in March and April (compared to the same months in 2019). This deferment also applies to all enterprises and self-employed who started their activities as of 1 April 2019, irrespective of any other prerequisites.

As a new measure, the Relaunch Decree postpones such payments to 16 September 2020 (in full or in four equal installments starting from 16 September 2020).

#### **Deferment of payments for qualifying sectors**

As established by the Heal Italy Decree, for taxpayers engaged in qualifying business sectors (e.g., tourism, sport, entertainment, art, culture, education, transport, food, non-profit) and with their tax domicile, registered office or place of business in Italy, payments of VAT due for March 2020 and WHT on employment and similar income and social security contributions due during the period between 8 March 2020 and 30 April 2020 (30 May 2020 for sports associations and clubs for WHT on employment income and social security contributions) are deferred. The mentioned payments are due by 31 May 2020 (30 June 2020 for sports associations and the like for WHT on employment income and social security contributions) in full or in five equal installments starting from May 2020 (30 June 2020 for sports associations and the like for WHT on employment income and social security contributions). No penalties and interest apply. No refund is available for payments that were already made.

As a new measure, the Relaunch Decree postpones such payments to 16 September 2020 (in full or in four equal installments starting from 16 September 2020). Moreover, for sports associations and the like the postponement includes the payments for WHT on employment income and social security contributions due during the period between 8 March 2020 and 30 June 2020.

#### **Deferment of payments for taxpayers located in qualified areas**

As established by the Heal Italy Decree, for taxpayers with their fiscal domicile, registered office or place of business in the Bergamo, Brescia, Cremona, Lodi and Piacenza provinces, VAT payments originally due during the period

between 8 March 2020 and 31 March 2020 are deferred irrespective of their turnover threshold. Such payments are due by 31 May 2020 in full, or in five equal installments starting from May 2020.

The Relaunch Decree postponed such payments to 16 September 2020 (with the possibility to pay in full or in four equal installments).

#### **Deferment of payments for small enterprises**

As already established by the Heal Italy Decree, for professionals and enterprises (with their fiscal domicile, registered office or place of business in Italy) with previous FY turnover not exceeding €2 million, payments related to: (i) VAT, (ii) WHT on employment and similar income and (iii) social security contributions, due during the period between 8 March 2020 and 31 March 2020, are postponed to 31 May 2020 (with the possibility to pay in full or in five equal installments).

As a new measure, the Relaunch Decree postpones such deadline to 16 September 2020 (with the possibility to pay in full or in four equal installments as of 16 September 2020).

#### **Suspension of WHT levied on small taxpayers**

As already established by the Liquidity Decree, professionals and other qualifying taxpayers with previous FY turnover not higher than €400,000, are not subject to WHT (where applicable) for the income derived during the period between 17 March 2020 and 31 May 2020 if they did not bear employment expenses during the previous month (this should be attested through a self-declaration). The WHT equivalent amounts are due directly by such taxpayers by 31 July 2020 (in full or in five equal installments starting from July 2020).

As a new measure, the Relaunch Decree postpones such deadline to 16 September 2020 (with the possibility to pay in full or in four equal installments as of 16 September 2020).

#### **Postponement of tax bills**

Tax payments due upon the tax authority's automated controls and formal controls falling between 8 March 2020 and 31 May 2020 are postponed, without penalties and interest, to 16 September 2020 (in full or in four monthly installments as of the same date).

#### **Deferment of collection deeds**

The Liquidity Decree postponed to 30 June 2020 the payments falling in the 8 March-31 May 2020 window arising from a variety of collection deeds (such as tax bills,

tax assessment notices, bills issued by Social Security Contributions Authorities, etc.). The Relaunch Decree further postpones the payment deadline to 30 September 2020 and it also extends the mentioned window from 8 March to 31 August 2020.

A deferment and specific measures are also available for the installments due according to certain tax amnesty programs introduced in the past years.

#### **Deferment of payments due under tax audit procedures (Article 149)**

The Decree defers the payments due from 9 March 2020 to 31 May 2020 related to several payment requests, including:

1. Deeds of settlement
2. Conciliation agreements
3. Mediation agreements
4. Payment requests for the omitted registration of contracts
5. Payment requests issued by Municipalities

Such payments are postponed - without penalties and interest - to 16 September 2020 (in full or in four monthly installments starting from 16 September 2020). The postponement is applicable also in the case that the said deeds were set for payment in installments between 9 March 2020 and 31 May 2020, including installments due under certain tax amnesty programs.

Moreover, the terms for filing appeals before tax courts of first instance related to all the above-mentioned procedures set forth in this law provision is postponed to 16 September 2020 provided that the payments of the said tax deeds are due in the period between 9 March 2020 and 31 May 2020.

#### **Excise duty payments and other measures for natural gas and electricity**

Natural gas and electricity excise duties advance payments for May and September 2020 are calculated at 90% of the ordinary amount. The relevant balance payment is made in full (within 31 March 2021 for natural gas and 16 March 2021 for electricity) or in 10 equal monthly installments starting from March 2021.

Excise duties for energy products released for consumption in March (to be paid within 16 April 2020) are considered timely paid if paid within 16 May 2020. Monthly payments for excise duties for energy products released for consumption from

April 2020 to August 2020 can be paid at 80% as advance payments. The deadline for all the related balance payments is 16 November 2020 (no interest applies).

In addition, the Relaunch Decree defers the entry into force of several provisions related to authorization and accounting obligations for small deposits of energy products introduced by Article 5 of Law Decree n. 124/2019.

#### **Custom duties**

As a new measure, the Relaunch Decree provides that periodical and deferred custom duties due between 1 May 2020 and 31 July 2020 are postponed by 60 days (without interest and penalties).

This measure applies to enterprises and the self-employed in the transport sector and those with previous FY turnover not higher than €50 million who experienced a turnover reduction of at least 33% in March and April (compared to the same months in 2019). The same deferment applies to enterprises and the self-employed with a previous FY turnover higher than €50 million that experienced a turnover reduction of at least 50% in March and April (compared to the same months in 2019).

#### **Deferment of payments for the gaming sector**

As established by the Heal Italy Decree, the payment of the Gaming Tax (*Prelievo erariale unico* or "PREU") originally due by 30 April 2020 is postponed to 29 May 2020 and can be executed in equal monthly installments plus legal interest (accruing on a daily basis). The first installment is due by 29 May 2020 and the subsequent ones by the end of any following month, with the last one due by 18 December 2020.

This measure is not affected by the Relaunch Decree.

#### **Deferment of payments of stamp duties linked to electronic invoicing**

The Liquidity Decree provided that taxable persons can postpone the payment of stamp duties due on e-invoices without penalties and interest as follows: (i) the stamp duty due for the first quarter of FY 2020 can be paid within the deadline referred to the second quarter if the tax due is lower than €250; and (ii) the stamp duty due for the first and second quarters of FY 2020 can be paid within the deadline referred to the third quarter if the cumulative tax due is lower than €250.

This measure is not affected by the Relaunch Decree.

## Deferment of the entry into force of plastic and sugar taxes

The entry into force of both the plastic tax (specific indirect tax levied on plastic contained in non-recyclable packaging products) and sugar tax (a tax on certain sweetened soft drinks) has been postponed to 1 January 2021.<sup>3</sup>

## Tax credits

### Tax credit for capital increase

Taxpayers can benefit from a tax credit of 20% of the capital increase (up to €2 million), resolved and fully paid between 20 May 2020 and 31 December 2020, in qualified Italian companies with a turnover between €5 million and €50 million (on a group consolidated basis), which experienced a turnover reduction during March and April 2020 of at least 33% in respect of the same months of 2019 (on a group consolidated basis). The measure applies also in the case of intermediation by Italian/European Union (EU)/European Economic Area (EEA) Undertakings for Collective Investment (UCI) mainly investing in the above-mentioned companies. The same tax credit is granted in the case of investments into Italian permanent establishments (PEs) of EU/EEA companies. The benefit is not granted to the companies controlling, controlled by or under common control of the company increasing its capital.

In addition, after the approval of the 2020 financial statements, the above-mentioned companies increasing their capital can benefit from a tax credit equal to 50% of any operating losses exceeding 10% of the net equity (up to 30% of the capital increase).

The above tax credits can be used starting from 2021 (in the 2020 tax return).

A recapture mechanism applies in the case of: (i) transfer of the shares received upon the capital increase or (ii) reserve distributions, made before 1 January 2024.

All of the above listed benefits (including those connected to other specific non-tax measures introduced by the Decree) cannot exceed the overall amount of €800,000.

These measures are subject to the authorization of the EU Commission and the associated overall budget set by the Government is capped at €2 billion for FY 2021.

### Tax credit for the rental of commercial real estate

Qualified enterprises and the self-employed with previous FY turnover up to €5 million (without a threshold for the hoteling sector) can benefit from a tax credit of 60% of

the fees paid in March, April and May 2020 for the rental of a real estate instrumental for business, professional or agricultural activities. The tax credit is equal to 30% if the rental of the real estate is provided through mixed contracts or through the lease of going concern.

Taxpayers exercising an economic activity should have experienced a turnover reduction during March, April and May 2020 (April, May and June 2020 for the seasonal hoteling sector) of at least 50% in respect of the same months of 2019.

The tax credit can be used to offset tax liabilities starting from the payment of the rental fees, or for other uses starting from 2021 (in the 2020 tax return).

The tax credit can be transferred to the lessor in exchange for a discount of the same amount of the rental fee.

It is not possible to benefit from both this tax credit and the similar rental tax credit introduced by the Heal Decree, equal to 60% of the rental fee paid in March 2020 for retail spaces. This tax credit is only available to offset other taxes and cannot be claimed by enterprises carrying out "essential activities" such as pharmacies and food shops.

### Tax credit for workspace adaptation

Enterprises and the self-employed with work-spaces open to the public can benefit from a tax credit equal to 60% of the COVID-19 measures related adaptation costs (up to €80,000) incurred during 2020. The tax credit can be offset in FY 2021 against tax liabilities. The tax credit can also be transferred to third parties.

### Tax credit for workspace and work instrument sanitation

The Relaunch Decree has enhanced some measures already established by the Heal Italy Decree allowing enterprises and the self-employed to benefit from a tax credit in the amount of 60% (formerly 50%) for expenses incurred for the sanitation of workspaces and for the purchase of COVID-19 related work instruments and PPE. Each taxpayer can claim a credit on a maximum amount of €60,000 (formerly €20,000) of expense (i.e., €30,000 maximum tax credit). The overall government budget for this measure is capped at €200 million (formerly €50 million) for FY 2020.

The tax credit can be used: (i) immediately to be offset against tax liabilities; or (ii) starting from FY 2021 (in the FY 2020 tax return) for other uses.

### Tax credit for advertising expenses

As already established by the Heal Italy Decree, a tax credit was introduced equal to 30% of the incremental advertising expenses made in FY 2020 via press, television and radio broadcast. Such tax credit is recognized within a maximum limit to be determined by the Italian Government and is subject to the relevant EU limits.

As a new measure, the Relaunch Decree increases from 30% to 50% the amount of the investment eligible for the tax credit.

### Simplified tax credit refunds

Tax credit refunds filed through 2020 are simplified in that they are not subject to the offsetting mechanism according to which the refund is allowed only if the taxpayer accepts to offset the amounts to be refunded with any pending tax liabilities.

### Increase of the tax credit offset threshold

During FY 2020, the yearly threshold for the offset of tax credits with tax liabilities is increased from €700,000 to €1 million.

### Tax credits for building renovation

Individuals can offset 110% of qualified building renovation and energy efficiency costs incurred between 1 July 2020 and 31 December 2021 against their tax liabilities in five equal installments (up to certain thresholds).

Individuals can convert the ordinary tax credits connected with qualified building renovation and energy efficiency costs incurred during 2020 and 2021 into: (a) a transferable tax credit; or (b) a discount of the relevant cost applied by the service provider (in such case, the transferable tax credit is granted to the service provider). The tax credit can be neither asked for refund nor carried forward to subsequent FYs.

### Additional Research & Development (R&D) tax credit for companies operating in Southern Italy

In order to support the R&D investments in southern Italy, enterprises located in Abruzzo, Basilicata, Calabria, Campania, Molise, Apulia, Sardinia and Sicily regions, investing in R&D activities (including those linked to the COVID-19 crisis) can apply for the R&D tax credit with a higher ratio than the ordinary one. More in detail, the relevant ratio has been increased:

1. To 25% (instead of ordinary 12%) for enterprises with at least 250 employees, with annual turnover of at least €50 million or with a total balance sheet of at least €43 million

2. To 35% (instead of ordinary 12%) for enterprises with at least 50 employees, with annual turnover of at least €10 million
3. To 45% (instead of ordinary 12%) for enterprises with less than 50 employees, with annual turnover up to €10 million or with a total balance sheet up to €10 million

### Transfer of COVID-19 related tax credits

Tax credits granted in connection with the COVID-19 emergency response can be transferred during the period between 20 May 2020 and 31 December 2021. The transferee can use the tax credit received with the same limitation provided for the transferor, but such credit cannot be carried forward in the following FYs or asked for refund.

### Conversion of Deferred Tax Assets (DTAs) into tax credits<sup>4</sup>

As already established by the Heal Italy Decree, companies willing to dispose, by 31 December 2020, receivables unpaid for more than 90 days can claim a partial conversion into tax credits of existing, although possibly unrecognized, DTAs associated with: (i) tax losses carried forward; and (ii) excess notional interest deduction carried forward. Tax credits resulting from the above conversion can be: (i) offset without any limit against tax payables, (ii) assigned within the same group or to third parties, and (iii) can be asked for refund.

This measure is not affected by the Relaunch Decree.

### Conversion of DTAs into tax credits for banks under compulsory administrative liquidation procedure

In order to support the disposal of the positive and negative items of banks under compulsory administrative liquidation procedure (different from cooperative credit banks or *Banche di credito cooperativo*) with a positive balance value up to €5 billion, the Italian Government can grant, among the other non-tax related measures, the conversion into tax credits of existing, although possibly unrecognized, DTAs of both the bank under compulsory administrative liquidation procedure and the acquiring bank associated with: (i) tax losses carried forward; (ii) excess notional interest deduction carried forward; and (iii) bad debt provisions made upon first time adoption of IFRS9. Tax credits resulting from the above conversion can be: (i) offset without any limit against tax payables, (ii) assigned within the same group or to third parties, and (iii) requested for refund.

The aforementioned disposals will not be subject to VAT while other indirect taxes (e.g., registration tax, cadastral and mortgage taxes, stamp duties), if any, will be due in a lump sum of €200.00.

## Other tax incentives

### Revamping of tax step-up of participations and land

The Relaunch Decree revamps a one-off opportunity for resident individuals and partnerships (*Società semplici*) to elect for a tax step-up of participations in unlisted Italian companies and lands (both buildable and agricultural lands) held as of 1 July 2020 through the payment of an 11% substitute tax.

The substitute tax basis is represented by the value of the participation or land as of 1 July 2020, which should be certified by a sworn appraisal prepared no later than 30 September 2020.

The substitute tax may be either paid in full by 30 September 2020 or through three annual installments starting from 30 September 2020 (with the following ones due by 30 September 2021 and 30 September 2022) with an annual interest rate of 3% applicable only to the second and the third installments.

### Benefits related to innovative Small and Medium (SME) capital increases

Individuals investing in capital increases of qualified innovative SMEs can offset 50% of the investment (up to €100,000) against income tax. The measure applies also in the case of intermediation of UCI mainly investing in the capital of innovative SMEs.

The investment has to be maintained for at least three years.

### Extra depreciation

The Decree extends from 30 June 2020 to 31 December 2020 the terms for the completion of the investments eligible for the extra-amortization regime (related to the purchase cost of brand-new tangible assets).<sup>5</sup>

### Tax benefits to be provided by Italian regions and other local administrations

Within the deadline for the filings of FY 2020 tax return, Italian regions and other local authorities can provide for tax benefits for enterprises up to €800,000 and specific tax benefits for the development of vaccines, medical treatments and equipment, PPE and the like related to COVID-19.

This measure is subject to the authorization of the European Commission.

### Repeal of VAT for PPE and medical equipment supplies

Supplies of surgical masks and other qualified PPE and medical equipment used in the fight against COVID-19 are exempt from VAT with right of deduction until 31 December 2020. Starting from 1 January 2021, the 5% reduced VAT rate on such supplies will apply.

### Enhancement of Individual Saving Plans

In addition to the ordinary Individual Saving Plan (*Piano individuale di risparmio* or PIR) - granting tax benefits for investments in SMEs - the Relaunch Decree also introduces a new PIR, which includes non-listed financial instruments (including loans and credits) acquired from Italian enterprises non-listed on the FTSE MIB, FTSE Mid Cap or equivalent index of regulated markets.

Under the new PIR, it is not allowed to invest more than 20% of the assets in shares or bonds of the same company (or associated companies). The investment can be concluded also through AIF. The total investment is capped at €1.5 million (€150,000 for year).

### Donations - deductibility for corporate income tax

As already established by the Heal Italy Decree, Italian entities subject to corporate income tax are allowed to deduct for both IRES and IRAP purposes, any donations made in favor of the State, regions, local entities, public bodies or institutions, foundations and non-profit organizations. The deduction of such expenses for IRAP purposes is allowed under a cash basis principle. The donation made by individuals and by non-commercial entities can be offset against the income tax due for an amount equal to 30% of the relevant expense up to €30,000.

This measure is not affected by the Relaunch Decree.

### General deferment of tax filings

As already established by the Heal Italy Decree, tax filings (other than tax payments) due during the period between 8 March 2020 and 31 May 2020 are postponed to 30 June 2020. As a new measure, the Liquidity Decree specifically introduced, as an additional extension, the possibility to file the compensation certificate (*Certificazione unica*) by 30 April 2020 (rather than by 31 March).

This measure is not affected by the Relaunch Decree.

## Tax controversy and administrative procedures

### Tax litigation terms

As established by the Liquidity Decree, tax court hearings were postponed to a date after 11 May 2020 and the terms for filing any appeals before tax courts were suspended from 9 March 2020 until 11 May 2020.

In this respect, the Relaunch Decree clarifies that the postponement of the said tax litigation terms (i.e., 64 days as provided under Article 83 of the Heal Italy Decree) applies together with the ordinary 90 days postponement provided upon a settlement procedure request (*Accertamento con adesione*), thus for an overall postponement of 154 days. This provision applies retrospectively (i.e., it can be applied to those cases for which tax settlement procedures were already pending at the time said Article 83 entered into force).

### Deferment of tax assessment notices

The terms for the notification by the Italian tax authorities of qualified tax deeds (including tax assessment notices) ordinarily expiring during the period between 8 March 2020 and 31 December 2020 are postponed to 2021 (unless for the exceptional and urgent cases) while the deeds need to be signed by the tax authority by 31 December 2020. No interest applies between 1 January 2021 and the date of notification.

The terms for the notification of tax bills are extended by one year in connection with several cases (e.g., automatic controls on tax returns submitted during 2018 and qualified withholding tax returns on employees and professionals submitted during 2017).

### Suspension of administrative procedures

As already established by the Heal Italy Decree, the validity of any tax certificate expiring during the period between 31 January and 15 April 2020 is extended to 90 days following the end of the emergency (this should also apply to certificates issued by foreign tax authorities).<sup>6</sup>

As a new measure, the Decree provides that the validity of the contribution payment certificate (*Documento unico di regolarità contributiva*) released between 31 January 2020 and 15 April 2020 is extended to 15 June 2020.

### Suspension of terms for certain tax authorities' activities

As already established by the Heal Italy Decree, the terms concerning the following procedures are generally suspended from 8 March 2020 to 31 May 2020:

1. Tax audits
2. Ruling requests
3. Cooperative Compliance Regime admission requests
4. International ruling procedures
5. Transfer Pricing downward adjustment procedures
6. Patent box procedures

However, under this suspension, an option was granted to the Italian tax authorities, whereby they may actually decide to go on with certain procedures.

This measure is not affected by the Relaunch Decree.

## Corporate law compliance

### Extension of terms for approving consolidated financial statements

The terms for approval of the consolidated financial statements for FY 2019 are postponed to 30 November 2020.

### Extension of terms for approving stand-alone financial statements

As already established by the Heal Italy Decree, companies are allowed to call the ordinary shareholders' meeting to approve the 2019 financial statements within 180 days of the end of the financial year as opposed to 120 days. As a consequence, all company meetings for the approval of the 2019 financial statements may be called by 28 June 2020. Also, it is allowed for all members to attend the shareholders' meeting by means of telecommunications, even in exception to the provisions of the by-laws.

This measure is not affected by the Liquidity Decree.

### Equity recapitalization

As already established by the Liquidity Decree, the provisions relating to equity recapitalization and erosion of minimum share capital are suspended from 8 April 2020 to 31 December 2020.



## Endnotes

1. See EY Global Tax Alert, [Italy enacts "Heal Italy Decree" to manage COVID-19](#), dated 20 March 2020.
2. See EY Global Tax Alert, [Italy enacts "Liquidity Decree" to further manage COVID-19](#), dated 10 April 2020.
3. See EY Global Tax Alert, [Italy approves 2020 Budget Law](#), dated 9 January 2020.
4. See EY Global Tax Alert, [Italian NPLs and UTPs: Conversion into tax credits of Deferred Tax Assets associated with tax losses carried forward and other deferred deductions](#), dated 18 March 2020.
5. See EY Global Tax Alert, [Italy approves 2019 Budget Law](#), dated 7 January 2019.
6. This point was confirmed by the Italian tax authorities with the above-mentioned Circular n. 8 of 3 April 2020.

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